HOUSING MARKET INFORMATION

Housing Market Outlook

CANADIAN METROPOLITAN AREAS
Spring 2023

Welcome to the Housing Market Outlook (HMO)

This publication provides forward-looking analysis of Canada's housing markets. Published annually, it helps anticipate emerging trends in new-home and resale housing markets at the national and metropolitan-area levels. The HMO includes forecasts for important housing market variables such as starts, prices and resales. The forecasts included in this document are based on information available as of March 15th, 2023.

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Our Chief Economist and Deputy Chief Economists

Our Chief Economist and Deputy Chief Economists lead a cross-country team of housing economists, analysts and researchers who strive to improve understanding of trends in the economy, housing markets, and how they impact affordability.

They offer insights on the complex factors and challenges that impact housing markets in Canada and can speak on Canada Mortgage and Housing Corporation's (CMHC) latest research on housing issues and markets.

"High inflation and rising mortgage rates are impacting the economic outlook and causing shifts in housing demand with implications for affordability. The analysis in this HMO provides thought leadership on these issues and communicates them to our readers."

Bob Dugan,
Chief Economist

"Many factors influence housing markets. While interest rates and immigration trends affect all areas of the country, the nature and magnitude of their impact vary according to specific local demographic and economic characteristics. For this reason, we use our national outlook to inform the work of our regionally based analysts."

Aled ab Iorwerth,
Deputy Chief Economist

"Our forecasts uniquely rely both on sophisticated modeling tools and our expert market knowledge, acquired over several decades. Given the complex nature of housing, CMHC considers this comprehensive approach as essential to provide you with an understanding of future housing conditions and trends."

Kevin Hughes,
Deputy Chief Economist

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Census Metropolitan Areas (CMAs)

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"Declining house prices and weaker housing supply are expected to continue to affect Canada's housing market in 2023. While prices have declined, homeownership will be less affordable because of higher mortgage rates and still-elevated price levels. Rental affordability will also likely decline as demand outpaces rental supply. We foresee a significant drop in housing starts in 2023 than seen in the 2020-2022 period, but some recovery in 2024 and 2025.

Consequently, supply gaps in Canada's most expensive and supply-constrained housing markets, including Vancouver and Toronto, will worsen. Economic recovery and high immigration will add to housing demand in 2024 and 2025, but challenges related to affordability and supply will persist. We also look at an alternate scenario to reflect our concern about significant downside risks from elevated household debt, prolonged inflation, and elevated interest rates."

—Bob Dugan,
Chief Economist

NATIONAL OVERVIEW

Gustavo Durango
Senior Economist, Market Insights

HIGHLIGHTS

- Weaker economic growth and higher mortgage rates continue to slow the economy in 2023. As a result, we expect a price decline between 2022 and 2023, but the average price will not revert to pre-pandemic levels. However, we expect this decline to bottom out sometime in 2023.
- We also expect housing starts to decline in 2023 and remain well below recent levels posted in the 2020-2022 period over the forecast period.
- Higher mortgage rates and a long-term lack of supply of new housing will make homeownership even less affordable.
- Rental market conditions are expected to further tighten, placing significant upward pressure on rents.
- There are significant risks to our baseline scenario. We've therefore developed an alternative scenario that looks at the impact of inflation (and mortgage rates, as a result) remaining higher for longer. In this scenario, there's additional risk of lower housing prices and starts.

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Housing prices could start rising by 2024 due to renewed demand and persistent supply gaps

We expect home prices and sales to record year-over-year declines for 2023 as a whole. The decline would largely be a result of the continued negative impacts of higher mortgage rates and slower income and employment growth on households' ability to purchase a home. It's possible that the economy will endure a mild recession in 2023. Although we do not expect recent events in the U.S. banking sector to be replicated in Canada, it is possible that credit growth from Canadian financial institutions will be curtailed, which will contribute to lower growth.

In our base-case scenario, we expect price declines to conclude during 2023, but with the average price for the year ending below 2022 levels. They would then start to recover as economic growth picks up and immigration increases. Shortfalls in housing supply would also contribute to higher prices and a lack of affordability.

We expect housing starts to see a significant decline in 2023, due to constraints in new construction. These include labour shortages and elevated costs of materials in the construction sector, combined with higher project financing costs from increased interest rates. This will exacerbate current housing shortages in supply-constrained markets, including Vancouver and Toronto.

We expect annual prices, sales and starts to record growth in the 2023-2024 period onward. Inflation will come back to the 2% target by the end of the forecast period, so mortgage rates, for their part, will gradually decline from 2023 levels. Together, these changes, along with renewed growth in income and employment, will support housing demand and supply.

The challenge of affordability in homeownership will drive up demand for rental units. This demand will be added to rental demand coming from high immigration levels. Greater rental demand in the face of limited supply will lead to tighter conditions in already strained markets and lead to even higher rents.

We face uncertainty and significant risks, and the economic and financial outlook is uncertain

In our baseline scenario, the economy is likely to see periods of negative economic growth in 2023 because of higher interest rates and increased economic uncertainty. This may translate into a modest recession, to be followed by recovery in 2024 and 2025. We are concerned, however, there are real downside risks to this outlook. The Bank of Canada recently reported that inflation in many countries is easing, but labour markets remain tight and measures of core inflation in many advanced economies suggest persistent price pressures. These risks are incorporated into our alternative scenario.

We develop this alternative scenario to highlight above-normal levels of uncertainty that are present in the economy not only in Canada but in other countries as well. While we believe that our baseline scenario is the most probable outcome, there are vulnerabilities in the economy that forces us to consider these worse outcomes. We provide this alternative scenario to give more information to Canadians and the housing sector so that precautionary actions can be taken. These vulnerabilities are particularly acute in Canada because of the high levels of household debt, and Canadians could attempt to lower these debt levels.

The key risk we consider in the alternative scenario is a longer period of high inflation that also features interest rates remaining higher for a longer period as a result. The declines in starts, prices and sales would be larger than under the baseline scenario, and similar in size to those observed in the downturn of the early 1990s.

Two important additional risks we examine in this scenario:

- High interest rates combined with a weaker outlook for economic variables would likely increase the debt-service burden on households. This would result in weaker housing demand.
- Global supply chains do not recover quickly, and increased geopolitical risks lead to lower GDP growth.

If this scenario were to materialize, households would face higher mortgage rates and debt levels. To meet these challenges, they could increase their precautionary savings further and lower their consumption. This would lead to weaker growth for the economy and housing in 2023 in comparison to our base case. This includes even larger declines in housing starts, prices and sales in 2023.

In this scenario, we don't model permanent long-term effects. The alternative scenario would show weaker growth in 2024 and 2025 in comparison to the baseline scenario. However, the difference between scenarios narrows over these later years. We model inflation as largely falling to within its target range by the end of the forecast horizon.

Across scenarios, the current high level of household debt increases Canada's vulnerability to a significant downturn in the event of an unexpected economic shock.

Regional outlook differences

The Prairie provinces are expected to see more positive housing market developments than other regions, including a much smaller housing starts decline in 2023 across scenarios. This is due to:

- the positive impact from high interprovincial migration from other regions over the forecast period;
- relatively healthy ownership affordability due to relatively low home prices; and
- a generally stronger economic outlook.

Ontario, British Columbia, and Québec are expected to see large declines in 2023 housing starts, compared to other regions. This is discouraging, because these provinces are home to the 3 largest housing markets (Toronto, Vancouver, and Montréal), which are already highly supply constrained.

The **Atlantic** region can be broadly characterized as falling in between the Prairies and Ontario, British Columbia, and Québec in 2023, with respect to forecast growth in economic and housing variables.

Forecast Summary — Canada

	2020	2021	2022	2023 (F) Baseline	2023 (F) Alternative	2024 (F) Baseline	2024 (F) Alternative	2025 (F) Baseline	2025 (F) Alternative
New Home Market									
Starts:									
Starts — Total	217,880	271,198	261,849	211,917	176,890	223,783	197,551	235,347	230,865
Resale Market									
MLS® Sales	552,841	666,399	498,269	423,128	393,005	473,357	397,734	505,215	425,620
MLS® Average Price ($)	566,632	687,424	703,875	643,325	637,829	694,196	664,600	746,410	708,391
Economic Overview									
Real GDP (index, 2019=100)	94.9	99.7	103.1	103.3	102.1	104.2	102.0	107.9	105.6
Employment (index, 2019=100)	94.9	99.4	103.1	103.6	103.1	103.6	102.7	105.3	104.4
Mortgage Rate (fixed 5 year) (%)	3.7	3.3	4.9	5.7	5.8	5.6	5.6	5.4	5.4

Source: CREA, CMHC, Statistics Canada, Haver Analytics

The forecasts included in this document are based on information available as of March 15, 2023.

VICTORIA

Pershing Sun
Senior Analyst, Economics

“A mild correction is expected in Victoria’s ownership market due to lower affordability, while the rental market will tighten due to rising demand.”

HIGHLIGHTS

- High mortgage costs will continue to curb resale transactions in the short term. The average price is expected to decline for the first time since 2019.
- Financing challenges and labour constraints will limit new construction, setting conditions for price growth after 2024, as interest rates ease and demand resumes.
- Housing starts will decline in 2023 before recovering in 2024. Over the forecast horizon, they will remain below the record high seen in 2021.
- The rental market will tighten due to the inaccessibility of ownership, rising population growth, and slow rental construction. This will push rents higher.

Sales will decline as elevated prices erode affordability in a high-interest-rate environment

We expect a mild correction of the ownership market in the Victoria census metropolitan area (CMA): MLS® sales and MLS® average prices will decline in 2023 and increase modestly in 2024 and onward.

In the short term, elevated borrowing costs and affordability deterioration will keep potential homebuyers on the sidelines. In the medium term, strong population growth and a slowdown in new construction in an already supply-deficient market will set the stage for a market rebound after 2023. A downside risk remains: persistent inflation and elevated borrowing costs could curb demand and construction initiatives. This could lead to prolonged decline in sales and prices, as well as an even tighter rental market.

The following factors contributed to our ownership market outlook:

- Mortgage rates have doubled in 2 years. Rising borrowing costs and inflation will keep many potential buyers on the sidelines in 2023. In 2024, resale activity will rebound as price growth and interest rates ease.
- New listings have retreated below the 10-year average level, while inventories rose in 2022 as buyer demand slowed. Potential sellers are waiting for the market to match their expectations, which were raised by the highs seen during the pandemic. With less supply, we expect only a modest price correction in 2023.

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- Demand from outside Victoria will continue to be present and will limit price declines. Last year, almost 30% of homebuyers came from outside Victoria, mostly from lower mainland and the rest of B.C. This is similar to the situation in 2016–2017. Compared to a high-value market like Vancouver that has stiffer price movement[1], Victoria remains attractive for relocators, first-time buyers and downsizers, especially when prices trend downwards. Moreover, since local inventory won't be replenished, demand from out of town will introduce disproportionate upward pressure on prices.
- Immigration has been a major factor in population growth and housing demand in Victoria. A record high of over 10,600 newcomers arrived in Victoria in 2022, with 56% being immigrants. In the next 3 years, there will be a record level of 480,000 immigrants arriving in Canada each year if the government reaches its targets. As a result, demand in the ownership and rental markets is unlikely to recede.

Housing starts will decline due to financing challenges and lower demand

New construction will continue to contract in 2023. This will be driven by expectations for lower home prices, retreating demand for new homes, rising labour costs and elevated interest rates. Tougher financing conditions will limit new projects by developers and builders. This is especially true in the multi-family segment. Some of the market conditions driving the slowdown in new construction include:

- The inventory of units under construction reached a record high in 2022, driven by multi-family projects. Builders may choose to focus on completing existing projects before starting new ones.
- Absorptions of new single-detached homes declined from 96% to 75% of completions, comparable to 2019 levels. This decline contributed to rising inventories in that segment.
- Building permits were down 46% for single-detached projects and 3% for multi-family projects in 2022 compared to 2021.
- The labour shortage worsened, as evidenced by the rising job vacancy rate in B.C.'s construction sector. The share of unfilled positions reached 10% in 2022, compared to 7% in Alberta and on average across Canada. Weekly earnings in B.C.'s construction sector have stayed 10% below Alberta's levels since 2020, contributing to wage pressure for builders.

With the expected ease in interest rates in 2024, developers will likely resume planning projects in anticipation of demand recovering. Sales activity in Victoria has historically guided starts. With demand picking up again, starts are expected to follow suit.

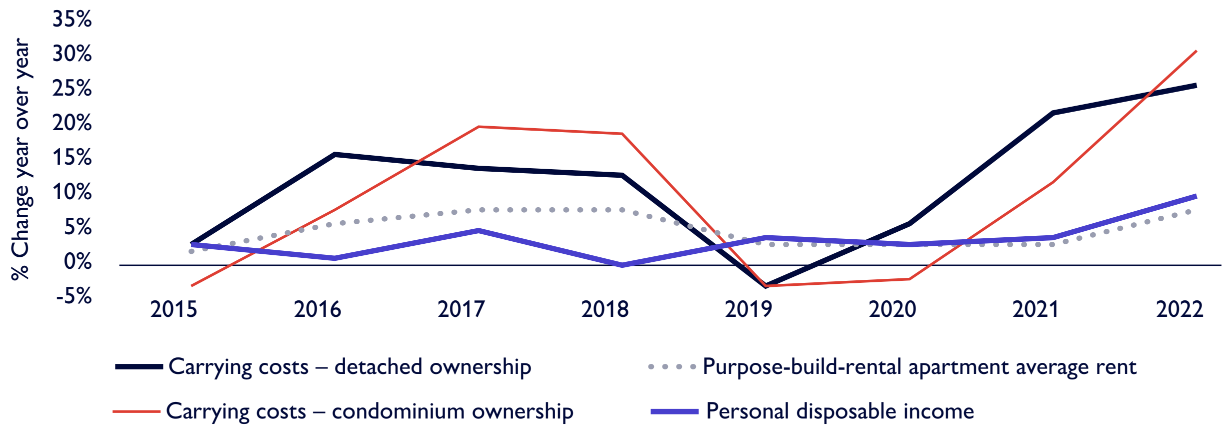
The rental market will tighten further

We expect the rental market to further tighten in the next 3 years. In 2023, the purpose-built rental apartment vacancy rate will decline to 1.2% and rents will increase and continue to trend upwards thereafter.

Rental demand is expected to remain firm. The tight labour market and real wage increases will continue to draw domestic and international migrants to the region. Higher mortgage costs and the erosion of ownership affordability (figure 1) will keep potential buyers in the rental market, particularly with the expected price rebound in 2024.

[1] The median home price in Victoria had much greater fluctuations since 2020 compared to Vancouver.

Figure 1: Sharp rise in carrying costs for ownership will keep many in the rental market



Note: Carrying costs are estimated and include mortgage payment for a conventional 25-year amortization with a 20% down payment for the average price of a condominium or detached home. They do not include strate fees, utilities or taxes. Percentage change of average rent year-over-year is based on a fixed sample of structures (existing rental structures only).
Source: CMHC; CMHC calculation

On the supply side, builders and developers are likely to focus on completing the record number of units currently under construction before starting new projects. Faced with construction delays, rental starts and completions both slowed over the course of 2022. We expect rental supply to lag behind rental demand, keeping vacancies low over the forecast horizon.

Forecast Summary — Victoria CMA

	2020	2021	2022	2023 (F) (L)	2023 (F) (H)	2024 (F) (L)	2024 (F) (H)	2025 (F) (L)	2025 (F) (H)
New Home Market									
Starts:									
Single-Detached	694	860	679	540	730	470	720	430	690
Multiples	2,515	3,949	4,108	2,700	3,800	2,900	4,200	2,900	4,600
Starts — Total	3,209	4,809	4,787	3,240	4,530	3,370	4,920	3,330	5,290
Resale Market									
MLS® Sales	8,060	9,514	6,499	5,290	7,100	5,900	8,240	5,980	8,820
MLS® Average Price ($)	777,993	906,404	1,012,428	843,000	1,103,000	865,000	1,158,000	886,000	1,215,000
Rental Market									
Vacancy rate (%)	2.2	1.0	1.5	1.2		1.3		1.3	
Average Rent Two Bedrooms ($)	1,507	1,571	1,699	1,850		1,940		2,040	

Source: CREA, CMHC
The forecasts included in this document are based on information available as of March 15, 2023.

VANCOUVER

Braden Batch
Senior Analyst, Economics

"Vancouver will continue to experience sliding house prices and fewer sales during the first part of this year, with a recovery following in 2024. A less active ownership market will create a bottleneck for demand, and the rental market will have to accommodate population growth in the city."

HIGHLIGHTS

- Prices remain on a long-run growth path, despite the current correction.
- Starts will fall because developers face a shrinking customer base for condominiums, in addition to elevated construction and financing costs.
- Rental demand will outpace growth in the purpose-built rental supply, so the secondary market will have to accommodate the demand.

Buyers will be most active in the apartment segment due to reduced budgets

Home prices peaked in the spring of 2022. While we expect them to bottom out in 2023, the price level will remain elevated. Compared to the end of 2019:

- single-detached prices had risen by 50% at their highest point in 2022 and will finish 2023 up 30%; and
- apartment prices had risen by 27% at their highest point in 2022 and will finish 2023 up 15%.

Over a short timeframe, what we see is a dramatic rise –and –fall. However, if we zoom out from a single year of data, the trend is clearly up. After posting a decline in 2023, house prices will post year-over-year gains, once again, in 2024 and 2025. Active listings across property types remain historically low, especially on a per-capita basis. There are simply fewer homes available for a growing population, keeping prices elevated. While there will be some homeowners who must sell due to a change in life circumstances, patient sellers will wait for prices to resume growth before listing.

Buyers with smaller budgets will place the focus of demand on the apartment market. This will cause average prices to fall in 2023. Prices may move higher or lower in the forecast range based on the pace of recovery in single-detached sales. If interest rates are lower than the baseline, we expect greater activity in single-detached markets to raise the average price.

Into 2023, single-detached sales will fall to less than half of the pre-COVID level. Apartment sales, meanwhile, will fall to about 75% of pre-COVID levels. Both will begin to recover into the second half of the year. In our baseline scenario, we don't anticipate that sales will recover to the pre-COVID level until after 2025.

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More potential buyers, but high prices will keep homeownership out of reach for many

Vancouver has a relatively young population: the city has a larger share of millennials and attracts a larger share of young international migrants compared with Canada overall. Millennials are now well into their 30s, and older millennials will reach their 40th birthday by the end of the forecast horizon.[1] Historically, we have observed increased homebuying activity when people reach this age. In other words, demographics point to more buyers for the next few years.

While we might expect more buyers, many will not be able to afford to buy. Higher mortgage rates mean buyers will qualify for smaller loans. Currently, loan sizes have fallen back to where they were in 2019,[2] while prices for apartments remain 15% above 2019 levels. To fill the gap, buyers will need to make larger down payments. This will be too much of a hurdle for many in 2023. Over the forecast horizon, income growth will gradually lift buying power, leading to rising sales.[3]

Higher growth in wages could bring buyers closer to being able to afford prices, leading to sales on the higher end of the forecast range. On the other hand, a recession could lead to falling wages and fewer sales if interest rates remain at the current level.

Uncertainty, higher costs, and falling prices will drag starts down

We predict housing starts will fall in 2023, which will lead to lower availability of housing in the long run. Going beyond 2023, we expect growth in the customer base as well as stabilization in costs. This will, at minimum, reduce some uncertainty in the market, encouraging the launch of new projects.

At of the end of 2022, construction costs were up by more than 15% over the previous year.[4] Additionally, the total workforce employed in the construction sector was smaller than in the pre-COVID period.[5] Developers have had to face rapid changes to their customer bases' purchasing power, their own financing costs, and higher building costs. There is simply more uncertainty, and therefore greater risk for projects.

Rental units remain in short supply despite greater population growth

Vacancy rates will remain low. The decline in first-time buyer activity will create a bottleneck in Vancouver's housing market. Young migrants will flow into Vancouver, but large swathes of aging millennials will delay the move to homeownership. The result: the rental market will have to accommodate a larger share of households.

So far, supply growth hasn't kept pace with demand. Even though Vancouver's purpose-built rental market is on track to deliver a record number of new units, the scale falls well below population growth. Net population growth exceeded 80,000 people in 2022, compared with 4,000 units of net purpose-built rental creation. Even conservative estimates of renter household formation show that this is too little.

Average 2-bedroom rents are set to increase significantly over the forecast horizon. Market rents currently sit well above average rents. There are 3 components of the rental universe with 3 different rents:

1. Units with existing tenants (or "non-turnover units"), which are protected by provincially mandated maximum rent increases.
2. Turnover units, which will be leased at prevailing market rents (currently sitting about 20% higher than non-turnover rents).
3. Newly completed units, which typically rent at a premium over existing units.

Turnover and new units will comprise approximately 15% of the universe each year of the forecast, and these units will pull the average rent up significantly.

[1] There are many definitions for "millennial." In this case, millennials are defined as people born between 1985 and 2005.

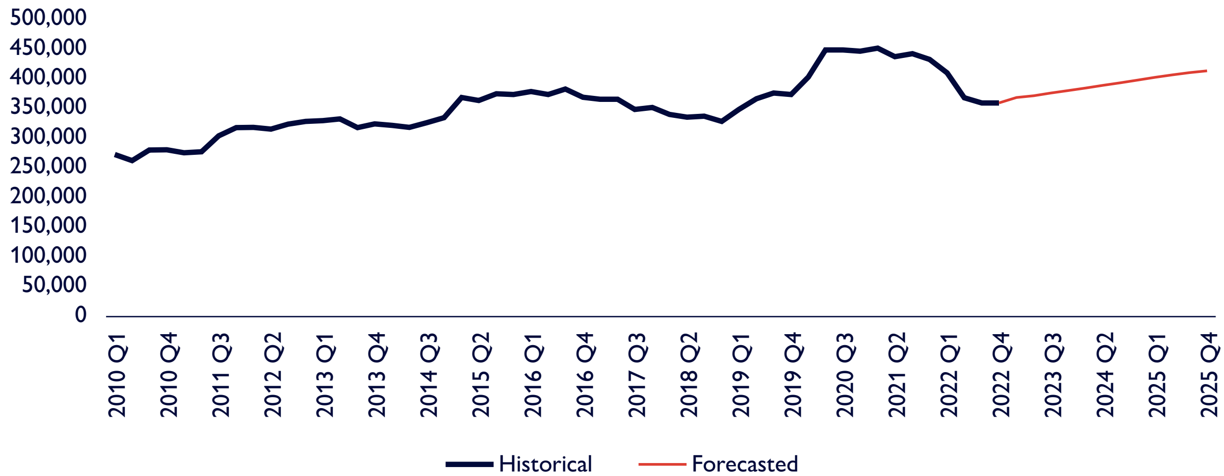
[2] Considering the typical loan size available given a 20% down payment, 25-year amortization, and average full-time average income.

