



Housing and Mortgage Market Review

Weakening economy muddies the waters for the Bank of Canada

By Ben Rabidoux

Mortgage Professionals Canada is pleased to share the September 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.



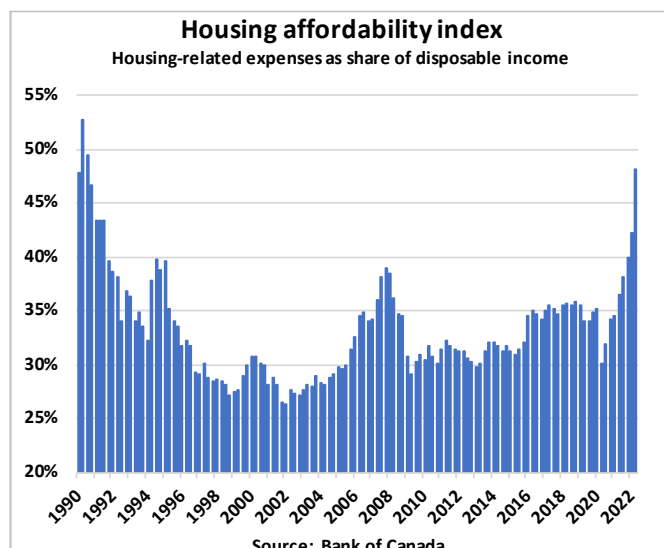
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The Bank of Canada hiked the overnight interest rate another 75bps, or 0.75%, last week and signalled that further rate hikes are likely needed to tame inflation. Markets are currently pricing in another 50bps in hikes by the end of the year.

That spells potentially more bad news for housing affordability, which just saw the steepest quarterly deterioration on record in the second quarter, according to the Bank of Canada. This is one heck of a chart, and until some semblance of normalcy is restored, we can expect muted demand.

But things can change quickly, and there's some evidence that Canada's economy is indeed shifting into a lower gear before our eyes.



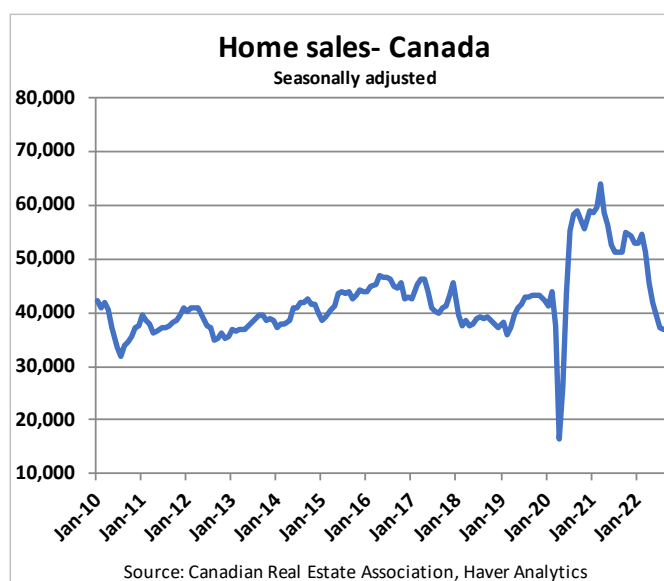
For example, preliminary estimates from Statistics Canada point to a decline in the July GDP report. But even more telling is the trend in the labour market, where Canada shed another 40k positions in August, bringing three-month cumulative job losses to 114,000. Outside of pandemic-related shutdowns, this is the largest such decline since the Financial Crisis.

What it means: If these trends continue, they will force a serious re-think at the Bank of Canada.

Sales and new listings decline

Home sales nationally fell another 1% month-over-month on a seasonally adjusted basis in August and are now down 42% from the March peak.

But the good news is that new listings also continue to fall and are now down 5.4% on the month. It's a sign that there's been no "rush to the exits" in spite of rising rates.



