June 2021 Housing Report

Housing market continues to moderate in June

Home sales recorded over Canadian MLS® Systems fell by 8.4% month-over month in June 2021, marking the third straight monthly slowdown since activity hit an all-time record back in March. While sales are now down a cumulative 25% from their peak, and below every other month in the last year, June transactions still managed to set a record for that month. (Chart A)

Month-over-month declines in sales activity were once again quite broad-based, with sales moderating in around 80% of all local markets, including almost all large markets across Canada.

The actual (not seasonally adjusted) number of transactions in June 2021 was up 13.6% on a year-over-year basis and marked a new record for that month.

“While there is still a lot of activity in many housing markets across Canada, things have noticeably calmed down in the last few months,” said Cliff Stevenson, Chair of CREA. "There remains a shortage of supply in many parts of the country, but at least there isn’t the same level of competition among buyers we were seeing a few months ago. As these conditions continue to evolve over the summer and fall, your best bet is to consult with your local REALTOR® for information and guidance about buying or selling a home at this stage in the cycle,” continued Stevenson.

“It feels like maybe the theme of this summer is ‘slowly getting back to normal,’ in our own lives and for many housing markets across Canada as well,” said Shaun Cathcart, CREA’s Senior Economist. “That said, it’s a long road to get back to normal, and for many housing markets the main issue is that supply shortages are as acute as ever. At the same time, the break we’ve had on the population growth side of things is likely now coming to an end. So while the frenzy and emotion of earlier in the pandemic seem to have dissipated for now, the key ingredients of a seller’s market are all still in place. Housing has been a major election issue before and it will be this time around as well. The difference this time will likely be a focus on getting more housing built in the years ahead, so at least we’re finally having the right conversation.”

The number of newly listed homes edged back a slight 0.7% in June compared to May. In contrast to the past year’s synchronicity in demand and supply trends, the little changed national new supply figure in June reflected a mixed bag of results, with about half of local markets seeing gains – welcome news for frustrated buyers.

The national sales-to-new listings ratio was 69.2% in June 2021, the lowest reading since last August. That said, the long-term average for the national sales-to-new listings ratio is 54.6%, so it remains historically high; although, it has been steadily moderating since peaking at 90.8% back in January.

Based on a comparison of sales-to-new listings ratio with long-term averages, more than half of all local markets were in balanced market territory in June, measured as being within one standard deviation of their long-term average. The was a significant shift compared to most of the past year which saw a majority of markets well into seller's market territory.

The number of months of inventory is another important measure of the balance between sales and the supply of listings. It represents how long it would take to liquidate current inventories at the current rate of sales activity.

There were 2.3 months of inventory on a national basis at the end of June 2021, up from 2.1 months in May and up from an all-time record-low of just 1.8 months in March. That said, it is still very much in seller's market territory. The long-term average for this measure is a little over 5 months.

The Aggregate Composite MLS® Home Price Index (MLS® HPI) rose 0.9% month-over-month in June 2021, continuing the trend of decelerating month-over-month growth that began in March. That deceleration was initially seen more so on the single-family side; although, that trend is now also playing out in the townhome and apartment segments.

The non-seasonally adjusted Aggregate Composite MLS® HPI was up 24.4% on a year-over-year basis in June. Based on data back to 2005, this was another record year- over-year increase; although, given how price growth took off in July of last year, this June 2021 reading may end up being the peak for year-over-year growth. (Chart B)

Looking across the country, year-over-year price growth is averaging around 20% in B.C., though it is lower in Vancouver and higher in other parts of the province. Year- over-year price gains in the 10% range were recorded in Alberta and Saskatchewan, while gains are closer to 15% in Manitoba. Ontario is seeing an average year-over- year rate of price growth in the 30%

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Mississauga Real Estate Board MLS® home sales rise to above-average levels in June

The number of homes sold through the MLS® System of the Mississauga Real Estate Board totaled 1,044 units in June 2021. This was a substantial increase of 40.7% from June 2020. Residential sales haven't hit this level in the month of June in five years.

Home sales were 20.9% above the five-year average and 2% above the 10-year average for the month of June.

