

THE WEEKLY EDGE

Week of August 17, 2026

CASHIN™
MORTGAGES
FSRA # 12543

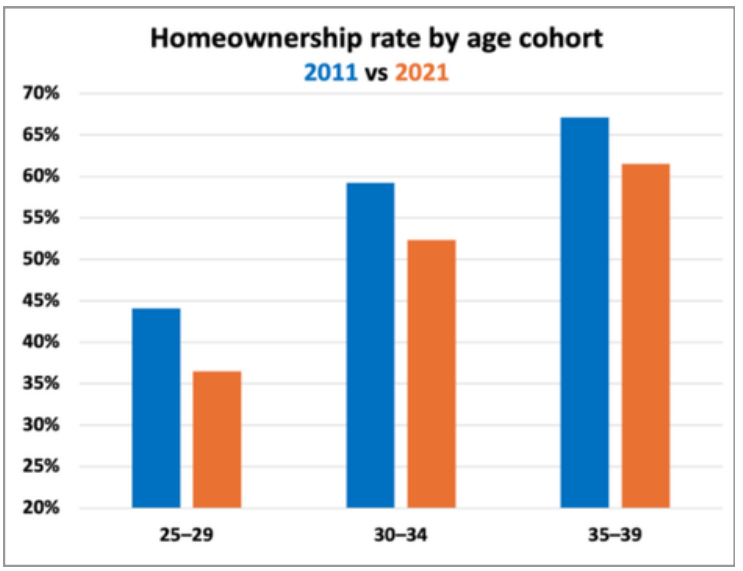
1) *Rate check: 2 hikes priced in over next 12 months*

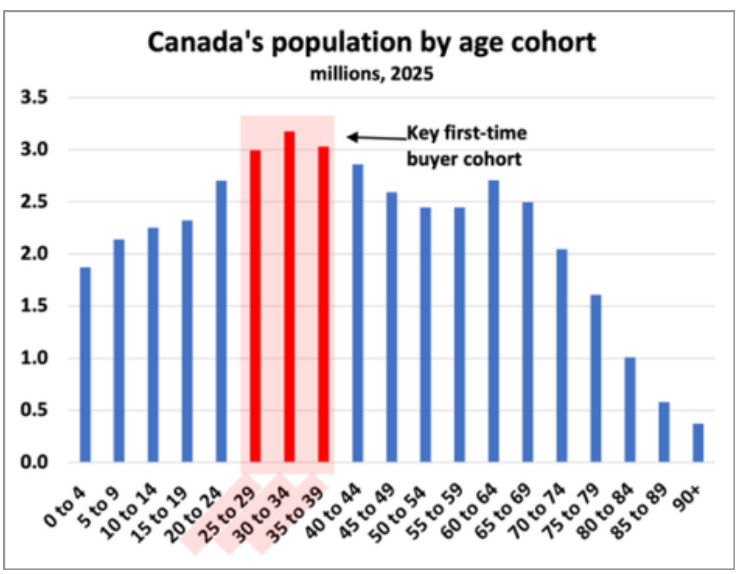
We begin this weekly edge with an interesting anecdote from a high volume Toronto real estate lawyer….often the "tip of the spear" when it comes to spotting emerging trends:

So, I don't know what you guys are experiencing, but I am sensing that the rebound in new construction (still inventory product) spread to high end and now the general market. I cannot believe I am saying this with all the shit going down, but I am feeling more strength behind this market than I have in years. People are taking massive haircuts all over the place, true, but there is always a counter-party to those losses and, for the first time in years, true investment for value is back in residential. People who use proformas to make decisions! Heavens! And FTHBs are flooding in. Massive demand there.

I did not have this market on my bingo card in 2025. 8:48 AM

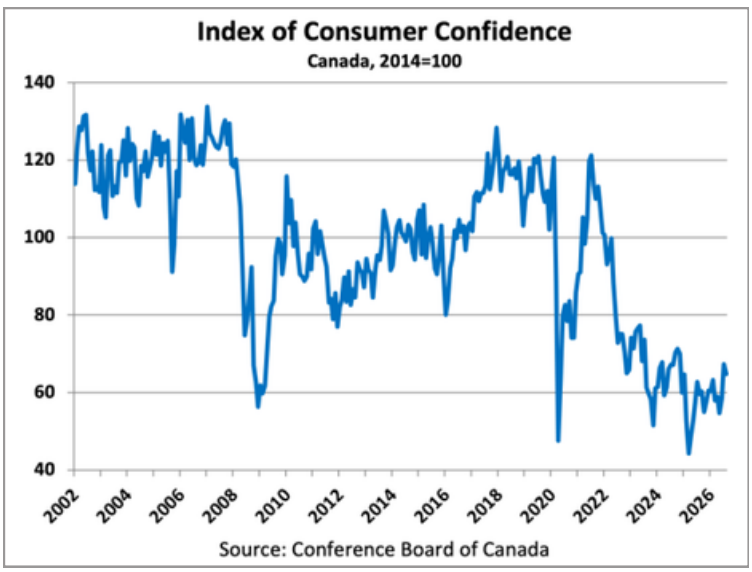
Regular readers will know that I believe we have significant pent-up demand from first-time home buyers (FTHBs), as evidenced by the massive decline in the under-40 homeownership rate AND the overall size of that cohort.





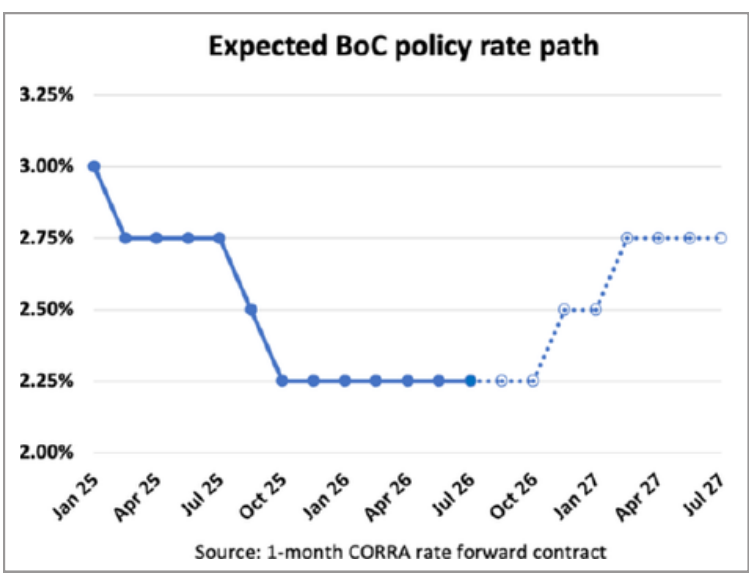
We understand that affordability and confidence are the two main barriers at the moment. On the confidence front, we did see a small pullback in August, but that was expected. July saw the strongest rebound in confidence since late 2023…and that was just ahead of the new 50% tariffs on some Canadian goods. It stood to reason that there would be at least a modest pullback in sentiment.

Still, that leaves the index up 10 points over the past 3 months and still holding at the highest level since late 2024:



On the affordability side, things aren't great but they are back to 2021 levels nationally….and back then sales were nearly 50% than they are currently.

Markets are currently projecting 2 rate hikes over the next 12 months, which would pressure affordability at the margins:



BUT, let's remember we have OSFI very likely set to loosen the stress test requirements later this year or early next. They've suggested replacing it with a somewhat-convoluted, portfolio-level "loan to income" framework.

