



Housing and Mortgage Market Review

The housing market adjustment continues

By Ben Rabidoux

Mortgage Professionals Canada is pleased to share the June 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.



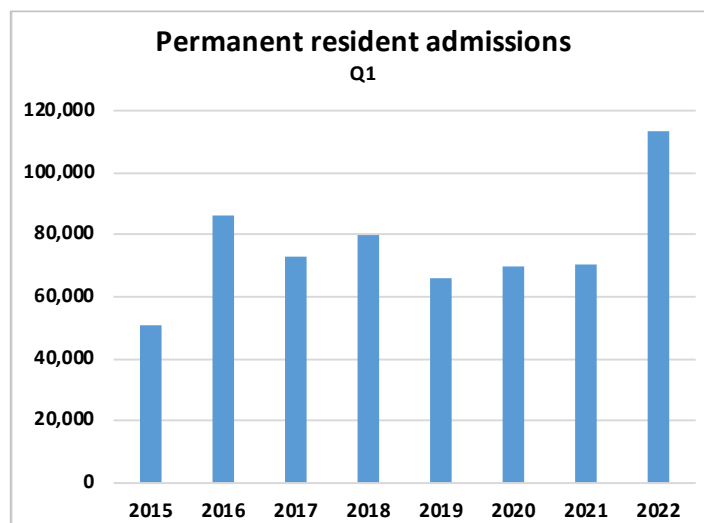
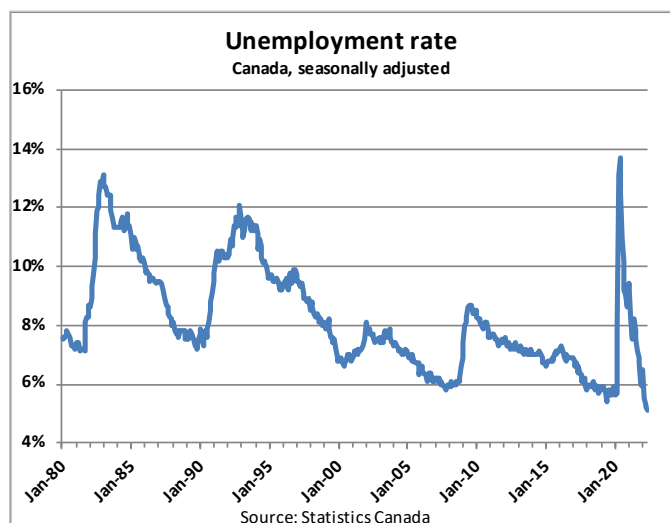
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While the housing market continues its adjustment against the backdrop of rapidly rising interest rates, there remains some good news. The Canadian economy is still remarkably strong. The unemployment rate fell to a fresh all-time low of 5.1% in May, while job vacancies rose to nearly one million nationally.

Wage growth is also showing signs of accelerating as employers are forced to compete for scarce labour.

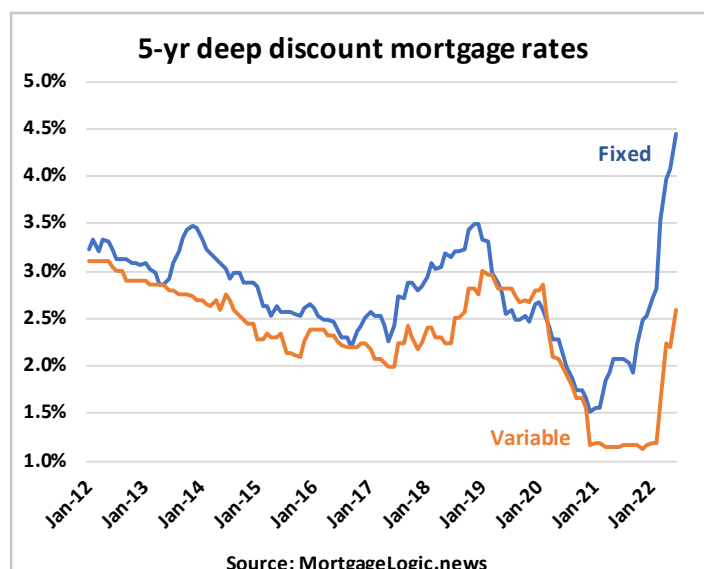
Meanwhile, population growth remains robust with permanent resident admissions hitting new highs in the first quarter.



The housing market faces significant adjustment as interest rates rise

Even with all that good news, we can't escape the fact the housing market is in the midst of a significant adjustment as homebuyers wrestle with sharply rising mortgage rates that continue to erode purchasing power.

