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**October 2023**  
**Metro deep-dive: September data**

**Quick links:**

- 1) **Macro commentary: Confidence crumbles, Canada edges towards recession**
- 2) **Toronto tips into buyer's market as inventory surges**
- 3) **Vancouver house prices slide in September**
- 4) **Demand falls in Calgary**

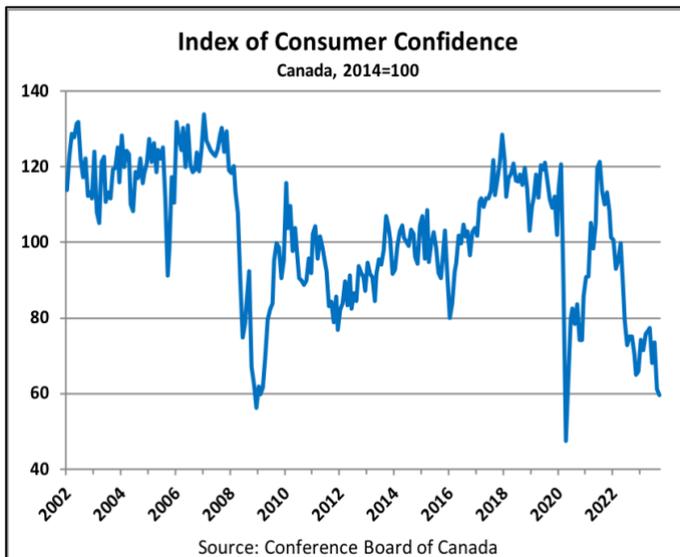
## 1) Macro commentary: Confidence crumbles as Canada edges towards recession

### Sentiment sours

Confidence among consumers and businesses is an important trend to monitor. When confidence falls, households spend less and business investment is curtailed.

That makes the September data points rather troubling but in line with my view that Canada is likely heading for recession this year.

Let's start with consumer confidence from the Conference Board of Canada. It slid again last month and remains at levels last seen during the initial COVID lockdowns and the depths of the Financial Crisis. This is DEEPLY into recessionary territory:

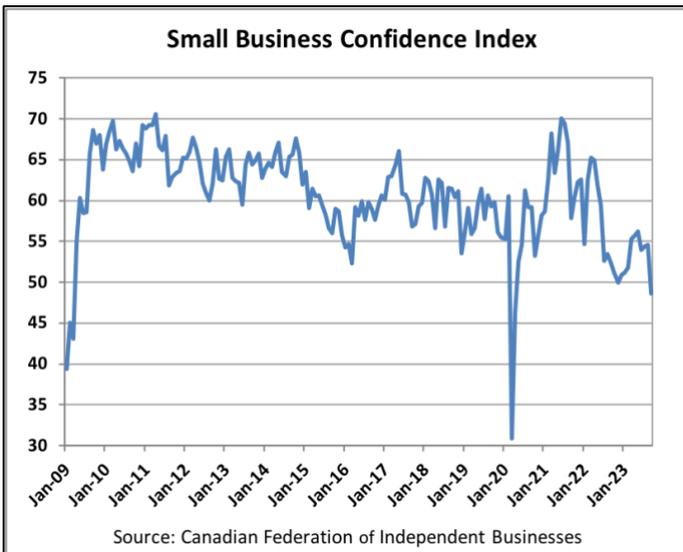


From the Conference Board:

[...] Notably, there was higher percentage of individuals – 37.2 per cent (up from 34.6 per cent in August) – who said that their current finances have worsened in September.

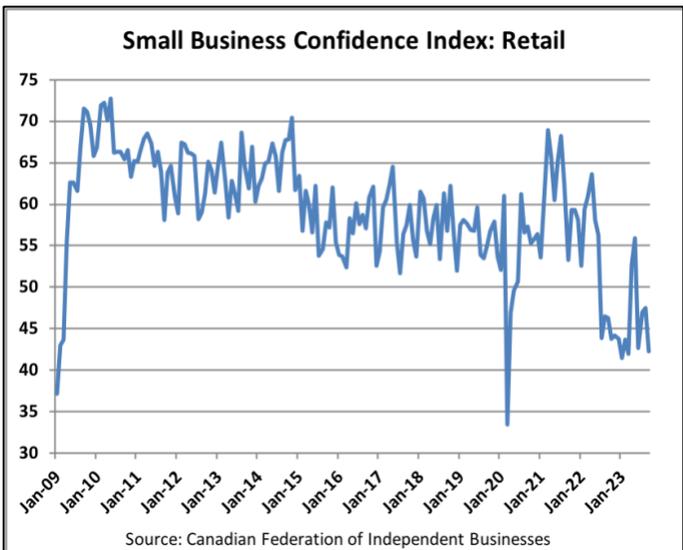
[...] for major purchases, consumers shifted toward a more pessimistic view. Notably, the proportion of individuals who deemed now as a good time for a significant purchase has declined, moving from 8.7 percent to 8.2 percent. Additionally, there was a modest increase in the percentage of respondents who saw now as a bad time for a major purchase, rising from 68.2 percent to 70.4 percent.

That pessimism is being felt in the business community as well. CFIB's Business Barometer, in their own words, "plummeted six points" in September and is also at levels seen during the Financial Crisis and COVID lockdown:



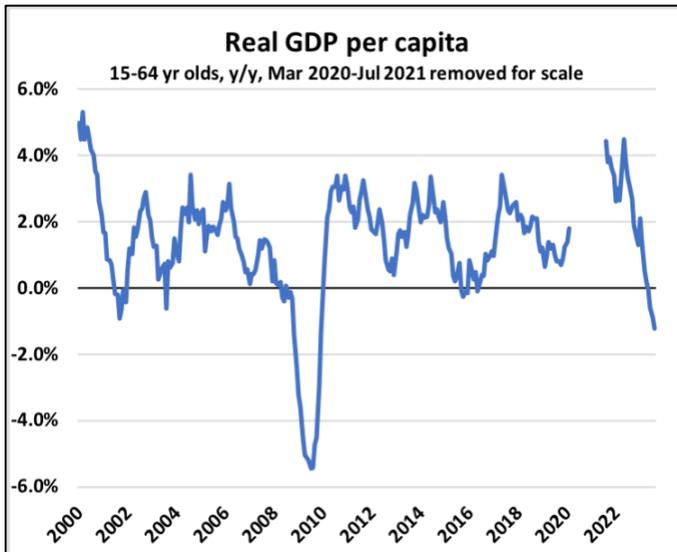
Some of the takeaways from CFIB's Barometer:

- The share of firms expecting conditions to worsen in the next 12 months jumped to levels last seen during the Financial Crisis and COVID lockdowns.
- The share of respondent reporting unfilled orders below normal jumped to 33%, the highest since the COVID/ the Financial Crisis. **That means that barring a surge in new orders, there's a high probability of job losses ahead once current order books are completed.**
- Average price plans ACCELERATED to 3.2% from 3.0% previously. Call it stagflation!
- Bellwether industries like retail and wholesale -both providing a glimpse into the state of the Canadian consumer- saw confidence levels plunge this month.



## Per capital GDP grinds lower

By some measures, we are already in recession. Consider last week's GDP report showed flat growth in July and a modest 0.1% uptick in the preliminary August figures. But given that population growth is currently running at close to 0.3% per month, we're seeing real per capita GDP continue to contract. In fact, outside of the pandemic, it's now falling at the fastest rate since the Financial Crisis:



## Population boom is masking weak growth

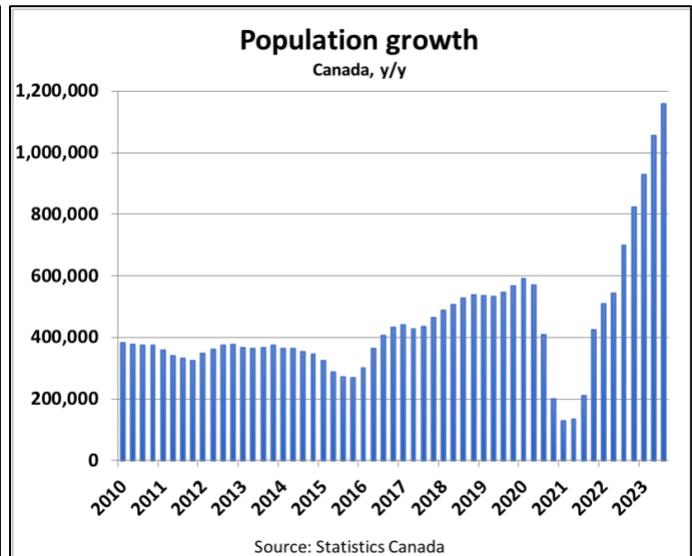
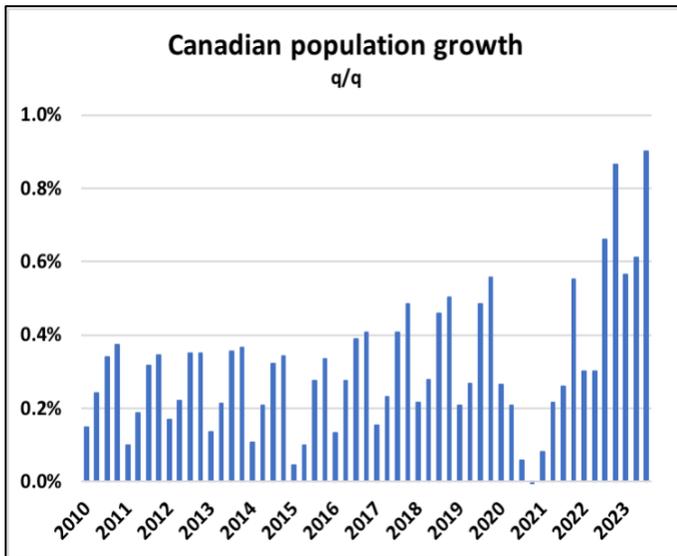
Population, and not productivity, is now the main driver of economic “growth”.

That makes it all the more important to keep a close eye on what's happening to immigration, and it just so happens that we got the Q3 data last week...and it was another banger with some truly eye-popping trends hidden underneath the headline data.