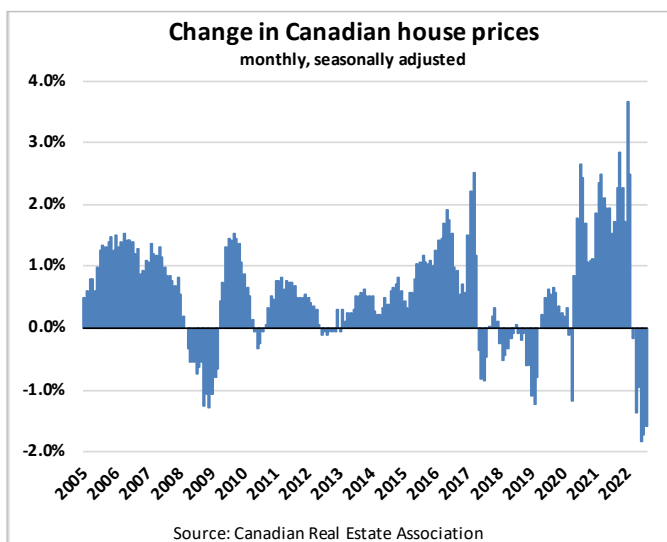
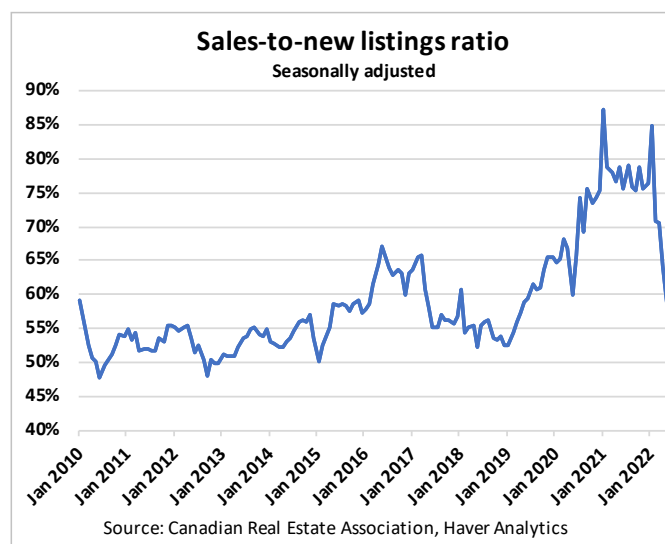
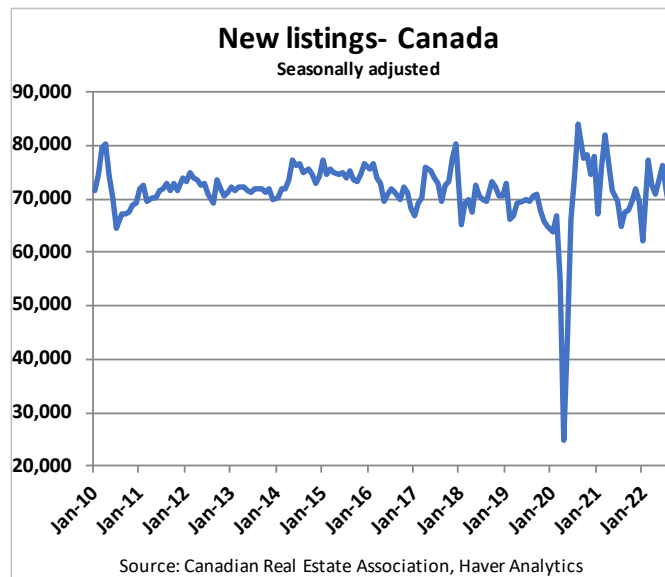


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With new supply falling faster than demand, we've now seen the sales-to-new listings ratio rise for two consecutive months.

On the pricing front, the MLS House Price Index saw another 1.6% monthly decline in August, bringing the cumulative decline from the peak to 7.4%.



**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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