

THE EDGE REPORT

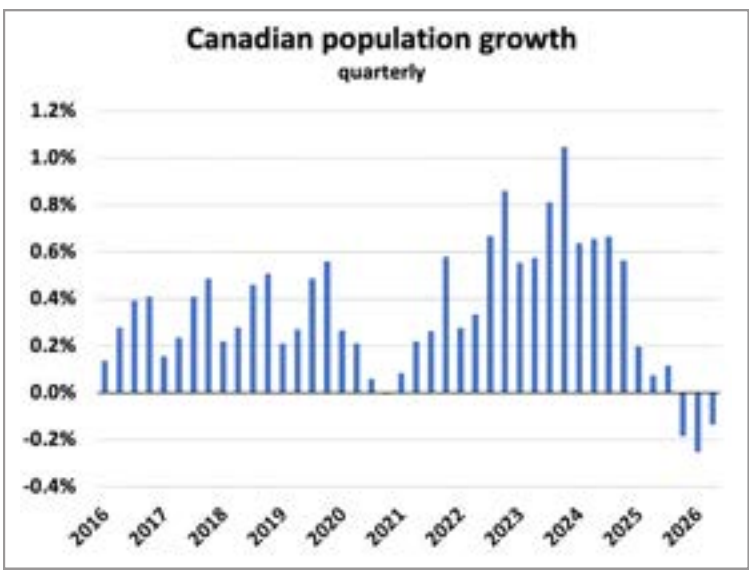
Week of June 18, 2026

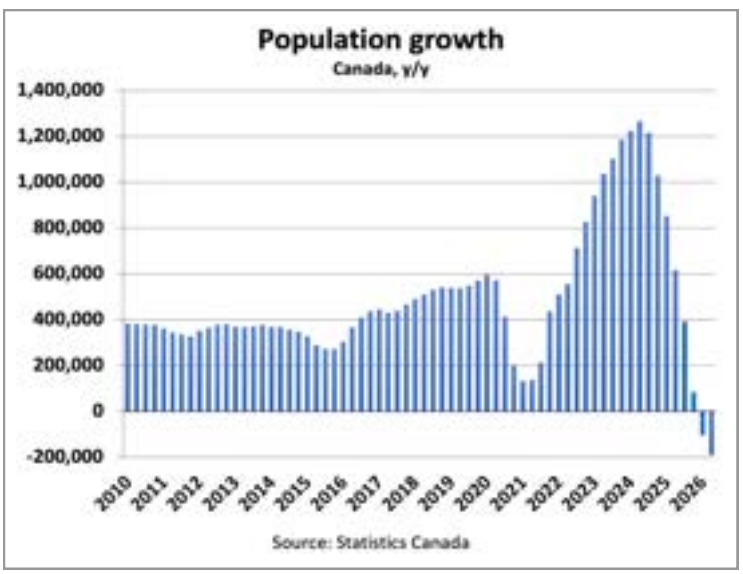
CASHIN™
MORTGAGES
FSRA # 12543

1) Canada's population declines again in Q1: What it means for housing

Record annual population decline in Q1

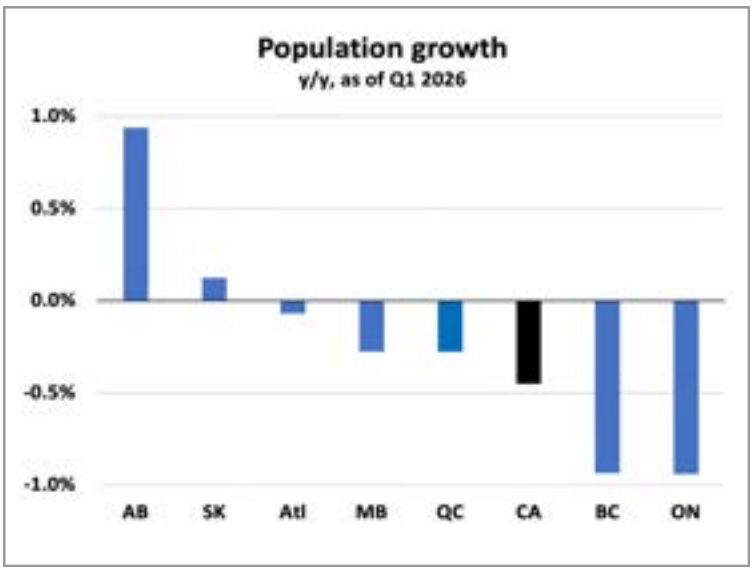
Canada's population fell by an estimated 55,000 people (-0.1%) in Q1, bringing the annual growth rate to -187,000 or -0.5%. This represents the third consecutive quarterly decline following a string of 70 YEARS without a decline outside of Q4 2020 when the population dipped by a meaningless 1,000 people during the pandemic. These are truly unprecedented times for Canada.





Ontario, BC lead declines

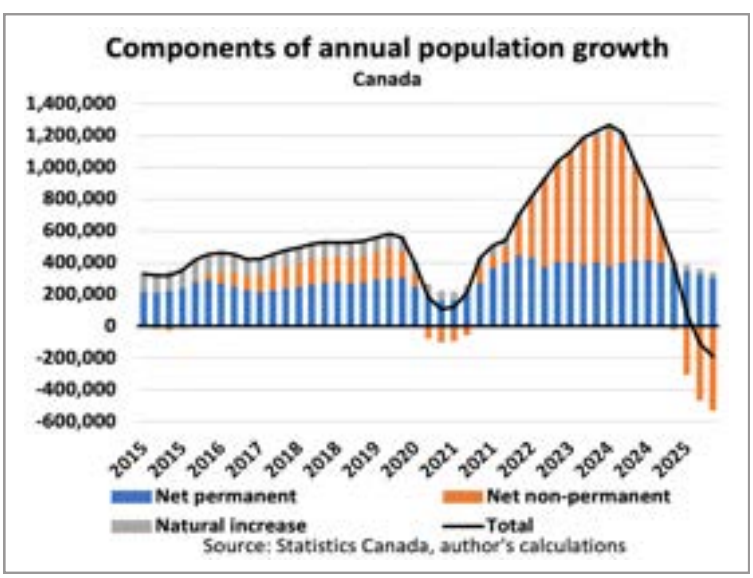
Alberta and Saskatchewan continue to hold onto positive population growth for now, but that's it. Every other region is now seeing declining population on a y/y basis led by Ontario and BC (-0.9% each). Note that Atlantic Canada is now seeing population outflows, which will quickly take the steam out of their rental market given the looming wave of new supply.

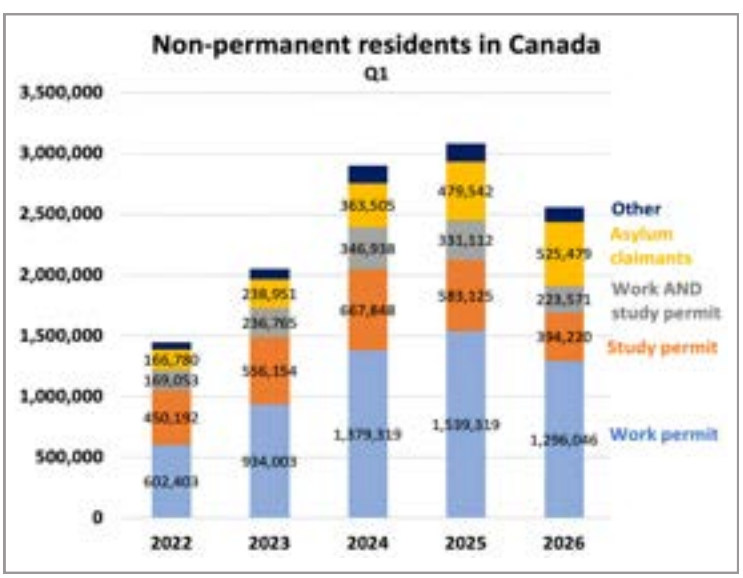


NPRs decline again

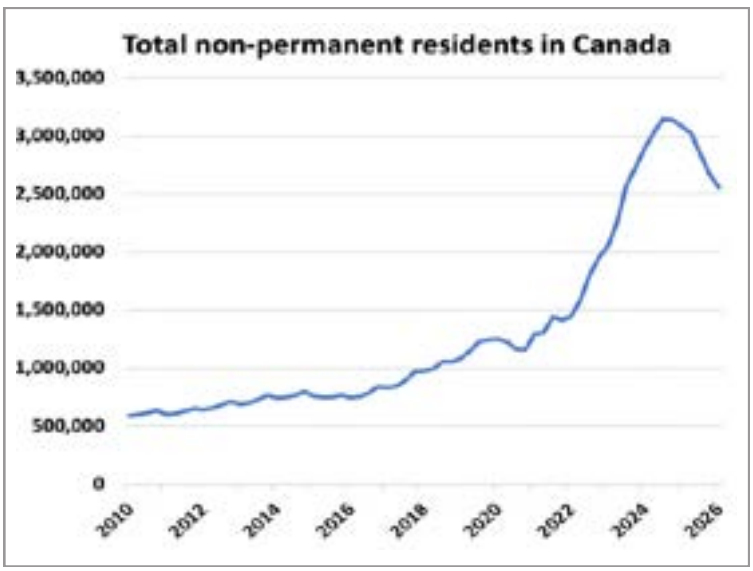
The main driver of population declines was a 118k drop in non-permanent residents….primarily work and study permit holders. That cohort is now down by over half a million in the past year, accounting for the entirety of the headline population decline. This is a key renter cohort, so it's no surprise that apartment REITs with considerable Ontario and BC exposure are seeing falling rents at turnover.