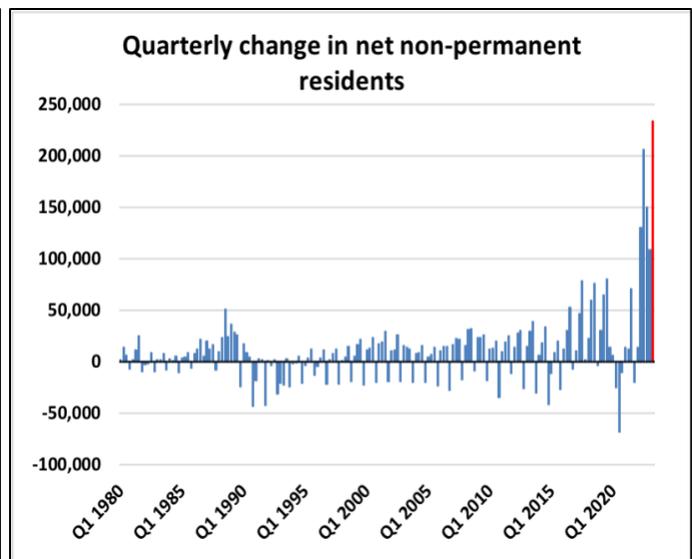
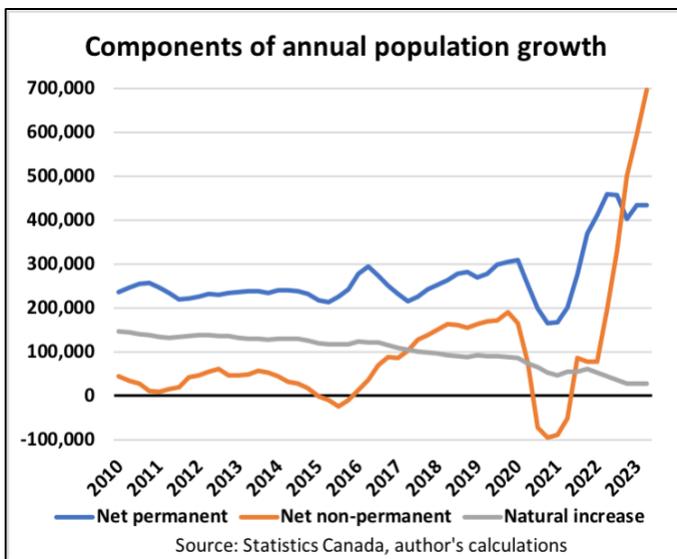
For starters, the Q2 growth was revised sharply lower from 1.2mm y/y to 1.05mm. Recall this comes on the heels of an excellent CIBC report<sup>1</sup> which argued that we may have undercounted temporary residents by a cumulative 1 MILLION (an assertion that, tellingly, was never disputed by Statistics Canada). A revision of this magnitude to the Q2 numbers further reinforces the notion that we have NO CLUE what's really happening with population growth in this country.

The Q3 numbers saw record growth 358,000 or 0.9% q/q, which brought the y/y numbers to 1.16MM or 3.0%.

<sup>1</sup> <https://www.bnnbloomberg.ca/non-permanent-residents-in-canada-undercounted-by-one-million-cibc-1.1965277>

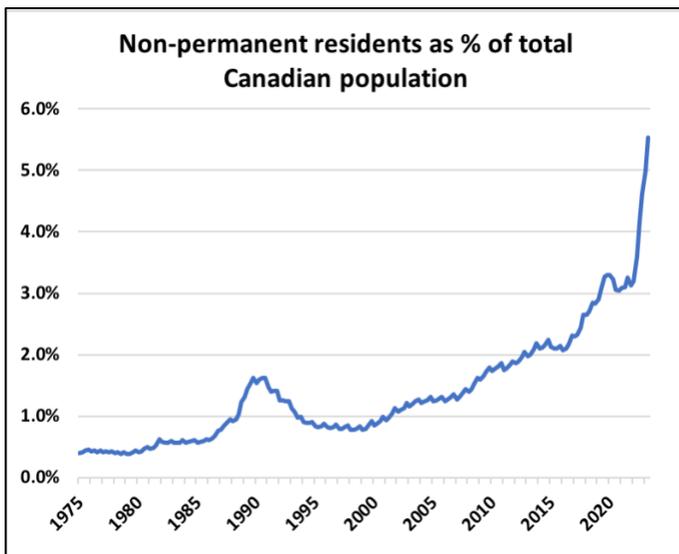


Once again the devil is in the details. We've seen permanent resident growth flatline over the past 8 quarters at roughly 420,000 y/y (blue line below) while natural increase continues its structural decline towards zero. All the juice, as it were, is in the non-permanent resident cohort which added 700,000 in the past year and a record 240,000 last quarter alone:

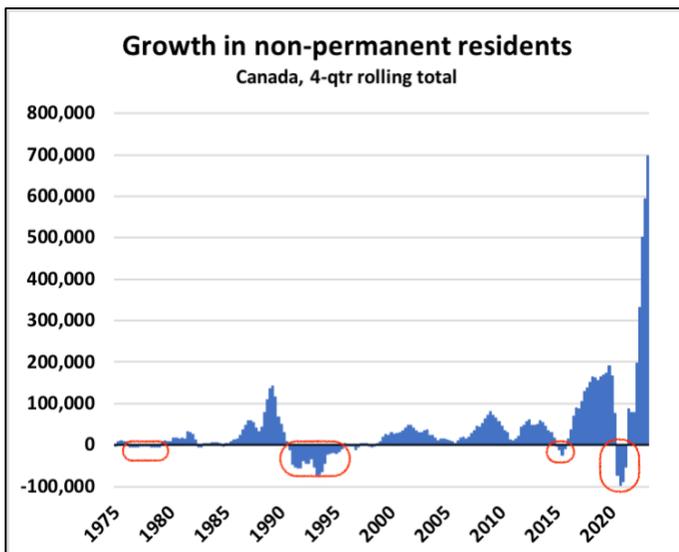


We now have 2.2 million non-permanent residents living in Canada, a whopping 46% increase in the past year.

This cohort has accounted for 71% of total population growth since the start of 2021. They now account for over 5.5% of the total population (up from 3.6% just 2 years ago) and are currently comprised of 1 million temporary workers (up 79% in 2 years), 580,000 international students (up 59% in 2 years) and an additional 274,000 who have BOTH study and work permits (up 65% in 2 years).



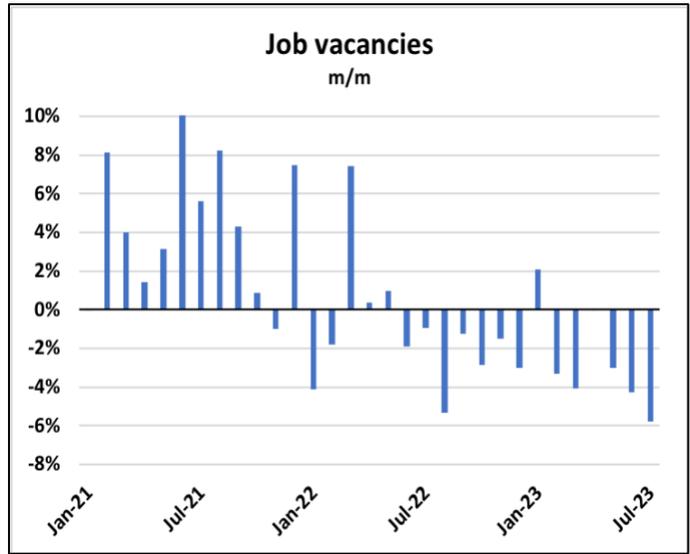
The massive pro-cyclicality of this population growth should not be lost on us, particularly given this cohort's propensity to see significant outflows during recessions:



How much longer can we rely on this cohort to drive growth? We now have mounting pressure in Ottawa for reforms to these programs (I even testified before the Standing Committee on Finance regarding this very issue in September<sup>2</sup>). But more importantly, we have two other major trends at play that could curtail this dynamic.

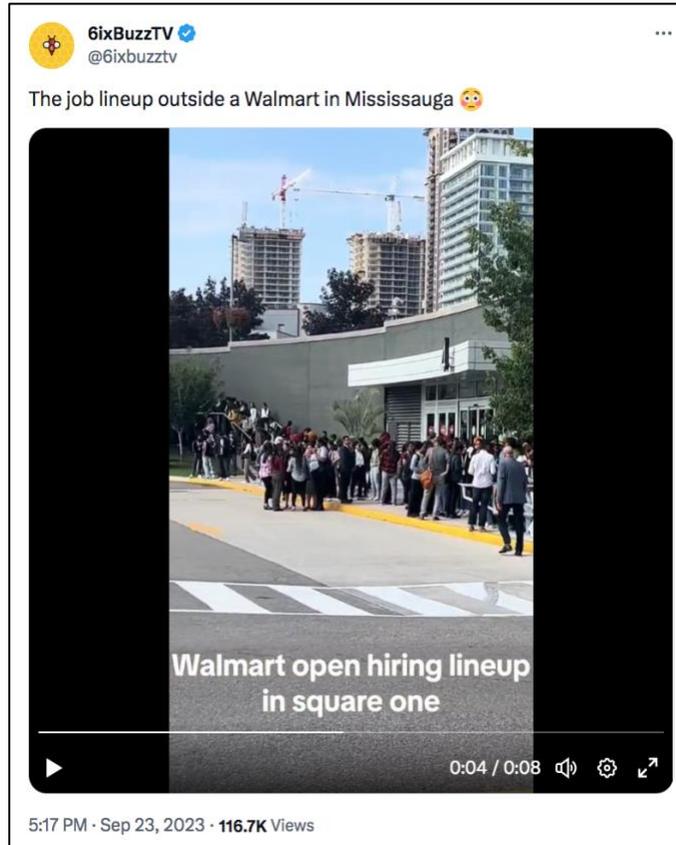
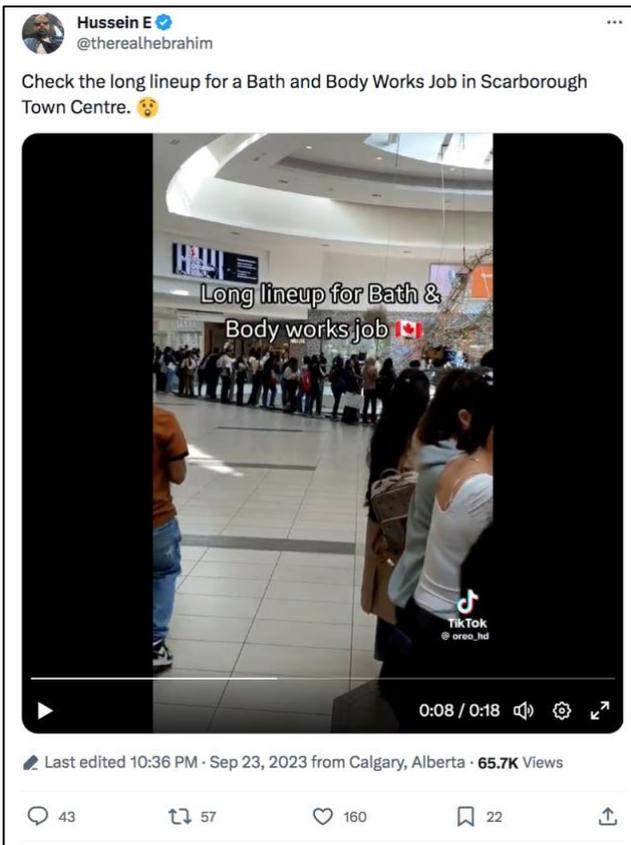
First, the demand for temporary workers is rapidly fading. We learned this week that job vacancies across the country are plunging, including a 6% decline in July alone:

<sup>2</sup> <https://parlvyu.parl.gc.ca/Harmony/en/PowerBrowser/PowerBrowserV2/00010101/-1/39880?gefdesc=&startposition=20230921111933>



And we continue to see massive lineups for low wage, entry-level positions, which was a major source of temporary worker demand coming out of the pandemic. These videos for a job fair at a Walmart and a Bath and Body Works store are absolutely wild:

- <https://twitter.com/6ixbuzztv/status/1705692899097055492>
- <https://twitter.com/therealhebrahim/status/1705773228994744551>



The idea that we will need ANOTHER 400,000 temporary workers over the next year (which is what we would need to add to keep GROWTH RATES constant) is simply absurd given these trends.