[3] Note: Real disposable income is expected to fall in British Columbia in 2023, but nominal wages, especially for full-time workers aged 25–54, will continue to grow.

[4] Statistics Canada: Table 18-10-0276-01 Building construction price indexes by type of building.

[5] Statistics Canada. Table 14-10-0378-01 Labour force characteristics by census metropolitan area three-month moving average, unadjusted for seasonality.

Figure 1: Typical loan size based on a single full-time income



Note: Loan size is based on a 25 year amortisation, and assuming a 20% downpayment.
Source: Statistics Canada, CMHC Calculations

Forecast Summary — Vancouver CMA

	2020	2021	2022	2023 (F) (L)	2023 (F) (H)	2024 (F) (L)	2024 (F) (H)	2025 (F) (L)	2025 (F) (H)
New Home Market									
Starts:									
Single-Detached	3,085	3,015	3,392	2,500	3,700	2,700	3,300	2,700	3,300
Multiples	19,286	22,998	22,591	16,200	23,200	15,300	27,100	14,400	32,200
Starts — Total	22,371	26,013	25,983	18,700	26,900	18,000	30,400	17,100	35,500
Resale Market									
MLS® Sales	44,469	62,810	38,633	25,600	32,200	32,500	42,900	35,600	49,000
MLS® Average Price ($)	1,012,280	1,155,631	1,227,245	962,000	1,272,000	976,000	1,364,000	970,000	1,434,000
Rental Market									
Vacancy rate (%)	2.6	1.2	0.9	0.7		0.8		0.9	
Average Rent Two Bedrooms ($)	1,792	1,824	2,002	2,190		2,420		2,620	

Source: CMHC, Real Estate Board of Greater Vancouver
The forecasts included in this document are based on information available as of March 15, 2023.

EDMONTON

Taylor Pardy
Senior Specialist, Market Insights

"Strong population growth and a growing economy will continue to support demand for housing of all types and tenures in the Edmonton area through 2025."

HIGHLIGHTS

- We expect annual growth in the average home price to be less than 1% in 2023 due to a sales shift toward multi-unit options early in the year. Growth should then strengthen in 2024–2025.
- We anticipate housing starts will decline slightly in 2023 because of higher single-detached new home inventories. Starts should then improve in 2024–2025.
- Strong population growth and higher mortgage rates will help drive demand for rental accommodations and push the apartment vacancy rate down through 2025.

Price growth will slow in 2023 due to higher mortgage rates before picking up in 2024–2025

We expect annual growth in the average price in Edmonton to be less than 1% in 2023. The underlying reason: a shift in sales toward lower-priced options in the first half of the year. In the second half of the year, home sales at higher price points, particularly in the single-detached segment, should recover and return to their historical share of sales. As a result, the impact of the shift in the composition of sales as mortgage rates rose in 2022 will subside by the end of 2023.

Existing home inventories reached lows comparable to 2014 early last year. They then rose throughout most of 2022 as rising mortgage rates impacted the pace of sales. This trend appears to be reversing to some degree in early 2023. Therefore, as existing home inventories decrease, upward pressure on prices may begin to build closer to the end of 2023. We expect stronger growth in average home prices in 2024–2025 as inventories continue to decrease and the composition of sales returns to historical norms.

We expect the Edmonton economy to support this shift in sales and prices. In our base case, the regional economy will see continued growth and investment over the forecast horizon. More broadly, we expect Alberta to avoid recession. Oil and gas prices remaining higher than pre-COVID levels should contribute to a more favorable outcome for the economy through 2025. The completion of 2 major projects on the west coast, the Trans Mountain Pipeline and LNG Canada, will add to export capacity and support economic activity in 2024–2025.

Investment in major projects will also contribute to growth in Edmonton over the forecast horizon (see figure 1). The value of major projects proposed or already underway in the Edmonton area hit $33.2 billion in 2022, more than in any other part of the province. The value of major projects at the end of 2022 was over 70% higher than the 2 previous peaks seen over the past 10 years, in 2017 and 2013. Examples of such non-residential major projects underway include:[1]

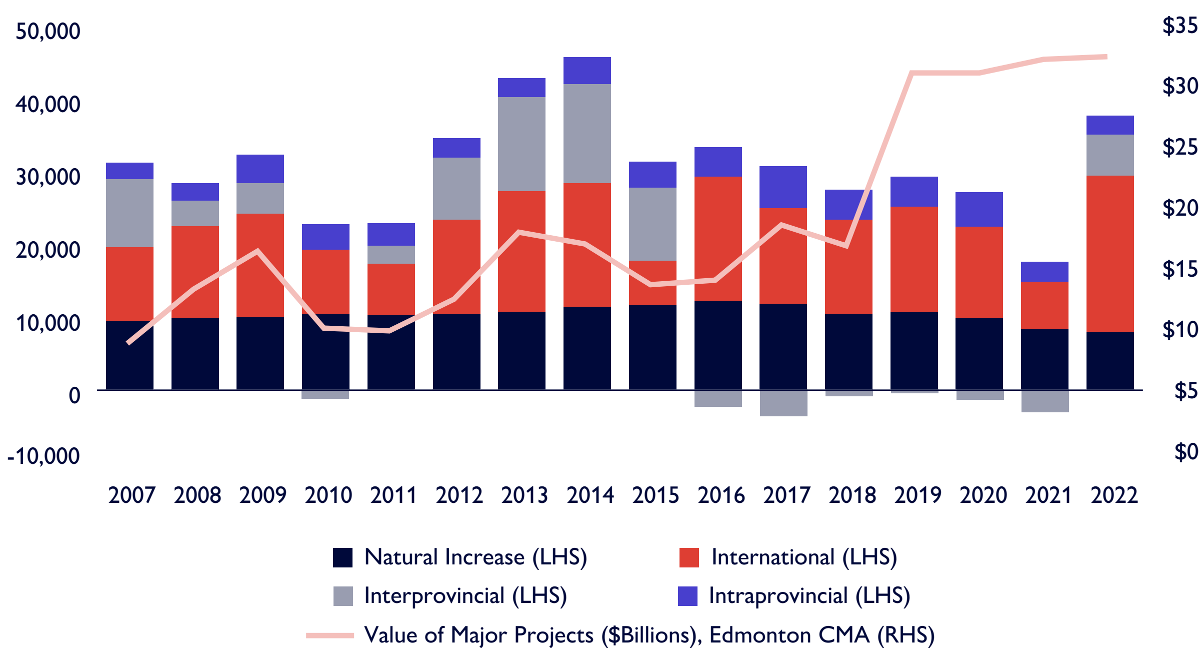
- the Air Products Hydrogen Production and Liquefaction Facility; and
- Imperial Oil's Strathcona Refinery Renewable Diesel Expansion.

This economic strength, combined with the relative affordability of the Edmonton housing market, is attracting new residents to the area. Edmonton is currently seeing a record pace of international migration and interprovincial in-migration at a high level not seen in a decade. Even if these trends moderate somewhat, the pace of population growth will have a significant impact on housing demand through 2025.

Key risks to the outlook for Edmonton include deviations from our baseline scenario such as:

- a weaker national outlook consistent with the alternative scenario (downside risk); and
- higher oil and gas prices through 2025 as the post-COVID demand rebound continues. This could contribute to outsized growth in the region and higher housing demand (upside risk).

Figure 1: Components of population growth and value of major projects (in $billions), Edmonton CMA



Note: Migration numbers in the reference year represent July to June data from one year to the next. For example, 2022 figures represent data tallied between July 2021 and June 2022.
Source: Statistics Canada, Government of Alberta

[1] Other noteworthy projects proposed for the area include various infrastructure upgrades, such as improvements to the LRT lines, additional hydrogen production facilities, carbon capture utilization and storage projects, lithium extraction and blue ammonia and blue methanol facilities. Together, these proposed projects represent thousands of jobs.

New construction should decline slightly in 2023 due to higher inventories, then improve in 2024–2025

We expect total housing starts to decline in 2023 before improving in 2024–2025. Rising mortgage rates cooled demand for new homes in 2022, particularly in the single-detached segment. Inventories in the single-detached segment have risen since May 2022 as supply outpaced demand. This is expected to contribute to lower starts in 2023 as builders direct buyers to existing inventories before starting new projects.

Multi-unit housing starts are likely to remain high over the forecast horizon because of strong population growth and higher mortgage rates. These developments will drive demand to lower-priced homes as well as rental options. We expect purpose-built rental construction to remain strong despite financing costs being higher than in recent years. Stronger demand and rising rents are supporting project viability. Similarly, apartment condominium construction should rebound over the next few years as low inventories and rising demand motivate new development.

Stronger population growth will slowly drive vacancies lower and spur rent increases through 2025

We anticipate the rental apartment vacancy rate will gradually decline to 1.3% by 2025 due to strong migration to the region. Historically, net-positive interprovincial and international migration into the Edmonton CMA tends to be correlated with downward movements in the apartment vacancy rate in the rental market. A large number of purpose-built rental apartments were under construction at the end of Q1 of 2023. However, because of the strong pace of population growth, we still expect demand to outpace supply.

As the rental market tightens over the next few years, average 2-bedroom rents will grow at a faster pace than in the past 8 years. The forecasted annual growth is expected to be consistent with past periods of strong population growth in Edmonton, such as the period from 2006 to 2008.

Forecast Summary — Edmonton CMA

	2020	2021	2022	2023 (F)		2024 (F)		2025 (F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	4,138	5,701	6,173	4,700	6,400	4,200	6,700	3,900	6,700
Multiples	7,374	6,845	8,413	7,500	9,600	7,200	9,400	7,400	9,600
Starts — Total	11,512	12,546	14,586	12,200	16,000	11,400	16,100	11,300	16,300
Resale Market									
MLS® Sales	19,973	29,099	27,784	20,700	24,500	20,100	26,000	19,900	26,300
MLS® Average Price ($)	365,673	389,117	399,734	375,000	426,000	376,000	448,000	379,000	470,000
Rental Market									
Vacancy rate (%)	7.2	7.3	4.3	2.3		1.4		1.3	
Average Rent Two Bedrooms ($)	1,272	1,270	1,304	1,390		1,490		1,610	

Source: CMHC, CREA
The forecasts included in this document are based on information available as of March 15, 2023.

CALGARY

Michael Mak
Senior Analyst, Economics

"Calgary's housing market will continue to ease from a hotter 2022, but will remain relatively strong and will be supported by continued population inflows."

HIGHLIGHTS

- Affordability in the rental market will decline as vacancies continue to decrease and rents continue to rise.
- We expect the average home price to remain relatively flat and sales activity to be lower.
- New home construction will slow down slightly as expensive financing lowers project feasibility and demand slows for single-family homes.

After a record year, price growth and sales will slow as homebuyers become more constrained

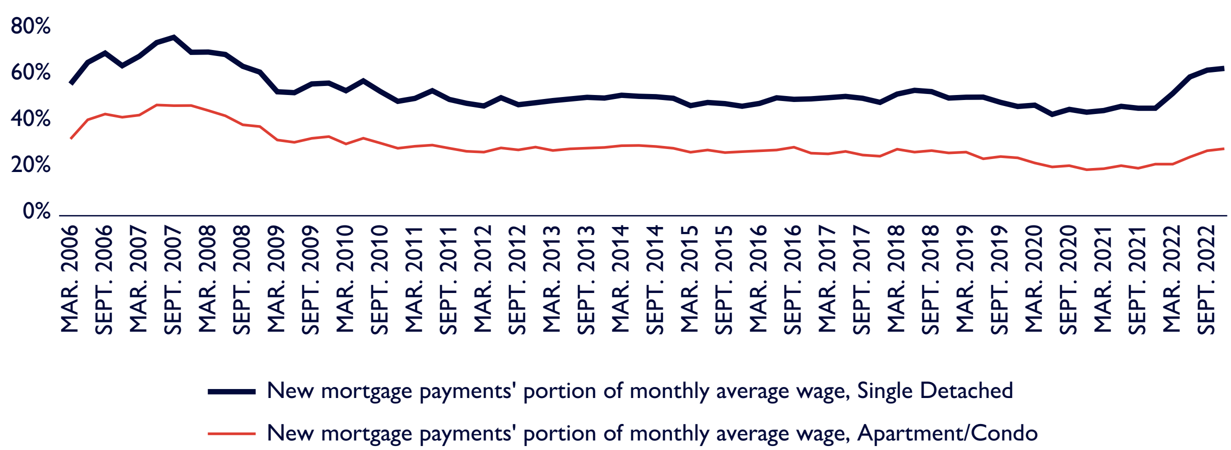
The average home price is forecasted to moderate in 2023, with marginal upward pressure as housing demand persists in the Calgary census metropolitan area (CMA). This moderation comes after another year of strong price growth of 6% in 2022, mostly from a hot spring market. Calgary's resale home prices saw a peak in late 2022 and are expected to bottom in early 2023 before turning upwards. This trend is expected to continue into 2024 and 2025, with higher price growth compared to 2023.

The slowdown in house price growth in 2023 will largely be due to a shift in the types of homes being bought and higher mortgage rates. Unlike in 2020–2022, demand for single-detached homes has slowed down significantly, compared to relatively stronger demand for townhomes and condominiums. As the proportion of homes sold shifts away from expensive single-detached homes to lower-priced condominiums, the overall average will be pressured lower. However, prices for each home segment are likely to move slowly higher over the next year.

The shift back toward in-person and hybrid work will also support demand for inner-city multi-family units. As mortgage rates decrease in 2024 and 2025, demand for single-detached homes will return, and prices will move higher. This price increase may erode affordability, especially for families seeking larger homes.

Overall home sales will decrease in 2023 compared to the historically strong years of 2022 and 2021. However, sales activity will stay above the slower period from 2015 to 2020. Sustained interprovincial and international migration into Calgary will provide demand for housing in the next year and into 2024 and 2025. However, higher mortgage rates and home prices will negatively affect potential homebuyers' budgets. In 2022, rising mortgage rates and higher prices pushed up the costs of ownership, deteriorating affordability (figure 1). As mortgage rates move lower in 2024 and 2025, we expect home sales to increase beyond 2023 levels, but to remain below the record high in 2022.

Figure 1: Mortgage payments remain below highs in late 2000s when adjusted for income



Note: Assumes mortgage payments are made monthly, using the 5 Year conventional mortgage rate and 20% in down payment. Earnings were projected from weekly individual average earnings across all industries.
Source: CMHC calculations, Statistics Canada Tables 34-10-0145-01 & 14-10-0203-01, Calgary Real Estate Board

Calgary's economy will support housing demand

Calgary's economy grew beyond recovery in 2022. It will continue to grow in 2023, but at a slower pace due to a national economic slowdown. Total employment has fully recovered, well surpassing 2019 highs. The unemployment rate also fell to the lowest level since 2015, but it will tick marginally higher. While we forecast negative economic growth at the national level for a period in 2023, we also expect that Alberta and Calgary will be less affected. We expect moderately higher energy prices later in 2023. This continued strength in the energy sector will support demand for housing in Calgary.

A prolonged economic downturn will act as a downside risk to this forecast, as labour markets will take longer to recover. An extended period of inflation driven by commodity prices will act as an upside risk, as producers in Alberta expand to capture higher demand.

New home construction will be negatively impacted by tighter financial conditions

Housing starts are expected to fall in 2023, after seeing a record year of construction in 2022. Tight monetary policy conditions will dampen investment and lending for new home construction. Constrained homebuyer budgets will reduce demand for single-detached homes, and, in turn, construction activity in this segment. Unsold inventories for these homes have bottomed and are slowly accumulating. However, developers remain optimistic for future population inflows into Calgary and will continue building multi-family projects at a relatively high rate. Existing low inventories for multi-family units will support this drive for development.

While we expect total starts to fall, supportive fiscal policy and programs will help to provide new housing in both the condominium and rental apartment segments. This will lead to higher forecasted starts in 2023 compared to the 2015–2020 period. The recent shift toward rental development will also persist, supported by various government programs and clear demand for market rental units.

As lending costs ease into 2024 and 2025, we forecast that new home activity will increase by 2025. Construction and expansion in the Northeast will continue to provide more affordable options in both the single-detached and multi-family segments.

Strong rental demand will persist, lowering vacancies and pushing rents higher

Despite a growing rental universe, the rental market will tighten in 2023 as vacancies continue to fall. Interprovincial and international migrants to Calgary tend to take rental units upon moving to the area. Persistent high mortgage rates will also cause some potential homebuyers to remain renters for the time being. Calgary continues to remain relatively affordable compared to other major cities and to offer economic opportunities. This will attract population inflows and contribute to a lower vacancy rate in 2024 and 2025.

Current high financing costs will impact rental universe growth in both purpose-built and condominium rentals in 2023. Individual investors will have a more difficult time qualifying for condominium purchases.

The average rent for a 2-bedroom apartment will continue to increase at an elevated rate as vacancies remain low and new units with higher rents mix into the market. Demand for more affordable units will be high. This demand will likely lead to low vacancies for areas like the Northeast and Southeast, where rents in new units are relatively lower.

Forecast Summary — Calgary CMA

				2023 (F)		2024 (F)		2025 (F)	
	2020	2021	2022	(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	3,487	5,512	5,752	3,900	5,200	3,800	6,900	3,600	7,900
Multiples	5,748	9,505	11,554	10,300	12,200	8,900	12,000	9,000	12,400
Starts — Total	9,235	15,017	17,306	14,200	17,400	12,700	18,900	12,600	20,300
Resale Market									
MLS® Sales	22,105	37,108	38,401	28,900	35,400	28,300	39,100	25,700	40,400
MLS® Average Price ($)	460,201	501,708	531,719	504,500	541,600	510,600	626,500	488,500	686,500
Rental Market									
Vacancy rate (%)	6.6	5.1	2.7	2.2		1.4		1.2	
Average Rent Two Bedrooms ($)	1,323	1,355	1,466	1,610		1,780		1,950	

Source: CMHC, CREA
The forecasts included in this document are based on information available as of March 15, 2023.

REGINA

Anita Linares
Senior Analyst, Economics

"Regina's market is expected to experience strong economic growth. However, concerns arise over worsening housing availability caused by the slow pace of starts in 2023 during a period of elevated international migration."

HIGHLIGHTS

- For 2023, we expect Regina to see a slowdown in housing activity. Construction starts and sales will be lower for the first half of the year as interest rates remain high.
- Average prices are expected to grow modestly in 2023 and rise further in 2024–2025 as demand shifts back to single-detached homes.
- Vacancy rates will decline further as increased international immigration into Regina will add to housing demand, creating tighter market conditions.

Strong economic fundamentals position Regina for housing growth into 2025

Strong economic fundamentals signal a positive outlook for the housing market in 2023. These fundamentals include:

- rising employment;
- elevated pricing of key commodities;
- major projects; and
- record international migration.

With these factors in place, we expect increased investment, higher commodity prices, and rising wages. All of this may lead to higher demand for housing. If these favourable market conditions continue into 2025, we may see an outflow of interprovincial migration from Alberta into Saskatchewan, further adding to housing demand.

However, there are factors which caution us to consider the lower bound of our forecast:

- Geopolitical risks, like the ongoing war in Ukraine, continue to raise uncertainty in the commodity markets and may cause further supply chain disruptions.
- Household indebtedness, which will likely rise in a prolonged high interest rate environment.

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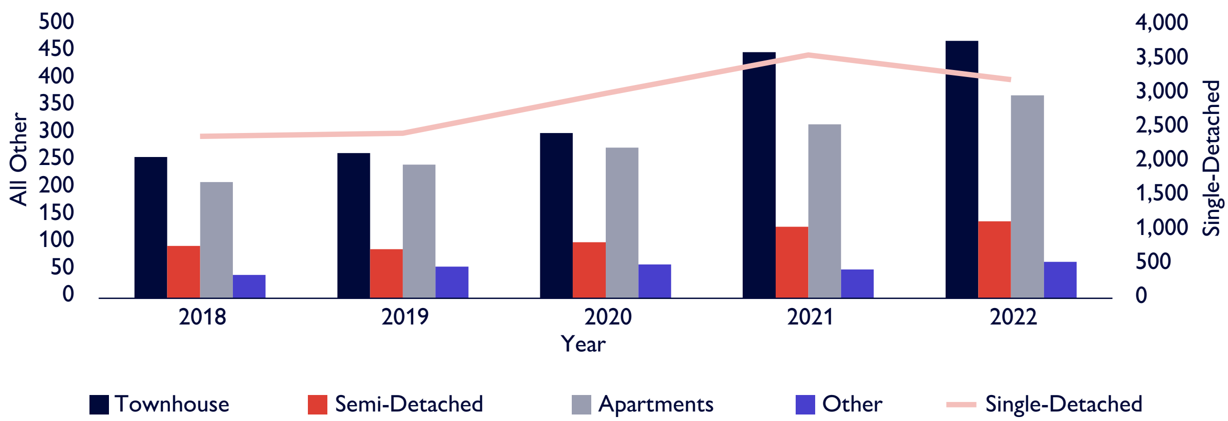
In 2023, rising interest rates from the previous year are expected to slow sales and average price growth, but they should rebound in 2024

In 2022, the Regina housing market experienced a modest 2% decline in average prices and a 6% decline in sales compared to the previous year. Inventories have also stayed well below the 10-year average, worsening the housing availability in Regina. Despite these trends, sales are expected to rebound as we return to a balanced market.

