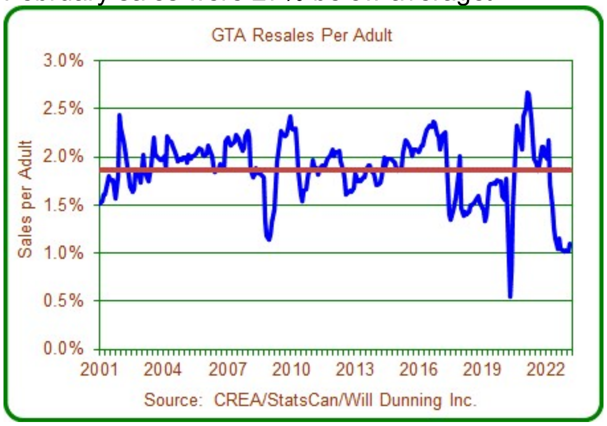
Housing Market Digest

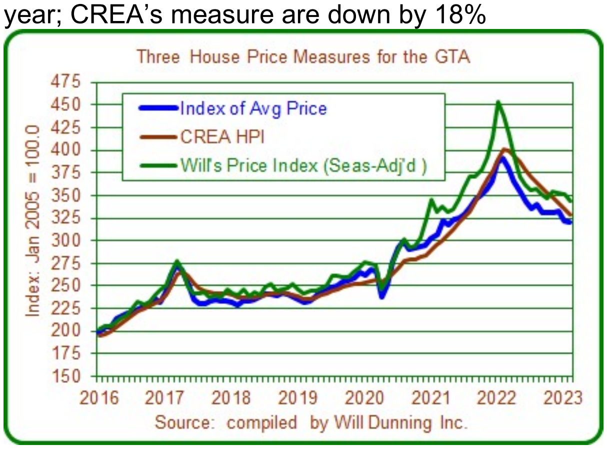
Greater Toronto Area, March 2023

Resale Market

Resale activity increased by a surprising amount in February (9% on a seasonally-adjusted basis). I'm not prepared to see this as a turning point, for two reasons: the weather was exceptionally mild and snow-free during the first three weeks of the month. Secondly, we aren't yet seeing the employment impacts of current interest rates. On a population-adjusted basis, sales are still 41% below the long-term average. For all of Canada, February sales were 27% below average.

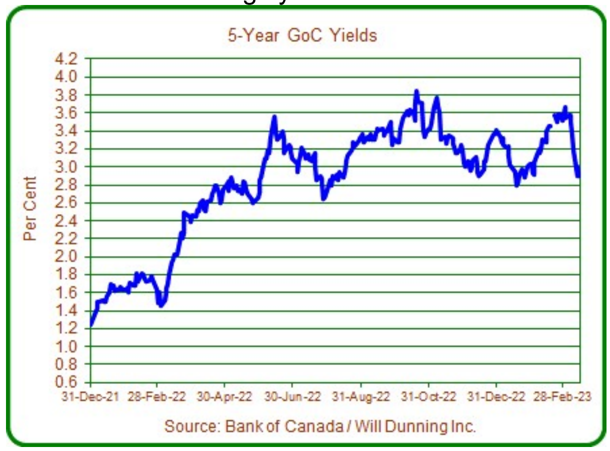


Flows of new listings into the market and the inventory of active listings both continue to trend downwards. In February, new listings (seasonally-adjusted) were 22% lower than in January. The sales-to-new-listings ratio leaped to 59% for the month. This was the first time since last M arch that the sales-to-new-listings ratio was above the 52% threshold for a balanced market. Average and median prices increased during the month, but this looks a normal seasonal event that happens almost every year. On a seasonally-adjusted basis, there was further price slippage in February. My alternative price index is now down by 21% from the peak in February last year; CREA's measure are down by 18%



Interest Rates

Bond yields are making wild moves at present, as risks attitudes are highly volatile.