We also now have a major diplomatic crisis unfolding between Canada and India. This is not a small issue when we consider that 40% of temporary worker and international student admissions since 2021 have been from India... by far the largest country by share.

From the National Post<sup>3</sup>:

### Flow of international students into Canada could be affected by India tension

[...] Some students are already “panicking” as a result of the advisory and fraying ties, according to Damanpreet Singh, the international student representative for the Canadian Federation of Students. “This will definitely affect immigration. Both governments need to resolve this matter as soon as they can.”

[...] “There’s no indication that this stream will dry up right away, but to the extent that Indian students were funded by government scholarships and if this crisis becomes worse and the government decides to do something about them and direct them to other countries with very good universities – Australia, the U.K., the U.S. – that too could be an economic consequence of this crisis,” Rohinton Medhora, a distinguished fellow at the Centre for International Governance Innovation, tells Bloomberg.

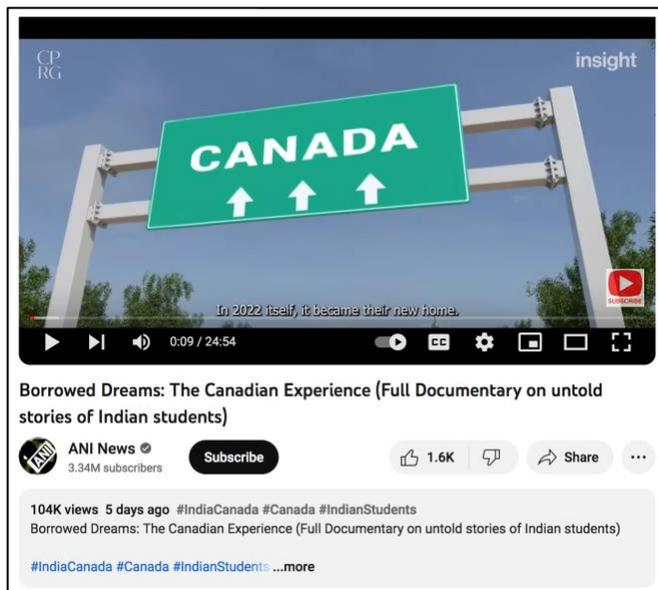
Finally, word is getting out that international students are being misled by recruiters. From the Globe and Mail<sup>4</sup>:

### Foreign students being tricked into thinking they can get permanent residency by studying in Canada, experts warn

Foreign students, some of them confused by false promises from education consultants, are being misled into thinking that studying at Canadian postsecondary schools is a guaranteed route to remaining permanently in the country, senators and immigration experts are warning.

A report by Senators Ratna Omidvar, Hassan Yussuff and Yuen Pau Woo about the federal international student program warns that there are not enough permanent residence spots to cater to the rising number of these students coming to Canada, and calls on Ottawa to make clear that the process of staying permanently is highly competitive.

At the same time, a documentary on the plight of Indian students in Canada was released on YouTube just this week and has already garnered 104,000 views<sup>5</sup>:



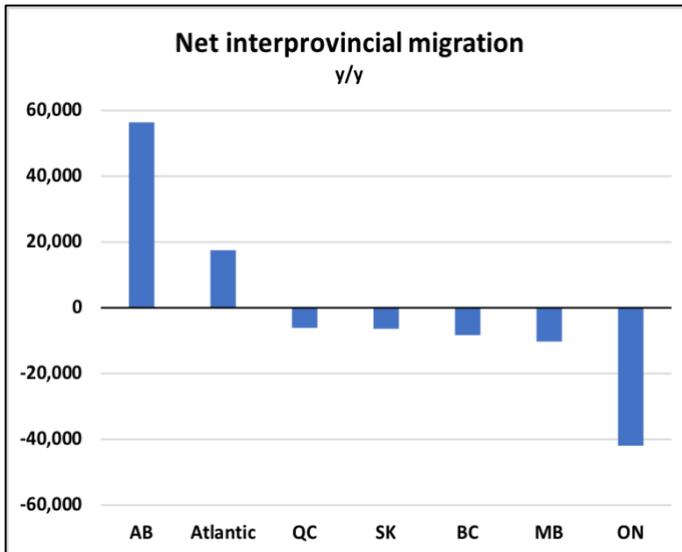
<sup>3</sup> [https://nationalpost.com/news/canada/canada-india-tension-international-students?utm\\_term=Autofeed&utm\\_medium=Social&utm\\_source=Twitter#Echobox=1695325492](https://nationalpost.com/news/canada/canada-india-tension-international-students?utm_term=Autofeed&utm_medium=Social&utm_source=Twitter#Echobox=1695325492)

<sup>4</sup> <https://www.theglobeandmail.com/politics/article-foreign-students-being-tricked-into-thinking-they-can-get-permanent/>

<sup>5</sup> <https://www.youtube.com/watch?v=NARGaXbXo-c>

Between the cooling labour market, the rising tensions between Canada and India, and the growing recognition that international students are being sold a bill of goods, one has to wonder how long Canada can lever this cohort to drive growth. **One of the easiest and most non-consensus macro calls to make right now is that we will see a very significant DECELERATION in population growth over the next year, and it wouldn't shock me if growth rates are cut in half by the end of 2024.**

One final point on population growth: We continue to see strong interprovincial flows out of Ontario and into more affordable parts of the country, namely Alberta and the Atlantic provinces. I remain relatively optimistic on the state of housing in those areas.

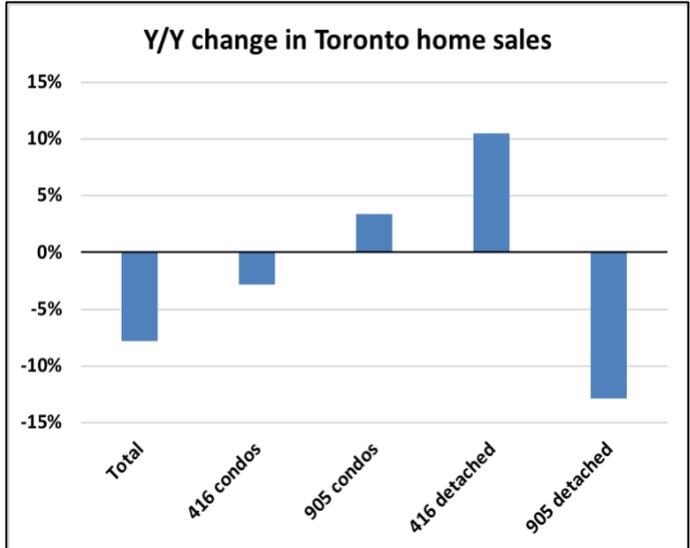
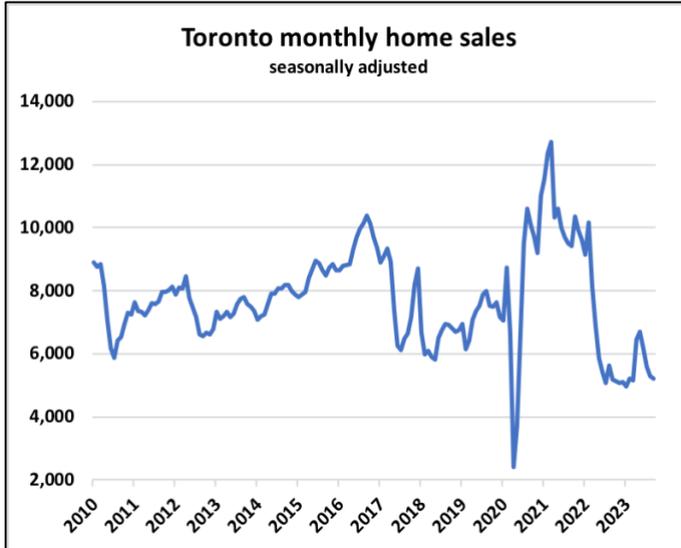


### Bottom line

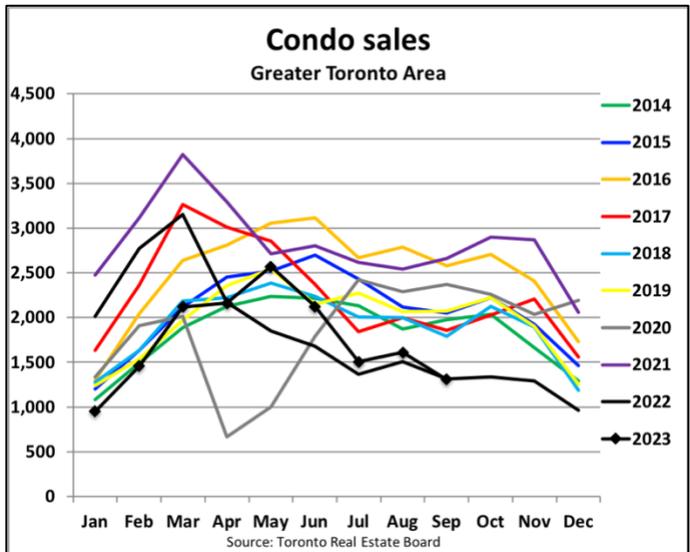
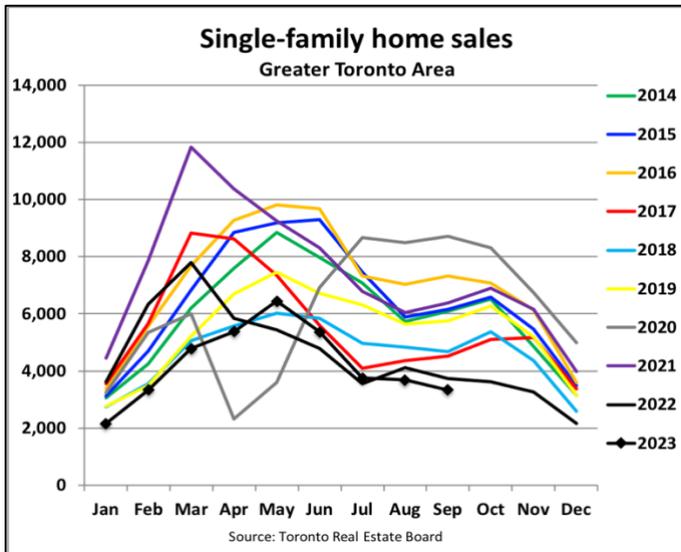
Even with a surprisingly strong jobs report, the underlying details coupled with last week's GDP report point to a marked slowdown in the Canadian economy. The big question now is around what type of "landing" we're facing. Regardless, it's getting more difficult to envision more rate hikes from here barring a significant and sustained upside surprise in inflation.

