



Housing and Mortgage Market Review: Quarterly Report – *January 2024*

Home sales slip in Q4 but end the year on a solid note

Highlights:

- Home sales slipped in Q4 but ended the year with a solid showing in December
- House prices continued to grind lower in Q4 and are now 16% below peak levels
- Population growth and insufficient supply mean long-term fundamentals still look solid

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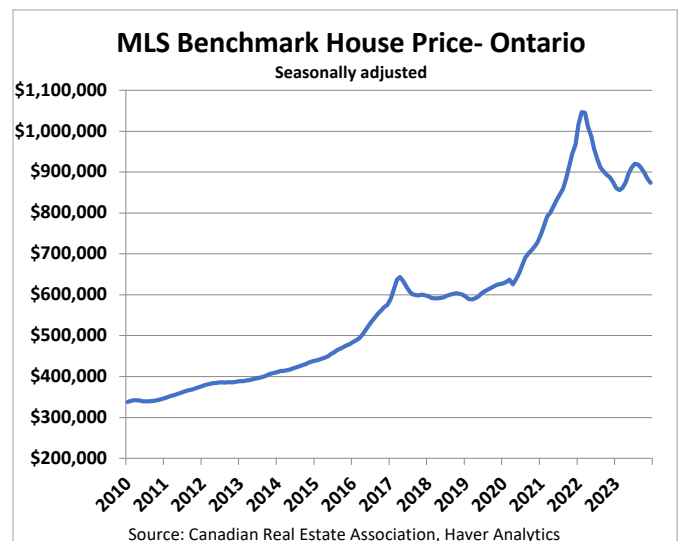
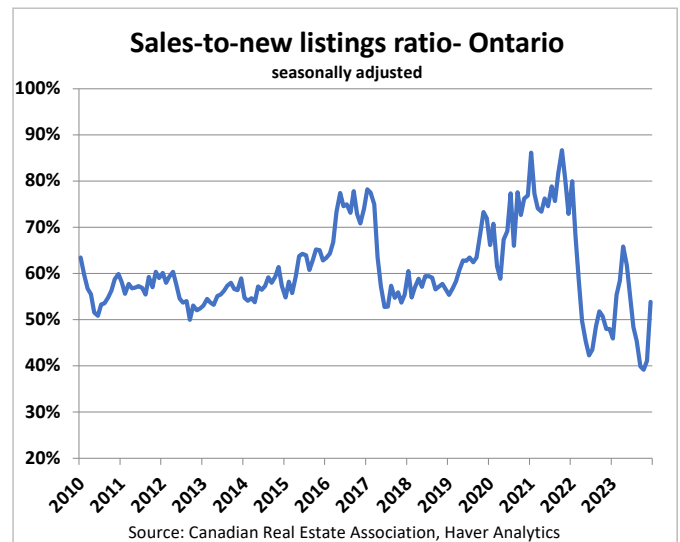
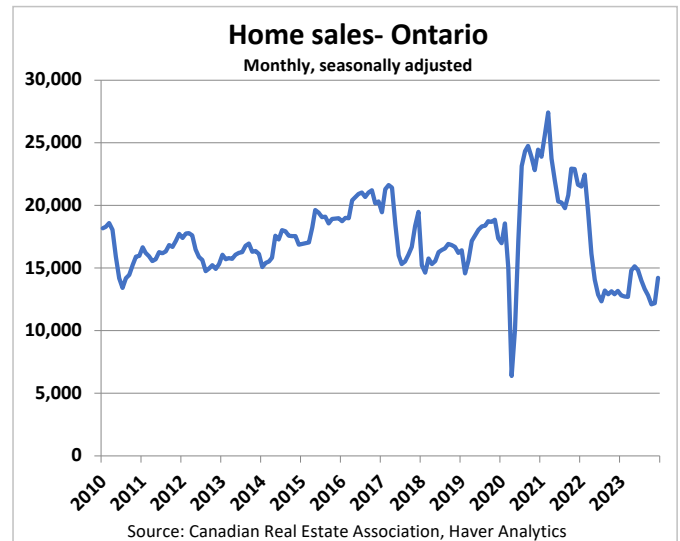
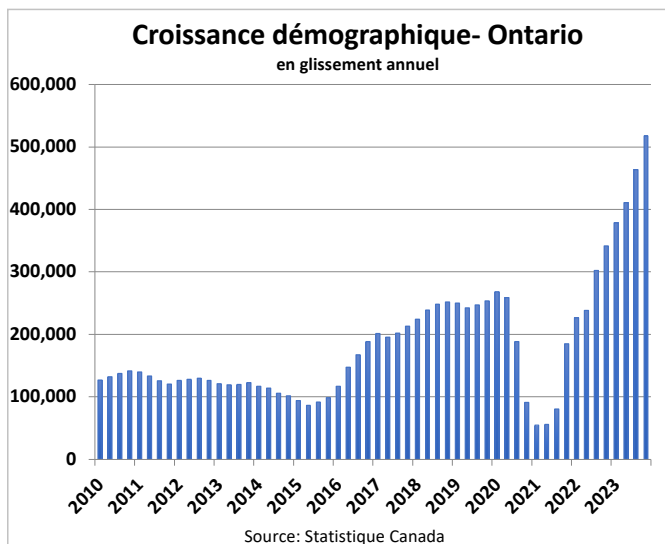
Seasonally adjusted home sales across Ontario fell 4.0% in Q4 as high mortgage rates and challenging affordability dynamics continued to weigh on demand. But there is good news. Sales ended the year on a solid note with transactions jumping a surprising 16.6% month-over-month in December.

