MORTGAGE PROFESSIONALS CANADA | PROFESSIONNELS HYPOTHÉCAIRES DU CANADA

Semi-Annual State of the Housing Market Report: 2023 Mid-year

OXFORD ECONOMICS

Prepared by Oxford Economics for Mortgage Professionals Canada.

Highlights: 2023 Mid-year Consumer Survey

1

Housing affordability crisis

- The share of mortgage owners considering selling because they cannot afford their current mortgage surged more than three-fold, to 7% from just 2% a year ago. Nearly three-quarters (72%) of first-time homebuyers say interest rates are already having a material impact on their situation.

2

Wave of renewals coming

- 65% of respondents will have to renew their mortgages in the next three years with 1-in-5 (19%) expecting to do so over the next year. More than two-thirds (69%) said that they are anxious about renewing with higher rates.

3

Non-homeowners losing hope

- Half (48%) of non-owner respondents say they will never purchase a primary residence. This is up 15 pts from the last survey.

4

Higher rates delaying first time buyers

- Three-quarters (77%) of non-owners say they will change their home buying plans due to higher interest rates. 30% say they will delay plans to purchase altogether.

5

Mortgage brokers gaining market share

- The mortgage broker share increased slightly to 31%. This percentage goes up to 44% among those who have purchased in the last two years and 42% for first-time buyers. Broker share is highest in Alberta, BC, and Ontario.

*Mortgage Professionals Canada's 2023 mid-year consumer data is from a 20-minute online survey of close to 2,000 Canadians across all regions, conducted by Bond between June 26 and July 12, 2023. .

Highlights: Macroeconomic Environment

Canada’s economy headed for a mild recession this year

Resilient consumer spending and a delayed US recession indicate the downturn will now begin in Q3 2023 as highly indebted households pull back consumption soon.

The unemployment rate is expected to keep climbing

Despite strong job creation, the unemployment rate started rising in recent months as the labour force expanded in response to strong demographic factors. The unemployment rate will keep climbing as hiring weakens during the recession and strong immigration-led labour supply growth persists.

Inflation will keep cooling, but gradually

Headline inflation dropped to the slowest pace in almost two years, but this was largely due to favorable base effects. Inflation will fall to 2.7% y/y in Q4 2023 but wont return to the Bank of Canada’s 2% target until mid-2024.

Rates will likely remain elevated until mid-2024

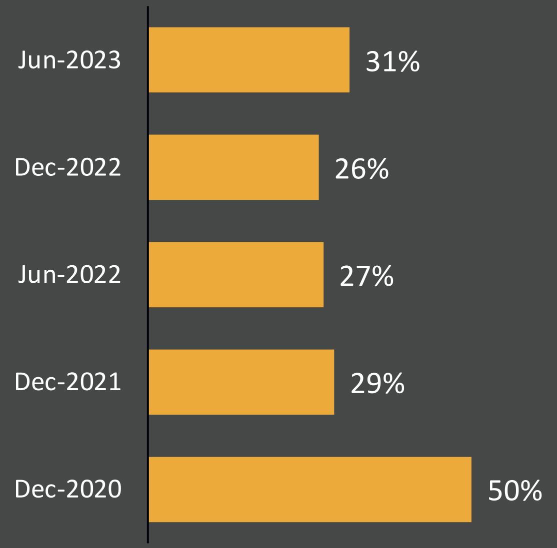
In July, the Bank of Canada (BoC) raised the policy rate by 25bps to 5%. This will likely be its last hike as inflation and labour markets ease and signs of a recession emerge. The Bank will likely pause at 5% until mid-2024, before gradually easing rates to a neutral level by early 2027.

SURVEY RESULTS (2023 MID-YEAR)

Sentiment on the near-term housing market outlook mixed with non-owners losing optimism

31% **the share of respondents who think now is a good time to buy a home in their community**

Survey date



% of all respondents

- Almost 45% past-5-year first-time buyers think it is a good time to buy a home in their community. This share is 54% among new Canadians.
- 42% of owners say the expected path of interest rates will have no impact on their decision to sell.

But…

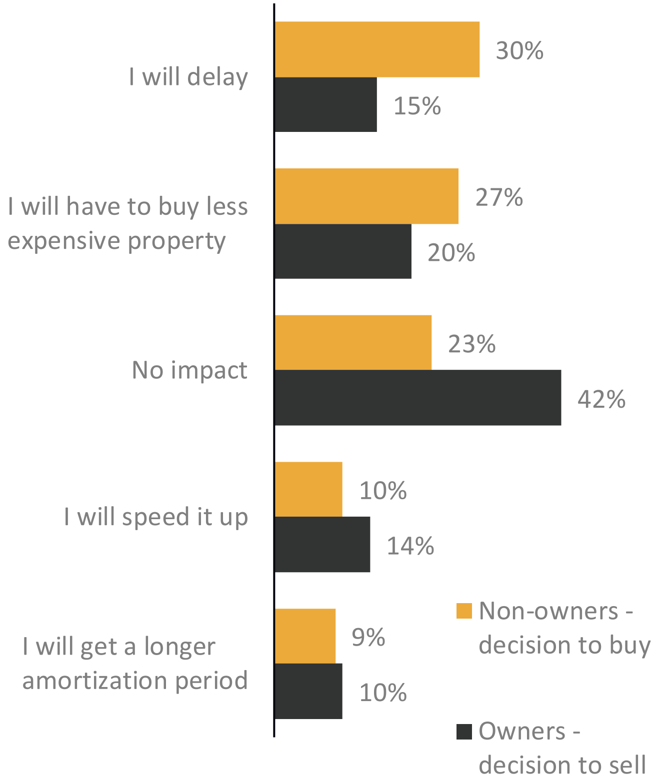
3-in-4

non-owners will alter their plans to buy as a result of rate changes

57% **have/will delay their purchase or buy a less expensive property**

If mortgage interest rates behave as you expect, how will this impact your decision to buy/sell in the next 2 years?

% of corresponding respondents

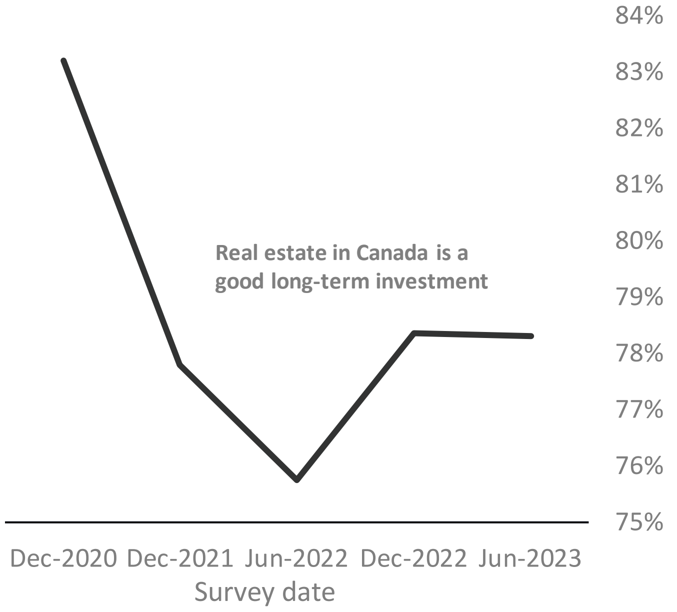


Sources: Bond Brand Loyalty/Mortgage Professionals Canada.

Real-estate (and mortgages) still perceived as good long-term investments but many are increasingly anxious about financial situation and renewals

Sentiment about the future of Canada's housing market

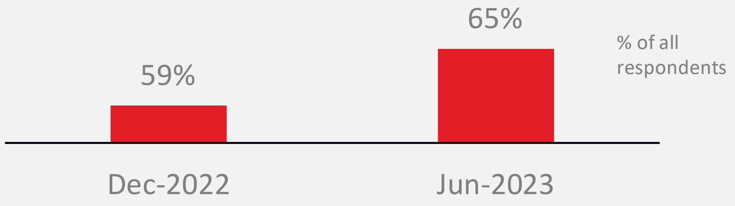
% of all respondents



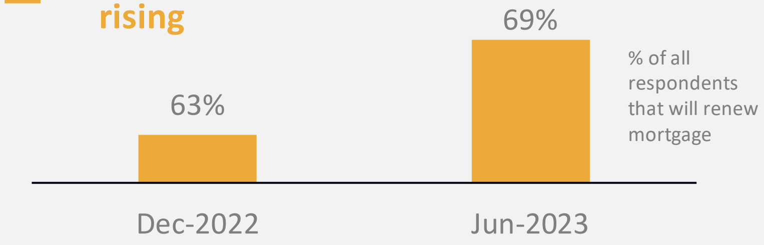
- Despite the gloomy economic backdrop, the portion of respondents saying they are optimistic about the economy in the coming 12 months went up to 49% (7 pps higher than 6 and 12 months ago).
- Sentiment about real estate being a good long-term investment remained elevated through the recent period of home price volatility.
- However, there has also been a substantial pick up in respondent anxiety regarding inflation and the current high interest rate environment.
- And, the share of home owners saying that they would be well-positioned to weather a potential downturn in home prices has continued to decline from 72% to 67% over the last 12 months.

Increased respondent anxiety

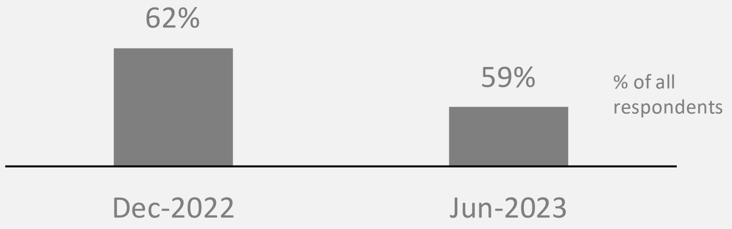
Anxious about financial situation over the next few months due to inflation



Anxious about having to renew mortgage with interest rates rising



Well positioned to handle an increase in mortgage rates



Sources: Bond Brand Loyalty/Mortgage Professionals Canada.

Coming wave of mortgage renewals a risk for the Canadian housing market

The size and volume of mortgages coming up on renewal remains a key risk for Canadian housing markets in the current high interest rate environment. The average five-year conventional mortgage rate remains near its cycle high of 5.8%, but we expect it to rise to 6.1% in H2 2023.

