



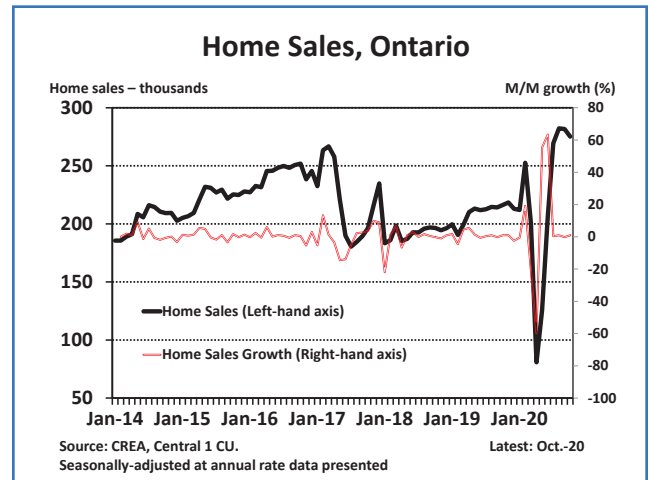
## Highlights:

- Ontario home sales continue to wane, down an additional 2.3 per cent
- Very modest gain to manufacturing sales volumes in September, recovery may be starting to stall
- Inflation in Ontario remains range bound
- Housing starts stop their skid and moved up 2.8 per cent in October
- Increased new vehicle sales helps lift retail sales in September

## Ontario's housing market shield starting to show some weakness, sales, and average price both decline

Ontario's October housing metrics are all well above figures from the same month last year: sales growth is up 27.3 per cent, new listings are up 17.8 per cent, and average price growth is up 17.4 per cent. Since the province's economic restart in May, housing market activity has outperformed 2019 performance. However, the story changes when looking at month-over-month comparisons. Yes, compared to last year the market is up significantly, but within the context of 2020 the market is starting to show signs of weakening activity despite supportive measures such as very attractive mortgage rates.

Home sales in October fell 2.3 per cent, adding to last month's drop of 0.2 per cent. While demand waned, supply edged up with new listings moving up 4.7 per cent in October erasing some of the losses from the 14.8 per cent drop in supply last month. With greater supply and waning demand, the market loosens. The sales-to-new-listings-ratio (SNLR) moved down to 73.3 per cent in October from 78.5 per cent in September. A reading above 60 per cent typically signifies a market that is a sellers' market. Moreover, months of inventory remained unchanged at 1.3 months signaling a waning of activity after this metric steadily moved down since the restart in May, at which time it stood at 2.6 months of inventory.



Average home price fell an additional 0.8 per cent in October to \$731,952 adding to the two per cent drop in price in September. With a greater number of people working from home and the need for more space to protect their households from the virus, more buyers are making purchases outside of the urban cores which is likely a reason for the drop in average price growth over the last couple of months.

Waning sales are expected as potential buyers step off the sidelines amidst the second wave of COVID-19 which is well underway at present, in addition to directives from the Ontario Real Estate Association that realtors abstain from showing homes to protect the public health and substantial economic uncertainty in the horizon (note, at this time no news was available on a successful vaccine or the robust preliminary results of a couple of vaccines such as the Pfizer and Moderna vaccines).

Year-to-date, sales and average price are ahead of last year's pace by 5.0 per cent and 16.3 per cent, respectively. New listings continued to lag last year's pace by 8.4 per cent. Over the first 10 months the SNLR was 70.7 per cent up from 61.7 per cent at the same period last year.

Leaders in Ontario have signaled that should COVID-19 cases not stabilize or retreat, the province is "staring down the barrel of another lockdown." That scenario would result in a slow-down to the market rather than the freeze which was experienced from March to mid-May.