Persistent inflationary pressures have driven bond yields higher, which in turn have pushed popular 5-year fixed mortgage rates to their highest level in 12 years. The Bank of Canada hiked the overnight rate by 50bps in June and signalled another sizable increase to come in July:

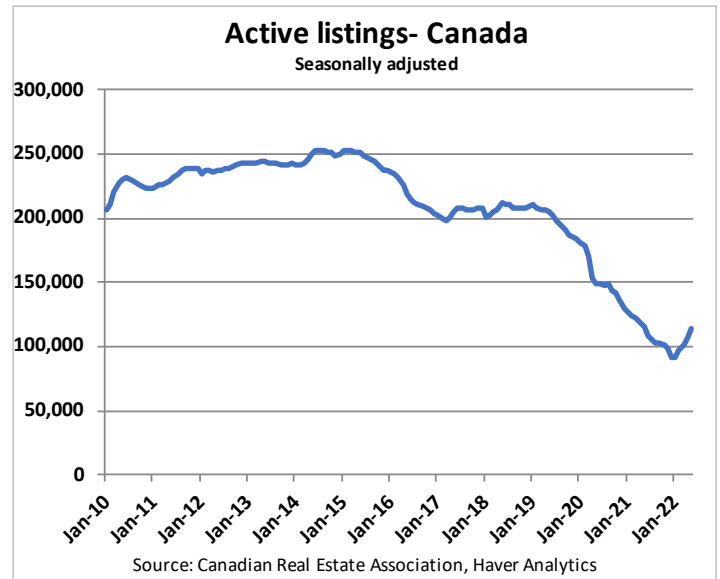
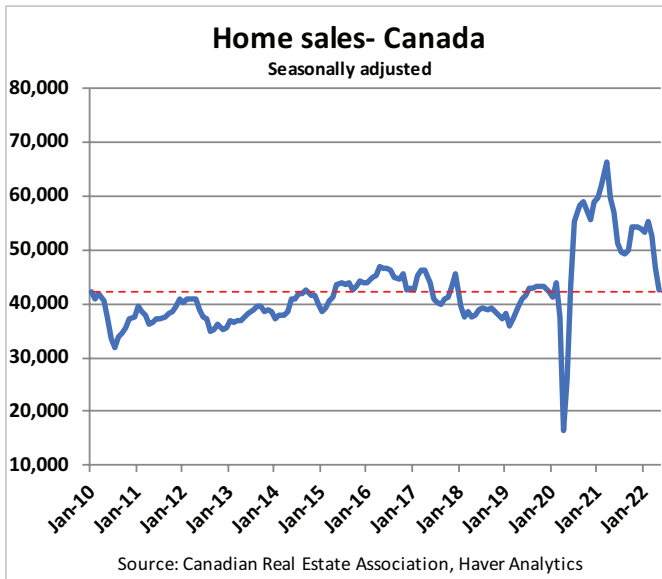




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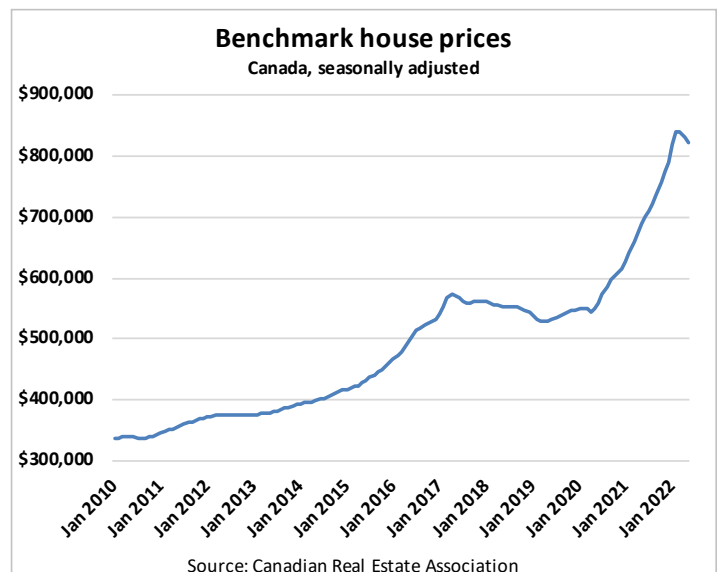
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National home sales (seasonally adjusted) fell another 8.6% month-over-month in May, led by declines in B.C. (-16.3%) and Ontario (-9.9%). Sales have now fallen 23% in just three months. The decline has been more pronounced in Ontario, where sales have plunged 31% over that period.



Importantly, new listings coming to market jumped 4.5% month-over-month, a sign that selling pressure may be intensifying. This helped push active inventory up another 7% month-over-month nationally and up 9.8% in Ontario, where the cumulative inventory build off of the lows is now greater than in the 2017 downturn:

Nationally, house prices have now declined for two consecutive months after slipping 0.8% month-over-month in May. That's the first time this has happened since 2019.





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For now, it remains primarily an Ontario story where 20 of 29 real estate boards reported a monthly decline in seasonally adjusted prices last month. Hardest hit areas are “commuter cities” within an hour or so of Toronto, where prices are under significant pressure:

- Cambridge: -4.6% month-over-month
- Woodstock: -3.9%
- Huron-Perth: -3.6%
- London: -3.5%
- Guelph: -3.3%
- Kitchener: -2.9%
- Hamilton: -1.7%

What it means: In the longer term, fundamentals like population growth will help underpin housing demand, but for the rest of 2022 and likely into 2023, housing market dynamics across the country will be determined by the direction of the Bank of Canada.

**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.

