



Housing and Mortgage Market Review: Quarterly Report – *October 2023*

Ontario housing demand feels the pinch of higher rates as sales dip in Q3

Highlights:

- High rates sidelined homebuyers in Q3, but sellers were out in force
- The resale market now strongly favours buyers as house prices start to trend lower
- Another quarter of record population growth bodes well for the housing market's long-term fundamentals

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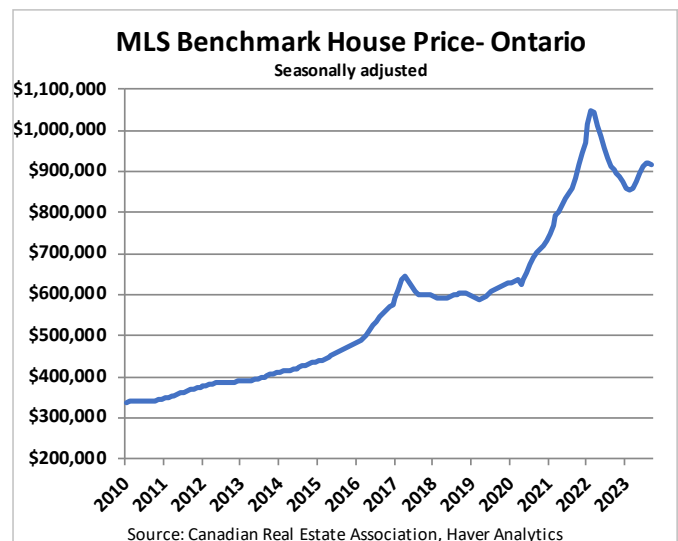
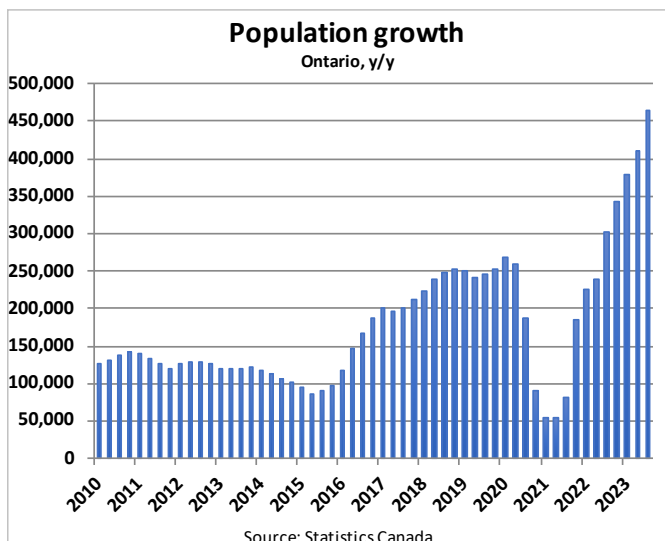
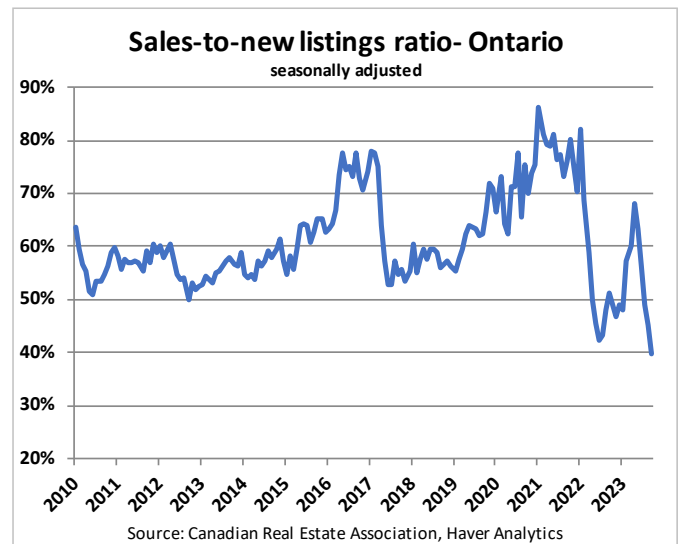
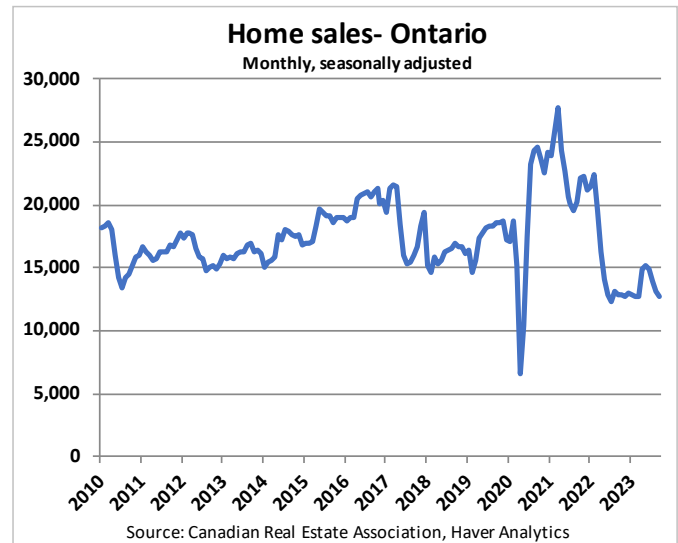
Back-to-back rate hikes over the summer pushed homebuyers to the sidelines in the third quarter. Seasonally adjusted home sales fell 11.5% in the quarter and are now back to levels last seen on a sustained basis back in the early 2000s.

