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**January 2023**  
**Metro level deep-dive- December data**

Compliments of: [TheMortgageGuyNiagara.com](http://TheMortgageGuyNiagara.com)

**Quick links:**

- 1) **Takeaways from preliminary home sales data**
- 2) **Fixed rates tick down, 1 in 5 homeowners can no longer afford their own house**
- 3) **More signs the rental market may be cooling**
- 4) **Credit tidbits: Insolvencies jump, credit card charge-offs rise**
- 5) **Odds and ends: CFIB Barometer, consumer confidence, 2023 charts to watch**

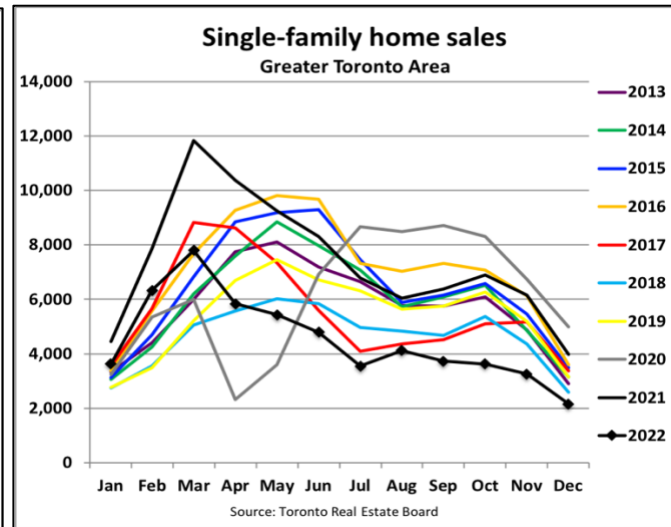
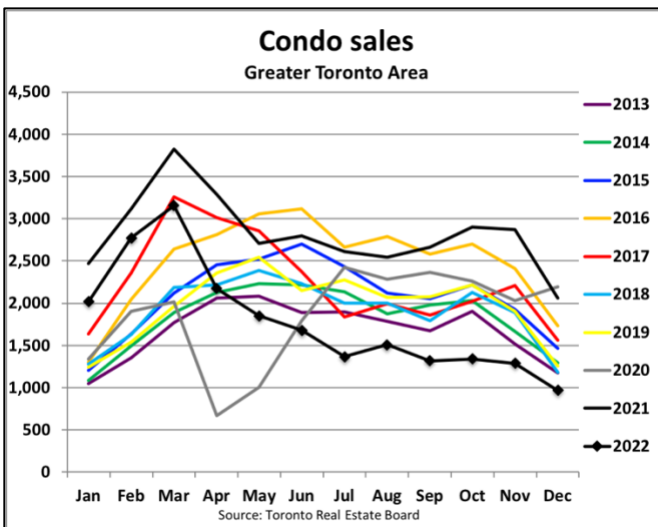
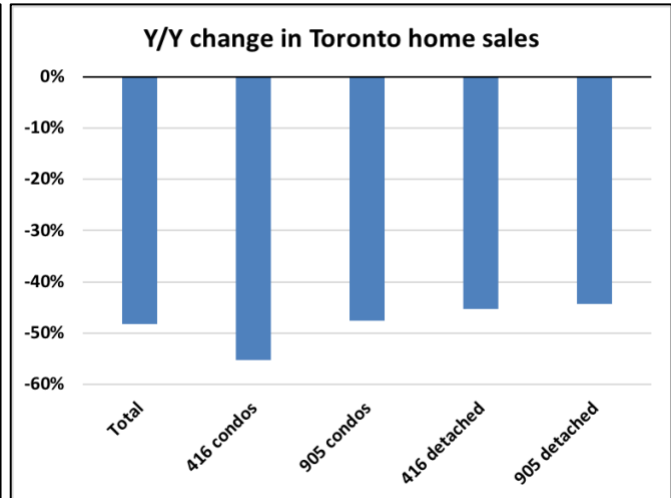
### 1) Takeaways from preliminary home sales data

December is typically the lowest month of the year for resale transactions. With such thin liquidity, weather dynamics alone (such as one bad winter storm) can swing the seasonally adjusted sales numbers by 5%. December and January tend to be a lot of noise. The real signal will be in the key spring selling season starting in March.

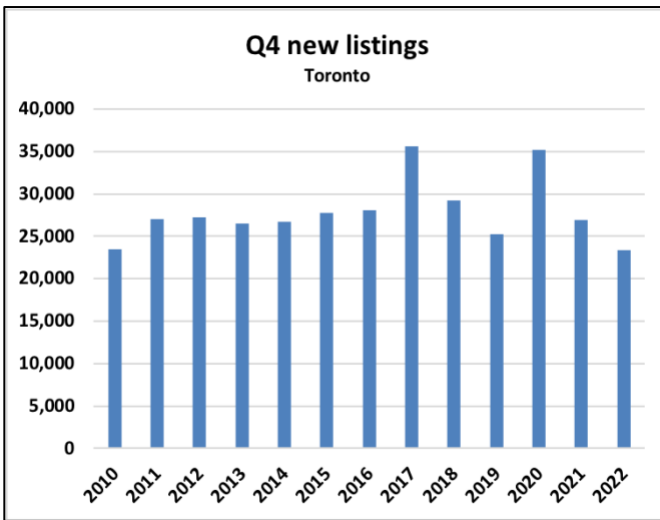
That preamble aside, here's what happened last month.

#### i) Inventory jumps, prices melt in Toronto

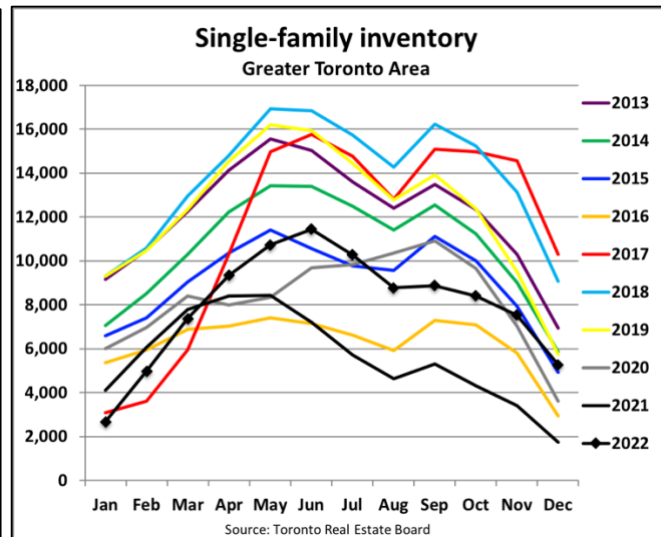
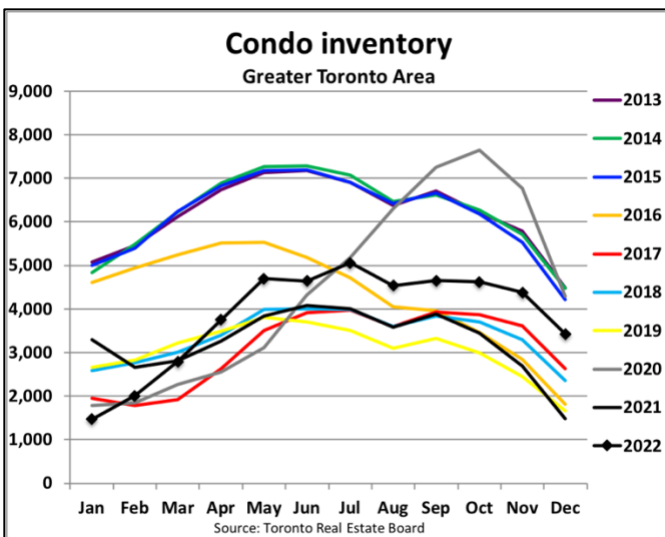
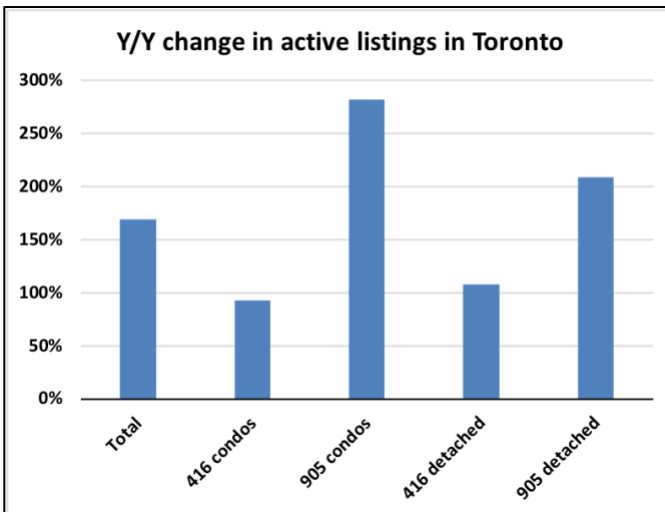
Seasonally adjusted home sales ticked up 1.1% in November but were down 48% compared to last year (including a 55% drubbing for condos in the 416.....ie the City of Toronto):