Furthermore, looking at the next 2 years:

- We expect sales to remain lower in 2023 than they were in the previous year, as the higher cost of borrowing prevents some families from transitioning to homeownership.
- In 2024, we expect a shift back to single-detached homes, which would drive up the average sale price.
- Looking ahead to 2025, we expect growth in sales and average price.

Figure 1: In 2022, Regina saw record sales in townhomes amidst declining single-detached sales



Source: CREA

Rising construction costs may hamper housing starts, combined with elevated migration, will further reduce housing availability

Total starts and single-detached starts declined in 2022 largely due to rising interest rates. Multi-unit development, meanwhile, had increased from the previous year. This shift into multi-units is due in part to the City of Regina's housing incentive programs. These programs provided favourable opportunities to developers dealing with higher borrowing costs.

Leading into 2025, we expect that:

- total starts will continue to remain low in 2023, but will gradually pick up in 2024–2025;
- in 2023, multi-unit construction will be supported by favourable government incentives, increased demand for townhomes, and increased rental demand.
- once markets have returned to balanced conditions, there will be a gradual shift to more single-detached starts by 2024 and into 2025.

A concern which may become a reality leading into 2025 would be limited land availability for residential construction. If builders wish to match the demand stemming from international migration to the city, there would be a significant lag in the development of shovel-ready lots. This would further reduce housing availability for Regina toward 2025.

Rental market will remain tight as vacancy rates trend to historic lows into 2025

For the next 2 years, we predict that vacancy rates will continue to decrease and that the average 2-bedroom rent will rise. Demand for rentals will be sustained by stronger economic fundamentals and increased international migration.

- In 2023, higher mortgage costs will push some families to opt for rentals instead of homeownership, adding to demand and lowering vacancy rates.
- As vacancy rates decrease, the average rent is expected to rise at a faster pace compared to the 10-year average.
- With newly constructed units entering the rental market, along with falling vacancy rates, we expect a surge in the average 2-bed rent leading into 2025.

Affordability in the rental market space will continue to be a concern in Regina for this forecast period. In the past, when vacancy rates dropped below 3% in Regina, the average rent increased at a faster pace. Since we forecast vacancy rates to fall below 3%, families looking to rent in Regina may be faced with higher rents and tighter markets.

Forecast Summary — Regina CMA

				2023 (F)		2024 (F)		2025 (F)	
	2020	2021	2022	(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	288	405	321	250	400	280	680	300	1,300
Multiples	478	578	616	490	700	320	800	220	1,080
Starts — Total	766	983	937	740	1,100	600	1,480	520	2,380
Resale Market									
MLS® Sales	3,748	4,523	4,529	3,300	4,400	3,400	4,800	3,700	5,000
MLS® Average Price ($)	306,450	326,785	321,612	303,700	338,800	297,300	367,900	293,000	402,700
Rental Market									
Vacancy rate (%)	7.4	7.0	3.2	2.8		2.4		2.0	
Average Rent Two Bedrooms ($)	1,152	1,156	1,186	1,220		1,260		1,290	

Source: CMHC, CREA

The forecasts included in this document are based on information available as of March 15, 2023.

SASKATOON

Taylor Pardy
Senior Specialist, Market Insights

Peter Nelson
Senior Analyst, Economics

"Stronger population growth and economic activity in the region are set to increase demand for housing of all types over the next few years. This will contribute to stronger starts, sales and price growth and lower vacancies in the rental market."

HIGHLIGHTS

- We expect annual price growth to be more modest in 2023 due to a shift in sales toward multi-unit options. Growth should then strengthen in 2024–2025.
- Overall housing starts should decline slightly in 2023 before improving in 2024–2025. Multi-unit starts, meanwhile, look set to remain strong over the forecast horizon.
- We anticipate rental demand will remain strong through 2025. This will largely be due to stronger population growth in the region, which will drive the vacancy rate down over the next few years.

Annual price growth will be more modest in 2023 before picking up in 2024–2025

We expect to see price growth of less than 1% in the Saskatoon CMA in 2023. This will largely be the result of a shift in sales toward lower-priced options in the first half of the year. This level of growth will be a continuation of the trend seen in 2022 where sales declined, particularly for higher price points in the single-detached segment, as mortgage rates rose. However, we expect sales in higher-priced segments of the market to recover. They should return to more historical norms in the second half of 2023 as the initial impact of rising rates on potential buyers fades.

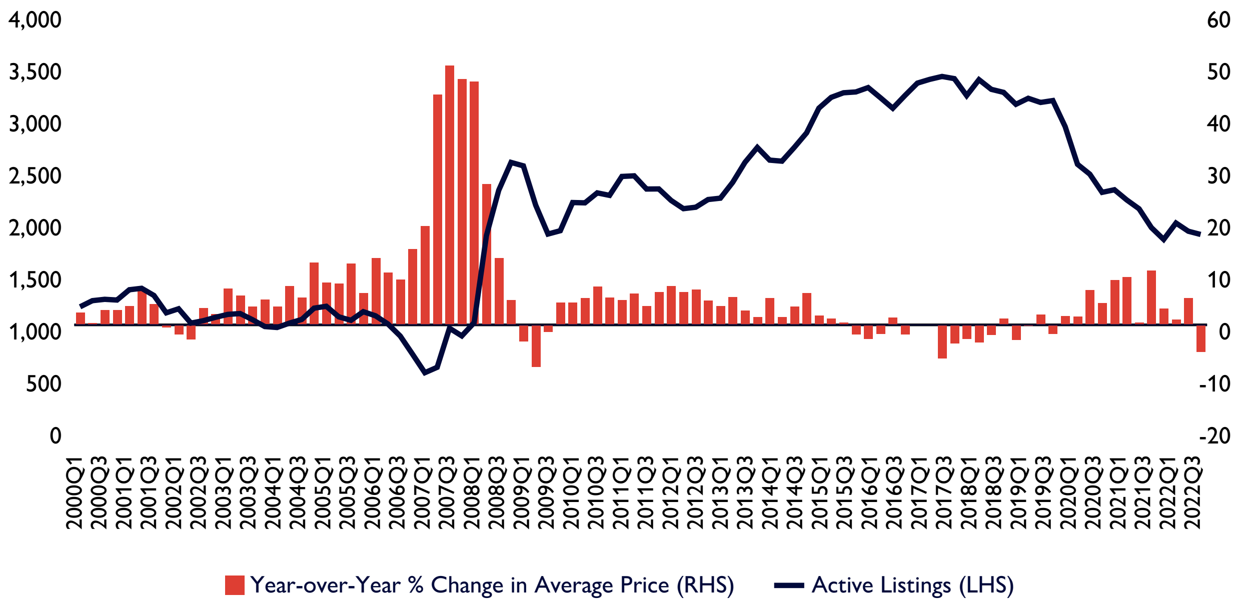
Despite sales declining in 2022, existing home inventories (active listings) remained close to 2009 levels due to new listings declining in line with sales. This is a trend we've seen since the beginning of 2021, before significant increases in mortgage rates. New listings have generally been trending downward steadily, even when prices were rising, preventing any significant build up in existing home inventories (see figure 1). This introduces possible upside risk to our price forecasts depending on the future trajectory of new listings and, subsequently, existing home inventories.

If sales do indeed improve as the year progresses, upward pressure on prices will continue to build if the pace of new listings doesn't keep up or continues to trend downward. Our current expectation is that upward pressure on prices will gain momentum in the second half of 2023. We then expect stronger sales, declining listings and the composition of sales returning to more historical norms to result in stronger price growth in 2024–2025.

Underlying our forecasts is the expectation that Saskatoon's economy will continue to see strong growth and benefit from investment in the province. Demand for Saskatchewan's exports, including oil, natural gas, potash, uranium and agricultural products remains robust and is reflected in prices. The construction of Stage 1 of BHP's Jansen potash mine, estimated at over $7 billion, is happening nearby. The mine, in addition to other mining, infrastructure and manufacturing investments in the area, should provide an economic boost to the region.

We expect that an improving economy and the relative affordability of housing in the Saskatoon CMA will continue to attract many more people to the area. Saskatoon is experiencing record international migration into the region. This, along with stronger population growth in general, is expected to support demand for all housing types and tenures through 2025.

Figure 1: Active listings and year-over-year percent change in the average price, Saskatoon CMA



Source: CREA

Housing starts should decline slightly in 2023 and improve in 2024–2025

Rising mortgage rates throughout 2022 had a negative effect on demand for higher-priced homes, particularly in the single-detached segment. This lower demand will influence housing starts in the near term. New home inventories in the single-detached segment rose from 88 units in May 2022 to 170 in February 2023. This increase will likely contribute to a weaker first half of 2023 for single-detached starts as builders direct demand toward unsold units before building new ones. Thus, the impact on overall housing starts at year-end will be to the downside.

On the multi-unit side, we expect starts to remain strong through 2025, given improving economic conditions and population growth in the region. In 2023, higher mortgage rates will contribute to demand for rental options and for relatively more affordable ownership options. More affordable ownership options include semi-detached, townhome and apartment condominium units. New home inventories for townhome and apartment condominium units are already at lows comparable to 2012 and 2005, respectively. Meanwhile, new rental apartment starts should remain robust through 2025 as strong migration into the region supports rental demand.

Population growth should push vacancies lower through 2025 as demand outpaces supply

We expect that stronger net migration into the Saskatoon region, driven by international migration, will drive the apartment vacancy rate lower through 2025. We anticipate the vacancy rate will decline gradually over the next few years and reach 1.8% in 2025. It will do so despite the large number of purpose-built rental apartments under construction and additional supply set to get underway over the next few years.

The expected decline in the vacancy rate will place upward pressure on rent levels. As a result, from 2023 to 2025, growth in the average rent for a 2-bedroom apartment will be higher than the 10-year average.

Forecast Summary — Saskatoon CMA

				2023 (F)		2024 (F)		2025 (F)	
	2020	2021	2022	(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	774	965	913	830	1,170	780	1,250	750	1,320
Multiples	1,135	1,675	1,746	1,470	2,130	1,520	2,450	1,550	2,680
Starts — Total	1,909	2,640	2,659	2,300	3,300	2,300	3,700	2,300	4,000
Resale Market									
MLS® Sales	5,954	7,430	6,344	5,000	6,000	5,100	6,400	5,200	6,700
MLS® Average Price ($)	328,571	349,648	354,002	344,000	365,000	349,000	405,000	355,000	439,000
Rental Market									
Vacancy rate (%)	5.9	4.8	3.4	2.5		2.0		1.8	
Average Rent Two Bedrooms ($)	1,166	1,183	1,243	1,300		1,370		1,430	

Source: CMHC, CREA

The forecasts included in this document are based on information available as of March 15, 2023.

WINNIPEG

Adebola Omosola
Senior Analyst Economics

"Inflation and higher mortgage rates will continue to negatively impact potential homeowners' borrowing capacity. As a result, we expect housing market activity and resale prices to decline."

HIGHLIGHTS

- Despite low inventories, we expect housing starts to decrease because of higher financing costs.
- Homeowners will face lower borrowing capacity. As a result, we expect activity in the resale market to slow down, despite growth in net migration and stronger economic conditions.
- Prices should decline in 2023, but we expect modest price gains in later years as market conditions become more balanced.
- Stronger growth in demand than supply in the rental market could result in lower vacancy rates and a higher average rent over the forecast period.

Housing market activity will slow before improving economic conditions restore it

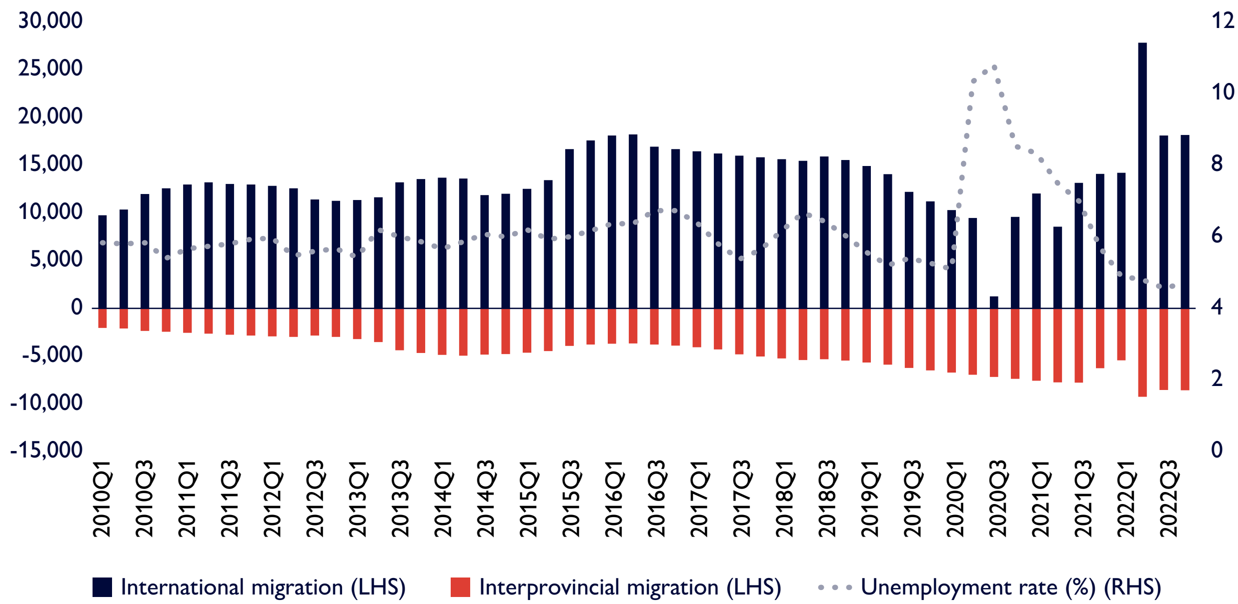
In 2023, downward pressure on housing market activity could be expected due to affordability concerns as mortgage rates remain elevated to manage inflation. This pressure could moderate over the forecast horizon, as inflation weakens and economic fundamentals come to support activity in the housing market.

Improvements in economic fundamentals over the forecast period could support housing demand driven by stable net migration and low unemployment levels. Net migration should remain high as more international migrants settle within the Winnipeg CMA, which has one of the lowest unemployment rates in the country. This will keep the population at elevated levels over the period.

The post-pandemic economic growth trajectory in Manitoba is projected to continue. This is dependent on the expansion of business activities and the expectation that growing exports from the manufacturing sector will benefit from stable commodity prices.

Because of higher economic uncertainty, the Winnipeg CMA could suffer further negative impacts if inflation and higher interest rates persist for longer than expected.

Figure 1: Historical trend in net-migration and unemployment rate in Winnipeg CMA



Sources: CBOC, Statistics Canada

Despite low inventories, housing starts will decline due to higher financing costs

Low inventories typically result in higher housing starts because builders are confident that their units will be absorbed. In the Winnipeg CMA, however, total housing starts are estimated to decline in 2023 despite low housing stock. This is due to higher construction costs caused by tougher financing conditions, higher material costs, supply chain issues, inflation and labour shortages.

Single-detached construction is estimated to slow down as market activities in this segment decline. New multi-family construction is projected to also decrease as higher costs negatively impact the ability to develop new units which are financially viable. However, in 2024 and 2025, total housing starts could record gains bolstered by low inventory from previous years, strong demand and price recovery within the CMA.

Resale transactions and prices are projected decline in 2023

We expect MLS sales to decline in 2023 as potential homeowners face lower borrowing capacities due to higher mortgage rates. Demand for lower-priced homes might hold steady, but higher-priced properties might record lower sales as affordability concerns persist. However, as economic fundamentals continue to improve and inflation gradually moderates, we expect that resale activity could recover in 2024 and 2025. This recovery will be boosted further by stronger population growth and employment levels in the CMA.

The MLS average price is projected to decline in 2023, as a result of the slowdown in resale market activity. The average price peaked at about $390,000 in Q2 of 2022 and then declined until the end of 2022. We expect that it will record further decreases as housing demand declines. However, moderation in inflation and interest rates could support average price growth in subsequent years within the forecast horizon.

Higher average rent expected due to strong demand in the rental market

Stronger demand for rental units relative to insufficient supply should persist over the forecast period. This heightened level of demand will continue to be driven by improvements in economic and labour market conditions and elevated international migration levels. Higher borrowing costs, which limit households' access to homeownership, will also play a role.

Based on these factors, the vacancy rate is estimated to decline in 2023. However, growth in rental construction in subsequent years aimed at supplying new units into the rental market could grow vacancy rates in 2024 and 2025.

The average rent for a 2-bedroom apartment is estimated to increase throughout the forecast period. Rent growth in 2023 is expected to be relatively low, because the 0% rent increase guideline implemented by the Government of Manitoba remains effective. The increase will be driven mostly by new residential apartments and other exempted properties in the province not covered by this regulation.

Forecast Summary — Winnipeg CMA

				2023 (F)		2024 (F)		2025 (F)	
	2020	2021	2022	(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	1,652	2,167	1,927	1,600	1,900	1,600	2,200	1,700	2,300
Multiples	3,388	3,527	3,943	3,400	4,000	3,400	4,200	3,500	4,600
Starts — Total	5,040	5,694	5,870	5,000	5,900	5,000	6,400	5,000	6,900
Resale Market									
MLS® Sales	14,416	16,952	13,594	12,200	13,300	12,300	13,800	12,200	14,200
MLS® Average Price ($)	317,931	349,753	380,700	348,000	375,000	345,000	390,000	340,000	410,000
Rental Market									
Vacancy rate (%)	3.8	5.0	2.7	2.5		3.2		3.4	
Average Rent Two Bedrooms ($)	1,262	1,317	1,350	1,410		1,480		1,530	

Source: CMHC, CREA

The forecasts included in this document are based on information available as of March 15, 2023.

TORONTO

Dana Senagama
Senior Specialist, Market Insights

Christopher Zakher
Senior Analyst, Market Insights

"High interest rates and labour and material costs will curb housing starts in 2023. House prices are also expected to fall due to weakening demand and higher inventories this year. A gradual recovery in starts and prices will begin in 2024 and 2025."

HIGHLIGHTS

- Total housing starts will fall in 2023 and then increase in 2024 and 2025. Higher costs (in terms of construction financing, labour, and materials) will play a role in hampering construction activity.
- The MLS® average price in the Greater Toronto Area (GTA) is expected to decline in 2023 before increasing over the following 2 years. Entering homeownership will remain a challenge due to elevated price levels in the region.
- Rental market conditions will remain tight, maintaining strong upward pressure on rents.

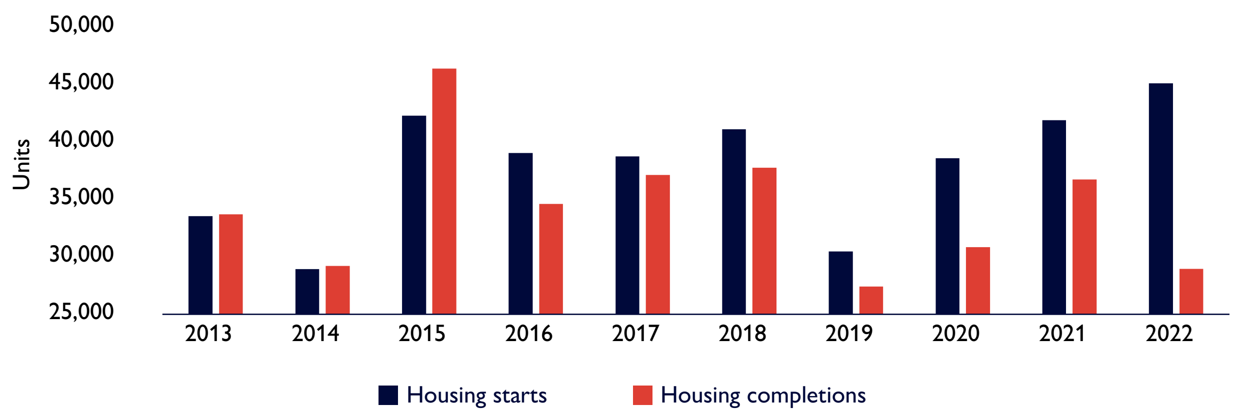
Numerous factors will result in fewer housing starts in 2023

Total housing starts will fall in 2023 before recovering in 2024 and 2025. Starts activity in any given year is mainly based on the number of pre-construction sales that occur in the previous 1–3 years. Pre-construction sales of ground-oriented homes dropped sharply in 2022, meaning fewer units will break ground in 2023. Pre-construction sales of condominium apartment units were steady over much of the preceding 4 years. However, rising construction costs, labour shortages, and increasing financing costs due to high interest rates will limit apartment starts this year.

Also weighing on starts will be the construction backlog that continues to characterize the Toronto CMA housing market. At the end of 2022, the total number of units under construction was at an all-time high of 101,000 units. The bulk of these units were apartments. More existing projects will need to be completed to free up the resources needed for new units to begin construction. Labour shortages and supply chain issues resulted in a sharp drop in housing completions in 2022 (a 21% decline as compared to 2021). This drop in completions further contributed to the backlog (see figure 1).

A key downside risk to our housing starts forecast would be interest rates that remain higher for longer. This would delay starts of more projects due to weaker demand (especially for more expensive, ground-oriented housing types) and persistently high project financing costs. Any further global instability that could negatively impact the efficiency of the supply chain may also result in starts being lower than we anticipate.

Figure 1: Fewer housing completions relative to starts over last 3 years in Toronto CMA



Source: CMHC

Following a decline in 2023, GTA home prices to rise again in 2024 and 2025

We expect that, after reaching a record high in 2022, the GTA's average MLS® price will decline in 2023, then increase in 2024 and 2025. We expect MLS® sales to follow a similar path.

The continued elevated mortgage rate environment will be the primary factor moving the average MLS® price lower in 2023. According to our estimates, the average household required nearly 22% more disposable income than was being earned to qualify for a mortgage on the average priced GTA home in Q4 of 2022. If mortgage rates remain high in 2023, so too will the required income needed to qualify for a mortgage. High mortgage rates in 2023 will, therefore, prompt:

- a continued decline in prices; and
- a shift in sales toward lower-priced homes (further weighing down the average price).