On a year-to-date basis, home sales totaled 6,425 units over the first six months of the year. This was a jump of 95.2% from the same period in 2020.

"Home sales weren’t setting any new records in June but did manage to post the best level for this month since 2016," said Asha Singh, President of the Mississauga Real Estate Board. "Sales and new listings are both winding down from their breakneck pace earlier in the spring, although more so for new listings. As a result, overall supply levels are falling to new record lows. Without a boost in new supply returning to the market it appears that potential homebuyers will remain in tight competition for a shrinking pool of available listings, which will likely continue to put upward pressure on prices."

The MLS® Home Price Index (HPI) tracks price trends far more accurately than is possible using average or median price measures. The overall MLS® HPI composite benchmark price was $1,068,300 in June 2021, increasing by 18% compared to June 2020.

The benchmark price for single-family homes was $1,293,900, a gain of 21.3% on a year-over-year basis in June. By comparison, the benchmark price for townhouse/row units was $833,600, up by 17.8% compared to a year earlier, while the benchmark apartment price was $594,300, an increase of 10.3% from year-ago levels.

The average price of homes sold in June 2021 was $1,019,325, increasing by 14.4% from June 2020.

The more comprehensive year-to-date average price was $1,020,119, a gain of 19.7% from the first six months of 2020.

The dollar value of all home sales in June 2021 was $1.1 billion, up sharply by 61% from the same month in 2020. This was also a new record for the month of June.

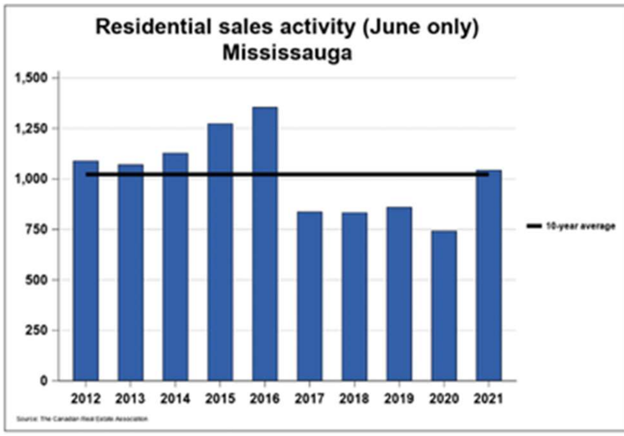
The number of new listings saw an increase of 10.5% from June 2020. There were 1,578 new residential listings in June 2021.

New listings were 1.5% below the five-year average and 10.1% below the 10-year average for the month of June.

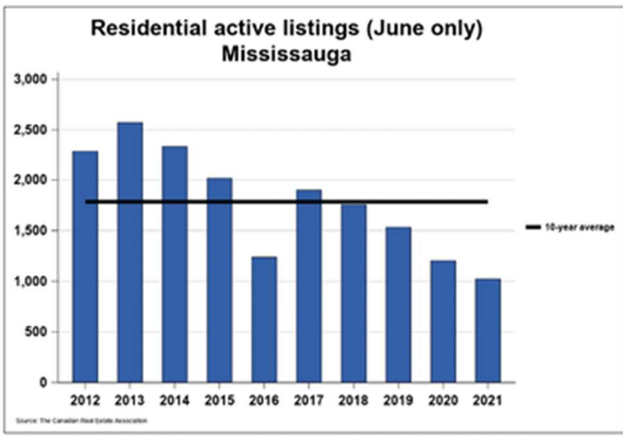
Active residential listings numbered 1,022 units on the market at the end of June, a large decline of 15% from the end of June 2020. Active listings haven't been this low in the month of June in more than 25 years.