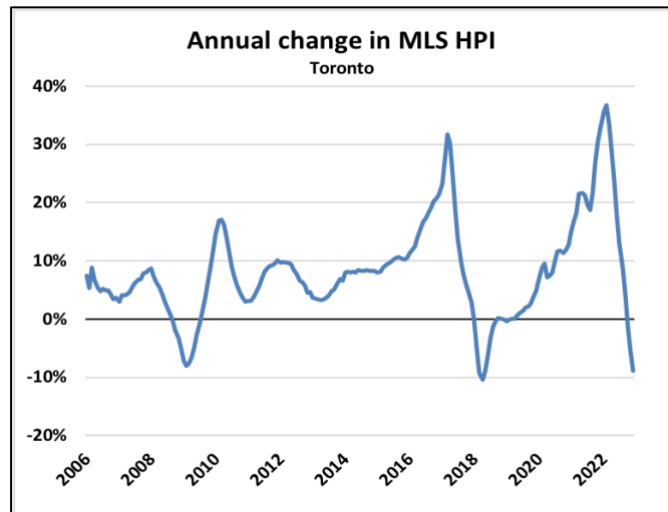
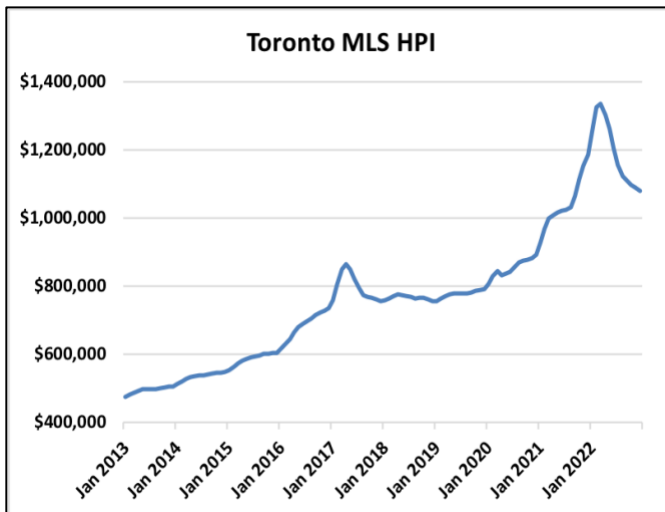
New listings are simply not materializing yet. They were down a massive 21% y/y in December which capped off the lowest Q4 in 15 years. Contacts in the space expect a very significant supply response this spring based on feedback from their clients.



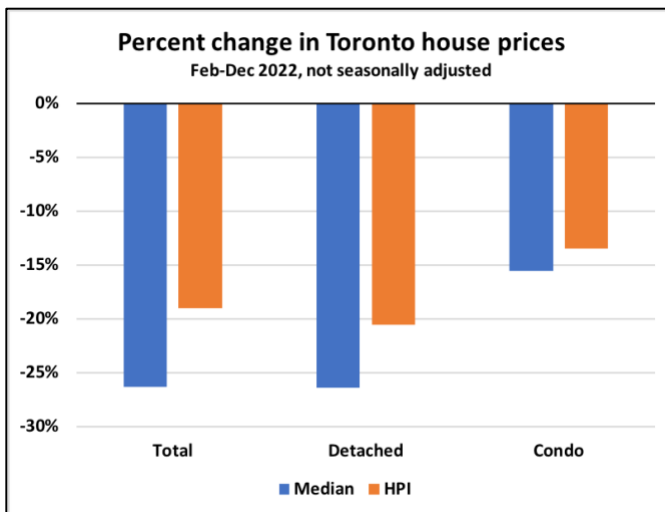
Even with a low flow of new supply, total inventory continues to build rapidly. There are now nearly 170% more homes for sale than at this time last year, notably in the suburbs (905 area code) where listings are up over 200%:



House prices were down another 0.8% on the month and are now down 8.9% y/y. I had expected prices to grind sideways over the winter and for sales to stabilize or even pick up marginally, but both have been weaker than I expected:



Cumulative decline from peak (unadjusted for seasonality) is now 19% for the HPI and 26% for median prices:



To highlight the magnitude of the price declines in some areas, consider the listings below. One just sold under power of sale for less than the 2016 sale price while the other sold for less than the 2017 sale price:



[View Listing In Full Map](#)

190 Combe Ave  
North York - Bathurst Manor  
Detached

Listed for: \$1,089,000  
**Sold for: \$1,030,000**  
Sold 9 days ago

3 Bedrooms 1 Bathrooms 2 Garage

### Listing History

Buy/sell history for 190 Combe Ave, North York (Detached)

Date Start	Date End	Price	Event	Listing ID
2022-11-24	2022-12-29	\$1,030,000	Sold	C5836511
2022-10-13	2022-11-25	\$1,149,000	Terminated	C5795152 <a href="#">Q</a>
2016-10-18	2016-10-24	\$1,130,000	Sold	C3633519 <a href="#">Q</a>

Description:

Power Of Sale. Spacious Bathurst Manor Bungalow. 3 Bedrooms, 1 Bathroom. Single Car Garage. Attractive Floor Plan. Basement Is Largely Open Space With Drywall Completed. Nice Building Lot Or Opportunity To Continue To Renovate. Close To Allen Road, Shopping, Subway, Ttc On Wilmington, Charles Best And Mackenzie Schools.

[Read More](#)



[View Listing In Full Map](#)

5373 Main St  
Whitchurch-Stouffville - Stouffville  
Detached

**"Sold over ask" (but less than in 2017)** → Listed for: \$999,900  
**Sold for: \$1,250,000**  
Sold 17 days ago

4+1 Bedrooms 2 Bathrooms 0 Garage

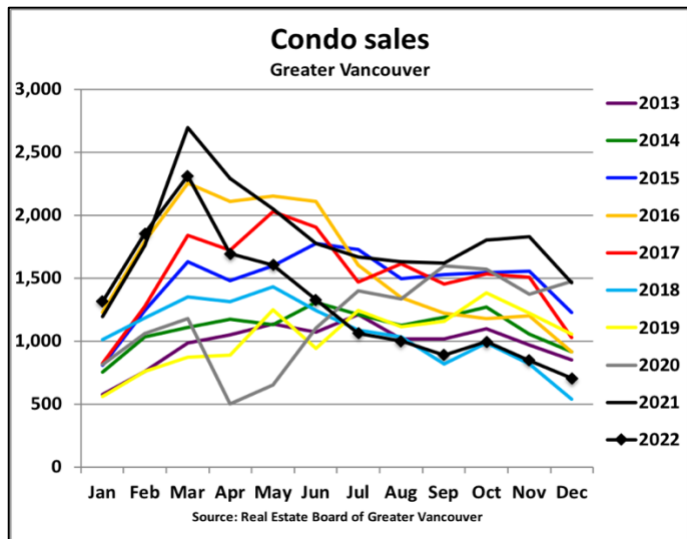
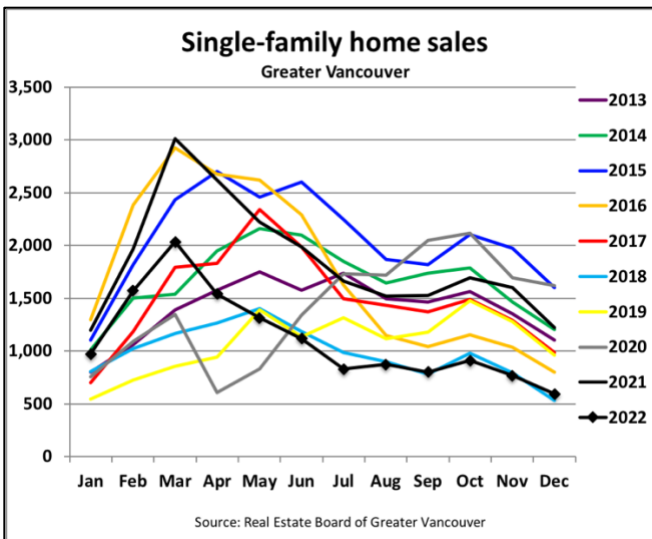
### Listing History

Buy/sell history for 5373 Main St, Whitchurch-Stouffville (Detached)

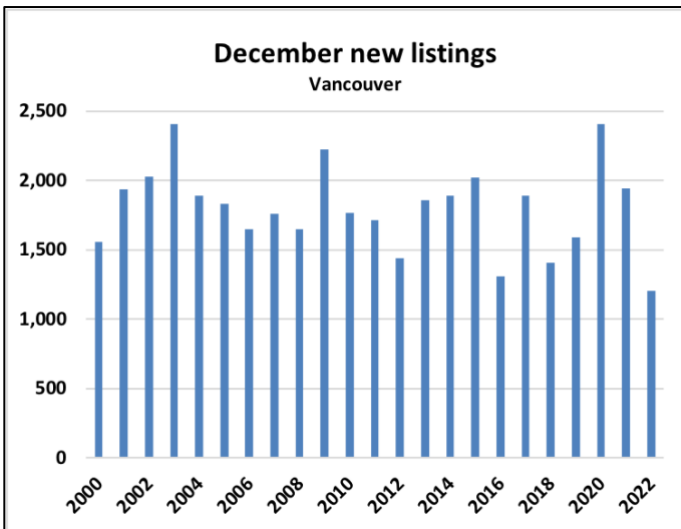
Date Start	Date End	Price	Event	Listing ID
		<b>Sold for \$1.25MM in Dec 2022</b>		
2022-12-08	2022-12-20	\$1,250,000	Sold	N5846556
2022-10-22	2022-12-07	\$1,490,000	Terminated	N5803597 <a href="#">Q</a>
2022-07-13	2022-10-13	\$1,680,000	Expired	N5695685 <a href="#">Q</a>
2022-06-03	2022-07-12	\$1,850,000	Terminated	N5646077 <a href="#">Q</a>
		<b>Originally listed for \$2.15MM in March 2022</b>		
2022-03-07	2022-05-25	\$2,150,000	Terminated	N5525689 <a href="#">Q</a>
2020-05-01	2020-05-06	\$2,500	Suspended	N4751880 <a href="#">Q</a>
2020-04-27	2020-05-01	\$2,000	Terminated	N4751127 <a href="#">Q</a>
		<b>Bought for \$1.45MM in 2017</b>		
2017-04-10	2017-06-07	\$1,450,000	Sold	N3757490 <a href="#">Q</a>

