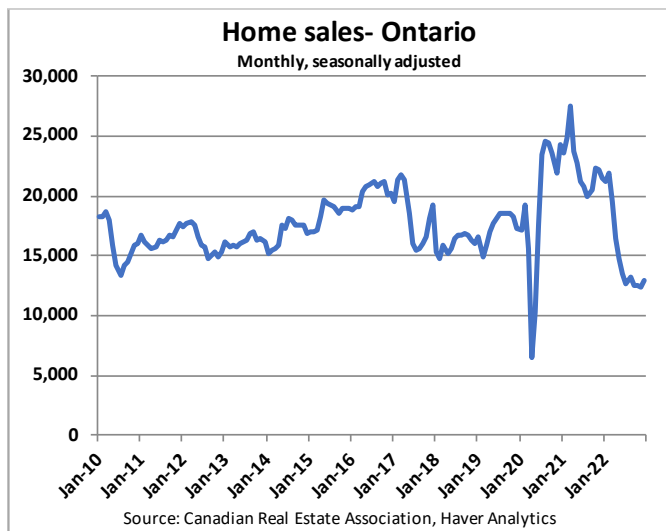




Housing and Mortgage Market Review: *January 2023*

Affordability challenges continue to weigh on housing demand in Q4

Weak consumer confidence and deteriorating affordability continued to weigh on housing demand in Ontario, with home sales falling 1.9% in Q4 relative to the prior quarter. Outside of the pandemic-related lockdowns in Q2 2020, this was the lowest quarter for home sales in the province since the Financial Crisis.



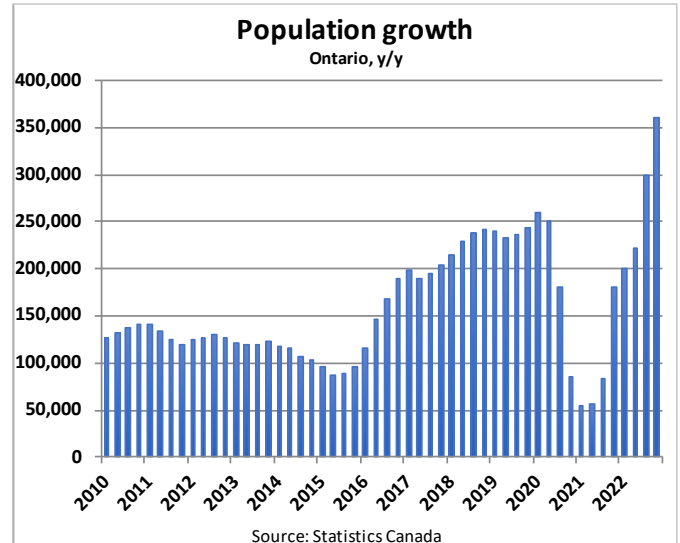
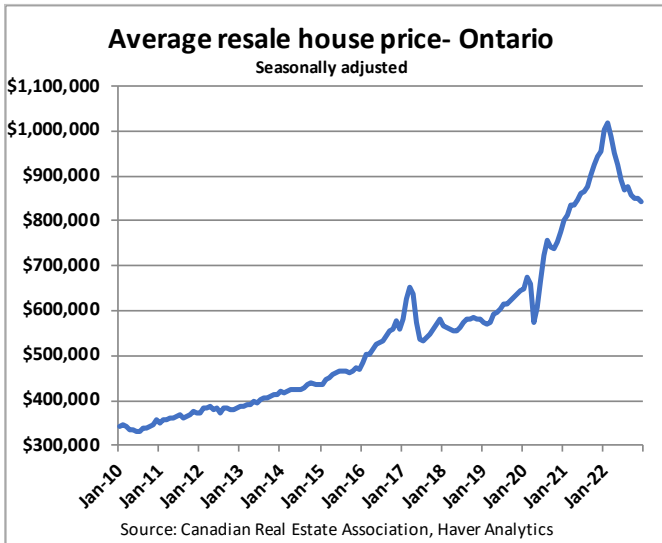
Months of inventory, a crude measure of supply and demand, has risen from a low of 0.7 at the end of 2021 to 3.3 today. Outside of the lockdowns of early 2020, this represents the highest reading since 2015.



