

THE WEEKLY EDGE

Week of August 10, 2026

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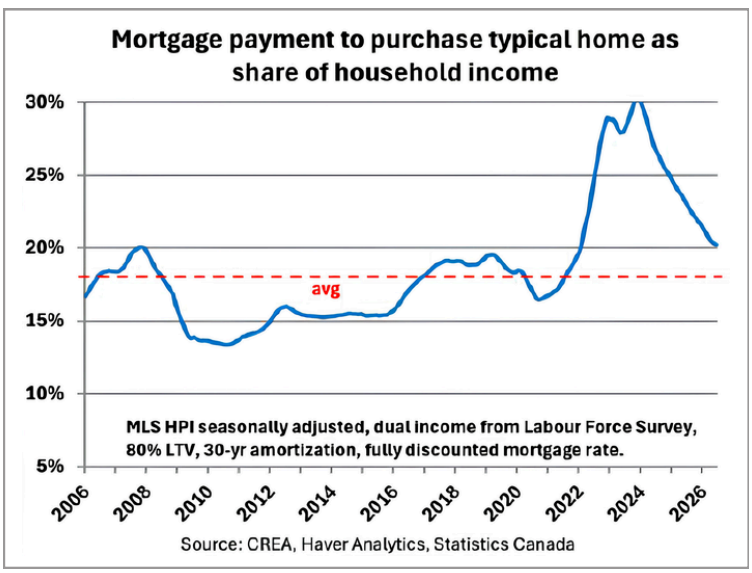
MORTGAGES
FSRA # 12543

1) Two key themes in this publication over the past year:

Two key themes in this publication over the past year:

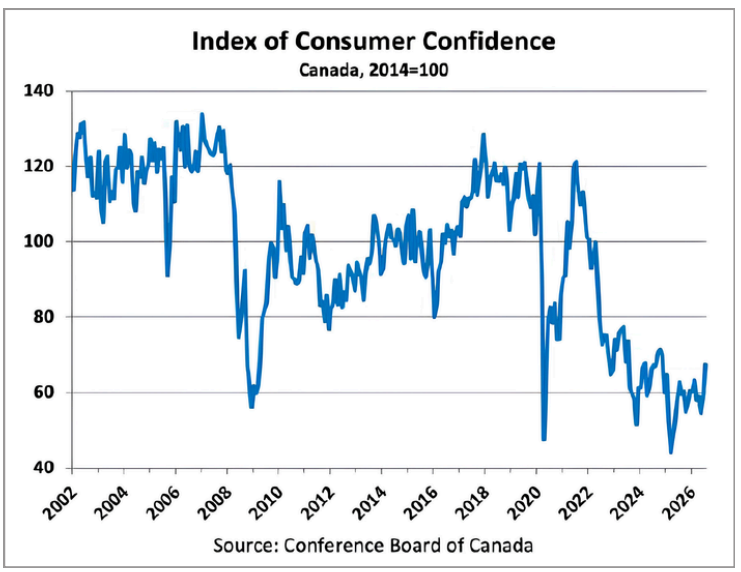
- CONFIDENCE is constraining resale demand more than affordability
- The market will likely inflect in the second half of 2026 as falling new completions would start to tighten the resale market in Ontario and BC

On the first point, let's remember that affordability is not great today by any means but is back to levels seen in 2021 nationally….a time when home sales were running nearly 50% above current levels.



In other words, there's plenty of room for demand to perk up even with affordability at challenging levels. So why aren't people buying?

One factor is confidence. When people lack it, the first casualty is big ticket spending….and nothing's bigger than a home. Canadians are still shockingly pessimistic at the moment, notwithstanding a very solid uptick in the latest reading from July:



Without confidence in the outlook, it's hard to get buyers to engage. No one wants to feel foolish by buying and having the market drop from under them.

But is there a shift in narrative at play? Consider below from the Financial Post[1], including commentary from yours truly:

> **There are signs of hope in Canada's housing market. Is it time to use the 'b-word'?**
>
> It's been more than four years since Canada's housing boom came to an abrupt end in 2022, and throughout that period the perennial question hanging over the market has been, how much farther will it fall?

[1] https://financialpost.com/real-estate/has-the-canadian-housing-market-hit-bottom

Now, some economists are cautiously floating the 'b' word, positing that we may finally be nearing the bottom.

They're careful not to signal a recovery. They repeatedly caution against expecting one. Instead, they suggest the market's long, drawn out correction may simply be reaching its end.

"Canada's housing market is stabilizing — dare we say bottoming," BMO Capital Markets senior economist Robert Kavcic in a July 17 note to clients, titled Bottom Fishing in Canadian Housing. He said that lower borrowing costs, rising incomes and more balanced market conditions have helped prices find a floor.

[…] Ben Rabidoux, founder and president of Edge Realty Analytics, says housing market bottoms rarely present as a dramatic turning point. Instead, they tend to emerge slowly as new supply dries up while demand gradually rebuilds.

"When you look at past housing cycles, you usually find a bottom when new supply coming into the market is constrained, and sales are at deeply distressed levels," Rabidoux said.

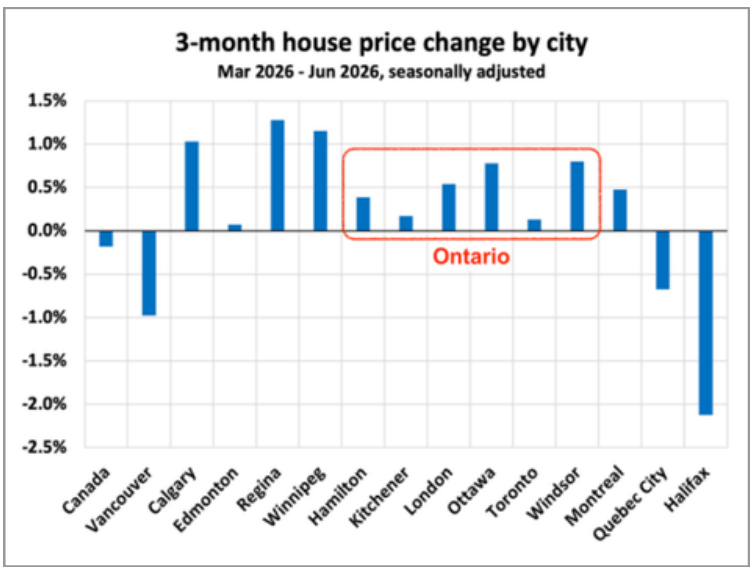
[…] In Rabidoux's view, Ontario's real estate market is starting to show many of the hallmarks of a bottom.

"Right now in Ontario, you've got no new supply coming. I mean, the chart on single-family completions is wild. We're running at the lowest levels on record from CMHC going back to 1990, and at the same time, you've got home sales that, on per capita terms, are as low as they've been since the '90s," he said.

In other words, the resale market is tightening.

"It's actually been quietly tightening since last year," he says. We're at the point where sales are going to start to perk up slightly."

I'll remind readers that house prices are showing tentative signs of stabilizing…even in hard-hit Ontario:



Now we have the combination of stabilizing prices (albeit tentatively for now), a modest uptick in consumer sentiment, and media narrative that may be shifting from "how far will it fall" to "have we hit bottom".

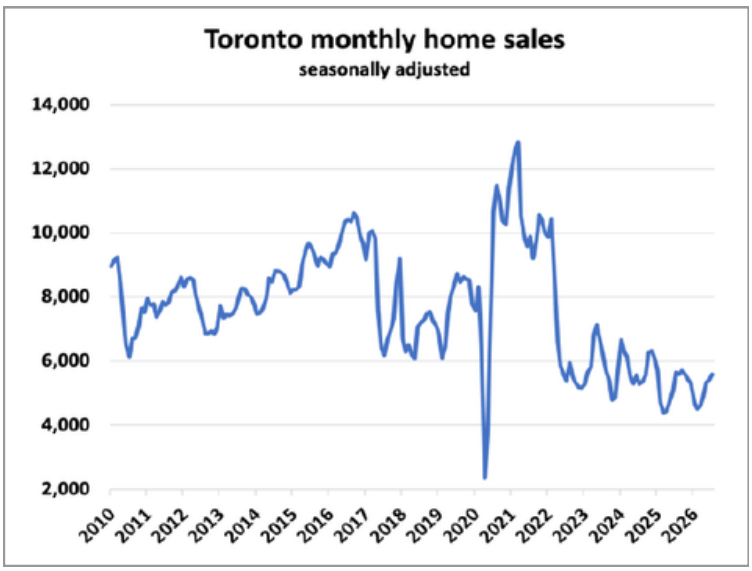
Don't underestimate how powerful that may be in getting some prospective buyers off the sidelines.

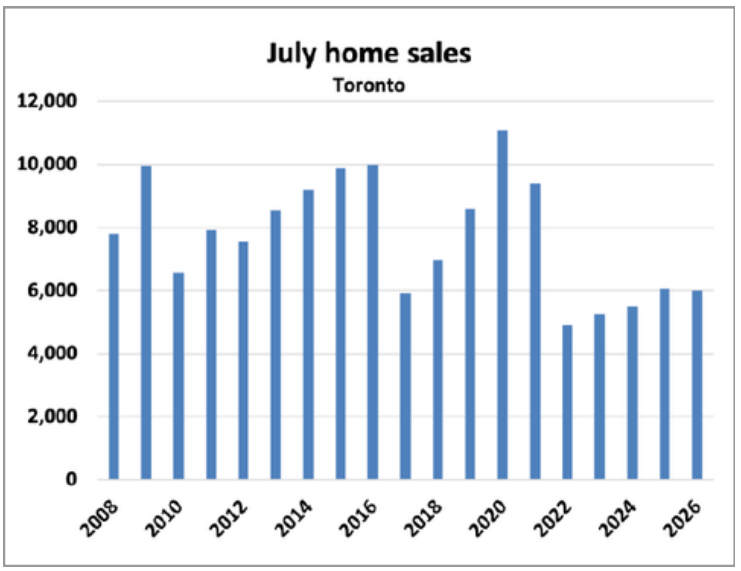
2) *More signs of stability in Toronto*

First, a channel check from Toronto real estate broker and subscriber Peter K. This was via email and shared here with permission:

> "Overall we're seeing a little bit of an uptick. Like you said, I think we're in the bottoming phase. Specifically for freehold, we're on the same page. Just a couple things on the margins that we've been noticing, a pick up in activity, and a few of the properties we have sold have been in multiples and more people putting their hands up with inquiries."

