

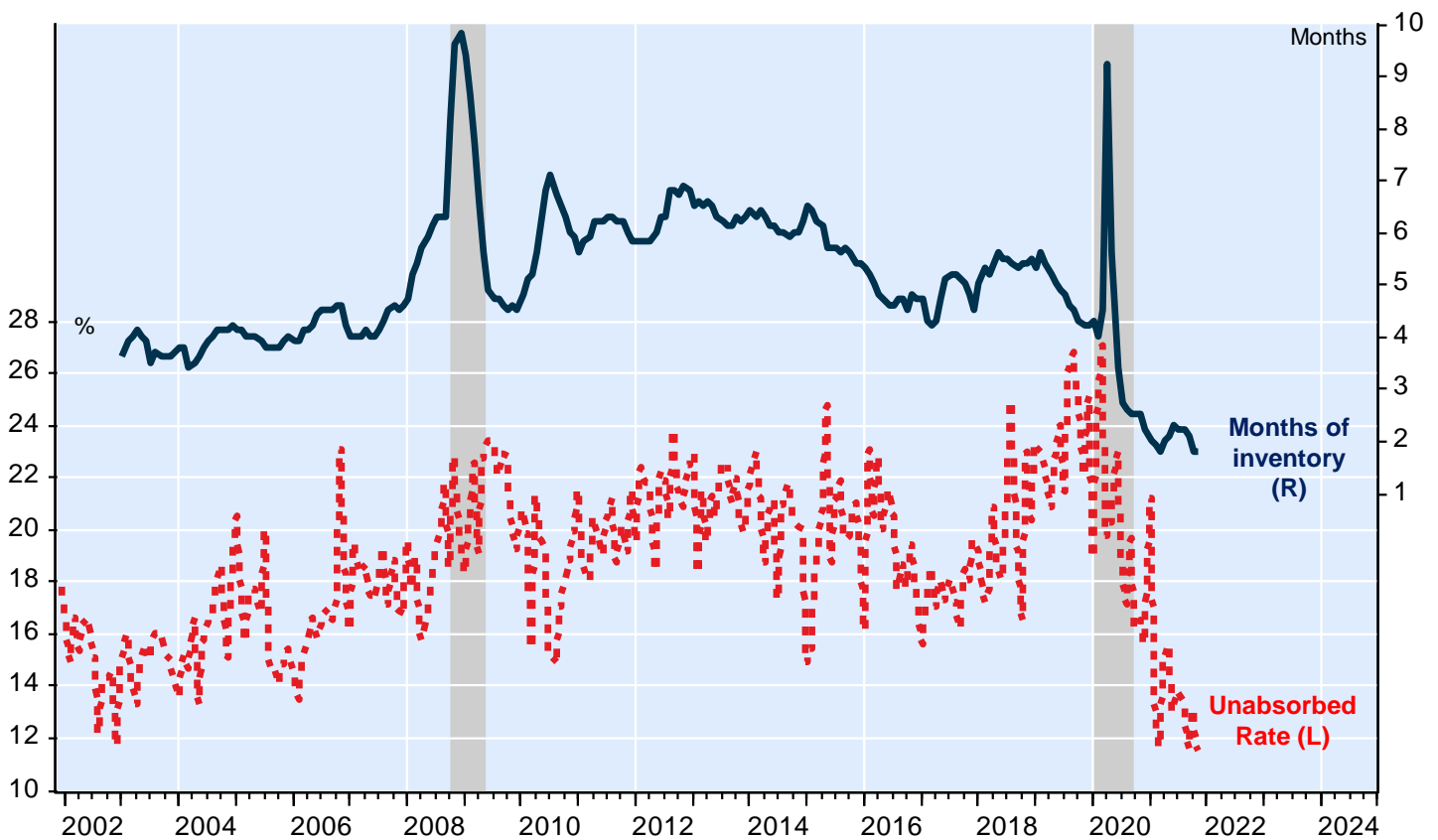
Canada Watch

By Daren King

The real estate market continues to make headlines month after month due to record price levels. The supply of housing on the resale market has never been so tight. As today's Hot Chart shows, the number of months of inventory, i.e. the ratio between the number of properties for sale on the market and the number of sales made during a month stood at 1.8 in November. Moreover, even new construction is struggling to keep up with the red-hot demand. Of the new units that have been completed in November, less than 12% had not found takers, a level not seen since 2002. These extreme conditions may not endure for much longer. With the Bank of Canada's policy rate set to rise next year (we expect a 125 bps increase in 2022), a moderation is in the cards. Recall that much of the real estate frenzy of the last few months was caused by a preference for variable rate loans. Higher interest rates combined with many new units under construction should help loosen residential market conditions after an astonishing ride.

Canada: A drum-tight housing market

Months of inventory on the resale market & proportion of unabsorbed units for new construction, seasonally adjusted



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