

Dear clients,

Canada's housing market is cooling down but it is still hotter than the long-term average and will likely stay that way for the next couple of years.

The latest Housing Market Outlook from Canada Mortgage and Housing Corporation looks ahead to 2024 and sees moderating price growth, sales and housing starts. However, this moderation is relative to record setting numbers posted in 2021, so all three factors will remain above their long-term averages. These elevated numbers will be supported by continuing demand that is being fueled by robust economic (GDP) growth, higher employment, and net migration.

While moderation and stability in the housing market are generally accepted as good things, CMHC is also forecasting an on-going decline in affordability.

CMHC points to sustained high prices and rising interest rates as key factors in affordability. But in a new and separate "Housing Supply Report" the agency names the main culprit: Supply.

"The biggest issue affecting housing affordability in Canada is that supply simply is not keeping pace with demand," according to the report. With 4,850 units available citywide at month's end. The market is also partially being pushed by the increase in interest rates by the Bank of Canada, as people try to get in before the rates — as being widely forecasted — jump to two per cent or higher by the end of 2022.

The conditions have pushed the benchmark price per unit to \$526,700, up two per cent from March and 17 per cent from last year.

In the detached segment, year-over-year sales slowed for the first time since the spring of 2020, but there were still 1,815 units sold, which is still out-pacing long term trends. The decline is due in part to a lag in sales for homes under \$600,000, which amounts to a supply issue. With the benchmark rising to \$628,900 — 19 per cent above last April — there was still growth in sales over \$600,000. There is currently only 1.3 months supply, creating a tight market. Inventories have not been this low in April in 15 years for detached homes.



It's a similar situation with semi-detached homes. A decline in new listings in April aided in slower sales than in March, but they were still up 30 per cent over April 2021. This led the benchmark price to rise to \$487,900, up two per cent over the previous month and up 16 per cent over the last 12 months.

“Housing starts have struggled to keep up with population growth,” the report adds.

The Housing Supply Report is scheduled to be released biannually for 2022 and 2023. CMHC says it hopes to be able to estimate the number of housing units needed in Canada to improve home affordability.

As rates increase, I will keep you all posted on how this is affecting the market.

Sincerely,

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