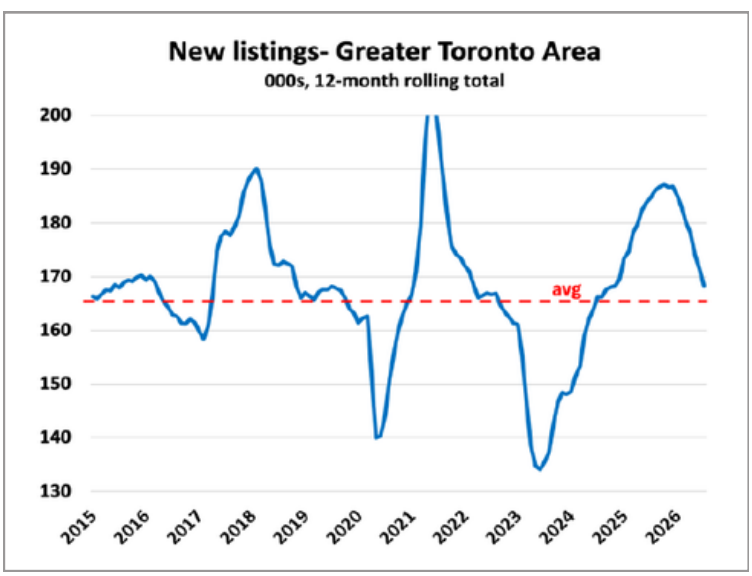
That squares with the data. Seasonally adjusted home sales rose 3.2% y/y in July. That makes for 5 consecutive months of rising seasonally adjusted sales, the longest streak since early 2023. Sales were still down slightly relative to last year (-0.9%) but have surged 24% off the seasonally adjusted lows in February.

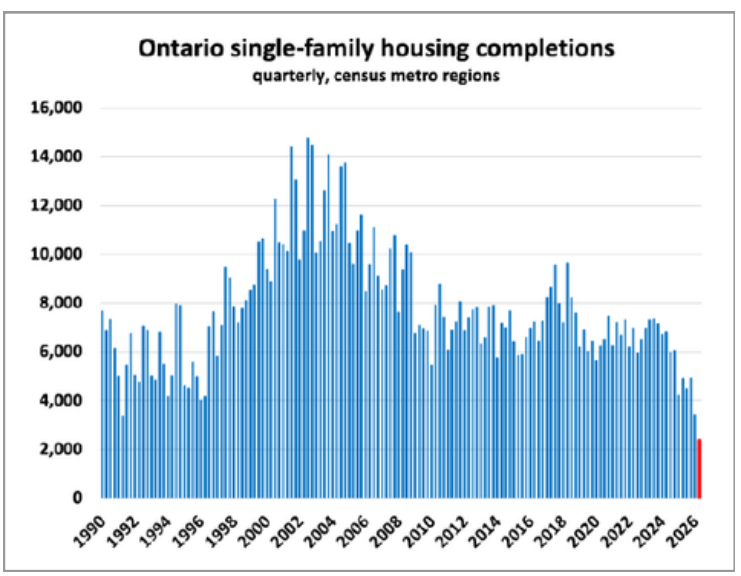




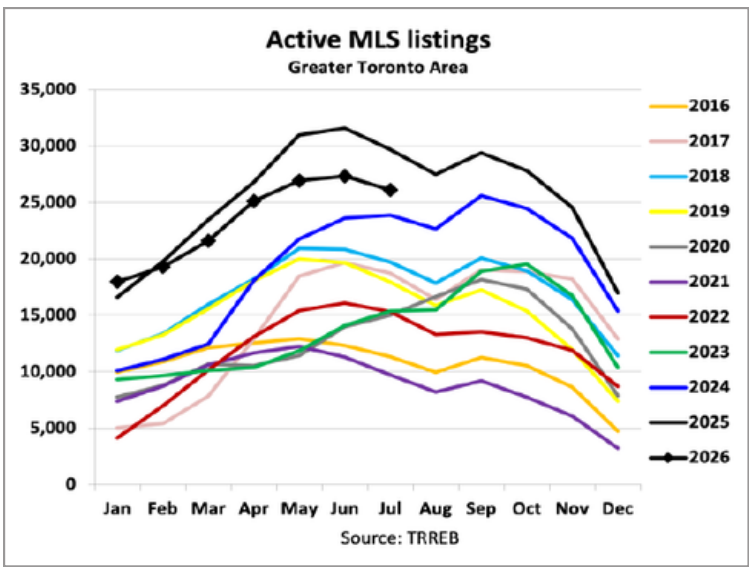
The much bigger story is on the supply side where seasonally adjusted new listings fell 1.3% m/m and were down 17.8% y/y.

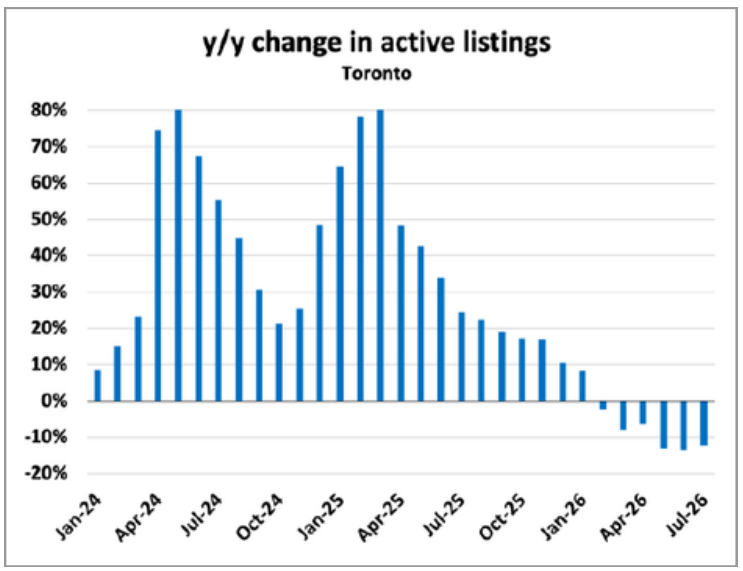
I remain convinced that a collapse in new homeowner completions across the province- particularly in the single-family segment- is a key contributor to falling new listings:



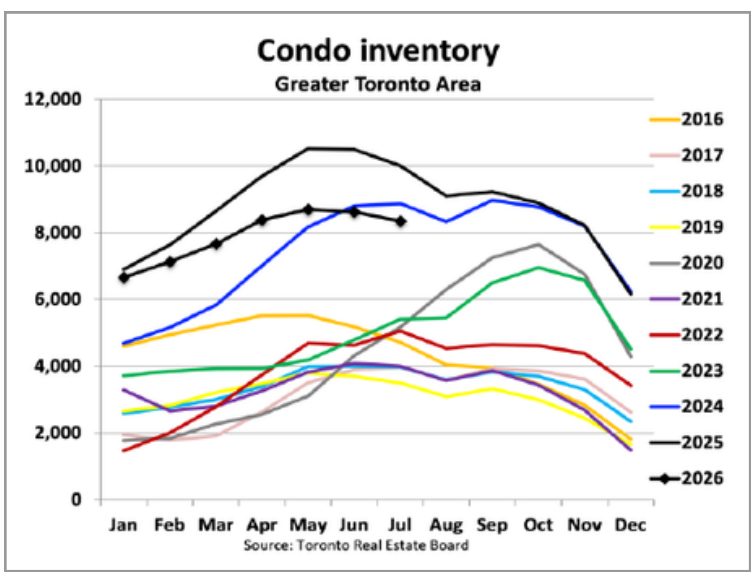


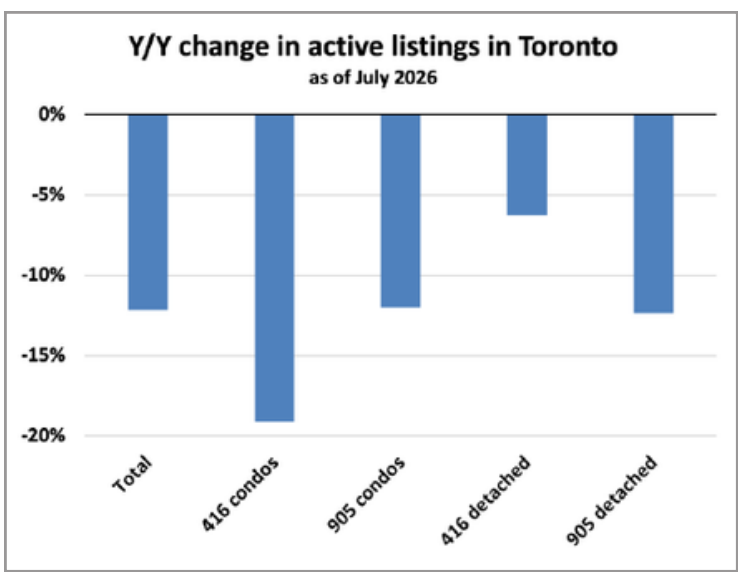
Active inventory remains elevated but did fall 12.1% y/y:



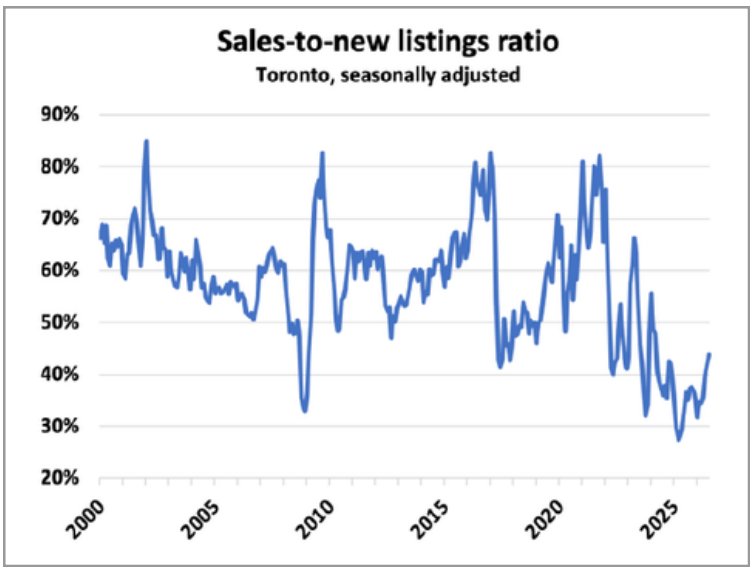


The big surprise remains the condo segment where inventory continues to trend lower and was down nearly 20% y/y in the 416 (City of Toronto):

