



Housing and Mortgage Market Review: Quarterly Report - *July 2023*

Home sales jump in Q2, but end on soft note

Highlights on what is driving the housing and mortgage market:

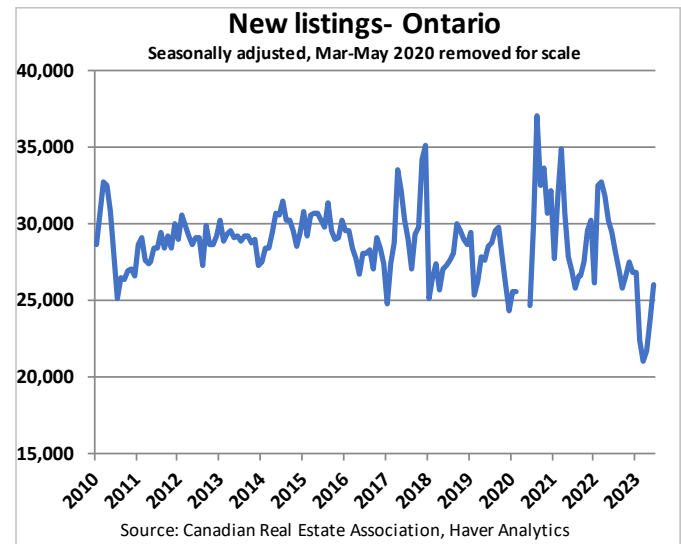
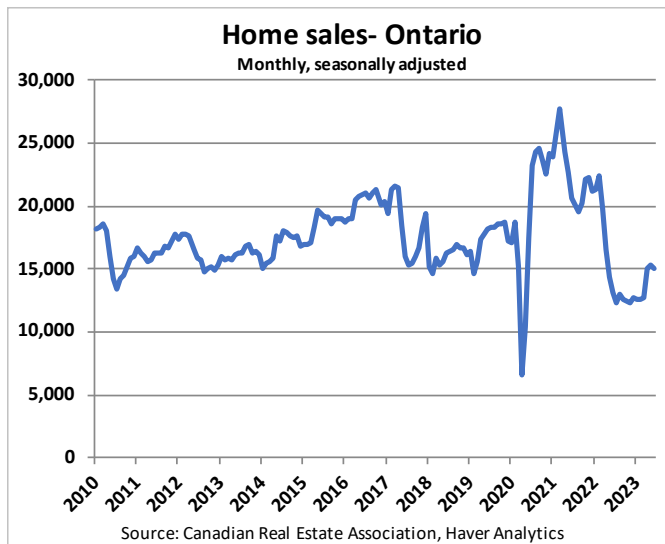
- Home sales rose strongly in Q2, but recent increases in mortgage rates will likely weigh on demand in the coming months
- Inventory is still in short supply due largely to a stubbornly low level of new listings coming to market
- The combination of robust population growth and slowing construction activity raises concerns about an impending supply crisis in Ontario in the coming years

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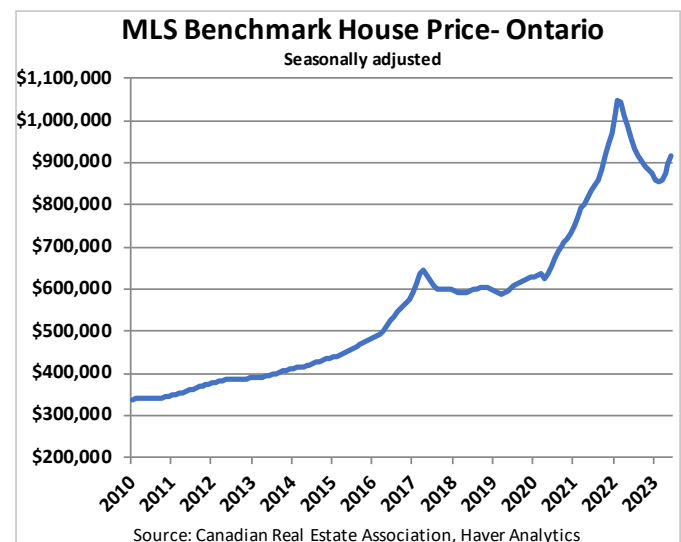
Seasonally adjusted home sales across Ontario jumped 19.8% in Q2 but ended the quarter on a weak note with June sales slipping 1.3%. Demand may come under pressure in the coming months as the market digests the impact of recent mortgage rate increases.