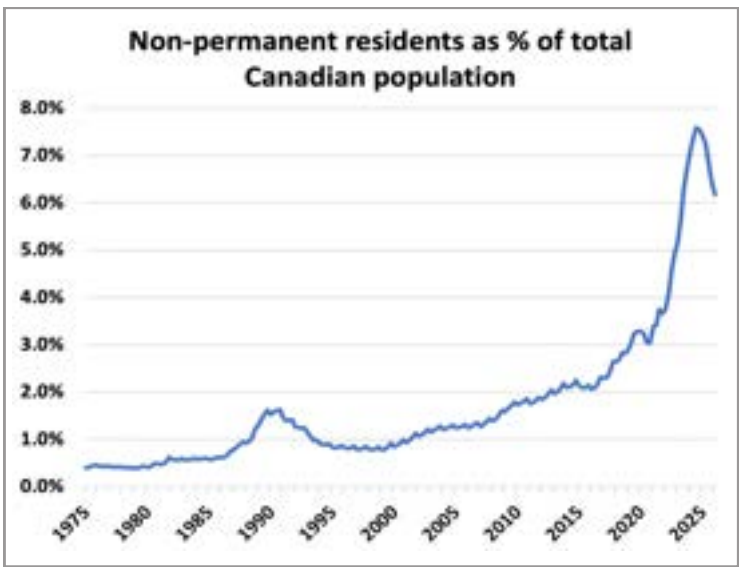
At the same time, the PERMANENT resident cohort grew by 300,000 in the past year. These are prospective future homeowners, reinforcing my view that negative population growth is far less "bad" for the resale market and much worse for rental demand than it would appear.





This trend of declining non-permanent residents will continue right through the year and into 2027 as the feds aim to reduce that cohort to 5% of the total population. There are currently over 2.5 million NPRs in the country representing 6.2% of the population or double what it was at the onset of the pandemic.





"But can we trust the data?"

Canada deserves criticism for its lack of exit tracking and weak enforcement against visa overstays. Those shortcomings have understandably raised questions about the reliability of the underlying data.

Fear not! We can triangulate with other real-world measures. I've tracked net cell phone additions at telcos for some time now, and they are very weak….as one might expect.

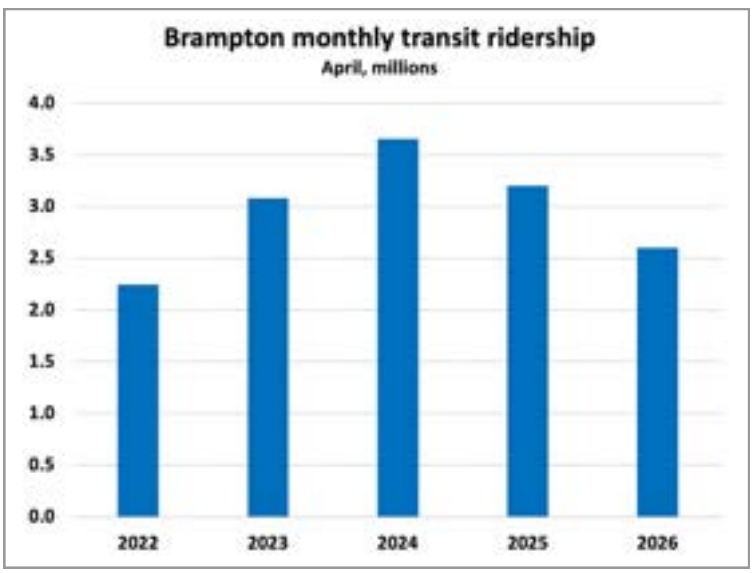
But transit ridership is perhaps a cleaner measure. Most temporary residents will use public transit, making this a pretty good proxy for population growth…at least directionally.

We know it's falling across metro Vancouver. They don't break down the trend by regional hubs but I would wager that Surrey is seeing the steepest decline:



TransLink ridership sees decline in 2025 due to population growth slowdown, including fewer young adults

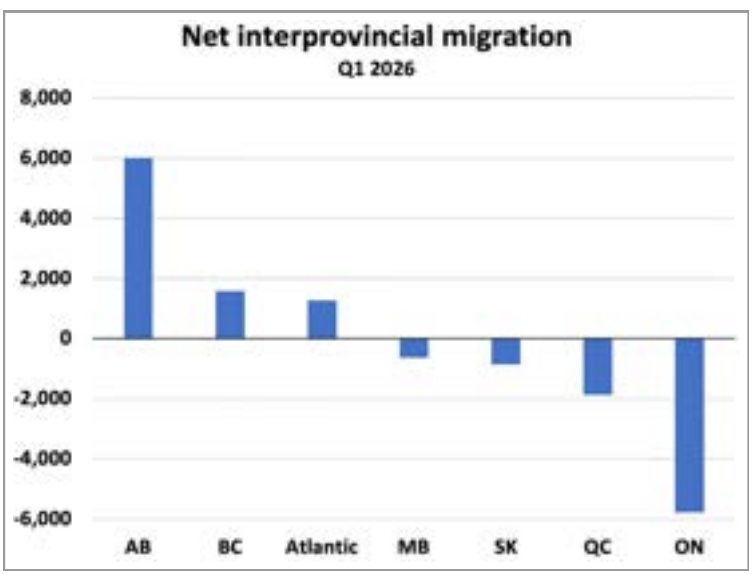
We do have excellent monthly transit data from Brampton and the Waterloo Region (home to Conestoga College), two of the epicentres of Canada's international student and temporary worker boom. The trend is unmistakable. In April, Brampton Transit ridership was down 18.7% y/y and nearly 30% below 2024 levels. Waterloo Region saw ridership decline 7.0% y/y and roughly 30% from its 2024 peak:





Interprovincial flows hammer Ontario

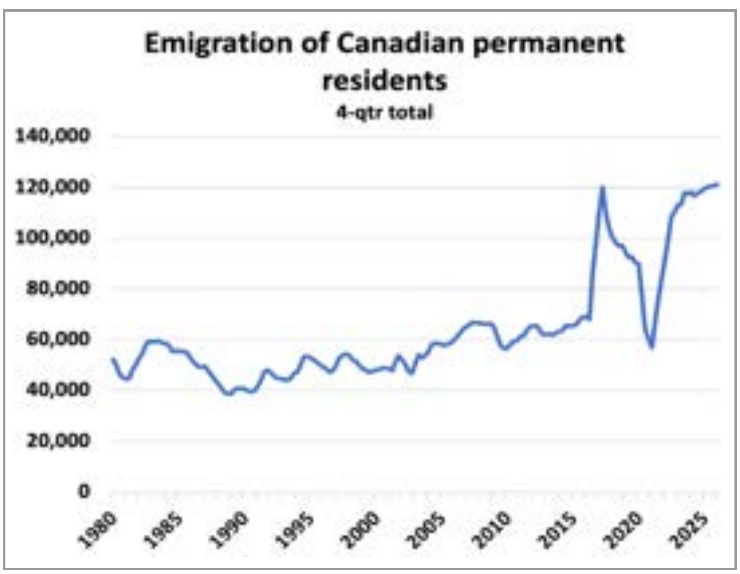
Canada's largest province continues to lose population to the west and the Maritimes, with a net 6,000 people leaving in Q1. These trends will likely persist as Ontario struggles with a weak economy and uncertainty from US trade tensions while Alberta continues to see solid economic growth and much more affordable real estate prices for young workers:





Record number of Canadians also leaving the country

Further weighing on population growth is a record number of Canadians permanently leaving the country. As of Q1, over 120,000 Canadians emigrated out of the country in the past year. Note in the chart below that the "bump" in 2016-2017 was the result of a methodological change from Stats Canada that led to a temporary overstatement of exits:



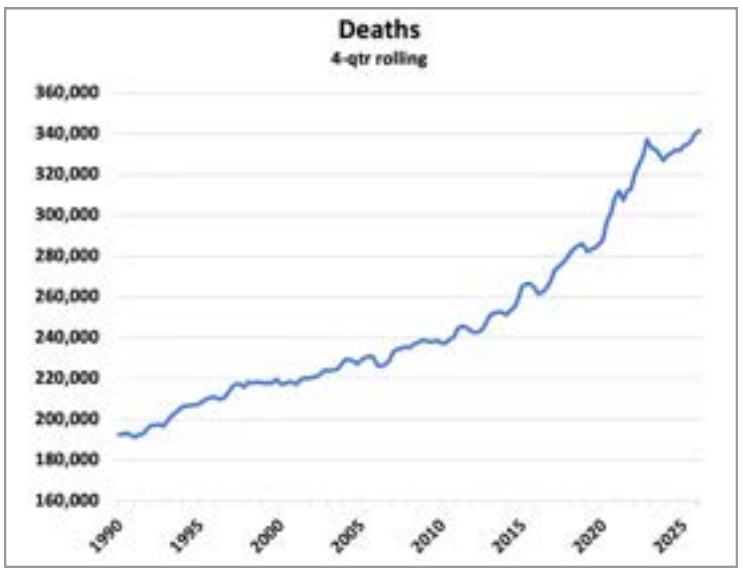
Natural increase plunges as deaths rise

Back in 2010, the natural increase in Canada's population was 150,000. Today it's 1/5th of that. Absent immigration, Canada's population would be rising a paltry 30,000 people annually….and that number is falling rapidly.

Yes, births are below peak, but not much. What is rising sharply are the number of deaths as Canada's population continues to age.