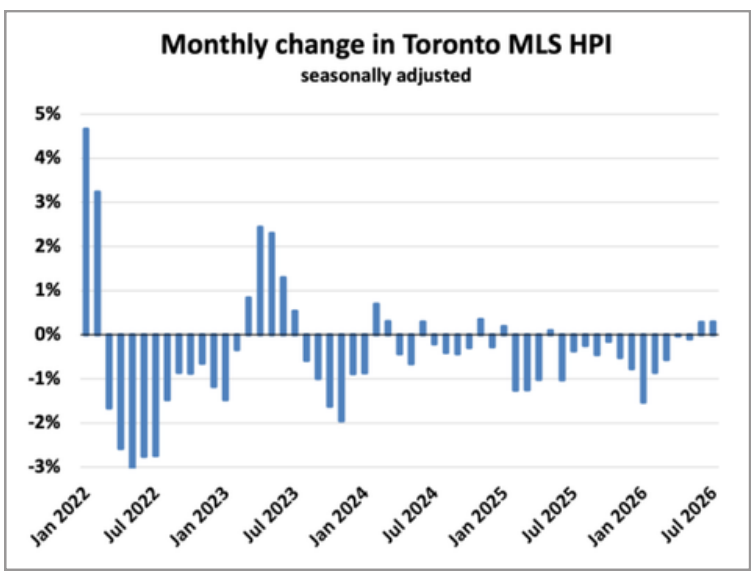


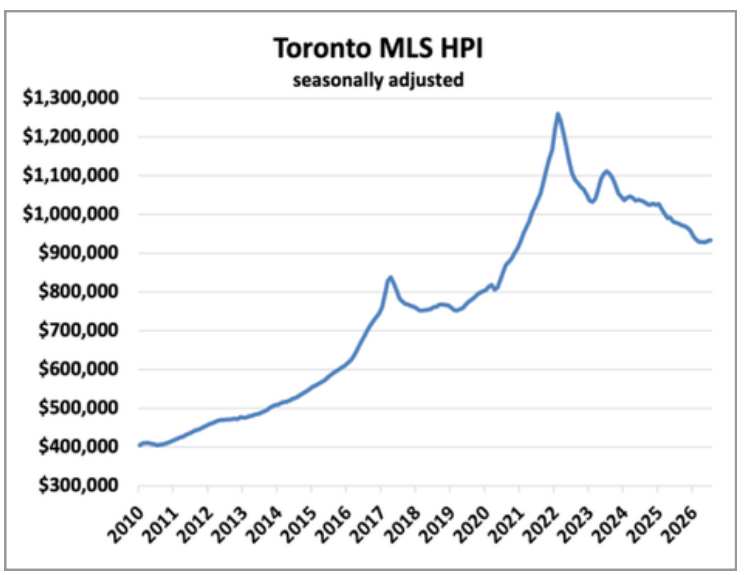


The market balance is tightening, with the sales-to-new listings ratio rising to 43.8% in July. That's still at recessionary levels but it is the highest reading since March 2024:



There were mixed messages on the pricing front. Seasonally adjusted average prices were down 0.6% m/m, but the seasonally adjusted MLS HPI (my preferred measure) registered a 0.3% m/m gain. That's the second consecutive monthly increase in this index, something we haven't seen since the start of 2024:

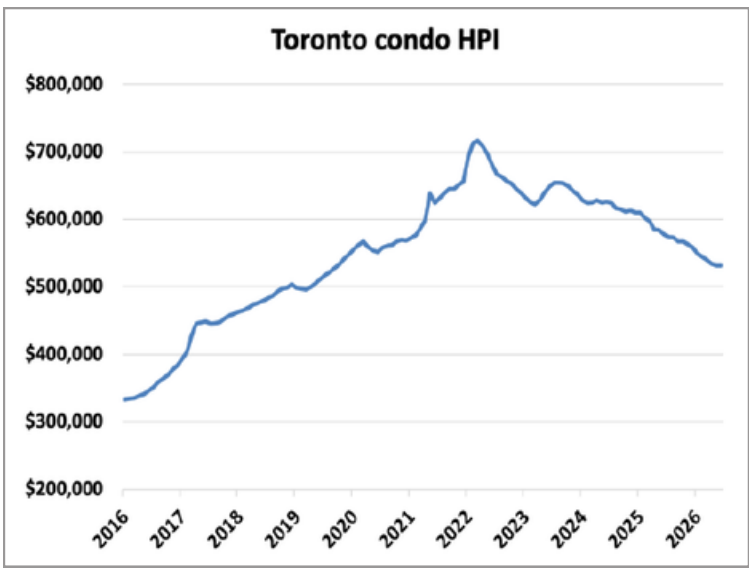


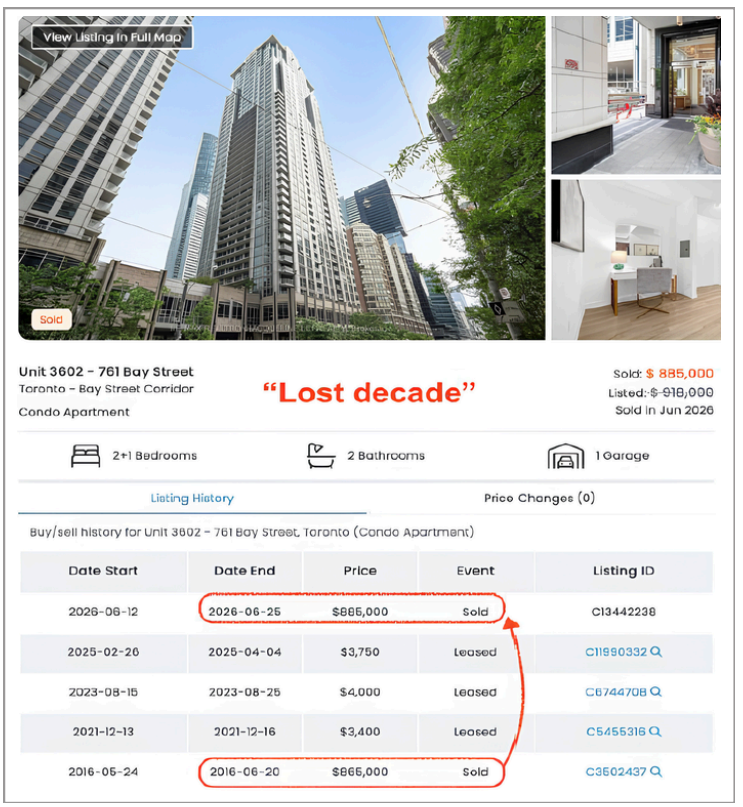


Still, it leaves prices down 25.8% from peak, down 4.6% y/y overall and down 7.4% y/y for condos.

When will retail condo investors return?

Condo prices continue to melt, and we're now seeing some units in prime areas trading for what they did a decade ago:





Even so, the condo market has held up better than I would have expected. A big reason is the emergence of institutional "vulture funds" and bulk buyers, which have stepped in to absorb unsold inventory and spared large developers from having to dump units onto the resale market.

But this is, at best, a temporary bridge. These funds have been quite clear about their strategy: buy distressed inventory today, lease it for several years, and exit once the market tightens in the early 2030s amid a drought of new supply.

A durable recovery ultimately depends on retail investors returning to the market in size, and that could take considerably longer than these funds anticipate.

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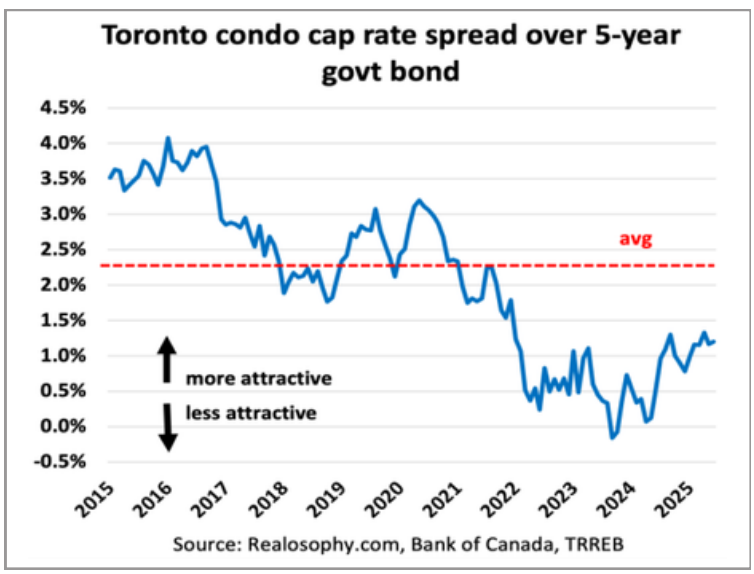
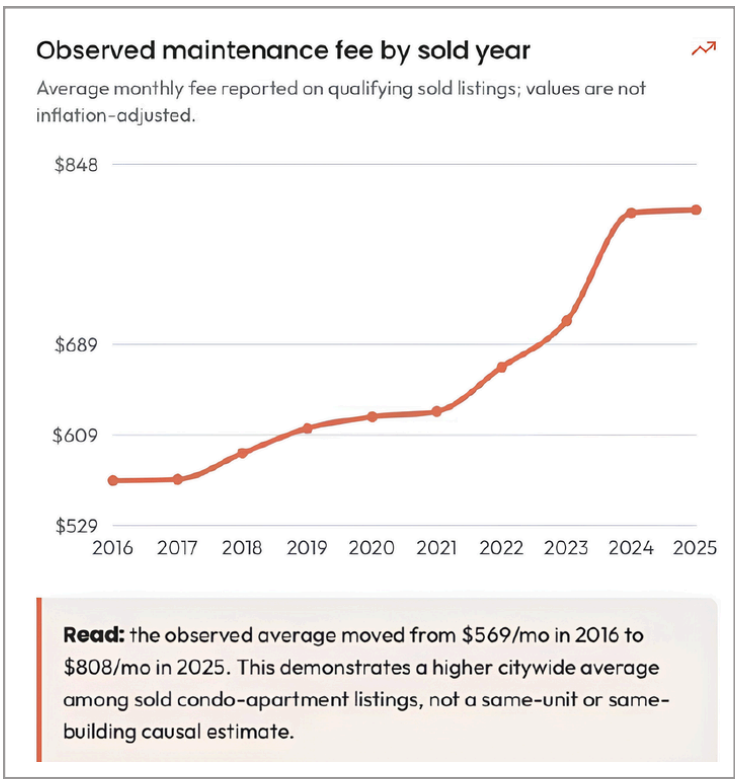
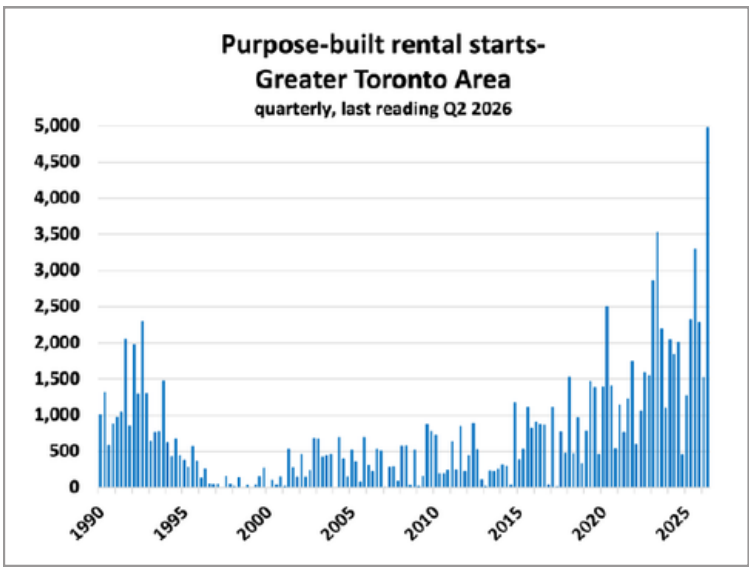
Even after the correction in condo prices and the decline in interest rates from their peak, the economics for an investor today is not great. Condo cap rates are still exceptionally tight relative to 5-year Government of Canada bond yields. A cash buyer today is earning barely a 100 bp spread over risk-free 5-year paper, compared with roughly 400 basis points a decade ago:

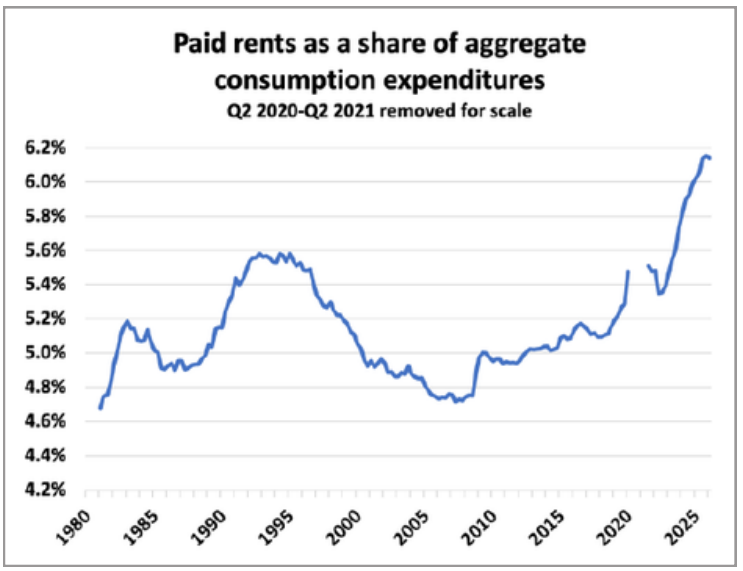


That is a historically thin risk premium. It leaves investors exposed to any rise in interest rates or unexpected ownership costs—particularly maintenance fees and special assessments, both of which are climbing rapidly as poor construction quality from the boom years begins to surface.



Nor are investors being adequately compensated for rental market risk. Canada has experienced an unprecedented surge in purpose-built rental construction, while rents had already climbed to a record share of household consumption before this latest wave of supply. With a significant amount of new inventory still to be absorbed, the balance of risks points toward a further softening in rents.





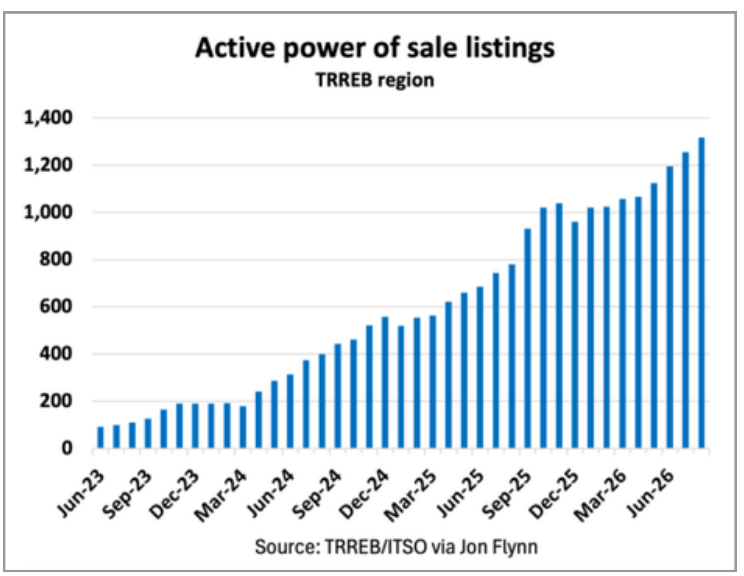
I'm optimistic on the overall market, but without retail investor participation, the condo market specifically will likely underperform for a couple more years before seeing a major bull market in the 2030s.

3) *Power of sale listings continue to rise*

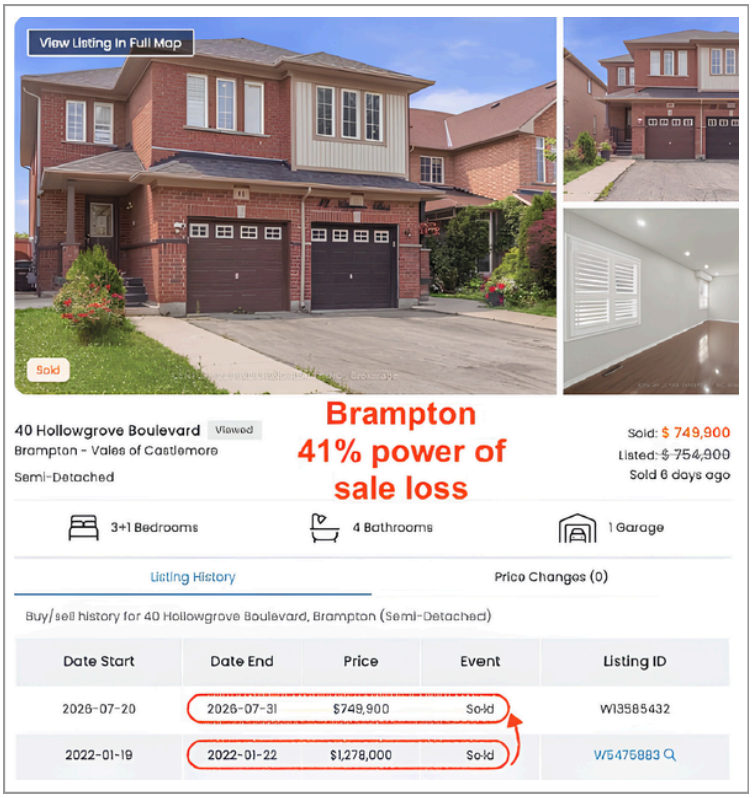
While prices are stabilizing in Toronto, the risk of another leg lower is still quite high. Here I would point to the continued surge in distressed inventory. There were 550 new listings with the term "power of sale" in the description across the GTA in July, representing just under 4% of all new listings last month.

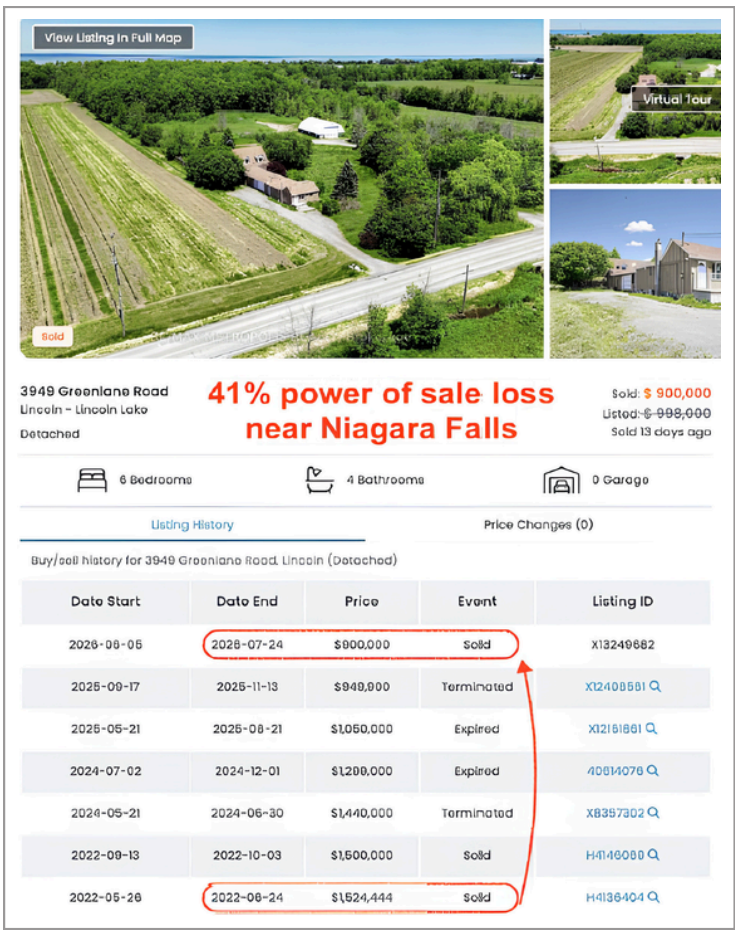
And while total active listings were down 12.1% y/y, active power of sale listings were up nearly 70% y/y:



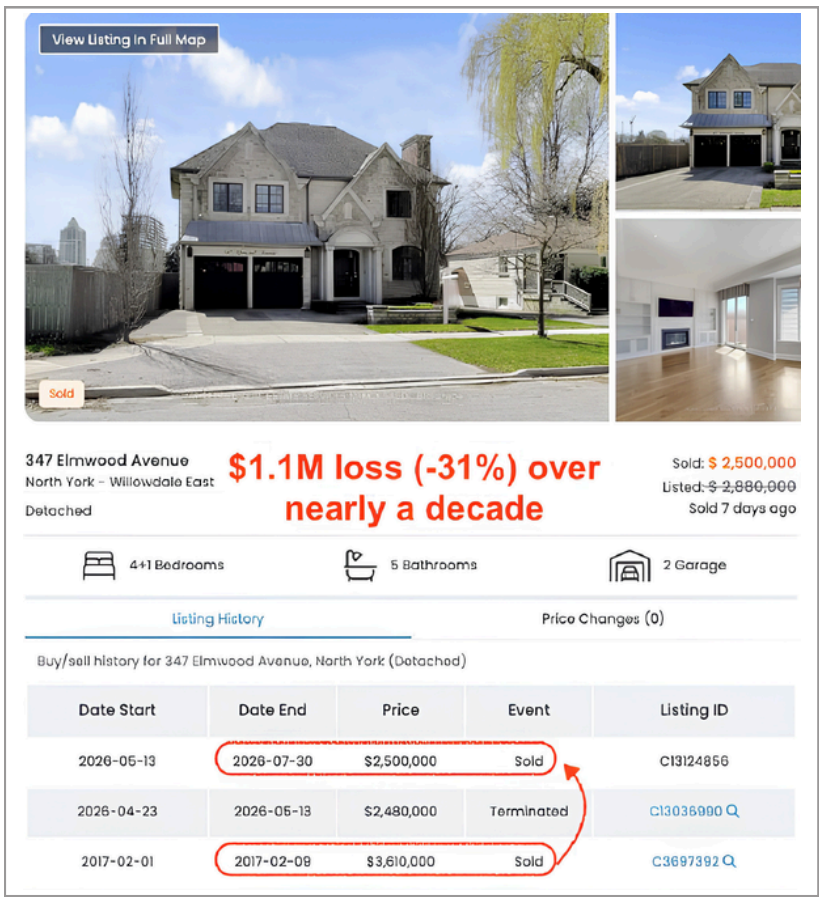


It's not uncommon now to see these distressed listings sell for 40% discounts off the prior sale price. Two examples from late last month are below:



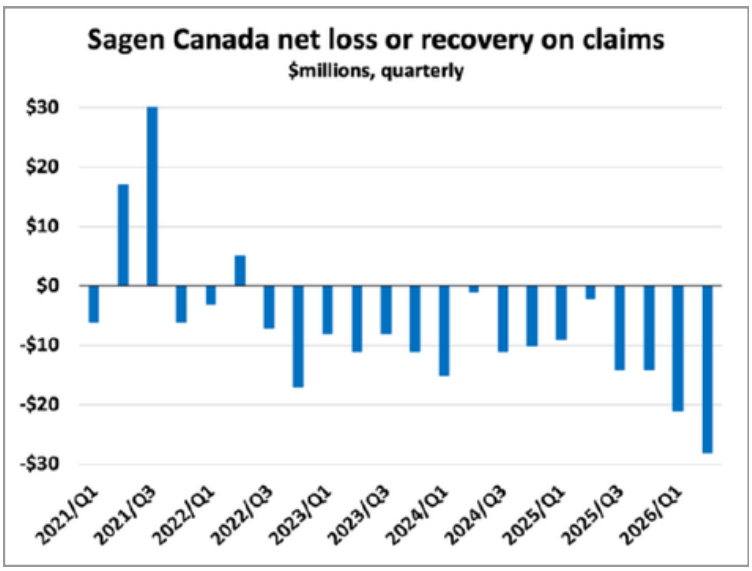


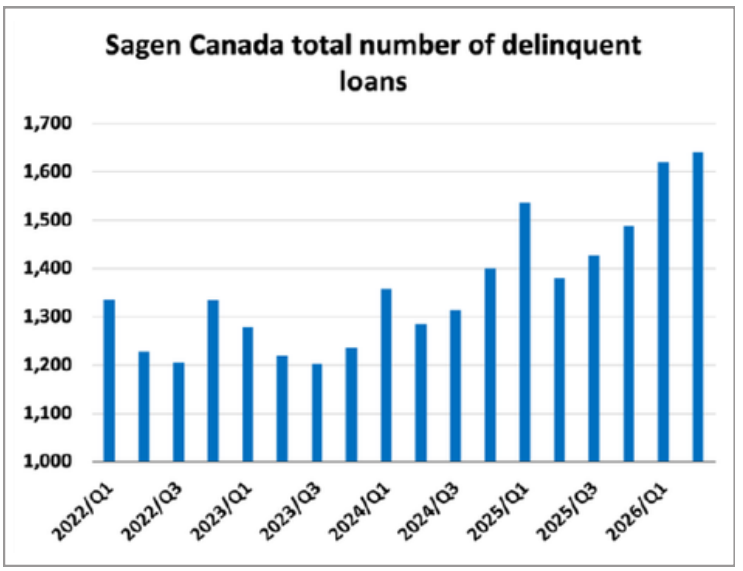
In some cases we're even seeing power of sales going for considerably less than the purchase price a decade ago. Consider this one which sold last week in North York at an astounding 31% loss relative to the 2017 sale price!



Forced selling into what remains a relatively illiquid market has the potential to amplify price volatility. It is a key risk to my "bottom" call and an important dynamic to watch in the second half of the year.

That brings us to mortgage insurer Sagen, which reported a 15% y/y increase in new delinquencies, a 20% decline in cures, and net losses on claims of $28 million, up sharply from just $2 million in the same quarter last year.



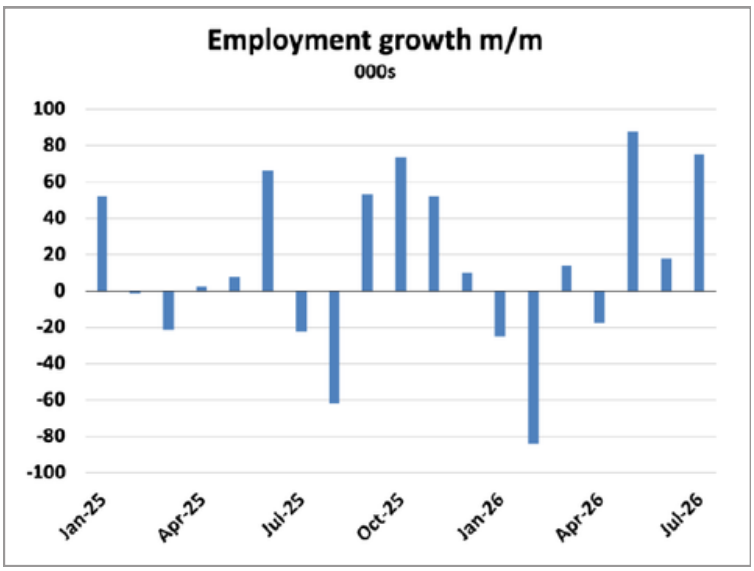


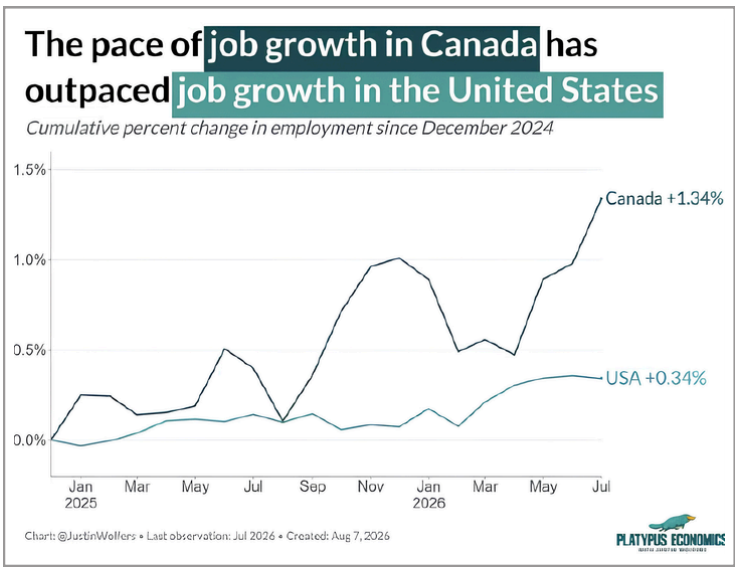
As with most measures of Canadian consumer credit, the direction of travel remains negative. The deterioration is gradual rather than disorderly, but that doesn't make it benign. It tells us that any recovery in home prices will be fragile and vulnerable to reversal if credit conditions weaken.