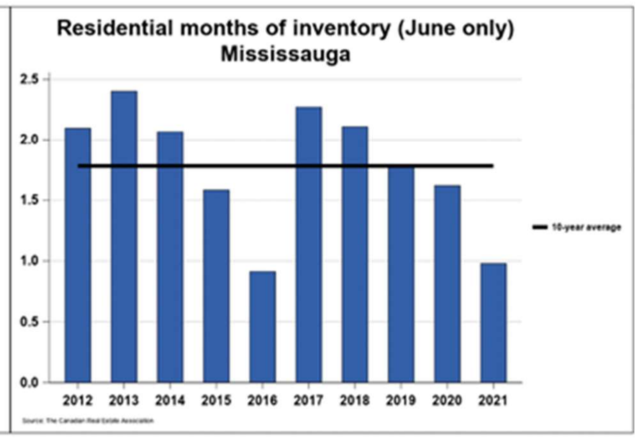
Active listings were 31.1% below the five-year average and 42.8% below the 10-year average for the month of June.

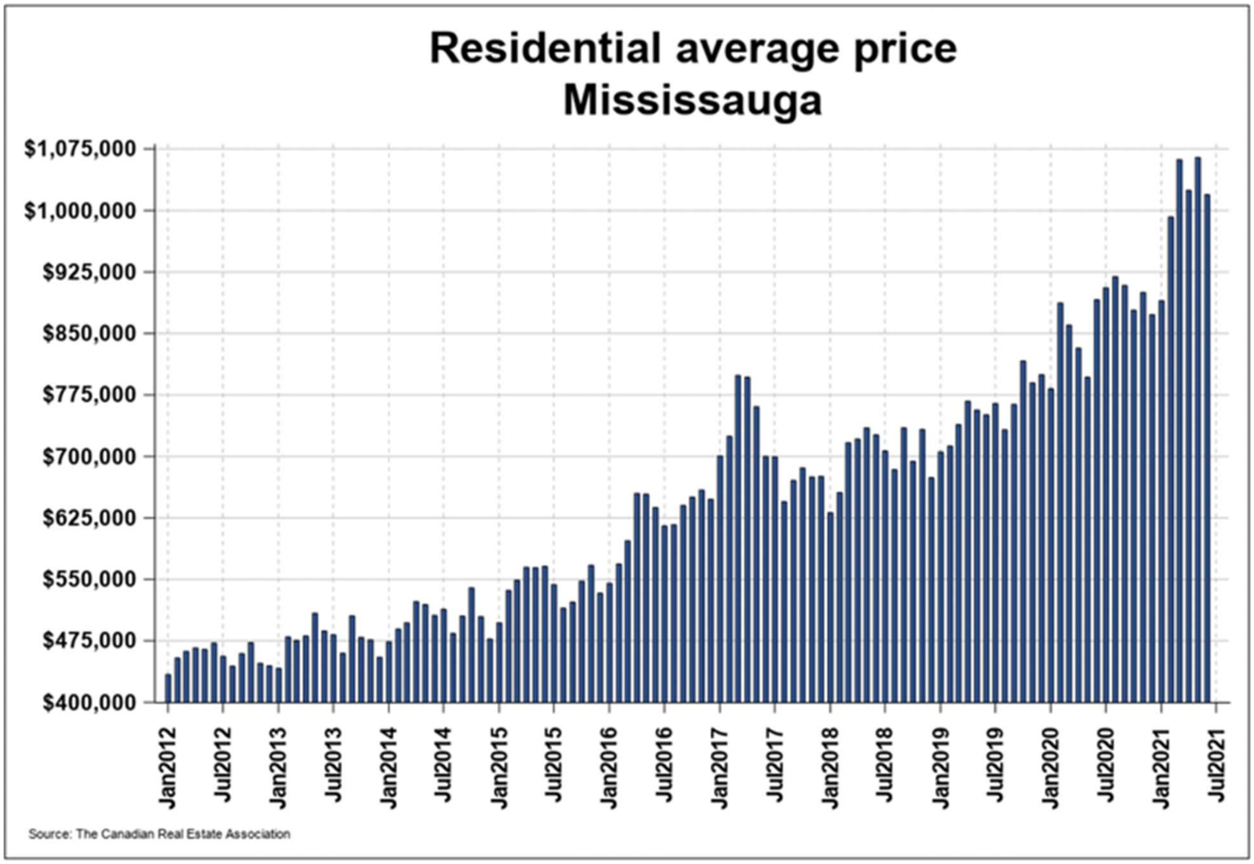
Months of inventory numbered 1 at the end of June 2021, down from the 1.6 months recorded at the end of June 2020 and below the long-run average of 1.8 months for this time of year. The number of months of inventory is the number of months it would take to sell current inventories at the current rate of sales activity.