**ii) Vancouver sellers hold the line even as price declines intensify**

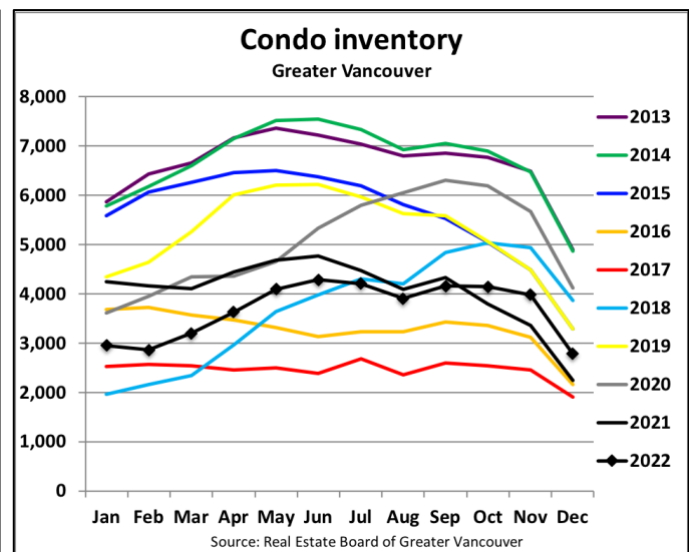
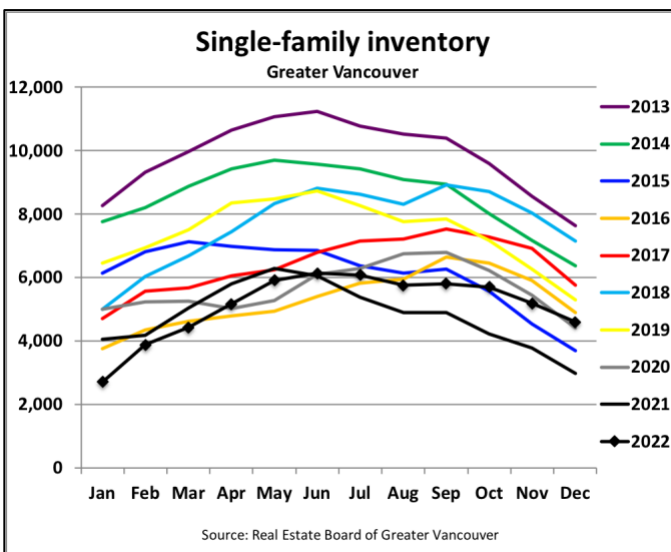
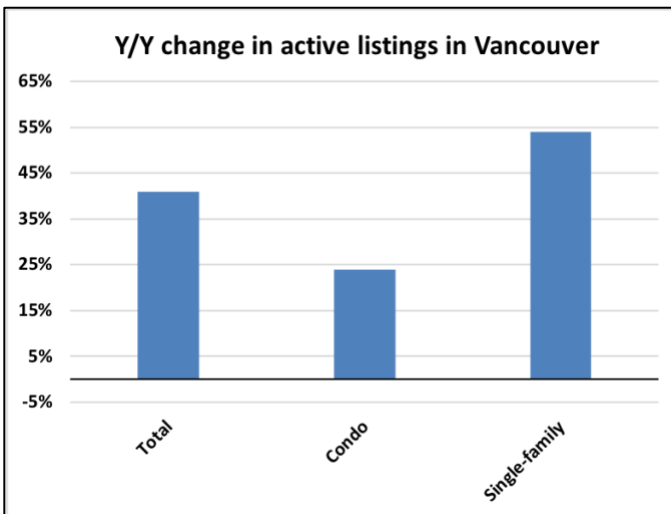
Vancouver home sales ticked up 1.5% m/m seasonally adjusted in December but were 52% below 2021 levels:



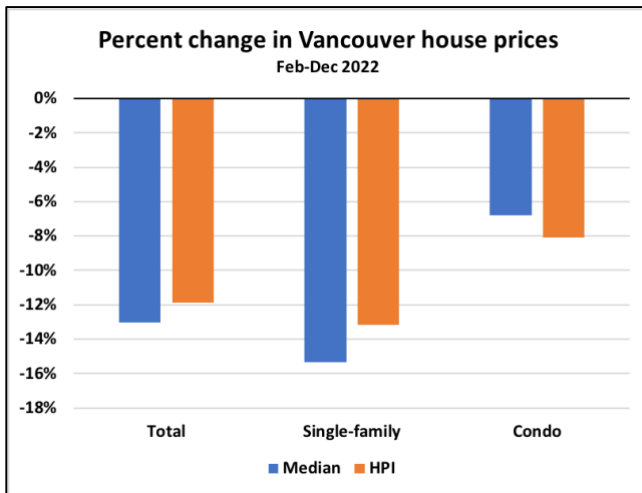
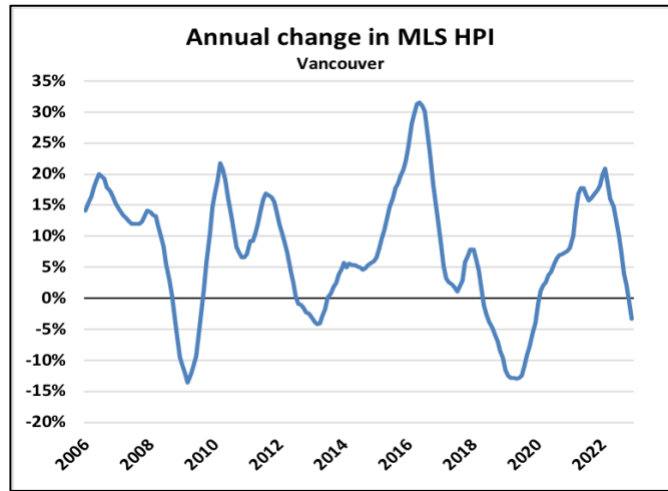
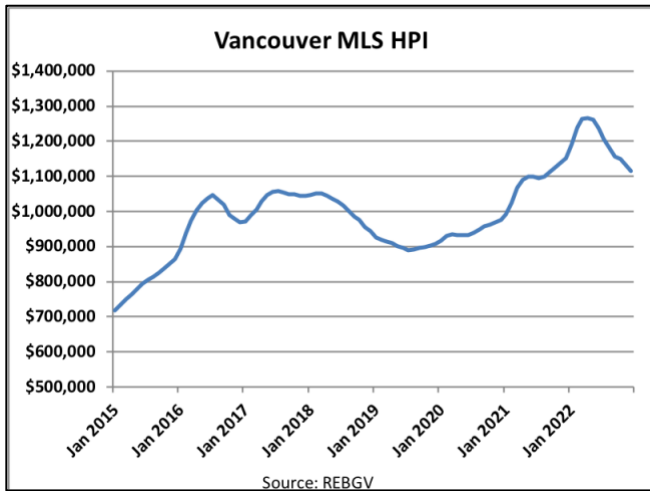
New listings were down a massive 38% y/y to hit the lowest December level since the 1990s. Here too, prospective sellers are clearly expecting better conditions this spring, and I expect we'll be surprised at how much supply materializes in the next few months:



Active listings were up 41% overall and 54% for single-family but are still not particularly high relative to recent years:



The MLS HPI was down another 1.5% m/m and is now down 3.3% y/y and -12% from the Feb peak

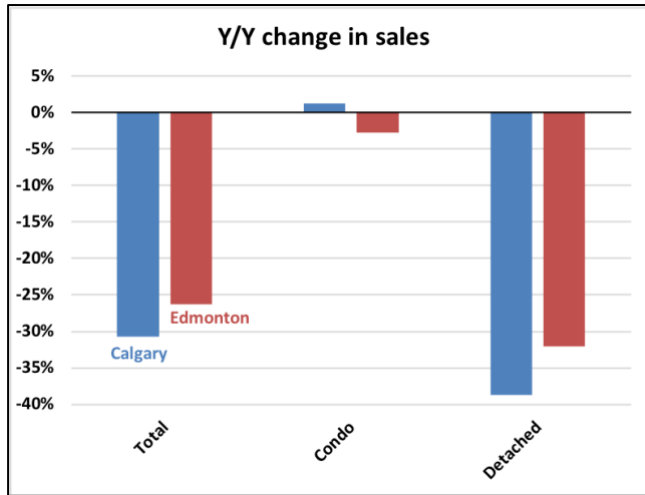
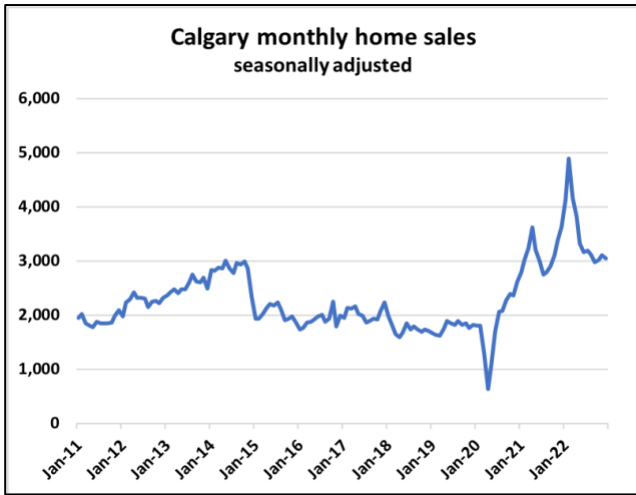


**iii) Calgary: Demand slips but remains above pre-COVID levels**

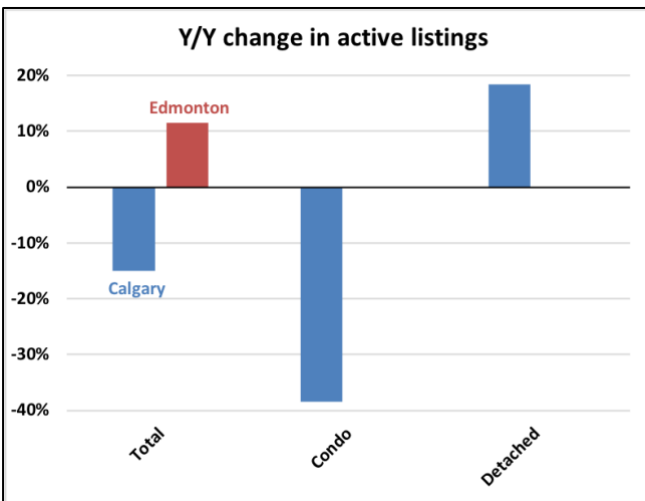
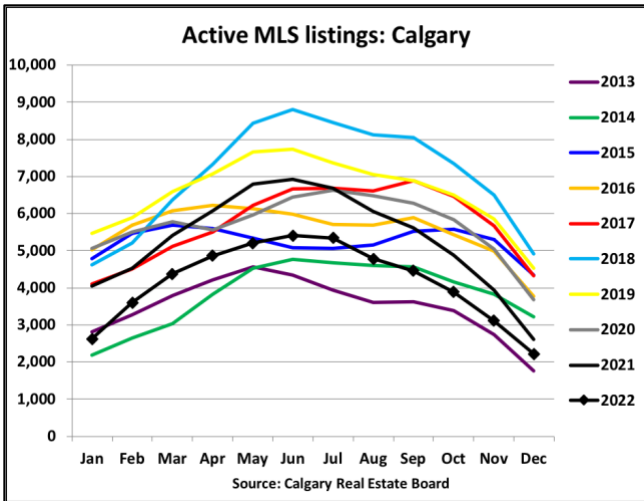
Alberta housing continues to outperform, which shouldn't be a surprise given the continued solid economic data (consider that 25% of the 104k new jobs added in December were in Alberta).