4) *Macro tidbits: Solid jobs report, K-shaped economy, subprime signals*

Canada's job machine roars back to life

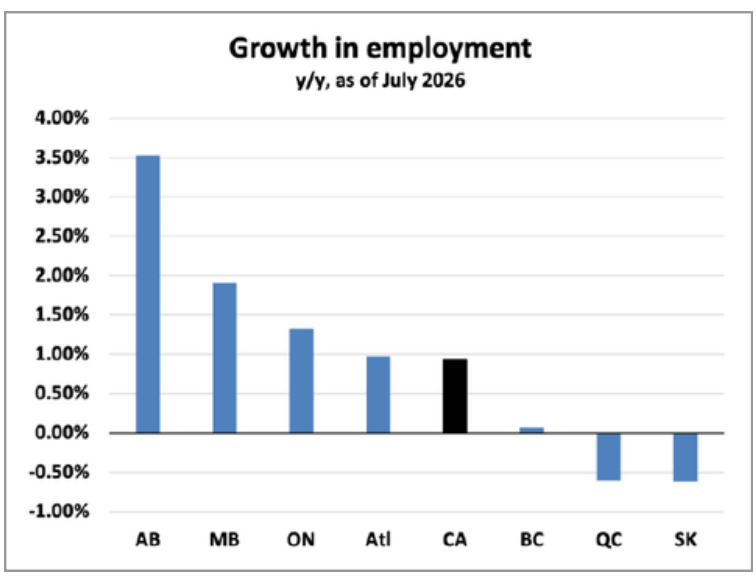
We had a banger job report north of the border last week. The Labour Force Survey pointed to a 75k m/m increase in total employment in July, bringing the cumulative 3-month change to a whopping 180k. Since the end of 2024, job growth in Canada is running 4x the level seen in the US according Platypus Economics:





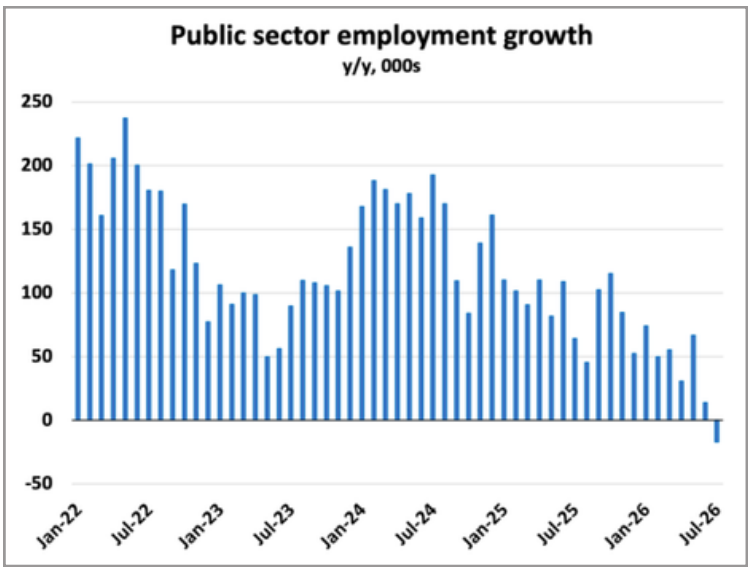
Ontario registered a 52k increase in jobs but all in the part-time segment. Full-time positions actually declined by 13k. Quebec and BC both registered solid gains in full-time positions.

Canada is now seeing annual job growth of nearly 1% with Alberta running more than triple that level:



As always, there were some oddities in the data. Consider:

- 2/3 of the 197k total jobs created in the past have been in healthcare alone…
- …yet somehow public sector employment is down on a y/y basis for the first time since 2020.



- The unemployment rate fell 10bps to 6.4%, the lowest since July 2024.
  - Note this will likely be revised higher if Stats Canada restates population estimates next quarter
- In spite of a 2-year low in unemployment, wage growth slowed to just 2.8% y/y in July…the lowest in 4 years.
  - This suggests that the labour market is not as tight as the unemployment rate would indicate and supports that view that Canada's population may not be contracting as rapidly as reported.



Canada's K-shaped economy

I recently shared a group conversation I had with a commercial real estate broker, real estate lawyer, and high volume mortgage broker all in the GTA. The consensus among all 3 was that there has been a notable uptick in ultra-luxury home sales just in the past month or so. They were all seeing the same thing.

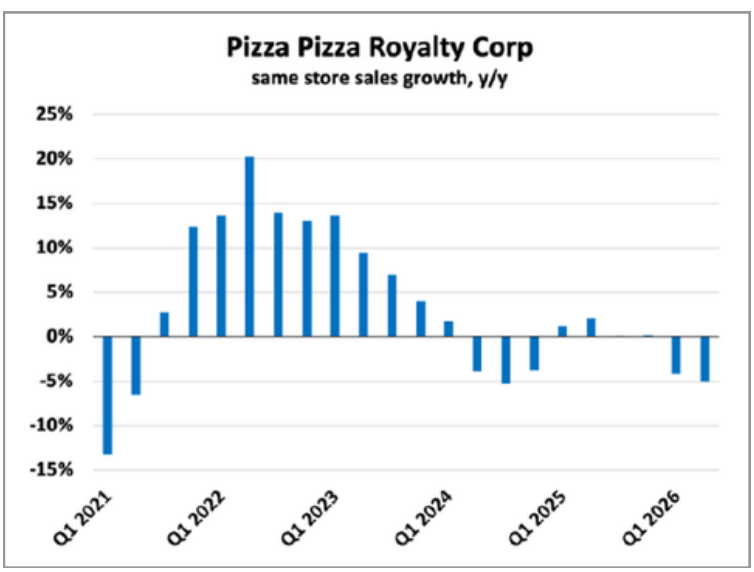
It may well be that the housing bottom is already in for the rich, which may speak to growing wealth inequality and a "k-shaped" economy where the wealthy are doing VERY well and the less affluent are struggling more than the headlines would suggest.

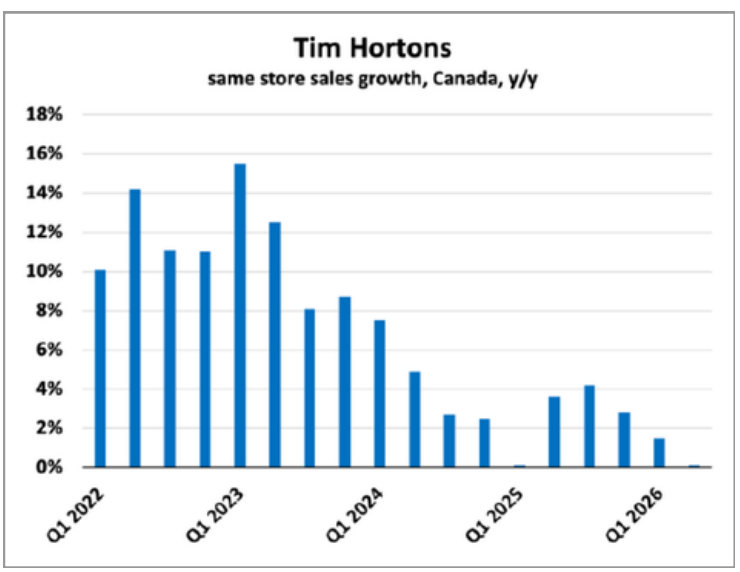
On that theme, consider some tidbits from recent company earnings over the past couple weeks:

- Luxury apparel retailer Canada Goose reported domestic sales up 10.7% y/y last quarter
- Aritzia, which is more "premium" than luxury, nevertheless reported Canadian revenues up 25% on consolidated same-store sales growth of 35% across all geographies.
- Birks Group, a luxury jeweler, reported Canadian same store sales growth of 2.6% y/y last quarter

But at the same time:

- Tim Hortons saw Canadian same store sales up just 0.1% y/y while Pizza Pizza Royalty saw sales fall 5.0%. Both cited soft consumer spending.





- Meanwhile, value-oriented furniture retailer Leons Furniture reported adjusted EPS down 14% y/y and same store sales down 2% y/y:



- And perhaps the clearest signal of trade-down in food retail comes from Loblaws which reported that their discount banners continue to outperform conventional grocery banners. Food same store sales rose 1.6%, but management noted that, "The Company's discount banners once again outperformed, reflecting continued consumer demand for value".

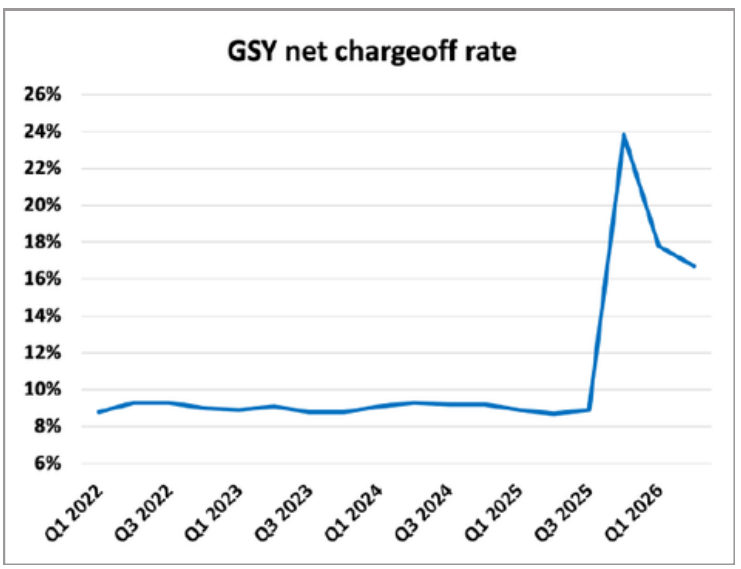
It's a good time to be wealthy…not so much for everyone else.

Subprime credit check

There's an "order of operations" when it comes to credit cycles. Credit stress always appears first in subprime, unsecured lending and then migrates from there. That makes it very important to track companies like goeasy as a barometer for subprime trends.

They reported this week. Net income collapsed 83% y/y amid a steep falloff in originations and a 25.9% y/y increase in bad debts in Q2.

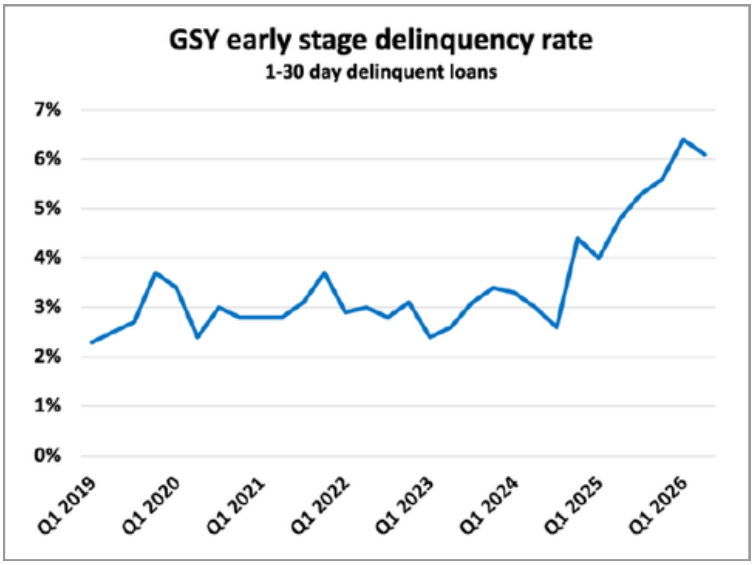
Their net loss rates remain quite high, although they have started to improve, falling to 16.7% from 17.8% in Q1…and management expects another decline to 14.5%–16.0% in Q3.



