



# Housing and Mortgage Market Review: *February 2023*

**Stronger-than-expected economic data pushes  
fixed rates higher**

*By Ben Rabidoux*

## **Highlights from our latest Housing and Mortgage Market report include:**

- Economic data continues to show surprising strength despite recession fears mounting
- Home sales and prices continue to slide, but expect strong demand come spring
- Bank of Canada's guidance for a rate pause should allay concerns of a repeat of 1980s-level interest rates



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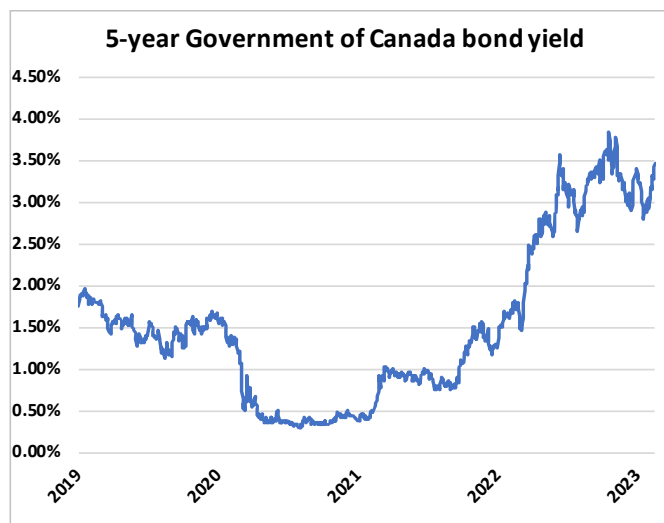
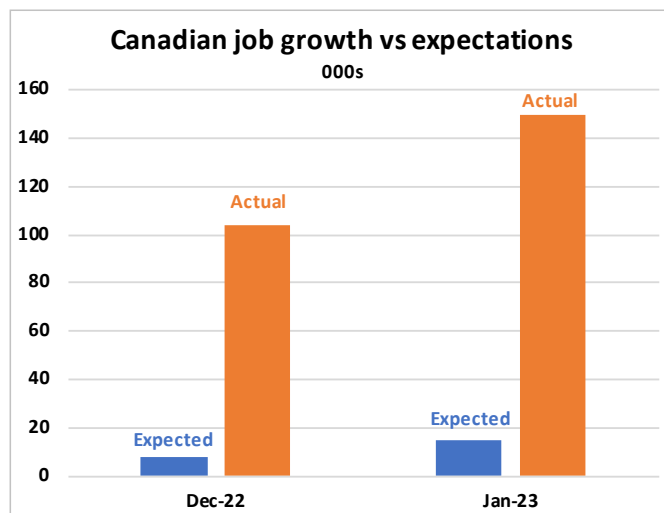
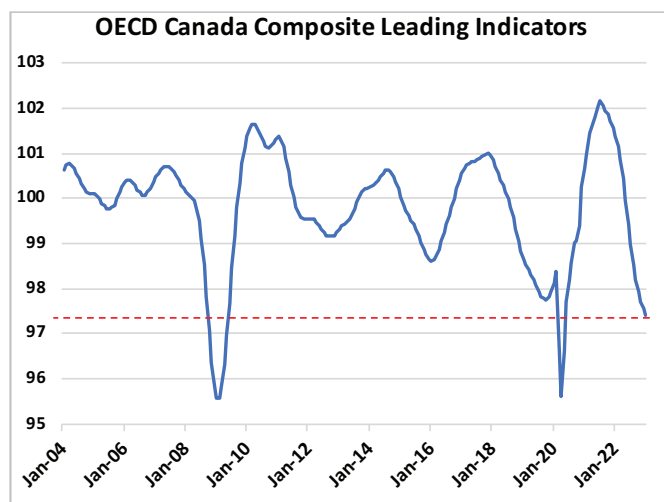
## Stronger-than-expected economic data pushes fixed rates higher

Leading indicators continue to point to a steep slowdown in economic growth later this year. The OECD's Composite Leading Indicator fell again in January—the 15th consecutive monthly decline—and is now at levels typically only seen during recessions.

But even with recession fears mounting, current economic data continues to show surprising strength. Take, for example, the two most recent jobs reports from Statistics Canada, which both shocked markets with stunningly high job growth that was an order of magnitude higher than expectations.

Market participants are clearly unsure of how to price in these confusing cross-currents. Just last month, Canadian 5-year bond yields—a key driver of fixed mortgage pricing—hit a low of 2.8% amid widespread expectations that weakening economic conditions would force the Bank of Canada to start cutting rates later this year. The recent string of strong economic data has forced a re-pricing, with yields today closing in on 3.5%, the highest since November.

Canada's economy is clearly in flux right now, and markets are trying to make sense of these confusing mixed signals. The situation is dynamic and can change quickly. But as it stands today, we should expect fixed mortgage rates to creep up over the coming weeks.