## 2) Toronto tips into buyer's market as inventory surges

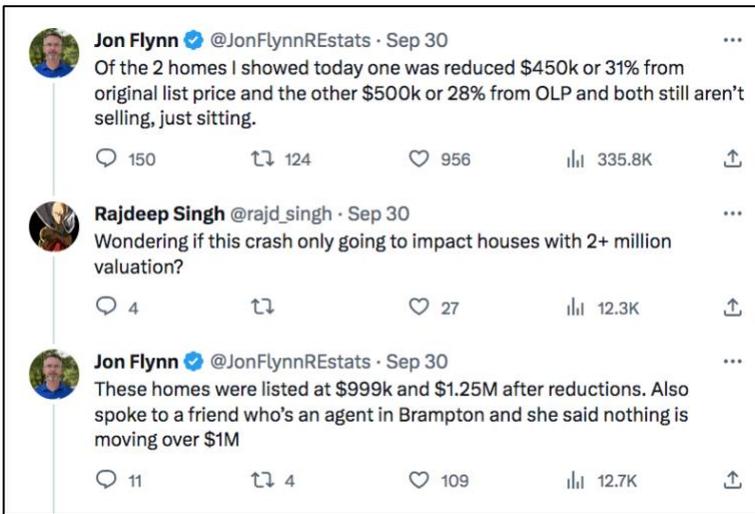
The housing market across the Greater Toronto Area cooled significantly in September. Seasonally adjusted home sales were down 1.8% (less than anticipated, to be honest), but that comes on the back of a major 3.6% downward revision to the August numbers. So put the actual decline at closer to 5%. That puts sales down 22% from the recent May highs, and we're now back to demand levels last seen two decades ago...outside of the Financial Crisis and COVID downturn:



Demand is weak right across the board, with 20-year lows in both single-family and condo sales:

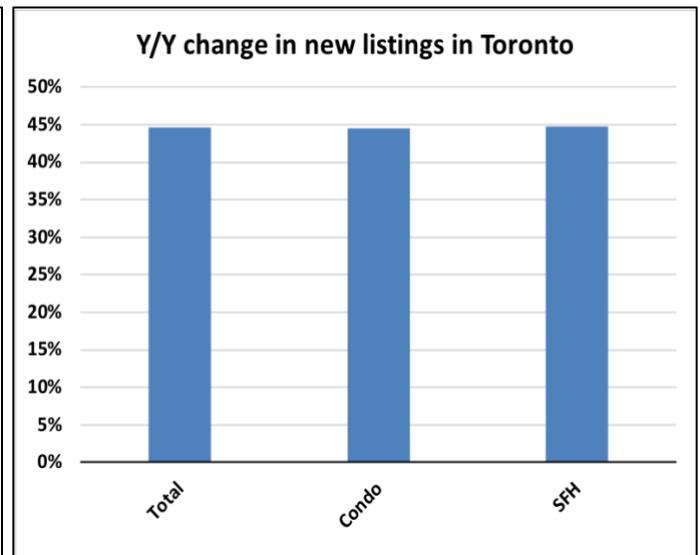
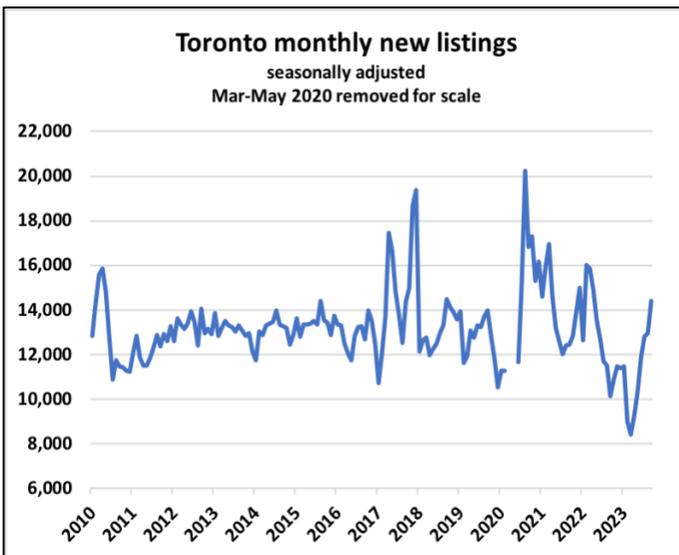


It's slow enough out there that one realtor reports that two homes he showed this week had seen price reductions of 31% and 28% off the original list price and are still no-bid:



**New listings spike**

By far the bigger story is what's happening on the supply front. Seasonally adjusted new listings jumped 11% m/m and were up 44% compared to last year. In fact, the condo segment saw the 2<sup>nd</sup> most new listings of any September on record:



We're now well above "normal" levels for new listings, and it has pushed the sales-to-new listings ratio down to levels last seen during the depths of the Financial Crisis. This market is severely tilted towards buyers, and it looks like significant price declines are on deck.

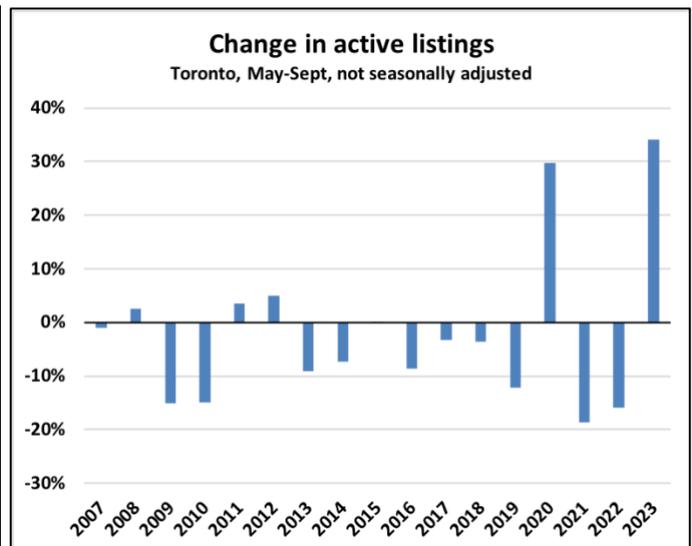
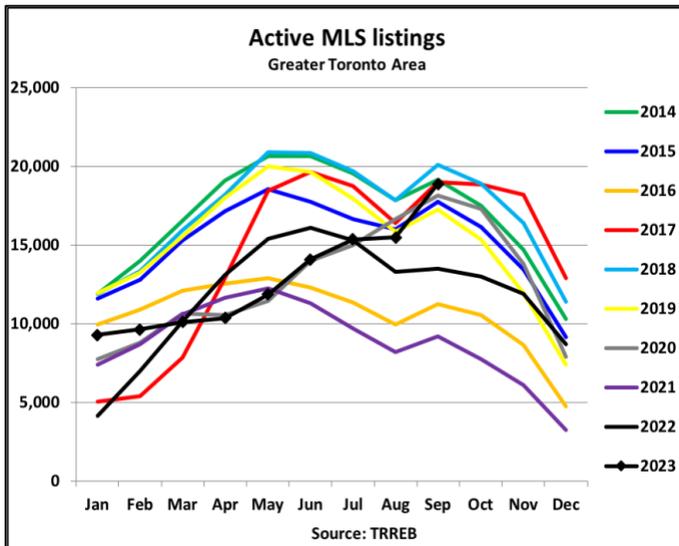


Strong new listings may continue from here. Consider the findings from a Mortgage Professionals Canada survey released this week<sup>6</sup>:

The share of mortgage owners considering selling because they cannot afford their current mortgage surged more than three-fold, to 7% from just 2% a year ago. Nearly three-quarters (72%) of first-time homebuyers say interest rates are already having a material impact on their situation.

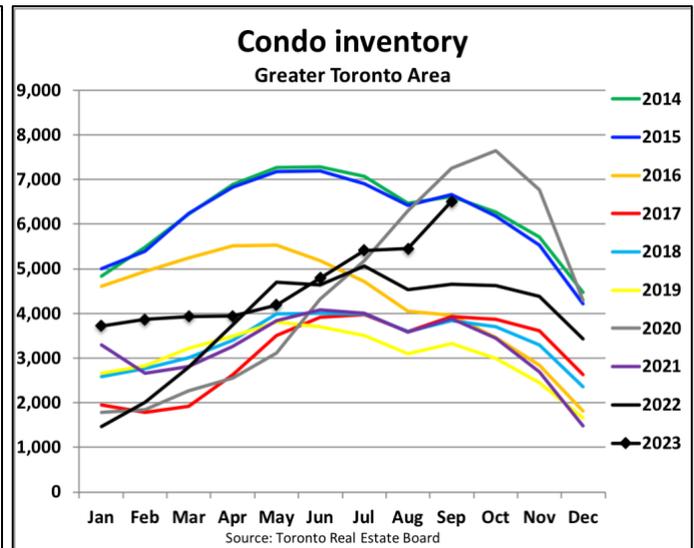
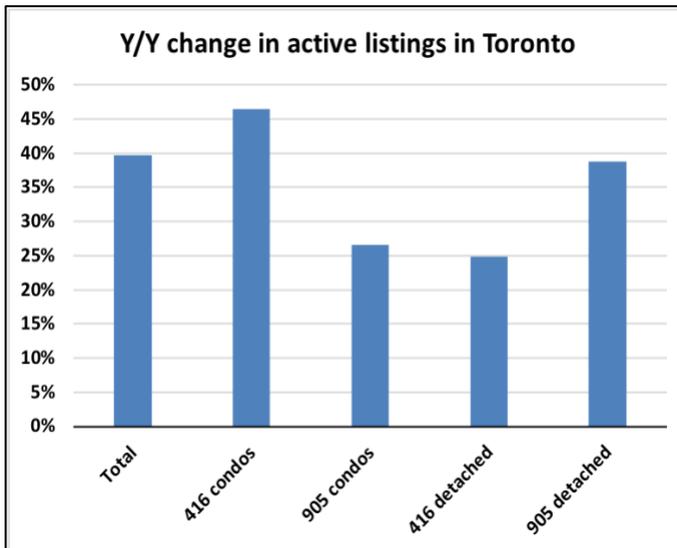
### Dramatic inventory accumulation

With new listings up and sales falling, active inventory surged in September and is now closing in on decade highs. We've now seen the largest counter-seasonal build on record over the past 4 months:



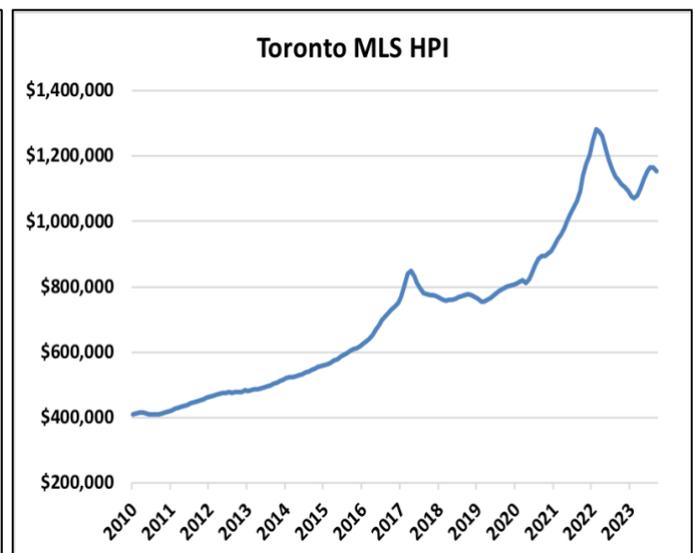
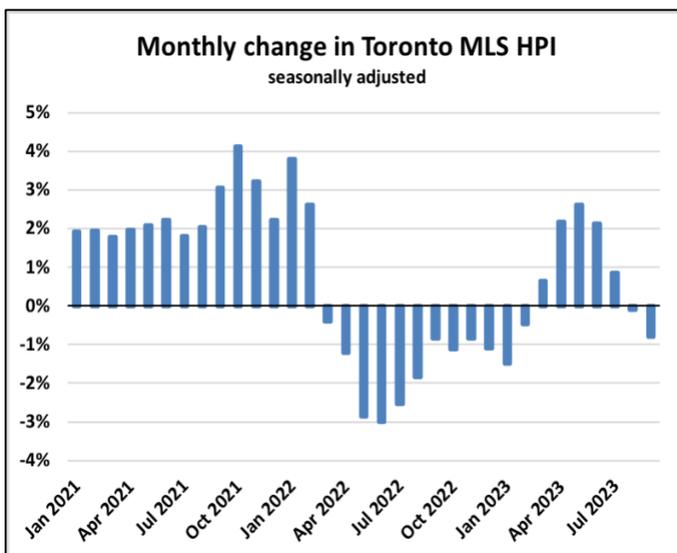
The inventory build is particularly pronounced in the downtown condo market where there are nearly 50% more listings than last year at this time. We may set record highs in that segment by the end of the year:

<sup>6</sup> [https://mortgageproscan.ca/docs/default-source/consumer-reports/2023/september-2023-en.pdf?sfvrsn=5d8d459d\\_20](https://mortgageproscan.ca/docs/default-source/consumer-reports/2023/september-2023-en.pdf?sfvrsn=5d8d459d_20)



### House price declines accelerate

House prices are back under pressure with the seasonally adjusted House Price Index posting a 0.8% monthly decline, the largest since January:



And that decline may be understated. There was no shortage of homes sold across southern Ontario in September that traded at 30% discounts to prior 2022 sale prices. We saw some isolated examples like this back in 2017 in York Region (north Toronto), but I have never seen widespread examples like what we're seeing now. Consider:



**26 Triebner Street**  
Exeter  
Single Family Residence

Listed for: ~~\$ 849,900~~ ~~\$ 724,900~~  
**Sold for: \$ 705,000**  
Sold 14 days ago

3 Bedrooms   3 Bathrooms   2 Garage

### Listing History

Buy/sell history for 26 Triebner Street, Exeter (Single Family Residence)

Date Start	Date End	Price	Event	Listing ID
2022-09-08	2023-09-22	\$705,000	Sold	40319622
2021-12-09	2022-01-26	\$937,400	Sold	40193637 <a href="#">Q</a>



**90 BASTILLE Street**  
Hamilton - Crear/Barnstow  
Detached, Freehold

Listed for: ~~\$ 889,999~~  
**Sold for: \$ 880,000**  
Sold 23 days ago

3 Bedrooms   3 Bathrooms   1.5 Garage

### Listing History

Buy/sell history for 90 BASTILLE Street, Hamilton (Detached, Freehold)

Date Start	Date End	Price	Event	Listing ID
2023-09-05	2023-09-13	\$880,000	Sold	H4173189
2023-08-09	2023-09-05	\$944,999	Terminated	H4171296 <a href="#">Q</a>
2023-07-10	2023-08-09	\$974,999	Terminated	H4168779 <a href="#">Q</a>
2022-03-17	2022-03-22	\$1,250,000	Sold	H4129034 <a href="#">Q</a>



**24 Andover Drive**  
London - Westmount  
Single Family Residence

Listed for: ~~\$ 709,900~~ ~~\$ 669,900~~  
**Sold for: \$ 639,000**  
Sold 30 days ago

3+1 Bedrooms   4 Bathrooms   1 Garage

### Listing History

Buy/sell history for 24 Andover Drive, London (Single Family Residence)

Date Start	Date End	Price	Event	Listing ID
2023-07-06	2023-09-06	\$639,000	Sold	40449255
2022-02-03	2022-02-07	\$901,000	Sold	40206242 <a href="#">Q</a>



**1867 Cherryhill Road**  
Peterborough  
Single Family Residence

Listed for: ~~\$ 669,900~~ ~~\$ 629,900~~  
**Sold for: \$ 600,000**  
Sold 8 days ago

2+1 Bedrooms   2 Bathrooms   2 Garage

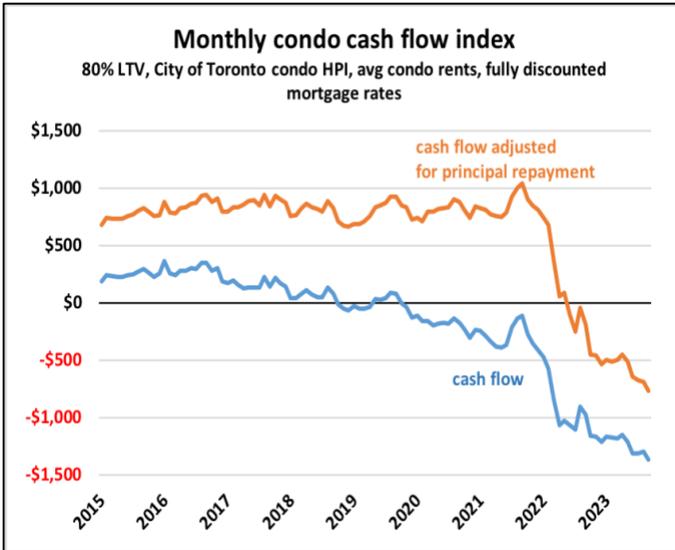
### Listing History

Buy/sell history for 1867 Cherryhill Road, Peterborough (Single Family Residence)

Date Start	Date End	Price	Event	Listing ID
2023-08-08	2023-09-28	\$600,000	Sold	40465677
2023-03-10	2023-05-26	\$725,000	Terminated	40386575 <a href="#">Q</a>
2023-01-19	2023-03-10	\$765,000	Terminated	40367650 <a href="#">Q</a>
2023-01-10	2023-01-19	\$699,900	Terminated	40363813 <a href="#">Q</a>
2022-11-24	2023-01-10	\$775,000	Terminated	40352952 <a href="#">Q</a>
2022-11-07	2022-11-25	\$799,900	Terminated	40344243 <a href="#">Q</a>
2022-03-15	2022-03-21	\$884,000	Sold	40223741 <a href="#">Q</a>

**Condo stress builds**

distress continues to spread in the condo market, and for good reason. Even with the strong (but cooling) rental market, unit economics on condo rentals continues to deteriorate, with cash flows hitting new lows in September. If speculators abandon this market (as they ought to!), the price required to incentivize old-school “cash flow” investors to step in and catch a falling knife is likely much, much lower.



Over in the assignment market we see more and more examples of people willing to walk away from an entire deposit. This is something I have never seen in the many years I've been covering Canadian housing. The Financial Crisis was the last time we've seen this dynamic in any size, and for only a couple months at that.

**Assignments FOR SALE**  
Joanne Kim · 12h ·

!!! HOT ASSIGNMENT SALE !!!  
Need to sell ASAP, Seller walking away on ENTIRE DEPOSIT \$124,350.

- Central Condos by Concord
- Unit on 50th floor (52 storeys total, almost penthouse)
- 5% due on Feb 2024 Occupancy... See more

**LOSING FULL DEPOSIT**

**central**  
38 WIDMER by CONCORD

**LOSING \$124,350**

**Unit 03 (117-50/1)**  
One Bedroom  
Enclosed Area: 493sq.ft.    Balcony Area: 115 sq.ft.  
Total Area: 608 sq.ft.

**Interior features:**

- Stainless Steel Appliances
- Kitchen Storage Organizer
- Blue Kitchen Hardware
- Stainless Washer/Dryer
- Walk-in/Closet Bedroom Flooring Future
- Closet Organizer System
- Roller Shelves

**Exterior features:**

- Radiant Ceiling Heaters
- Composite Wood Decking

**Unit Details:** 1 Bed, 1 Bath, 493+115 sq.ft., East, 50th floor, No parking, No storage, \$0.62/sq.ft., 02/2024 occupancy.

**High Tech Amenities:** 100% Wifi connectivity (elevators-garage), 100% EV parking, refrigerated parcel storage and more.

**Outdoor Pool, Poolside Cinema, Fitness, Secure keyless system, Conference Rooms**

**Original Price: \$829,000**  
**Deposits Paid: \$124,350 (15%)**  
**Asking Price: \$704,650**  
**Due on Occupancy \$41,450 (5%)**

**PRICED FOR QUICK SALE**

Toronto's landmarks located just steps away  
Ideal for university students and professionals

447-295-3014  
JOANNE@PRECONDO.CA

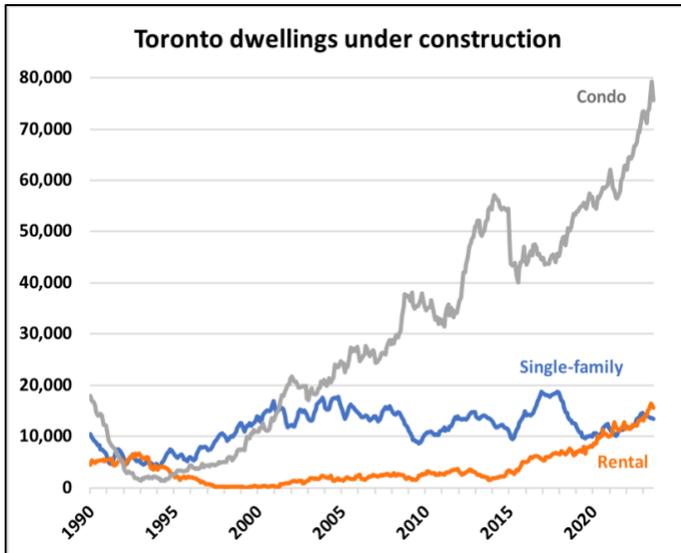
**PRECONDO**

4      57 comments

The next step is for buyers to walk away altogether and leave the developer holding the bag and with the only option to pursue legal action. Based on preconstruction sale price and the premium paid relative to resale, this dynamic will get much worse in 2024 and into 2025....and that problem only compounds if resale prices drift lower.

