



Housing and Mortgage Market Review

Still no bottom for home sales

By Ben Rabidoux

Mortgage Professionals Canada is pleased to share the August issue of our monthly report on key market findings and analysis to help support Canada's mortgage broker channel.

We have partnered with analyst Ben Rabidoux, who each month provides MPC members with a review of the latest housing and economic data and rate trends. He breaks down what the data means and spells out the implications for Canadian consumers—your clients.

We look forward to arming our members with powerful insight into the housing and mortgage markets and hope you enjoy this latest report.



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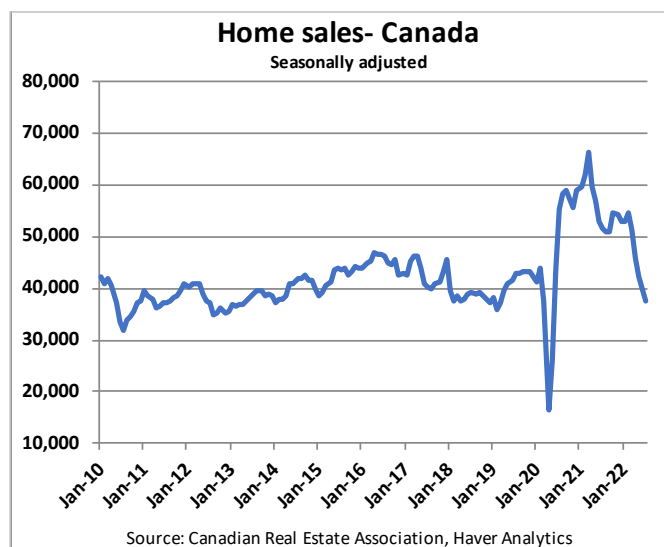
Still no bottom for home sales

Rising rates, weak consumer sentiment weighing on demand

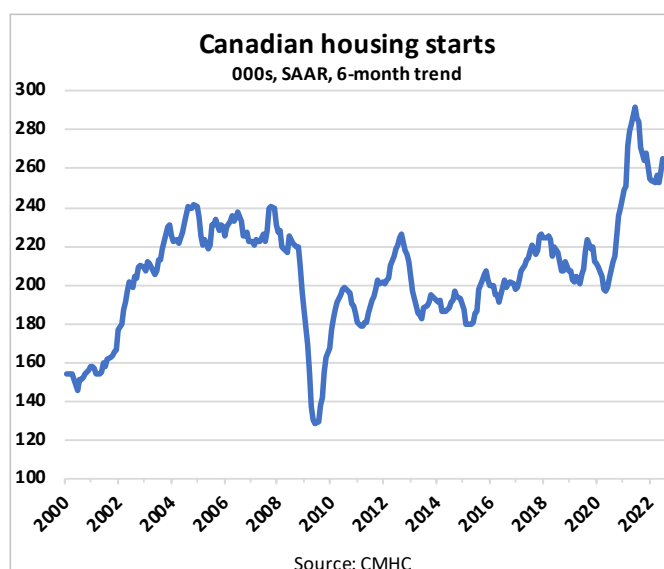
National home sales fell another 5.3% month-over-month in July, led by outsized declines in B.C. (-8.3%) and Ontario (-6.7%). Transaction levels have now fallen by 43% from the 2021 peak.

Hardest hit among the provinces is Ontario. Outside of April and May 2020 and a five-month stretch during the depths of the Financial Crisis, last month saw the lowest level of seasonally adjusted home sales since the 1990s.

Active listings nationally ticked up another 3.4% m/m in July on a seasonally adjusted basis and are now up 45% from the late 2021 lows. But the good news is that new listings coming to market have started to slow, down 5.2% relative to June levels.



What it means: Even with resale inventory rising sharply, markets across the country are still not dramatically oversupplied. We would need to see a further 40% increase in active listings to hit the average inventory levels seen from 2017-2019. This is reflected in months of inventory, which have doubled off the lows but are still at just 3.4 nationally, well under the long-term average of 4.9.



For their part, developers are trying to bring new supply to market. Housing starts in Canada came in at 275,000 on an annualized basis in July, well ahead of expectations for closer to 260,000.



