



Housing and Mortgage Market Review

Leading indicators point to recession in 2023

By Ben Rabidoux

Mortgage Professionals Canada is pleased to share the December 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.

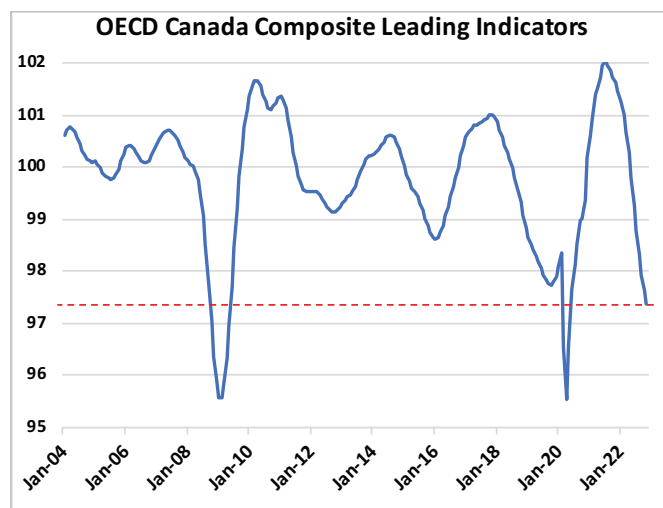
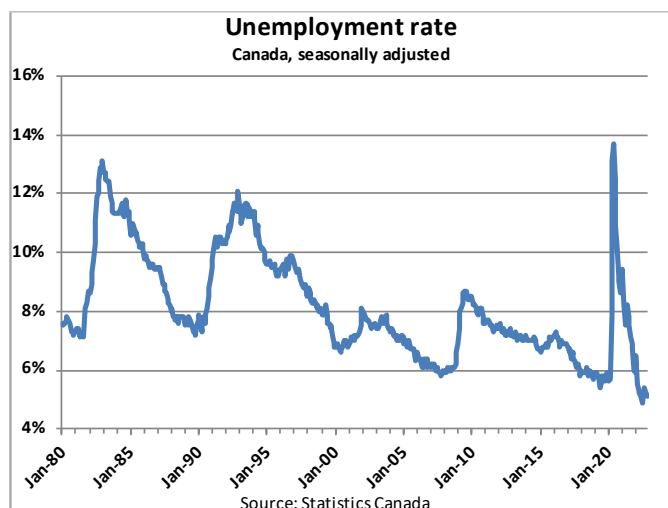
We look forward to arming our members with powerful insight into the housing and mortgage markets and hope you enjoy this latest report.



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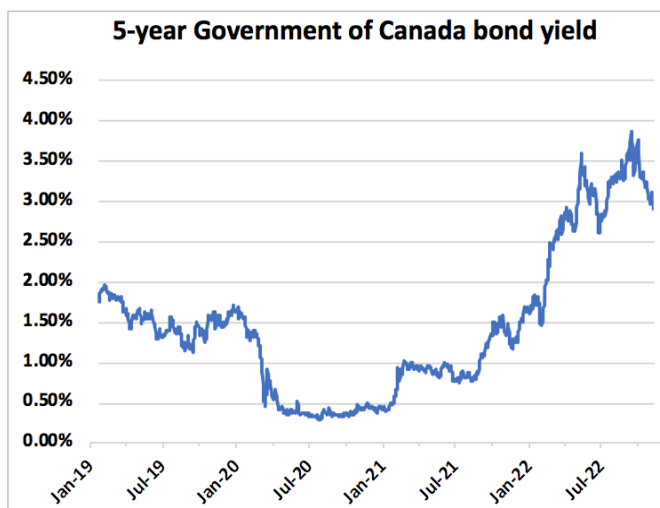
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The Canadian economy continues to churn out mixed signals. On one hand, the unemployment rate fell in November and remains near record lows, pointing to a continued strong labour market.