Residential sales activity (June only)
Mississauga
1,500
1,250
1,000
750
500
250
0
2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
10-year average


Residential new listings (June only)
Mississauga
2,500
2,000
1,500
1,000
500
0
2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
10-year average


Residential active listings (June only)
Mississauga
3,000
2,500
2,000
1,500
1,000
500
0
2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
10-year average


Residential months of inventory (June only)
Mississauga
2.5
2.0
1.5
1.0
0.5
0.0
2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
10-year average



CREA Housing Market Forecast

Housing activity forecast to continue easing over the second half of 2021 and into 2022

The Canadian Real Estate Association (CREA) has updated its forecast for home sales activity via the Multiple Listing Service® (MLS®) Systems of Canadian real estate boards and associations.

Over the past several years, record levels of international immigration (not including 2020), low interest rates, and an increasingly middle-aged Millennial cohort have combined to fuel very strong household formation and housing demand in Canada. Recall that prior to COVID-19, the number of available listings nationally was already at a 14-year low and the national number of months of inventory on the eve of the lockdowns had fallen to below 4 months (seller's market territory).

COVID-19 supercharged trends that were already present, with even stronger first-time home buying activity teaming up with a surge in existing owners choosing to pull up stakes and move to find the right place to ride out the pandemic. This served to drive prices sharply higher while supply fell further to reach all-time lows. That said, with vaccination now well underway, the urgency with which so many sought out housing over the last year appears to be fading and the market is settling down, albeit from a very high starting point.

The mass vaccination of society and reopening of our lives and economies along with the associated migration and international immigration introduce a considerable amount of uncertainty to the outlook over the balance of 2021 and into 2022. Still, it is hard to see how these factors will not act as tailwinds to both housing demand and prices, particularly as inventories are still stuck at record lows.

Current trends and the outlook for housing market fundamentals suggest activity will remain strong through 2021, resulting in a record number of sales this year despite the slowdown that began in April. Over time, activity is forecast to continue returning towards more typical levels. As a result, 2022 is expected to see significantly fewer MLS® transactions than in 2021 while nonetheless still marking the second-best year on record.

Some 682,900 properties are forecast to trade hands via Canadian MLS® systems in 2021. This would be a record-setting result, and an increase of 23.8% over 2020. The strength of demand in 2021 has been geographically broad-based and CREA anticipates double-digit sales growth in every province with the exception of Quebec, where the second half of 2020 was comparatively stronger than the first five months of 2021.

The national average home price is forecast to rise by 19.3% on an annual basis to just over $677,775 in 2021. This reflects the current unprecedented imbalance of supply and demand, currently close to 2 months of inventory nationally. While market conditions have eased a little in recent months, they nonetheless continue to favour sellers to some extent in virtually all local markets.

On a monthly and quarterly basis, sales are forecast to continue trending back towards more typical levels through the latter half of 2021 and into 2022. Limited supply and higher prices are expected to tap the brakes on activity in 2022 compared to 2021, although increased churn in resale markets resulting from the COVID-related shake-up to so many people's lives may continue to boost activity above what was normal before COVID-19. Indeed, it is possible that many of the moves associated with changes related to remote work won't play out until further down the road when we have more certainty about what the future will look like post-COVID.

National home sales are forecast to fall by 13% to around 594,000 units in 2022. This easing trend is expected to play out across Canada with buyers facing both higher prices and a lack of available supply, while at the same time the urgency to purchase a home base to ride out the pandemic continues to fade alongside the virus itself.

Sales declines are forecast to be largest in B.C. and Ontario, resulting in a “Simpson’s Paradox” in the average price whereby every province is forecast to post a larger year-over-year increase than the one at the national level due to the compositional shift in sales away from the most expensive provincial markets. The national average price is forecast to edge up by just 0.6% to $681,500 in 2022.

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