New listings jumped 9.4% month-over-month in June but remain well below normal levels.



With demand increasing and supply still constrained, the market remains very tight overall. There is currently only two months of housing inventory for sale across the province, well below long-term norms.

With the market balance still tilted towards sellers, house prices ticked up throughout the second quarter. Seasonally adjusted prices rose 2.2% in June and have now increased by 7% in just four months. Still, that leaves the MLS House Price Index for the province 12.7% below peak levels.



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Yet another record for population growth

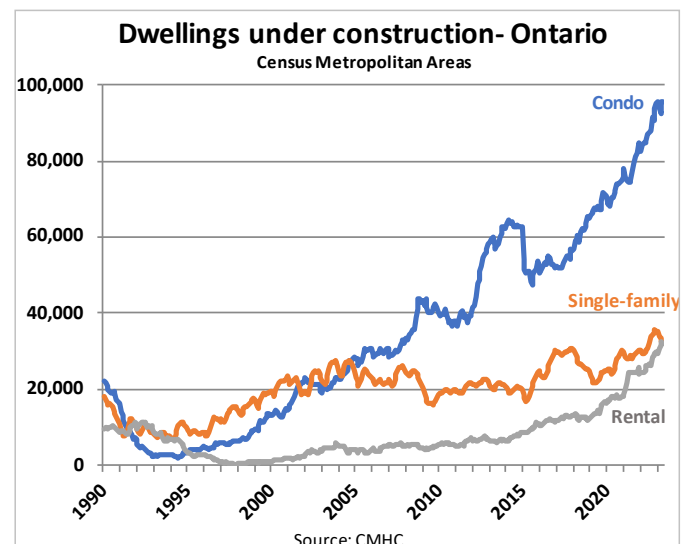
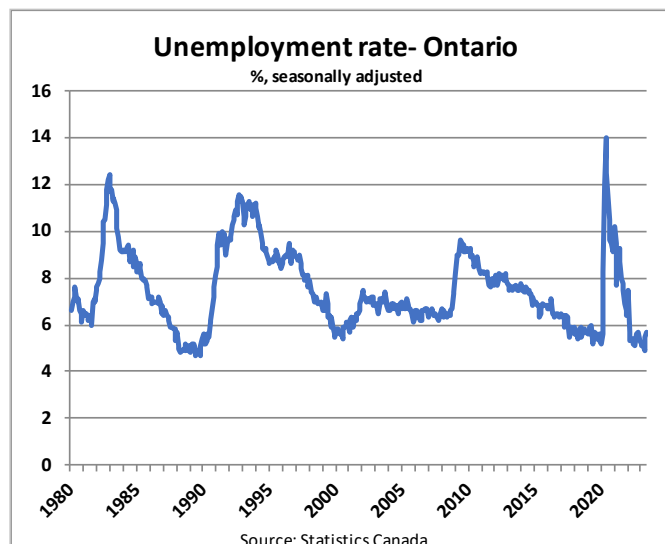
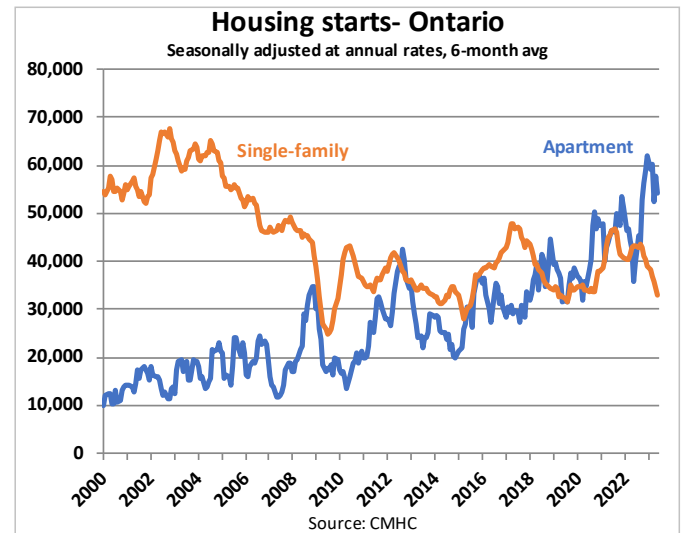
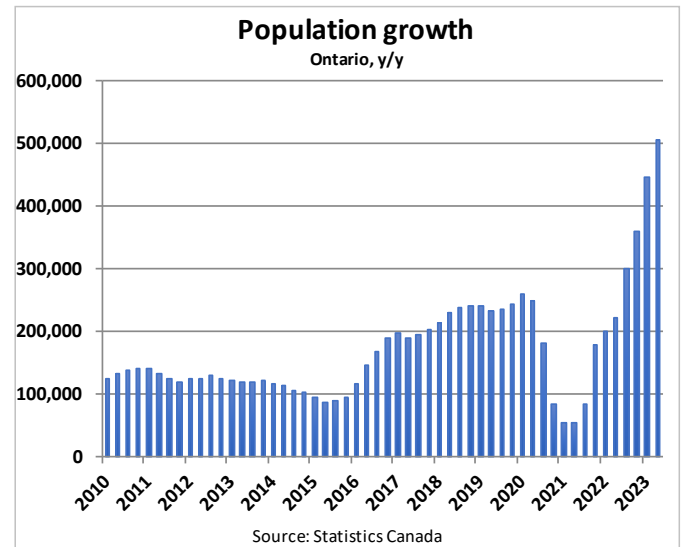
Annual population growth in Ontario broke through the 500,000 mark for the first time on record as of the second quarter.