That said, rising rates are sapping demand here too. Calgary home sales fell 1.9% m/m seasonally adjusted (-31% y/y) in December, but demand remains above pre-pandemic levels overall and above the prior 2014 boom period:

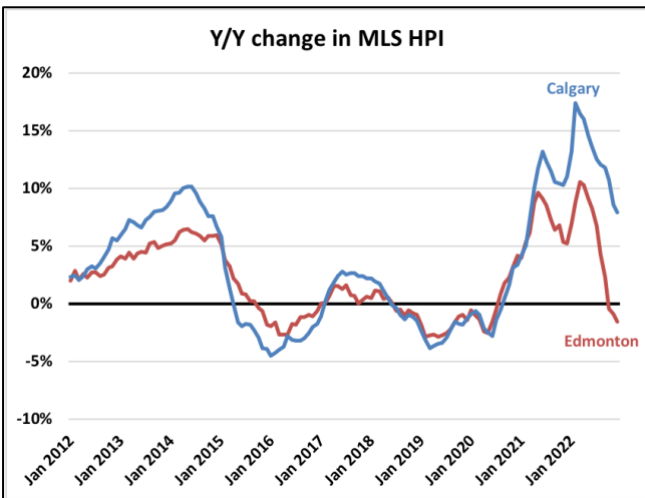
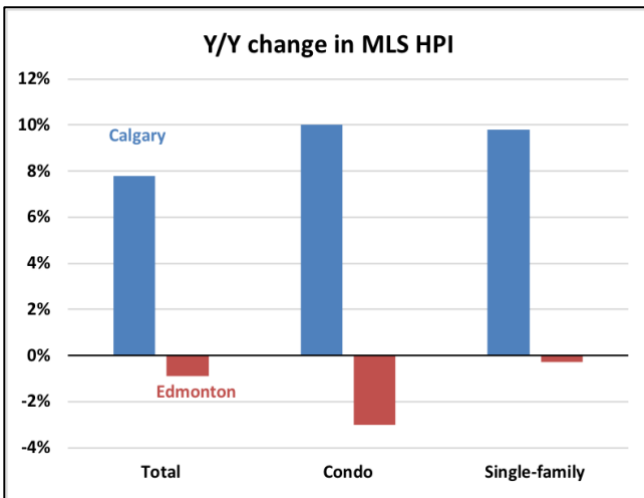




New listings fell 16.7% y/y, helping to keep a lid on active inventory which remains near decade lows.

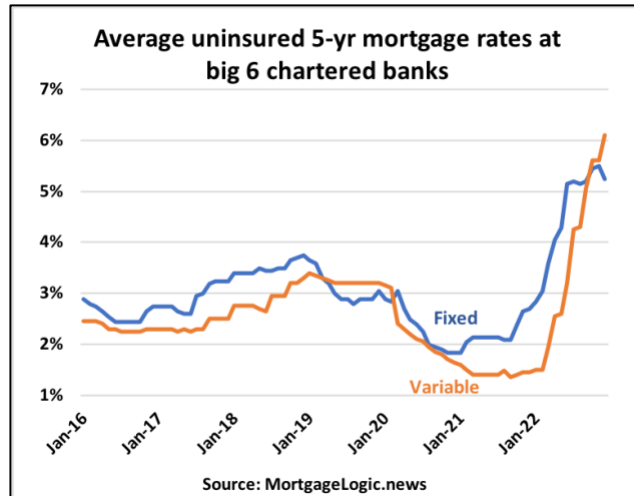
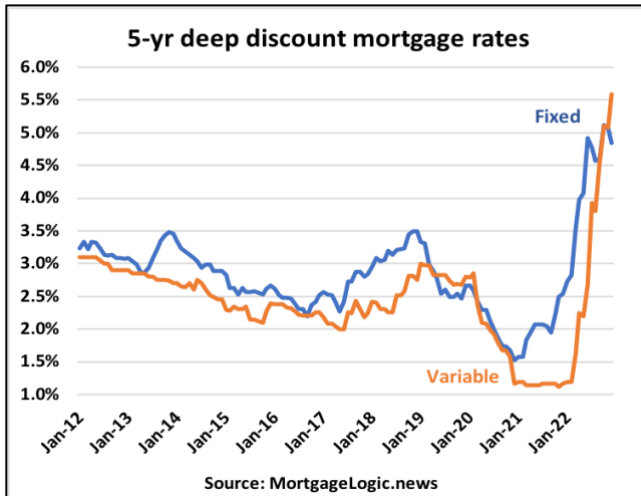


House prices are still up 7.8% y/y in Calgary (-1.0% in Edmonton) but momentum is rapidly waning. If mortgage rates stay at these levels, expect house prices to print negative this spring.



## 2) Fixed rates tick down, 1 in 5 homeowners can “no longer afford their home”?

Deep discounted fixed mortgage rates fell 11bps last week to break back below 5% while variable held steady at ~5.6%.



Rates are high enough to cause significant stress among borrowers. Consider the results from Manulife’s latest Debt Survey<sup>1</sup> which found, among other things, that 1/4 of mortgage holders may be forced to sell if rates move further, 2/3 are already worried about making mortgage payments, and 1 in 5 believe they can no longer afford the home they are in:

**They're also concerned about mortgage and housing costs**

1/4

🏠💰🏠💰🏠💰

mortgage holders say that if rates rise much further, they will be **forced to sell** their homes when their mortgage renews

81%

of Canadians still say there is a **housing affordability crisis**, despite falling house prices

2/3

of homeowners are **worried about making their mortgage payments** (67%) and **how much they owe** on their mortgage (71%)

1/5

📄📄📄

homeowners believe they **can no longer afford** the house that they own

64%

🏠

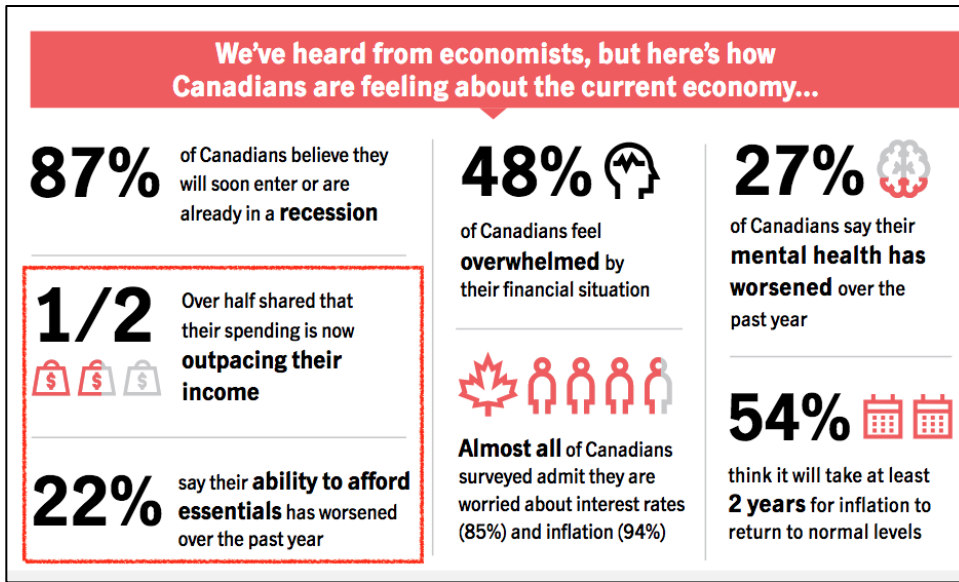
share they wanted to own a home but **couldn't afford to**

85%

of those renewing their mortgage in the next 12 months **are concerned** about what the renewal will mean to their finances.

<sup>1</sup> <https://www.manulifebank.ca/personal-banking/plan-and-learn/personal-finance/fall-debt-survey.html>

Survey results also point to a slowdown in consumer spending as 1/2 of respondents reported spending that is outpacing incomes while nearly 1 in 4 said their ability to afford even essentials has worsened in the past year:



The real pain on the rates front continues to be in the non-prime lending space where brokers are reporting some borrowers are facing a 500bp surge in rates on 1-year renewals:

**Ron Butler**  
@ronmortgageguy

Sweet Jaysus Bank Mortgage Renewal: 8.49%!!!

Alternative Lender but My Oh My, this is bad

\$1.065M Mortgage last year's rate 3.24% this February's Initial Renewal Offer 8.49% for 1 - Year Fixed

I have posted before about the growing crisis in Alternative Bank Renewals

2/  
8:21 AM · Jan 6, 2023

**Ron Butler** @ronmortgageguy · Dec 29, 2022  
Alternative Mortgage Lender Renewal Rate Apocalypse

As I have posted previously one of the MOST effected groups by rising renewal rates are Alternative Lender (Banks, CUs) clients

All Renewals are double and more

Let's look at a large file:  
\$2.37 Million Mortgage

2/  
79.8K 30 31 250

**Ron Butler** @ronmortgageguy · Dec 29, 2022

Last year Payment was \$10,546 per month at a 3.29% 1 - Yr Fixed Rate

This year's Payment is \$16,778 per month at a 7.65% Rate 1 - Yr Fixed Rate

That's \$201K in Mortgage Interest

I don't really know how the clients will afford this

They never previously missed a payment

3/  
20.8K 12 9 110

These are the dynamics that will drive higher new listings this spring.