The specifics don't matter here nearly as much as the high level takeaway: If implemented as expected, this will absolutely help buyers clear the qualifying hurdle and will more than offset a couple additional rate hikes.

We also have more favorable CMHC policies from late 2024, including 30-yr ams, higher purchase price limits. They noted in their 2026 Industry Report that these changes, *"didn't increase aggregate risk"*…which would seem to be an invitation to the feds to potentially loosen further.

It all points to the same conclusion: First-time buyers will likely be THE source of incremental new demand in coming years, and real estate/mortgage professionals would do well to target advertising toward this cohort.

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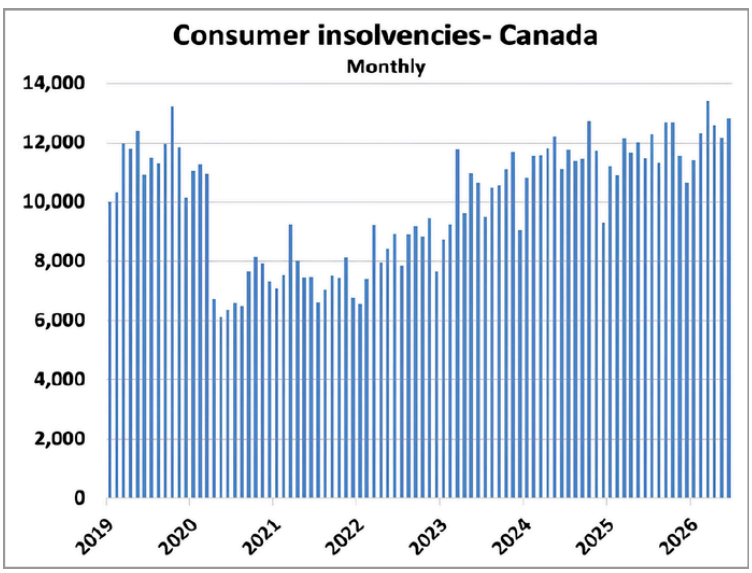
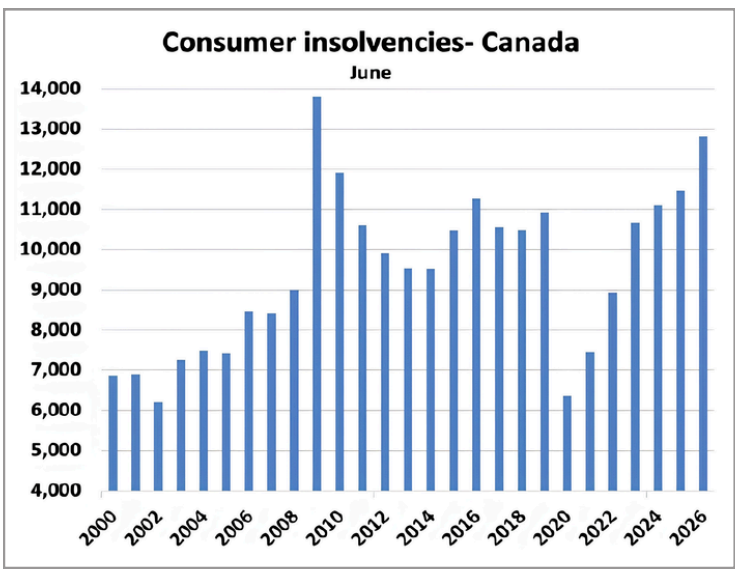
2) Insolvency tidbits: Filings jump, BC developers lose important "out"

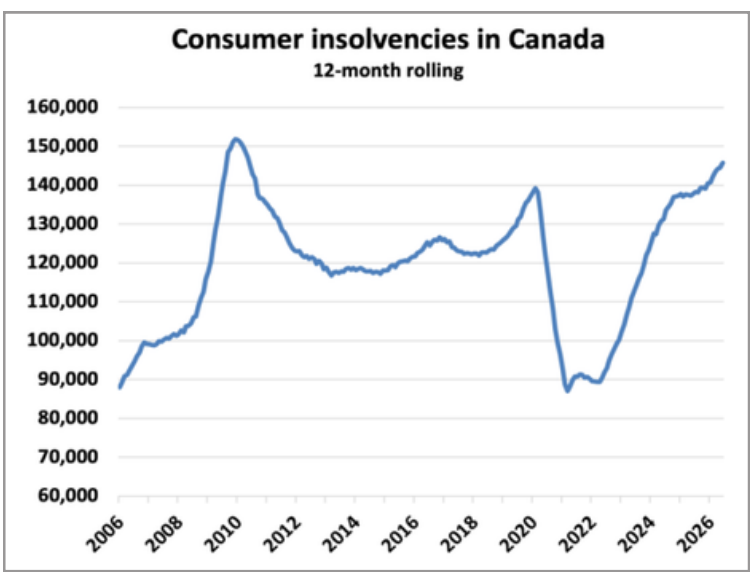
Filings hit highest level since 2009

Canadian consumer insolvency filings reached nearly 13,000 in June, the second highest tally on record for that month and an 11.8% increase over last year.





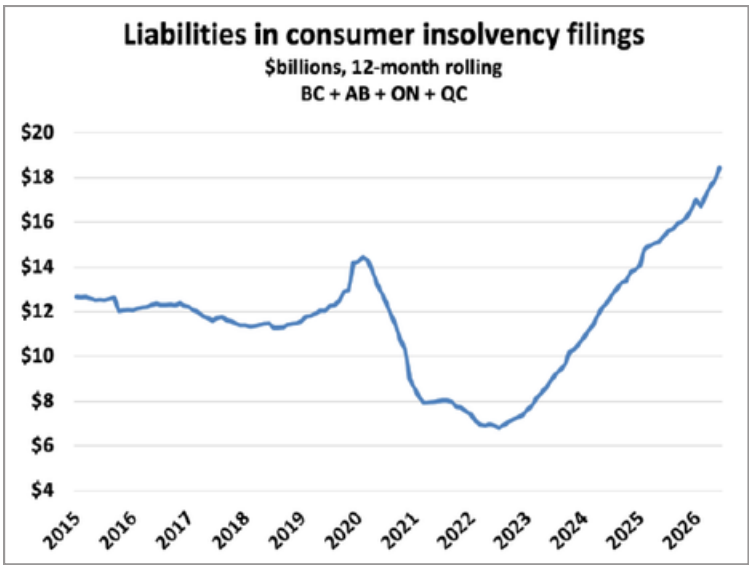
On a 12-month rolling basis, we've now had 146,000 filings...the highest run rate since the Financial Crisis:



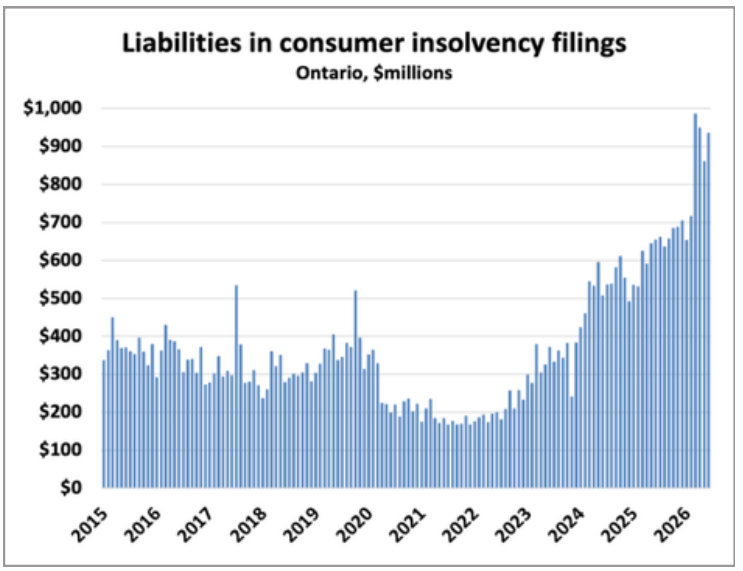
Bankruptcies continue to surge

One notable trend is a continued increase in bankruptcies, up 14% y/y. Note this is in contrast with consumer proposals which are a restructuring of unsecured debts.