Even with surging demand and limited resale supply, developers are scaling back on new construction. Single-family housing starts have fallen right through the second quarter and are now barely off the COVID lows.

Dwellings under construction rose 1.5% since the end of the first quarter, driven primarily by rising activity in the purpose-built rental segment.

Strong job growth can't keep up with population boom

Ontario's economy remains in good shape overall, having created 65,000 new jobs in the second quarter. However, even this robust level of job creation is failing to keep up with population growth. The unemployment rate ticked up 0.6% in the second quarter. Outside of the COVID downturn in Q2 2020, this is the largest quarterly increase in unemployment since the Financial Crisis.



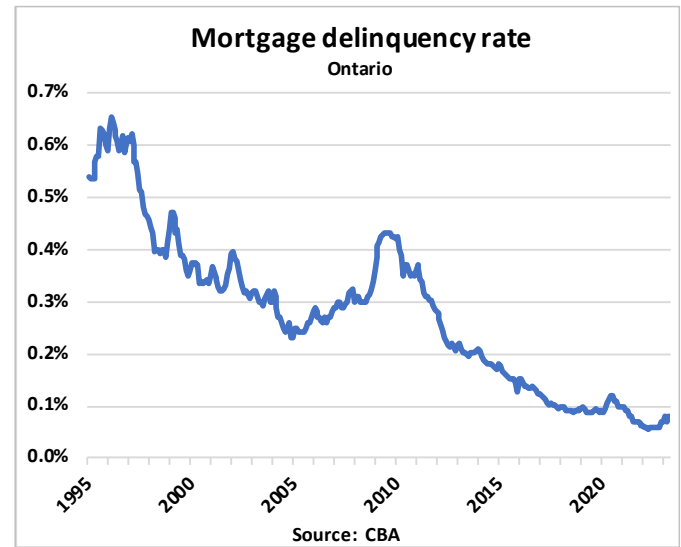
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Mortgage delinquencies remain less than one third of long-term norms, but did tick up slightly in the second quarter. Given rising interest rates and the prospects of an economic slowdown later this year, we should anticipate that this trend of rising delinquencies will continue well into 2024.

Summary:

Demand for housing remains strong across the province but may come under some pressure in the near term due to acute affordability pressures that have been made worse by the latest rate hikes from the Bank of Canada. Strong population growth and inadequate supply will underpin housing 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.