### 3) More signs the rental market may be cooling

An interesting forecast here from condo research firm Urbanation, as reported by the Globe and Mail<sup>2</sup>:

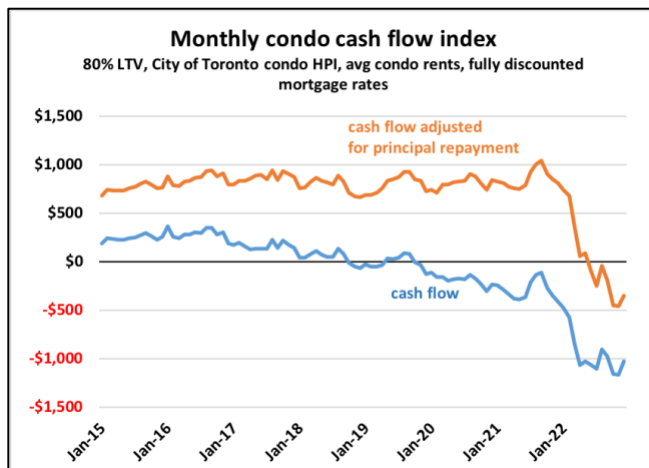
#### Record number of condos to flood Toronto market in 2023

A record number of new condo units will be completed in Toronto in 2023, just as skyrocketing mortgage rates make it harder for investors to close on their properties.

Nearly 32,000 condos will hit the city and surrounding suburbs, according to data from condo research firm Urbanation Inc. That surpasses the previous high in 2020, when 22,473 units were completed.

[...] The average condo ownership cost in Toronto was \$3,506 a month as of the third quarter of 2022, according to Urbanation. In comparison, the average monthly rent in the region was \$2,733, which left the condo owner paying an average of \$773 out of pocket every month. That is up from an average shortfall of \$235 a month in the third quarter of 2021, \$196 in 2020 and \$17 in 2019, according to Urbanation.

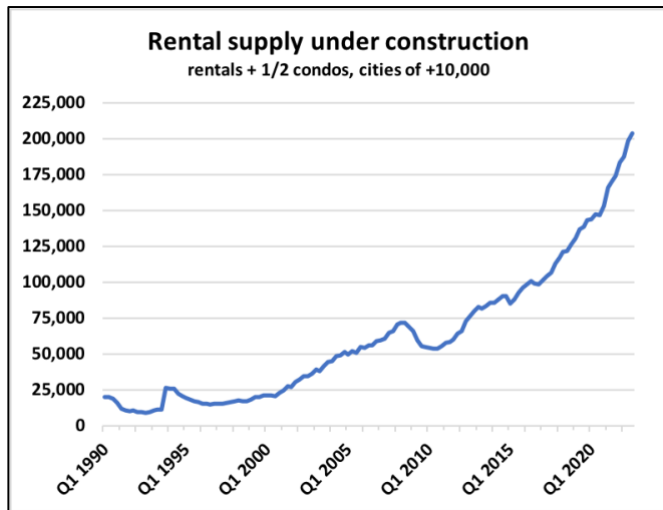
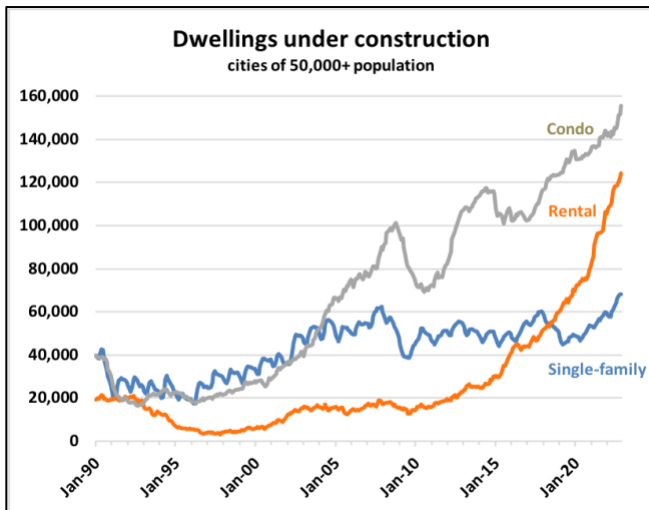
The cash flow estimates are not too far off my own, which use the MLS HPI and average rents and which also shows a steep deterioration in cash flows in 2022:



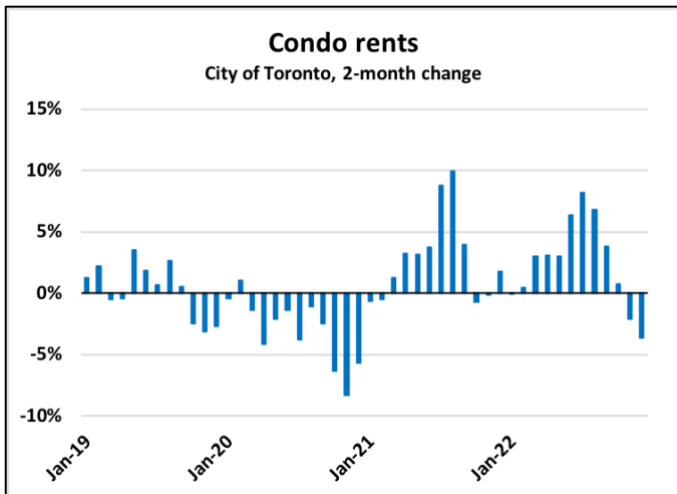
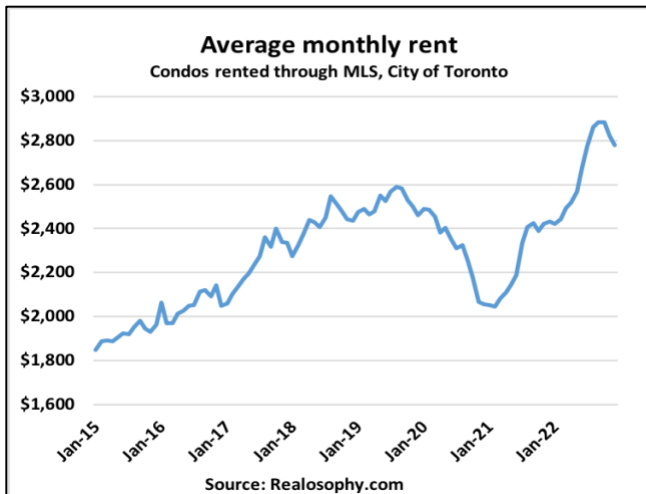
There are currently a record number of both condos AND purpose-built rentals under construction across the country, so there's a good chance that we'll see record completions in 2023 for both. A simple way to estimate rental construction supply is to take purpose built rentals and add half of the condo units under construction (roughly the share of new condos entering the rental pool at completion in major metros according to CMHC).

By that measure, we've got over 200,000 rental units under construction at present....nearly 4x what it was just a decade ago:

<sup>2</sup> <https://www.theglobeandmail.com/business/article-real-estate-slow-sales-preconstruction-condos/>



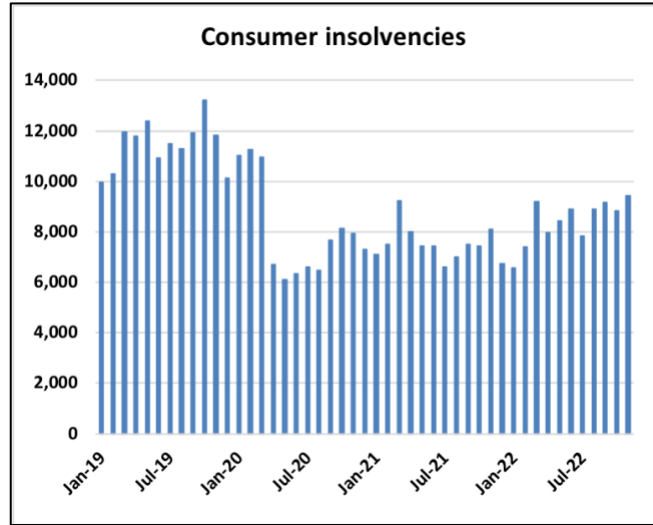
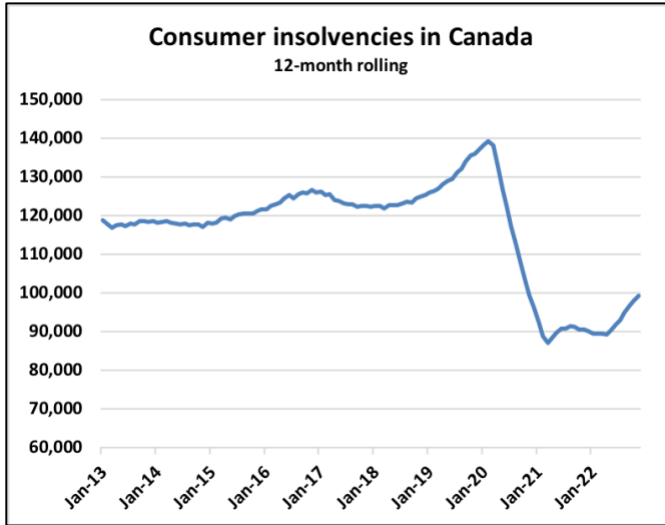
Already there are signs that the rental market may be weakening. It started with scattered anecdotes, as flagged in previous Wraps. But now we can see it in the official data too. Consider average rents for condos in the City of Toronto which have now fallen for two consecutive months. It's not unusual to see seasonal weakness at this time of year, but the magnitude of the decline is notable. It's the largest 2-month decline since the COVID lockdowns / Airbnb supply-induced downturn in 2020. It's in line with intel from industry contacts but flies against the prevailing view of a worsening rental crisis:



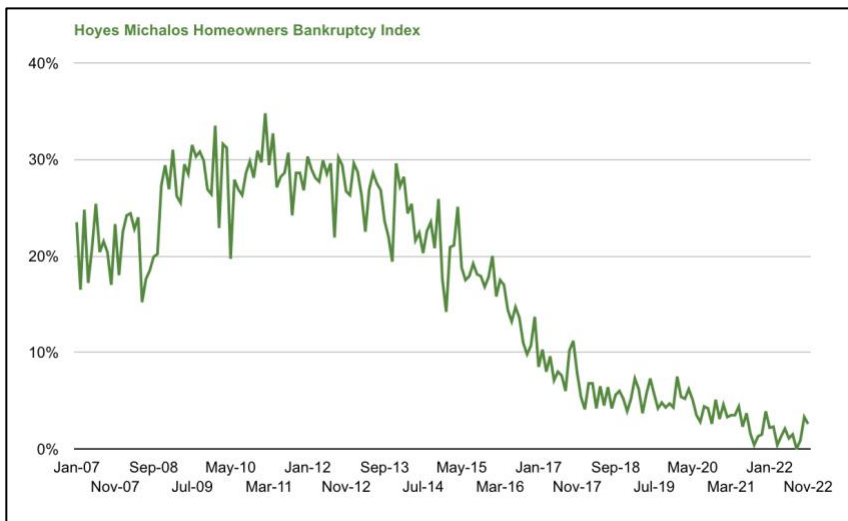
#### 4) Credit tidbits: Insolvencies jump, credit card charge-offs rise

##### i) Highest month for consumer insolvencies since Mar 2020

Consumer insolvencies were up 16.3% y/y in November and posted the highest monthly total since March 2020. We saw a record high in proposal filings (ie restructuring of unsecured debts) in Alberta and BC with Ontario just slightly below its highs:

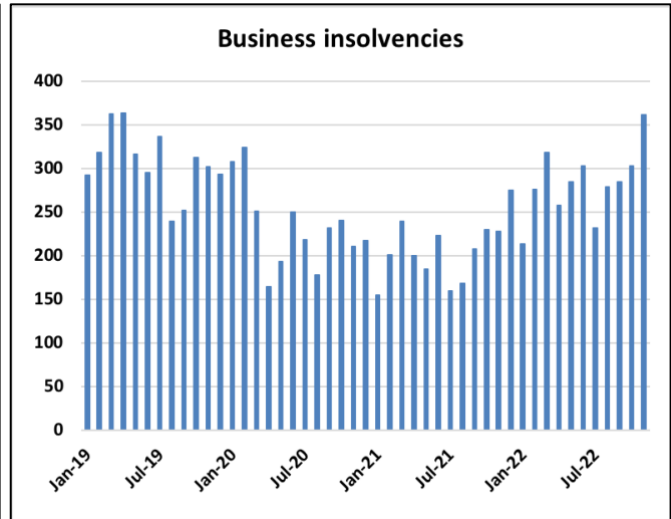
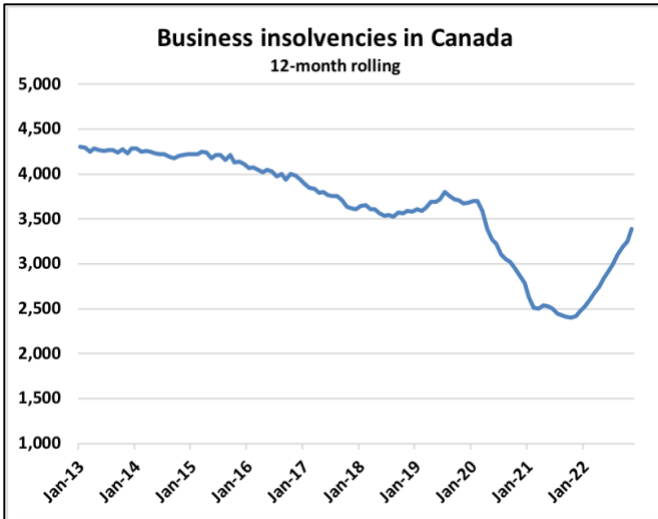


Of note, the Hoyes Michalos Homeowner Bankruptcy Index, which measures the share of bankruptcy filings in their own practice that involve homeowners, remains near record lows for now:

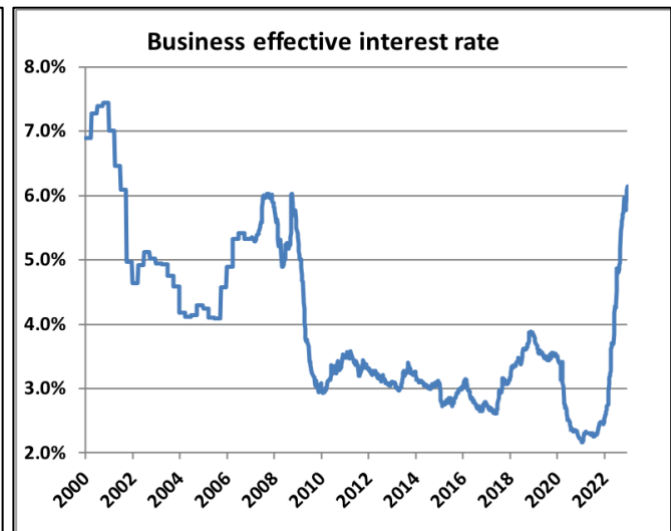
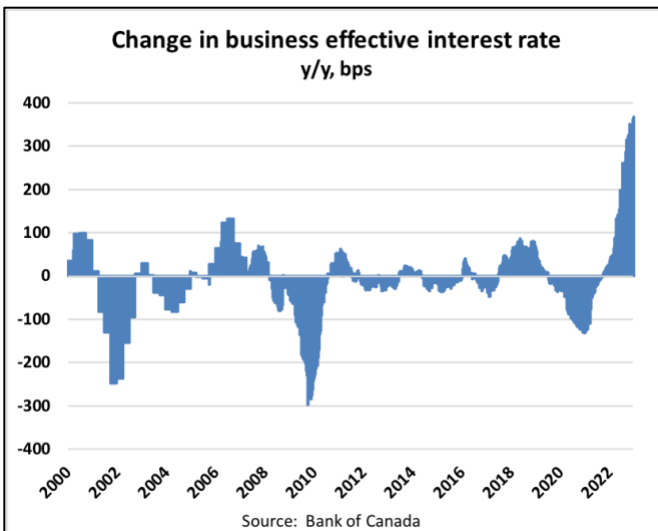


**ii) Business insolvencies up 58% y/y as debt costs surge**

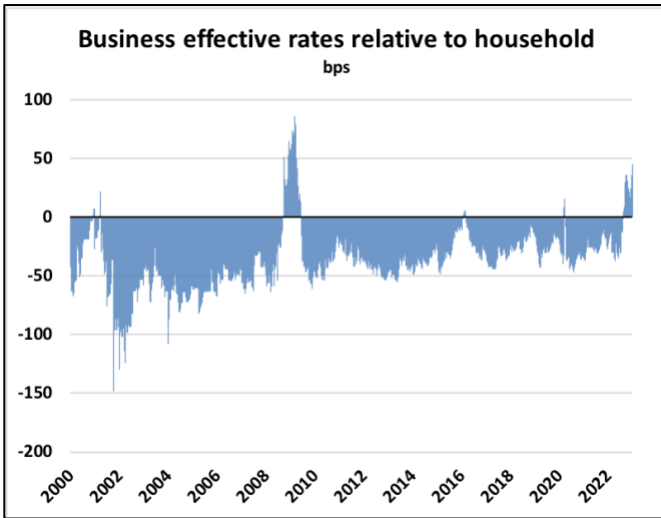
Business insolvencies jumped 58% y/y in November with monthly filings hitting the highest since 2019 led by a 74% increase in the construction sector:



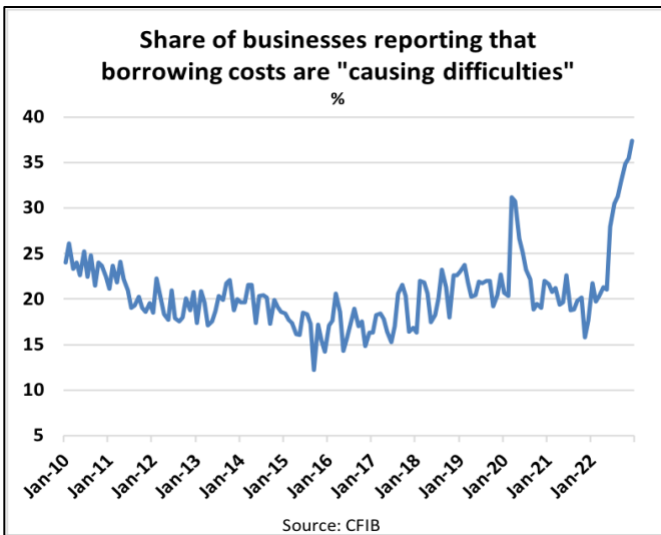
Rising rates remain a real problem for businesses. While the household effective interest rate has flatlined over the past 3 weeks, business rates continue to make fresh highs and are now nearly 400bps higher than one year prior:



It's also notable that effective rates for Canadian businesses are now substantially above those for households for the first time since 2009:



It's not surprising then that the latest CFIB Small Business Barometer for December showed another big jump in respondents reporting that borrowing costs are "causing difficulties":



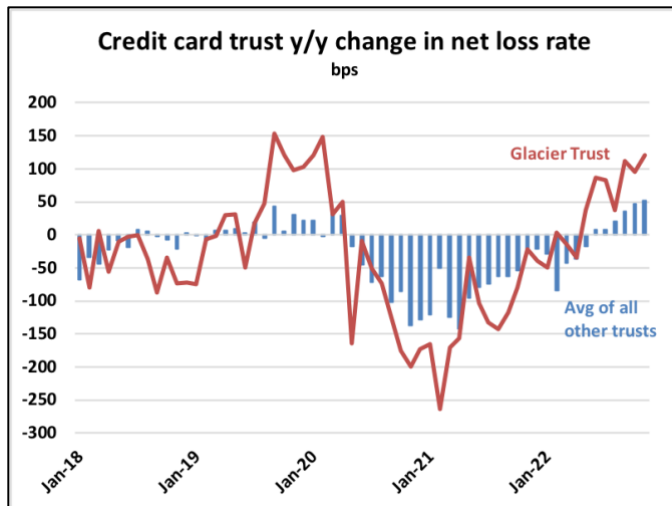
All eyes are on consumers, but I think the big surprise may come from losses in commercial lending if Canada hits a severe economic downturn.