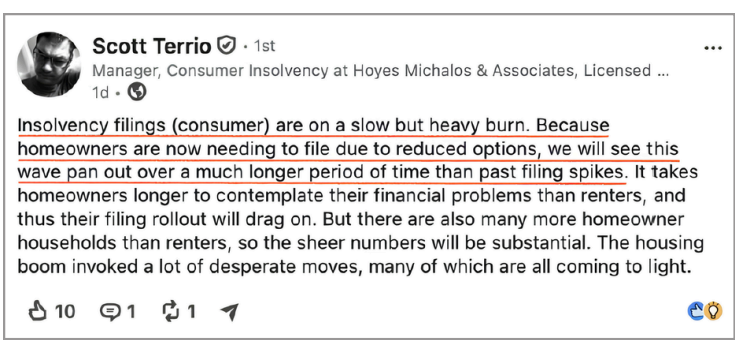
Bankruptcies often involve homeowners who carry larger liability balances overall which helps explain why the dollar volume of liabilities in these filings (a better proxy for potential lender exposure) is outpacing the filings themselves and was up 40.6% y/y nationally last month:



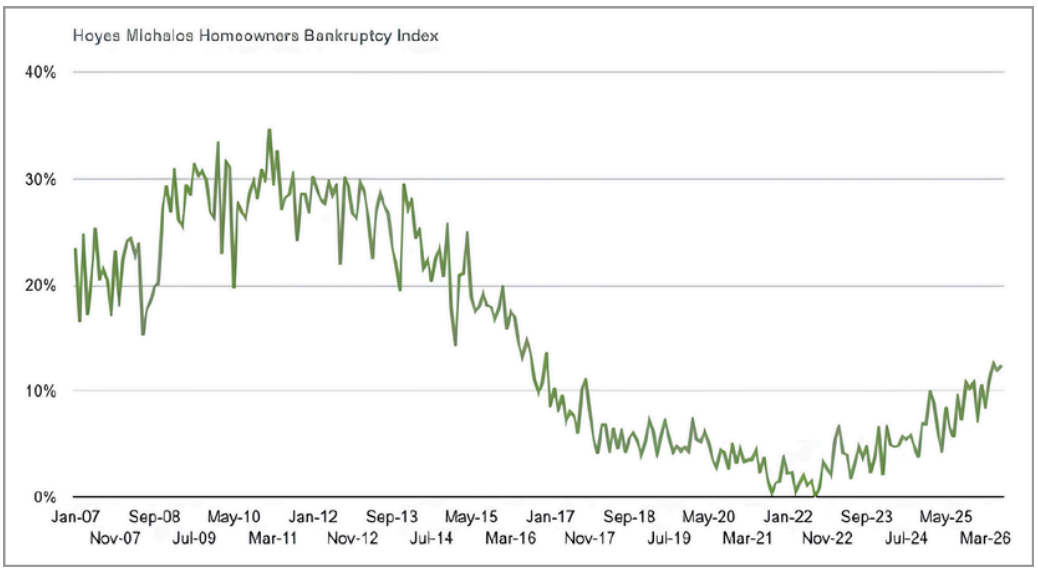
Bankruptcy filings continue to be driven by Ontario where they surged 25.5% y/y in June to hit the highest since 2019. The dollar volume of liabilities in those filings continues to inflect sharply higher, registering the third highest monthly tally on record:



For a temperature check, we turn to insolvency trustee Scott Terrio who notes that the wave of homeowner insolvencies appears to be just getting started.

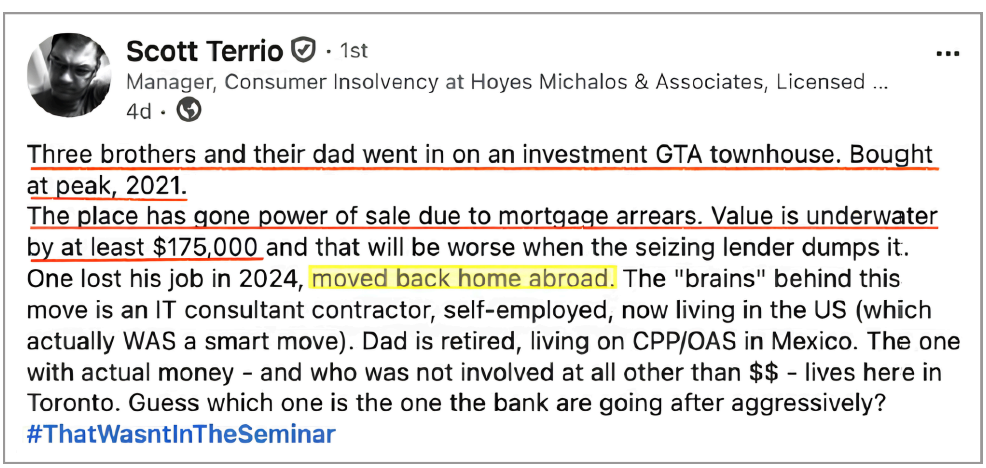


His company's internal data shows that a rising share of filings in Ontario involve homeowners but it's still well below the 2008-2013 cycle:



I agree here, and I would point out that this is not inconsistent with the early stages of a housing recovery. Transactions pick up even as stress continues to work its way through the system.

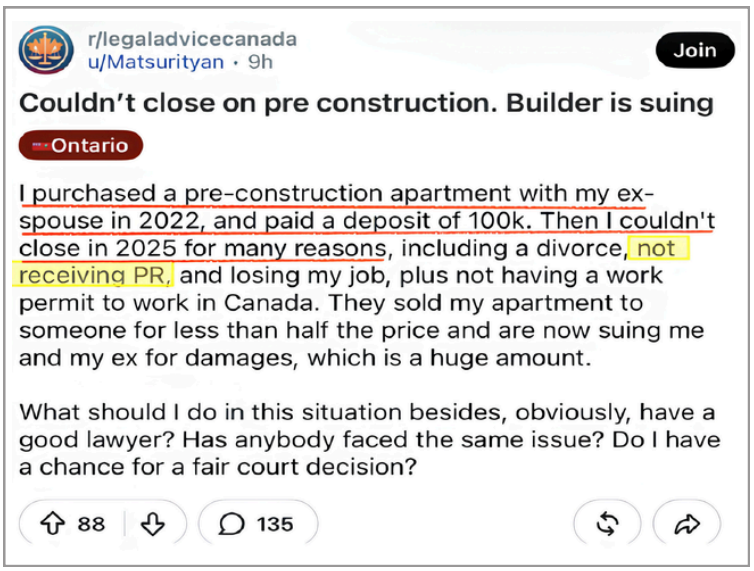
It's also interesting the apparent number of non-residents who were speculating in real estate during the boom years…a complicating factor as lenders attempt to recover losses. Consider:



Scott Terrio · 1st
Manager, Consumer Insolvency at Hoyes Michalos & Associates, Licensed ...
4d ·

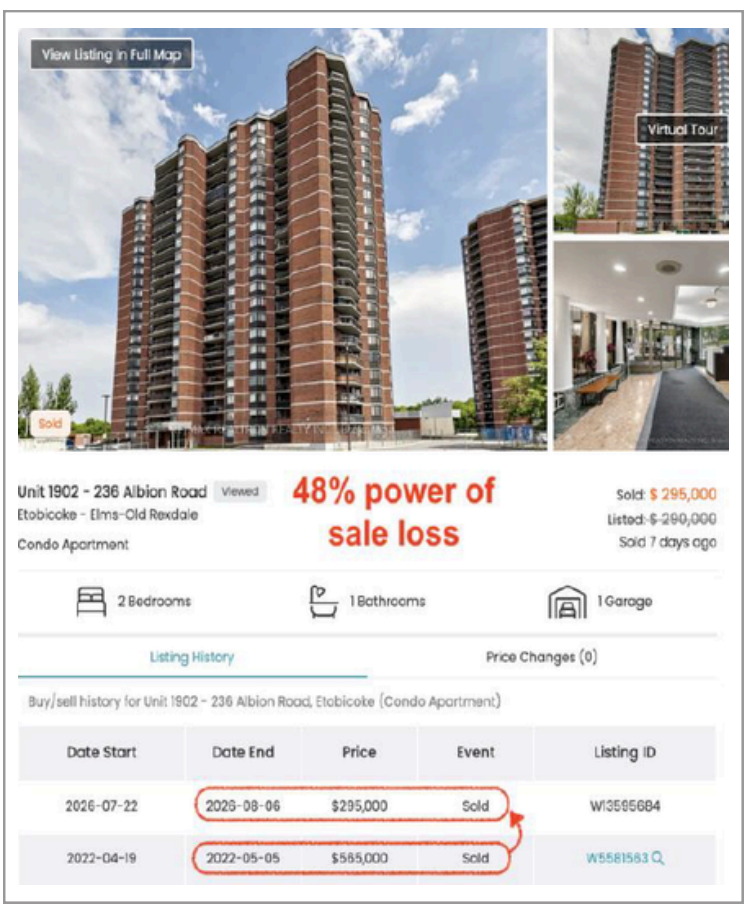
Three brothers and their dad went in on an investment GTA townhouse. Bought at peak, 2021.
The place has gone power of sale due to mortgage arrears. Value is underwater by at least $175,000 and that will be worse when the seizing lender dumps it.
One lost his job in 2024, moved back home abroad. The "brains" behind this move is an IT consultant contractor, self-employed, now living in the US (which actually WAS a smart move). Dad is retired, living on CPP/OAS in Mexico. The one with actual money - and who was not involved at all other than $$ - lives here in Toronto. Guess which one is the one the bank are going after aggressively?
#ThatWasntInTheSeminar

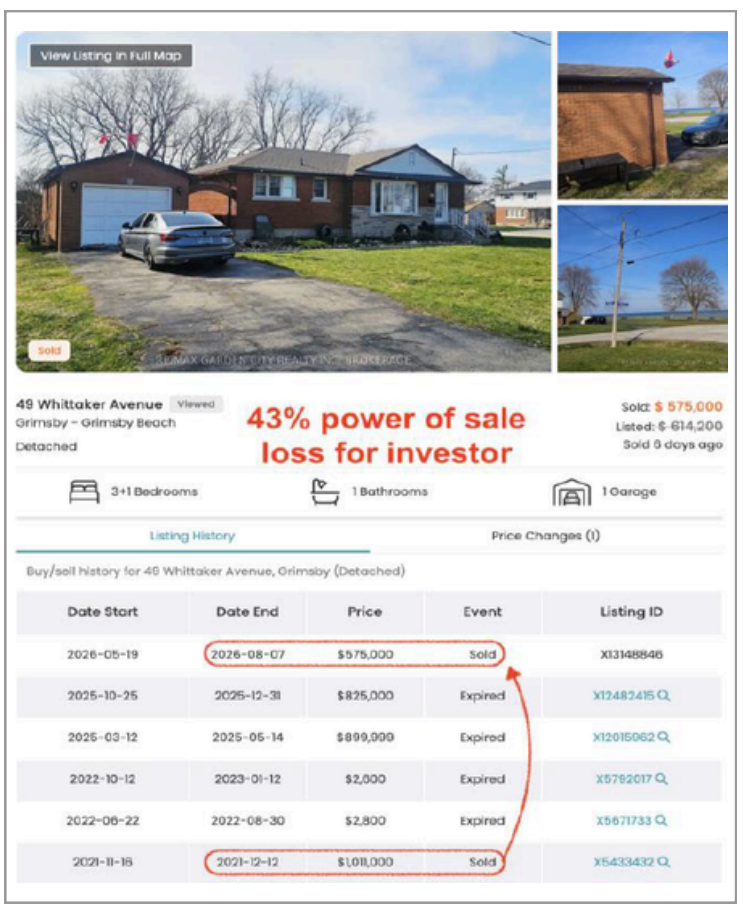
And also over on Reddit:



A continued rise in distressed sales remains a key risk to the market given continued low levels of resale liquidity .

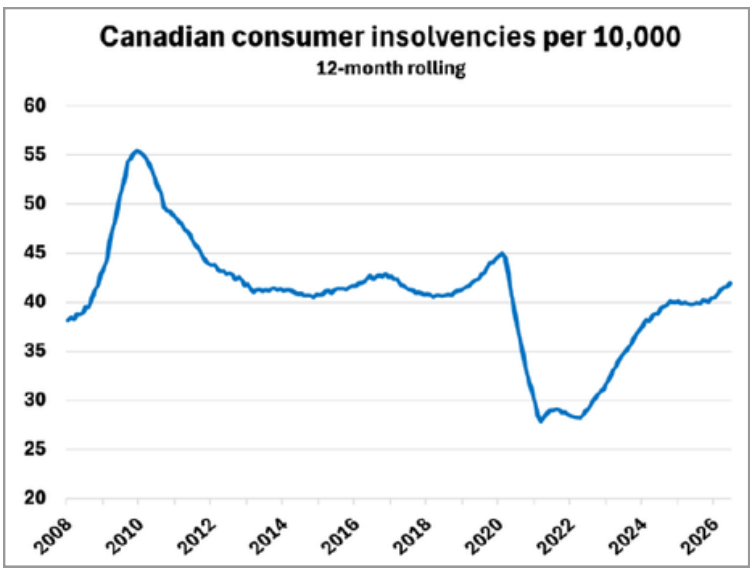
Two power of sales from the past week highlight the magnitude of price declines in some recent sales:



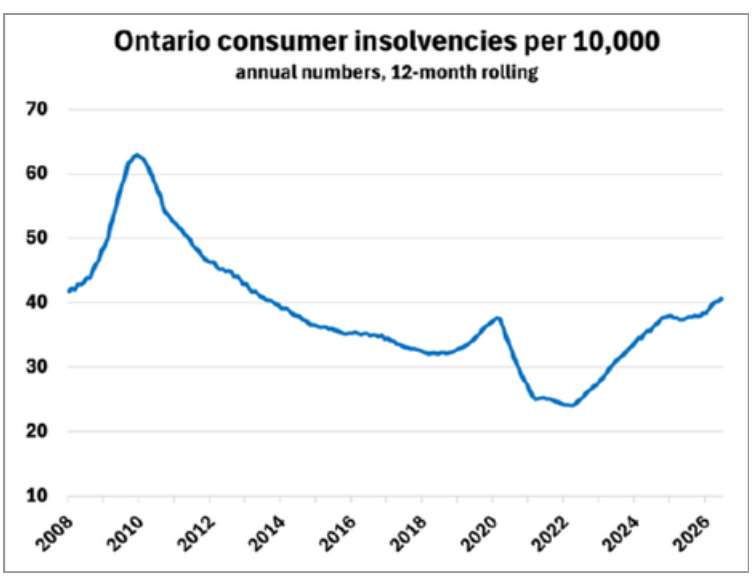


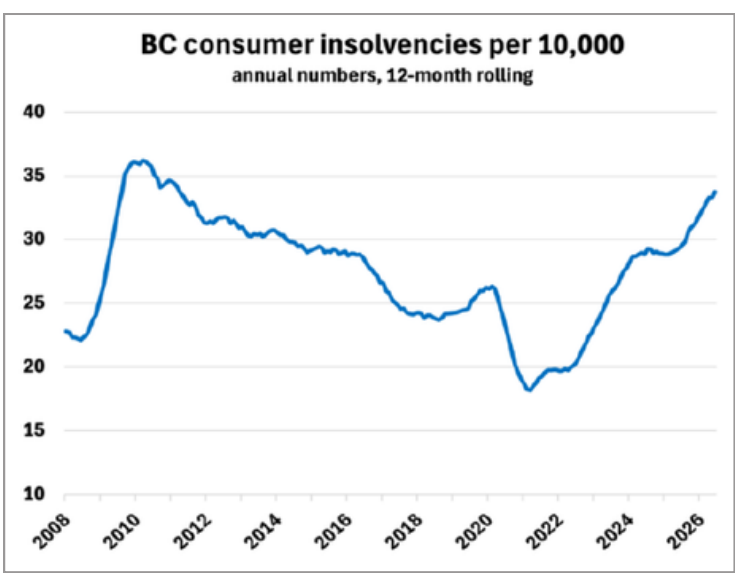
Context: Per capita numbers are still well below peak

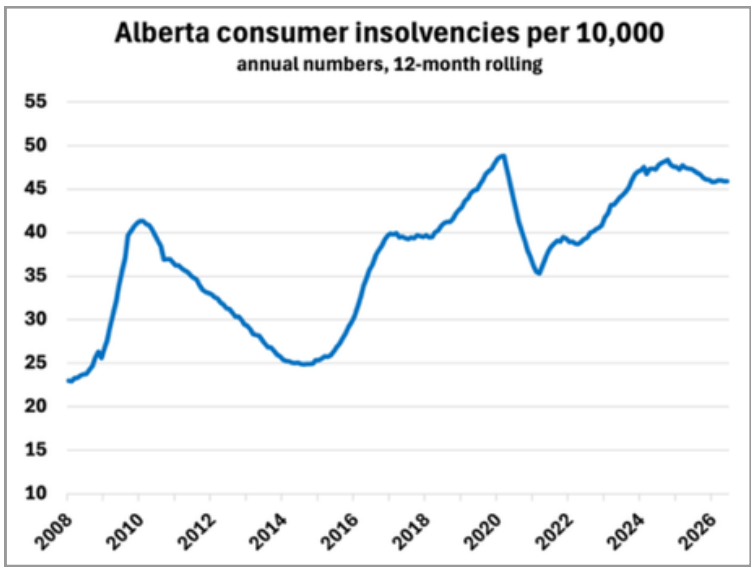
While the trend overall is notable, context is important. On a per capita basis we are still nowhere near the 2009/2010 peak and are only barely back above the pre-COVID trend:

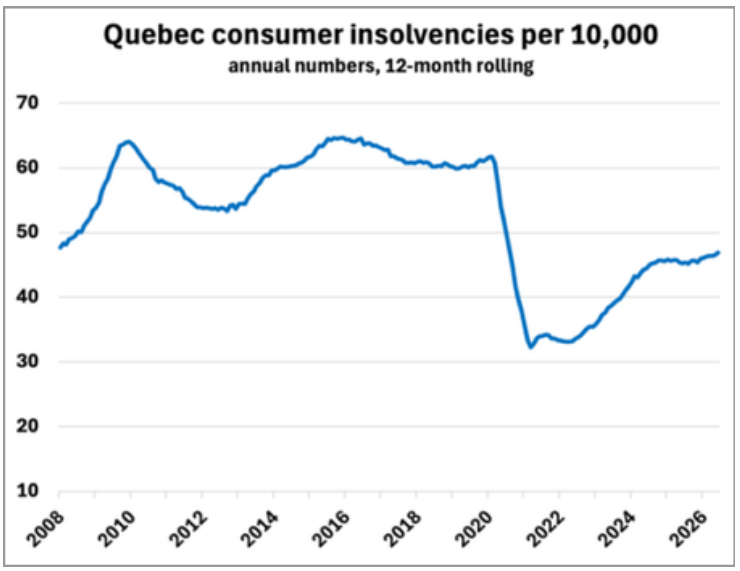


That said, there are pockets of concern, notably Ontario at 13-year highs and BC at the highest run rate since 2010:





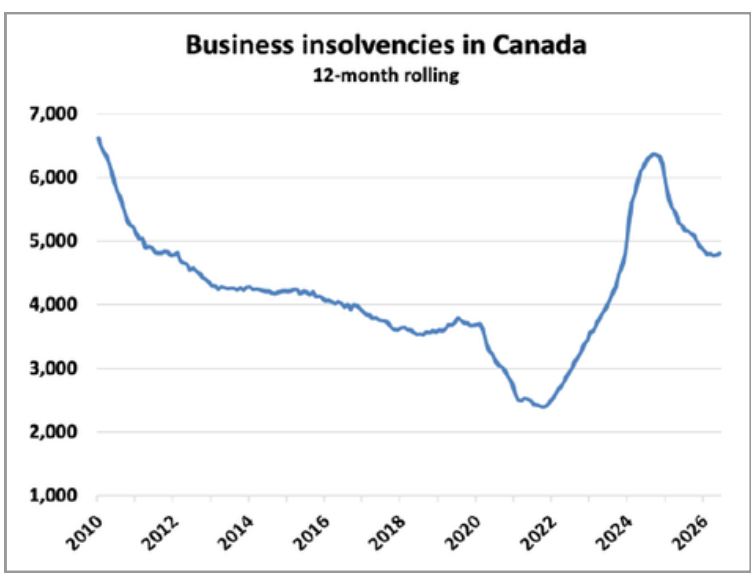


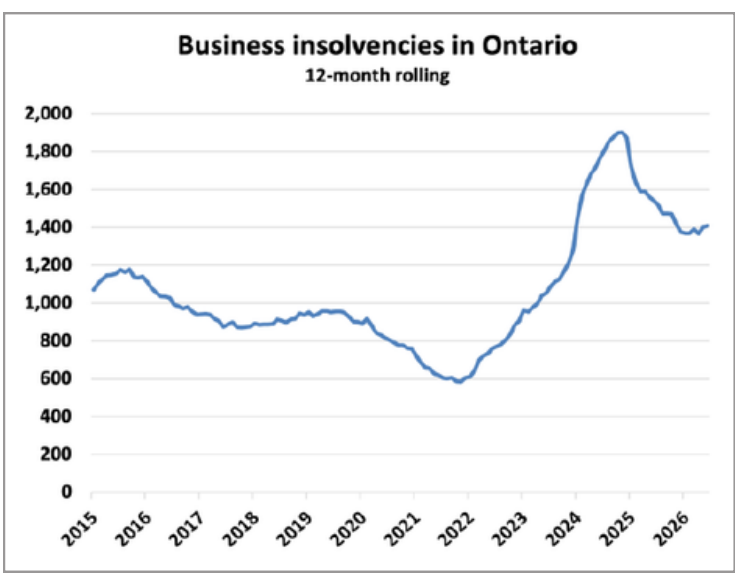


Business filings pick up, liabilities fall

Insolvencies involving businesses rose 5.5% y/y in June, the second consecutive month with positive annual trend.

Filings are now inflecting higher once again, led by Ontario and BC where they were up 6.5% and 8.3% y/y respectively:





Falling rents remove an "out" for struggling BC developers

This is a really interesting development:

> **BC Housing cancels 176-unit Kelowna tower as softer rents undercut the math** [1]
>
> A 20-storey rental tower that was to bring 176 below-market homes to downtown Kelowna is dead, cancelled by BC Housing after the agency concluded that a softening rental market had made the project a poor use of public money.
>
> The provincial agency confirmed in late July that it had made the "difficult decision" to cancel the redevelopment of the provincially owned site at 1451 Bertram St., planned in partnership with M'akola Housing Society and the City of Kelowna.
>
> The reasoning it gave is unusual, because the thing that killed the project is the thing housing policy has been trying to achieve.
>
> "Since the project was first proposed, market conditions in Kelowna have changed significantly, with rents stabilizing, demand softening and significantly higher vacancy rates," BC Housing said in a statement.
>
> […] Strip away the politics and the cancellation comes down to one arithmetic problem: a concrete high-rise costs a fixed and rising amount per unit to build, and the rent it can charge has stopped rising.
>
> Both halves of that equation moved against the project in the past year. In July, asking rents fell 4.5 per cent across B.C., the 25th consecutive month of year-over-year declines, and Kelowna's rental vacancy rate has climbed. On the demand side, the city's unemployment rate reached 9.2 per cent as its labour force grew faster than local job creation.

The project was expected to draw approximately $120 million in provincial funding. In pulling the plug, BC Housing blamed falling rents, weak demand, and significantly higher vacancy rates. The mayor's account is blunter: "The overarching cost per door was not something they would be able to offset with the rents that they were going to charge individuals."

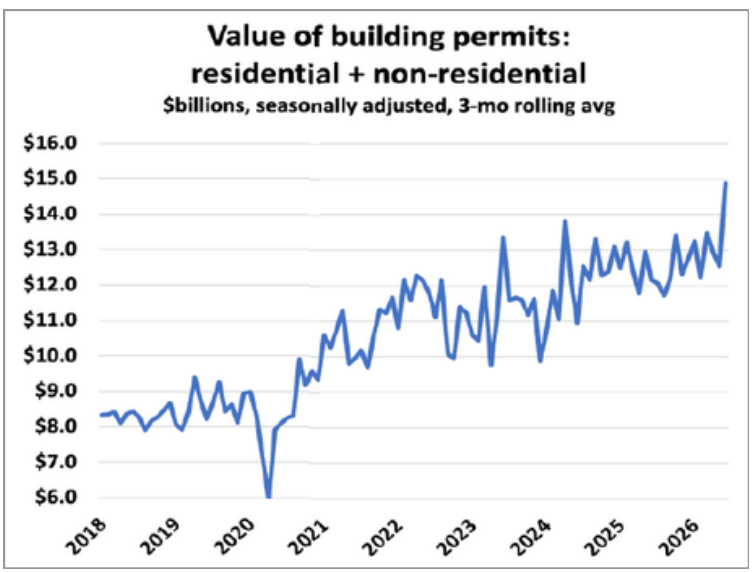
This is the first purpose-built project I can recall seeing that was killed by falling rents. It is perhaps a sign that proformas may be cracking…and that's on a project with subsidized provincial funds behind it.

If concrete costs per door does not pencil at today's rents for BC Housing, it probably doesn't pencil for any private builder. That risks removing the "pivot to rental" that has provided an escape hatch to many otherwise failed condo developments.

[1] https://businessexaminer.ca/real-estate/item/bc-housing-cancels-kelowna-bertram-street-tower

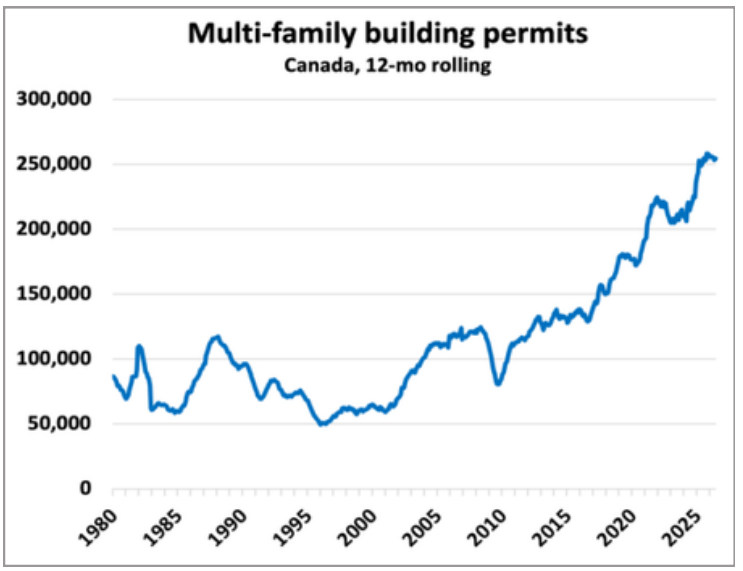
3) *Building permits surge as govt tries to stave off resi construction slowdown*

Building permits smashed expectations in June, surging 18.5% m/m including a whopping 37.5% increase in the non-residential component.

