



Housing and Mortgage Market Review: *March 2023*

Financial contagion risks roiling markets

By Ben Rabidoux

Highlights on what is driving the housing and mortgage market:

- How the financial turmoil in the U.S. banking system could impact Canadian mortgage rates
- Canada's housing market tightened in February from January with a rise in sales and a fall in new listings
- The labour market cooled in February, but still performed better than expected

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Fears of financial contagion emanating from the failure of several U.S. banks, notably Silicon Valley Bank, have roiled global equity markets and have caused a massive repricing in interest rate expectations.

In Canada, bond yields have fallen at record speed. The 2-year saw an unprecedented 75-bps collapse from one week to the next while the 5-year bond yield (an important driver of fixed-mortgage pricing) has seen rates fall by 80 bps over the past two weeks.

Financial system stress typically leads to a tightening of credit availability, including for mortgages. That's potentially bad news, but at least in the short term it means downward pressure on mortgage rates.

Jobs: On the economic front, Canada's labour market once again performed better than expected in February, adding 22,000 jobs against expectations of a 10k increase. The unemployment rate held steady near record lows of just 5%.

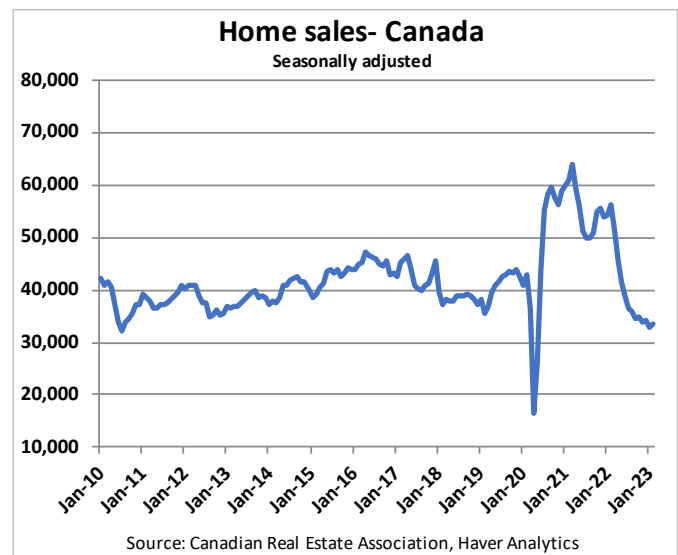
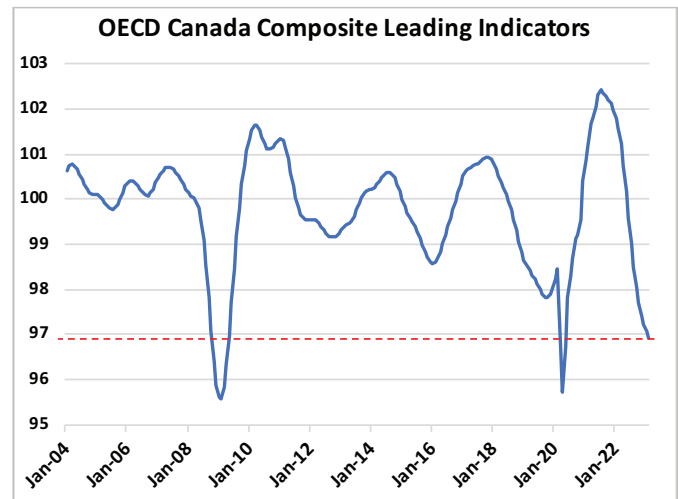
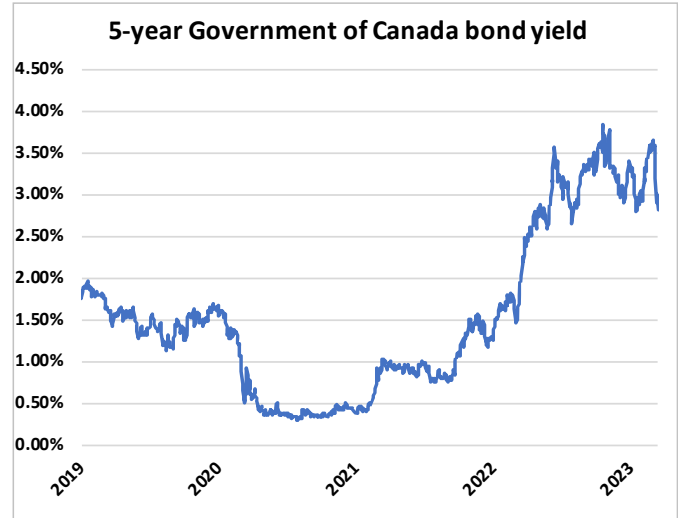
What it means: It's easy to take comfort in Canada's solid job gains of late, but let's remember that employment is a lagging indicator. Forward indicators of economic growth, notably the OECD's Composite Leading Indicators, continue to flash clear recession signals after falling again in February and is now at levels last seen during the COVID lockdowns and the Financial Crisis before that.