### iii) Credit card trusts see rising charge-offs

The latest charge-off rates for credit card trusts is shown below. As a group, losses are 61bps higher on average than last year, led by the Glacier Trust (Canadian Tire) where losses are up 120bps

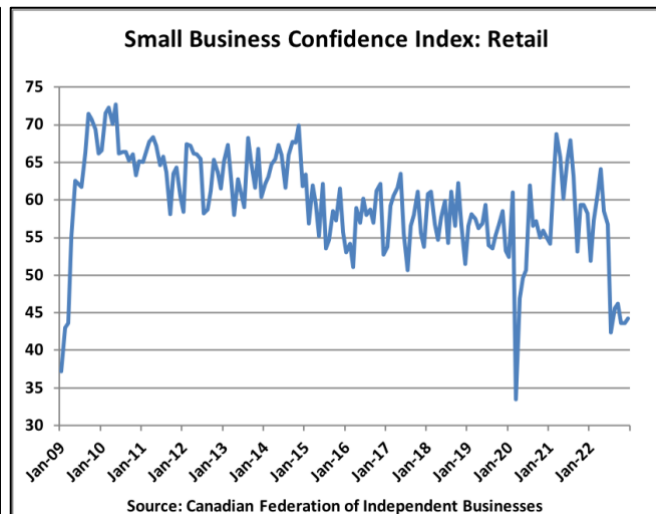
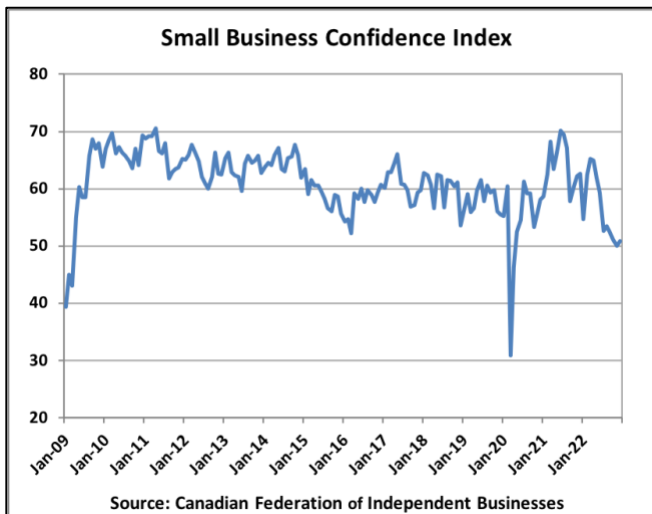
	CCCT- National	Cards II- CIBC	Eagle- PC	Glacier- Canadian Tire	Golden- RBC	Master- BMO	Trillium- BNS	Evergreen - TD	Average
Nov-20	1.85%	0.22%	2.61%	3.58%	1.17%	2.60%	2.23%	1.96%	2.03%
Dec-20	1.54%	0.58%	2.86%	3.75%	1.14%	2.40%	2.19%	1.69%	2.02%
Jan-21	1.71%	0.32%	2.88%	3.74%	1.17%	2.33%	2.49%	1.57%	2.03%
Feb-21	2.26%	3.43%	3.31%	3.46%	1.45%	2.76%	2.72%	1.85%	2.66%
Mar-21	1.90%	0.88%	3.23%	4.05%	1.55%	2.89%	2.54%	1.77%	2.35%
Apr-21	1.85%	1.03%	3.38%	4.24%	1.45%	2.76%	2.62%	1.71%	2.38%
May-21	1.71%	1.11%	2.88%	3.53%	1.57%	2.55%	2.03%	1.76%	2.14%
Jun-21	1.48%	1.11%	2.74%	3.62%	1.38%	2.03%	2.08%	1.47%	1.99%
Jul-21	1.82%	0.76%	2.35%	3.35%	1.17%	2.06%	1.85%	1.31%	1.83%
Aug-21	1.63%	0.87%	2.38%	3.07%	1.15%	1.78%	1.67%	1.64%	1.77%
Sep-21	2.09%	1.12%	2.14%	3.20%	1.17%	1.33%	1.65%	1.18%	1.74%
Oct-21	1.80%	0.64%	2.06%	3.20%	1.13%	1.40%	1.50%	1.28%	1.63%
Nov-21	2.21%	0.91%	2.40%	3.36%	1.27%	1.70%	1.83%	0.95%	1.83%
Dec-21	1.80%	0.98%	2.23%	3.36%	1.19%	1.69%	1.73%	1.34%	1.79%
Jan-22	2.18%	0.91%	2.08%	3.24%	1.00%	1.77%	1.75%	0.79%	1.72%
Feb-22	1.23%	1.73%	2.45%	3.50%	1.30%	1.95%	1.70%	1.53%	1.92%
Mar-22	2.11%	1.01%	2.49%	3.91%	1.38%	2.01%	1.48%	1.27%	1.96%
Apr-22	2.14%	1.16%	2.37%	3.90%	1.45%	1.75%	2.03%	1.39%	2.02%
May-22	2.15%	1.25%	2.19%	3.90%	1.53%	1.84%	1.93%	1.49%	2.03%
Jun-22	2.11%	1.52%	2.48%	4.49%	1.56%	1.90%	1.66%	1.60%	2.17%
Jul-22	2.26%	1.22%	2.09%	4.18%	1.51%	1.99%	1.47%	1.31%	2.00%
Aug-22	2.02%	1.35%	2.50%	3.44%	1.31%	2.33%	1.45%	1.58%	2.00%
Sep-22	2.52%	1.22%	2.62%	4.32%	1.31%	2.24%	1.81%	1.41%	2.18%
Oct-22	1.97%	1.20%	2.98%	4.15%	1.50%	2.33%	1.86%	1.26%	2.16%
Nov-22	2.57%	2.05%	3.15%	4.56%	1.80%	2.59%	1.74%	1.04%	2.44%
<b>y/y (bps)</b>	<b>36</b>	<b>114</b>	<b>75</b>	<b>120</b>	<b>53</b>	<b>89</b>	<b>-9</b>	<b>9</b>	<b>61</b>



## 5) Odds and ends: CFIB Barometer, consumer confidence, 2023 charts to watch

### i) Businesses expect slowing wage growth

CFIB's December Barometer showed a slight uptick in business confidence but overall levels remain at recessionary levels with a particularly weak reading among retailers.



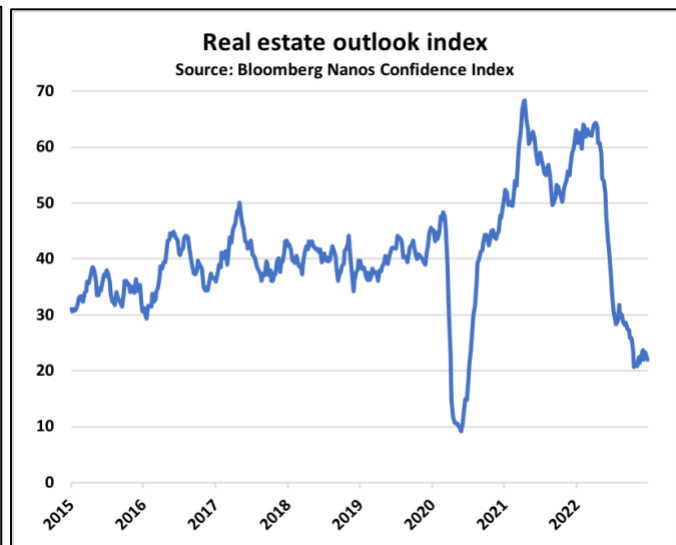
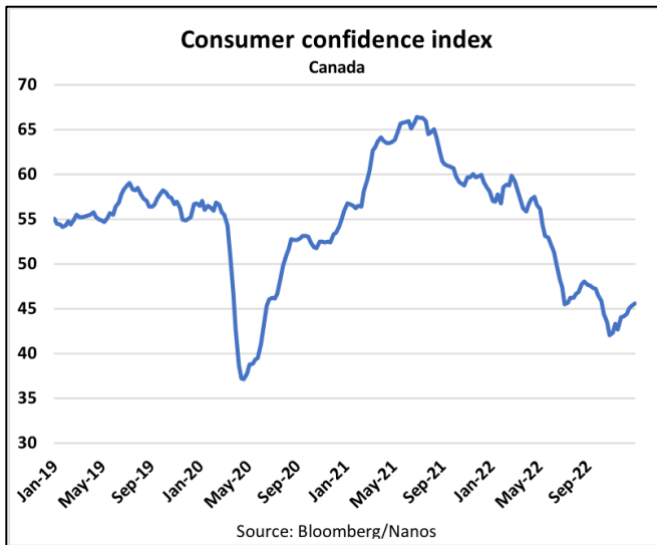
Also notable was a sharp deceleration in wage expectations and an uptick in price expectations which pushed expected real wages to -1.2%.



As to what's driving weaker wage expectations, the share of businesses reporting a shortage in labour posted the steepest monthly decline since Apr 2020. Official Statistics Canada data may be reporting a solid labour market, but businesses are seeing otherwise.

