

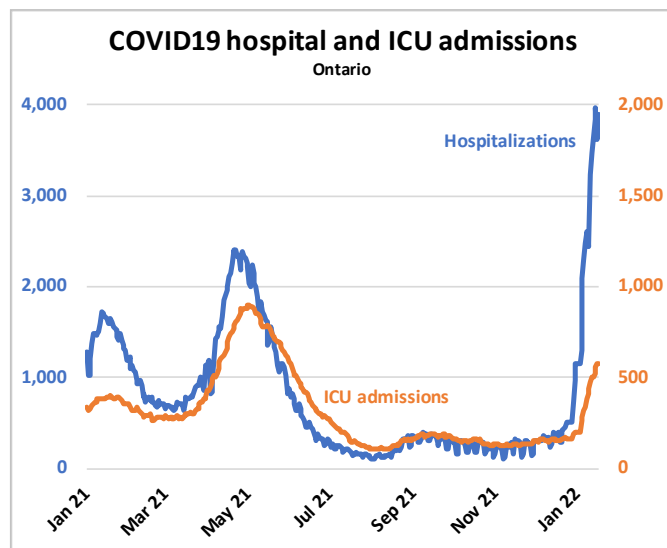
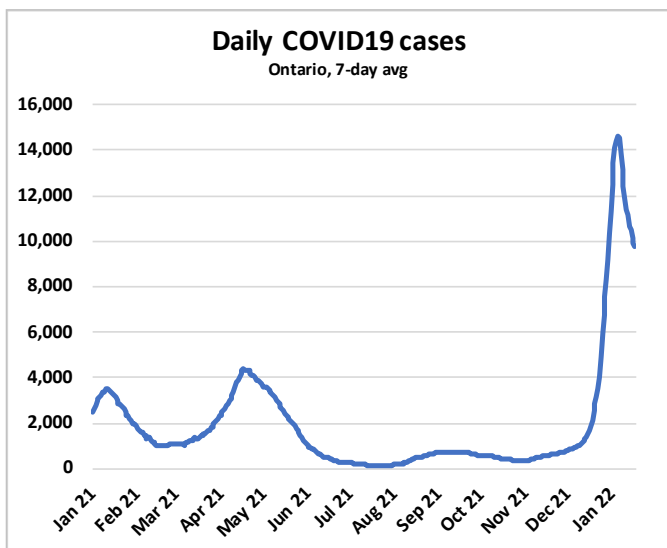


Housing and Mortgage Market Review

Despite a peak in COVID cases, economic impact to linger in Q1

COVID-19 cases in Ontario may have peaked, though it's difficult to make a definitive conclusion due to the shortage of PCR tests. We've also seen viral loads in wastewater fall to the lowest levels in a month in metro areas like Ottawa, which is an encouraging sign and suggests that the rate of infection is easing.

Hospitalizations have surged, but it's perhaps notable that ICU admissions due to COVID have not followed the same pattern for now and remain at just over half of the prior peak levels. This suggests that while the Omicron variant is far more contagious, it's perhaps also a less virulent strain. Still, with these numbers on the rise and an ongoing shortage of healthcare workers, COVID-related restrictions will remain in place for a while longer, and that will likely weigh modestly on economic growth this quarter.



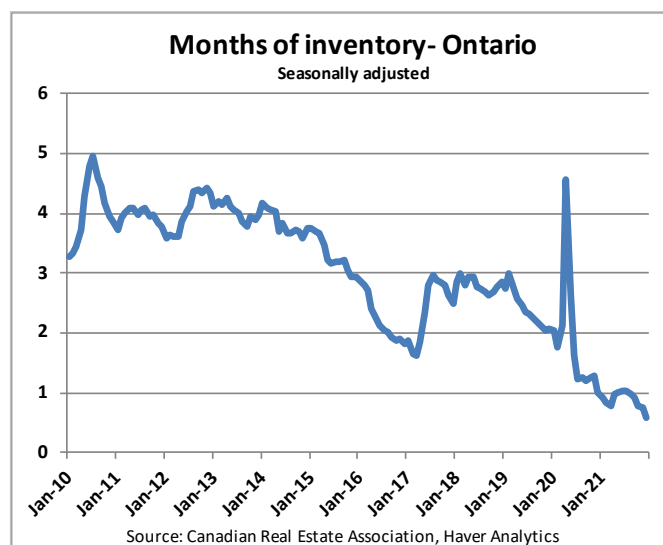
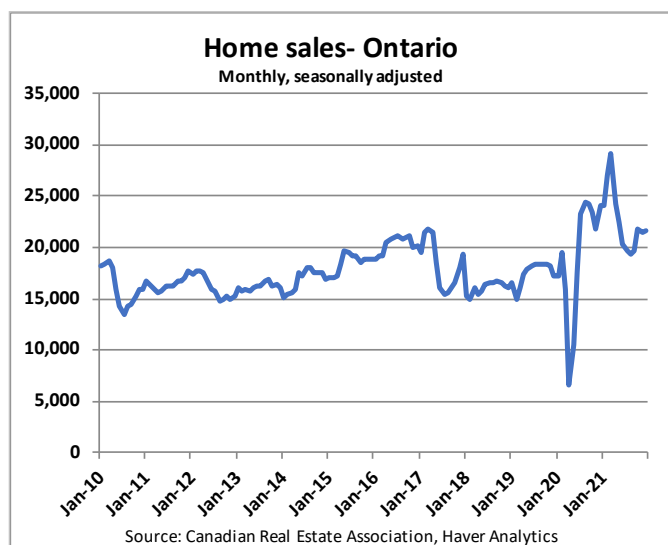