This is one major headwind to Canadian housing over the next decade. The 2021 census showed that between 12 and 14% of detached homes in provinces like BC and Ontario were owned by homeowners who were over 75 at the time. Those who still own are now into their 80s. That's a pile of supply set to change hands in coming years:



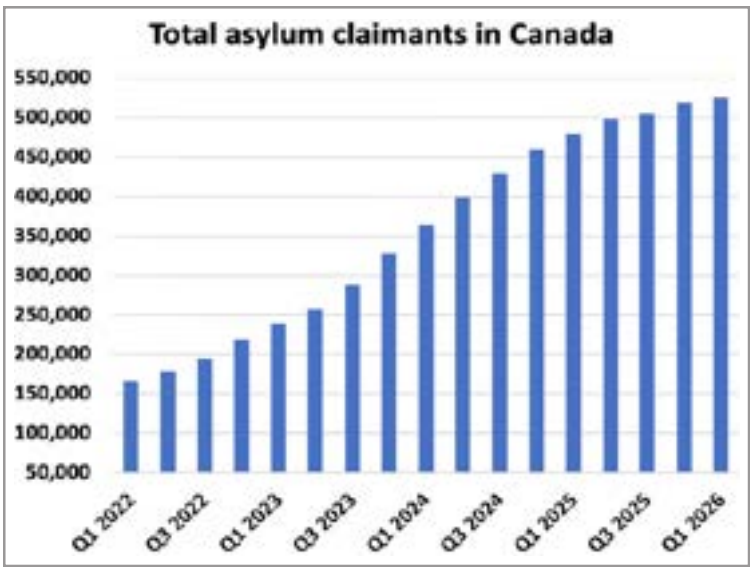


Asylum claimants continue to grow

Rampant abuse of the asylum program continues. We now have 525,000 asylum claimants in the country, up 7k q/q, 46k y/y, and triple what it was in 2022. There is now 1 asylum claimant in the country for every 75 Canadians.

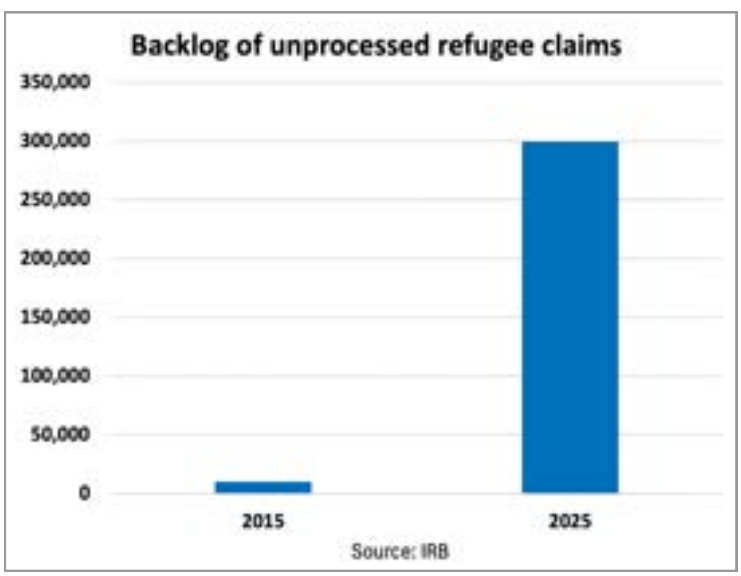
The program's mandate is ostensibly to provide refuge to a select group of vulnerable individuals fleeing legitimate persecution. Instead it has morphed into something the government is now having a hard time controlling, and it remains a "back door" into Canada for all sorts of bad actors globally.

Governments move slowly but they do eventually get things right. This program will likely see major reforms this year.



Your WTF of the week: Canada has a growing backlog of unprocessed refugee claims amounting to 300,000 at the end of 2025. A 2024 PBO report estimated the cost of processing each claim at $16,500. That's $5 BILLION in costs to taxpayers even before accounting for assistance/support payments to those claimants. JUST processing expenses!

For context, $5B is enough to build 2-3 modern regional hospitals.



2) Housing starts fall in May, but rentals hit fresh all-time highs

Housing starts fall in May

Housing starts fell 6.1% m/m in May to a seasonally adjusted annual rate of 261,000 units.

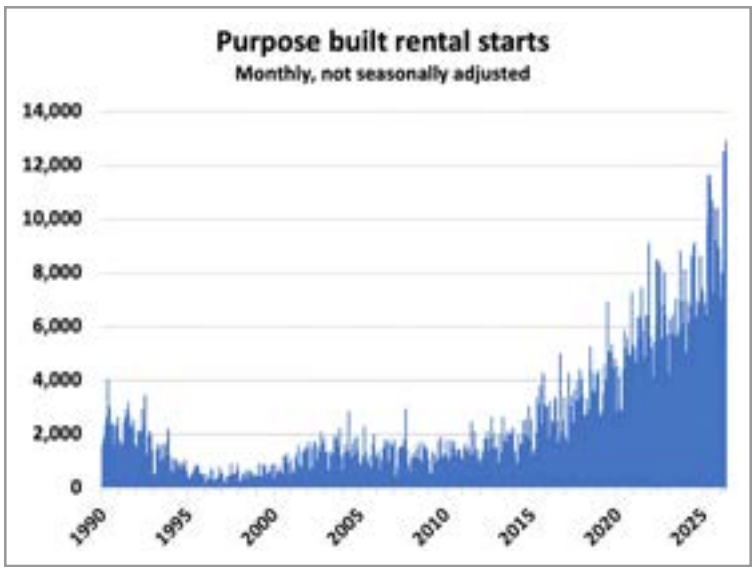
Pause for a moment and consider how extraordinary that is. Canada is currently posting a housing construction run rate of 261,000 units per year despite the population shrinking by 187,000 over the past 12 months. Developers appear to be building for a demographic reality that does not exist at the moment.



Another record for rental starts

What's even more remarkable is the composition of those starts. Regular readers won't be surprised, but Canada set yet another record for rental construction. Nearly 12,900 rental units were started in May alone, surpassing the previous record of 12,500 set just one month earlier.

Over the past year, construction has begun on an astonishing 116,000 rental units across Canada's major metropolitan areas. The rental supply pipeline continues to expand at a record pace, even as population growth in a key rental demographic has gone into reverse.





At the same time, "homeowner" starts just broke below the 2009 Financial Crisis lows:



And for the single-family segment specifically, it's been 30 years since we've seen starts this low. It's hard to be exceptionally bearish on this segment specifically with new supply set to be constrained to this extent:

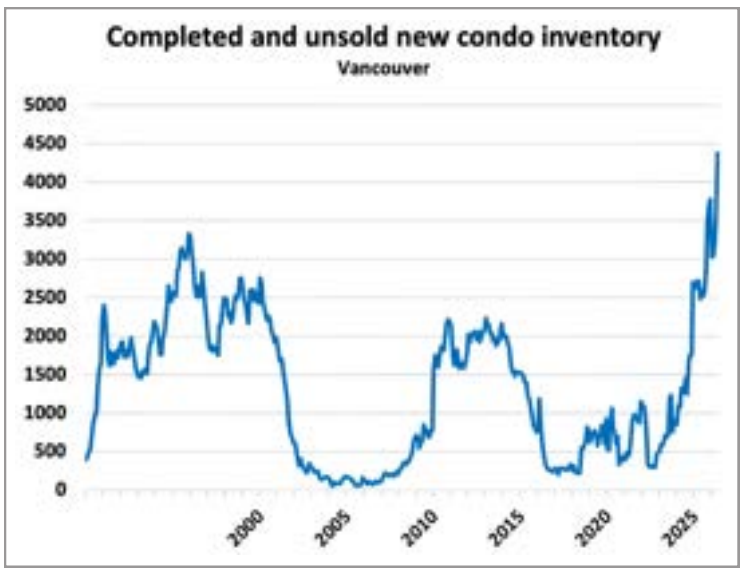


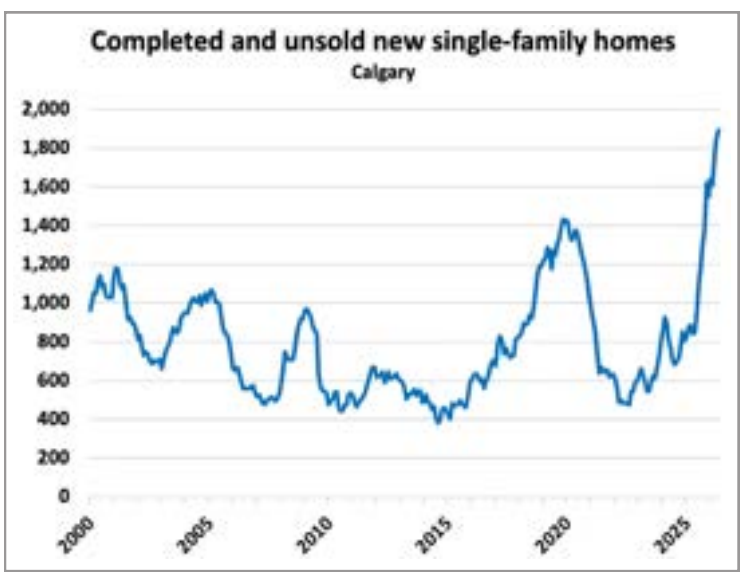
Unsold inventory hits record highs

You can't entirely fault developers for pulling back on condos and single-family construction given that they were sitting on a record number of completed and unsold units in May, breaking through 20,000 for the first time ever.