In 2024 and 2025, there should be a gradual decline in mortgage rates. The decline will bring back to the market a share of buyers who were sidelined in 2022 and 2023. This, along with a large millennial cohort (in their prime homebuying years) and strong expected population growth via immigration (Toronto has historically received the largest share of international migrants to Canada), will translate into increased sales.

Meanwhile, new listings aren't expected to increase significantly due to the modest nature of 2023's economic slowdown. They will then be outpaced by sales in 2024 and 2025, resulting in renewed upward pressure on the GTA's average price. Additionally, fewer newly completed homes will be listed on the resale market, due particularly to decreased ground-oriented housing starts in 2023. This is another factor that will contribute to rising prices in 2024 and 2025.

There are 2 significant downside risks to our resale market forecasts:

- a deeper recession in 2023 than is assumed in our projections could result in extensive job losses and more listings coming to market than anticipated; and
- should mortgage rates remain higher for longer, highly indebted households may be compelled to sell.

Both cases would result in the supply of new listings outpacing sales, leading to lower prices than we anticipate.

Rental market conditions will remain tight

We expect Toronto's average vacancy rate for purpose-built rental apartments to edge lower over our forecast horizon (2023–2025). This will maintain strong upward pressure on rents.

Several factors will contribute to rental demand in 2023 and beyond:

- Immigration continuing at high levels will be a key driver of rental demand. Newcomers to the country, especially non-permanent residents, have historically had a high propensity to rent.
- Mobility from the rental market to the homeownership market will remain hindered by the high cost of homeownership in the GTA. As a result, some debating between renting and owning will likely choose to rent, while prospective buyers currently renting may choose to occupy their units for longer.
- Should the region's labour market remain tight, and wages continue to rise strongly (especially for the youth segment – a demographic group that is more inclined to rent), stronger rental demand will ensue.

The above demand drivers would have the effect of placing downward pressure on the average vacancy rate and upward pressure on the average 2-bedroom rent. An estimated large number of rental apartment completions in 2023 and in the early part of 2024 would partially offset declines in the average vacancy rate.

As referenced in our October 2022 *Housing Supply Report*,[1] the provision of purpose-built rental housing in Toronto appears less and less tenable. The reasons: higher construction costs and interest rates, in addition to elevated land costs. Rental apartment starts in the Toronto CMA fell in both 2021 and 2022. This may result in fewer completions over the second half of our forecast horizon. This result would keep rent growth elevated, given strong expected demand.

Forecast Summary — Toronto CMA

	2020	2021	2022	2023 (F) (L)	2023 (F) (H)	2024 (F) (L)	2024 (F) (H)	2025 (F) (L)	2025 (F) (H)
New Home Market									
Starts:									
Single-Detached	5,848	6,920	6,329	2,700	3,300	3,400	4,800	3,700	5,900
Multiples	32,739	34,978	38,780	25,800	30,200	26,400	33,400	27,900	38,500
Starts — Total	38,587	41,898	45,109	28,500	33,500	29,800	38,200	31,600	44,400
Resale Market									
MLS® Sales	95,577	122,125	75,643	60,000	74,000	70,200	91,800	77,000	107,000
MLS® Average Price ($)	929,673	1,095,869	1,190,985	1,043,000	1,107,000	1,052,000	1,218,000	1,113,000	1,363,000
Rental Market									
Vacancy rate (%)	3.4	4.6	1.6	1.5		1.4		1.3	
Average Rent Two Bedrooms ($)	1,635	1,679	1,779	1,900		2,000		2,080	

Source: CMHC, CREA
The forecasts included in this document are based on information available as of March 15, 2023.

[1] https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/housing-supply-report/housing-supply-report-2022-11-en.pdf

Forecast Summary — Oshawa CMA

	2020	2021	2022	2023 (F)		2024 (F)		2025 (F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	793	1,407	927	600	800	800	1,200	900	1,500
Multiples	1,873	2,456	2,848	900	1,100	1,100	1,700	900	1,900
Starts — Total	2,666	3,863	3,775	1,500	1,900	1,900	2,900	1,800	3,400
Resale Market									
MLS® Sales	12,300	14,091	9,489	7,000	10,900	8,100	11,100	8,800	12,200
MLS® Average Price ($)	701,283	918,713	1,018,850	825,000	955,000	850,000	1,010,000	883,000	1,077,000
Rental Market									
Vacancy rate (%)	2.3	2.2	2.6	2.7		2.5		2.4	
Average Rent Two Bedrooms ($)	1,352	1,417	1,450	1,500		1,590		1,640	

Source: CMHC, CREA

The forecasts included in this document are based on information available as of March 15, 2023.

HAMILTON

Anthony Passarelli
Senior Analyst, Economics

"We expect housing demand to enter its recovery stage this year, with prices reversing course and trending up into 2025."

HIGHLIGHTS

- We expect the average MLS® price to reach its low point during 2023 and then gradually trend higher in 2024 and 2025. A recovery in MLS® sales activity will prompt the price turnaround. The recovery, for its part, will be supported by declining mortgage rates, strong population growth and an improving economy starting next year.
- Following a fourth consecutive year of above-average housing starts in 2023, builders will break ground on fewer homes next year. Slow pre-construction sales of condominium projects that were recently launched or about to launch may delay some of their start dates to 2025.
- A significant number of housing starts in the 2023–2025 period will continue to be intended for the rental market. Developers will add purpose-built rental supply in anticipation of strong rental demand stemming from high international migration and low homeownership affordability.
- Rental vacancy rates are forecast to remain below historical averages, as rental demand and supply will grow at comparable rates. As a result, the average rent for a 2-bedroom apartment will continue to grow faster than inflation, worsening affordability.

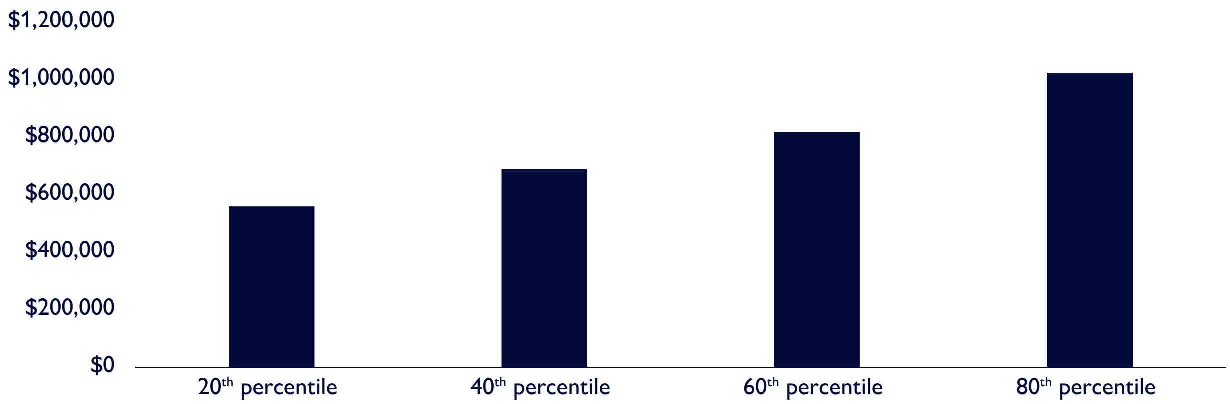
Housing starts will moderate in 2024 and rebound the following year

This year, 2023, will mark the fourth consecutive year of above-average housing starts activity in the Hamilton region. This level of activity is the result of the continued strength of the multi-unit segment (semi-detached, townhome or apartment units). Most notably, we expect construction to start on a number of condominium apartment projects whose units were sold before last year's market downturn. This will compensate for a weak year for single-detached starts. Pre-construction sales of new single-detached homes, many of which were priced above $1,000,000, were most negatively affected by multiple mortgage rate hikes last year.

Builders will likely break ground on fewer homes next year. Housing demand is forecast to begin a gradual recovery from very weak levels later this year. Therefore, expect slow pre-construction sales of condominium projects that were recently launched or about to launch. This may result in some of their start dates being delayed to 2025. Demand for more expensive new homes, such as new townhomes and single-detached homes, may take longer to recover. As a result, we also don't expect starts activity of these dwelling types to trend up until 2025.

A significant number of housing starts in the 2023–2025 period will continue to be intended for the rental market. Developers will add purpose-built rental supply in anticipation of strong rental demand stemming from high international migration and low homeownership affordability.

Figure 1: Hamilton CMA MLS® sale price percentiles — January 1 to March 15 2023



Source: Realtors Association of Hamilton-Burlington, CMHC calculations

Average MLS® price will trend up after reaching low point in 2023

We expect the average MLS® price to reach its low point in 2023 and then gradually trend up over the remainder of the forecast period into 2025. A recovery in MLS® sales activity will prompt the price turnaround. Expect the sales recovery to gain momentum as we move into 2024 and 2025, supported by a combination of:

- declining mortgage rates;
- strong population growth due to greater inflows from other countries and the Toronto CMA; and
- an improving economy with receding inflation.

Growth in the average MLS® price will be restrained, since we expect balanced market conditions to generally prevail. Mortgage rates are forecast to decline gradually into 2025, but will remain higher than the rates observed over the past decade. Therefore, our baseline scenario has sales activity just approaching the region's 10-year average by 2025.

Homeownership affordability in the region is currently low. As a result, the top price quintile (80th percentile and above) is expected to grow less than lower price quintiles. This will also restrain growth in the average MLS® price. Figure 1 shows that, from January 1 to March 15, 2023, homes sold at the 80th price percentile and above had a price of $1,025,000 or greater. Only a small percentage of the additional demand generated by wage growth and slightly lower mortgage rates will go toward these higher-priced homes. Therefore, sub-regions such as Burlington, Waterdown and Ancaster may underperform.

Vacancy rate will remain low in the 2023–2025 period

Rental vacancy rates are forecast to remain below historical averages, as rental demand and supply will grow at comparable rates. The number of rental units under construction was at a 30-year high entering this year. It will remain elevated into 2025, owing to multiple new projects breaking ground. Strong rental demand will be present as a result of:

- high international migration (including temporary residents with study permits);
- rising employment among younger households; and
- low homeownership affordability.

Rental affordability will continue to decline over the 2023-to-2025 forecast horizon, owing to persistently low vacancy rates. We expect the average rent for a 2-bedroom apartment to grow faster than inflation. The strongest rent growth will likely occur this year. Rent will continue to increase in excess of 20% per year for units that turn over to a new tenant. This will likely cause many existing tenants to stay put and accept the Ontario Rent Increase Guideline of 2.5%, the highest in the past 10 years.

Heightened economic uncertainty brings greater downside risks to our forecast

Downside risks to our housing forecast outweigh upside risks. Should inflation remain more persistent than our baseline forecast, interest rates would remain higher for longer. This could prolong the housing demand recovery, resulting in housing starts, MLS® sales and the average MLS® price finishing below our forecast ranges. Local developers have cautioned that shortages in construction materials and labour could cause housing starts to fall below our forecast.

Forecast Summary — Hamilton CMA

	2020	2021	2022	2023 (F)		2024 (F)		2025 (F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	529	738	821	550	650	550	700	650	850
Multiples	2,902	3,449	2,709	3,050	3,500	2,450	3,100	2,450	3,250
Starts — Total	3,431	4,187	3,530	3,600	4,200	3,000	3,800	3,100	4,100
Resale Market									
MLS® Sales	14,458	15,916	11,109	9,500	11,000	11,800	13,800	12,500	15,000
MLS® Average Price ($)	692,419	868,452	962,801	825,000	915,000	840,000	970,000	860,000	1,040,000
Rental Market									
Vacancy rate (%)	3.5	2.8	1.9	2.0		2.2		2.5	
Average Rent Two Bedrooms ($)	1,291	1,362	1,438	1,525		1,600		1,675	

Source: CMHC, CREA

The forecasts included in this document are based on information available as of March 15, 2023.

LONDON

Musawer Muhtaj
Senior Analyst, Economics

"2023 will see lower resale demand as ownership affordability deteriorates before picking up in 2024 and 2025. In contrast, demand in an already tight rental market will likely continue to increase over the 2023–2025 forecast horizon, encouraging multi-unit starts."

HIGHLIGHTS

- We expect housing starts to increase slightly in 2023. The increase will be driven by a rise in multi-unit starts in response to strong demand for more multi-unit dwellings.
- The average MLS® price should decline further in 2023 as high mortgage rates and inflationary pressures weigh down on households' ability to purchase a home.
- We expect housing starts and the average MLS® price to increase over the 2024–2025 period due to improving economic conditions, receding inflation and falling interest rates.
- The purpose-built rental apartment vacancy rate should edge higher in the 2023–2025 period as new supply will likely outweigh the increase in the number of occupied units. Still, the rental market will remain tight.

2023 will see fewer single-detached starts, while multi-unit starts will increase

We expect single-detached housing starts to decline in 2023 due to lower expected demand. Mortgage rates are anticipated to peak in 2023, reducing the appetite for homeownership in the resale market. Because of lower demand, there will be a healthy level of inventory in the resale market. This will result in less demand for new single-detached homes.

Despite lower expectations for single-detached starts, total starts are expected to increase slightly in 2023 due to an increase in multi-unit starts. Multi-units are more affordable than singles, which makes them relatively more desirable in an environment where interest rates are high. At the same time, low ownership affordability is expected to drive up demand in the rental market. This will create a need for more rental housing options in an already tight rental market.

Due to an extremely elevated level of units under construction, we anticipate housing starts in 2024 to be similar to 2023. Builders will likely need to finish projects already underway before starting new ones. In contrast, we expect new housing starts activity to improve in the long term as we move toward 2025. London City Council has recently pledged to help build 47,000 new housing units by 2031 to meet provincial targets.

Labour shortages, higher project financing costs, and elevated material costs can represent a downside risk to our baseline forecast. Due to economic uncertainty, we consider an alternate scenario for 2023 (highlighted in the national section). Should economic conditions meet the alternative scenario, the downside risks would prevail, causing housing starts to fall below our forecast.

Average MLS® price will continue to decline in 2023 before picking up in 2024

We expect existing home sales to be lower and the average price to decline in 2023. The high interest rate environment will continue to hinder demand as high carrying costs diminish households' ability to afford monthly housing expenses.

Reduced capacity to save will also contribute to a decline in demand, which, in turn, will affect the average price. A combination of high non-housing costs and credit card debt will make it difficult for households to save toward a down payment. According to Equifax, reliance on credit has increased. Canadian credit card debt rose 15% year-over-year in Q4 of 2022. At the same time, declining homeownership affordability can encourage some buyers to choose cheaper housing options, putting downward pressure on the average price.

On the other hand, expectations that the policy interest rate will no longer increase can give potential homebuyers confidence to enter the market. Also, London's population is expected to continue growing. A major source of this growth will be immigration, and immigrant households will need a place to live. Some will choose to buy a home. Over time, these factors may counteract the lack of demand caused by high homeownership costs, leading to gradual quarterly increases. Still, these increases will not be so high that they will result in higher sales and a higher average price in 2023.

We expect sales and the average price to increase in 2024 and 2025. We anticipate economic conditions will improve, inflation will draw closer to the Bank of Canada's target rate, and interest rates will gradually fall over this period.

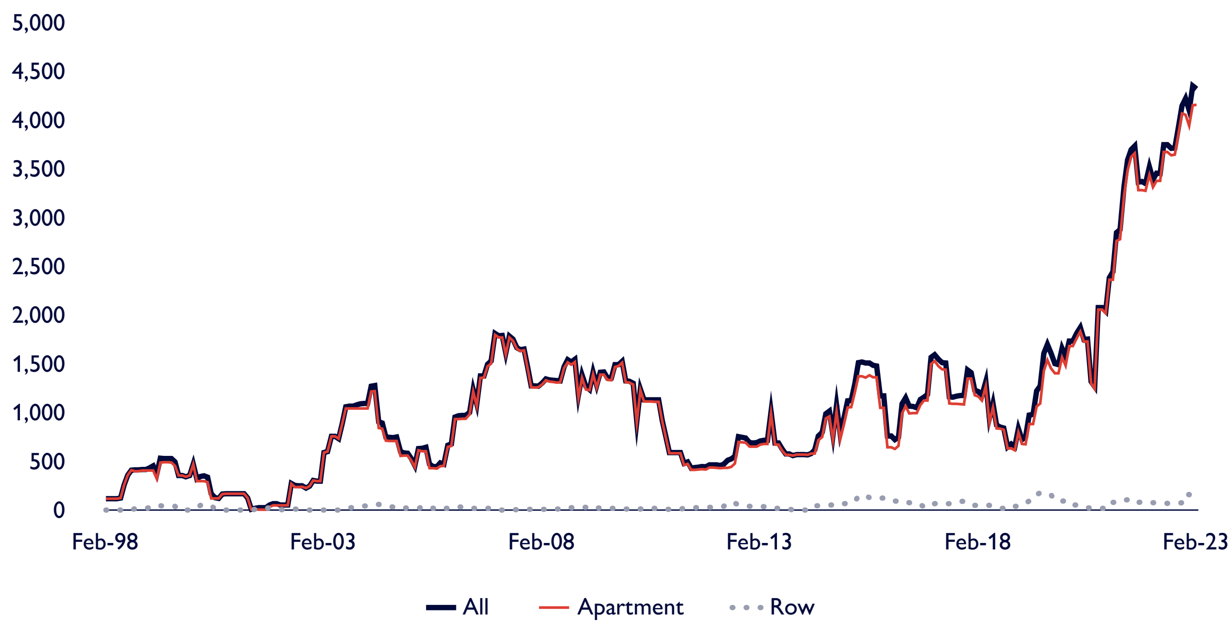
Alternatively, there is a downside risk to our forecast. If high inflation persists for a longer period and high interest rates, along with weaker economic conditions, create larger debt-service burdens for households, demand will be weaker than expected. As a result, we would likely see sales and the average price trend toward the lower end of the forecast range.

Vacancy rate will increase slightly but remain historically low in the 2023–2025 period

We expect London's purpose-built rental apartment vacancy rate to edge higher. An increasing population and low homeownership affordability will support rental demand, but incoming supply of rental units should provide some relief. As of the end of February 2023, there were 4,320 rental units under construction in the London CMA (figure 1). We expect most of these units to be completed over the next 3 years. Thus, the rental universe should expand more than the number of occupied units will throughout the 2023–2025 forecast horizon.

Despite the forecasted increase in the vacancy rate, rental market conditions will remain tight from a historical perspective. Tight rental market conditions will maintain strong upward pressure on rents. The average rent for a 2-bedroom unit will increase further in 2023 and throughout the forecast horizon, thus worsening rental affordability.

Figure 1: Historical inventory of under construction rental units, London CMA



Source: CMHC

Forecast Summary — London CMA

	2020	2021	2022	2023 (F) (L)	2023 (F) (H)	2024 (F) (L)	2024 (F) (H)	2025 (F) (L)	2025 (F) (H)
New Home Market									
Starts:									
Single-Detached	1,727	2,284	1,268	1,100	1,300	1,100	1,400	1,200	1,600
Multiples	2,535	3,308	2,093	2,000	2,400	1,900	2,400	1,900	2,700
Starts — Total	4,262	5,592	3,361	3,100	3,700	3,000	3,800	3,100	4,300
Resale Market									
MLS® Sales	10,055	11,651	8,295	6,600	7,700	8,000	9,500	8,500	10,300
MLS® Average Price ($)	488,570	636,434	717,137	630,000	675,000	650,000	730,000	690,000	810,000
Rental Market									
Vacancy rate (%)	3.4	1.9	1.7	2.0		2.2		2.4	
Average Rent Two Bedrooms ($)	1,207	1,275	1,393	1,480		1,560		1,630	

Source: CMHC, CREA

The forecasts included in this document are based on information available as of March 15, 2023.

KITCHENER-CAMBRIDGE-WATERLOO

David Carruthers
Senior Analyst, Economics

"Early signs of a return of buyer activity in KCW support our forecast of recovering sales and modest price growth in the second half of 2023. However, diminished budgets and macroeconomic factors are expected to weigh on the housing market."

HIGHLIGHTS

- Despite the downward pressure macroeconomic factors are expected to put on construction, a robust pipeline of existing projects will reduce the effects in the short term.
- Stability in mortgage rates and prices is likely to bring about a return of buyer activity, especially in the second half of the year.
- Strong demand pressures in the rental market may ease slightly, but demand is not expected to be matched by sufficient supply.

While economic conditions are expected to put downward pressure on starts, projects in the pipeline will likely continue

In 2023, starts are forecast to decline slightly from their 2022 levels, due to downward pressure from economic and housing market conditions, such as:

- high interest rates;
- lower income and employment growth;
- lower house prices; and
- greater uncertainty.

Starts are expected to recover through 2024 and 2025, consistent with a recovery in macroeconomic fundamentals and a tighter resale market.

Longer development horizons for multi-family projects mean that today's starts are influenced by conditions in the past, and expectations of the future. As such, current conditions are likely to have a limited impact on starts in the short term as projects that are already in the pipeline move ahead.

Forecasts for single-family starts over the horizon reflect the continuing trend toward fewer new single-family dwellings in KCW. While single-family starts react more rapidly, 2022 saw the highest level of single-family starts since 2017 despite worsening economic conditions. High absorption rates may maintain developers' confidence in their ability to sell completed units and avoid rising carrying costs for unabsorbed units. These factors have combined for a forecast of a modest, rather than sharp, decline from recent levels in single-family starts.