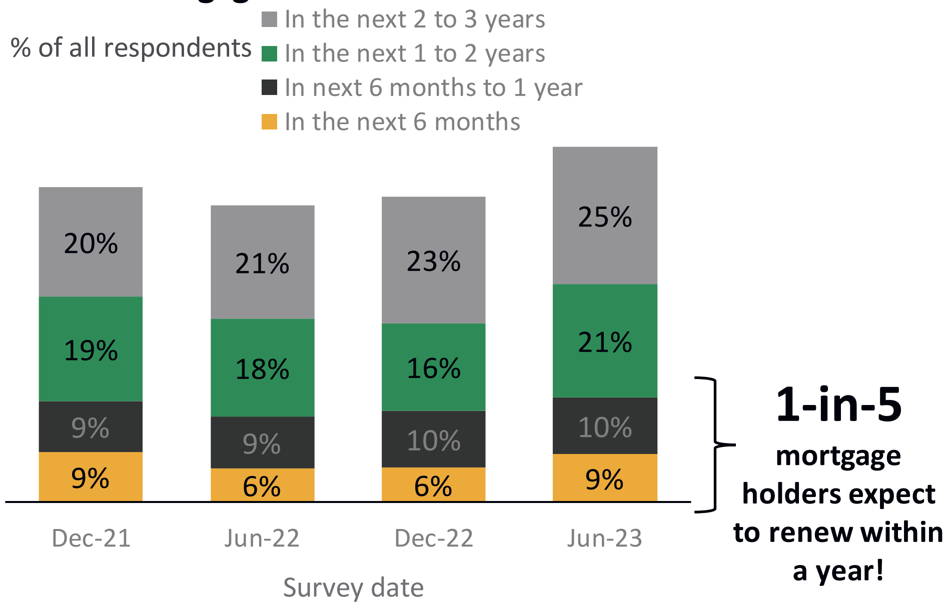
The share of new variable-rate mortgages continued shrink in recent months as fixed-rate mortgages held more appeal amid rising interest rates. Mid-year survey results confirm that fixed-rate mortgages were at least 3X as popular as variable. Variable rate mortgages accounted for just 7.4% of new mortgages in May 2023, down considerably from its peak 57% share in January 2022.

Canada's main chartered banks have responded by issuing longer mortgage amortization periods to mitigate the risk of delinquencies. The share of residential mortgages with over 30 years remaining amortization has surged from just 0.3% in Q1 2002 to 22.3% in Q2 2023 on average across Canada's big five banks.

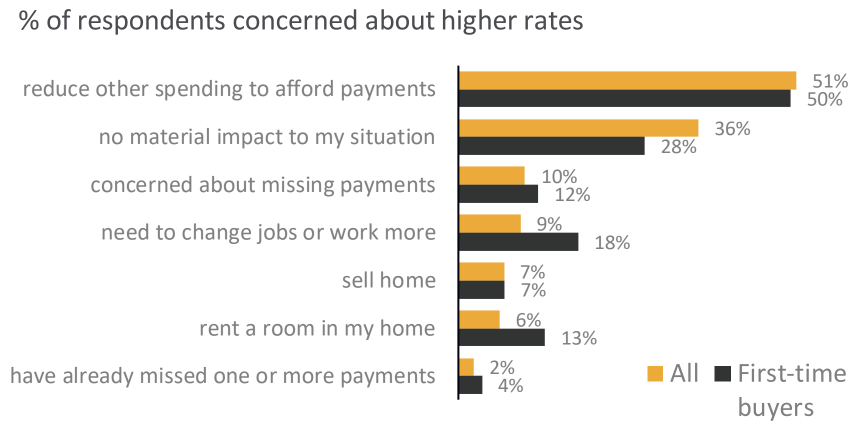
64%

Is the share of concerned respondents saying rising rates will make a material impact on their situation. Half mention needing to reduce spending. Nearly one-third are worried about missing a payment, needing to sell, or having to make a significant life change to stay in their home. Among first-time buyers the share is 72% but again only 7% think they will be forced to sell.

When do you expect to renew your current mortgage?



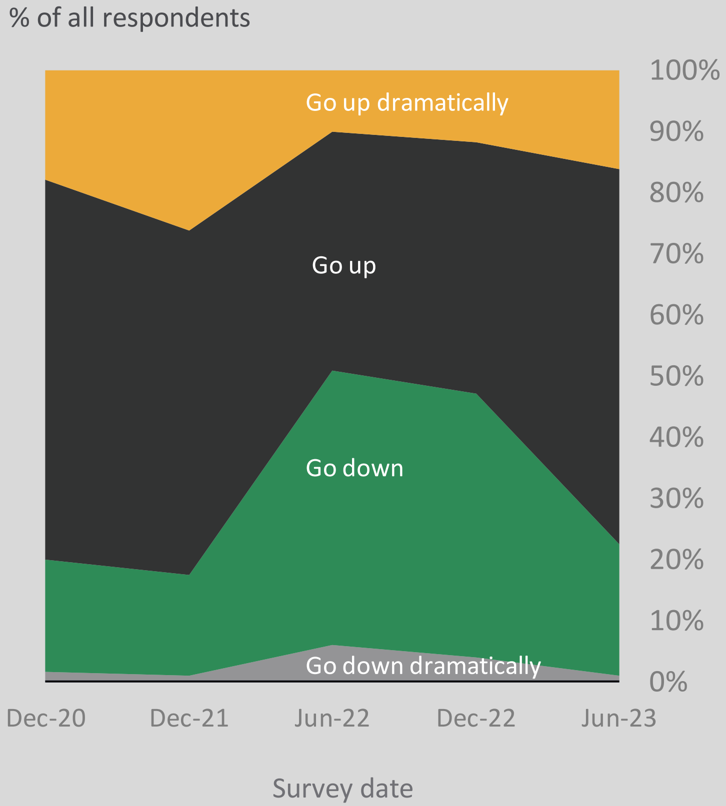
What is the impact of higher rates on your situation?



Sources: Bond Brand Loyalty/Mortgage Professionals Canada.

Large hike in non-owners feeling priced out of the market

How do you think house prices in your community will change in the next year?



Sources: Bond Brand Loyalty/Mortgage Professionals Canada.

48%

Of non-owners say they will never purchase a primary residence (↑ 15 pps from six months ago)

17%

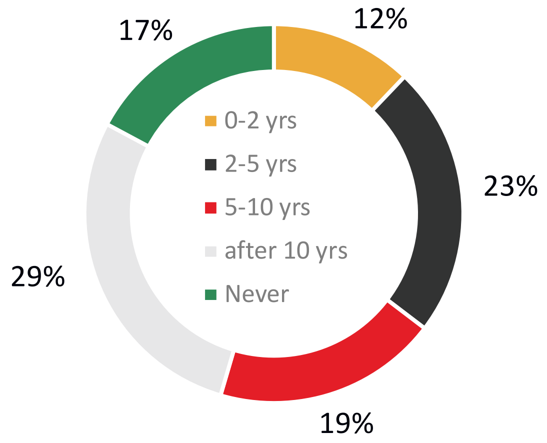
Of non-owners are planning to buy a principal residence in next 24 months (↓ 5 pps from Dec-22 survey)

- While 4-in-5 respondents expect mortgage interest rates to rise in the next year, nearly as many expect housing prices to rise too. Ontarians expect the steepest housing price increases, with 1-in-5 expecting a dramatic rise.
- Among those expecting increases, most expect fixed rates to end the year at 5.75%. More than one-fifth expect fixed rates to hit 6%+ by the end of next year.
- Variable-rate mortgage holders are showing more optimism than fixed-rate holders, with more than half expecting rates below 5.5% at that time.
- Non-owners are bracing for the most dramatic rate increases, with 3-in-10 expecting fixed rates of 6%+ by the end of 2024. As a result, only 17% are planning to buy in the near term and significantly more don't expect to ever purchase a (or another) primary residence.

Tastes toward homeownership remain positive; most homeowners view their home as a place to live rather than as an investment

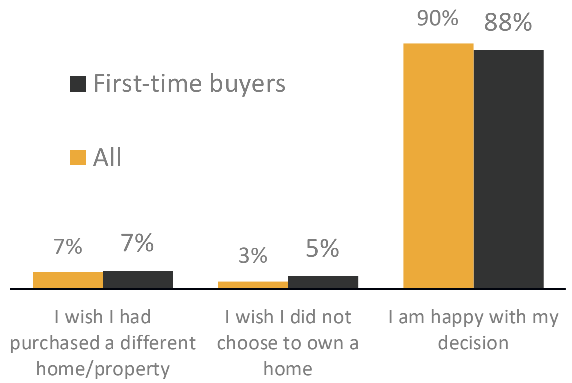
Timing of sale of primary residence

% of homeowner respondents



How do you feel about your decision to buy your current primary residence

% of homeowner respondents



Most homeowners (65%) have no plans to sell their primary residence in the near future and see a home as a place to live not an investment.

- Only one-third of homeowner respondents are expecting to sell within the next five years.
- Three-quarters of those who are not considering selling say it's because they are content with their current home.
- Regret around homeownership is rare among homeowners, with 9-in-10 happy with the decision.
- Owners in Manitoba, Saskatchewan, and the Atlantic provinces are most likely to be in their 'forever home'.
- Owners are more likely to regret the specific property they purchased, rather than the decision to become homeowners.
- Of those intending to sell within the next 5 years, half mention size/location or wanting to live in a nicer home as the top reason for selling.
- Four-in-five mortgage holders view their home as a place to live rather than as an investment.

Still, most (61%) say their purchase was influenced, to some degree, by the expectation of appreciation of their home.

- Ontarians (24%) are the most likely to view their home as investment. Meanwhile, residents in Quebec (83%) are the most likely to view their home as a place to live.
- Those new to Canada are also significantly more likely to view their home as an investment (30%).

Rental income and expectation of appreciation have motivated secondary property purchases.

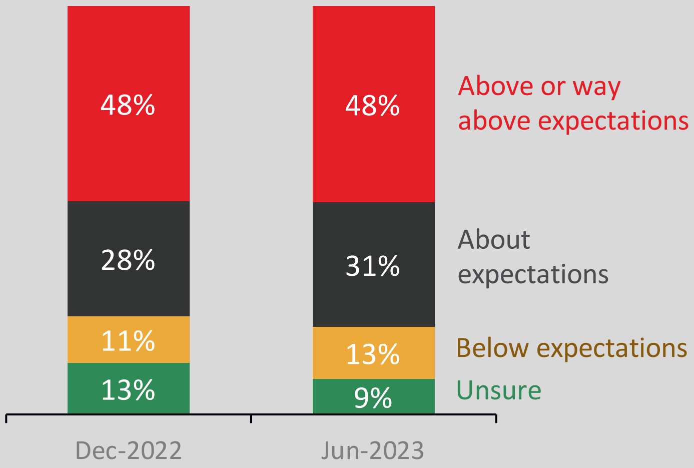
- Most Canadians do not own, and do not plan to own, a secondary/income property.
- But, interestingly, 14% of Canadians do not own their primary residence but own a property either as a secondary residence (e.g. vacation home, cottage, etc.) or an income property.
- Both rental income and potential increase in property value hold significant weight in motivating secondary/income property purchases.
- Ontarians and Younger Canadians are the most likely to intend to buy a secondary/income property within the next year.

Sources: Bond Brand Loyalty/Mortgage Professionals Canada.

Home price appreciations at or above homeowner expectations

Has your home price appreciated to the extent you expected since the time of your purchase?