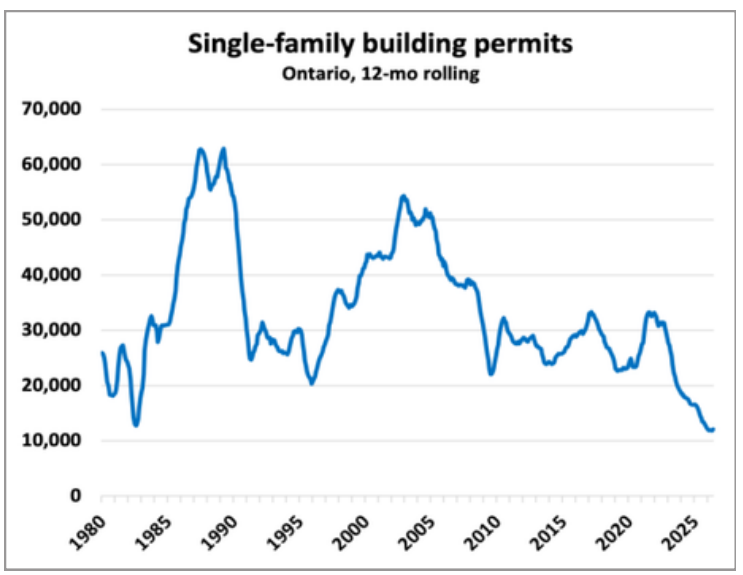


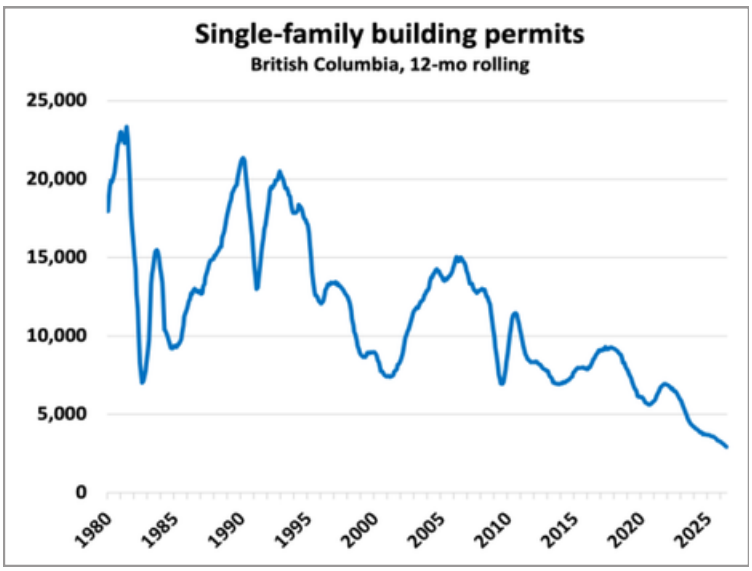
On the residential side, the dollar volume of permits was up a solid 6.3% m/m.

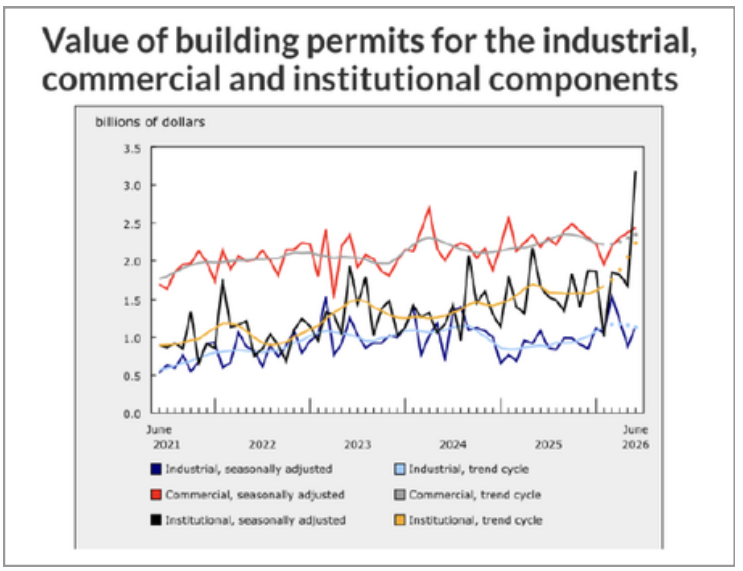
We've now had 303,000 units permitted in the past year, of which 255,000 were multi-family….almost all of them being rentals. That is a LOT….especially in the context of a record 218,000 new units already in the construction pipeline.



At the same time, the single-family market is still basically frozen. Permitting is at the lowest levels nationally since 1982, and it's at levels not seen since at least the 70s in Ontario and BC:







As mentioned above, rental economics are increasingly challenged. Even with ultra-favorable financing terms from CMHC, proformas are starting to break. We have to be close to the point where rental construction slows.

If you're the feds looking to backstop a critical industry, government spending is one route. From Stats Canada, highlight the record surge in institutional building permits last month:

> In June, the gain in the institutional component was bolstered by Ontario (+$1.3 billion) and concentrated in the Toronto census metropolitan area (CMA), where there were newly approved building permits for a medical institution. The gain was also supported by Quebec (+$238.7 million).

Ultimately we'll need the condo sector to come back to life if the rental component slows.

Here a key development to watch is the looming potential expiry of the foreign buyer ban. It was initially implemented on a 2-year basis in 2022, then extended for an addition 2 years. It is set to expire on Dec 31 of this year.

There's a good chance we see it amended. Housing Minister Gregor Robertson has said in the past that the government is looking at what other countries do on this file, particularly Australia, where there are exemptions for purchases of NEW homes and vacant land.

A key tell is that we're seeing opeds supporting such a move in the "Liberal-friendly" Toronto Star. One wonders if the feds aren't testing the waters here:



With Toronto condos crashing, is it time to scrap the foreign-buyer ban?

The federal ban on foreign ownership of nonrecreational homes is set to expire at the end of the year.

Aug. 11, 2026 | Updated Aug. 13, 2026 | 4 min read

In 2022, the federal government passed a two-year ban on foreign ownership of nonrecreational homes that went into effect in January 2023. Condos under construction are seen at the corner of Dufferin and Bloor in 2025.

4) Vancouver and Calgary update

Tax hunt threatens Vancouver luxury market

One metro region heavily impacted by foreign demand is Vancouver. As mentioned last week, the announcement of global tax hunt by Beijing is potentially very bad news:

China launches global tax hunt going back decades [2]

China has launched a global hunt for hundreds of billions of dollars in unpaid taxes going back decades as Beijing seeks to fill a deepening fiscal hole by targeting the ultra-rich. Authorities have stepped up scrutiny of overseas capital gains and investments, in some cases going back as far as 2000, in a campaign that comes as Beijing also seeks to significantly expand control of outbound capital flows.

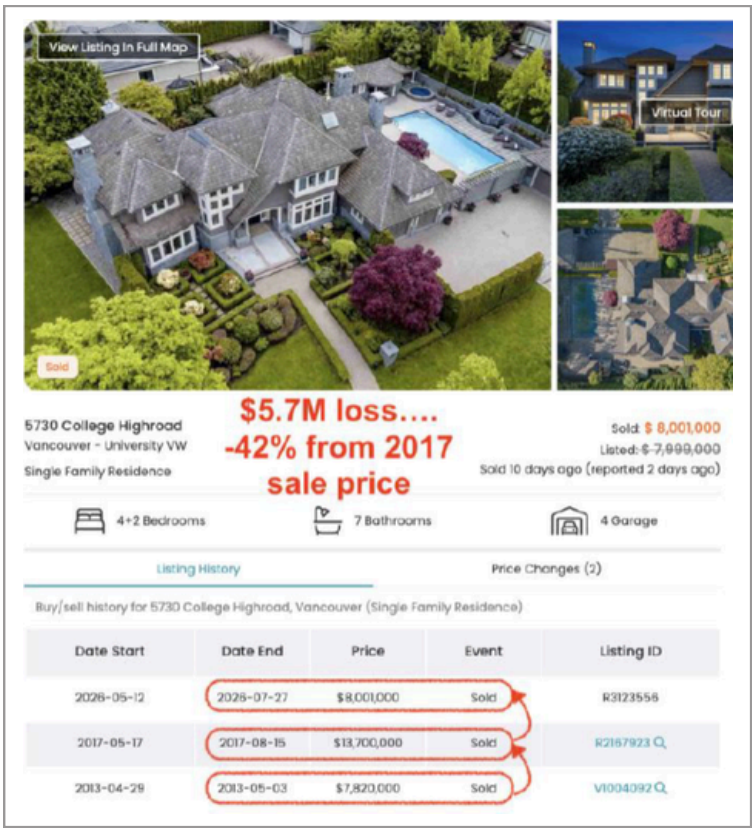
[2] https://financialpost.com/financial-times/china-global-tax-hunt-decades

Chinese banks and other financial institutions have been instructed to review overseas investments by wealthy Chinese to check if income has been declared to Beijing's tax authorities, according to foreign officials as well as Chinese bankers and family office managers.