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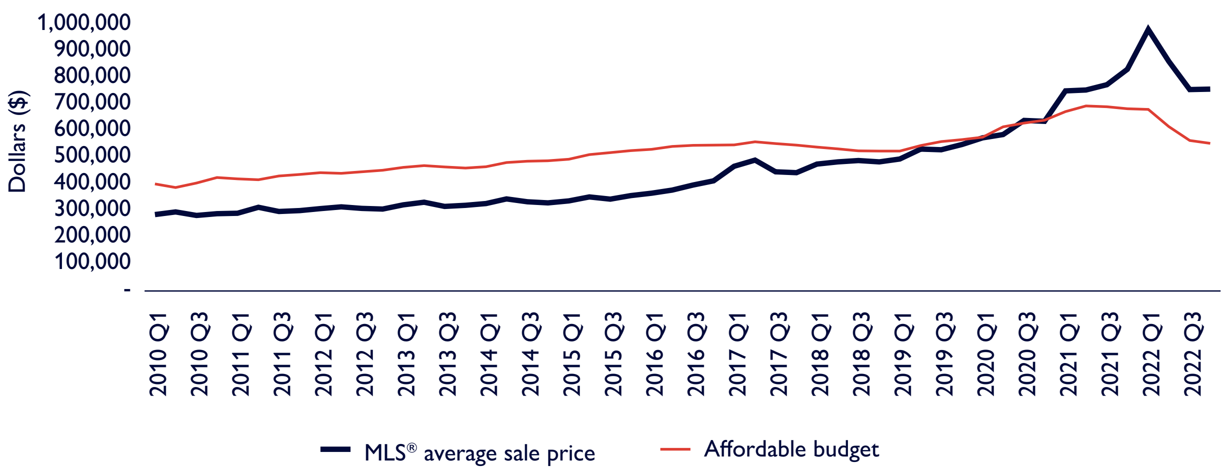
Mortgage-rate and price stability are expected to contribute to a return of buyer interest, though buyers will be restrained by reduced budgets

Overall MLS® average sale prices are forecast to decline from 2022 to 2023, prices having already fallen from extraordinary highs recorded in early 2022. However, the forecast represents an expected increase from 2022 Q4 prices over the course of the year.

Consumers' expectations of increasing interest rates and of being priced out of the market may have contributed to rising prices in late 2021 and early 2022. In contrast, the rise in mortgage rates and price drops that followed contributed to a "wait-and-see" attitude, keeping some potential buyers on the sidelines. In 2023, prospective buyers are expected to return to the market as rates begin to stabilize. This is expected to contribute to a modest recovery in price and sales growth. However, we expect activity to be restrained by budgets that have been diminished by higher mortgage rates.

Figure 1: Budget declines offset price declines in KCW in 2022, and affordability remains a critical challenge



Note: Affordable budget based on mortgage payments of 30% of family income, 5-year conventional mortgage rates, 25 year amortization, and 20% down payment.
Sources: CBOC; Statistics Canada T1FF; CREA MLS Average Sale Price; CMHC calculations

Market intelligence suggests early signs of a return to greater activity after the extremely low sales in the second half of 2022. These signs include an increase in multiple offers, increased interest in listing, and some return of buyers from Toronto (after their numbers declined in the summer and fall) — reflective of the continued relative affordability of KCW to Toronto.

Baseline forecasts for MLS® average sale prices and sales over the forecast horizon are based on expectations relating to the macroeconomic environment presented in the national section. Should the economy underperform (as outlined in the alternative economic scenario for Canada), KCW will see a slower recovery in the resale market.

Continuing demand pressures in the rental market won't be matched by supply growth

Vacancy rates are forecasted to increase slightly in 2023, though to remain below both recent and long-run averages. With this continued rental market tightness, rents are forecasted to rise substantially, though not at so high a pace as seen in 2022.

These rental market forecasts reflect expectations of:

- continued unaffordability and uncertainty in the homeownership market;
- strong student rental demand; and
- elevated immigration levels.

All were causal factors in the tightness observed in 2022. While these pressures are expected to persist in 2023, their impact may lessen as stabilization in the resale market may see greater mobility out of the rental market, and as the student segment adjusts to a new normal.

We expect insufficient supply in the rental market to maintain downward pressure on vacancy rates and upward pressure on rents over the 2024 and 2025 forecast horizon. A large number of rental units under construction may contribute to some relief as they're completed. However, these units make up a small share of the rental stock, and their effect is unlikely to change the outlook significantly.

Forecast Summary — Kitchener-Cambridge-Waterloo CMA

				2023 (F)		2024 (F)		2025 (F)	
	2020	2021	2022	(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	859	885	1,022	800	1,000	650	1,050	500	1,100
Multiples	2,890	4,717	3,825	3,100	4,200	2,950	4,350	3,000	4,800
Starts — Total	3,749	5,602	4,847	3,900	5,200	3,600	5,400	3,500	5,900
Resale Market									
MLS® Sales	6,639	7,809	5,901	5,200	6,400	5,300	6,700	5,400	7,000
MLS® Average Price ($)	616,130	774,981	860,835	750,000	810,000	770,000	870,000	785,000	935,000
Rental Market									
Vacancy rate (%)	2.1	2.0	1.2	1.6		1.8		2.0	
Average Rent Two Bedrooms ($)	1,295	1,356	1,469	1,550		1,625		1,700	

Source: CMHC, CREA

The forecasts included in this document are based on information available as of March 15, 2023.

ST. CATHARINES-NIAGARA

Inna Breidburg
Senior Analyst, Economics

"The St. Catharines-Niagara housing market will see a decline in new construction and home prices in 2023. Labour shortages will drive the construction decline while elevated interest rates reduce homeownership demand and prices."

HIGHLIGHTS

- MLS® prices and sales will decline in 2023 due to high mortgage costs limiting homeownership demand.
- Expected declines in apartment construction will be the leading source of a reduction in total housing starts.
- We expect rental apartment vacancy rates to edge lower as the supply of newly built apartments is absorbed and new rental construction slows down.

Prices will continue to decline in 2023

Despite a marginal rebound in the second half of 2023, we expect an annual decline in MLS® prices and sales.

Prices and sales have been declining since early 2022, when mortgage carrying costs became unaffordable for many potential buyers. This will continue in 2023 as mortgage rates remain elevated.

Toward the end of 2023, prices and sales will rebound marginally, thanks to the release of pent-up demand, when interest rates stabilize and homebuyer confidence rises. The increase in average prices will be low compared to the last 2 years because of a shift in the composition of the houses that will be sold. There will be an increasing proportion of more affordable starter homes in that composition.

Slower construction across all housing types

Total housing starts will decline in 2023, before coming back toward their 5-year historical average in the second half of 2024. The region will continue to densify, and we expect the share of row-home projects to rise.

Over the forecast horizon, apartment starts will be in line with their 5-year historical average. They will, however, be lower than the level reached in 2022, particularly on the rental side. High interest rates and the elevated cost of land will make fewer projects financially viable, putting some on hold. Furthermore, the number of apartments under construction has reached historically high levels. This may slow new starts as developers allocate resources to the completion of existing projects.

The shortage of workers in the skilled trades also presents a constraint on new construction growth, with persistent job vacancies delaying and discouraging projects.

Rental market tightens

We expect the St. Catharines-Niagara rental market to tighten. The purpose-built rental apartment vacancy rate will inch down in 2023 and 2024 toward pre-pandemic levels. Rent growth, meanwhile, should remain in the 5% range.

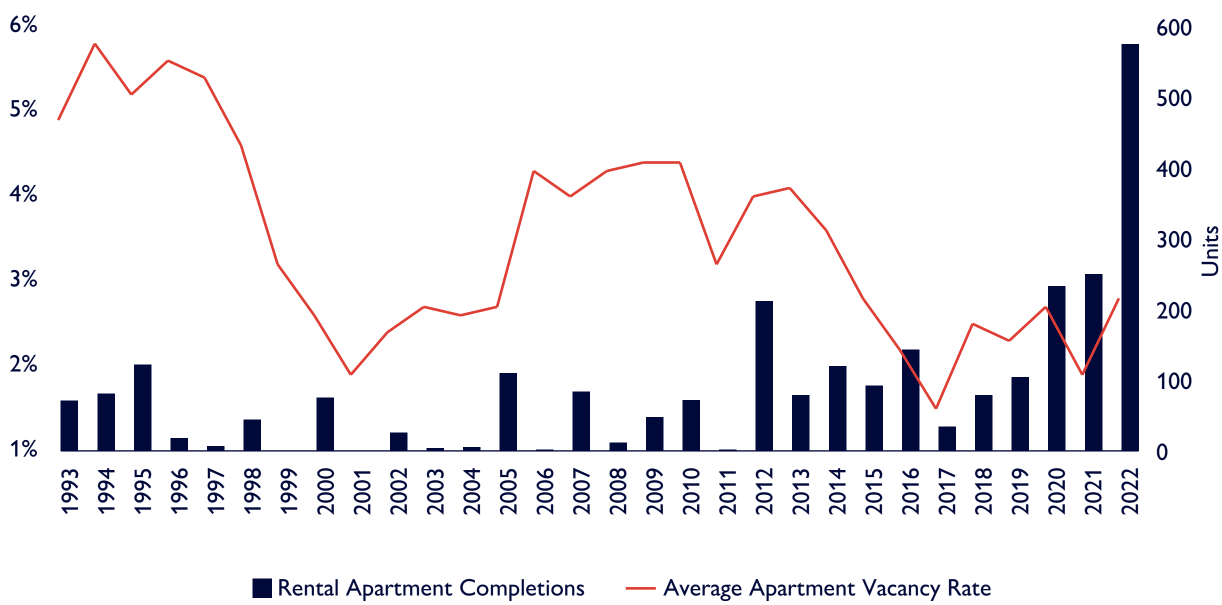
The largest recorded increase in rental supply since the 1990s pushed the vacancy rate up by almost 1 percentage point, to 2.8%, in 2022. This increase wasn't driven by a lack of rental demand, but rather by survey timing: during the survey, most new projects were released and were still leasing. By the end of 2023, most of these units will be absorbed.

The supportive demand factors that prevailed in 2022 will remain in place for some time. Canada has set record immigration targets, and a growing share of recent immigrants choose to settle in the St. Catharines-Niagara region. Another factor tightening the market is continued high homeownership costs. They make renting the only feasible housing choice for many households. In 2023, new rental completions are projected to remain elevated, due to record-high levels of starts over recent quarters. However, we expect them to moderate in 2024.

Risks to the forecast

This forecast assumes a short recession in the middle of 2023, with recovery beginning in the later part of the year. This recovery will continue into the final 2 years of the forecast. If, however, inflation persists and interest rates remain high, the anticipated increase in prices and sales from the release of pent-up demand may not materialize. In this case, the recovery might only begin in 2024 or 2025.

Figure 1: Three-decade high rental construction



Source: CMHC

Forecast Summary — St. Catharines-Niagara CMA

	2020	2021	2022	2023 (F) (L)	2023 (F) (H)	2024 (F) (L)	2024 (F) (H)	2025 (F) (L)	2025 (F) (H)
New Home Market									
Starts:									
Single-Detached	1,177	1,123	1,114	850	1,100	850	1,200	800	1,350
Multiples	1,289	1,512	2,054	1,350	1,650	1,400	1,750	1,750	1,850
Starts — Total	2,466	2,635	3,168	2,200	2,750	2,250	2,950	2,550	3,200
Resale Market									
MLS® Sales	7,962	9,241	5,928	5,200	6,100	6,000	7,400	6,200	8,050
MLS® Average Price ($)	544,362	694,711	769,014	665,000	725,000	670,000	780,000	680,000	860,000
Rental Market									
Vacancy rate (%)	2.7	1.9	2.8	2.6		2.5		2.4	
Average Rent Two Bedrooms ($)	1,137	1,192	1,260	1,331		1,385		1,450	

Source: CMHC, CREA
The forecasts included in this document are based on information available as of March 15, 2023.

WINDSOR

Tad Mangwengwende
Senior Analyst, Economics

"High homeownership costs will lower rental vacancies and drive up rents in 2023. New housing construction will be constrained by skilled-labour shortages that will contribute to increases in house prices in 2024 and 2025."

HIGHLIGHTS

- New home construction will grow modestly from 2023 to 2025 as the need to increase housing is confronted by skilled labour shortages.
- House prices and sales will decline in 2023 as high interest rates suppress homeownership demand.
- High homeownership costs and population growth will keep rental vacancy rates low and fuel rent increases between 2023 and 2025.

The growth in new construction will be limited by labour shortages

We expect new construction to grow modestly between 2023 and 2025. Skilled labour shortages, like those of building inspectors and trades workers, will limit the extent to which construction can grow.

In 2023, total housing starts will be marginally higher than they were in 2022, a year marked by labour disputes. An increase in multi-residential units will be the main reason for the increase. Beyond that, there are potentially greater labour constraints stemming from competing capital projects and the retirement of experienced workers.

House prices will continue to decline in 2023 before rebounding in 2024 and 2025

We expect house prices to continue to decline in 2023. The decrease will be the result of reduced homeownership demand due to high borrowing costs. Beyond 2023, housing demand will grow as borrowing costs stabilize. This will bring back pressure on house prices.

We expect prices to rebound in 2024 and 2025. However, their growth will be lower than that seen over the last 2 years, when the market saw intense bidding wars on houses. Going forward, we're unlikely to see the same intensity in buyer competition as there's less migration of relatively high-income buyers from the Greater Toronto Area.

Resale activity will be limited by high borrowing costs

House sales will also decline in 2023 before rebounding in 2024. In 2023, sales will be depressed by relatively high borrowing costs that will reduce the demand for houses. Beyond that, more stable and declining borrowing costs will stimulate pent-up housing demand, leading to higher house sales.

The rental market vacancy rate will remain near its record low from 2023 to 2025

The Windsor CMA rental apartment vacancy rate was at a record low of 1.8% in 2022. In 2023, it's expected to fall to 1%. The decline will be the result of strong demand from population growth and from households delaying homeownership and staying in the rental market longer. As a result, rents are expected to grow strongly.

In 2024 and 2025, we anticipate that the vacancy rate will increase marginally. This will be caused by the availability of more units due to elevated multi-residential housing completions and higher unit turnover as the resale market activity increases.

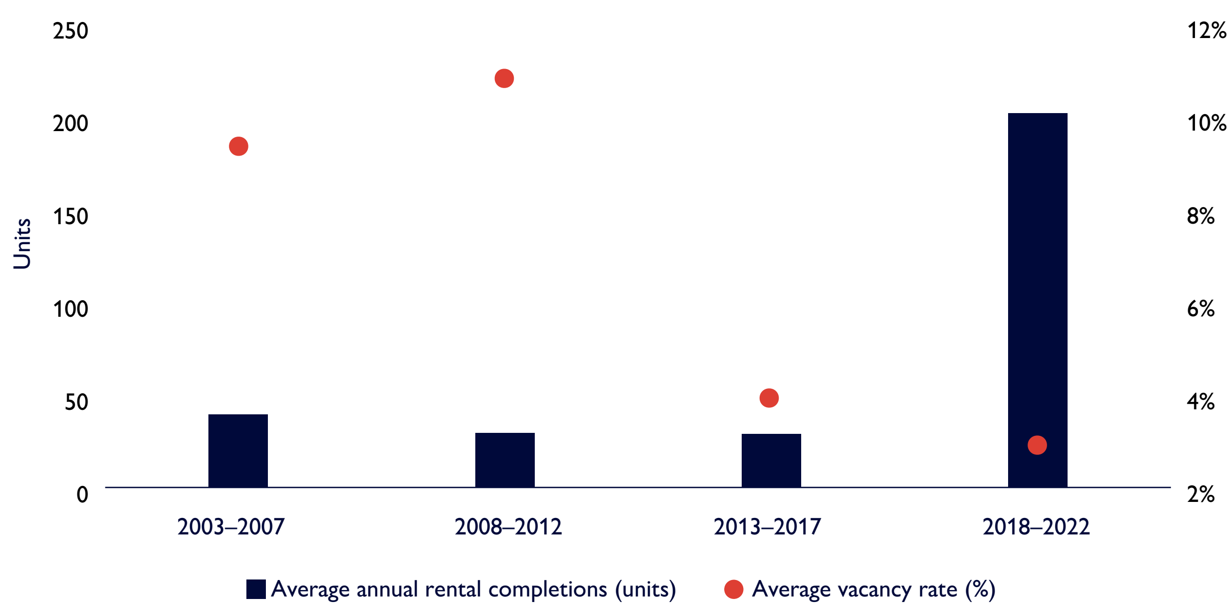
We expect rents to increase over the forecast period. The strongest growth should occur in 2023, when vacancy rates are expected to be at their lowest. This is because Windsor has started seeing bidding wars for rental apartments. This competition is expected to intensify as the population grows and supply remains limited.

Risks to the forecast

The forecast assumes inflation recedes in 2024. If inflationary pressures persist and interest rates stay elevated for longer than anticipated, increased rental unit turnover and the consequent increase in vacancy rates will not materialize. As such, the growth in rents will likely be stronger than presently anticipated. In that alternative scenario, homeownership costs would remain high and house price growth would be slower than presently forecast.

The forecast also assumes that there will be a slow increase in the skilled labour supply, given the time it takes to find or train workers. If there were to be a significant increase in skilled labour supply, the growth in starts would be stronger.

Figure 1: Rental vacancy rates are at historic lows despite record highs in rental unit completions



Source: CMHC

Forecast Summary — Windsor CMA

	2020	2021	2022	2023 (F) (L)	2023 (F) (H)	2024 (F) (L)	2024 (F) (H)	2025 (F) (L)	2025 (F) (H)
New Home Market									
Starts:									
Single-Detached	650	528	629	550	700	450	750	400	800
Multiples	905	930	886	900	950	850	950	850	1,100
Starts — Total	1,555	1,458	1,515	1,450	1,650	1,300	1,700	1,250	1,900
Resale Market									
MLS® Sales	7,121	8,255	6,246	5,300	6,200	6,000	6,900	6,500	7,800
MLS® Average Price ($)	402,716	537,238	602,809	460,000	512,000	480,000	560,000	495,000	611,000
Rental Market									
Vacancy rate (%)	3.6	3.5	1.8	1.0		1.4		2.0	
Average Rent Two Bedrooms ($)	1,027	1,154	1,197	1,260		1,300		1,350	

Source: CMHC, CREA

The forecasts included in this document are based on information available as of March 15, 2023.

OTTAWA

Lukas Jasmin-Tucci
Specialist, Housing Economics

"The market will ease enough to apply downward pressure on prices for the first time in nearly 30 years."

HIGHLIGHTS

- The Ottawa market will continue to move away from overheating and prices should decrease. This would be the first annual price decrease in nearly 30 years for the Ottawa area.
- The impact of rising interest rates should be felt in 2023 and will reduce the profitability of residential development projects. As a result, we expect the number of starts to decrease in 2023 for both single-detached and multi-unit housing.
- Rental demand will remain strong in 2023 and will lead to another decrease in the vacancy rate. The scarcity of available units should put greater upward pressure on rents than in 2022.

Housing starts will decline in 2023, a decrease driven mainly by apartments

Based on our forecasts, housing starts will decrease in 2023 and 2024. However, their numbers will rise slightly in 2025, at the end of the forecast horizon.

Apartment projects that have been delayed over the past few months should start in early 2023. However, the impact of rising interest rates should finally be felt throughout the year. This will reduce the profitability of housing projects. Despite strong demand on the rental market, apartment starts should decrease this year. A recession in 2023 and limited resources in the construction sector could also contribute to the anticipated slowdown.

We also expect the number of starts for single-detached homes and row houses to decline in 2023. High mortgage rates have reduced demand for these types of new units, and their construction has already been slowing for several months. These conditions will prompt builders to further reduce the pace of construction in 2023.

Lower interest rates expected later in 2023 and 2024 likely won't have an effect right away, especially for major apartment projects. The total number of housing starts should continue to decrease, but will pick up slightly toward the end of the forecast horizon, in 2025.

If interest rates rise again in 2023, they could cause a further decline in housing starts this year and delay the increase expected in 2025. The lower end of our forecast range reflects this scenario. Such a situation would slow the addition of new rental units at a time when there's a strong need in the area.

Prices will decrease in 2023 as the resale market continues to ease

Demand for existing homes will continue to slow in 2023, and sales will continue to decrease. The average house price should also decrease in 2023 compared to 2022.

High mortgage rates will continue to be the main reason for slowing demand. In addition, rising consumer spending has made it harder for households to save up to finance a home purchase.

With fewer sales and more listings, the Ottawa market eased gradually in 2022, moving away from overheating (see figure 1). Unlike in 2022, the market will ease enough to apply downward pressure on prices. This would be the first annual price decrease in nearly 30 years in the Ottawa area.

This price correction will be moderate, however. Indeed, since the start of the pandemic, the Ottawa area has seen slower price growth than other major Ontario centres, with the exception of Toronto. Despite this decline, prices will still be high, and affordability will remain an issue of concern.

We expect sales to resume growth in 2024 and 2025, shortly after interest rates fall. In addition, migration will be strong, particularly international migration.

The resulting growth in demand will once again put upward pressure on prices over the rest of the forecast horizon. Growth will be similar to the increases recorded before the pandemic.

If, instead of stabilizing, interest rates rise again in 2023, they would cause a further decline in activity on the resale market. This scenario would position sales and prices at the lower end of the forecast range.