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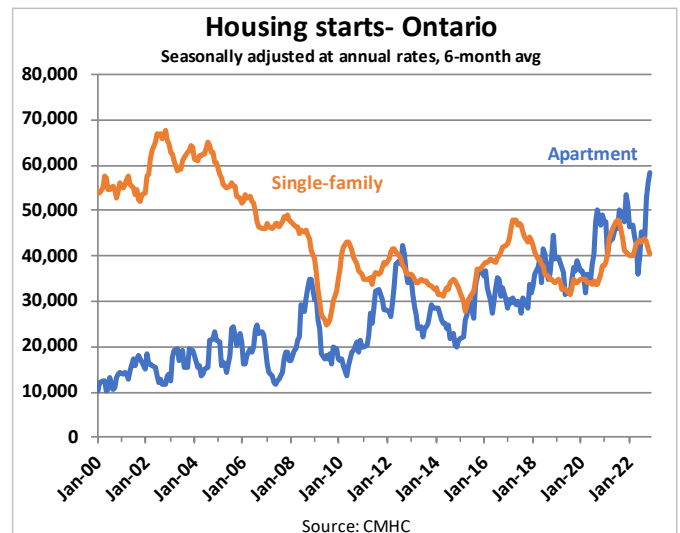
Seasonally adjusted average resale prices slipped another 1.8% in the fourth quarter relative to Q3 and are now down 12.0% compared to this time last year.



Record population growth

Ontario has seen record population growth of over 360,000 in the past year, including a whopping 153,000 in the past quarter alone.

Apartment starts (condos + purpose-built rentals) remain at record highs, but what's perhaps more notable is that new single-family housing starts have started to fall in recent months in spite of record population growth. Will this set the stage for another single-family supply crunch in the coming years once the resale market stabilizes?



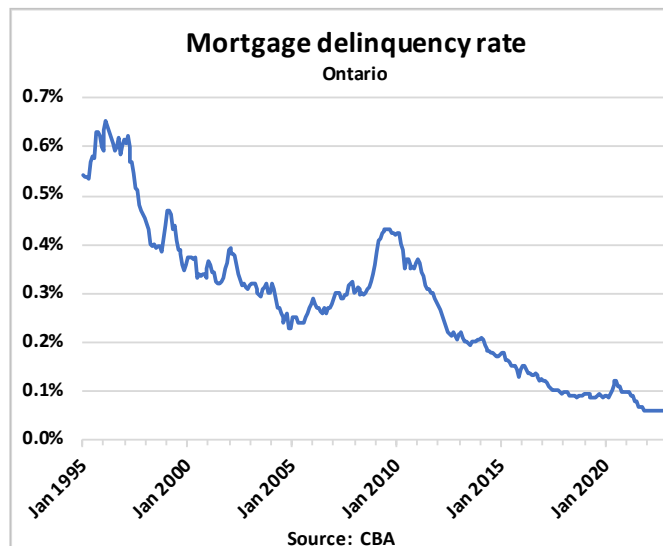
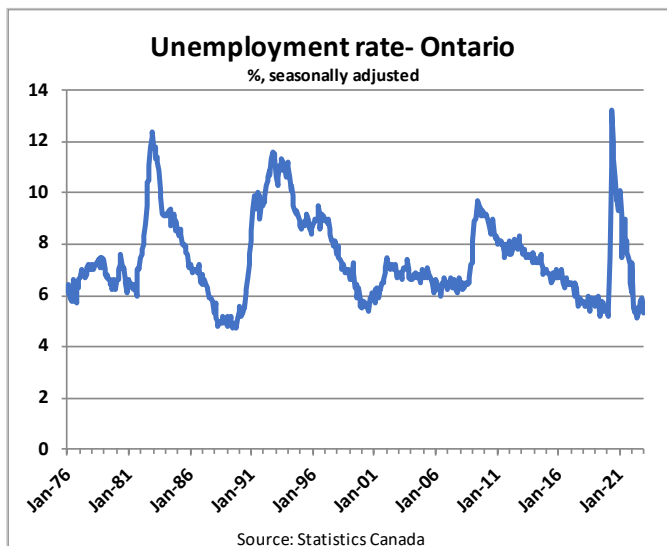
Job market ends the year on solid footing

Ontario's economy churned out a massive 107,000 new jobs in the fourth quarter while the unemployment rate fell to a near-record low of just 5.3% in Q4 from 5.8% in the previous quarter.



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With solid momentum in the labour market, it's not surprising that mortgage delinquencies were at record lows of just 0.06% in October.

Granted, this is a lagging indicator that tells us more about the strength of the economy 6-12 months ago than it does about today, but it's impressive nonetheless. With rising rates pressuring borrowers and with leading indicators pointing to a sharp slowdown in economic activity on deck, expect delinquencies to begin to normalize off these record lows in 2023.

What it all means: Severe and rising affordability pressures, as well as weak consumer confidence, continue to weigh on housing markets across the province. This difficult adjustment has seen prices fall significantly from peak levels, and may remain under pressure for a while yet if Canada slips into recession later in 2023.

But demand can only be constrained for so long. Strong population growth will help underpin the market over the longer term.

**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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