At the same time, the OECD's Composite Leading Indicators, a collection of forward-looking data sets that tend to predict economic growth in the future, has fallen to levels that historically have been consistent with recession.

With a looming economic slowdown and signs that core inflation is rolling over (it's up a mere 0.9% over the past three months), investors are beginning to price in an end to the Bank of Canada's rate-hike cycle. Bond yields have been drifting lower all month and fixed mortgage rates are beginning to follow suit.





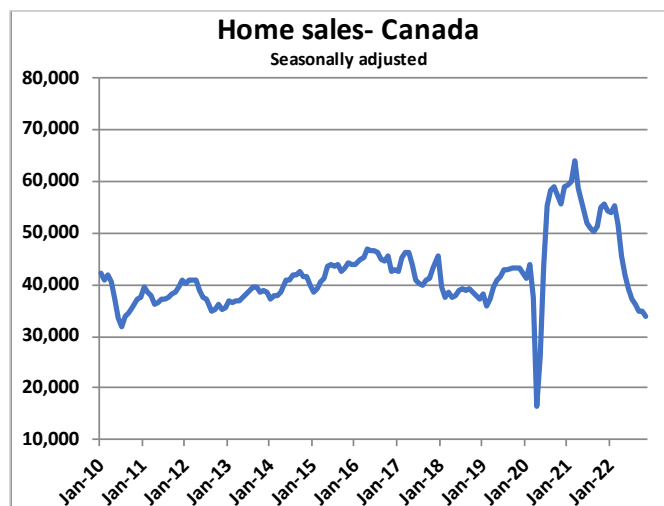
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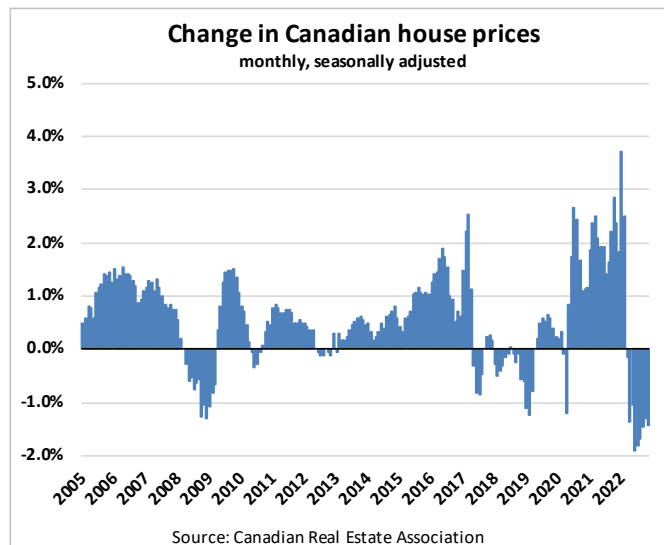
Home sales and prices remain under pressure

Seasonally adjusted home sales tumbled 3.3% month-over-month in November and are now at levels last seen in 2010 (outside of the initial COVID-19 lockdowns in early 2020).

New listings remain stubbornly low, down 1.3% month-over-month, and they remain roughly 5% below decade averages, though they did rise 1.8% on a monthly basis in Ontario.



The supply/demand balance continues to deteriorate with months of inventory above 4 for the first time since early 2020.



The MLS House Price Index slid another 1.4% in November and is now down over 9% in the past 6 months.



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What it means: Looking forward, expect housing demand to bottom this winter once we finally get some clarity from the Bank of Canada regarding the end of the current tightening cycle, which should bring some well-qualified buyers off the sidelines. That likely sets up a modest rebound in demand come the spring, but it's difficult to envision a return to the frothy market of late 2021 and early 2022.

The unknown and all-important variable becomes supply, and there's a case to be made that we'll see strong listing activity this spring as the impact of high rates, a strong flow of new housing completions, and deteriorating employment trends should keep the market well-supplied for a while.



**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.