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Under-construction inventory hit a fresh high in July, including in the previously undersupplied single-family segment. Expect this to add to rising inventory in the resale market as these units complete.

On the pricing front, the MLS House Price Index posted another 1.8% monthly decline in July, in line with the record-setting drop in June.

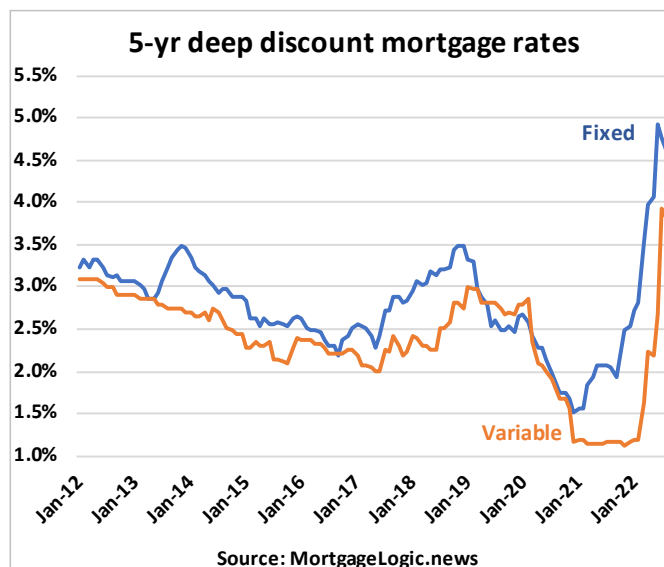
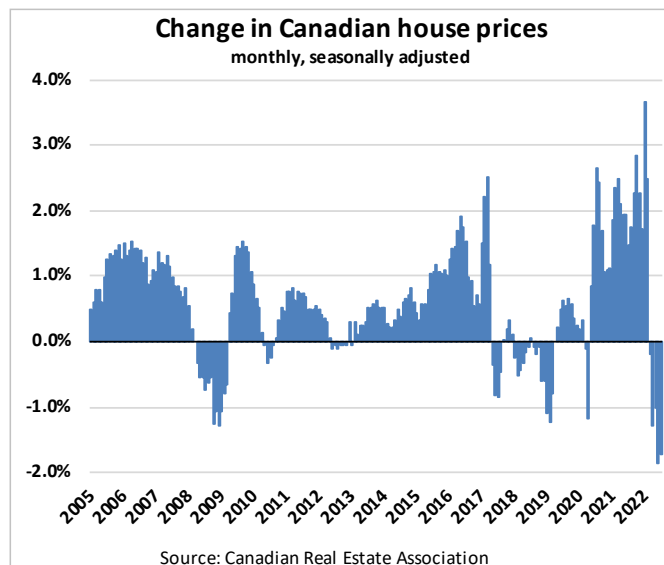
Finally, some modest relief for prospective buyers

We're finally getting some relief for prospective homebuyers via slightly lower mortgage rates this month. Discounted fixed and variable mortgage rates have come down compared to July levels, which will help affordability at the margins.

Unfortunately for variable-rate borrowers, the Bank of Canada has signalled another large rate hike for September. While headline inflation fell 7.6% year-over-year in July (down from 8.1% in June), measures of core inflation, which the Bank of Canada is most concerned about, rose to 5.3% from 5.2% previously. Further, seasonally adjusted core CPI rose 0.5% on the month...higher than the average over the past year.

What it means: The Bank's job is not done yet, and until we see tangible signs that inflation is well on its way to returning to the Bank's 1-3% target range, we should expect upward pressure on rates and downward pressure on demand.

**Any forecasts contained in this report are accurate as of the date indicated.*



Ben Rabidoux is the founder of Edge Realty Analytics (www.edgeanalytics.ca), which equips top real estate and mortgage professionals with timely research and insightful marketing infographics to help them stand apart from the competition and stay engaged with their clients and prospects.

He is also the founder and president of North Cove Advisors, a market research firm serving institutional and high net worth clients since 2013 that is consistently ranked top 5 for Canadian economic coverage by Brendan Wood International.

He is a frequent guest and contributor in major media outlets, including Bloomberg, The Wall Street Journal, Reuters, The Globe and Mail, The Toronto Star, Macleans, and many others.