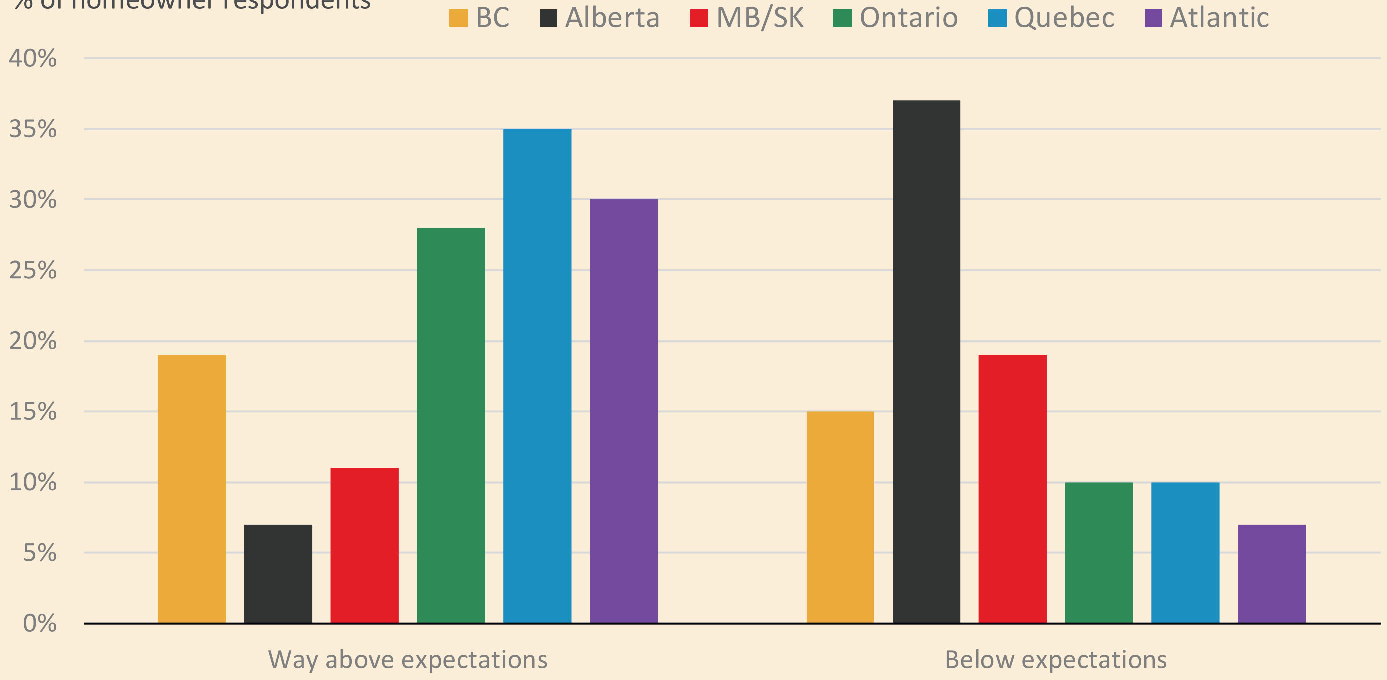
% of homeowner respondents



On aggregate, one-third of Canadian homeowners have seen the appreciation they've expected while 3.5X more saw higher than expected appreciation than lower.

My home price appreciation was…

% of homeowner respondents



However, there are significant differences across provinces:

- Quebecers lead the way seeing appreciations way above expectations
- Albertans are most disappointed

Sources: Bond Brand Loyalty/Mortgage Professionals Canada.

Some Canadians regret the size of their mortgage, but many are making prepayments

Almost one-third of mortgage holders are paying a higher amount than required.

Those in Ontario (36%) and BC (35%) are the most likely to pay more than the required amount. Only 5% pay less than required.

- Both accelerated and lump sum payments were popular mechanisms this past year.

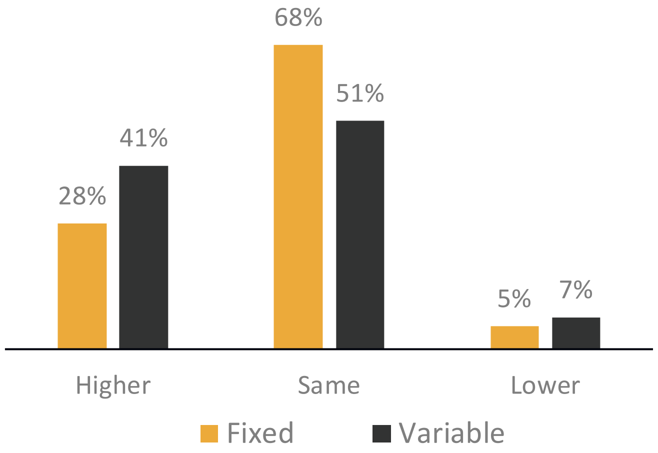
$21,502
average lump sum mortgage contribution

$611
average increased monthly payment

- Those who obtained their mortgage through a Broker appear to be more familiar with the prepayment options available to them (66% vs 61%).

A significant portion of variable-rate mortgage holders are making higher payments than the requirement.

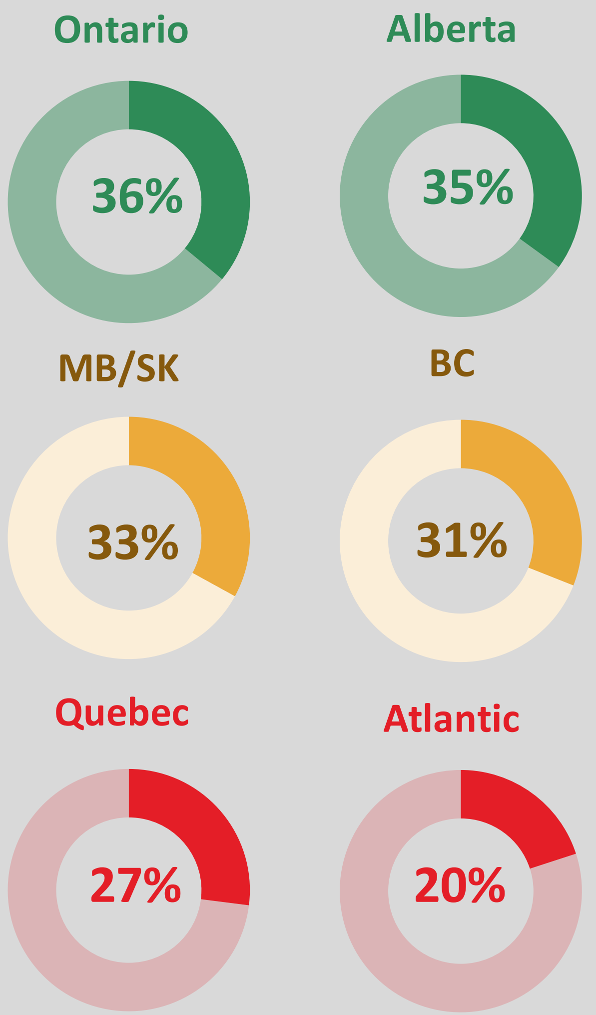
- Those with a fixed-rate mortgage are sticking with the required payment at a higher rate than those with a variable-rate mortgage.
- Variable-rate holders are nearly 2x as likely as those with fixed-rate mortgages to regret the size of their mortgage (39% vs 21%).



Sources: Bond Brand Loyalty/Mortgage Professionals Canada.

Sentiment about buying/selling varies considerably across provinces; affordability driving interprovincial migration

Share of respondents who think it is a good time to buy a home in their community



Sentiment about buying and selling

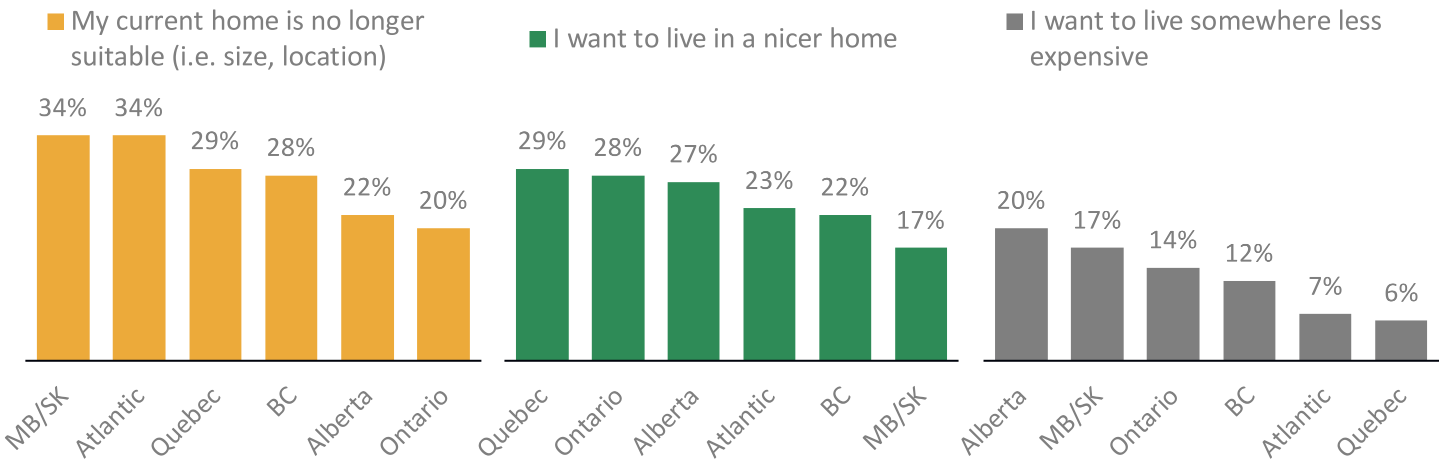
- Quebec and Atlantic Canada have seen the largest home price increases relative to expectations but, on the flip side, sentiment about now being a good time to buy a home is lowest in these provinces.
- Although the top two reasons for selling remain the same, respondents in Atlantic Canada, Manitoba and Saskatchewan reported home size and location as the top reason to consider selling soon. Quebecers, Ontarians and Albertans emphasized wanting to live in a nicer home.

Relocation

- One-quarter of Canadians are considering moving provinces and housing costs are the top reason for contemplating moving (34%), especially in BC (55%) and Ontario (48%).
- In the past 5 years, Quebec (25%) and Ontario (19%) were the top provinces Canadians moved away from.
- Not surprisingly, non-owners (42%) are twice as likely as owners (22%) to consider moving to a new province. This is driven by younger Canadians, with half of Gen Z and a third of Millennials considering a provincial move.

Top 3 reasons for considering selling

% of owners selling in next 5 years

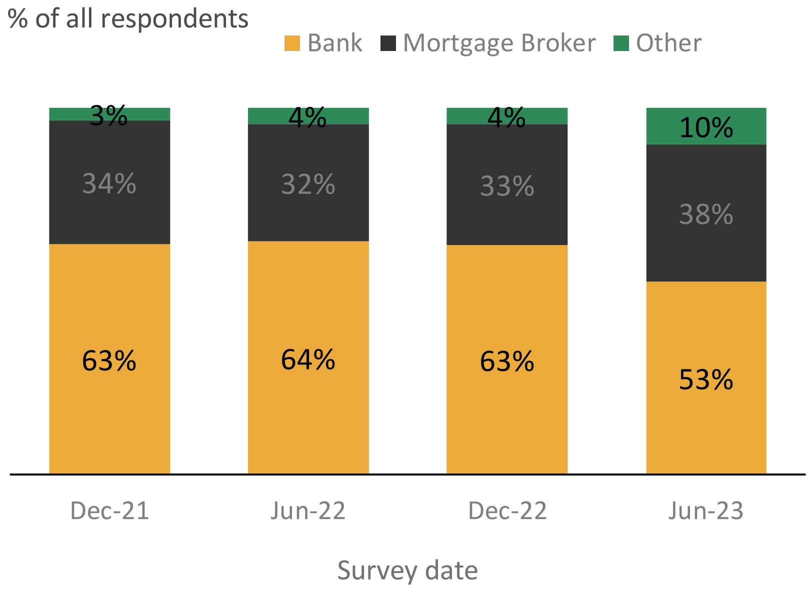


Sources: Bond Brand Loyalty/Mortgage Professionals Canada.