New listings ticked up 3.7% in Q4. The sales-to-new listings ratio had been hovering between 40% and 50% through most of the back half of 2023, but improved to a more balanced level of 53% in December.

Soft demand continues to impact prices, with the MLS House Price Index falling 4.8% in Q4. Across the province, house prices remain 16.5% below peak levels on average, but the uptick in sales in December and the return to a more balanced market suggests that prices may begin to stabilize in the months ahead.

Yet another record for population growth

Affordability pressures may constrain home sales in the short run, but Ontario's exceptionally strong population growth will underpin demand over the longer term. The province's population has grown by a record 518,000 people in the past year. It's the first time on record that population growth surpassed half a million in any year.



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Yet, even with population growth booming, new construction activity continues to slow. Housing starts fell 13.9% in the fourth quarter.

The number of dwellings under construction was effectively flat in Q4 as a decline in single-family activity was offset by an increase in condos and rentals across the province.

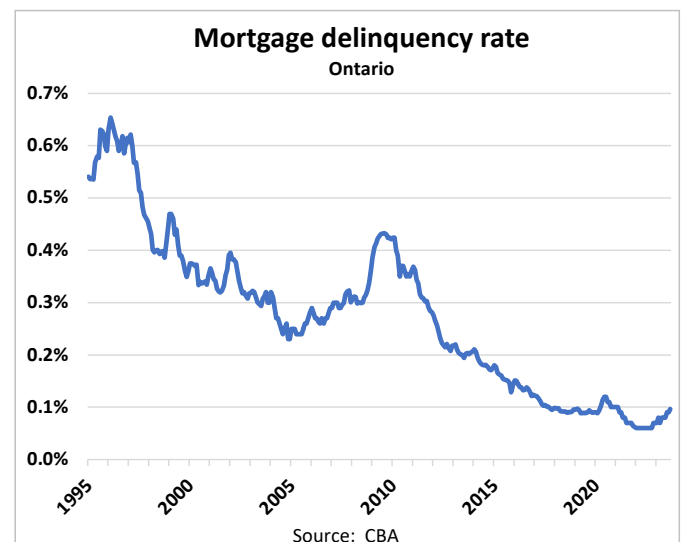
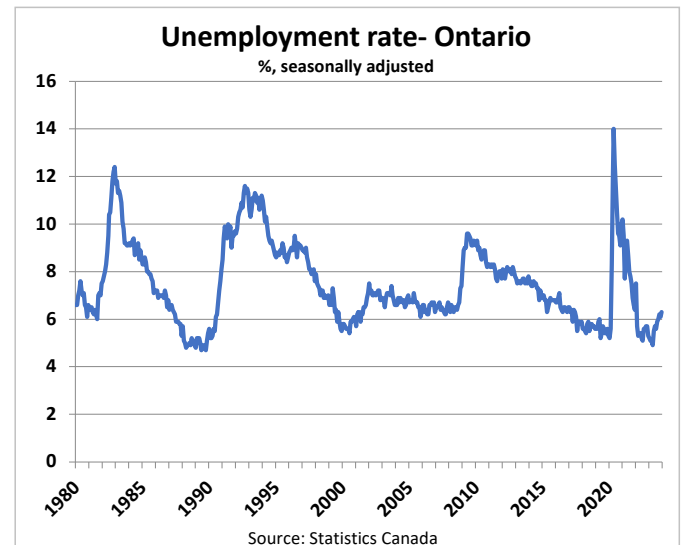
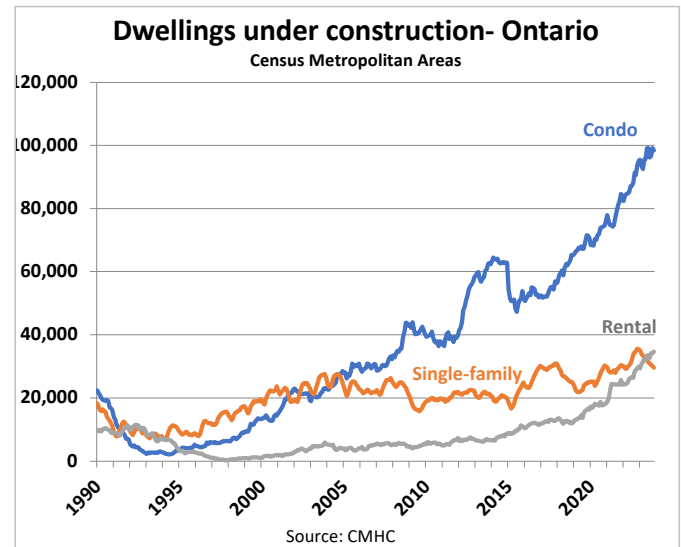
Labour market weakens

Ontario's economy hit a soft spot in the fourth quarter. Businesses shed 56,000 jobs in the last three months of the year, pushing the unemployment rate to 6.3% from 5.7% at the end of Q3. That represents a notable increase off the record low of 4.9% reached in Q2 of last year.

High mortgage rates and a softening economy exerted upward pressure on mortgage delinquencies in Q4. They remain well below the national average, but are now on a clear upward trajectory that will likely continue through 2024.

What it all means

High mortgage rates and challenging affordability dynamics pressured Ontario home sales in Q4. However, long-term fundamentals still remain intact, notably strong population growth and insufficient new supply. The lagged impact of higher interest rates may cause some softness in the provincial economy in early 2024, but rate cuts in the back half of the year should help reignite growth.



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