That increase is being driven by some specific regional dynamics…condos in Vancouver and single-family homes in Calgary are two that jump out:





Of note, CMHC is revising their methodology for tracking this data in Ontario, and I'm certain the numbers will be revised higher.

Rental supply tidal wave continues to grow

The number of dwellings under construction in Census Metro Regions alone hit 364,000 in May, up 3.1% y/y. Of those, 195,000 are rentals, and that number has surged 23.1% in the past year. Contrast that with -5.7% y/y for single-family and -15.7% for condos.



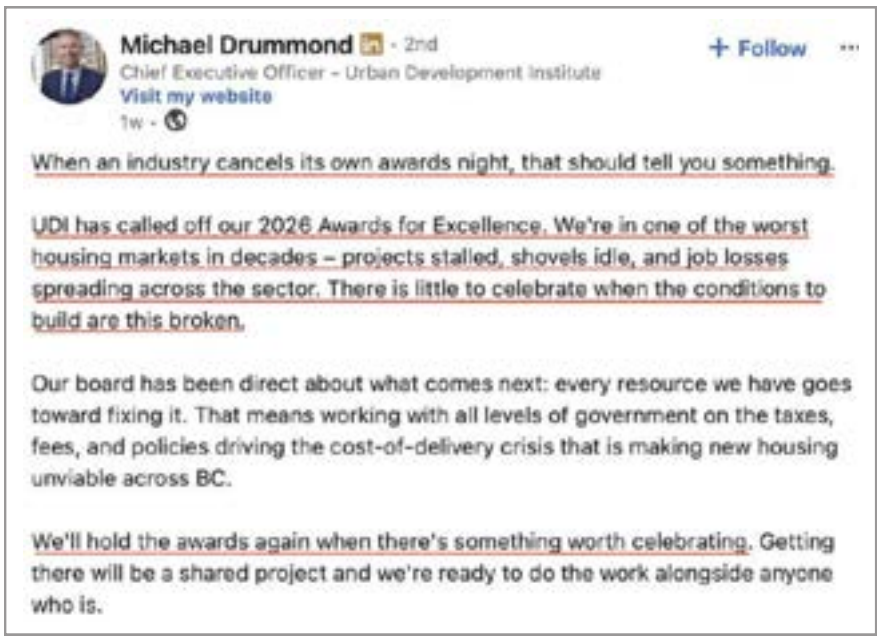
Related, from the Globe and Mail[1]:

> **Wave of purpose-built rental units gives tenants an edge in changing market**
>
> […] Canada's rental market has shifted to favour renters faster than experts predicted, said Giacomo Ladas, associate director of communications at Rentals.ca.
>
> Since 2025, rental markets have experienced a dual shock of softer demand and growth in supply. Demand fell from lower population growth due to limited immigration, and supply rose after a wave of housing starts at the turn of the decade began entering the market.
>
> As a result, the average vacancy rates have gone up in the six largest markets in Canada: Toronto, Montréal, Vancouver, Calgary, Ottawa and Edmonton, according to CMHC data.
>
> In the Greater Toronto and Hamilton Area, the vacancy rate for the first quarter of 2026 was 5.4 percent, double what it was at the same time in 2024, according to Urbanation, a Canadian real estate research and consulting firm.
>
> Landlords are responding by decreasing rents and offering incentives. In the same Urbanation report, the most common incentive offered by purpose-built rentals was two months of free rent. This was offered by 47 percent of projects, while four per cent of projects offered three months, up from one percent last year.
>
> "That's just how low demand is right now," Mr. Ladas said.

But hey, builders have to build. And that means pivoting to rentals…hopefully with an offtake agreement from a REIT or pension plan. Those who made that pivot are at least keeping shovels in the ground.

For everyone else, well, consider this a sign of the times…from The Urban Development Institute in BC:

[1] https://www.theglobeandmail.com/real-estate/article-purpose-built-rentals-housing-market-canada/



Michael Drummond · 2nd
Chief Executive Officer – Urban Development Institute
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When an industry cancels its own awards night, that should tell you something.

UDI has called off our 2026 Awards for Excellence. We're in one of the worst housing markets in decades – projects stalled, shovels idle, and job losses spreading across the sector. There is little to celebrate when the conditions to build are this broken.

Our board has been direct about what comes next: every resource we have goes toward fixing it. That means working with all levels of government on the taxes, fees, and policies driving the cost-of-delivery crisis that is making new housing unviable across BC.

We'll hold the awards again when there's something worth celebrating. Getting there will be a shared project and we're ready to do the work alongside anyone who is.

It's clear to me that the government via CMHC has decided to help keep the industry afloat by providing exceptionally favorable terms on new rental construction, which makes sense given what's at stake.



…but in the process they are clearly willing to sacrifice existing investors/apartment REITs.

3) Takeaways from May home sales: Price declines now confined to condos

Demand rebounds

Seasonally adjusted home sales rose 5.5% m/m in May, led by gains in Ontario (+8.8%) and British Columbia (+5.8%).

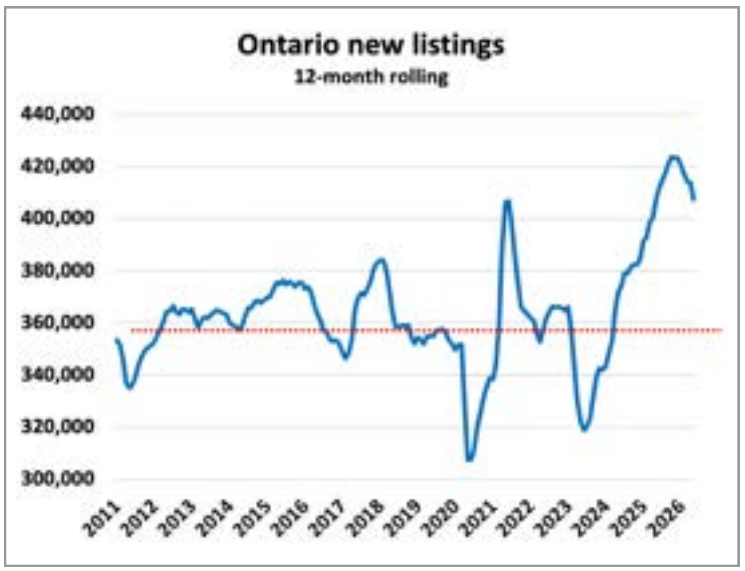
Even with that rebound, sales remained 5.1% below year-ago levels and registered the second-weakest May reading since the 1990s. In other words, while activity showed some signs of life, the underlying demand backdrop remains exceptionally soft.



All eyes on supply

New listings were down 1.0% m/m but came in 7.9% below year-ago levels and down 12.7% in Ontario. They remain at historically elevated levels but have clearly peaked:



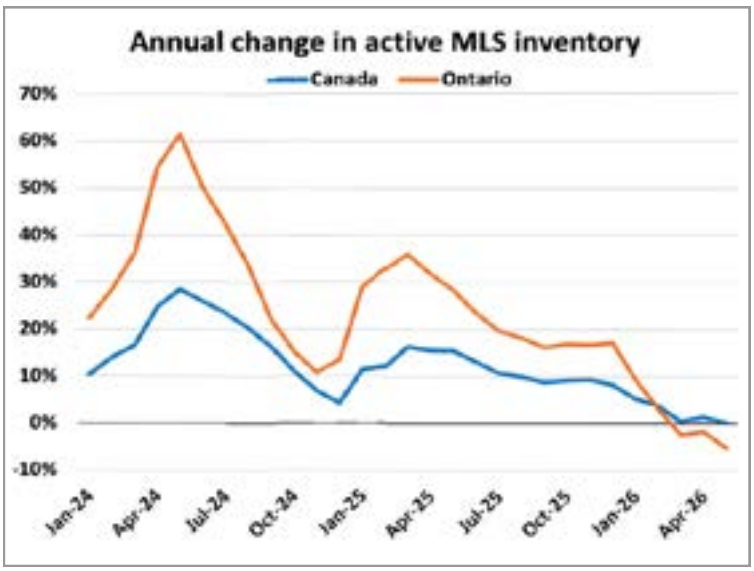


We're now in a tug of war between falling new homeowner completions and a continued flow of supply from distressed investors and aging boomers. On the investor side, consider:



Seasonally adjusted active inventory ticked up 0.1% m/m nationally driven by increases in Quebec and Alberta (+1.9% and +1.3% respectively) while declines were registered in Ontario (-1.2%) and BC (-0.3%).

Inventory is now flat y/y nationally and DOWN in Ontario and BC (-5.0% and -3.4%). Few people saw that coming:





Market balance tightens

The sales-to-new listings ratio perked up to 49.1%... extremely low in historical context but still the best showing of the year.



Meanwhile Ontario and BC, the epicentres of the current downturn, saw this ratio rise above 40% for the first time this year. In Ontario, that's basically where we bottomed in the Financial Crisis, so this is still deep into buyer territory.