Broker share continues to rise

- The mortgage broker share increased slightly to 31% from 29% at the beginning of the year.
- Alberta and British Columbia continue having the highest broker customer shares (39% and 34% respectively), while shares have continued trending upwards in Manitoba and Saskatchewan over the past year. Younger owners are significantly more likely to have used a Broker (41%).
- When it comes to choosing a mortgage professional for the next home purchase, 38% of respondents would opt for a mortgage broker. This is a significant increase compared to 6 months ago (33%).
- 4-in-10 of those who bought within the past two years worked with a broker and, of those who obtained current mortgage through a Bank, 1-in-4 would first turn to a broker for their next mortgage.
- Forty-two percent of past-5-year first-time home buyers would use a mortgage broker. This share rises to 44% among past-2-year buyers.

If you were looking for a mortgage today, who/where would you turn?



Compared to Bank customers, broker customers are significantly more likely to rely on referrals from friends/family (2.3X) and realtors (3.2X)

Sources: Bond Brand Loyalty/Mortgage Professionals Canada.

Client retention high among mortgage professionals

The survey confirms that broker customers remain generally more satisfied with all aspects of the mortgage experience than bank customers.

In line with wanting enhanced security measures, 7-in-10 Canadians support the idea of allowing their Mortgage Professional to verify their income through the CRA.

Loyalty appears to increase with age. Younger Canadians are less likely to work with the same professional and more likely to seek a 2nd opinion. Understandably, first-time homebuyers are more likely to seek out more than one opinion as they are relatively new to the process.

Despite being more satisfied with their experience, broker customers show similar loyalty to those who worked with a Bank representative. Atlantic Canadians appear to be the most loyal when it comes to re-using the same mortgage professional. Quebecers are the least loyal, followed closely by British Columbians and Ontarians.

MORTGAGE MARKET OUTLOOK

National Housing & Mortgage Outlook

Canada's historic house price correction is not over yet!

A weaker economy, higher mortgage rates, tighter credit conditions, record unaffordability, and government policies aimed at curbing speculation and banning foreign buyers are all factors that will contribute to a continued decline.

6.1%
avg. mortgage rates in 2023 H2

The Bank of Canada's recent rate hikes to 5.0% will cause mortgage rates to reach 6.1% in the second half of the year, further impacting housing and affordability.

downturn until 2024 Q2

As a result, the housing market downturn in Canada is now expected to extend into 2024 as the spring revival of resale housing comes to an end.

-10%
additional house price declines by 2024

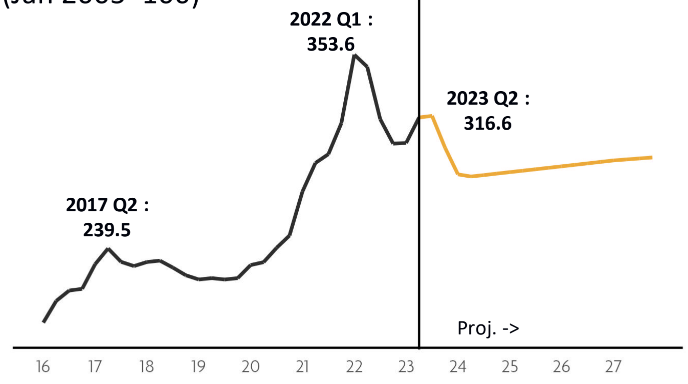
House prices are predicted to fall by an additional 10% by early next year, resulting in a total decline of 20%-25% from the peak in February 2022. The market value of Canada's housing stock should return to its current level by 2027 Q4.

mortgage credit growth to recover in 2025

After a 3-year stall, mortgage credit growth in Canada is expected to see a modest rebound in 2025 supported by improved affordability conditions. Year-over-year growth is projected to average 4.7 % from 2027 onwards.

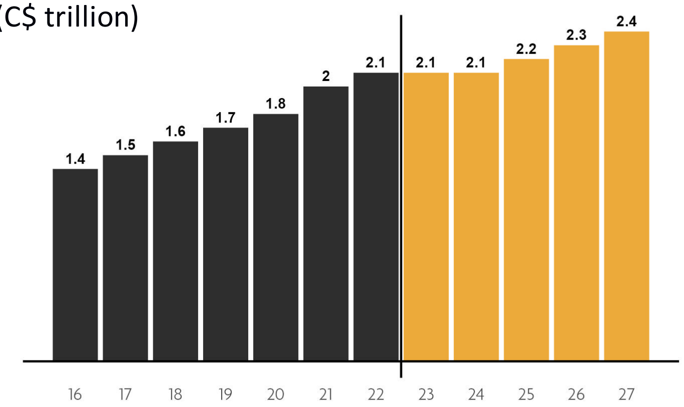
MLS house price index

(Jan 2005=100)



Canada's residential mortgage debt

(C$ trillion)



Sources: Oxford Economics / CREA / Statistics Canada.

Regional Economic & Demographic Outlook

Prairies remain resilient; BC and Atlantic Canada struggle to find economic growth

British Columbia:
- Despite British Columbia's diversified economy, GDP growth this year will be among the lowest in Canada. The current downturn is deeper than in other parts of the country given its high exposure to the housing correction and because inflation is undermining wage growth and consumer spending. Over the next few years, growth will continue being constrained by the high cost of living, the tight labour market, and environmental challenges.

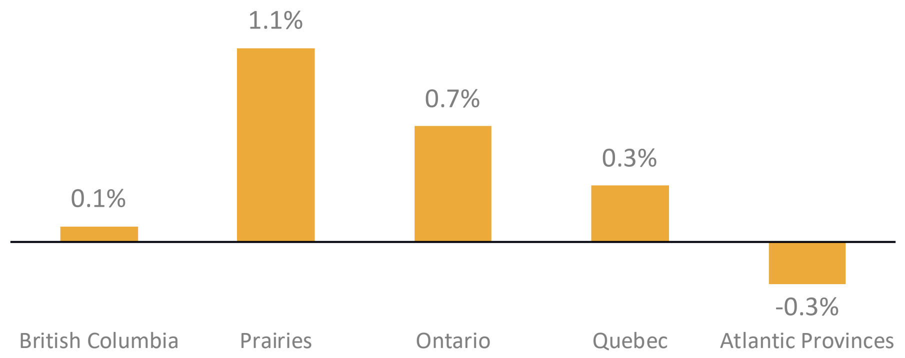
Prairies:
- Growth in the Prairie provinces is projected to remain resilient over the next two years. It will be mainly supported by the renewed strength of the oil and gas sector and a more favorable outlook for other export industries including the agricultural sector. We expect continued population growth driven by a strong pickup in interprovincial and international migration to the province.

Ontario:
- Given its exposure to the housing market correction, Ontario's GDP growth will be weak in the coming months and job creation will continue slowing in retail & distribution, finance & real estate, and manufacturing. But education & health and information & culture will offset some of these losses by growing during this period. We expect a quick rebound in 2024 H2 and strong growth over the medium term supported by a return to the higher immigration rates seen before the pandemic.

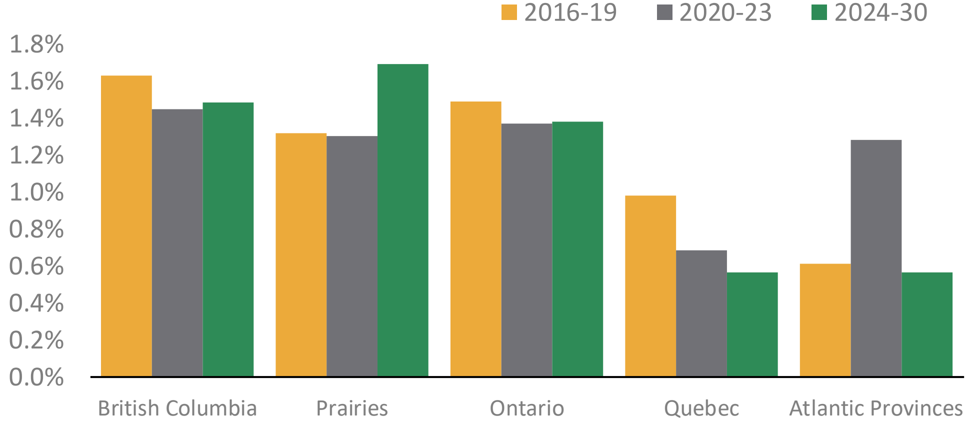
Quebec:
- Quebec is projected to have more moderate GDP growth rates as higher interest rates and inflation weigh on consumption. While the province should weather the recessionary period better than other provinces facing steeper housing market corrections, Quebec's population will lag the national average which will constrain the province's economic prospects over the medium-to-long term.

Atlantic Canada:
- The Atlantic provinces are forecasted to have the lowest GDP growth among Canada's regions. Despite a few years of strong inflows of interprovincial migrants, population growth is expected to return to its pre-pandemic trend over the medium term. This region will continue facing aging demographics, limiting its labor force and productivity potential.

Projected real GDP growth 2022-24
(Percent, CAGR)



Population growth



Sources: Oxford Economics / Statistics Canada.

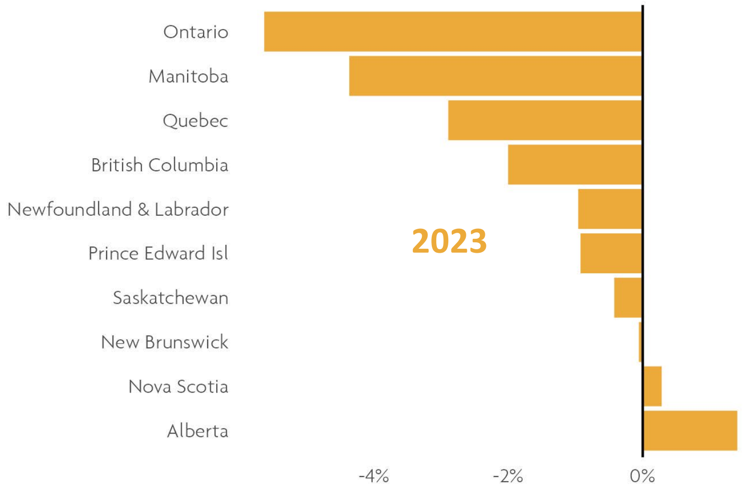
Regional Housing Outlook

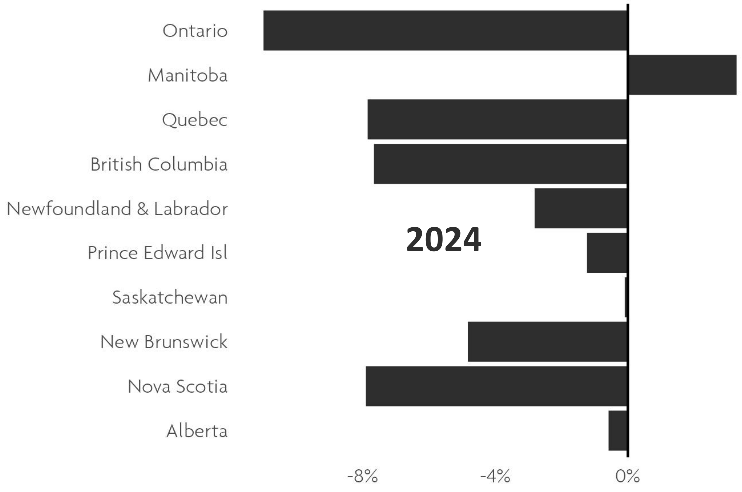
The shape of Canada's housing market correction is expected to vary across different provinces, depending on region specific economic and demographic factors as well as supply constrains:

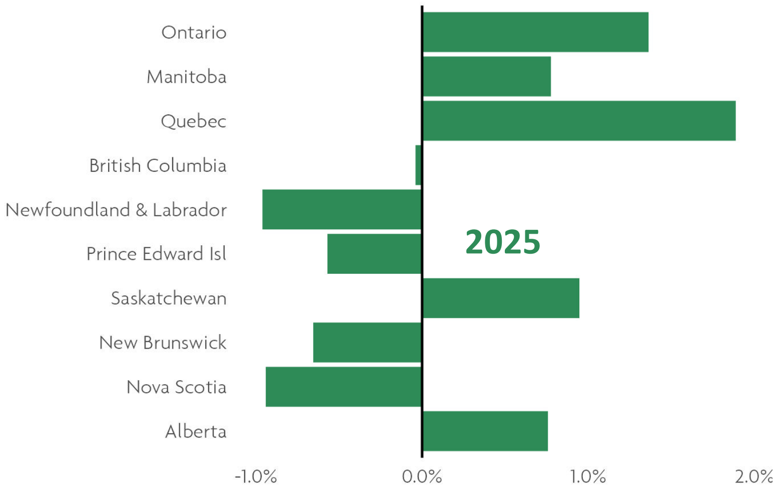
Peak to trough house price declines
(Quarterly averages, 2022-24)

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland & Labrador
	-17.0%	-6.8%	-5.6%	-10.3%	-25.4%	-13.2%	-8.4%	-11.7%	-8.8%	-5.4%
(Projected % change by 2023 Q4 relative to 2022 Q1)	-9.5%	-0.9%	-0.8%	-4.7%	-19.7%	-7.9%	-2.5%	-3.2%	4.0%	2.8%

House price growth forecasts
(Annual averages)



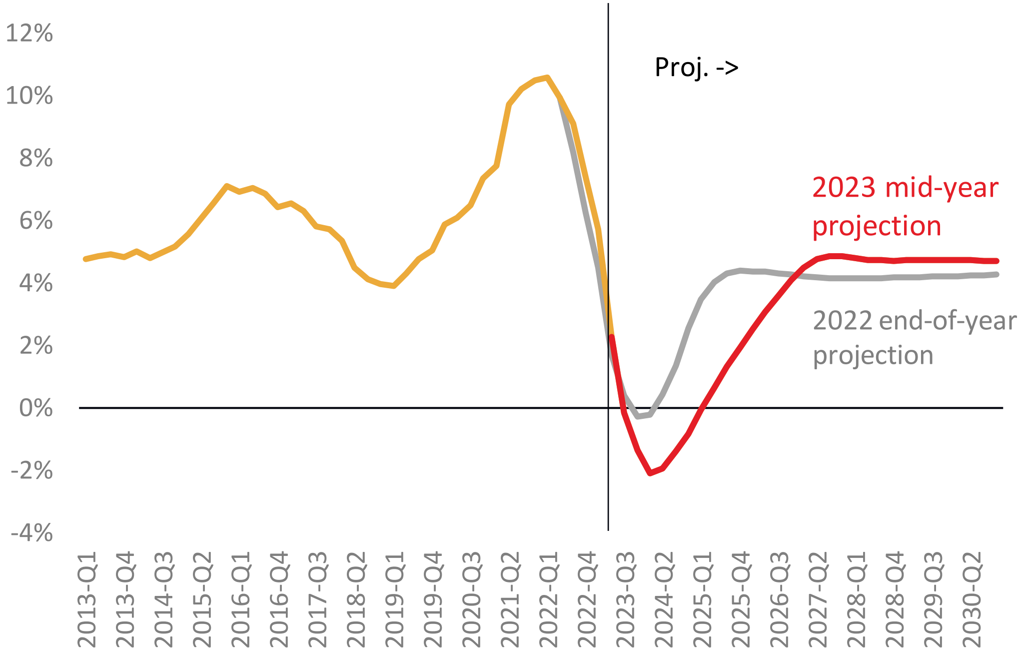




Sources: Oxford Economics / CREA.

Mortgage credit growth will take longer to recover but medium to long-term growth may be stronger

Canada's residential mortgage debt
(Year-over-year growth)



Sources: Oxford Economics / Statistics Canada.

We now expect a protracted recovery in mortgage credit growth relative to 6 months ago.

The main factors influencing our latest mortgage credit forecast are weaker assumptions about employment growth and borrowing costs:

Despite a surprisingly strong first half of the year, in 2023 H2 employment growth is estimated to cool down considerably. After that, we don't expect to see much improvement in terms of job creation until the first quarter of 2025. We estimate employment growth to drop to an average 2.1% this year and -0.1% in 2024. As a result, we forecast the unemployment rate will rise from 5.5% in July 2023 to 7.1% in early 2024.

As for borrowing costs, there was a significant surge in the first half of 2023 due to a 0.75 percentage point interest rate hike implemented by Bank of Canada in response to the unexpectedly strong resilience in consumer spending. We expect the Bank will hold the overnight rate steady at 5% through mid-2024 if the economy evolves in line with our recession forecast. But if the Bank's more optimistic growth forecast comes to fruition, further hikes are likely this year.

Our medium-to-long term model estimates suggest mortgage credit growth should pick up to about 4.8% as demand catches up to its earlier trend and as the Canadian economy returns to a new equilibrium. This stronger pace is likely to be sustained until the end of the decade. It will be primarily supported by strong population growth (between 0.7% and 1% per year) and relative improvements regarding housing affordability.

Considerable uncertainty clouds the outlook for interest rates

We distinguish between 3 main global scenarios:

Scenario 1: Baseline

- We expect inflation will fall back fairly sharply globally as weaker commodity prices, slowing growth, and easing supply chain issues feed through to prices. Weaker food and energy inflation push the headline figure much lower, but core inflation will be stickier.

- Despite the aggressive rate hikes in 2022 and headline inflation beginning to slow, the BoC is expected retain a hawkish bias in future rate decisions. After the massive overshoot of inflation, we also expect most other central banks to tread cautiously and will likely err on the side of keeping policy tight.

Scenario 2: Tighter credit conditions

- In this scenario economic activity falters as past policy rate rises feed through more powerfully than expected. Higher interest rates weigh on consumption and investment more than in the baseline in the near term. Consumption lies 1% below baseline in Q1 2024 and Inflation is more subdued throughout tighter credit conditions.

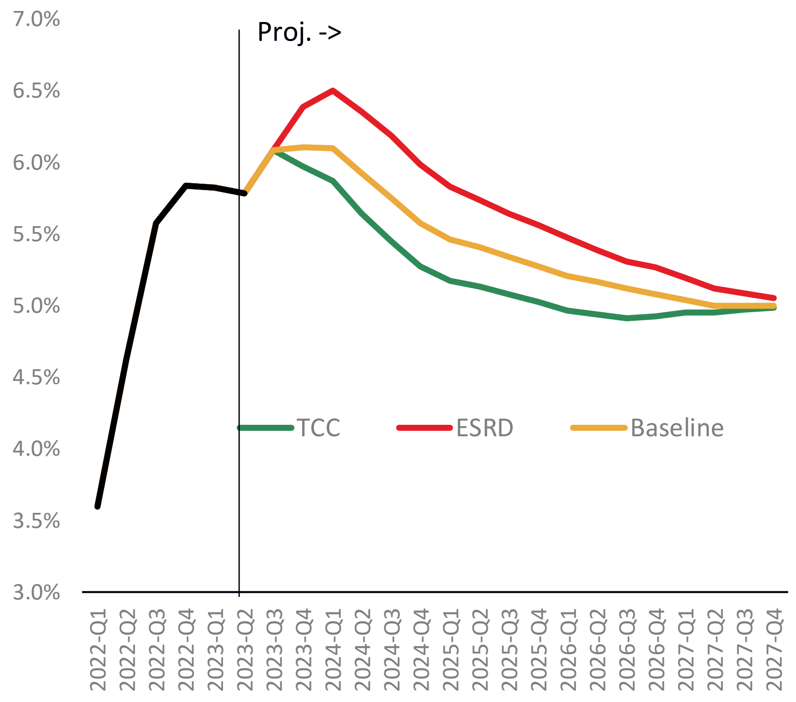
- Central banks ease policy more quickly in 2024/25, with North American policy rates falling up to 50bps below baseline. Financial and property markets weaken. House prices fall based on scorecard analysis of risk factors , weighing further on consumer spending.

Scenario 3: Excess savings run-down

- Sentiment improves and consumers across advanced economies follow the recent example of the US in running down a significant proportion of the savings accumulated during the pandemic. As a result, inflation is greater than in the baseline in our excess savings run-down scenario.

- In response, central banks tighten policy further. Policy rates lie up to 40-50bps above baseline in North America, Eurozone and UK, driving up yields and tempering the recovery in demand.

5-year conventional mortgage lending rate projections in 3 different scenarios

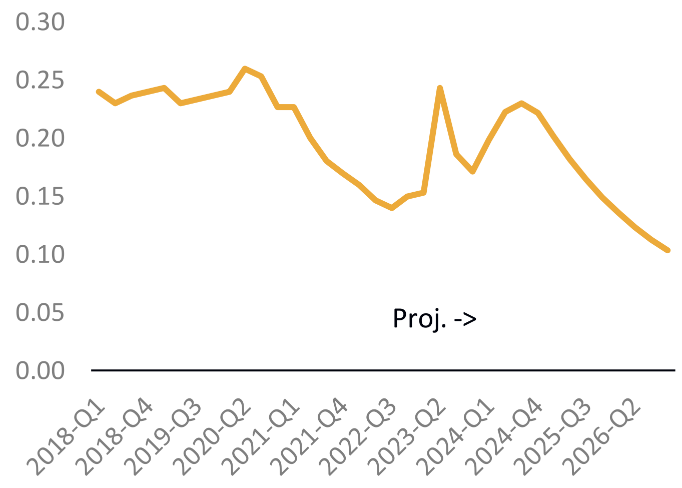


Sources: Oxford Economics / CMHC.