Sellers had previously been on the sidelines through most of 2023 as new listings hit decade lows earlier this year, but that's starting to change. Seasonally adjusted new listings in Ontario jumped 23.7% in the third quarter. With sales down and new supply surging, the market balance tilted sharply towards buyers. The sales-to-new listings ratio dropped below 40% in September for the first time since the depths of the Financial Crisis in 2008.

House prices across the province finished the quarter up 0.2%, but all the heavy lifting was done in July and August. The quarter ended on a weak note, with prices sliding 0.3% in September and look set to slide further if current market dynamics persist.

Yet another record for population growth

Acute affordability challenges may pressure the market in the short term, but long-term supply-demand dynamics still look solid. For starters, Ontario's annual population growth hit a record 463,000 people in the third quarter...more than double the average over the past decade.



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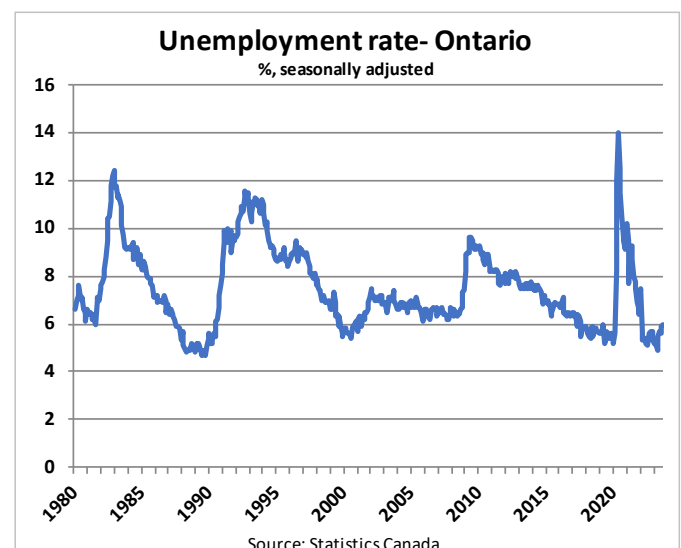
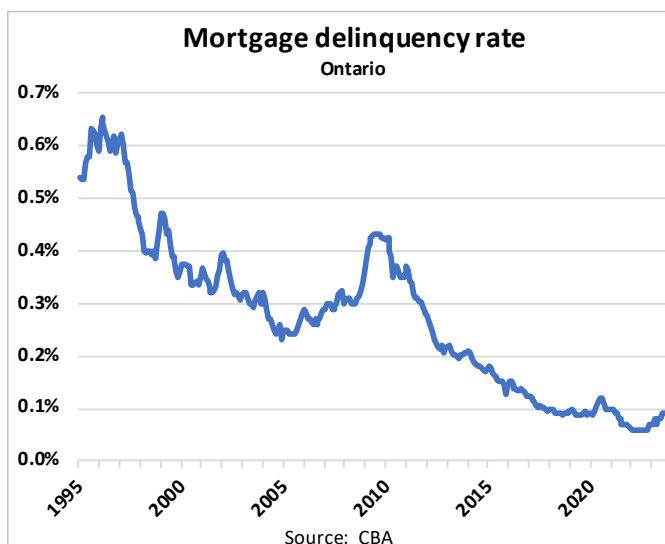
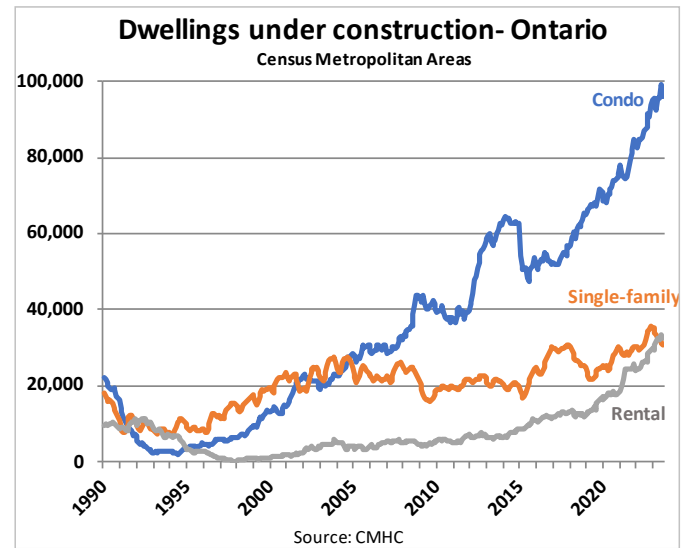
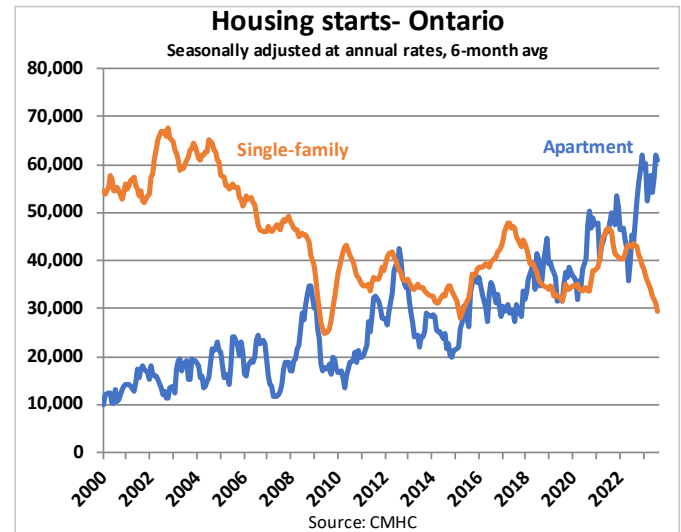
Yet, even with population booming, developers are scaling back on new construction...at least in some segments. Single-family housing starts have fallen to decade lows as developers shift focus to the apartment segment.

There is considerable new supply in the construction pipeline, but two thirds of it is concentrated in the condo segment. We're also seeing an increase in purpose-built rental construction, and there are now more of those under construction than single-family homes for the first time in 30 years..

Strong job growth can't keep up with population growth

Ontario's economy remains on relatively solid footing, but there are signs of cooling at the margins. Total employment did rise by 9,000 in the third quarter, but that wasn't enough to keep up with growth in the labour force. Hence, the unemployment rate rose by 0.3% and is now above 6% for the first time since early 2022.

The mortgage delinquency rate remains near all-time lows at just 0.09%, but is now clearly on an upward trajectory. High interest rates and a cooling economy mean we should expect this trend to continue through most of next year.



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Summary:

Acute affordability pressures are weighing on resale markets across Ontario, and that's now exerting downward pressure on prices once again. High interest rates and a cooling economy may point to a weak market in the near term, but the longer-term underlying fundamentals of supply and demand are still intact.



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