Prices decline, but entirely due to condo weakness

The MLS House Price Index registered a modest 0.1% m/m decline in May, the smallest since January 2025:

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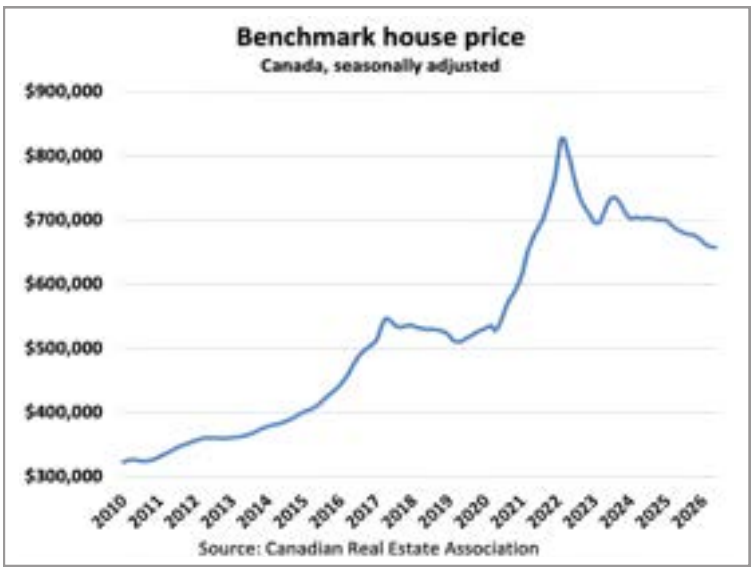
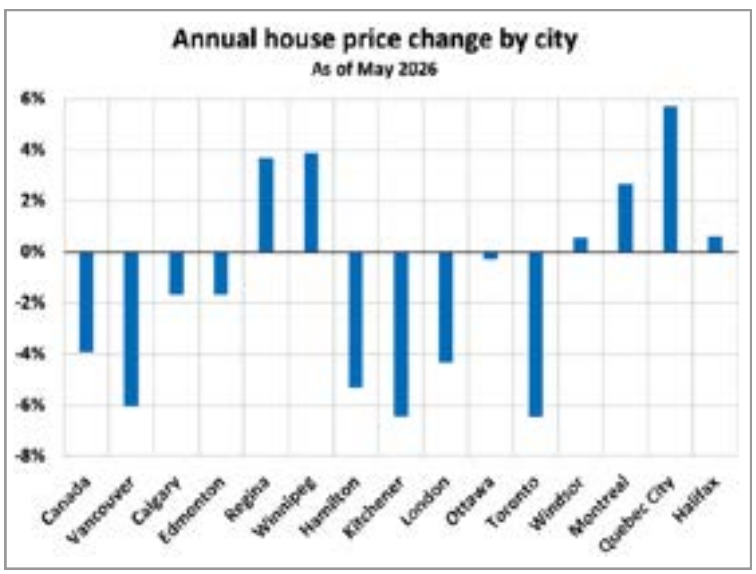


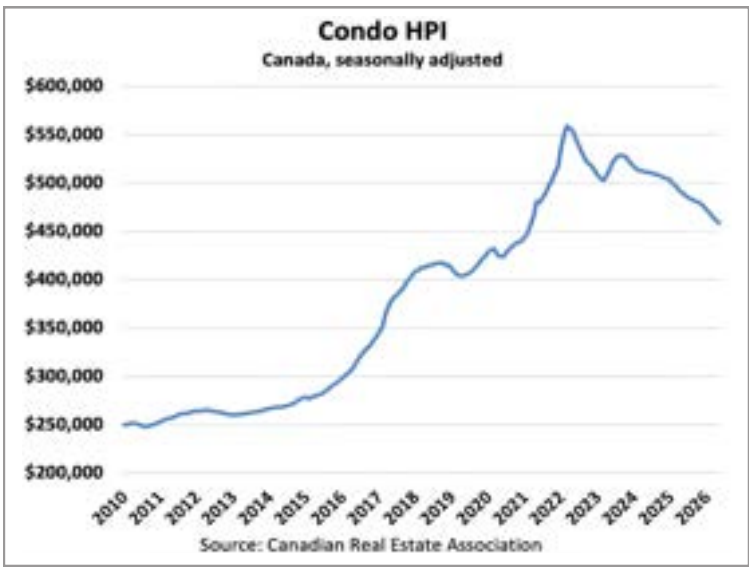


That left prices down 4.0% y/y and down 20.5% from peak, but with considerable regional variation. Winnipeg now stands alone as the only major metro region that is at record pricing currently.

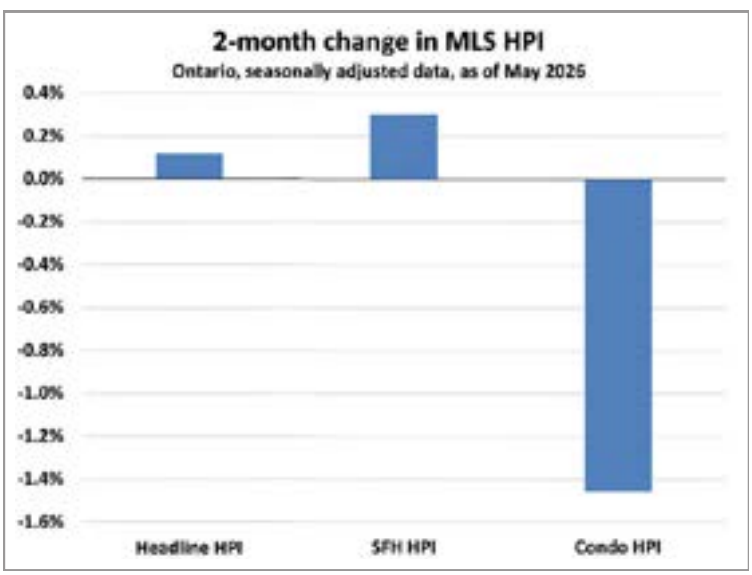




Interestingly, the entirety of the monthly decline in May was concentrated in the condo segment where price pressures are intensifying. The single-family segment nationally was actually up slightly:

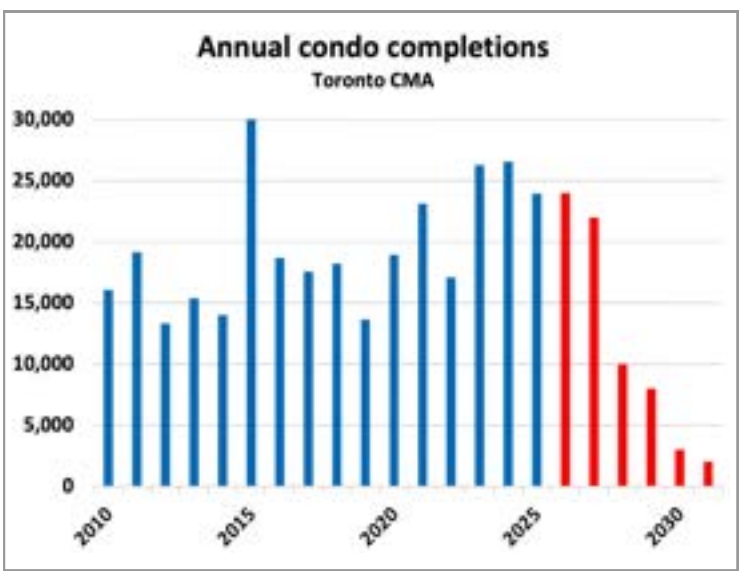


Take Ontario as an example. Shown below is the price change over the past 2 months by segment:



This publication in early 2025 pegged the second half of this year as the likely inflection point where a slowdown in new single-family construction would finally show up in falling resale inventory and lead to a tightening in the market that few saw coming. I'm as comfortable now with that prediction as ever, and I think there's a good chance that we are mere months from a bottom in house prices nationally.

Unfortunately, I'm not as optimistic on the condo segment, and it's worth noting that the accelerating price decline is not helpful for preconstruction condo buyers needing to close. We still have plenty of them on deck this year and next in Toronto, and with OSFI now leaning on the "blanket appraisal" scheme, the trend in default at closing will almost certainly get worse from here:



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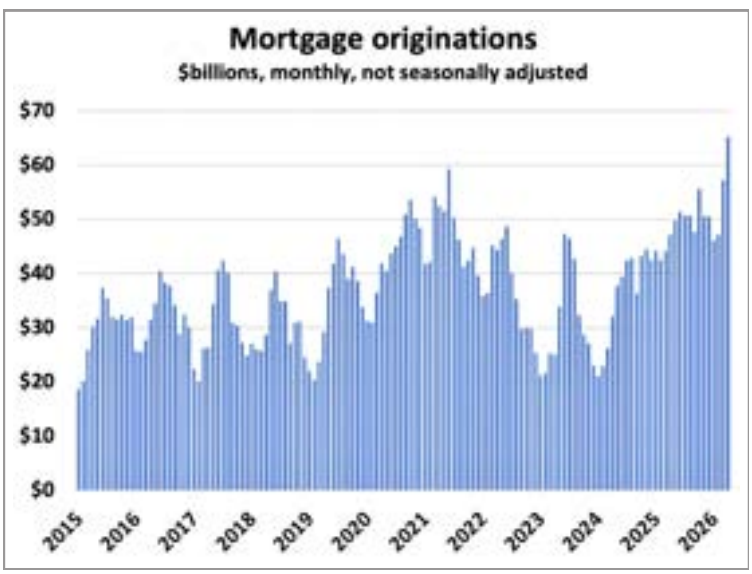
4) Credit tidbits: Peak renewal pain as originations hit record in April

Peak renewal pain as originations hit $65B

Total mortgage originations, including new loans + renewals + refis, hit a record $65B in April alone, up 38% y/y. That pushed the 12-month total to $621B…eclipsing the 2021 peak:





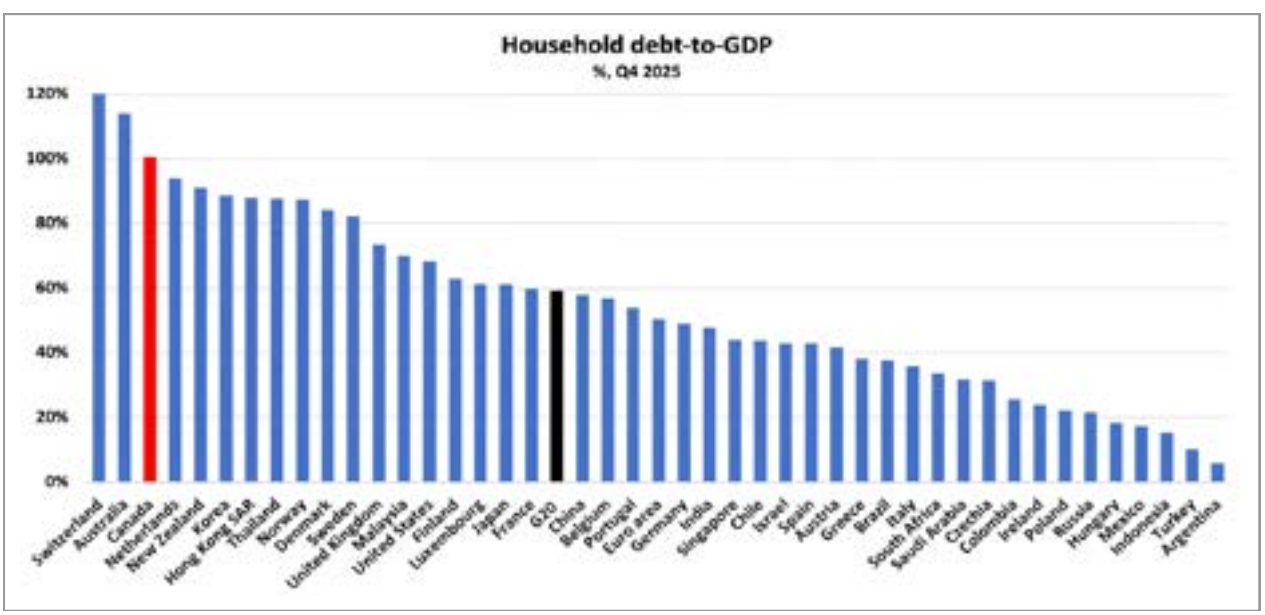
We're now at peak pain for mortgage renewals if we measure them as a function of the volume x average change in payments. By my math, borrowers renewing 5-year terms in April saw monthly mortgage payments rise nearly 25% if we compare best available rates for that month in 2021 to the best available in 2026.



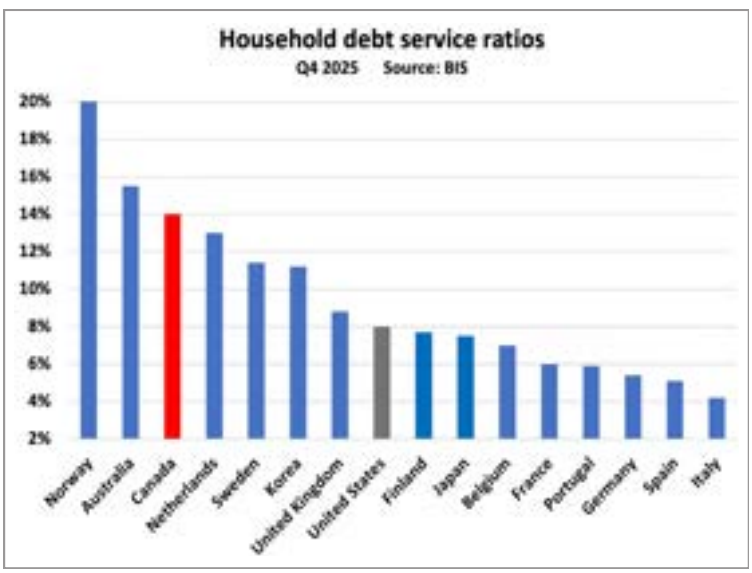
I expect we'll see a continued inflection higher in mortgage delinquencies as we move through this year and into next and continued weakness in discretionary spending as households wrestle with these higher rates.

Canadian households are still the third most indebted globally

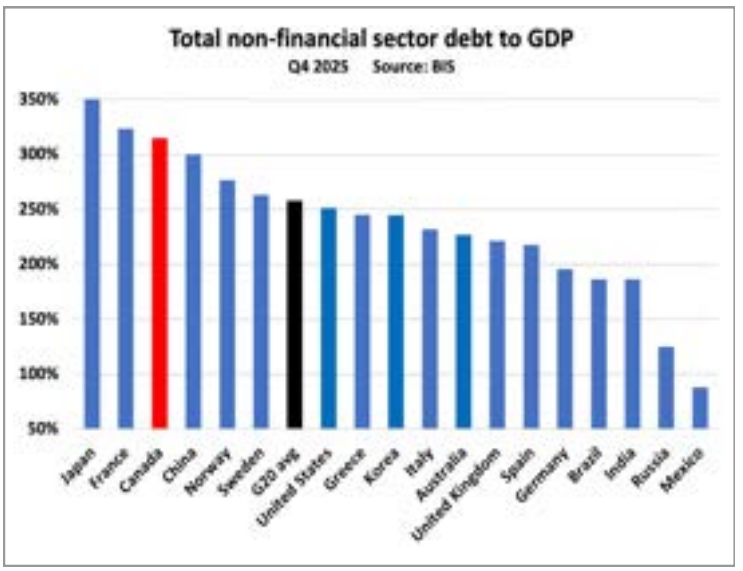
The BIS has updated their global credit database. The data is as of Q4 but it does help contextualize Canada's household debt burden (100% of GDP) against global peers and the G20 average of 60%:



We know debt servicing ratios remain elevated, but again it's helpful to plot them against other countries, notably the US where the Federal Reserve heavily influences global rates. Being nearly double the US and heavily exposed to short-term fixed or floating rate debt leaves Canadian households heavily exposed to a US-led rate hiking cycle should one materialize:

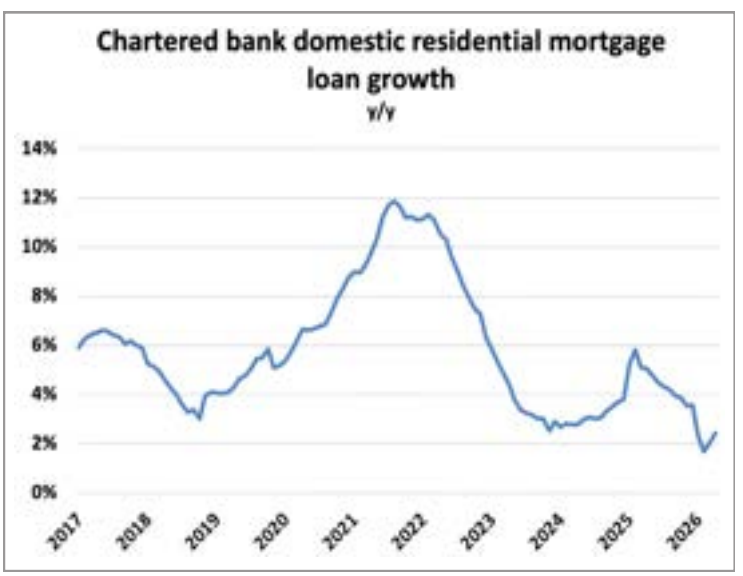


But it's not just households. Aggregating all debt, including various levels of government and non-financial businesses, Canada remains in rarified air….one of only 4 major economies globally in the 300% club and more than 50 percentage points above the G20 average:



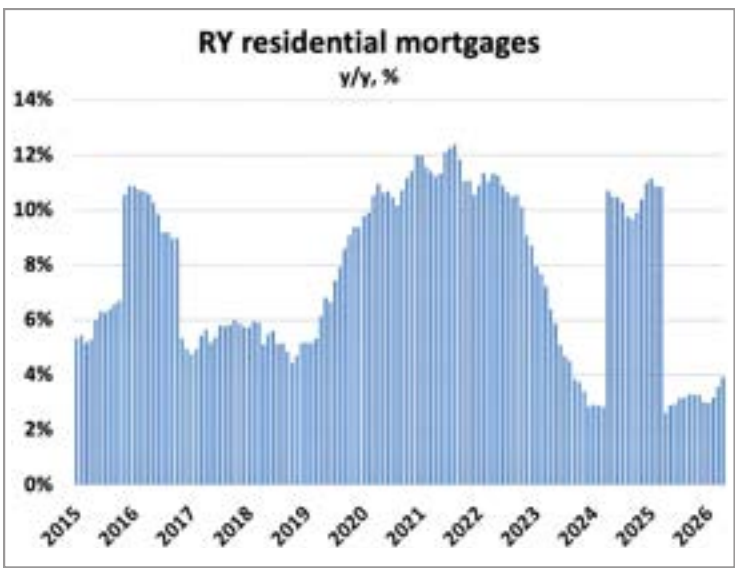
Tidbits from OSFI balance sheet filings

Chartered bank domestic residential mortgage loan growth hit 2.4% y/y in April according to the latest OSFI balance sheet filings, a modest uptick from the cycle low of 1.7% registered in February:

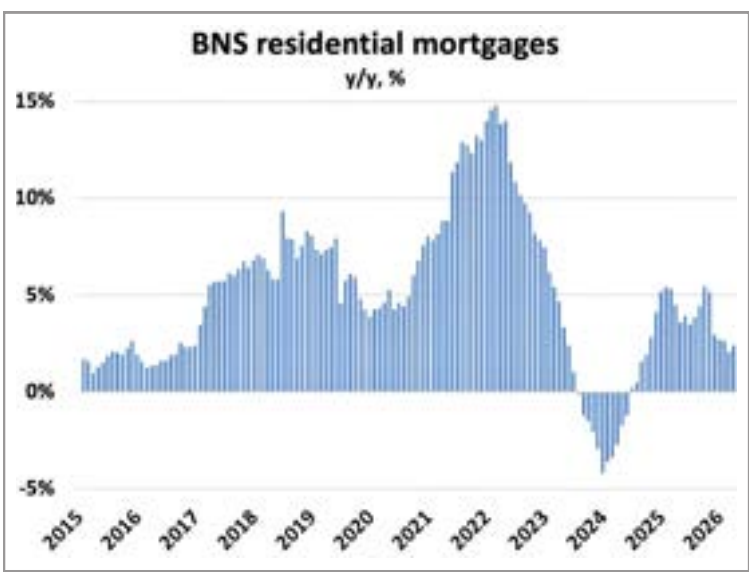


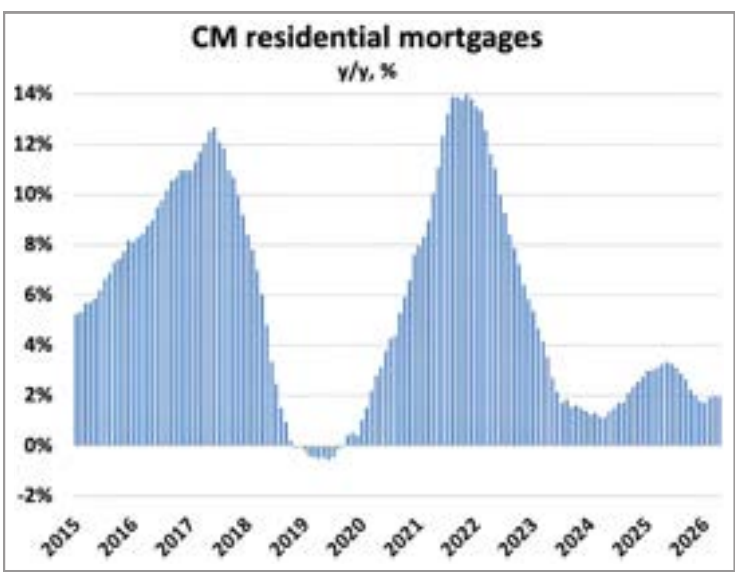
Among the "big 6", National Bank remains far and away the leader in resi mortgage loan growth at 8.5% y/y, more than double the next contender, RBC, at just 4.0% y/y:



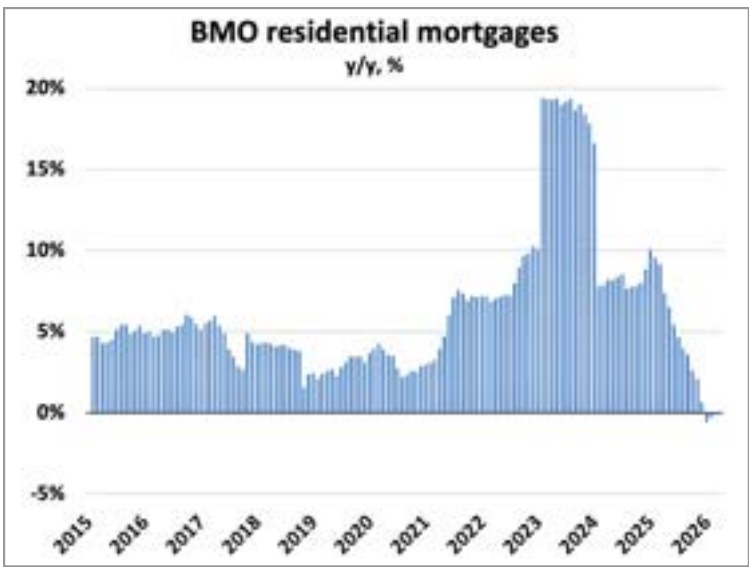


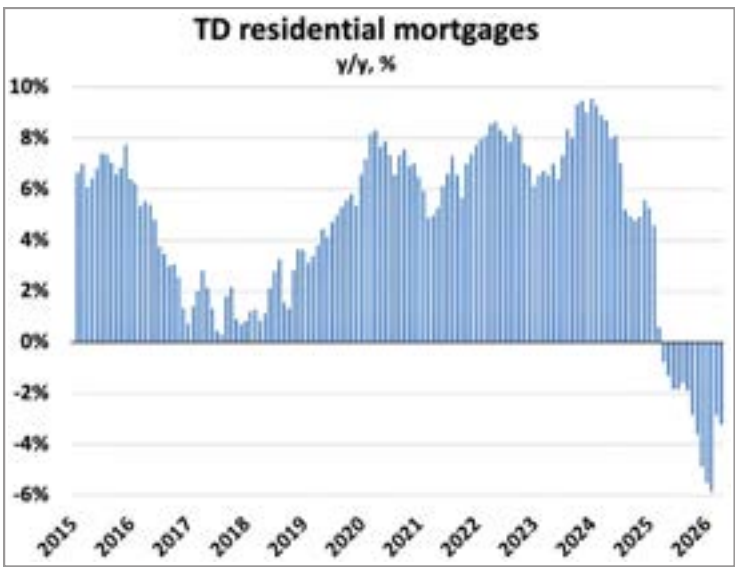
BNS and CIBC are both seeing loan growth in the 2% range…



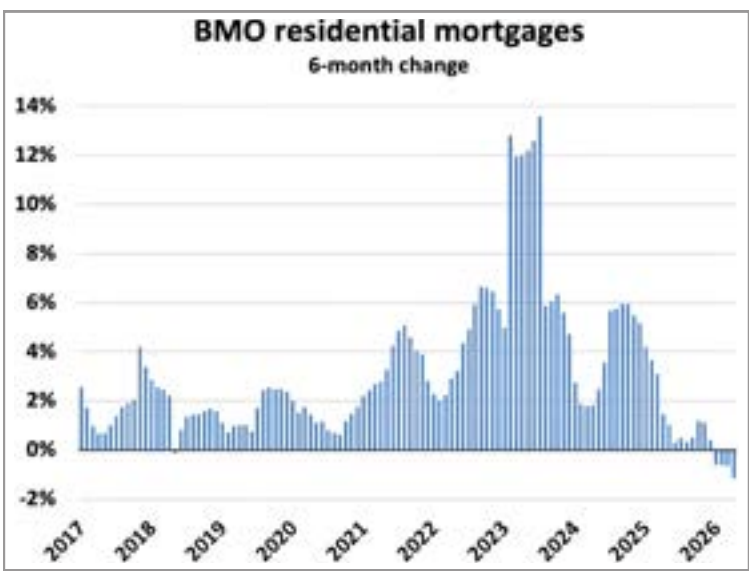


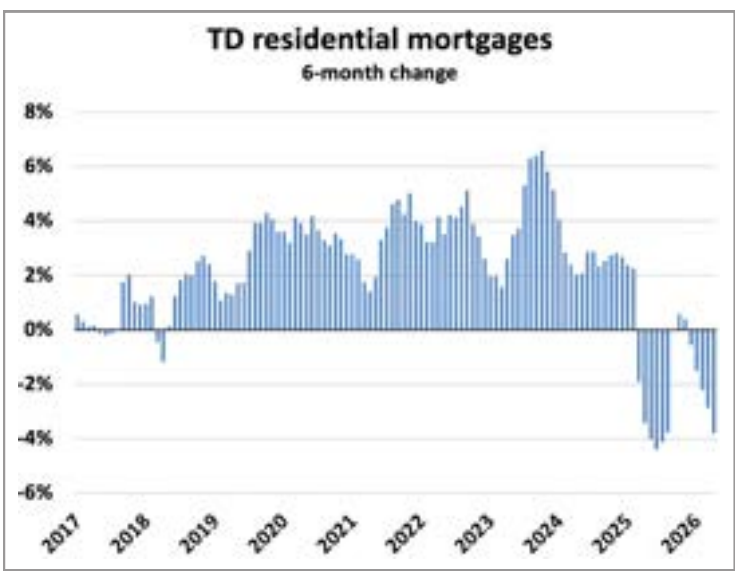
…while BMO is flat and TD negative to the tune of 3.2% y/y:



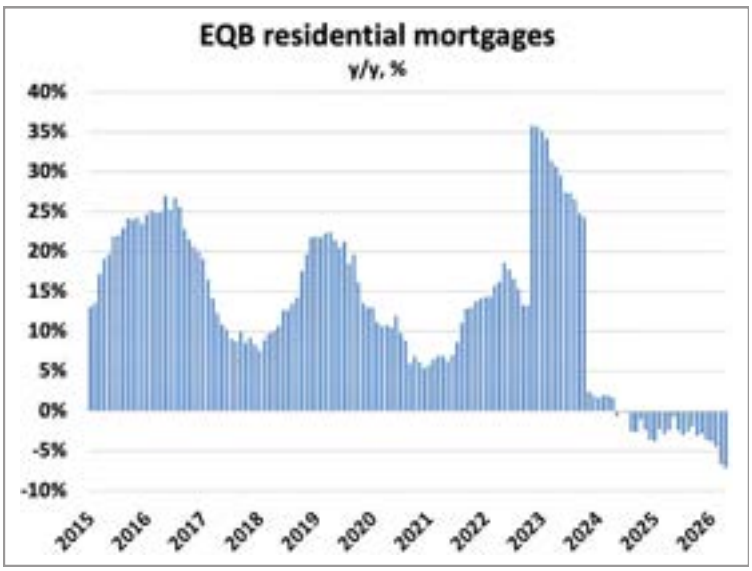


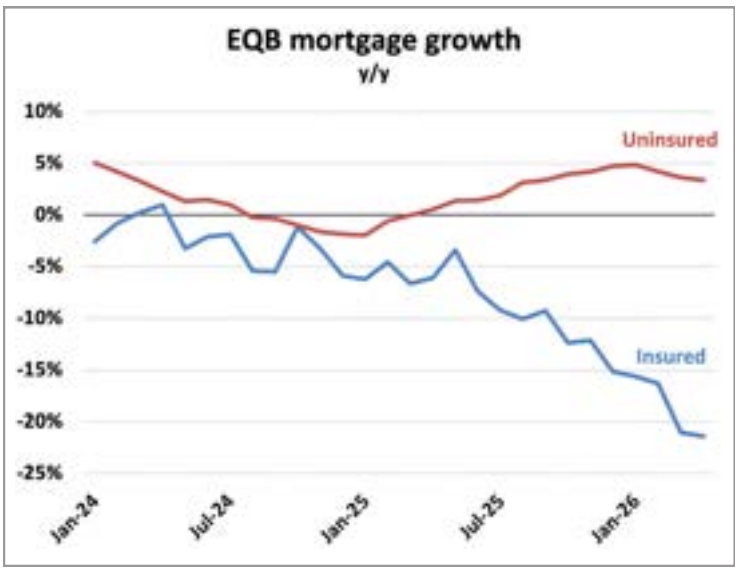
If we isolate just the last 6 months, both BMO and TD are seeing steep declines in mortgage loans:





They're not alone. Non-prime lender EQB is seeing its loan book run off at a 7.1% annual clip overall, but that's perhaps a tad misleading. In reality they are shedding low margin insured loans at a 21% y/y clip and growing their higher margin, albeit riskier, uninsured/non-prime lending by 3.4% y/y:





5) *Odds and ends: Business hiring intentions fall, IPPI points to hot CPI on deck*

Business confidence ticks up but hiring intentions fall

Small business confidence in Canada ticked up 3.3 points in June, only partially retracing the 11.3 point plunge the prior month. Alberta was the only "big four" province to register a gain on the month while Ontario led to the downside with a 4.1 point drop:

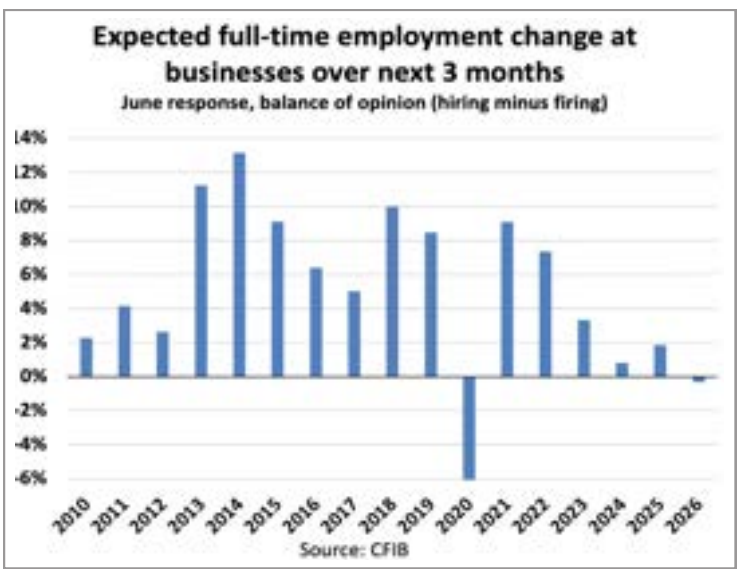




Two things stood out in the survey data.

The first is average price plans which ticked down slightly in May but are still holding at 3%, well above the long-term average. The second is hiring intentions which came in negative in June for only the second time in survey history. This data is not seasonally adjusted, and many seasonal businesses are ramping hiring at this time of year. It's very unusual to have business report a net decline in hiring intentions heading into the summer:



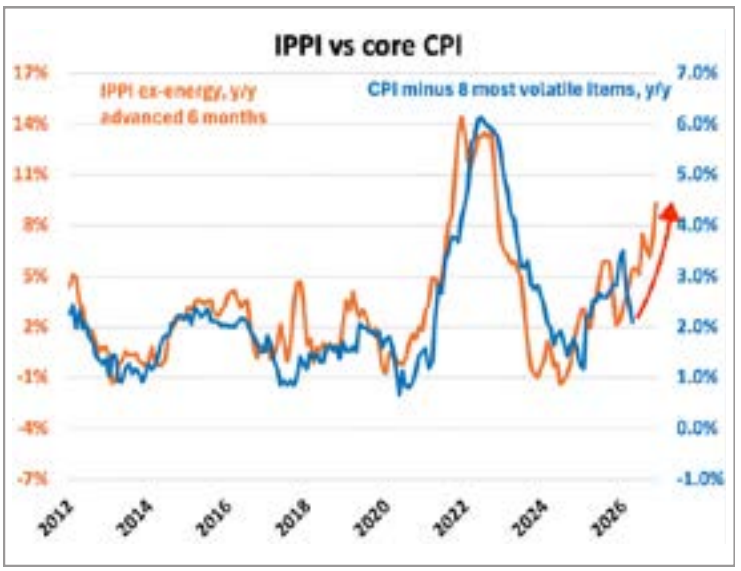


Factory prices point to rising inflationary pressures

The Industrial Product Price Index (IPPI), which measures the price of finished goods leaving factories, jumped 1.2% m/m in May including a 0.9% increase in the ex-energy component. That leaves the index up a whopping 13.6% y/y and up 9.3% ex-energy.

Outside of the inflationary spike coming out of COVID and the early 1980s, this is the highest reading in the past 50 years!





Historically, the IPPI ex-energy has been an excellent predictor of core inflation trends in Canada. A reading at this level points towards a core CPI print well north of 4% later this year, which won't necessarily matter as long as inflation expectations stay anchored when we get that reading this summer. But if not, expect markets to price in rising odds of hikes again this fall.

For my part, I remain of the view that the Bank of Canada will NOT HIKE rates this year…but that is entirely predicated on a durable peace deal out of Iran that would see a sustainable decline in energy prices. If that doesn't happen, all bets are off!

Furniture and appliance stores taking it on the chin

Fallout from the housing downturn. From the Globe and Mail[2]:

> **Appliance, home retailers are buckling under a soft housing market. Customers are paying the price**
>
> […] But in April, just months before they were supposed to move in later this summer, Coast Wholesale Appliances Inc., their supplier, was granted an initial court order under the Companies' Creditors Arrangement Act.
>
> […] According to documents published by the court-appointed monitor, PricewaterhouseCoopers, Vancouverheadquartered Coast has faced mounting pressures from a slowdown in residential construction and supplychain strains brought on by the conflict in the Middle East.

[2] https://www.theglobeandmail.com/investing/personal-finance/article-housing-market-appliance-home-furnishing-retailers-coast/

"For several months, the debtor entities have seen a sustained trend of decreased revenues and sales," said an affidavit with the filings.

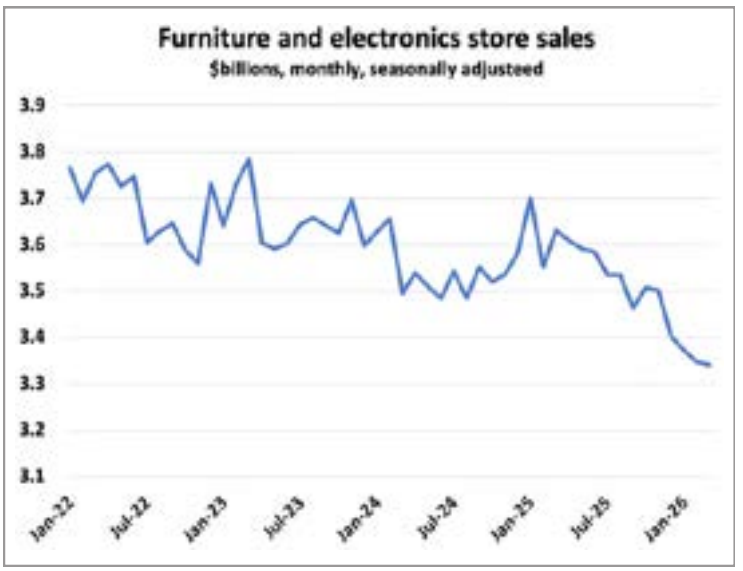
[…] For appliance, furniture and cabinet makers supplying the housing sector at large, "there's a slow kind of erosion of the industry," said Mike Baker, chief executive officer of the Wood Manufacturing Cluster of Ontario, which represents 3,500 small and medium-sized enterprises.

Tighter consumer spending and weak residential construction has meant fewer new homes requiring complete furniture or appliance packages. He estimated a 5-per-cent bump in insolvencies among businesses supplying the sector.

William Roberts, a partner at Lawson Lundell LLP, a law firm whose focus includes insolvency and restructuring, said appliance companies in particular made large percentages of their profits from selling to condo developers.

"They would sell 200 stoves and 200 fridges and 200 washing machines for a large development at once," he said. "When those developments stopped, that dried up a huge market."

We can certainly confirm this trend in the data. Furniture and electronics store sales have fallen 8% in the past year according to Stats Canada while the latest same store sales at Leon's Furniture were down 4% y/y:





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