

# Housing Market Digest

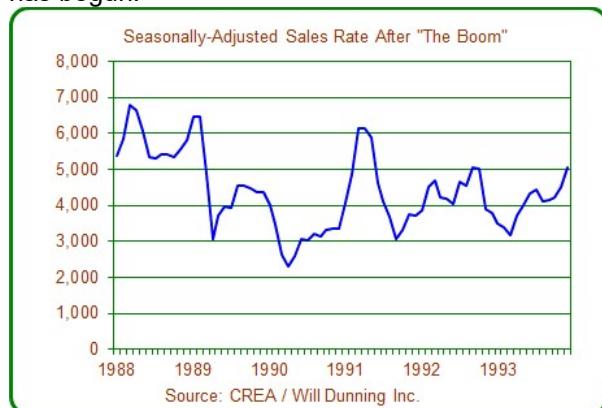
Greater Toronto Area, June 2023

## Resale Market

The sales rate increased (a bit) in May, to an annualized 83,900. This was still 22% below the long-term population-adjusted average – which I now calculate as 107,800.

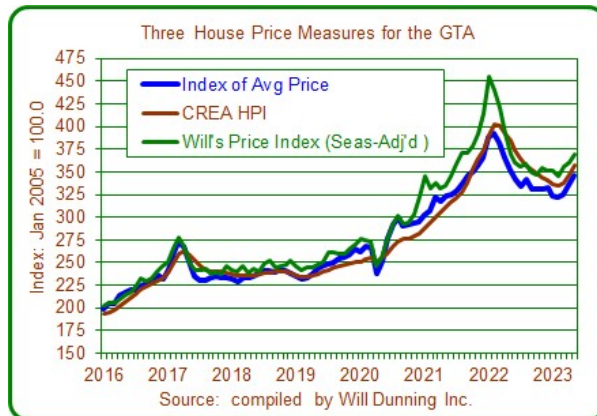


Last month I said that I see recent activity as a variation within a market that is still quite weak. The current market as analogous to the early 1990s, when, a crash (driven by a rise in interest rates on top of severe pricing) was briefly interrupted by a false start (early 1991). This was quickly followed by disappointment. I am still unable to conclude that a sustainable recovery has begun.



The modest rise in sales this May was supported by increased flow of new listings into the market. The sales-to-new-listings ratio fell slightly during the month, but remains elevated, at 70.5% (versus the 52% threshold for a balance market). Meanwhile, the volume of active listings on the market remains quite constrained (about 10,000 on a seasonally-adjusted basis, versus an average of 13,600 during the past decade).

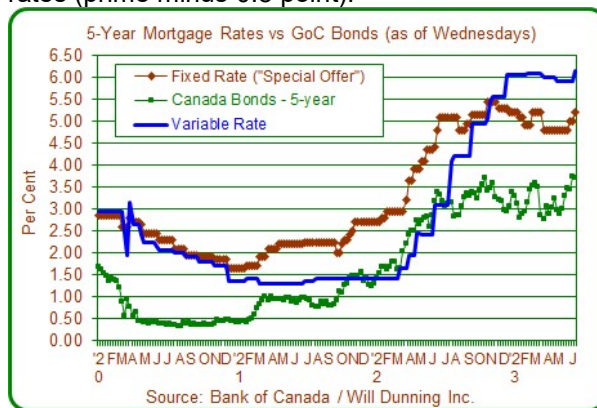
The average selling price (seasonally-adjusted) has increased for three consecutive months, by a total of \$83,000. Again, I'm inclined to see this as a variation within a weak market.



## Interest Rates

The Canadian economy is much more interest rate sensitive than the US. Canadian rates (including the Bank of Canada's policy rate and bond yields) have more or less followed the US. Economic risks here are much worse than the in US.

Bond yields have surged during the past month, to the highest level since 2007. Mortgage interest rates have also increased. My opinion-estimates of typical rates advertised by major lenders are now 5.2% for 5-year fixed and 6.15% for variable rates (prime minus 0.8 point).



Last month I commented that a drop in interest rates might have caused a bump in sales. Rising rates can do the same, as consumers accelerate decisions to take advantage of rate locks. We might see that effect in the near term. But, for the second half of this year, I expect that affordability will continue to weigh very heavily on the market.

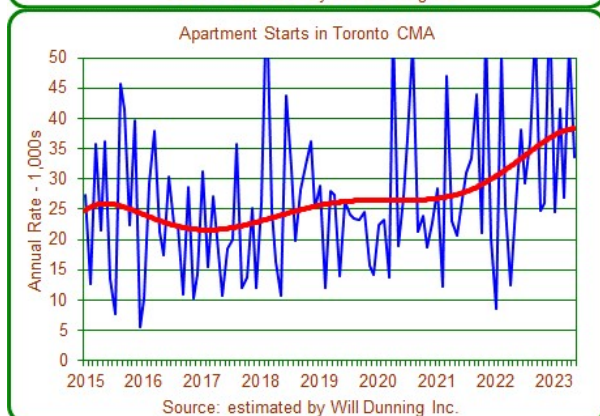
## Housing Starts

For low-rise homes, starts continue to trend downwards. For apartments, the trend is now probably close to its peak, but I expect that any

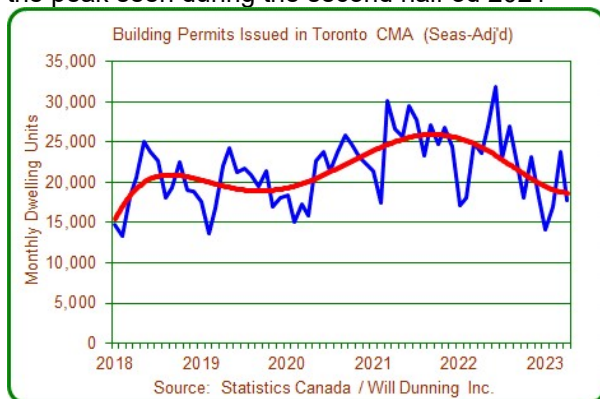
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downturn will develop slowly in the coming months, with greater forcefulness next year.



Data on building permits is a more-timely indicator. The trend is now down by one-third compared to the peak seen during the second half of 2021



## Other News

Provincial governments are increasingly suppressing data on Covid. Fortunately, Statistics Canada is still producing relevant data, including estimates of "excess deaths":

<https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1310078401>

As well, there are occasional reports on what can be learned from wastewater:

<https://www150.statcan.gc.ca/n1/daily-quotidien/230612/dq230612a-eng.htm?HPA=1>

The data implies quite clearly that the inadequacy of information is creating false confidence, which is worsening the damage. For example, the data show more premature deaths in 2022 (37,418) than in 2020 (18,366) or 2021 (21,400). Moreover, the data for 2022 is still only partial, and the estimates will probably be revised upwards.



## More Other News

My daughter Laura has designed a puppy training program, and classes will be starting soon. This is for clients of Richview Animal Hospital (central Etobicoke). More info is available here:

<https://www.facebook.com/photo/?fbid=716857903781183&set=a.234046218729023>

Within my neighbourhood (south Etobicoke) I am noticing that asking rents are about one-third higher than the last time I checked (about a year ago). Landlords are experimenting, and I don't know if these rents are sustainable (I sure hope they aren't).

## How to Reach Will Dunning Inc.

Email: [wdunning@sympatico.ca](mailto:wdunning@sympatico.ca)  
Web site: [www.wdunning.com](http://www.wdunning.com)  
Twitter: [@LooseCannonEcon](https://twitter.com/LooseCannonEcon)

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