Housing and Mortgage Market Review

Ontario

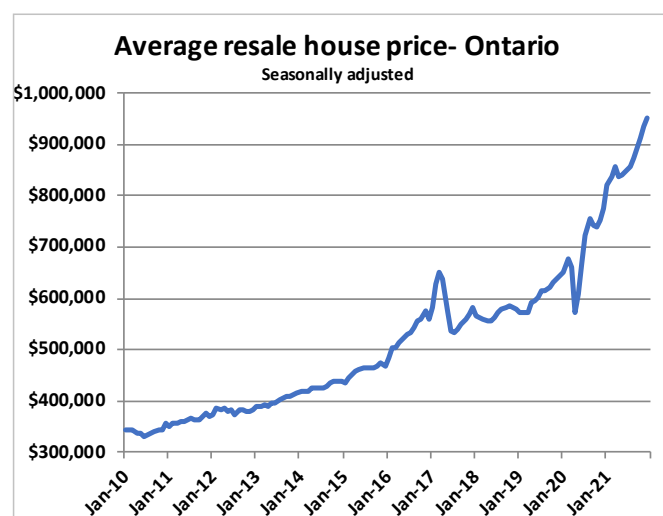
Home Sales

Home sales across Ontario remain at elevated levels relative to pre-COVID trends, though they have slowed sharply relative to the peak levels seen in Q1 2021. The bigger issue is the shortage of supply. Active listings on the MLS across the province have fallen by 43% compared to this time last year and are down a staggering 72% since the beginning of 2020. Months of inventory have fallen to just 0.5, by far the lowest on record. This is indicative of an exceptionally tight resale market that can only be characterized as a housing crisis.



Average house prices are reflecting these tight market conditions, rising 23% year-over-year in the fourth quarter to just over \$950,000:

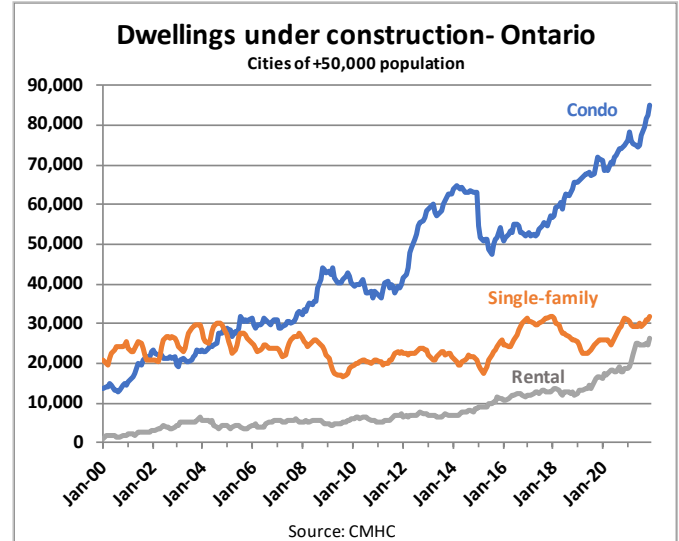
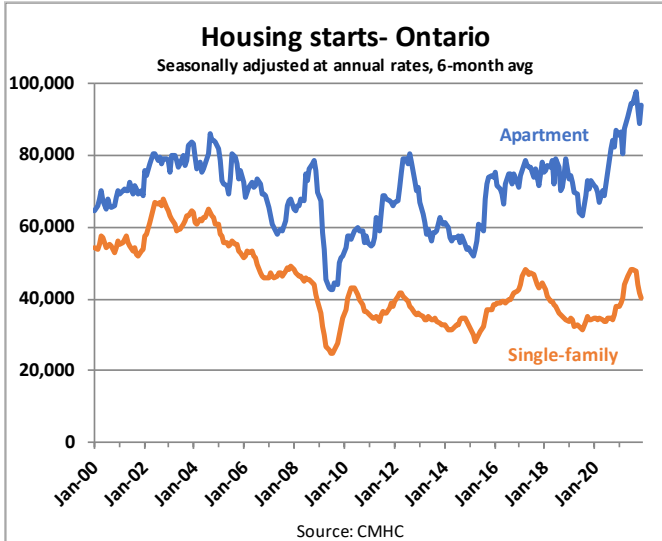
In terms of new supply in the pipeline, single-family housing starts remain at just two-thirds of the average levels seen from 2000-2005, in spite of much stronger population growth. We are seeing considerable activity in the apartment segment, including both condos and purpose-built rentals. Still, it's likely not nearly enough to bring the market into balance before the spring selling season.