### Under construction inventory falls

As detailed in last month's Edge Report, Toronto saw an acceleration in completions in August, notably in the condo segment. With housing starts edging down and completions up, it means the number of dwellings currently under construction is falling in Toronto. August saw a 4.2% decline, the largest since 2015.



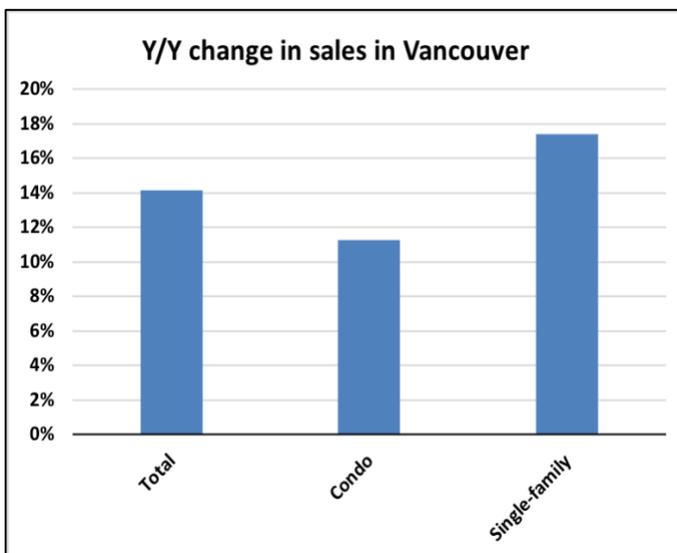
### 3) Vancouver house prices slide in September

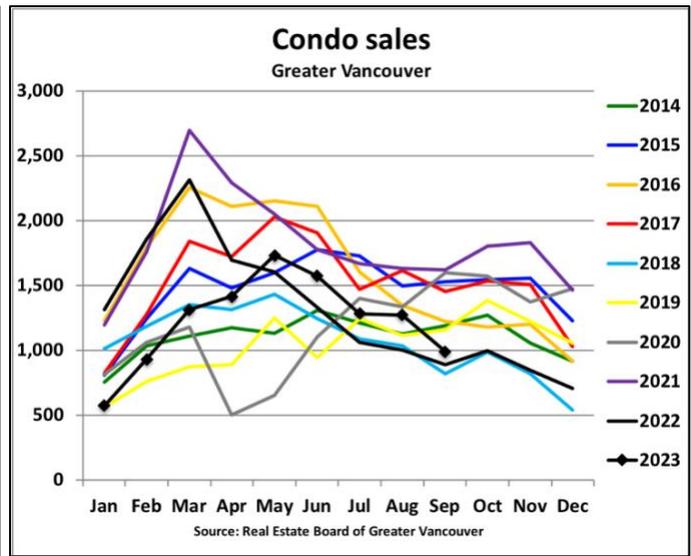
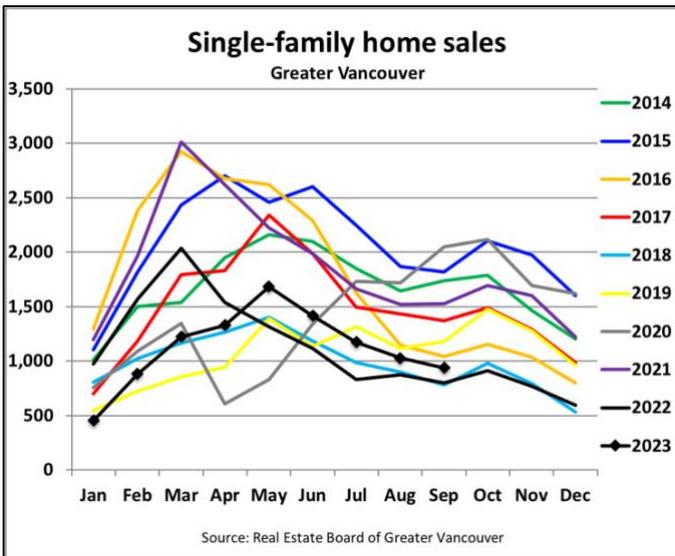
#### Sales tumble nearly 12%

Seasonally adjusted home sales in Vancouver fell an estimated 11.8% m/m in September, the third consecutive monthly decline and the largest since late 2022. Sales have now fallen 21% from the May highs:



Even with the recent slowdown in sales, they remained 14% above 2022 levels overall and nearly 18% in the single-family segment:





**New listings jump 16%**

Here too the big story is a jump in seasonally adjusted new listings which rose 16% m/m in September and were up 29% compared to last year at this time:

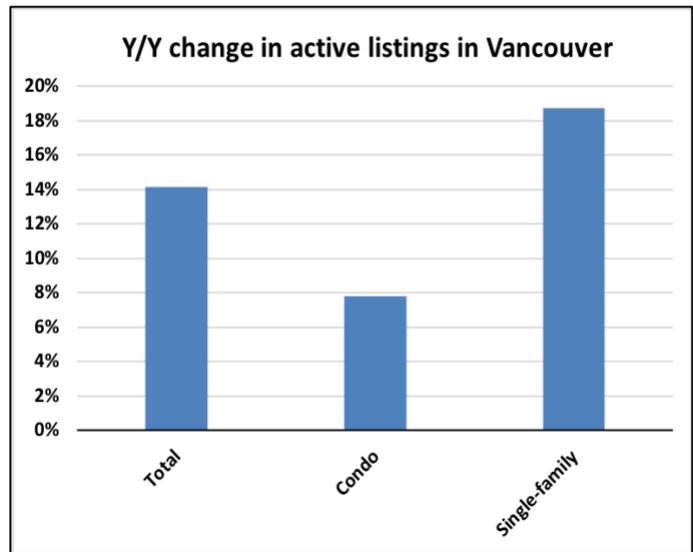
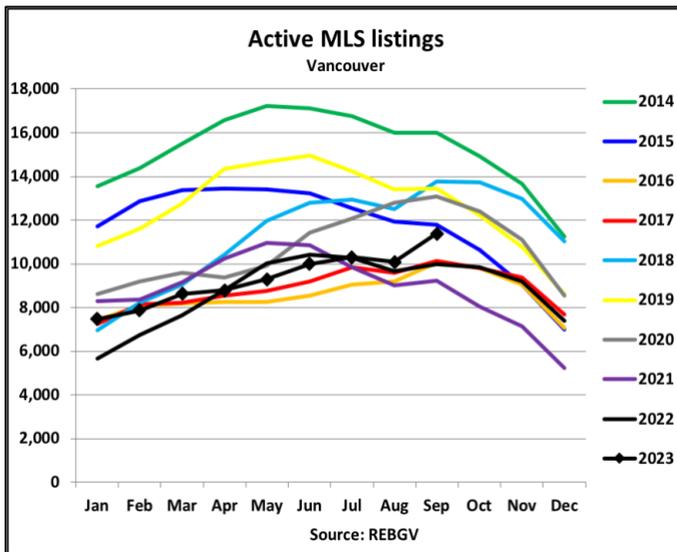


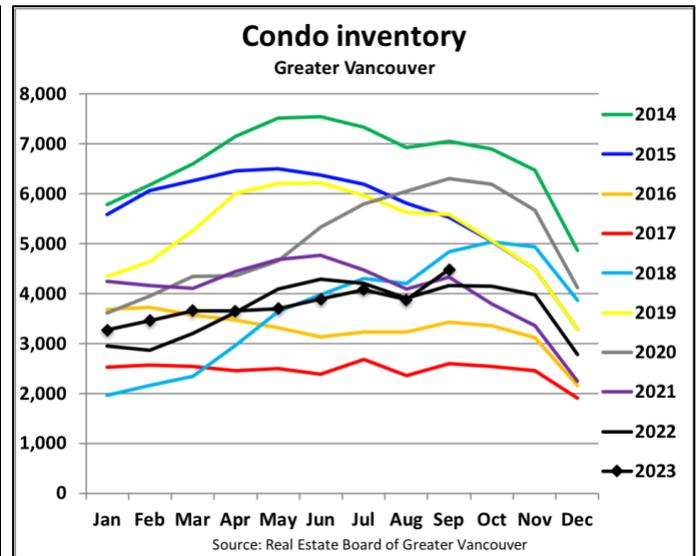
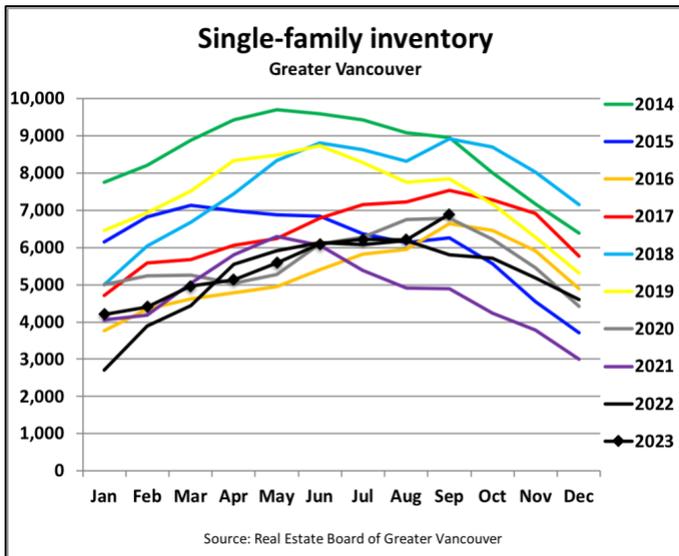
With sales down and listings up, market balance tipped decidedly towards buyers in September, with the sales-to-new listings ratio plunging to just 40%....one of the lowest readings of the past 20 years:



### Strong counter-seasonal inventory build

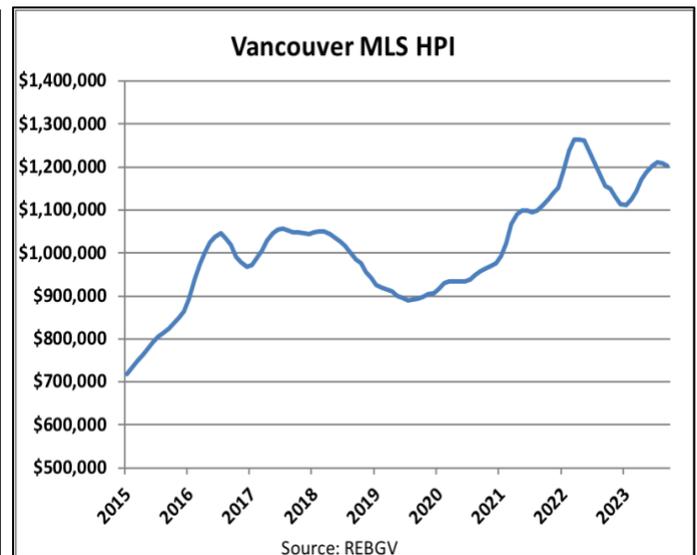
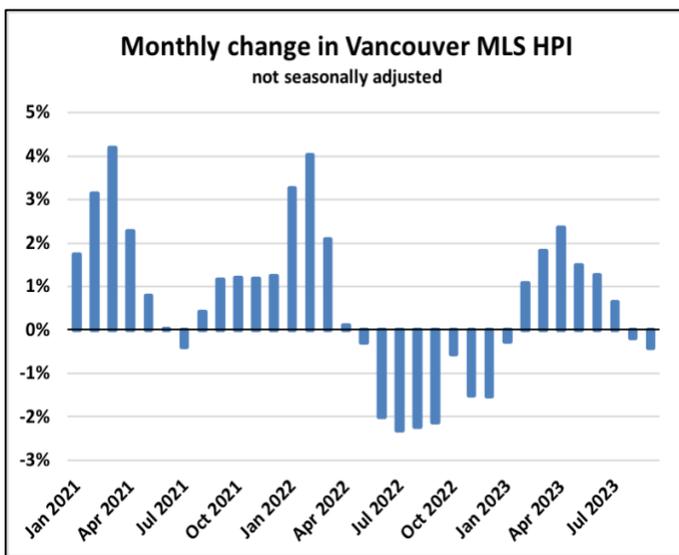
Vancouver saw a significant, counter-seasonal inventory build in September with active listings up 13% relative to August...the largest monthly build on record. Active listings are up 14% compared to last year overall, led by a 19% jump in single-family inventory. That said, supply remains at more or less normal levels...at least for now:





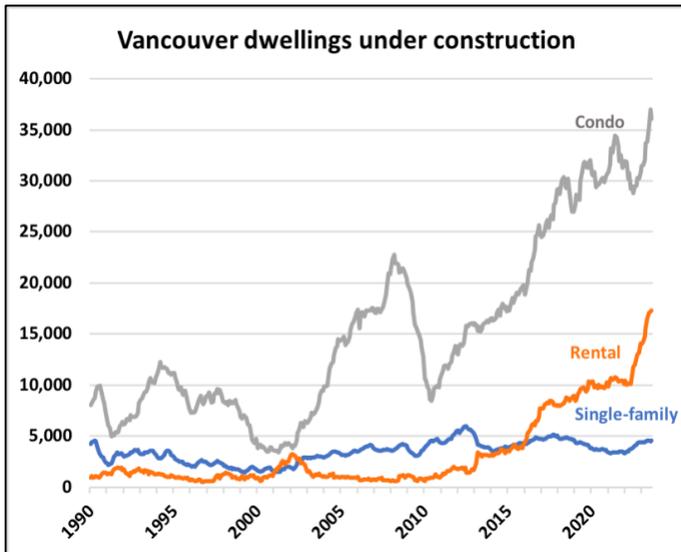
### House back under pressure

House prices across Vancouver are back under pressure, with the MLS HPI down 0.5% on the month. But the HPI tends to understate price moves at sudden inflection...and that's true both to upside and downside. It's telling that median prices fell a much more significant 2.1% for detached and 1.3% for condos in September.



### Construction activity slows

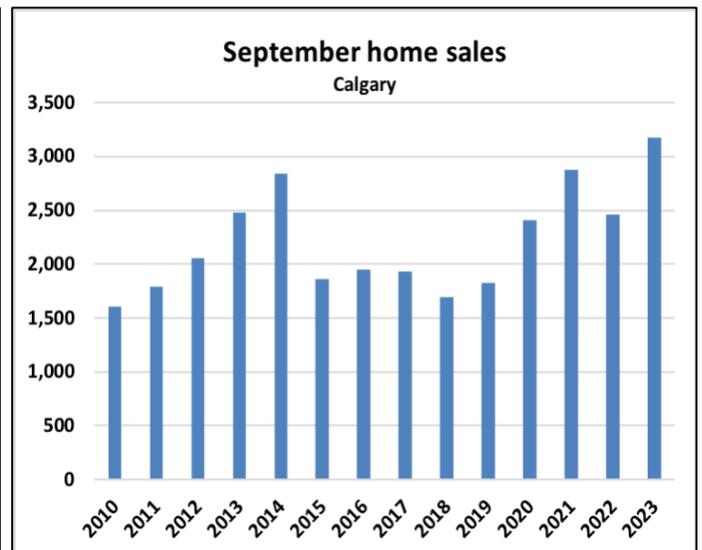
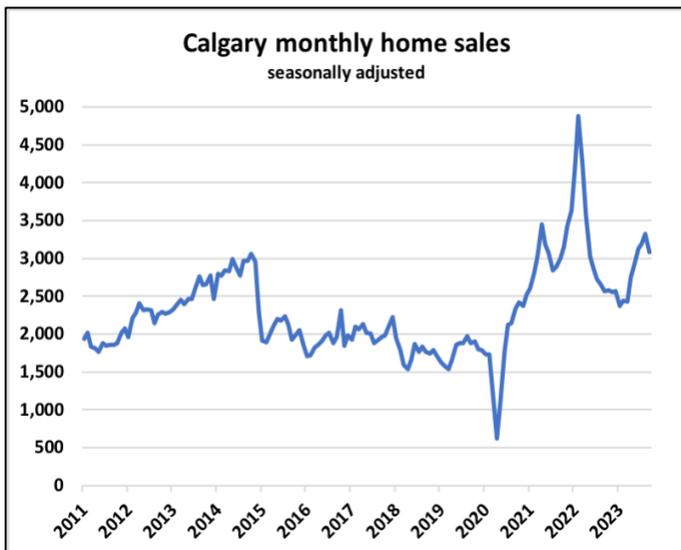
Dwellings under construction were down 1.2% in September led by a 2.4% decline in the condo segment as completions ran ahead of new starts.



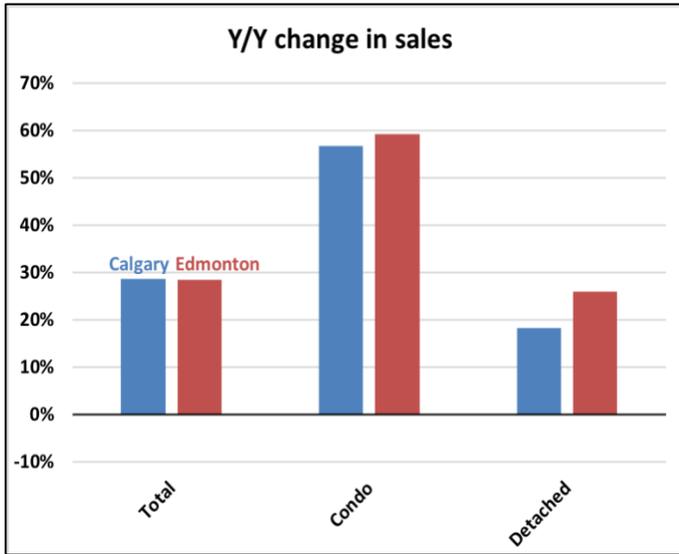
### 4) Demand slides in Calgary

Home sales fall 7% m/m

You know it's a tough month for Canadian housing when even Calgary...one of the hottest markets in the country...sees a substantial pullback in demand. Seasonally adjusted sales fell an estimated 7% in September, but sales overall still set a record for the month and were up nearly 30% compared to last year at this time.

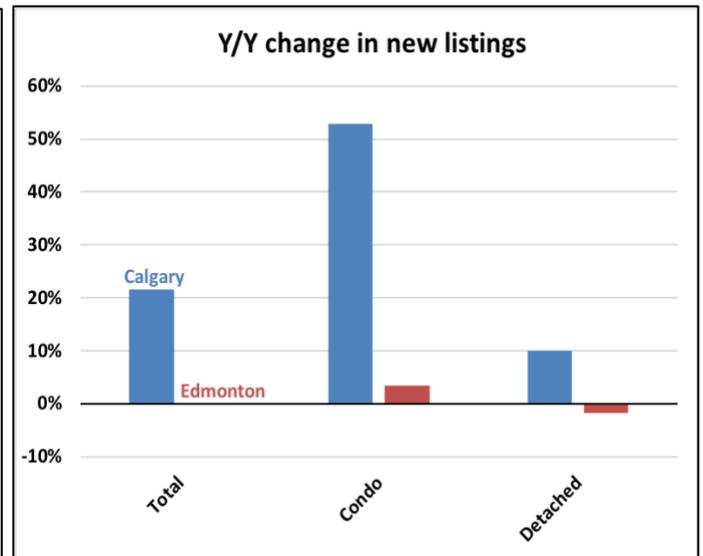
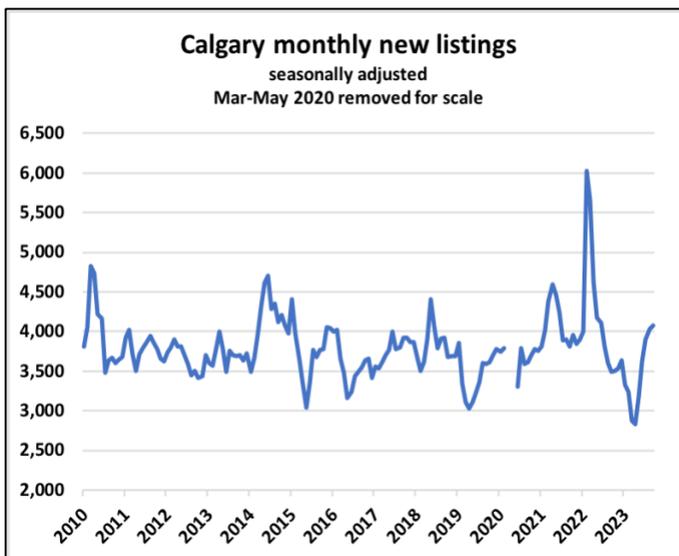


Condos continue to drive the y/y sales gains, and that's also true in Edmonton where that segment saw a 60% increase in demand relative to 2022 levels. One has to wonder if perhaps those cash-flow-starved investors from southern Ontario who drove condo demand in Calgary last year have now set their sights on Edmonton:



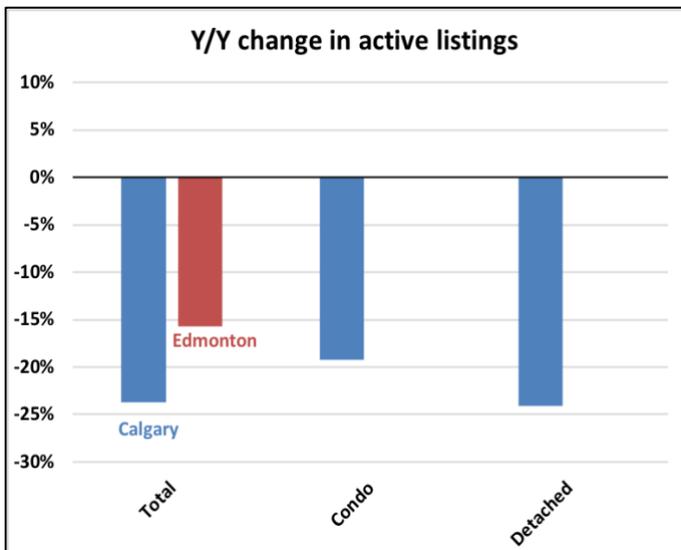
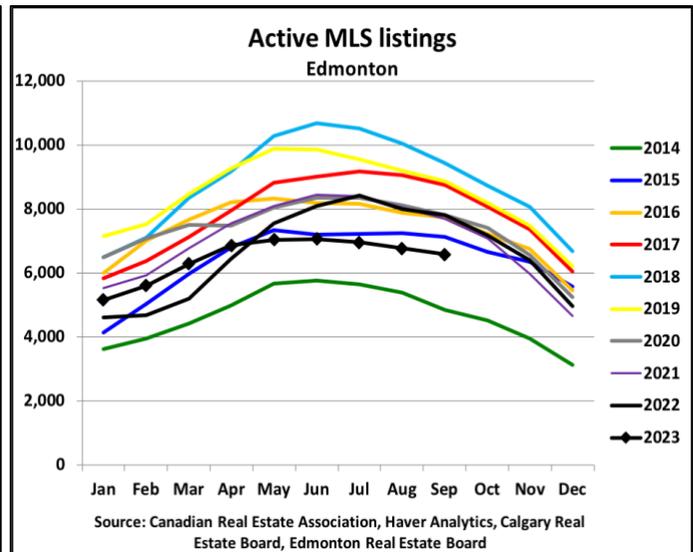
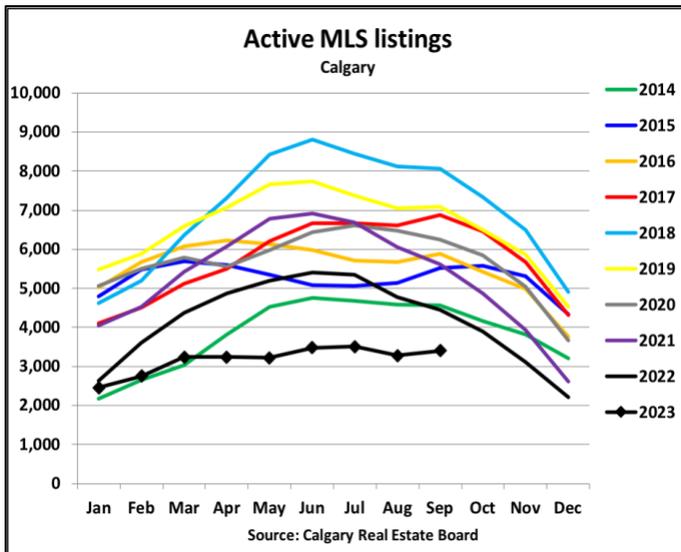
**New listings tick up**

New listings in Calgary were up 1.1% seasonally adjusted in September and up 21% compared to last year at this time.



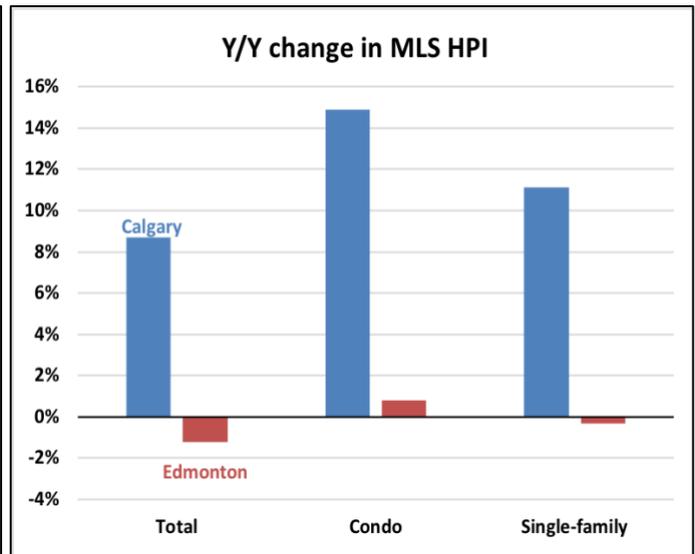
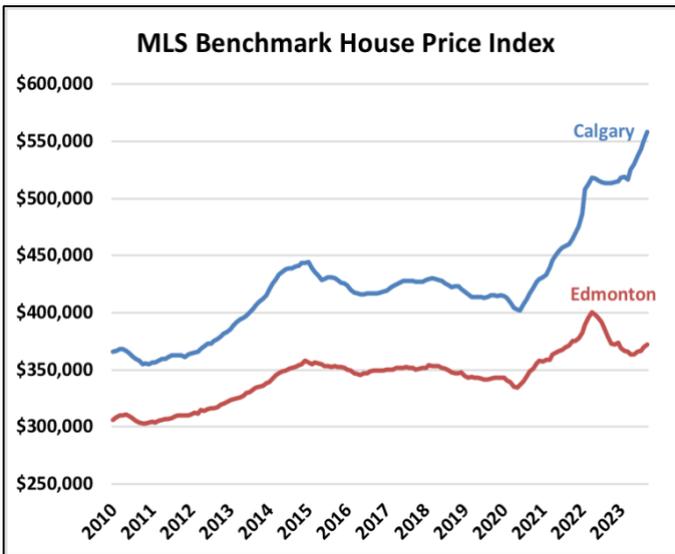
### Inventory still at rock-bottom levels

Inventory in the resale market remains very thin in both Calgary and Edmonton, down 24% and 16% y/y respectively. Both are at or near decade lows. This dynamic continues to drive remarkable tightness in these markets and is the major contributor to rising prices:

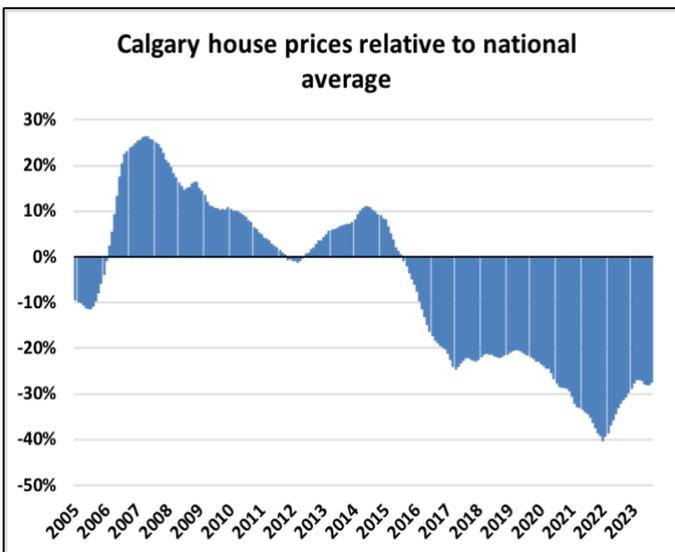


### Prices rise

House prices are starting to really accelerate in Calgary, as can be seen in the chart below. Calgary prices are up almost 9% y/y but with a 6-month trend that is more than double that. Edmonton is having a hard time gaining traction, but it has seen 5 months of upwards momentum:

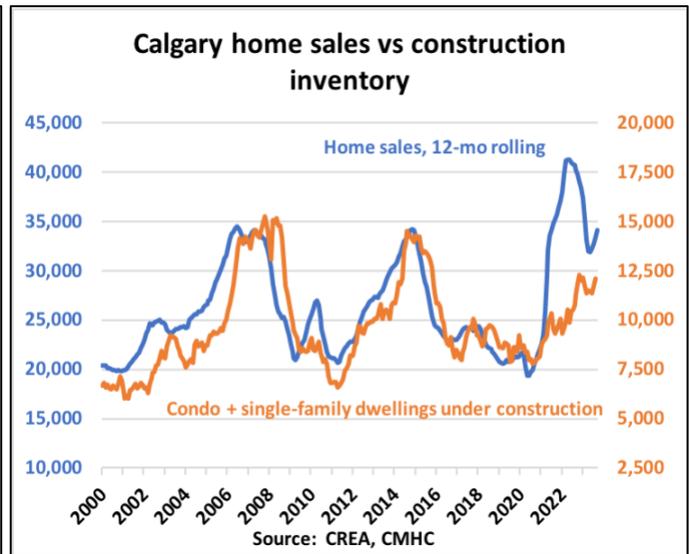
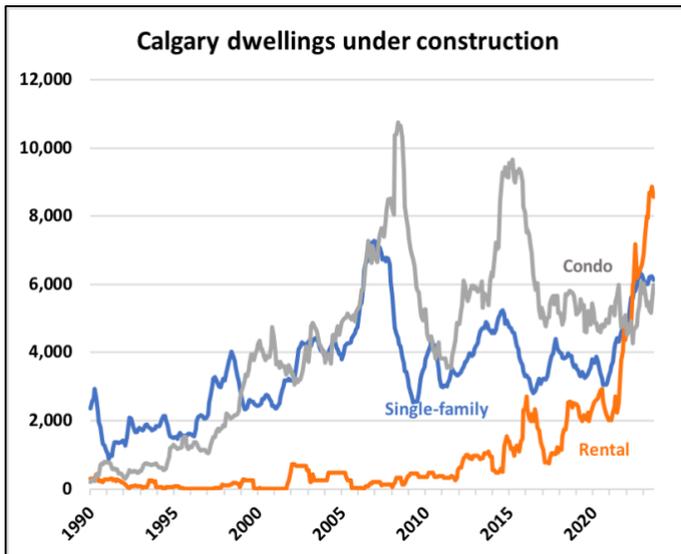


My call remains that Calgary house prices will once again trade AT LEAST in line with the Canadian average over the next few years which, if I'm right, implies significant relative outperformance from here given that Calgary trades still trades at a 27% discount to the national average. Granted that has closed significantly since the 2021 lows when I was banging the table on this trade, but there's plenty of room still to run:



**Construction activity rises slightly**

Calgary is a notoriously boom-bust housing market. Given fewer impediments to bringing new supply to market relative to Toronto or Vancouver, we often see a dramatic run-up in construction just prior to the cycle turning. That makes this an important data point to monitor. The number of homes under construction in Calgary rose 0.4% in September, but are now yet at concerning levels given the strength of the resale market.



Have a great day!  
Ben