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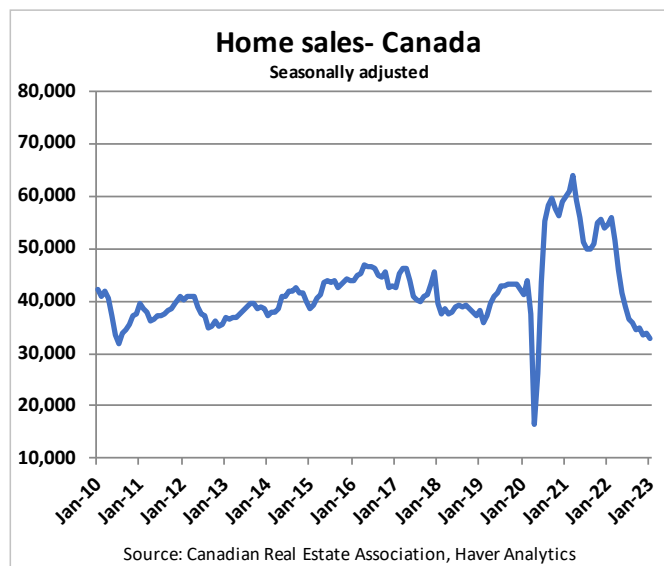
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### Home sales and prices slide again in January

Seasonally adjusted home sales tumbled 3% month-over-month in January, driven by steep monthly declines in B.C. (-7.5%), Quebec (-4.3%) and Alberta (-4.0%) and offset by a small monthly increase in Ontario (+0.4%).

Outside of the COVID lockdowns in early 2020, home sales nationally remain at the lowest levels since 2010.

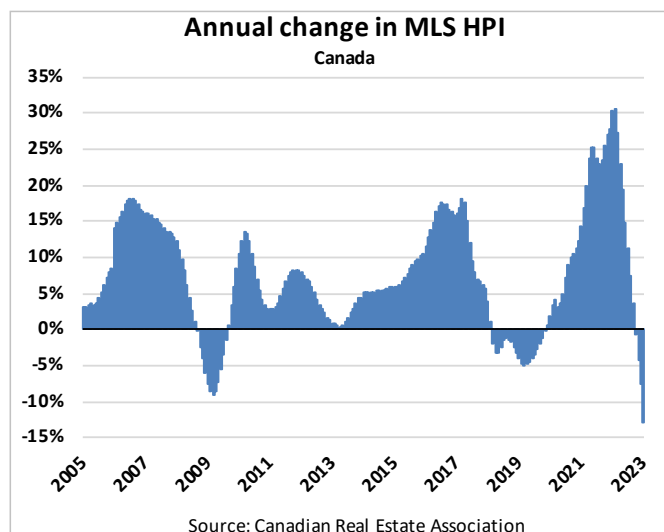
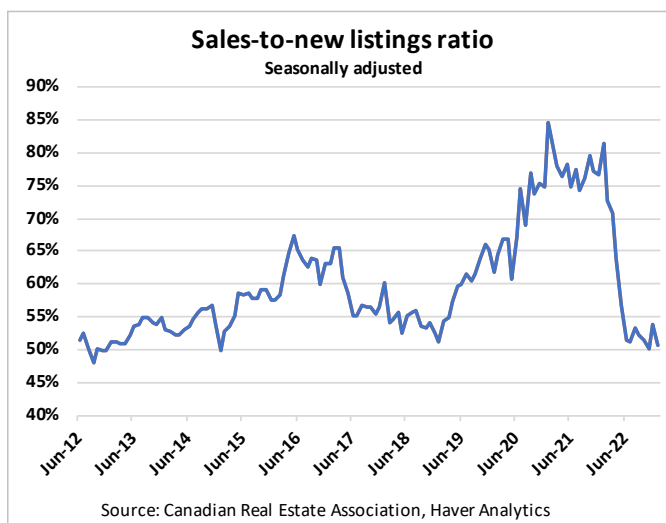
New listings rose 3.3% on the month, which helped push the sales-to-new listings ratio, a crude measure of supply and demand, down to just over 50%.



The MLS House Price Index slid another 1.9% in January and is now down 12.8% in the past year and down 15.1% from its peak.

Even with some upward pressure on fixed rates in the coming weeks, I still expect a modest rebound in home sales heading into the spring. The Bank of Canada has clearly signalled that they will pause and assess the impacts of higher interest rates on Canadian consumers and businesses. Those impacts hit with a long lag, and we may not know how the economy responds until later this year.

That means the feared “worst case” scenario of a repeat of the 1980s, where mortgage rates got well into double digits, has largely been removed. That alone should provide a boost to confidence and should be enough to bring some well-qualified buyers off the sidelines this spring.





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## Stronger-than-expected economic data pushes fixed rates higher

Mortgage Professionals Canada is pleased to share the February 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.

*\*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](http://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.