As a reminder, they uncovered "irregularities" in lending at one specific division in late 2025. That accounts for the huge increase in charge-offs in the chart below.

But three things jumped out as it relates to the state of the consumer:

- Their core unsecured book is seeing significant deterioration. easyfinancial unsecured charge-offs rose to 17.0% from 13.0% last year. Management flagged "higher charge-offs in the direct-to-consumer portfolio"…clear evidence that the problem is not exclusively due to poor underwriting at the LendCare division.
- Portfolio-wide early-stage arrears are still getting worse. 1–30 day delinquencies rose to 6.1% of the portfolio from 4.8% a year ago.

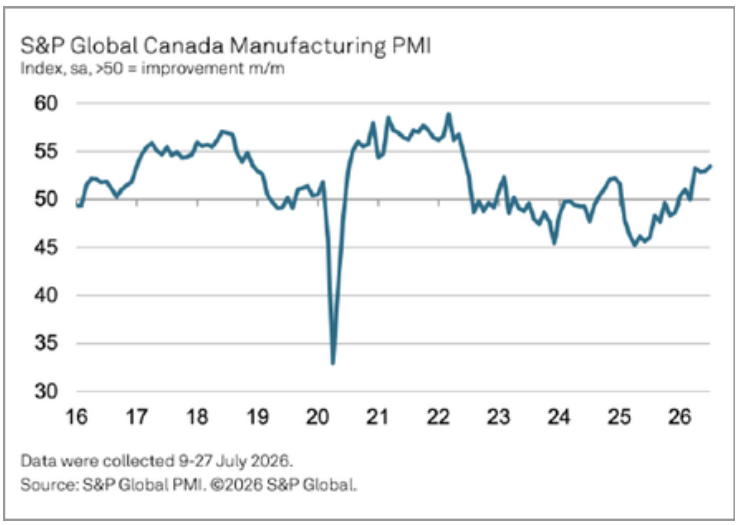


- Subprime credit is now being tightened. Q2 originations collapsed 70% y/y at goeasy. Most of that reflects the pullback in the LendCare segment, but the company also "moderately reduced" direct-to-consumer originations to "preserve liquidity".
    - This is at the same time that a number of Canadian MICs have gated redemptions as capital is tied up in underperforming loans. The subprime ecosystem in Canada is tightening across the board.

Strongest PMI in 4 years

Canadian manufacturers are weathering the US trade tensions remarkably well for now.

The Manufacturing PMI came in at 53.5 in July, the best showing since early 2022. For context, a reading above 50 means the sector is expanding:

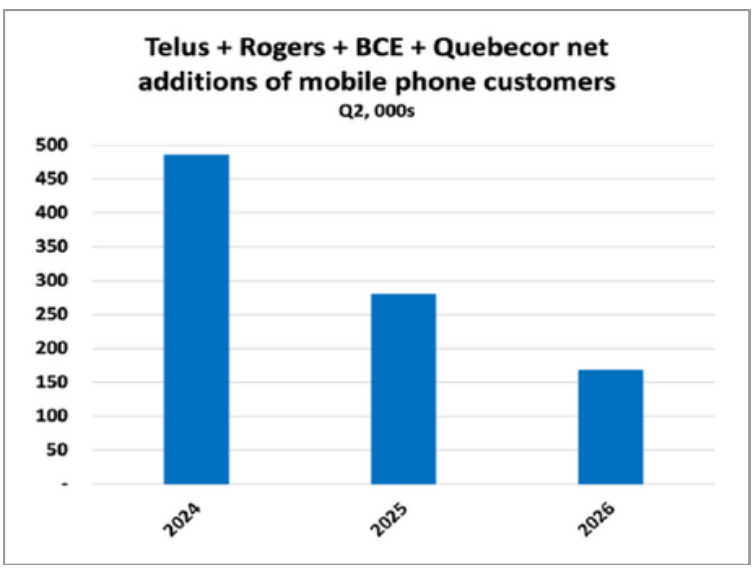


From Markit:

> PMI data for July painted a positive picture of current growth, with output and new orders both rising at faster rates on the back of firmer domestic demand.
>
> Companies were suitably encouraged to take on additional workers, raising their staffing levels to bolster capacity and help support current workloads.
>
> However, whether growth can be sustained at its current clip is doubtful. International demand remains weak, driven lower by tariffs and a highly uncertain geopolitical environment. These factors also continued to push up prices rapidly whilst adding to ongoing and widespread supply-side disruption. Subsequently, confidence amongst firms in the outlook – and therefore near-term growth prospects – remains subdued, with sentiment in July its lowest for four months and well below trend

5) Rental update: REIT occupancy trends diverge in Q2

We've now had the big 4 telcos report earnings for this quarter. Their combined net cellular additions for Q2 are shown below along with the prior 2 years for comparison:



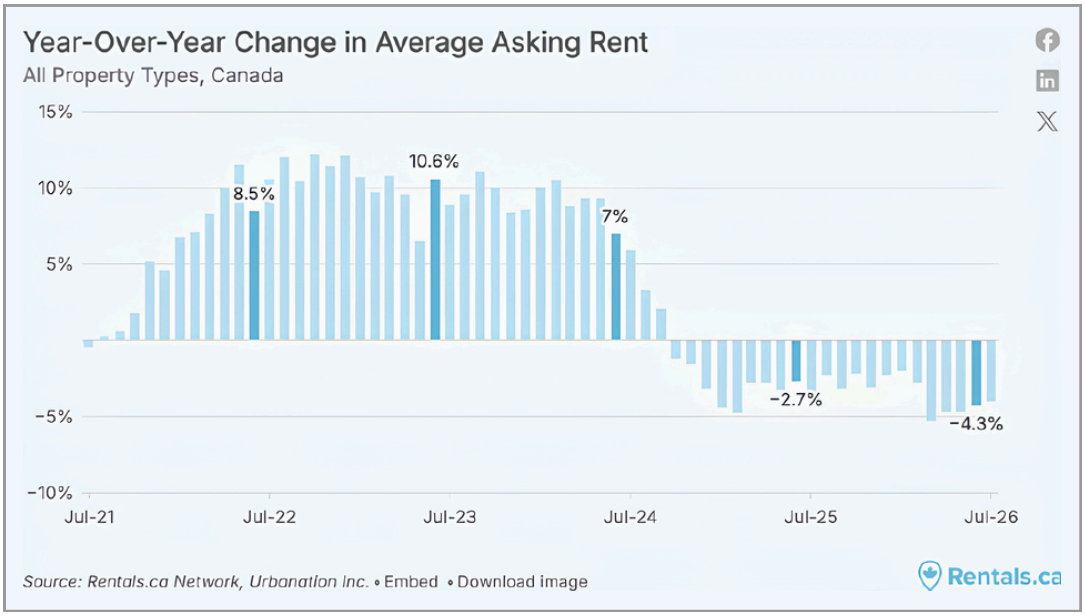
It's more evidence that the magnitude of Canada's population slowdown remains in question, but the direction does not.

That brings us to the latest rental market trends from Rentals.ca[2]. Their July report shows a continued annual decline in rents last month but they do report some tentative signs of stabilization in some Ontario metros. It's normal to see a seasonal strengthening in the rental market in Q2 and into the summer which muddies the waters a little here:

- Asking rent for all property types in Canada was $2,037 in July, down 4.0% year-over-year, the 22nd consecutive month of annual decline but the smallest annual decline since February 2026.
- On a monthly basis, rents rose 0.2% from June, marking a fourth consecutive monthly increase as the market reaches its seasonal peak, and a further signal that rents may be stabilizing.

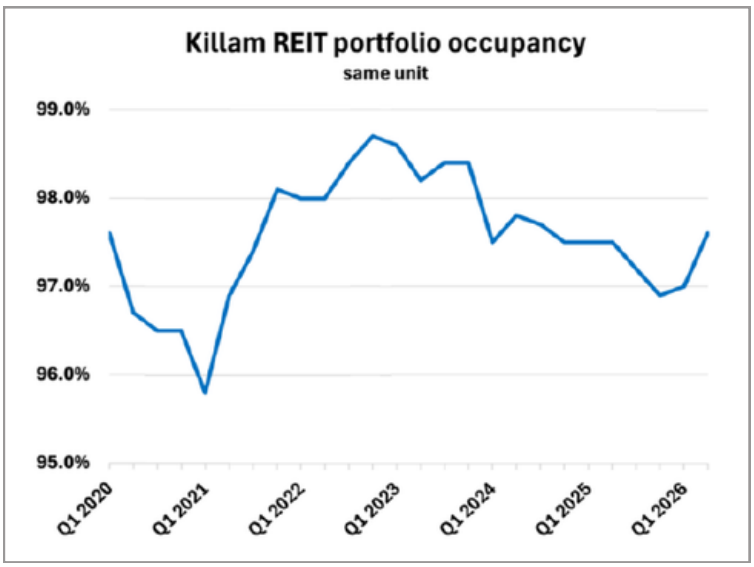
[2] https://rentals.ca/national-rent-report

- Toronto had a standout month: rents rose 1.5% from June and were down just 0.8% year-over-year, the best annual performance among Canada's six largest markets. Three-bedroom apartment rents in Toronto grew 3.9% annually.





I suggested last week that Killam REIT would likely report a solid quarter for rent growth and occupancies based on some forward-looking rental data out of Atlantic Canada. Indeed they did with same unit occupancy rates rising 60bps in Q2 and even coming in above year-ago levels. The change in rents at turnover held steady at 5%, well below the 20% average in 2024 but at least holding in positive territory…unlike some of their peers.