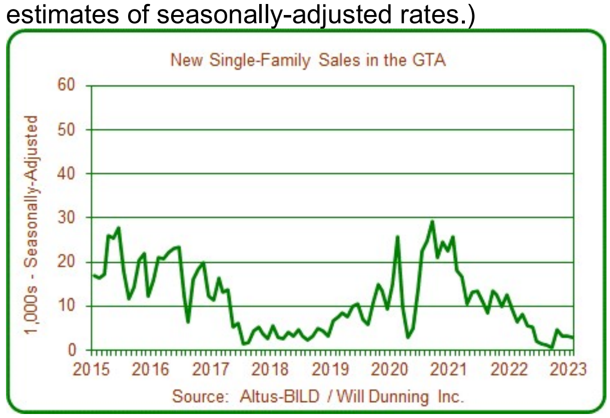


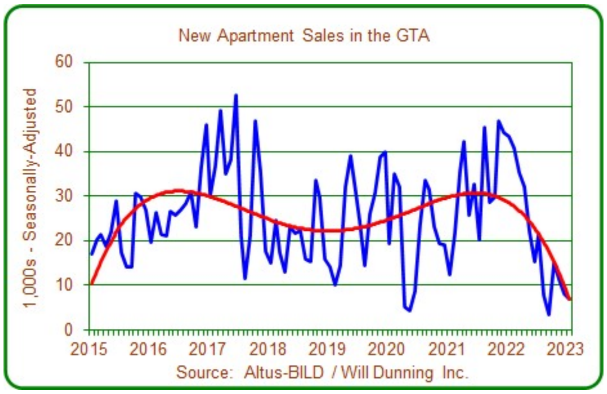
Today (March 15), the spread between 5-year bonds (2.9%) versus my opinion-estimate for fixed rate mortgages (5.2%) is too big (2.3 points). A week ago, the spread was normal (1.7 points). At this point, I don't have an opinion on what might happen to bond yields or mortgage interest rates. I do believe that the Bank of Canada will tend to lean against any reduction in rates, until it is able to change its mind about inflation (or the Minister of Finance sends a directive, which isn't going to happen).

New Homes

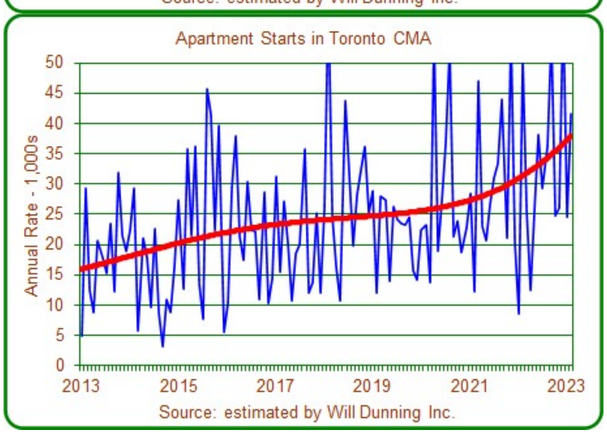
During the past six months (the data is available up to January), new home sales have been at an average (annualized) rate of about 11,300. Based on recent rates of population growth, we need in excess of 50,000.

The averages over the past six months have been just 2,600 for low-rise dwellings and 8,700 for apartments. (All of these charts show my unofficial estimates of seasonally-adjusted rates.)





It's still too soon for those sales figures to be reflected in housing starts. For low-rises, I expect that the downturn for starts will begin soon. For apartments, the pre-construction processes are more complicated, and starts won't materially trend downwards for some time.



Employment impacts will show up even later, as the volumes of housing under construction gradually erode (and renovation activity is reduced). By late next year, GTA employment related to housing construction (on site, and in industries that provide goods and services to the process) could be 50,000 lower than at present. Other economic sectors will have their own impacts.

Other News

"I am at the point where I'm thinking, 'Is he ever going to be a regular kid again?' "

"Future socio-economic implications for Canada may be far-reaching and require planning and monitoring…"

You might have seen this article: https://www.thestar.com/life/health_wellness/2023/03/09/report-says-long-covid-could-impact-economy-and-be-mass-disabling-event-in-canada.html

These discussions should have been started (and acted upon) a long time ago, and these concerns should have been guiding the public health actions of our provincial governments.

But, they choose to take a feel-good approach.

Did you watch "The Good Place"? At the centre of it is "what do we owe to other people?" In life, this is the fundamental question.

Plus, a reminder that two main drivers of the current inflation are (1) Covid and Long Covid and (2) the Bank of Canada's interest rate policies (which are causing acceleration of housing costs). The Bank of Canada's interest rate policies are not going to fix either of those issues. They're just creating an immense amount of unnecessary and unjustifiable suffering.

I bought a cool guitar – a Made-in-Mexico re-issue of a 1960s Fender Stratocaster, in "surf green". The plan is work less, play more. We'll see.

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