### ii) Consumer confidence ticks up, but real estate expectations remain near lows

The Bloomberg-Nanos Consumer Confidence Index has now risen for 6 consecutive weeks but remains at levels that are consistent with a significant economic downturn. The real estate expectation index is effectively at the lows and has not seen the same modest positive momentum as the headline index.

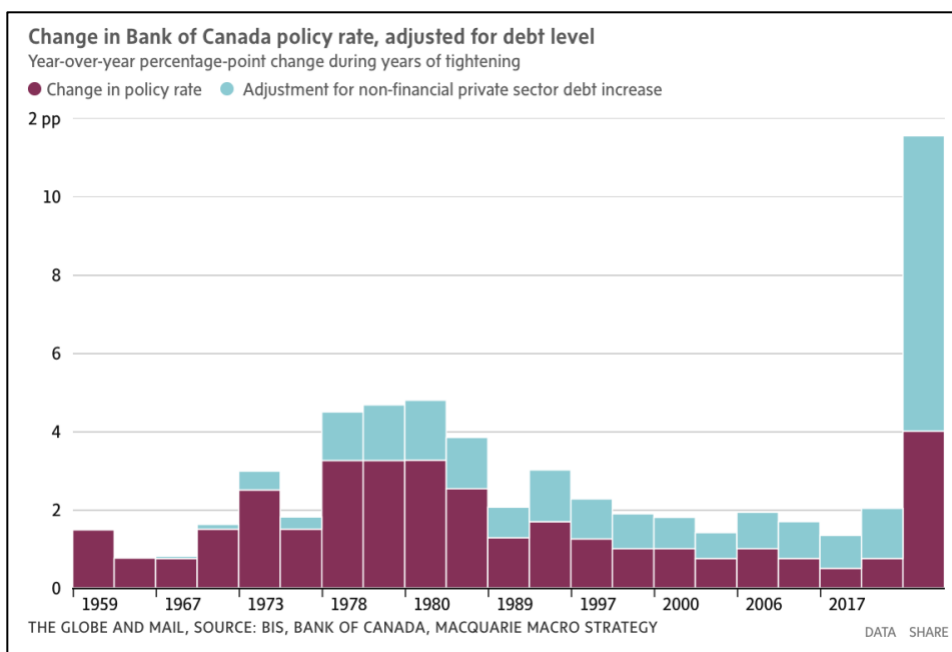


**iii) 2023 charts from Globe and Mail**

The Globe and Mail has published their annual “charts to watch” publication<sup>3</sup>, featuring submissions from economists across the country....including a submission from yours truly. A few that jumped out:

**Rate cycle sensitivity from David Doyle at Macquarie Group:**

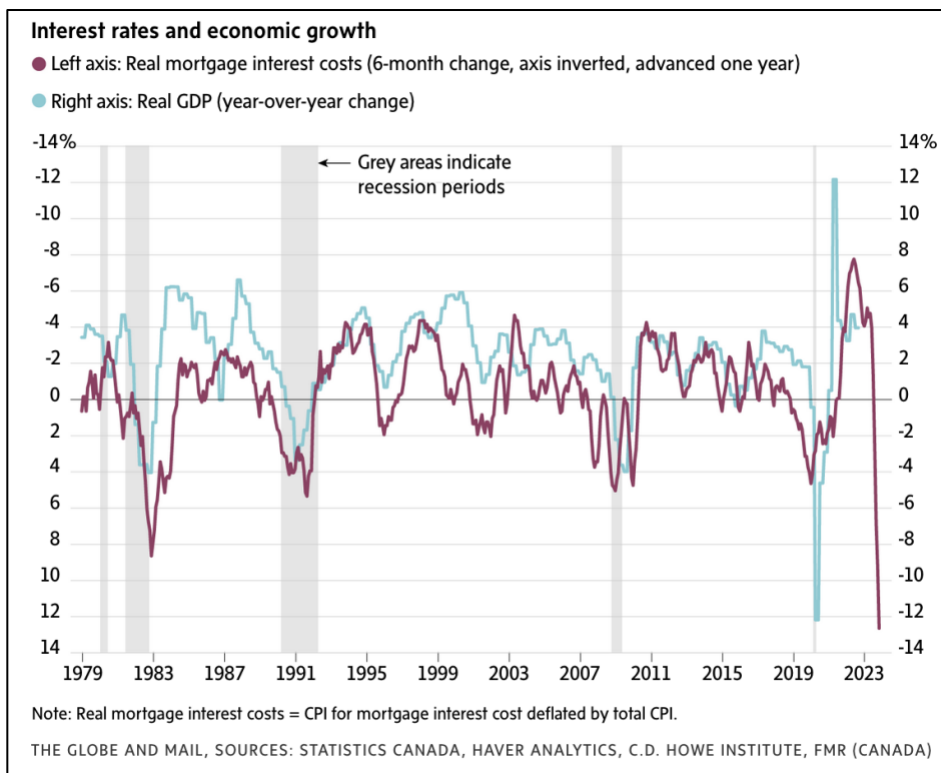
[..] Given rising leverage in the private sector, rate increases in 2022 should have more impact than in the past. Accounting for this puts the 2022 rate cycle in its proper perspective. On this debt-adjusted basis, the rate hikes were more than twice as severe as the next most dramatic year of rate hikes (1980).



<sup>3</sup> <https://www.theglobeandmail.com/business/article-charts-canada-economy-2023/>

### Rising interest costs portends steep recession from David Wolf at Fidelity

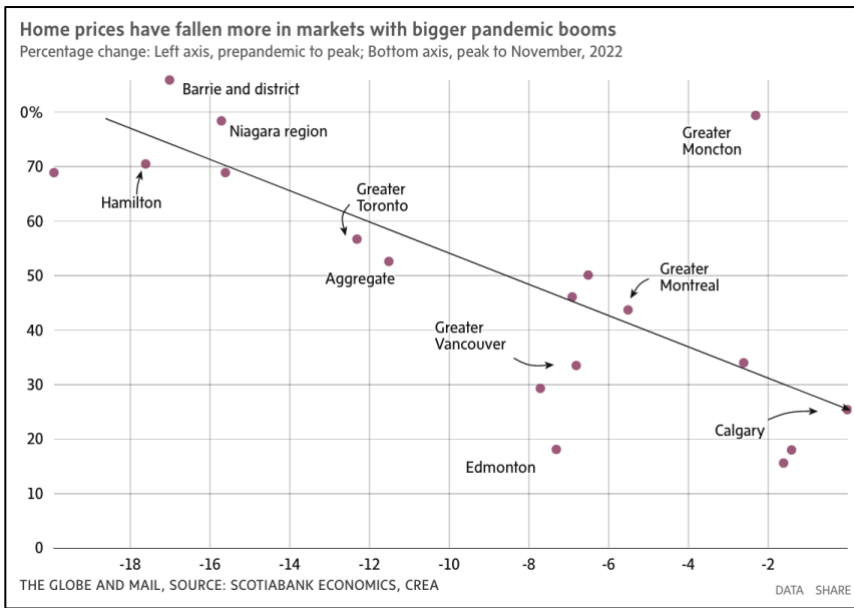
[...] The historically sharp increase in interest rates through 2022 points to a historically deep recession in 2023. There are reasons to believe that it won't be quite that bad. But the degree to which this leading relationship holds between rates and growth will tell the story of the Canadian economy in the coming year.



### Formerly hot markets now lead the declines from Farah Omran of Scotiabank

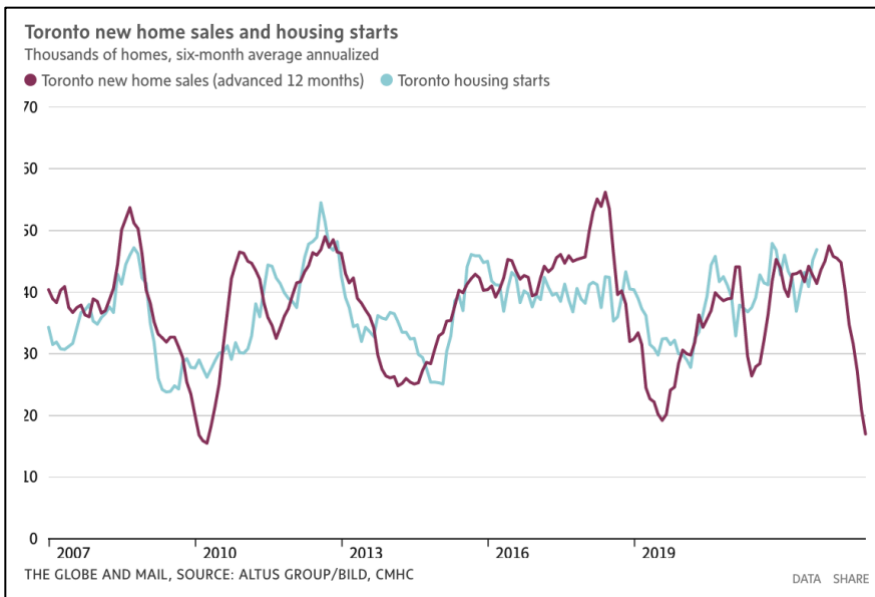
[...] As such, home prices have been declining, clawing back some of the unsustainable gains of 2021 and early 2022. However, despite widely cited declines, the national MLS Home Price Index, which abstracts for sales composition effects, is only 11.5 per cent below the February, 2022, peak and remains 35 per cent above prepandemic levels.

Prices are therefore expected to continue to decline in 2023, but by how much and for how long varies significantly across cities. So far, we have seen bigger price adjustments down from peaks in cities where prices climbed more during the pandemic.



**Steep decline in housing starts on deck by Stephen Brown of Capital Economics**

[...] Housing starts tend to follow new home sales – which are mainly preconstruction sales – by around 12 months, and new home sales have fallen off a cliff after the Bank of Canada’s aggressive rate increases. While the surge in immigration should offer some support to construction, particularly for purpose-built rental projects, the weakness of preconstruction sales raises the risk that construction will fall sharply next year, which would lead to a deeper recession than most people expect.



Regards,  
Ben