The Canadian Real Estate Association (CREA) surveys six real estate boards and constructs a monthly constant quality housing price index (HPI). All six HPIs' rate of growth slowed down in October over September. Some of the most significant decelerations in HPI growth occurred in Ottawa (up 1.4 per cent in October from 2.5 per cent in September), Greater Toronto (up 0.1 per cent in October from 0.9 per cent in September), Oakville-Milton (up 0.1 per cent in October from 1.3 per cent in September), and Hamilton-Burlington (up 1.1 per cent in October from 2.2 per cent in September).

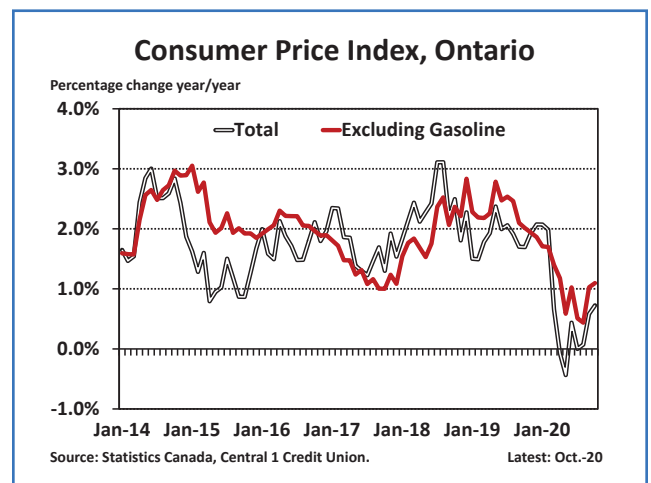
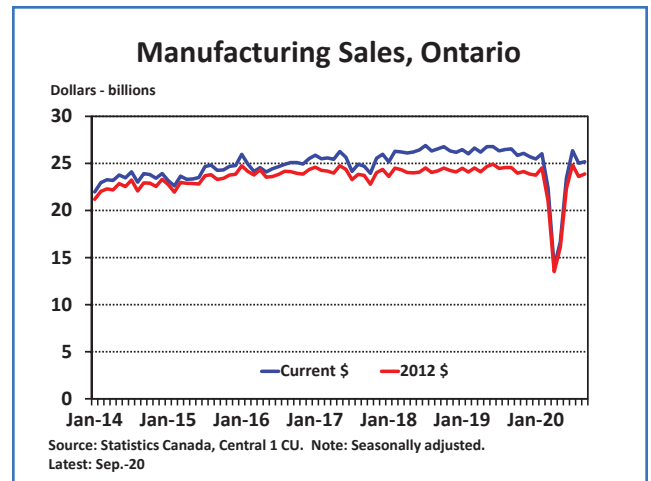
Sales fell in 23 of Ontario's 44 real estate boards including the largest, Greater Toronto which posted 4.0 per cent lower sales in October. Sales declines in several large real estate boards such as Ottawa (down 3.6 per cent), Hamilton-Burlington (down 9.8 per cent), York Region (down 6.2 per cent), Durham Region (down 3.1 per cent) and Windsor-Essex (down 8.0 per cent) offset gains in other areas of the province.

### Manufacturing sales edged up very modestly in September

Manufacturing rebounded just barely in September, moving up 0.6 per cent after falling 5.0 per cent in August. Moreover, after three months of strong growth from May to July it seems the rebound has reached a plateau. Since the pandemic started, only July sales have eclipsed last year's total and total sales have continued the trend of tracking below last year's total. Over the first nine months of 2020 total manufacturing sales are lagging last year's total by 14.1 per cent due to still large gaps from year ago totals for durable goods (down 18.7 per cent) and non-durable goods (down 6.6 per cent).

In September, sales rose in 14 of 21 industries, led by a few large sectors such as chemicals (up 4.2 per cent), plastics and rubber products (up 1.7 per cent), fabricated metal products (up 1.4 per cent), and machinery (up 2.1 per cent). Large sectors such as food manufacturing (up 0.1 per cent) and transportation equipment manufacturing (up 0.2 per cent) rose minimally. Sales in the miscellaneous industry were down 9.2 per cent on lower sales of gold and silver. Sales of wood products rose 3.4 per cent largely on increased exports of forestry products and building and packaging materials. Increased residential construction led to some export gains in lumber and other related wood products.