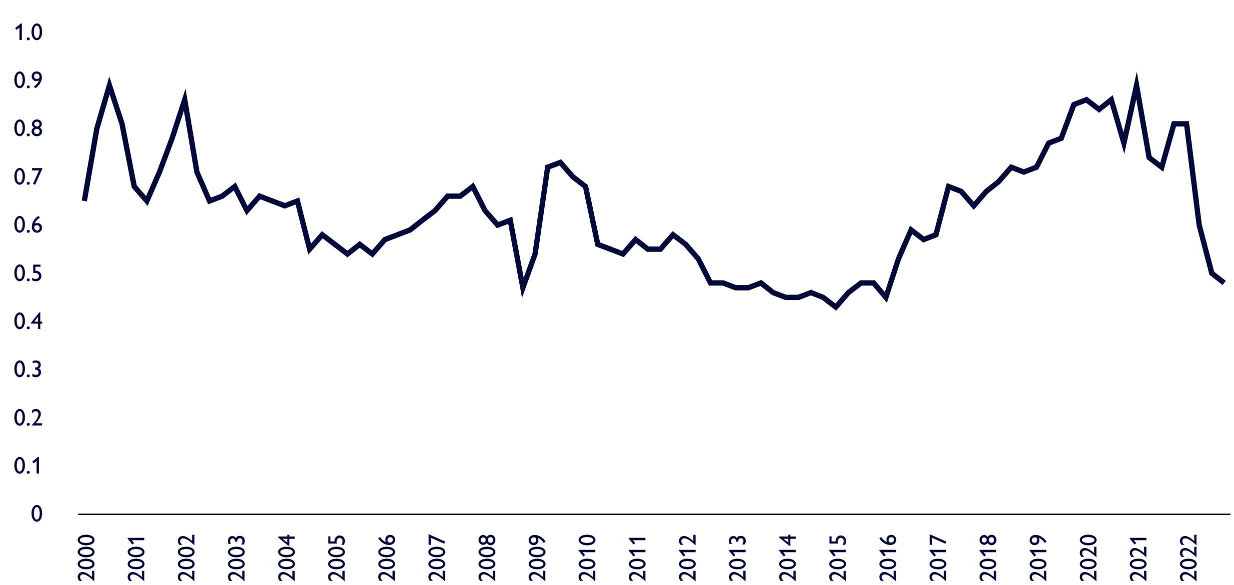
Conditions will be conducive to a decrease in the vacancy rate

As in 2022, strong demand in 2023 should put downward pressure on the vacancy rate. Factors that could increase rental housing demand include:

- immigration, which continues to increase;
- affordability, which is expected to increase, but not enough. This will limit access to homeownership for some renter households; and
- supply that won't increase fast enough.

Growing demand and the scarcity of available units should put upward pressure on rents. Rent growth will likely be higher than it was in 2022, when it was 4.8% for 2-bedroom units.

Figure 1: Sales-to-new listings ratio, 2000 to 2022



Note: Seasonally adjusted quarterly data.
Sources: CREA and CMHC (calculations)

Forecast Summary — Ottawa CMA

	2020	2021	2022	2023 (F) (L)	2023 (F) (H)	2024 (F) (L)	2024 (F) (H)	2025 (F) (L)	2025 (F) (H)
New Home Market									
Starts:									
Single-Detached	2,867	3,276	2,559	1,750	2,250	1,550	2,050	1,500	2,100
Multiples	7,083	6,945	8,473	6,750	8,050	6,250	7,750	6,500	8,300
Starts — Total	9,950	10,221	11,032	8,500	10,300	7,800	9,800	8,000	10,400
Resale Market									
MLS® Sales	19,006	20,326	15,312	11,600	13,400	14,300	16,700	15,300	18,100
MLS® Average Price ($)	529,613	646,139	691,727	640,000	700,000	634,000	746,000	640,000	810,000
Rental Market									
Vacancy rate (%)	3.9	3.4	2.1	1.3		1.0		1.5	
Average Rent Two Bedrooms ($)	1,517	1,550	1,625	1,725		1,800		1,850	

Source: CMHC, CREA

The forecasts included in this document are based on information available as of March 15, 2023.

GATINEAU

Lukas Jasmin-Tucci
Specialist, Housing Economics

"Resale market activity will slow again and put downward pressure on prices."

HIGHLIGHTS

- We expect housing demand to decrease in 2023 due to high mortgage rates and slower employment growth. This should end strong growth in prices, which have already been declining for a few months.
- Residential construction should slow gradually as the effects of rising interest rates take hold. Despite this decrease in construction, total housing starts should remain historically high in 2023.
- The rental housing vacancy rate has been low since 2018 and should remain so throughout at least 2023. Net migration continues to rebound, a sign that rental demand should continue to grow in the short term.

Activity on the new home market should slow gradually

After reaching its highest level in more than 50 years in 2022, residential construction is expected to slow progressively as interest rates rise. The limited availability of labour and materials in the construction industry could also reduce the capacity to add new units. Despite the decrease in residential construction, total housing starts in 2023 should remain historically high. They will be comparable to activity levels from 2019 to 2021.

Many multi-unit housing projects have been started in recent months, and many other residential developments could begin early in the year. So far, rising interest rates haven't had an impact on the number of apartment starts. Eventually, high interest rates will negatively affect the profitability of new projects, which will decrease in number.

This decline in multi-unit housing starts would occur despite the pressing need for more housing to increase affordability, particularly on the rental market.

Still, large rental apartment buildings will continue to account for most housing starts. The low vacancy rate continues to justify a high level of construction in this market segment.

Single-detached housing starts should decrease in 2023. Construction in this segment ramped up from 2020 to 2022. At that time, the pandemic largely drove rising demand, as people were able to move away from major centres thanks to teleworking, for example. The renewed popularity of single-detached houses is fading, compounded by high borrowing costs. Faced with decreasing demand, builders will adjust quickly.

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Interest rates should stabilize in 2023 and then decrease. Developers are expected to plan more and more residential development projects. We could therefore see an increase in multi-unit housing starts at the end of the forecast horizon. The lower end of the forecast range reflects a scenario in which interest rates rise again in 2023.

Resale market activity will slow again, placing downward pressure on prices

In 2023, the slowdown should continue, with resale market transactions posting a second annual decline. Although resale prices continued to rise in 2022 despite declining demand, this trend should end in 2023. The decrease has already been underway for a few months.

Rising mortgage rates and slower job growth are the main factors that could curb demand on the resale market.

Active listings should also continue to rise, since weaker demand will finally allow supply to build up. This will put downward pressure on the average price. However, supply is still low from a historical standpoint (see figure 1) and will stay that way despite any build-up. Market conditions favouring sellers will therefore persist in 2023, and the price decline is expected to be moderate.

Tightening market conditions as early as 2024 should put upward pressure on prices over the remainder of the forecast horizon. As a result, prices should return to or exceed 2022 levels.

However, if interest rates rise again and remain high the whole year, then the 2023 price correction would likely be greater. The lower end of the forecast range reflects this scenario.

Downward pressure on the vacancy rate should remain strong in 2023

The low vacancy rate noted since 2018 should continue at least through 2023. This will likely maintain upward pressure on rents and worsen the housing affordability issues that tenants are experiencing.

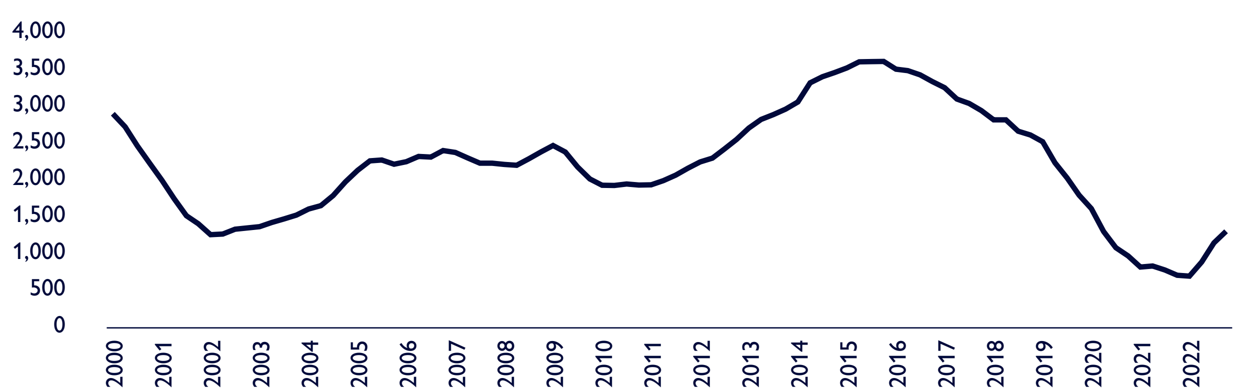
Net migration continues to recover and will exceed pre-pandemic levels. This indicates that demand on the rental market should continue to grow in the short term. Migrants are a major source of rental housing demand.

Other long-term factors continue to have an influence. For example, Baby Boomers are progressively leaving their properties to move into rental housing. This boosts demand, given Baby Boomers' demographic weight.

Afterwards, a stabilization in migration and easing of the resale market could relieve downward pressure on the vacancy rate. As a result, the vacancy rate would stop decreasing and could stabilize at a slightly higher level in 2024 and 2025.

However, the vacancy rate would still remain low from a historical standpoint. The slowdown in housing starts could contribute to the shortage of rental units when its impact on completions is felt.

Figure 1: Active listings, 2000 to 2022



Note: Seasonally adjusted quarterly data.
Sources: QPAREB by Centris® and CMHC (calculations)

Forecast Summary — Gatineau CMA

	2020	2021	2022	2023 (F) (L)	2023 (F) (H)	2024 (F) (L)	2024 (F) (H)	2025 (F) (L)	2025 (F) (H)
New Home Market									
Starts:									
Single-Detached	544	727	612	450	550	350	500	250	450
Multiples	2,540	2,332	3,379	2,500	3,300	2,350	3,550	2,250	3,850
Starts — Total	3,084	3,059	3,991	2,950	3,850	2,700	4,050	2,500	4,300
Resale Market									
Centris® Sales	5,927	6,016	4,772	3,500	4,500	3,600	5,200	3,500	5,500
Centris® Average Price ($)	316,920	406,632	463,274	425,000	485,000	405,000	517,000	400,000	575,000
Rental Market									
Vacancy rate (%)	1.6	1.1	0.8	1.0		1.5		1.5	
Average Rent Two Bedrooms ($)	950	1,035	1,269	1,370		1,450		1,510	

Source: CMHC, QPAREB by Centris®
QPAREB by Centris®. The Centris® system contains all the listings of Québec Real Estate Board.
The forecasts included in this document are based on information available as of March 15, 2023.

MONTRÉAL

Francis Cortellino
Senior Specialist, Market Insights

"In 2023, the Montréal-area real estate market will see a decline in starts, sales, prices and the vacancy rate. The only thing that will increase: rents."

HIGHLIGHTS

Lack of affordability, a less dynamic job market and low consumer confidence will drive down demand in 2023. As a result, resale market prices and transactions will decline during this period.

The total number of housing starts will decrease in 2023 for the following reasons:

- The construction of houses will continue to lose momentum.
- Few new condominium projects are planned, and presales will be slower due to economic uncertainty.
- Cost increases will negatively affect the profitability of rental projects and limit the development of new projects.

Despite a record increase in new rental units, the vacancy rate will decrease in 2023. The reason: strong demand due to high migration levels and difficulty in accessing homeownership.

In 2024 and 2025, as mortgage rates decrease and the economy recovers, housing starts, sales and prices should start to pick up again.

High net migration and strong rental demand are expected

Net migration to Québec declined sharply during the pandemic (see figure 1). As borders reopened and a certain degree of normalcy returned, net migration began to rebound and reached a record high in 2022.

Immigration targets will likely remain unchanged in Québec, and the province will welcome many non-permanent residents (international students, temporary workers, asylum seekers). As a result, net migration to Québec and the Montréal area will remain high in the coming years.

This will contribute to strong demand for rental housing.

Looking at the labour market, employment now exceeds its pre-pandemic level, and the unemployment rate is at a historic low.

However, the expected economic slowdown in 2023 will curb this job growth and increase the unemployment rate slightly. Given this economic and financial uncertainty, fewer households will be inclined to buy a home.

This, too, will stimulate rental demand.

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Housing starts will decline in 2023

After reaching a 30-year high in 2021, housing starts fell by 25% in 2022. They will continue to decline sharply in 2023.

This trend makes it harder to reach the number of housing starts needed to restore affordability on the Montréal and Québec (province) real estate markets.

The decline will be more pronounced for apartments than for houses (single-detached, semi-detached and row houses). It will also be greater in the purpose-built rental segment than in the condominium apartment segment.

Despite this decline, rental housing starts will continue to drive construction. Starts of this housing type will be supported by the low vacancy rates recorded in several areas of the census metropolitan area (CMA).

However, certain factors will limit these starts in 2023:

- The profitability of rental housing projects will be undermined by high financing and construction costs.
- The greater number of rental units available in central areas has limited and will continue to limit the number of new buildings.

As for rental apartments in seniors' residences, few units were started in 2022. Apartment construction in these residences will likely remain low in 2023. These housing projects are also facing high costs and declining popularity since the start of the pandemic.

The supply of new condominiums for sale is currently very limited. Despite this, housing starts in the segment will remain low in 2023, just like last year.

Indeed, the number of projects at the presale stage seems to be relatively low again this year. Current uncertainty is also encouraging developers to be more cautious before starting any new projects.

Because demand for condominiums has decreased, it will take longer to reach the number of presales required to start building construction.

Lastly, demand for houses (single-detached, semi-detached and row) lost momentum in 2022. Demand had experienced a slight, temporary rebound in the first quarters after the pandemic began.

Evidence of slowing demand can be seen in the number of unsold new homes. This number remains high considering the low number of housing starts in this segment in recent years.

For houses, starts will continue to decrease in 2023. This situation can be explained by the following factors:

- Demand — These homes have become increasingly unaffordable to buyers.
- Supply — Land densification rules limit housing starts for this type of housing.

In 2024 and 2025, the pace of housing starts will begin to pick up again. It will be driven by several factors: more favourable economic conditions, the low number of available units and continued population growth.

Fewer sales and lower prices are expected in 2023

After hitting record levels during the pandemic, sales in the CMA fell by 22% in 2022. The key factors that contributed to this decline are:

- high prices, which limited the number of potential buyers on the market; and
- higher mortgage rates that further reduced this pool of buyers.

These same factors will continue to significantly restrict sales in the Montréal market in 2023. A less dynamic job market and low consumer confidence in the state of the economy will also contribute to the decrease. Every major geographic area and housing type will experience a decrease.

Over the next 2 years, as mortgage rates decrease and the economy recovers, the pace of sales should start to pick up again.

The average price will follow a similar trajectory as sales, with the downward trend that began in the spring of 2022 continuing in 2023.

Low demand results in the number of properties on the market growing more and more. As a result, the resale market is now moving toward balance. This will greatly improve buyers' negotiating power.

As sales recover in 2024 and 2025, prices will once again increase slightly. However, we don't expect this price increase to mimic the growth seen during the pandemic.

If mortgage rates were to remain higher for a longer period or increase, the price drop could be greater than expected.

A lower vacancy rate and higher rents are expected in 2023

Record-breaking growth in rental housing supply will continue in 2023. Around 16,000 new rental units will be completed during the year.

Demand for rental units will also be strong due to these 2 factors:

- The high level of migration to the Montréal area.
- The difficulty in transitioning to homeownership, causing households to remain renters for longer.

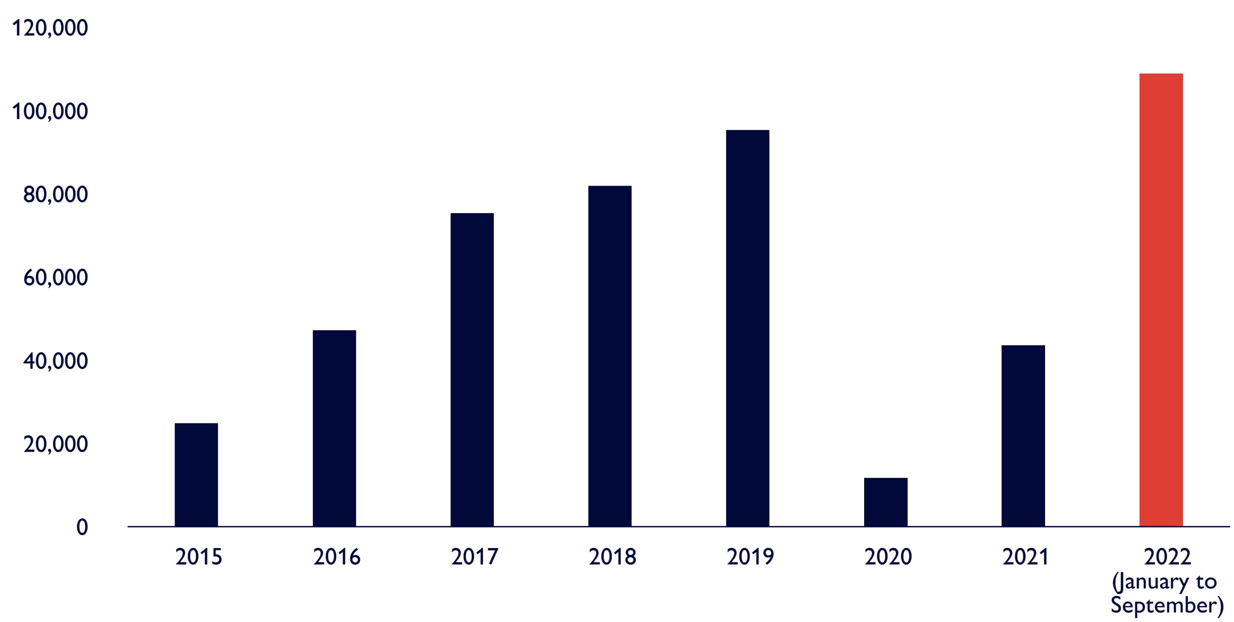
However, demand will slightly outpace supply, and this will lower the vacancy rate in the CMA. This will also apply to Montréal's central areas, where vacancy rates rose sharply during the pandemic.

In 2024 and 2025, the addition of new rental apartments will slow slightly, a result of the decline in housing starts that began in 2022 and will continue this year. With demand remaining strong (migration, slower transition to homeownership), low vacancy rates will persist.

The average rent will continue to increase steadily in the coming years. Low vacancy rates will continue to drive up rents. The thousands of new units that will be added to the housing stock will have the same effect, since new units are generally more expensive.

Therefore, affordability will continue to be a major issue on the rental market in the coming years.

Figure 1: Net migration — Province of Québec



Source: Statistics Canada

Forecast Summary — Montréal CMA

	2020	2021	2022	2023 (F) (L)	2023 (F) (H)	2024 (F) (L)	2024 (F) (H)	2025 (F) (L)	2025 (F) (H)
New Home Market									
Starts:									
Single-Detached	2,493	2,901	1,833	1,550	1,850	1,300	1,900	1,100	2,100
Multiples	24,781	29,442	22,316	16,450	19,650	17,600	22,700	17,900	22,900
Starts — Total	27,274	32,343	24,149	18,000	21,500	18,900	24,600	19,000	25,000
Resale Market									
Centris® Sales	55,526	54,445	42,487	31,000	38,000	35,000	46,000	35,200	47,800
Centris® Average Price ($)	468,604	554,695	604,293	543,000	593,000	545,000	634,000	556,000	688,000
Rental Market									
Vacancy rate (%)	2.7	3.0	2.0	1.6		1.4		1.4	
Average Rent Two Bedrooms ($)	903	932	1,022	1,120		1,230		1,330	

Source: CMHC, QPAREB by Centris®
QPAREB by Centris®. The Centris® system contains all the listings of Québec Real Estate Board.
The forecasts included in this document are based on information available as of March 15, 2023.

QUÉBEC

Olivier Fortin-Gagnon
Specialist, Housing Economics

"2023 will see a significant decline in housing starts and sales as home prices continue to rise. The rental market will remain under pressure, driving down the vacancy rate and increasing rents."

HIGHLIGHTS

- We expect a sharp decline in housing starts in 2023 due to higher financing costs.
- Home prices in the area will increase in 2023, even if sales decrease.
- The rental market will remain under pressure in 2023, since supply won't keep up with the growing demand for rental housing. These conditions will limit affordability for low-income households.

Regionally, migration and strong employment will continue to support housing demand in the coming years

In 2023, the rebound in regional migration will continue to support housing demand (figure 1). Migration will come from international sources and from within the province. The strong job market, significant labour needs and the presence of institutions of higher education will continue to attract new residents.

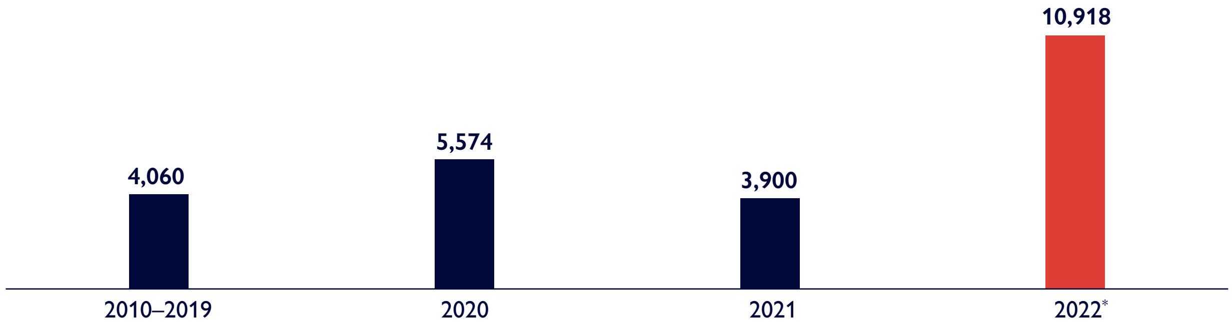
The effects of rapid interest rate increases in 2022 will continue to be felt by the region's economy in 2023. The increase in financing costs will reduce the number of starts and resales. However, it will also increase rental demand. Population growth and a strong job market will also help support demand.

In the following years, lower inflation and lower financing costs will support housing demand — unless the situation changes, as in our alternative scenario. These factors will have an impact on house prices, which will remain high. They will also ensure that the rental market remains tight, with strong demand and not enough supply.

Increased financing costs will slow housing starts in 2023

We expect a third annual decline in housing starts, given the extent of the interest rate increases. The impact will be felt the most in 2023. As a result, many projects may be delayed or abandoned.

Figure 1: Net migration — Québec CMA



*July 2021 to June 2022
Source: Statistics Canada

Multi-unit housing starts are expected to decline by about 16% in 2023, mainly in the rental sector (as shown in table 1). This downward trend will continue over the following 2 years.

Construction will remain stable for single-detached dwellings. In 2024 and 2025, activity levels will decrease slightly, continuing the trend observed over the last 10 years. Indeed, several factors, such as limited land availability and increased land costs, are limiting the construction of single-detached houses. However, low inventory on the resale market will maintain demand for new houses of this type.

If inflation persists or economic growth weakens, demand could decrease. This means starts could decline more than expected for all housing types.