Mortgage quality is only expected to deteriorate slightly

Projection of residential mortgages in arrears

Percent share



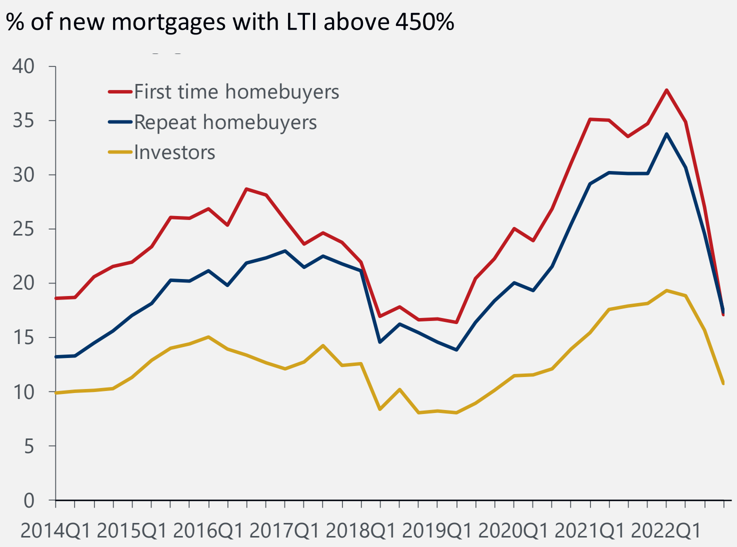
Sources: Oxford Economics / Canadian Bankers Association.

- To mitigate the risk of delinquencies, Canada's main chartered banks have lengthened amortization periods.
- The share of residential mortgages with over 30 years remaining amortization has surged from just 0.3% in Q1 2002 to 22.3% in Q2 2023 on average across Canada's big five banks.
- As a result, in June 2023, the number of residential mortgages in arrears hit its lowest level in decades. Still, the percentage of residential mortgages in arrears is expected to bounce slightly from 0.17% by end of 2023 to reach 0.23% by the mid 2024.
- As discussed in the survey results, the current rising borrowing costs have led low-income first-time buyers to but their plans on hold until interest rates become more favorable for obtaining a mortgage, and that has also exerted downturn pressures on the LTI ratio as showed in the graph.

There has been a substantial decrease in the proportion of all three types of buyers with a loan-to-income (LTI) ratio higher than 450%.

- In contrast to the pandemic period, the share of high loan-to-income (above 450%) for new mortgages has dropped off sharply for all home buyers as lenders take steps to protect their balance sheets from potential defaults.
- We anticipate that this share will remain subdued in the coming year, as long as financial conditions remain stringent and interest rates continue to trend high.

Share of high loan-to-income (LTI) for new mortgages



Sources: Oxford Economics / Bank of Canada.

ECONOMIC OUTLOOK AND HOUSING MARKET PROJECTIONS

National Economic & Demographic Outlook

GDP growth is expected to stall in 2024

- Our outlook remains gloomy for Canada's economy, as we believe it will enter a recession by the end of this year.
- The economy likely grew 0.2% q/q in Q2, led by stronger consumer spending and an upswing in resale housing. However, signs of weakening economic momentum in Q3 continue to build.
- As per our projections, GDP will grow 1% in 2023 before contracting 0.2% in 2024. It will then see a robust 3% and 3.3% recovery in 2025 and 2026.

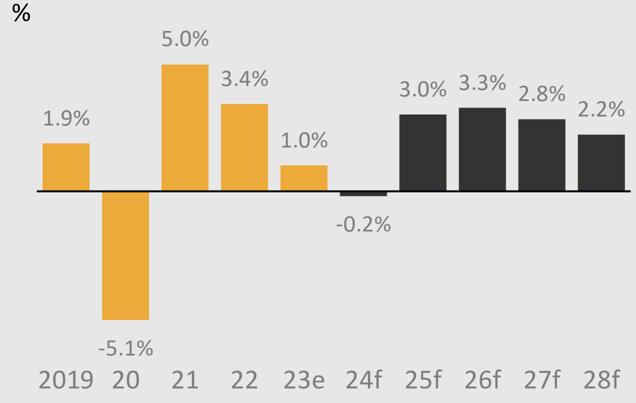
By 2030, Canada’s population is expected to grow 3 million

- Over the past five years, Canada’s population has experienced a notable increase, primarily driven by a rise in the number of newcomers.
- This growth trend is expected to continue over the next few years. Total population is projected to rise from 39.7 million (by the end of this year) to 42.7 by the end of the decade. The addition of 3 million residents will exert additional pressures on house affordability.
- StatCan's latest population estimates account for higher immigration targets and project a rise to 50.2 million by 2050, about 1.4 million (+3%) higher than its prior projection.

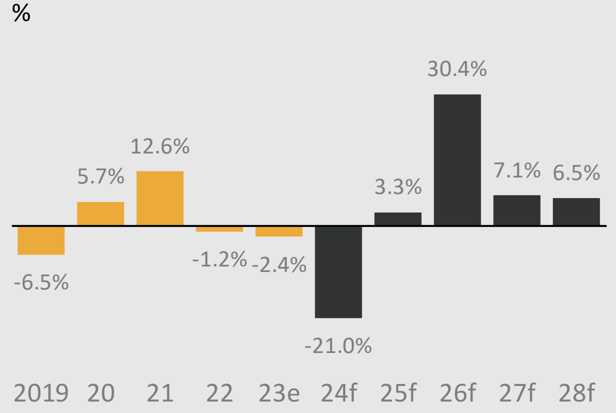
But housing completions will remain under pressure

- Housing completions are encountering numerous challenges amid the current tight financial conditions.
- The escalation in borrowing costs has already led to a decrease of 1.2% in housing completions in 2022. We project end-of-the year weakness to result in another decline in 2023.
- Looking ahead, we expect housing completions to fall significantly by 21% next year . The recovery will then be gradual with modest growth in 2025 and a much bigger jump in 2026.

Canadian real GDP growth forecast



Housing completions growth forecast



Sources: Oxford economics/Statistics Canada.

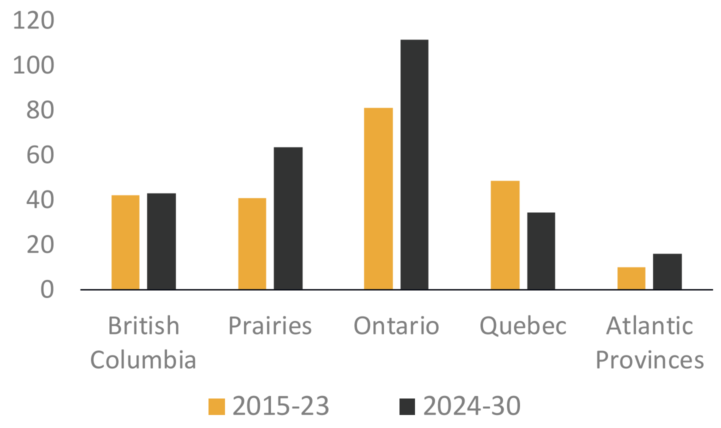
Housing market outlook in major urban centers

- In 2023, we estimate housing starts to witness one of the slowest growth rates in a decade across all Canadian regions due the rising borrowing costs.
- Quebec is projected to experience the most significant decline in housing starts, followed by the Atlantic provinces and the Prairies.
- Over the rest of the decade, we forecast housing starts to exceed historical levels in the Atlantic Provinces, Prairies, and Ontario, while the other Canadian regions will continue to experience a downturn in growth.

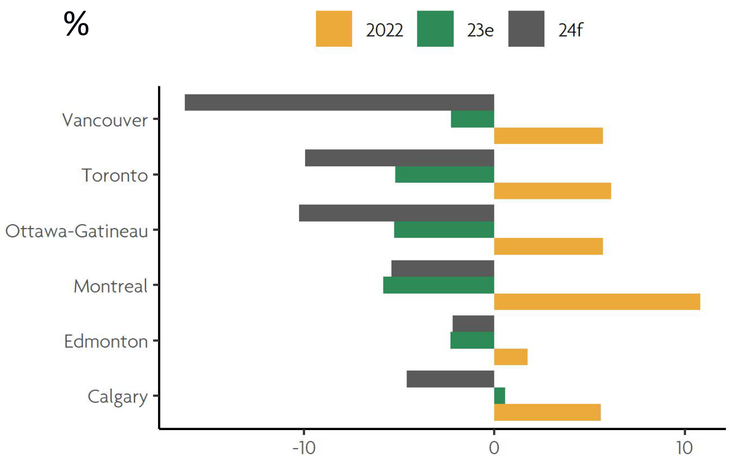
- In 2023, our estimations indicate that all major urban centers, except for Calgary, will experience a correction in their Housing Price Index.
- This correction is expected to be more pronounced in Toronto, Ottawa, and Montreal.
- Over the next year, our forecast indicates that the correction in housing prices will be sharper across all major urban centers except for Edmonton.

Housing starts: historical vs projected

'000s, annual averages



Projected CREA House Price Index growth in major urban centers



Sources: Oxford economics/CREA/Statistics Canada.

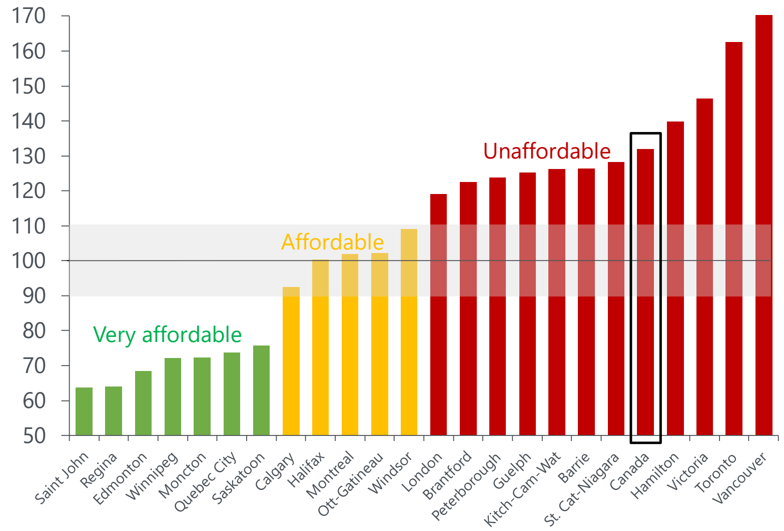
Affordability in Major Urban Centers

Among Canadian major urban centers, Toronto and Vancouver remain the most unaffordable cities in terms of housing, while Edmonton is expected to be the most affordable ones.

- In 2023, our estimations of the affordability index across major Canadian urban centers shows a broad deterioration in affordability in response to the surprisingly strong rebound in housing prices that partially unwound the prior correction in prices. The main insight is that Vancouver is projected to surpass Toronto in terms of the affordability index. This trend may exert pressure on the economic activity development in this large agglomeration. Finally, our expectations are that Toronto and Vancouver will continue to be the most unaffordable urban centers in Canada. On the other hand, Edmonton is anticipated to be the most affordable cities in terms of housing.