Home sales rise, resale market tightens

Seasonally adjusted home sales increased 2.3% in February compared to the previous month, led by a 6.9% jump in B.C.

More importantly, new listings plunged 7.9% from January to hit the lowest seasonally adjusted level since early 2020. And it was the lowest level of listings of any February since 2004! Sellers are stubbornly refusing to list in a weak market.

Seasonally adjusted active listings across the country declined 1.4% in February, the largest monthly decline since late 2021.



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Market balance improved sharply in February, with the sales-to-new listings ratio rising to a 10-month high of 58% from 53% in January.

Even with improving market fundamentals, the MLS House Price Index registered another seasonally adjusted decline in February, down another 1.1% on the month. That puts the annual decline at a record 15.8%.

What it means: Even with financial market turmoil, a continued modest rebound in home sales should continue into the spring, but bigger questions remain; namely, will new listings materialize in size this spring and will Canada continue to skirt a recession this year?

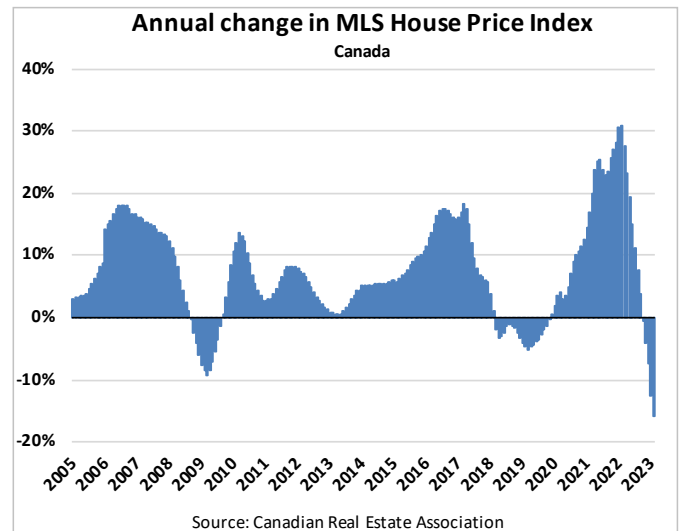
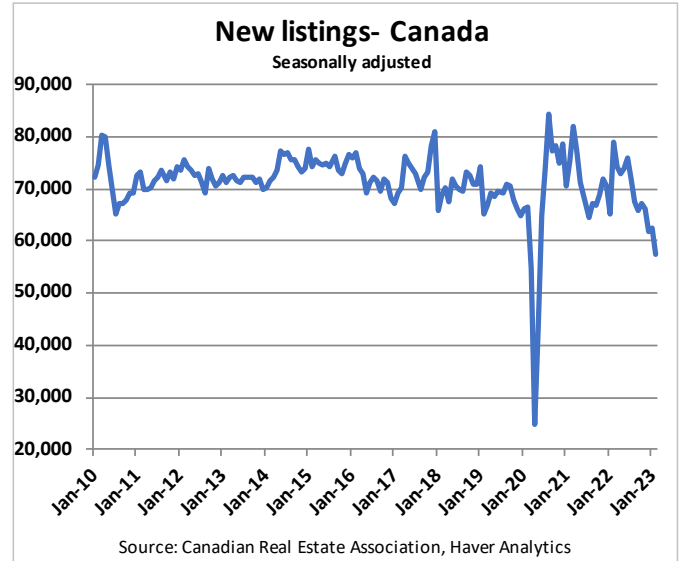
Until we get more clarity on those two questions, calling for an end to the current housing downturn looks premature.

Mortgage Professionals Canada is pleased to share the March 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), 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.