The market will still favour sellers in 2023, but we expect a return to balanced market conditions in 2024 and 2025

In 2023, sales will decrease by nearly 20%. This decrease will be caused mainly by higher financing costs, the effects of which will continue to be felt in the first quarters. The decrease will also be caused by the low number of active listings. Low inventories will help maintain sellers' market conditions. This will contribute to a slight increase in the average price over the year.

In 2024 and 2025, interest rates will decrease and financing costs will be more favourable to housing demand. Sales will therefore increase slightly. As listings grow, the market will balance out. As a result, prices will remain stable during this period.

If interest rates continue to rise in 2023, sales will decline more sharply, and the average price will decrease.

Continued insufficient supply will keep the area's vacancy rate low

In recent years, the number of rental housing completions has reached record levels. However, strong demand continues to outpace supply on the rental market.

Just as in 2022, the vacancy rate will remain low from 2023 to 2025.

Rental demand will be supported by:

- a strong job market;
- migration;
- young households waiting longer to become homeowners; and
- an aging population.

While new rental construction will decline over the forecast period, demand will remain strong. This will contribute to the larger rent increases expected this year and over the coming years.

As a result, during the forecast period, rental housing affordability will deteriorate for the lowest-income households. The low vacancy rate will make it more difficult for households to find housing that meets their needs and is suited to their income.

Forecast Summary — Québec CMA

	2020	2021	2022	2023 (F) (L)	2023 (F) (H)	2024 (F) (L)	2024 (F) (H)	2025 (F) (L)	2025 (F) (H)
New Home Market									
Starts:									
Single-Detached	864	1,123	912	842	958	748	988	673	1037
Multiples	5,849	8,266	7,510	5,669	6,905	5,218	6,640	5,152	6,826
Starts — Total	6,713	9,389	8,422	6,511	7,863	5,966	7,628	5,825	7,863
Resale Market									
Centris® Sales	10,651	10,300	8,930	6,347	7,653	6,522	8,954	6,188	9,702
Centris® Average Price ($)	292,743	331,634	360,116	354,543	389,454	339,181	402,485	342,705	439,527
Rental Market									
Vacancy rate (%)	2.7	2.5	1.5	1.0		1.0		1.0	
Average Rent Two Bedrooms ($)	899	945	976	990		1,030		1,050	

Source: CMHC, QPAREB by Centris®
QPAREB by Centris®. The Centris® system contains all the listings of Québec Real Estate Board.
The forecasts included in this document are based on information available as of March 15, 2023.

HALIFAX

Kelvin Ndoro
Senior Analyst, Economics

"We expect to see slower homes sales and housing starts and softer home price growth as Halifax feels the impact of higher interest rates."

HIGHLIGHTS

- The inventory of homes for sale is still low, which should keep upward pressure on prices over the forecast horizon.
- Housing starts are expected to decrease in 2023 due to the expectation of weaker home sales and other economic challenges, before increasing in 2024 and 2025.
- A record number of completions should ease rental market pressure, but rents are expected to rise further over the forecast horizon.

New home construction expected to slow down

Housing starts are expected to decrease further in 2023, largely due to a decline in single-detached home construction. Higher interest rates have reduced buyers' borrowing ability and demand for new single-family homes. The inventory of completed and unsold single-family homes is trending up due to lower demand.

Apartment construction decreased in 2022 and is expected to remain at the same level in 2023, before increasing in 2024 and 2025. Demand for new rental housing in Halifax is strong, owing to the sharp population increase in 2022 and the vacancy rate being at a record low. The value and number of building permits for multi-unit homes reached their highest levels in 2022. Construction is expected to pick up once further interest rate hikes level off and provincial regulatory uncertainties clear up.

Low inventory of homes and relative affordability will keep home prices up

Home prices have been falling since they peaked in April 2022 but are expected to stabilize and remain slightly above 2023 levels. Despite recent gains, the inventory of homes for sales is still critically low, keeping upward pressure on prices while demand stays strong. More affordable homes are still selling above asking prices. Nova Scotia households have a lower debt burden compared to most provinces. This reduced sensitivity to interest rate hikes makes them likely to hold out for the asking price when selling. The Halifax home market is still affordable to out-of-province buyers from more expensive markets who can pay prevailing prices. A downside risk to home prices is a severe decline in interprovincial migration from the record growth seen in 2022.

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Homes sales are expected to drop again in 2023 in line with increased mortgage costs, but we expect to see a rebound in sales in 2024 and 2025 as economic conditions improve. There are factors that should ease the negative impacts of higher borrowing costs on sales. Halifax's population is growing at the fastest pace on record, largely fueled by young adults who are typically first-time homebuyers. A slowdown in interest rate hikes and falling home prices might be an incentive for buyers to go ahead and purchase.

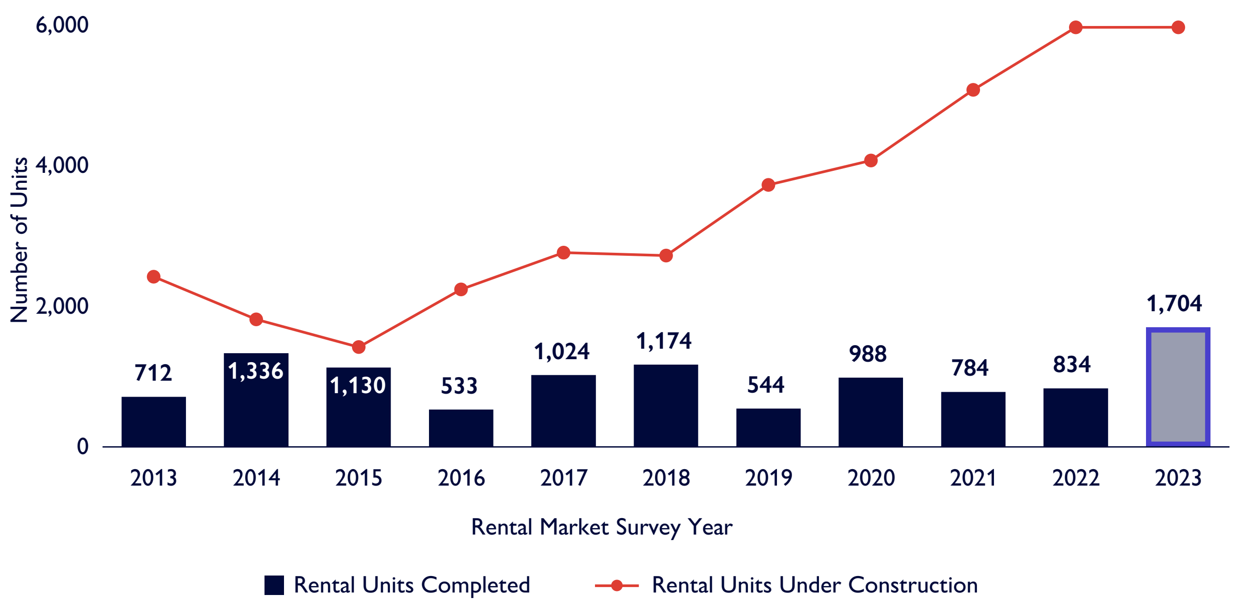
Higher number of completions to ease pressure on rental market

The vacancy rate is expected to increase in 2023, before easing in 2024 and 2025. Population growth is expected to slow down from its recent peak. The number of people leaving Halifax to surrounding areas in Nova Scotia has been increasing over the last 3 years. Rental demand is expected to remain strong, partly due to net immigration flows and households delaying the transition to homeownership. We expect a strong increase in completed units to boost supply in the 2023 Rental Market Survey year.

The number of units completed in the first 7 months of the 2023 Rental Market Survey year[1] has surpassed all earlier survey years (figure 1).[2] The key downside risks considered in the rent forecast are labour shortages and other supply constraints that may delay rental completions. Units under construction remain high, but the projected decrease in housing starts will affect rental supply in 2024 and 2025.

Rents are expected to rise further over the forecast horizon, as vacancy rates are still low and operating costs for property managers continue to increase. While Nova Scotia rent cap legislation stays in effect until the end of 2023, rents can still increase for new leases. Property managers might also charge the maximum rent possible for newly built units in case further rent increases are limited by an extension of the rent cap legislation.

Figure 1: Rental completions and units under construction in the first seven months of year, Halifax



Source: CMHC

[1] The annual Rental Market Survey is conducted in October and considers units that have been on the market for at least 3 months.

[2] Rental units completed between the rental market surveys, which is the period from July of the year preceding a given survey to June of the following year.

Forecast Summary — Halifax CMA

	2020	2021	2022	2023 (F) (L)	2023 (F) (H)	2024 (F) (L)	2024 (F) (H)	2025 (F) (L)	2025 (F) (H)
New Home Market									
Starts:									
Single-Detached	1,019	935	775	550	700	600	850	600	950
Multiples	2,230	2,859	2,612	2,150	3,150	2,250	3,250	2,400	3,300
Starts — Total	3,249	3,794	3,387	2,700	3,850	2,850	4,100	3,000	4,250
Resale Market									
MLS® Sales	7,623	7,697	5,704	4,600	6,400	5,200	7,200	5,200	7,300
MLS® Average Price ($)	369,819	466,575	541,790	489,000	607,000	498,000	638,000	517,000	682,000
Rental Market									
Vacancy rate (%)	1.9	1.0	1.0	1.3		1.2		1.1	
Average Rent Two Bedrooms ($)	1,255	1,335	1,449	1,558		1,670		1,780	

Source: CMHC, CREA
The forecasts included in this document are based on information available as of March 15, 2023.

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Appendix

Forecast ranges methodology

This HMO incorporates forecast ranges for housing variables. These ranges provide a relatively precise guidance to readers on the outlook, while recognizing the small random components of the relationship between the housing market and its drivers. All analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available.

The forecast ranges for the Canada report uniquely correspond to the baseline and alternative scenarios developed at the national level.

Rental forecasts methodology

Quantitative rental forecasts were reintroduced in this HMO to better understand the evolution of affordability across Canada's housing spectrum. We present point forecasts of average two-bedroom rents ($) and global vacancy rates (%) for privately initiated rental apartment structures with at least 3 rental units, and which have been on the market for at least 3 months.

Definitions

New home market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites, and visits confirm construction stages. A start is defined as the beginning of construction of a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Resale market

Historical resale market data in the summary tables of the Housing Market Outlook reports refers to residential transactions through the Multiple Listing Service (MLS®) as reported by the Canadian Real Estate Association (CREA). In Québec, this data is obtained from the Centris® listing system via the Québec Professional Association of Real Estate Brokers (QPAREB). "MLS® sales" ("Centris® sales," in the province of Québec) refers to the total number of sales made through the Multiple Listing Service (or Centris® listing system) in a particular year. "MLS® average price" ("Centris® average price," in the province of Québec) refers to the average annual price of residential transactions through the Multiple Listing Service (or Centris® listing system).

Alternative text and data for figures

Victoria

Figure 1: Sharp rise in carrying costs for ownership will keep many in the rental market

% Change year over year	Carrying costs — condominium ownership	Carrying costs — detached ownership	Personal disposable income	Purpose-build-rental apartment average rent
2015	-3%	3%	3%	2%
2016	8%	16%	1%	6%
2017	20%	14%	5%	8%
2018	19%	13%	0%	8%
2019	-3%	-3%	4%	3%
2020	-2%	6%	3%	3%
2021	12%	22%	4%	3%
2022	31%	26%	10%	8%

Note: Carrying costs are estimated and include mortgage payment for a conventional 25-year amortization with a 20% down payment for the average price of a condominium or detached home. They do not include strate fees, utilities or taxes. Percentage change of average rent year-over-year is based on a fixed sample of structures (existing rental structures only).

Source: CMHC; CMHC calculation

Vancouver

Figure 1: Typical loan size based on a single full-time income

Date	Historical	Forecasted
2010 Q1	273,180	-
2010 Q2	262,747	-
2010 Q3	280,773	-
2010 Q4	280,914	-
2011 Q1	275,757	-
2011 Q2	277,709	-
2011 Q3	304,558	-
2011 Q4	318,347	-
2012 Q1	318,577	-
2012 Q2	315,645	-
2012 Q3	324,360	-
2012 Q4	328,762	-
2013 Q1	330,023	-
2013 Q2	333,068	-
2013 Q3	318,187	-
2013 Q4	324,578	-
2014 Q1	322,189	-
2014 Q2	318,817	-
2014 Q3	326,758	-
2014 Q4	335,205	-
2015 Q1	369,237	-
2015 Q2	363,919	-
2015 Q3	375,128	-
2015 Q4	373,999	-
2016 Q1	379,061	-
2016 Q2	374,230	-
2016 Q3	383,206	-
2016 Q4	369,496	-
2017 Q1	366,299	-
2017 Q2	366,058	-
2017 Q3	349,021	-
2017 Q4	352,431	-
2018 Q1	340,485	-
2018 Q2	335,854	-
2018 Q3	337,423	-
2018 Q4	328,768	-

Date	Historical	Forecasted
2019 Q1	348,846	-
2019 Q2	366,968	-
2019 Q3	376,614	-
2019 Q4	374,097	-
2020 Q1	403,489	-
2020 Q2	448,991	-
2020 Q3	449,019	-
2020 Q4	447,080	-
2021 Q1	452,149	-
2021 Q2	437,971	-
2021 Q3	442,768	-
2021 Q4	433,356	-
2022 Q1	410,587	-
2022 Q2	368,602	-
2022 Q3	359,925	-
2022 Q4	359,924	359,924
2023 Q1	-	369,250
2023 Q2	-	372,178
2023 Q3	-	376,481
2023 Q4	-	380,819
2024 Q1	-	385,158
2024 Q2	-	389,532
2024 Q3	-	393,942
2024 Q4	-	398,388
2025 Q1	-	402,871
2025 Q2	-	407,389
2025 Q3	-	410,764
2025 Q4	-	413,950

Note: Loan size is based on a 25 year amortisation, and assuming a 20% downpayment.

Source: Statistics Canada, CMHC Calculations

Edmonton

Figure 1: Components of population growth and value of major projects (in $billions), Edmonton CMA

Year	Natural Increase (LHS)	International (LHS)	Interprovincial (LHS)	Intraprovincial (LHS)	Value of Major Projects ($Billions), Edmonton CMA (RHS)
2007	7,792	10,334	9,501	2,352	9.8
2008	8,234	12,799	3,613	2,409	14.1
2009	8,268	14,561	4,219	4,042	17.3
2010	8,812	8,965	-1,284	3,538	10.9
2011	8,570	7,225	2,510	3,197	10.8
2012	8,679	13,304	8,646	2,797	13.4
2013	9,080	16,888	13,173	2,707	18.9
2014	9,739	17,321	13,886	3,828	17.8
2015	9,972	6,231	10,271	3,632	14.6
2016	10,633	17,335	-2,399	4,151	15
2017	10,159	13,429	-3,721	5,888	19.4
2018	8,748	13,233	-953	4,174	17.7
2019	9,004	14,756	-530	4,254	32
2020	8,151	12,796	-1,440	4,877	31.9
2021	6,638	6,624	-3,155	2,833	33
2022	6,248	21,921	5686	2,705	33.2

Note: Migration numbers in the reference year represent July to June data from one year to the next. For example, 2022 figures represent data tallied between July 2021 and June 2022.

Source: Statistics Canada, Government of Alberta

Calgary

Figure 1: Mortgage payments remain below highs in late 2000s when adjusted for income

Date	New mortgage payments' portion of monthly average wage, Single Detached	Single Family Detached, 5% Down	Apartment/Condo, 5% Down	New mortgage payments' portion of monthly average wage, Apartment/Condo
2006-03-31	57%	70%	41%	33%
2006-06-30	66%	82%	51%	42%
2006-09-30	70%	87%	54%	44%
2006-12-31	65%	80%	53%	43%
2007-03-31	69%	85%	54%	44%
2007-06-30	75%	93%	59%	48%
2007-09-30	77%	95%	59%	48%
2007-12-31	71%	87%	59%	48%
2008-03-31	71%	88%	56%	46%
2008-06-30	70%	86%	53%	43%
2008-09-30	65%	80%	49%	39%
2008-12-31	62%	77%	48%	39%
2009-03-31	54%	66%	40%	33%
2009-06-30	53%	66%	39%	32%
2009-09-30	57%	70%	41%	34%
2009-12-31	57%	71%	42%	34%
2010-03-31	54%	67%	38%	31%
2010-06-30	58%	72%	41%	34%
2010-09-30	54%	66%	39%	31%
2010-12-31	50%	61%	36%	29%
2011-03-31	51%	63%	37%	30%
2011-06-30	54%	67%	38%	31%
2011-09-30	50%	62%	36%	29%
2011-12-31	49%	60%	34%	28%
2012-03-31	48%	59%	34%	28%
2012-06-30	51%	63%	36%	29%
2012-09-30	48%	59%	35%	28%
2012-12-31	49%	60%	37%	30%
2013-03-31	50%	62%	35%	28%
2013-06-30	51%	62%	36%	29%
2013-09-30	51%	63%	36%	29%
2013-12-31	51%	63%	37%	30%
2014-03-31	52%	64%	37%	30%
2014-06-30	52%	64%	38%	30%
2014-09-30	52%	64%	37%	30%
2014-12-31	51%	63%	36%	29%

Date	New mortgage payments' portion of monthly average wage, Single Detached	Single Family Detached, 5% Down	Apartment/Condo, 5% Down	New mortgage payments' portion of monthly average wage, Apartment/Condo
2015-03-31	48%	59%	34%	27%
2015-06-30	49%	61%	35%	28%
2015-09-30	49%	60%	34%	27%
2015-12-31	47%	59%	34%	28%
2016-03-31	49%	60%	35%	28%
2016-06-30	51%	63%	35%	28%
2016-09-30	50%	62%	37%	30%
2016-12-31	51%	62%	33%	27%
2017-03-31	51%	63%	33%	27%
2017-06-30	52%	64%	34%	28%
2017-09-30	51%	63%	32%	26%
2017-12-31	49%	61%	32%	26%
2018-03-31	53%	65%	36%	29%
2018-06-30	54%	67%	34%	28%
2018-09-30	54%	66%	35%	28%
2018-12-31	51%	63%	34%	27%
2019-03-31	51%	63%	34%	28%
2019-06-30	51%	63%	30%	25%
2019-09-30	49%	61%	32%	26%
2019-12-31	47%	58%	31%	25%
2020-03-31	48%	59%	28%	23%
2020-06-30	44%	54%	26%	21%
2020-09-30	46%	57%	27%	22%
2020-12-31	45%	55%	25%	20%
2021-03-31	46%	56%	25%	20%
2021-06-30	47%	58%	27%	22%
2021-09-30	47%	58%	25%	21%
2021-12-31	47%	58%	28%	22%
2022-03-31	53%	65%	28%	22%
2022-06-30	60%	74%	31%	25%
2022-09-30	63%	78%	35%	28%
2022-12-31	64%	79%	36%	29%

Note: Assumes mortgage payments are made monthly, using the 5 Year conventional mortgage rate and 20% in down payment. Earnings were projected from weekly individual average earnings across all industries.