Housing affordability index 2023-Q2

90-110 is affordable range



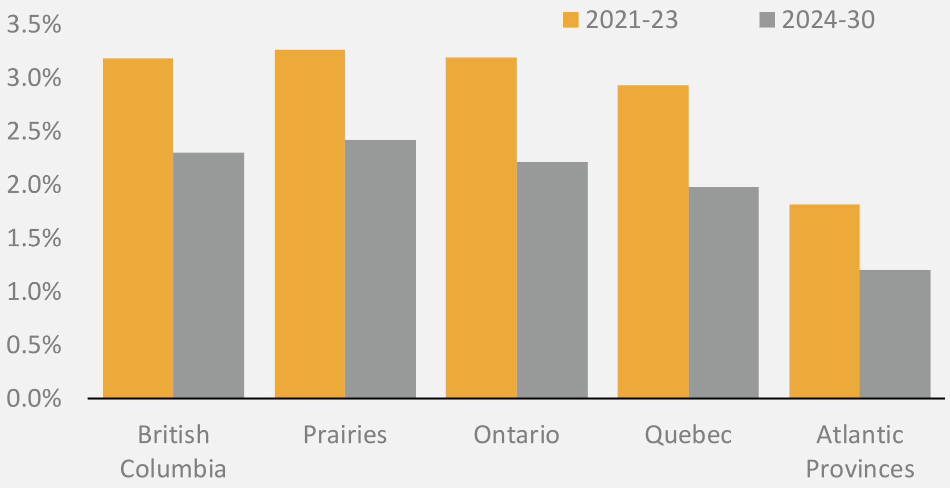
Source: Oxford Economics/Haver Analytics

Regional Outlook: British Columbia

- The impact of high inflation on BC's real wage growth and consumer spending has been particularly strong in 2023. Still, we expect economic growth to pick-up next year, as tourist numbers return to their pre-pandemic levels and immigration brings new workers.
- The province will continue to benefit from tech companies opening offices here to circumvent US immigration laws in their quest to secure world-class engineering talent. As a result, the medium-term outlook will be supported by growing economic diversity as well as sturdy population and productivity growth.
- We expect GDP growth to average 2.3% out to 2030 and net international migration to average about 30k per year. This will be accompanied by robust employment creation of 210k jobs (+8%).

Provincial real GDP growth

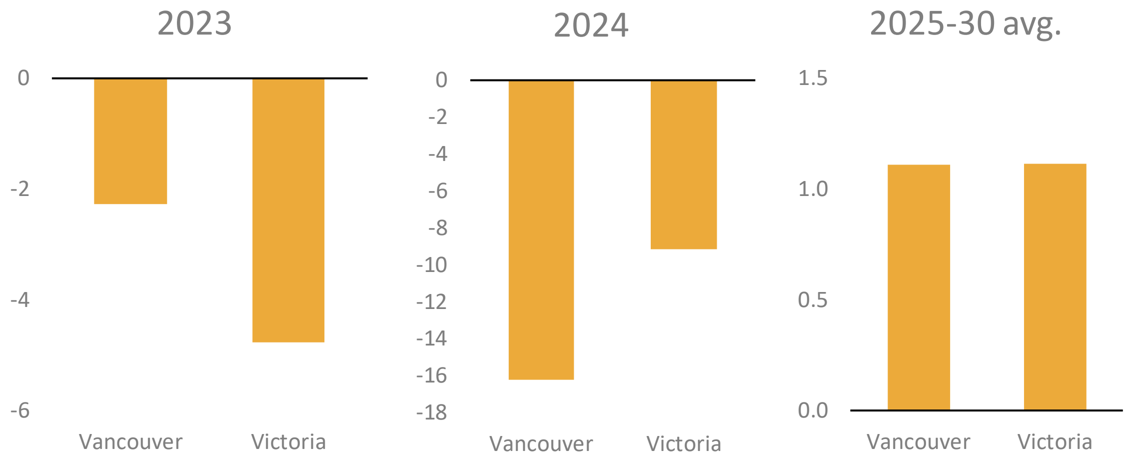
%, period averages



Sources: Oxford Economics / Statistics Canada.

Home Price Outlook

% year-over-year growth



CREA avg. sale price index

Survey highlights

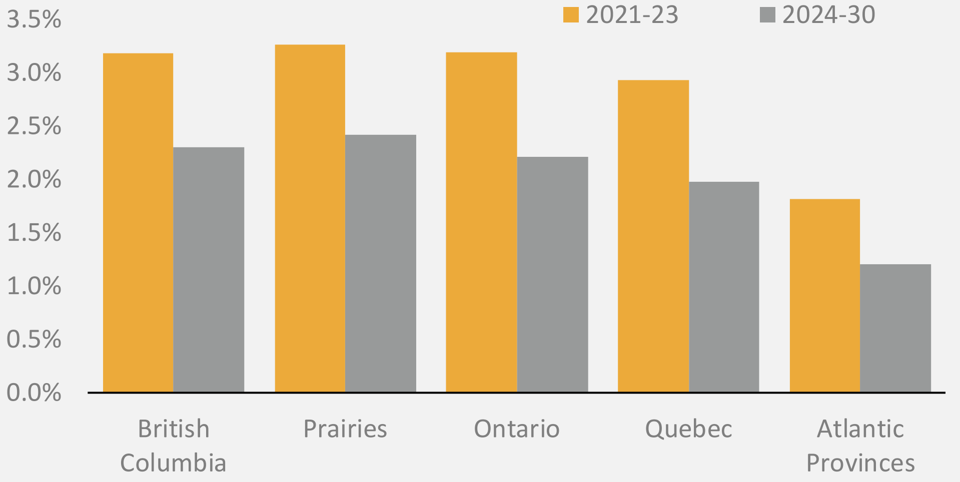
- 25% of BC residents are renters, the highest share in Canada
- 1-in-5 (21%) obtained their mortgage from non-bank lender or small bank lender, over half (55%) from one of the big financial institutions
- When looking for a mortgage professional, mortgage holders in this province are less likely to work with a representative from their bank (34%), many (24%) rely on referrals from friends/family
- BC mortgage holders were relatively less loyal when it comes to re-using the same mortgage professional, 1-in-4 respondents who refinanced their mortgage reported changing mortgage professionals; only 43% are likely to use the same lender
- Not surprisingly, compared to other provinces, respondents in BC were also less satisfied with the overall service provided by their current mortgage professional

Regional Outlook: Prairies

- Although economic activity in the Prairies started slowing after peaking in 2022, this region continues benefiting from an improved outlook for commodity markets.
- As a result, it is projected to remain at the top of the provincial growth rankings.
    - In Alberta, oil production has been surprisingly resilient despite oil price volatility and the recent disruptions caused by wildfires. Oil exports are expected to reach new record highs by the end of the year.
    - Export growth in the Prairies will also be supported by large investments in the mining sectors in Manitoba (lithium) and Saskatchewan (potash).
- Overall, we project net international migration to average +80k per year an about 430k new jobs to be created by 2030 (~12% relative to 2023).

Provincial real GDP growth

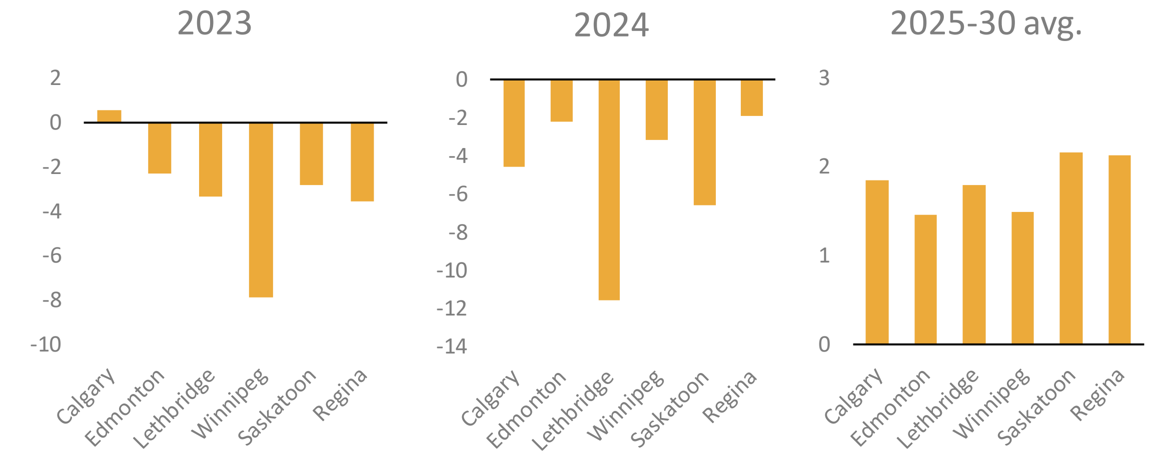
%, period averages



Sources: Oxford Economics / Statistics Canada.

Home Price Outlook

% year-over-year growth



CREA avg. sale price index

Survey highlights

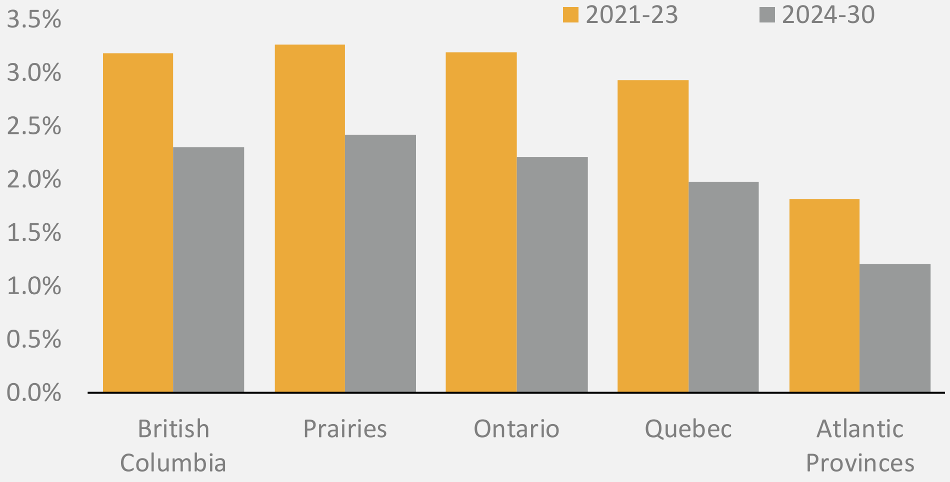
- The renter share in the Prairies is relatively low (AB 19% and MB/SK 17%)
- Manitobans/Saskatchewanians use credit unions and private lenders far more than any other region (28%), while Albertans prefer to use non-bank lenders more than other Canadians (28%)
- When looking for a mortgage professional, mortgage holders in this Alberta are not as likely to work with a representative from their bank (36%), Albertans are the most likely to look to their realtors for referrals (23%)
- Residents of Manitoba and Saskatchewan are more likely (48%) to find a mortgage professional in the institution they use for banking/investments
- Compared to other provinces, respondents in Alberta were less satisfied with the overall mortgage experience
- 69% of respondents in MB/SK and 62% in Alberta refinanced with same mortgage professional

Regional Outlook: Ontario

- Between 2021 and 2023, Ontario experienced strong post-pandemic growth but the near-term outlook for many of its core sectors remains fragile as highly indebted households face new challenges in a persistent environment of higher prices and elevated borrowing costs.
- Still, these pressures will begin to dissipate over the next two years and this economy should see a robust rebound with real GDP growth averaging 2.2% going into the end of the decade. Large investments in the motor vehicle and parts manufacturing sector will support strong export growth starting in 2026.
- We project net international migration to average 90k annually and 550k new jobs by 2030 (+7%).