Food sales remained effectively flat as the food services sector continues to be hammered by the



measures aimed at controlling the spread of the virus and greater closure of restaurants unable to survive.

Over the first nine months of 2020 only six of 21 sectors continue to outperform last year's total revenues. Many of these six sectors are in non-durable goods such as food, beverage and tobacco, and textiles pointing to a continued shift in consumer demand as tough times focuses people's priorities from non-essential to essential purchases.

Measures were increased in southern Ontario hotspots such as the City of Toronto and Peel Region to control the spread of the virus in October and November. The measures may need to be tightened further, perhaps even having lockdowns like the province had in the spring where only essential businesses could remain open

### Inflation moved up 0.7 per cent in October but remains well below trend

Headline inflation (reported through the Consumer Price Index) moved up in October to 0.7 per cent up from 0.6 per cent in September. Excluding energy

prices moved up 1.1 per cent. Gasoline prices continued to slide moving down 13.2 per cent in October which helped to keep inflation modest.

As expected with this COVID-19 induced economic shock inflation remains well below the average trend given significant slack.

Prices for goods moved up largely from more expensive non-durable goods that offset weakening durable and semi-durable goods. Prices for services saw the rate of appreciation slowdown in October to 1.2 per cent from 1.5 per cent in September.

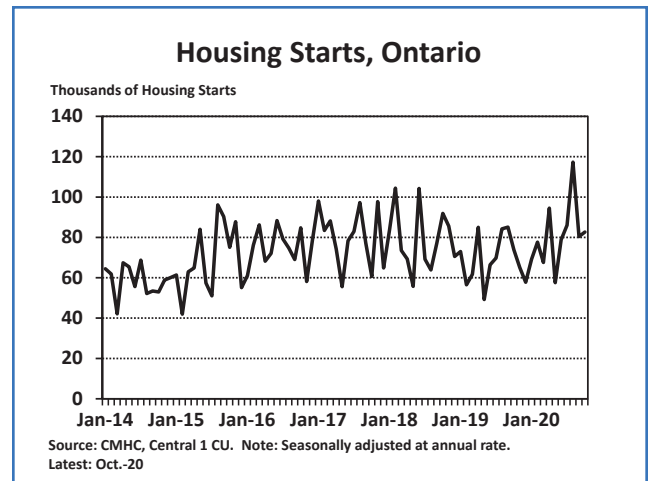
Prices for food (up 2.4 per cent), shelter (up 2.6 per cent), and healthcare and personal care (up 0.5 per cent) helped offset sliding prices for clothing and footwear (down 4.3 per cent), transportation (down 0.4 per cent), and recreation, education and reading (down 1.7 per cent). Food prices moved largely due to prices at stores while shelter costs moved up largely due to owned ownership. Increased risks have raised home insurance likely leading to the lift in owned home costs coupled with increased property taxes from higher assessed home values.

Natural gas prices in Ontario moved up 12.0 per cent in October after falling 6.2 per cent in September. The significant jump in price was due to utilities revising commodity prices to reflect higher current and forecasted prices, after deferring rate increases in the previous quarter.

General prices accelerated in all the three metro markets surveyed in September with the largest gains posted in Thunder Bay (up 1.1 per cent in October from 0.5 per cent in September). Prices in Ottawa-Gatineau moved up 1.7 per cent (from 1.2 per cent in September) and 0.4 per cent in Toronto (up from 0.2 per cent down in September).

### **Pick-up in construction in large urban centres lifts total starts by 2.8 per cent in October**

Housing starts rebounded in October moving up 2.8 per cent to 82,641 units SAAR. Over the first 10 months of 2020 housing starts remained 15.2 per cent ahead of last year. Housing starts in Ontario accounted for 38.5 per cent of Canada's total new home construction in October well above the 35.6 per cent share typically seen over the long-term. In metro areas, housing starts moved up 2.9 per cent largely on strong growth of low-rise housing. Single-detached and semi-detached home construction increased 14.2



per cent and 29.4 per cent respectively in October. Condo apartment construction increased by 2.4 per cent while townhome construction contracted 18.4 per cent. The month-over-month growth in low-rise construction is well above long-term monthly averages. Low-rise home construction is very popular given attractive mortgage rates helping to mitigate costs and people's needs for greater space. Year-to-date, all but townhomes are ahead of their respective paces from last year.