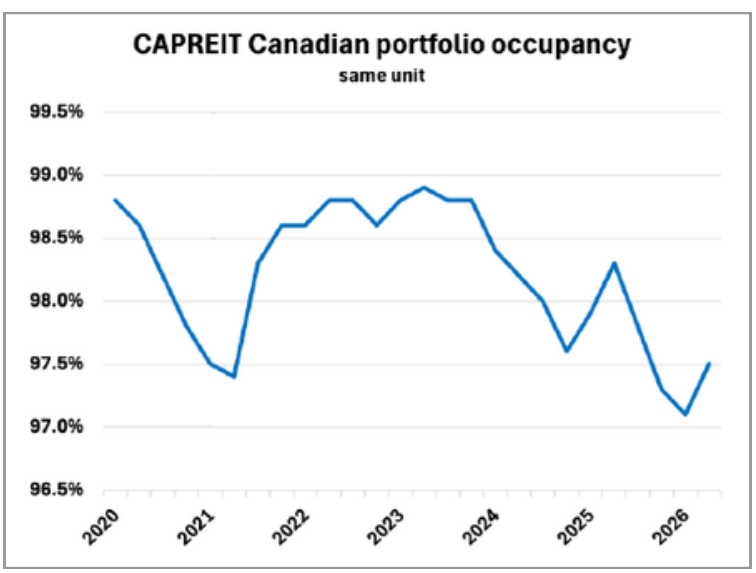


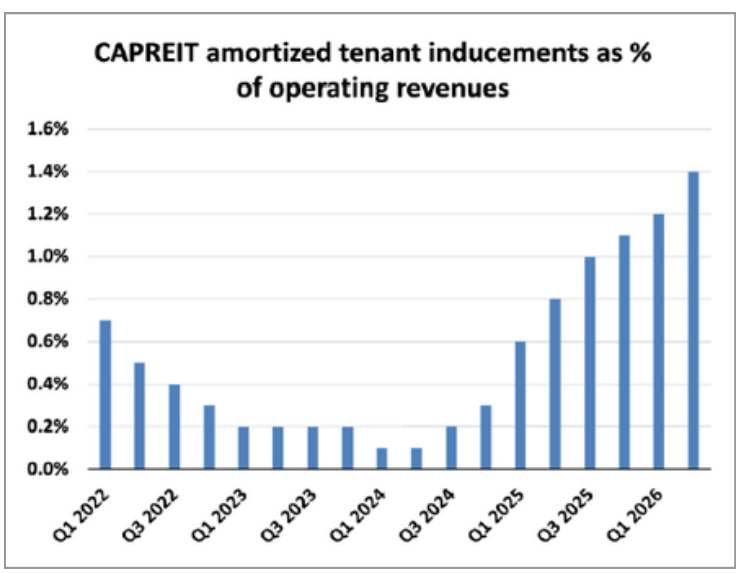


With a 15% expansion in rental supply on deck, I am deeply skeptical that Atlantic Canada can continue to see solid rental trends going forward.

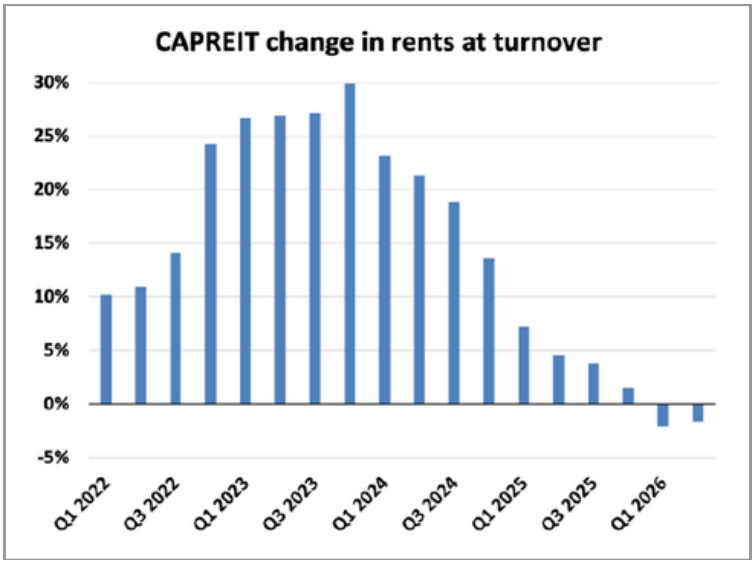
Over at CAPREIT, Canada's largest apartment REIT, occupancies also improved higher, which not unusual for Q2.

The concern is that the improvement was in part driven by a sizable increase in tenant inducements/promotions which nearly doubled y/y and were equivalent of 1.4% of operating revenues last quarter….a 10x increase over the past 8 quarters.



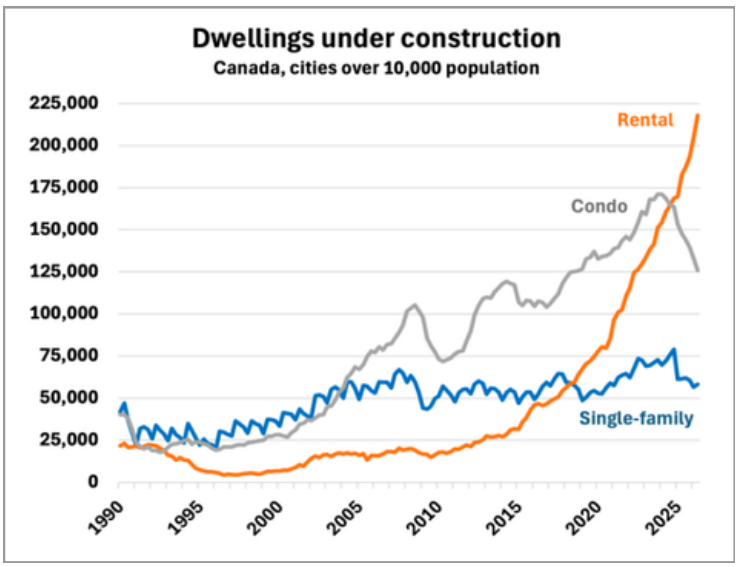


Change in rents at turnover remains negative. And for tenants that have been with CAPREIT for less than 2 years, the new rent is 8.6% lower on average…a testament to just how quickly the rental market has softened in their core markets:



I continue to believe that the rental market will not meaningfully recover until developers pull back on rental construction OR the government reverses course and begins to normalize policies related to temporary residents.

On the construction side, no signs of a pullback yet with nearly 220,000 rental units in the construction pipeline as of Q2:



And on the immigration side, I still think it's more likely the feds tighten further from here. Public support has crumbled and we're seeing mounting pushback to any potential loosening. Reports like this from Global News this week won't help the situation either:

> **Classified report reveals how India's Bishnoi gang uses Canada's student visa program**[3]
>
> The top lieutenant of the Indian gangster Lawrence Bishnoi, Goldy Brar arrived in Canada in 2017, ostensibly to attend Thompson Rivers University in Kamloops, B.C.
>
> But it is "unknown" if he ever went to class, records show.
>
> Instead, he helped Bishnoi expand his criminal organization into Canada, allegedly instigating high-profile murders, a political assassination and an extortion crisis.

[3] https://globalnews.ca/news/12006955/india-bishnoi-gang-used-canada-student-visa-program/

A classified intelligence report obtained by Global News reveals the Bishnoi gang's Canadian franchise has relied heavily on Indian youths who, like Brar, entered the country on student visas.

Written by the Canada Border Services Agency, the report cites the gang's "growing operational presence in Canada" and "demonstrated use of Canada's immigration programs for criminal purposes."

"Investigations increasingly identify Indian foreign nationals on study permits and work permits as participants in these organized criminal activities," the CBSA's Intelligence and Investigations Directorate wrote.

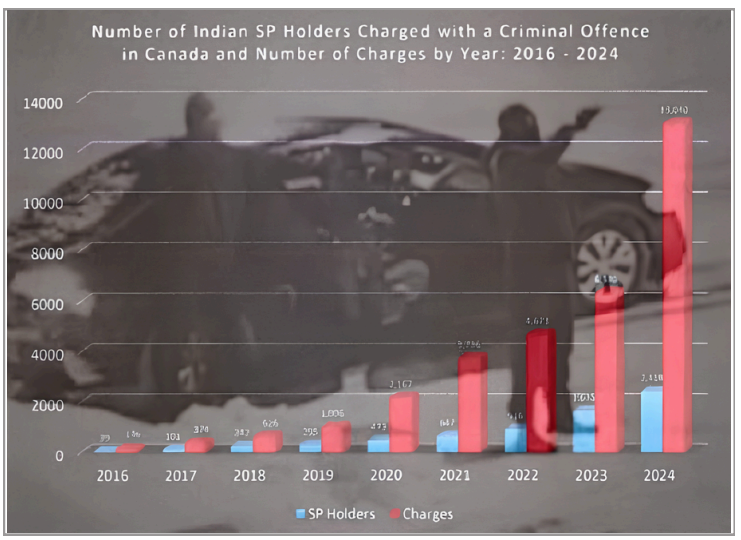
[…] Crimes by Indian student permit holders soared 8,800 per cent between 2016 and 2024, said the report, which ranked India the "top source" country of foreign students charged with crimes.

"It would be prudent to recognize that these statistics likely underrepresent the extent of the issue as many crimes go undetected and unreported," it noted.

Between 2019 and 2023, 4,000 Indian citizens who entered Canada on study permits were charged with 17,929 offences.

A third of the charges, or 4,920, were considered serious or organized crime-related, while 97 per cent of those offences were deemed violent, it added.

In 2024, more than 13,040 criminal charges were laid against Indian citizens in Canada on study visas, which was a significant jump, according to the report.



The same week, we get this bit of absurdity out in BC where an international student sued the college and asked the courts to overturn his academic suspension after being caught cheating 5 separate times:



From the court decision:

> The petitioner has suffered extreme financial consequences as a result of the suspension. He comes from a poor family in India. His parents sent him to Canada by taking out a loan on their house. He does not have enough money to pay rent, food, or his basic needs. He cannot work because he is suspended and he has no income. He was dropped from the rest of his five courses.

The court sided with the college and upheld the suspension, but the optics here are terrible and do not instill confidence in the system.

Finally, your WTF of the week, from the Globe and Mail:

> **Border agency chartered luxury private jets to deport foreign nationals**
>
> […] Internal CBSA documents show the federal agency chartered a Dassault Falcon 900EX, a French-built private jet favoured by the super rich, to deport three individuals from Canada in January, 2022, at a cost of $438,000.





Canada's long-standing consensus on immigration has fractured, and rebuilding it will likely take years. With little political incentive to reopen the issue ahead of the next federal election, the government is likely to err on the side of restraint. That means we're facing likely another 2 years of subdued growth just as we face a record wave of rental completions.

Everything is cyclical, and there will be a recovery in the rental market, but it won't be in 2026.