Provincial real GDP growth

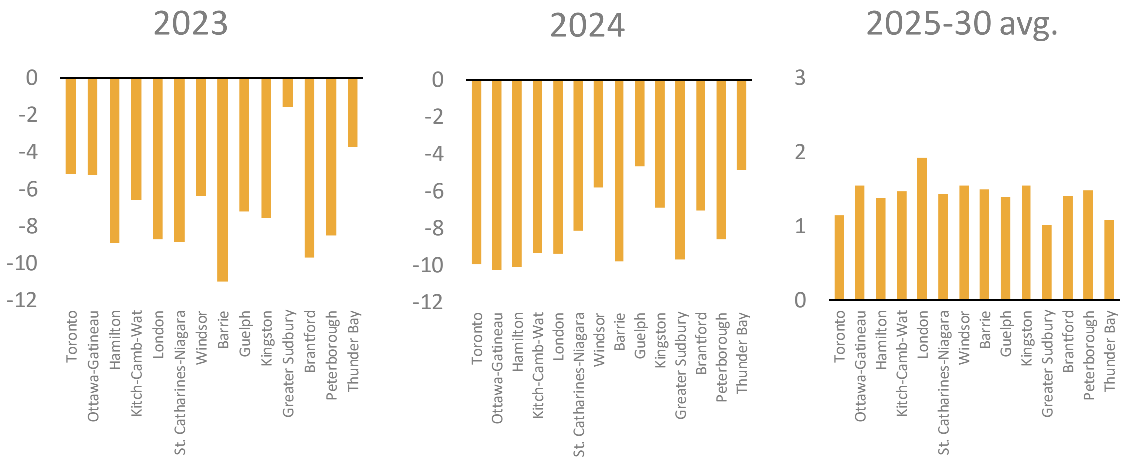
%, period averages



Sources: Oxford Economics / Statistics Canada.

Home Price Outlook

% year-over-year growth



CREA avg. sale price index

Survey highlights

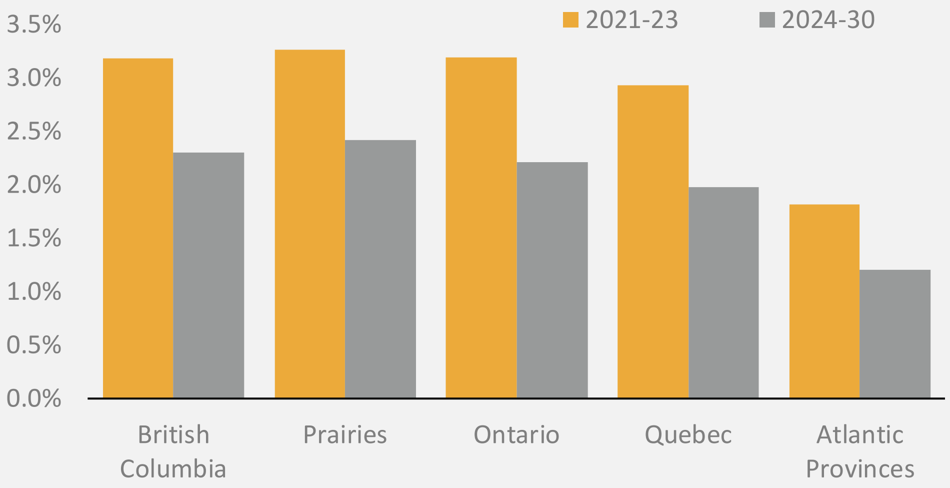
- 24% of Ontario residents are renters, the second highest share in Canada
- 1-in-5 (22%) obtained their mortgage from non-bank lender or small bank lender, half (50%) from one of the big financial institutions
- When looking for a mortgage professional, mortgage holders in this province are somewhat likely to work with a representative from their bank (42%), 1-in-4 (25%) rely on referrals from friends/family - the highest share in Canada
- Compared to other provinces, respondents in Ontario reported a low general satisfaction across many elements of the mortgage experience
- Ontario mortgage holders were somewhat loyal when it comes to re-using the same mortgage professional, 65% respondents who refinanced did so with the same mortgage professional; 53% are likely to use the same lender

Regional Outlook: Quebec

- While economic activity in Quebec has been resilient over the past few months, we anticipate consumers in the province will now pull back spending as higher interest rates and lower real incomes hit their wallets. The province's sizeable manufacturing and transport sectors will also struggle.
- The national downturn will hit the manufacturing industry particularly hard, we don't expect the province's manufacturing sector to exceed its pre-pandemic levels until 2025-26.
- Given the province's relatively low incomes, population growth is set to be slower than in the past. Overall, we project net international migration to average +47k per year and about 170k new jobs to be created by 2030 (~4% relative to 2023).

Provincial real GDP growth

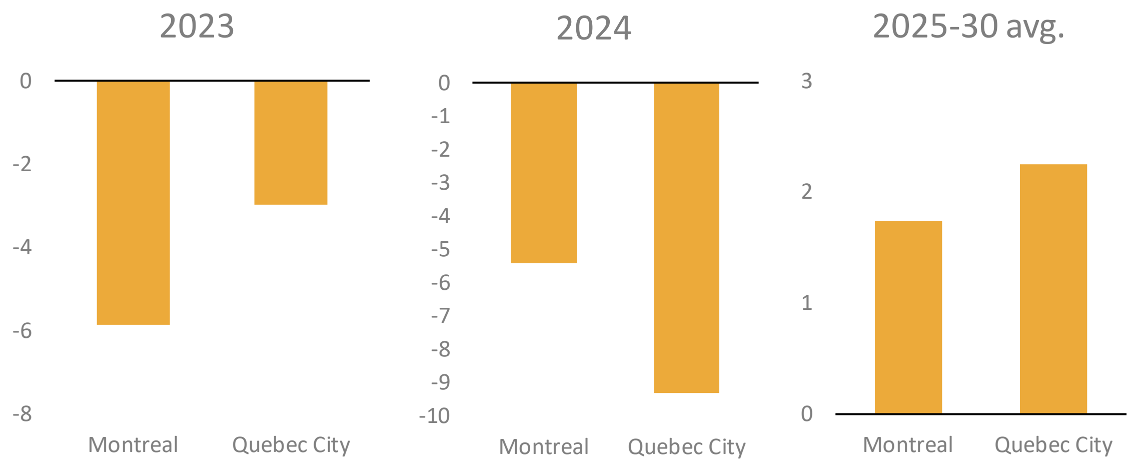
%, period averages



Sources: Oxford Economics / Statistics Canada.

Home Price Outlook

% year-over-year growth



CREA avg. sale price index

Survey highlights

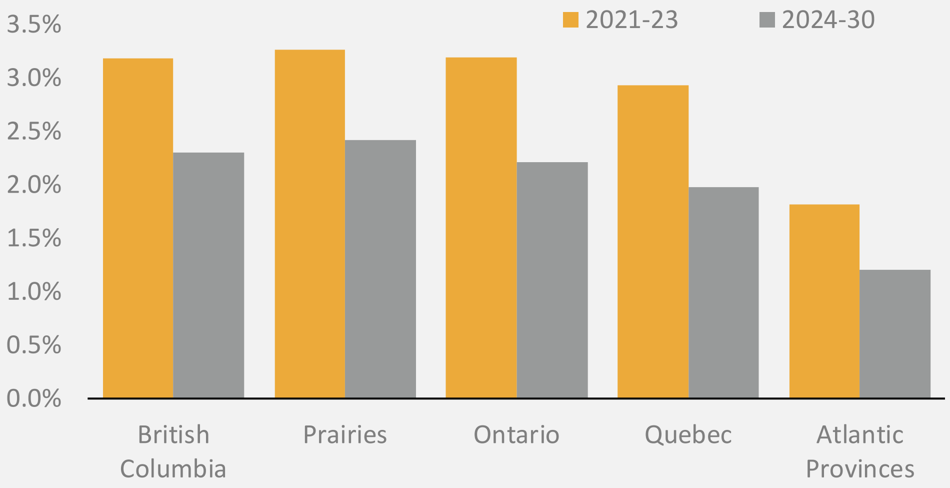
- 19% of Quebec residents are renters
- Over two thirds (71%) obtained their mortgage from one of the big financial institutions, the second highest in Canada, while 1-in-5 (21%) did so from a non-bank lender or small bank lender
- When looking for a mortgage professional, mortgage holders in this province are likely to work with a representative from their bank (51%), not many (11%) rely on referrals from friends/family
- Quebecers mortgage holders were the least loyal when it comes to re-using the same mortgage professional, 28% respondents who refinanced their mortgage reported changing mortgage professionals; however 56% are likely to use the same lender

Regional Outlook: Atlantic Canada

- The favourable demographic trends seen since the pandemic are starting to reverse. Looser conditions are evident in recent labour market indicators including an uptick in unemployment and a sizeable decline in job vacancies. On top of that, higher interest rates are increasingly adding pressure on consumers ability to spend which has resulted in slowing retail sales.
- While growth in services sectors have helped some regional economies diversify away from resource dependence, new setbacks in the oil industry are expected to start offsetting some of the bright prospects in other sectors.
- Our real GDP growth forecast for the region is 1.2% out to 2030. This will be accompanied by modest employment creation of only 14k net new jobs (+1%).

Provincial real GDP growth

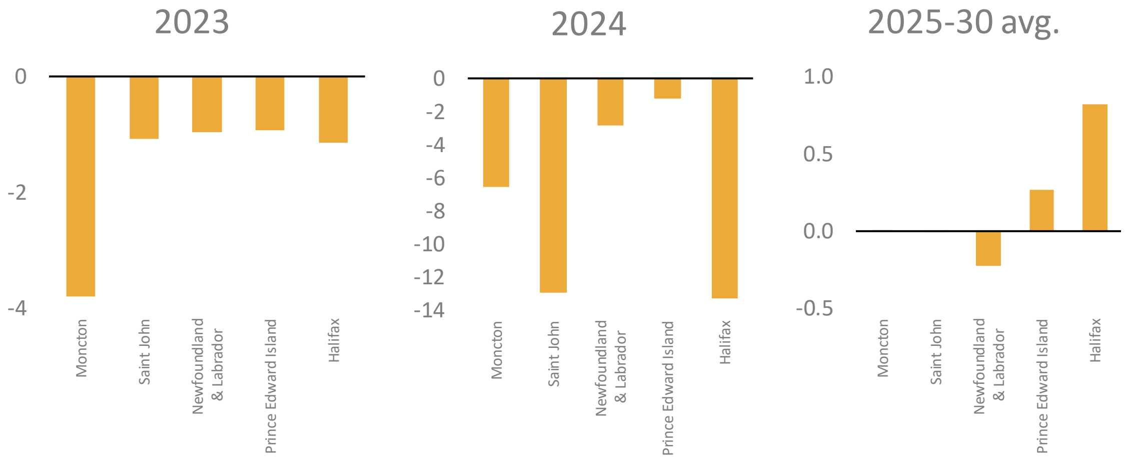
%, period averages



Sources: Oxford Economics / Statistics Canada.

Home Price Outlook

% year-over-year growth



CREA avg. sale price index

Survey highlights

- 13% of Atlantic Canada's residents are renters, the lowest share in Canada
- 77% obtained their mortgage from one of the big financial institutions, much more than other Canadians
- Atlantic Canadians tend to stick with the same institution they bank with for finding their mortgage representative more than any other region (55%), only a few (15%) rely on referrals from friends/family
- Compared to other provinces, respondents were much more satisfied with the overall service provided by their current mortgage professional when they first obtained a mortgage
- Atlantic Canadians also appear to be the most loyal when it comes to re-using the same mortgage professional (82%)
- They are most likely to use the same lender as well (60%)

DATA TABLES

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