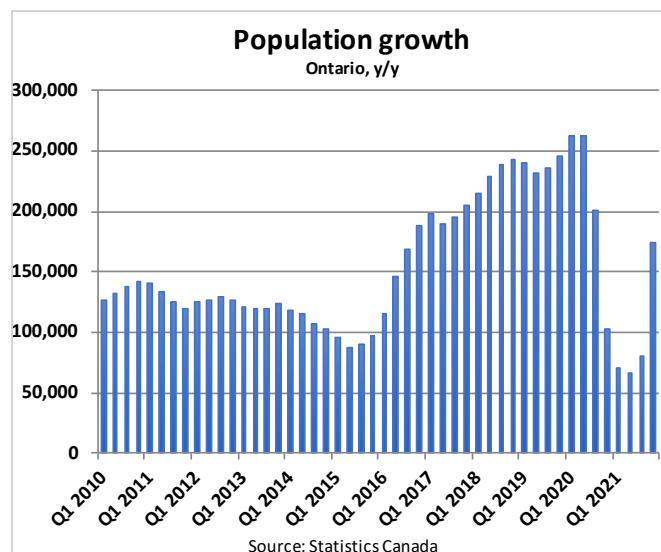


Housing and Mortgage Market Review

Ontario



Population growth has rebounded sharply off the pandemic lows due to record immigration, but it has still not recovered to pre-COVID levels. This is in part due to strongly negative interprovincial migration in recent quarters, which simply means that more people are leaving the province for other provinces than are coming here from those provinces. Net interprovincial migration totalled nearly -25,000 over the past four quarters, the largest population outflow since 1981. One has to think that affordability concerns are driving at least part of this exodus.



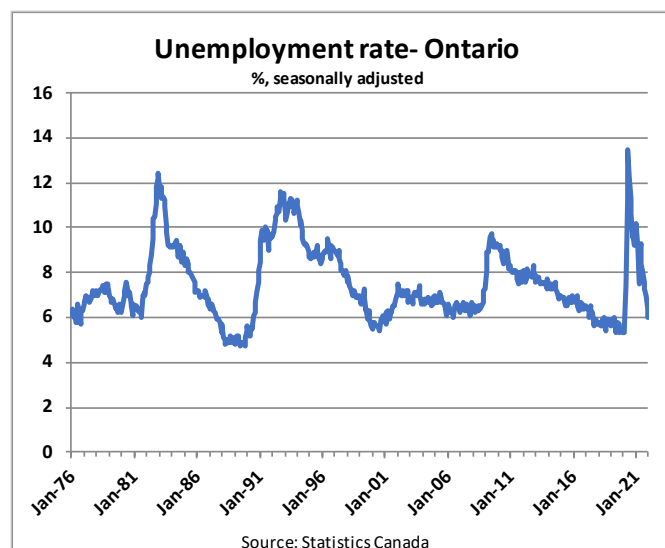
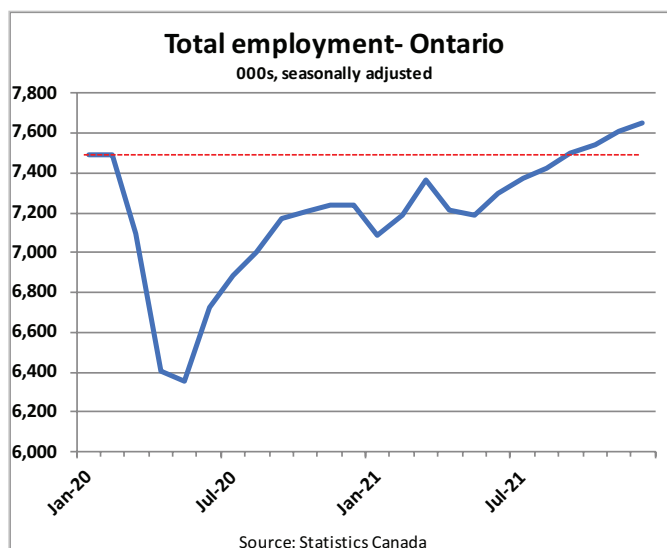


Housing and Mortgage Market Review

Ontario

Job market on a tear

Ontario shed 1.1 million jobs in the early days of the pandemic but has since recovered all of them. There are now nearly 160,000 more people employed in the province than at the onset of the pandemic, while the unemployment rate has fallen from a peak of nearly 14% all the way down to 6% in recent months.



What it all means: The situation in housing markets in metro areas across Ontario can only be characterized as a crisis. A chronic shortage of housing, notably in the single-family segment, has led to market conditions that are as tight as they have ever been. Unless we see a dramatic decline in demand or a massive increase in new supply in the next few months (both of which look unlikely at the moment), we're likely heading for a very chaotic spring selling season.

**Any forecasts/projects 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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