The seasonally adjusted average contract price for a single-detached home decreased 0.8 per cent in October. The seasonally adjusted median price edged up 0.7 per cent. Year-over-year, the average and median price increased by 2.8 per cent and 1.3 per cent, respectively. According to these metrics from year ago, activity buyers are possibly buying larger more expensive homes supported by those low mortgage rates.

The lift in new home construction in October came largely from a few large metro areas such as Toronto (up 3,200 net adjusted starts), Barrie (up 2,900 net adjusted starts), Hamilton (up 3,500 net adjusted starts), Oshawa (up 100 net adjusted starts), and St. Catharines-Niagara (up 1,800 net adjusted starts).

The only thing impeding the development of new housing is the shortage of skilled labour. Since the restart in May it has been business as usual for the construction sector. Housing starts could still begin to slide over the last two months of 2020 due to further restrictions to control the virus until vaccines start arriving in the first quarter of 2021 or as buyers become more cautious given economic uncertainty affecting employment and wages in some sectors and they play the waiting game until 2021.

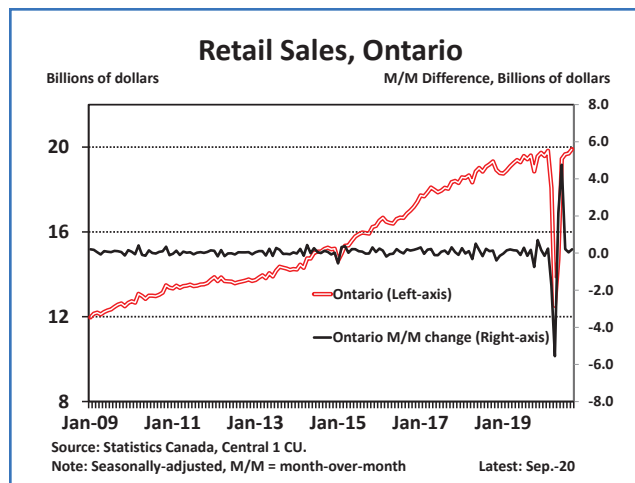
## Retail sales rebound in September

Retail sales rebounded in September moving up 1.0 per cent to \$19.9 billion after posting 0.2 per cent growth in August. Retail sales are now back up to pre-pandemic sales volumes from February. Modest sales volumes growth now for three consecutive months continues to suggest that consumers remain cautious about overextending themselves given the high level of economic uncertainty. Sales in Toronto also rebounded in September moving up 1.2 per cent after sliding 0.5 per cent in August. Excluding Toronto, sales in the rest of Ontario moved up 0.9 per cent in September.

Year-to-date, retail sales in Ontario are still lagging last year's pace by 5.9 per cent. Toronto sales are lagging last year's pace by 8.7 per cent and excluding Toronto, sales in the rest of Ontario are lagging last year's pace by 3.9 per cent. Since Toronto took longer to open its economy after the pandemic's first wave it had a bigger gap to make up.

Sales increased in 9 of 11 subsectors with several large areas posting sales gains. Food and beverage sales and sporting goods and recreation sales fell 1.2 per cent and 16.2 per cent month-over-month respectively. Motor vehicle and parts (up 8.4 per cent), general merchandise (up 4.1 per cent), health related sales (up 10.8 per cent), and gasoline station sales (up 2.7 per cent) all increased in September.

Motor vehicle and parts sales increased on greater sales of new cars. Low interest rates and the desire not to take public transportation during the pandemic has led to consumers purchasing cars in greater numbers. Gasoline station sales have increased given more vehicles on the roads.



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