



Housing and Mortgage Market Review

Rate hikes cued up for March

By Ben Rabidoux

Mortgage Professionals Canada is pleased to share the February 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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The Bank of Canada looks set to begin lifting the overnight rate in March. Headline inflation hit 5.1% in January, the highest reading since 1991. More importantly, core inflation measures, which strip out some of the more volatile price components, are averaging 3.2%. This puts them above the Bank's target band of 1-3% for the first time in at least 20 years, and it's a very strong indication that the Bank will be forced to raise rates.

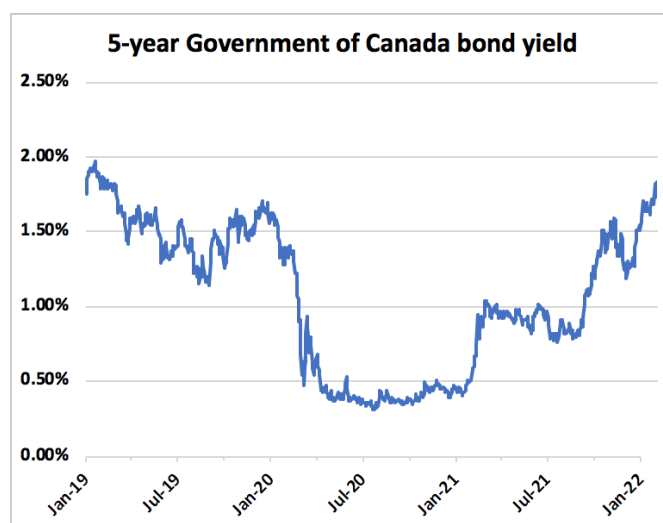
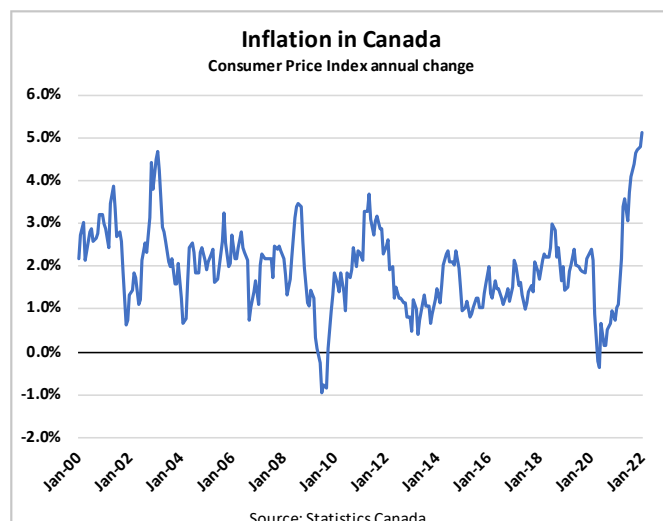
What it means: This is of particular concern for variable-rate mortgage borrowers, who account for 28% of all mortgage debt outstanding and nearly 55% of new mortgages.

Fixed mortgage rates are on the rise and likely have further to go from here. The 5-year Government of Canada bond yield, which dictates fixed mortgage pricing, is now at its highest level since 2019.

Rising rates will take some steam out of the resale market, but it's important to remember that Canadian households are in a relatively good position to absorb at least a couple of rate hikes.

Consider:

- The employment situation still looks solid, notwithstanding a bit of a wobble last month on account of some of the Omicron-related restrictions.
- Households have paid off high-interest consumer debt throughout the pandemic and now have a lower debt service ratio overall than when the pandemic began.
- The household savings rate is still over 10% compared to zero at the start of the pandemic, and Canadians have collectively saved \$280 billion, or nearly 12% of GDP, since the start of the pandemic.





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Home Sales

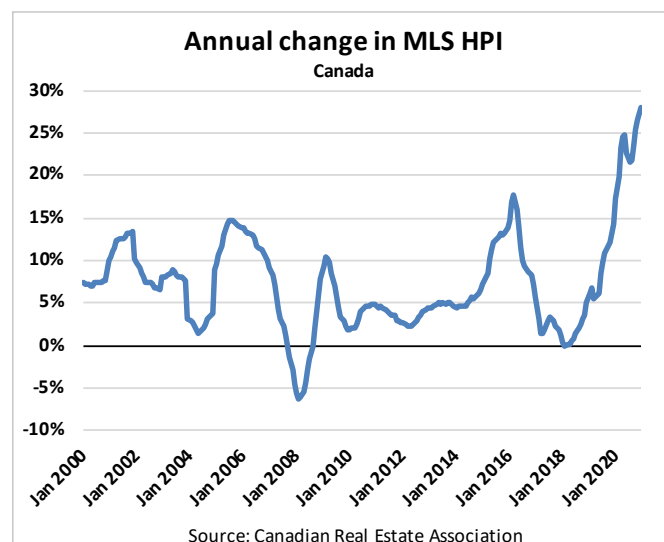
The housing market in Canada has gone from being hot to being outright crazy.

Seasonally adjusted sales rose another 1% in January and now stand 33% above where they were at the start of 2020. Sales surged 7.4% month-over-month in Alberta and 5.5% in B.C. They were up slightly in Ontario (+0.5% month-over-month) and down 2.9% in Quebec.

But the big story remains a lack of inventory. New listings slumped 11.0% from December, which pushed the sales/new listings ratio up to 89%, the second-highest reading on record:

Price appreciation hit 28% year-over-year, and prices were up 2.9% in January alone, the strongest monthly growth rate on record.

The outlook: I suspect we'll see a couple more chaotic months in the housing market as prospective buyers try to front-run the interest rate increases. The back half of the year should look much tamer as rising rates take a bite of 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.



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