Source: CMHC calculations, Statistics Canada Tables 34-10-0145-01 & 14-10-0203-01, Calgary Real Estate Board

Regina

Figure 1: In 2022, Regina saw record sales in townhomes amidst declining single-detached sales

Type	2018	2019	2020	2021	2022
Single-Detached	2,375	2,420	3,004	3,568	3,207
Townhouse	259	266	303	451	472
Semi-Detached	96	90	103	131	141
Apartments	213	245	276	319	372
Other	43	58	62	53	67

Source: CREA

Saskatoon

Figure 1: Active listings and year-over-year percent change in the average price, Saskatoon CMA

Year	Active Listings (LHS)	Year-over-Year % Change in Average Price (RHS)
2000Q1	1,174	2.4
2000Q2	1,233	0.3
2000Q3	1,246	2.8
2000Q4	1,239	2.8
2001Q1	1,338	3.6
2001Q2	1,352	7.0
2001Q3	1,283	4.0
2001Q4	1,116	-0.5
2002Q1	1,155	-1.8
2002Q2	1,017	-2.8
2002Q3	1,040	3.2
2002Q4	1,073	2.1
2003Q1	1,101	7.0
2003Q2	1,109	5.6
2003Q3	1,050	3.5
2003Q4	984	4.9
2004Q1	975	3.5
2004Q2	1,017	7.5
2004Q3	1,052	5.2
2004Q4	1,161	12.0
2005Q1	1,179	8.1
2005Q2	1,078	7.9
2005Q3	1,044	11.8
2005Q4	1,127	6.1
2006Q1	1,087	12.8
2006Q2	1,009	10.1
2006Q3	893	8.7
2006Q4	718	14.6
2007Q1	540	19.0
2007Q2	592	44.3
2007Q3	968	49.9
2007Q4	894	47.3
2008Q1	1,021	46.8
2008Q2	1,859	27.1
2008Q3	2,295	12.8
2008Q4	2,563	4.8
2009Q1	2,530	-3.2
2009Q2	2,152	-8.1
2009Q3	1,874	-1.3
2009Q4	1,906	4.3
2010Q1	2,177	4.3
2010Q2	2,174	5.1
2010Q3	2,270	7.4
2010Q4	2,246	5.2
2011Q1	2,428	4.8
2011Q2	2,434	6.0
2011Q3	2,307	3.6
2011Q4	2,308	6.3
2012Q1	2,197	7.5
2012Q2	2,118	6.3
2012Q3	2,132	6.8
2012Q4	2,206	4.7
2013Q1	2,219	3.6

Year	Active Listings (LHS)	Year-over-Year % Change in Average Price (RHS)
2013Q2	2,371	5.3
2013Q3	2,564	2.7
2013Q4	2,707	1.5
2014Q1	2,585	5.1
2014Q2	2,575	1.5
2014Q3	2,707	3.5
2014Q4	2,847	6.1
2015Q1	3,085	1.8
2015Q2	3,189	1.2
2015Q3	3,233	0.4
2015Q4	3,241	-1.8
2016Q1	3,283	-2.7
2016Q2	3,185	-1.7
2016Q3	3,084	1.4
2016Q4	3,208	-1.8
2017Q1	3,326	0
2017Q2	3,362	-0.1
2017Q3	3,390	-6.4
2017Q4	3,369	-3.6
2018Q1	3,206	-2.7
2018Q2	3,359	-3.4
2018Q3	3,266	-1.9
2018Q4	3,237	1.2
2019Q1	3,122	-2.9
2019Q2	3,180	-0.2
2019Q3	3,140	2.0
2019Q4	3,158	-1.7
2020Q1	2,907	1.7
2020Q2	2,545	1.6
2020Q3	2,450	6.7
2020Q4	2,275	4.2
2021Q1	2,300	8.6
2021Q2	2,202	9.2
2021Q3	2,117	0.4
2021Q4	1,936	10.4
2022Q1	1,822	3.1
2022Q2	1,980	1.0
2022Q3	1,901	5.1
2022Q4	1,870	-5.2

Source: CREA

Winnipeg

Figure 1: Historical trend in net-migration and unemployment rate in Winnipeg CMA

Year	International migration (LHS)	Interprovincial migration (LHS)	Unemployment rate (%) (RHS)
2010Q1	9,753	-2,044	5.83
2010Q2	10,344	-2,100	5.80
2010Q3	11,994	-2,352	5.83
2010Q4	12,578	-2,457	5.40
2011Q1	12,982	-2,559	5.67
2011Q2	13,205	-2,657	5.73
2011Q3	13,050	-2,761	5.80
2011Q4	12,992	-2,847	5.93
2012Q1	12,833	-2,926	5.97
2012Q2	12,573	-2,998	5.47
2012Q3	11,405	-2,837	5.60
2012Q4	11,265	-2,983	5.67
2013Q1	11,347	-3,212	5.43
2013Q2	11,650	-3,524	6.20

Year	International migration (LHS)	Interprovincial migration (LHS)	Unemployment rate (%) (RHS)
2013Q3	13,222	-4,374	6.00
2013Q4	13,549	-4,667	5.87
2014Q1	13,680	-4,861	5.67
2014Q2	13,613	-4,954	5.87
2014Q3	11,881	-4,836	6.07
2014Q4	12,008	-4,774	6.00
2015Q1	12,524	-4,657	6.20
2015Q2	13,431	-4,485	5.93
2015Q3	16,682	-3,941	6.00
2015Q4	17,587	-3,785	6.17
2016Q1	18,102	-3,700	6.37
2016Q2	18,225	-3,686	6.37
2016Q3	16,943	-3,784	6.73
2016Q4	16,690	-3,897	6.73
2017Q1	16,450	-4,066	6.40
2017Q2	16,225	-4,289	5.80
2017Q3	16,016	-4,808	5.37
2017Q4	15,819	-5,046	5.63
2018Q1	15,636	-5,244	6.17
2018Q2	15,466	-5,402	6.67
2018Q3	15,922	-5,333	6.43
2018Q4	15,536	-5,484	6.03
2019Q1	14,919	-5,670	5.57
2019Q2	14,071	-5,889	5.20
2019Q3	12,201	-6,251	5.40
2019Q4	11,209	-6,495	5.27
2020Q1	10,303	-6,729	5.10
2020Q2	9,483	-6,953	10.33
2020Q3	1,248	-7,168	10.80
2020Q4	9,600	-7,373	8.53
2021Q1	12,038	-7,569	8.33
2021Q2	8,562	-7,754	7.50
2021Q3	13,149	-7,785	7.00
2021Q4	14,084	-6,270	5.70
2022Q1	14,217	-5,443	4.90
2022Q2	27,830	-9,251	4.80
2022Q3	18,120	-8,558	4.57
2022Q4	18,183	-8,578	4.70

Sources: CBOC, Statistics Canada

Toronto

Figure 1: Fewer housing completions relative to starts over last 3 years in Toronto CMA

Year	Housing starts	Housing completions
2013	33,547	33,708
2014	28,929	29,213
2015	42,287	46,384
2016	39,027	34,613
2017	38,738	37,132
2018	41,107	37,750
2019	30,462	27,410
2020	38,587	30,841
2021	41,898	36,723
2022	45,109	28,955

Source: CMHC

Hamilton

Figure 1: Hamilton CMA MLS® sale price percentiles — January 1 to March 15 2023

Percentile	Sale Price
20th percentile	$560,000
40th percentile	$690,000
60th percentile	$819,000
80th percentile	$1,025,000

Source: Realtors Association of Hamilton-Burlington, CMHC calculations

London

Figure 1: Historical inventory of under construction rental units, London CMA

Date	Row	Apartment	All
Feb-98	0	117	117
Mar-98	0	117	117
Apr-98	0	117	117
May-98	0	117	117
Jun-98	0	123	123
Jul-98	0	258	258
Aug-98	0	358	358
Sep-98	0	410	410
Oct-98	13	400	413
Nov-98	13	400	413
Dec-98	13	404	417
Jan-99	13	404	417
Feb-99	28	404	432
Mar-99	50	404	454
Apr-99	50	321	371
May-99	44	488	532
Jun-99	38	490	528
Jul-99	38	490	529
Aug-99	38	488	527
Sep-99	38	454	493
Oct-99	0	354	354
Nov-99	0	354	354
Dec-99	0	342	342
Jan-00	0	354	354
Feb-00	0	471	471
Mar-00	24	296	320
Apr-00	48	296	344
May-00	54	296	350
Jun-00	50	286	336
Jul-00	50	119	169
Aug-00	9	119	128
Sep-00	0	120	120
Oct-00	0	164	164
Nov-00	0	168	168
Dec-00	0	168	168

Date	Row	Apartment	All
Jan-01	0	168	168
Feb-01	0	168	168
Mar-01	0	168	168
Apr-01	0	168	168
May-01	0	124	124
Jun-01	0	4	8
Jul-01	6	8	18
Aug-01	20	4	26
Sep-01	20	4	24
Oct-01	22	4	26
Nov-01	22	30	52
Dec-01	17	50	67
Jan-02	17	50	67
Feb-02	3	48	51
Mar-02	3	48	51
Apr-02	3	48	53
May-02	3	268	274
Jun-02	12	236	253
Jul-02	9	236	250
Aug-02	9	240	249
Sep-02	0	224	224
Oct-02	0	246	246
Nov-02	0	302	302
Dec-02	0	298	298
Jan-03	0	298	298
Feb-03	0	591	591
Mar-03	0	599	599
Apr-03	0	755	755
May-03	0	755	755
Jun-03	0	733	733
Jul-03	0	885	885
Aug-03	18	1,041	1,059
Sep-03	24	1,041	1,065
Oct-03	24	1,041	1,065
Nov-03	39	1,041	1,080
Dec-03	39	1,041	1,090
Jan-04	42	1,041	1,093
Feb-04	42	1,041	1,093
Mar-04	46	1,216	1,270
Apr-04	49	1,218	1,276
May-04	59	842	907
Jun-04	50	836	892
Jul-04	35	711	751
Aug-04	35	709	747
Sep-04	31	707	742
Oct-04	39	707	749
Nov-04	39	556	598
Dec-04	22	558	586
Jan-05	22	558	584
Feb-05	19	508	529
Mar-05	16	438	455
Apr-05	16	614	630
May-05	30	604	634
Jun-05	39	604	643
Jul-05	39	429	470
Aug-05	17	429	448
Sep-05	17	425	444
Oct-05	31	450	483
Nov-05	19	452	471
Dec-05	19	646	665
Jan-06	19	659	678
Feb-06	19	933	954
Mar-06	31	933	966
Apr-06	31	937	970
May-06	31	936	969
Jun-06	17	982	1,001
Jul-06	17	1,215	1,234
Aug-06	17	1,067	1,088
Sep-06	17	1,355	1,376
Oct-06	17	1,357	1,375
Nov-06	17	1,473	1,496
Dec-06	17	1,500	1,527
Jan-07	0	1,796	1,812
Feb-07	0	1,771	1,787
Mar-07	0	1,771	1,791
Apr-07	0	1,593	1,609
May-07	0	1,770	1,783
Jun-07	4	1,736	1,753
Jul-07	4	1,656	1,666
Aug-07	8	1,629	1,643

Date	Row	Apartment	All
Sep-07	8	1,637	1,650
Oct-07	8	1,453	1,466
Nov-07	8	1,259	1,272
Dec-07	8	1,257	1,272
Jan-08	4	1,261	1,270
Feb-08	7	1,291	1,305
Mar-08	7	1,330	1,346
Apr-08	7	1,318	1,334
May-08	7	1,314	1,330
Jun-08	10	1,308	1,327
Jul-08	10	1,310	1,325
Aug-08	10	1,458	1,470
Sep-08	26	1,514	1,541
Oct-08	26	1,491	1,520
Nov-08	22	1,519	1,544
Dec-08	27	1,152	1,182
Jan-09	27	1,356	1,386
Feb-09	27	1,237	1,267
Mar-09	8	1,229	1,237
Apr-09	20	1,393	1,413
May-09	20	1,257	1,279
Jun-09	20	1,390	1,413
Jul-09	23	1,390	1,416
Aug-09	18	1,334	1,355
Sep-09	18	1,332	1,355
Oct-09	18	1,469	1,492
Nov-09	12	1,477	1,491
Dec-09	12	1,511	1,525
Jan-10	12	1,312	1,324
Feb-10	12	1,308	1,320
Mar-10	12	1,287	1,299
Apr-10	12	896	908
May-10	12	1,229	1,241
Jun-10	19	1,113	1,132
Jul-10	19	1,113	1,132
Aug-10	19	1,113	1,132
Sep-10	19	1,111	1,130
Oct-10	19	1,111	1,130
Nov-10	7	911	919
Dec-10	7	747	755
Jan-11	7	583	591
Feb-11	7	583	591
Mar-11	7	583	591
Apr-11	7	583	591
May-11	20	461	482
Jun-11	20	473	493
Jul-11	20	411	431
Aug-11	24	413	437
Sep-11	24	416	440
Oct-11	28	420	448
Nov-11	28	416	444
Dec-11	28	437	465
Jan-12	28	437	465
Feb-12	28	434	462
Mar-12	28	430	458
Apr-12	38	432	470
May-12	77	434	511
Jun-12	81	442	525
Jul-12	71	478	551
Aug-12	53	698	753
Sep-12	49	696	745
Oct-12	49	690	739
Nov-12	39	651	690
Dec-12	39	649	688
Jan-13	39	651	690
Feb-13	39	671	710
Mar-13	35	679	715
Apr-13	35	679	715
May-13	16	992	1,008
Jun-13	16	671	687
Jul-13	16	671	687
Aug-13	16	610	626
Sep-13	10	566	576
Oct-13	10	566	576
Nov-13	0	560	560
Dec-13	0	568	568
Jan-14	0	568	568
Feb-14	0	568	568
Mar-14	0	566	566
Apr-14	0	578	578

Date	Row	Apartment	All
May-14	40	578	618
Jun-14	45	715	761
Jul-14	45	750	796
Aug-14	49	939	988
Sep-14	53	961	1,014
Oct-14	51	720	771
Nov-14	68	1,007	1,075
Dec-14	64	722	786
Jan-15	64	887	951
Feb-15	69	1,052	1,121
Mar-15	69	1,056	1,125
Apr-15	87	1,206	1,293
May-15	142	1,371	1,513
Jun-15	146	1,371	1,517
Jul-15	151	1,357	1,508
Aug-15	126	1,383	1,509
Sep-15	125	1,361	1,486
Oct-15	117	1,361	1,478
Nov-15	122	1,050	1,172
Dec-15	122	1,050	1,172
Jan-16	118	643	761
Feb-16	118	643	761
Mar-16	93	628	721
Apr-16	89	657	746
May-16	99	990	1,089
Jun-16	86	1,065	1,151
Jul-16	75	991	1,066
Aug-16	71	993	1,064
Sep-16	55	993	1,048
Oct-16	58	1,077	1,135
Nov-16	32	1,125	1,157
Dec-16	61	1,125	1,186
Jan-17	67	1,499	1,566
Feb-17	64	1,530	1,594
Mar-17	71	1,473	1,544
Apr-17	71	1,442	1,513
May-17	66	1,440	1,507
Jun-17	67	1,094	1,162
Jul-17	67	1,090	1,158
Aug-17	78	1,088	1,167
Sep-17	89	1,086	1,175
Oct-17	89	1,084	1,173
Nov-17	89	1,348	1,437
Dec-17	60	1,348	1,410
Jan-18	47	1,179	1,228
Feb-18	47	1,165	1,214
Mar-18	47	1,125	1,174
Apr-18	47	1,270	1,319
May-18	47	896	943
Jun-18	39	1,053	1,092
Jul-18	35	838	873
Aug-18	17	836	853
Sep-18	17	824	841
Oct-18	17	631	648
Nov-18	45	634	679
Dec-18	38	614	652
Jan-19	38	798	836
Feb-19	44	679	723
Mar-19	72	676	748
Apr-19	94	881	975
May-19	99	881	980
Jun-19	158	1,064	1,223
Jul-19	178	1,094	1,273
Aug-19	178	1,428	1,607
Sep-19	162	1,538	1,700
Oct-19	156	1,455	1,611
Nov-19	99	1,401	1,500
Dec-19	89	1,401	1,490
Jan-20	93	1,565	1,658
Feb-20	93	1,481	1,574
Mar-20	52	1,681	1,733
Apr-20	52	1,681	1,733
May-20	52	1,763	1,815
Jun-20	42	1,832	1,874
Jul-20	26	1,725	1,751
Aug-20	26	1,728	1,754
Sep-20	18	1,299	1,317
Oct-20	18	1,247	1,267
Nov-20	18	2,055	2,075
Dec-20	18	2,055	2,075

Date	Row	Apartment	All
Jan-21	18	2,017	2,039
Feb-21	18	2,362	2,384
Mar-21	80	2,362	2,444
Apr-21	80	2,762	2,844
May-21	99	2,776	2,877
Jun-21	99	3,215	3,316
Jul-21	107	3,482	3,591
Aug-21	72	3,621	3,695
Sep-21	73	3,660	3,735
Oct-21	78	3,282	3,362
Nov-21	84	3,282	3,368
Dec-21	72	3,274	3,348
Jan-22	76	3,438	3,518
Feb-22	76	3,311	3,391
Mar-22	76	3,376	3,456
Apr-22	72	3,376	3,452
May-22	68	3,674	3,746
Jun-22	68	3,674	3,746
Jul-22	68	3,639	3,711
Aug-22	68	3,645	3,715
Sep-22	68	3,857	3,925
Oct-22	76	4,068	4,144
Nov-22	167	4,055	4,222
Dec-22	158	3,943	4,101
Jan-23	198	4,152	4,350
Feb-23	164	4,156	4,320

Source: CMHC

Kitchener-Cambridge-Waterloo

Figure 1: Budget declines offset price declines in KCW in 2022, and affordability remains a critical challenge

Year	MLS® average sale price	Affordable budget
2010 Q1	287,507	402,170
2010 Q2	297,228	388,933
2010 Q3	283,945	405,377
2010 Q4	290,671	426,182
2011 Q1	291,875	421,667
2011 Q2	315,004	418,540
2011 Q3	298,752	432,162
2011 Q4	301,968	438,494
2012 Q1	309,990	444,638
2012 Q2	316,616	442,370
2012 Q3	310,384	448,002
2012 Q4	307,717	453,762
2013 Q1	323,816	464,478
2013 Q2	333,306	471,579
2013 Q3	317,772	466,547
2013 Q4	321,856	461,971
2014 Q1	328,361	467,162
2014 Q2	345,705	483,152
2014 Q3	335,402	487,663
2014 Q4	331,201	489,248
2015 Q1	338,906	495,498
2015 Q2	353,628	512,575
2015 Q3	344,954	520,105
2015 Q4	358,731	527,802
2016 Q1	367,776	532,760
2016 Q2	379,352	543,500
2016 Q3	397,951	547,743
2016 Q4	413,884	548,560
2017 Q1	468,437	549,019
2017 Q2	492,118	560,655
2017 Q3	448,327	554,012
2017 Q4	444,551	548,537
2018 Q1	477,409	540,566
2018 Q2	485,127	534,446
2018 Q3	490,696	526,654
2018 Q4	485,400	526,145
2019 Q1	496,425	525,635
2019 Q2	533,333	546,545
2019 Q3	531,233	561,244
2019 Q4	550,899	569,470
2020 Q1	576,106	578,389
2020 Q2	587,753	617,089
2020 Q3	641,153	631,585
2020 Q4	638,218	641,627

Year	MLS® average sale price	Affordable budget
2021 Q1	752,203	674,107
2021 Q2	755,371	695,634
2021 Q3	775,632	692,526
2021 Q4	833,778	684,938
2022 Q1	983,147	682,831
2022 Q2	863,718	617,605
2022 Q3	757,222	565,360
2022 Q4	759,022	555,185

Note: Affordable budget based on mortgage payments of 30% of family income, 5-year conventional mortgage rates, 25 year amortization, and 20% down payment.

Sources: CBOC; Statistics Canada T1FF; CREA MLS Average Sale Price; CMHC calculations

St. Catharines-Niagara

Figure 1: Three-decade high rental construction

Year	Average Apartment Vacancy Rate	Rental Apartment Completions
1990	-	455
1991	-	449
1992	3.4	482
1993	4.9	71
1994	5.8	81
1995	5.2	122
1996	5.6	18
1997	5.4	7
1998	4.6	44
1999	3.2	0
2000	2.6	75
2001	1.9	0
2002	2.4	26
2003	2.7	4
2004	2.6	5
2005	2.7	110
2006	4.3	2
2007	4	84
2008	4.3	12
2009	4.4	48
2010	4.4	72
2011	3.2	2
2012	4	212
2013	4.1	79
2014	3.6	120
2015	2.8	92
2016	2.2	143
2017	1.5	34
2018	2.5	79
2019	2.3	104
2020	2.7	233
2021	1.9	250
2022	2.8	575

Source: CMHC

Windsor

Figure 1: Rental vacancy rates are at historic lows despite record highs in rental unit completions

	Average annual rental completions (units)	Average vacancy rate (%)
2003–2007	39.4	9.32
2008–2012	29.2	10.78
2013–2017	28.8	3.92
2018–2022	201.6	2.88

Source: CMHC

Ottawa

Figure 1: Sales-to-new listings ratio, 2000 to 2022

Year	Ratio
2000	0.65
	0.80
	0.89
	0.81
2001	0.68
	0.65
	0.71
	0.78
2002	0.86
	0.71
	0.65
	0.66
2003	0.68
	0.63
	0.66
	0.65
2004	0.64
	0.65
	0.55
	0.58
2005	0.56
	0.54
	0.56
	0.54
2006	0.57
	0.58
	0.59
	0.61
2007	0.63
	0.66
	0.66
	0.68
2008	0.63
	0.60
	0.61
	0.47
2009	0.54
	0.72
	0.73
	0.70
2010	0.68
	0.56
	0.55
	0.54
2011	0.57
	0.55
	0.55
	0.58
2012	0.56
	0.53
	0.48
	0.48
2013	0.47
	0.47
	0.48
	0.46
2014	0.45
	0.45
	0.46
	0.45
2015	0.43
	0.46
	0.48
	0.48
2016	0.45
	0.53
	0.59
	0.57
2017	0.58
	0.68
	0.67
	0.64
2018	0.67
	0.69
	0.72
	0.71

Year	Ratio
2019	0.72
	0.77
	0.78
	0.85
2020	0.86
	0.84
	0.86
	0.77
2021	0.89
	0.74
	0.72
	0.81
2022	0.81
	0.60
	0.50
	0.48

Note: Seasonally adjusted quarterly data.
Sources: CREA and CMHC (calculations)

Gatineau

Figure 1: Active listings, 2000 to 2022

Year	Active listings
2000	2,909
	2,732
	2,472
	2,237
2001	2,007
	1,756
	1,523
	1,414
2002	1,267
	1,274
	1,342
	1,358
2003	1,375
	1,432
	1,481
	1,532
2004	1,616
	1,661
	1,799
	1,984
2005	2,142
	2,271
	2,280
	2,224
2006	2,258
	2,330
	2,322
	2,411
2007	2,384
	2,310
	2,238
	2,237
2008	2,221
	2,209
	2,299
	2,392
2009	2,478
	2,389
	2,188
	2,024
2010	1,938
	1,935
	1,954
	1,940
2011	1,944
	2,001
	2,076
	2,169
2012	2,256
	2,306
	2,429
	2,560
2013	2,717
	2,833
	2,898
	2,974

Year	Active listings
2014	3,070
	3,330
	3,412
	3,470
2015	3,534
	3,615
	3,620
	3,621
2016	3,516
	3,495
	3,440
	3,348
2017	3,264
	3,110
	3,051
	2,953
2018	2,826
	2,828
	2,673
	2,622
2019	2,530
	2,244
	2,034
	1,804
2020	1,620
	1,308
	1,090
	977
2021	827
	841
	786
	714
2022	703
	894
	1,154
	1,311

Note: Seasonally adjusted quarterly data.
Sources: QPAREB via Centris® and CMHC (calculations)

Montréal

Figure 1: Net migration — Province of Québec

Year	Net migration
2015	24,835
2016	47,218
2017	75,367
2018	81,868
2019	95,317
2020	11,723
2021	43,640
2022 (January to September)	108,802

Source: Statistics Canada

Québec

Figure 1: Net migration in the Québec CMA

	2010 to 2019	2020	2021	2022*
Net international migration	3,213	4,224	3,314	8,263
Net interprovincial migration	-660	-213	66	284
Net intraprovincial migration	1,507	1,563	520	2,371
Net migration	4,060	5,574	3,900	10,918

*July 2021 to June 2022
Source: Statistics Canada

Halifax

Figure 1: Rental completions and units under construction in the first seven months of year, Halifax

Rental Market Survey Year	Rental Units Completed	Rental Units Under Construction
2013	712	2,422
2014	1,336	1,818
2015	1,130	1,421
2016	533	2,243
2017	1,024	2,765
2018	1,174	2,724
2019	544	3,730
2020	988	4,077
2021	784	5,085
2022	834	5,974
2023	1,704	5,976

Source: CMHC