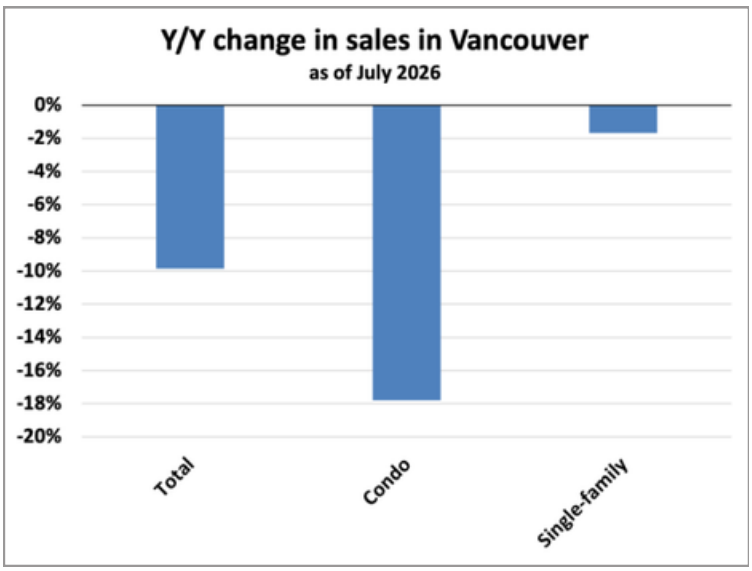
Their efforts, part of a suite of tax reforms targeting the country's wealthy — including offshore trusts — are focusing on gains made from purchases of real estate, equities, precious metals and cryptocurrencies, among other assets.

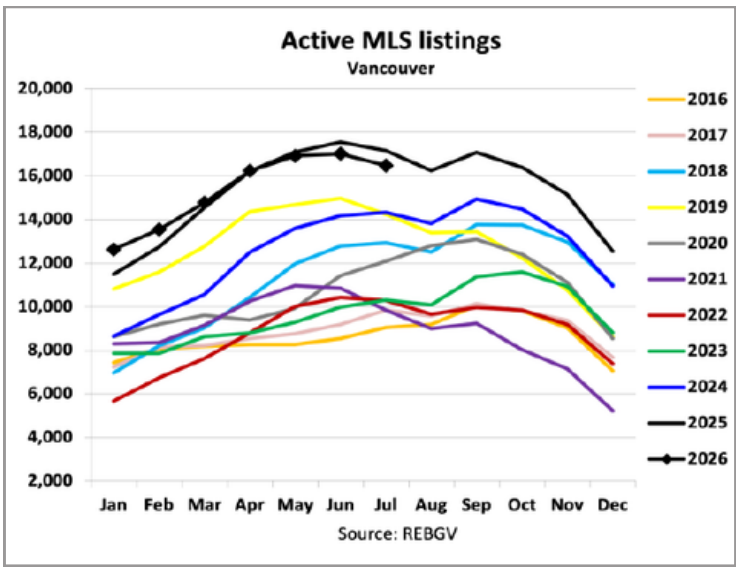
The retroactive nature of the campaign — with reviews in some instances going back more than 25 years — has been confirmed by multiple officials, bankers and advisers.

Hence we continue to see big losses in the luxury segment. I included this one last week but it gets another mention since it is almost certainly the largest REAL decline from peak I've seen this cycle:

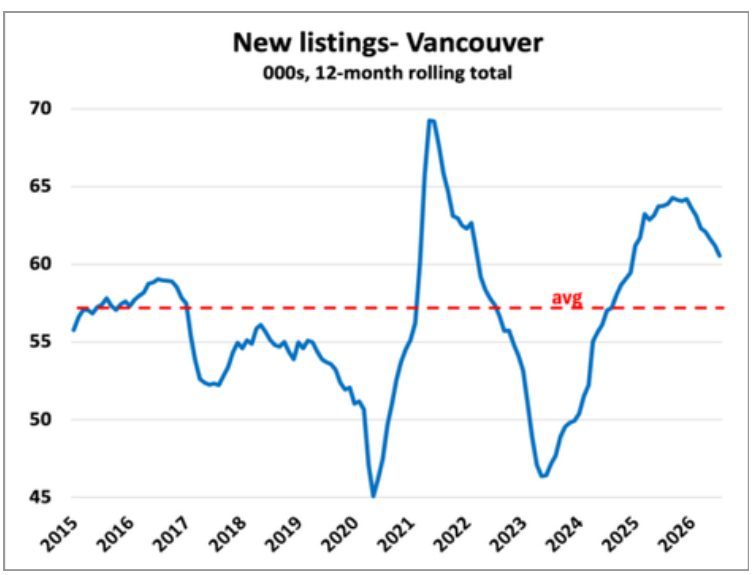


With a lack of foreign capital flows and an ongoing aboriginal land claim debacle that is understandably crushing buyer sentiment, it's not surprising that home sales continue to struggle. They were down 9.8% y/y in July across the metro region, led by steep declines in the condo segment:

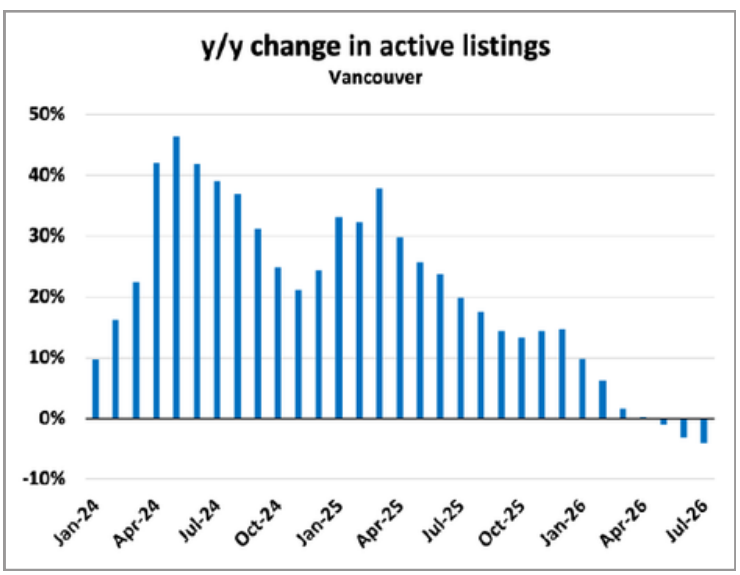




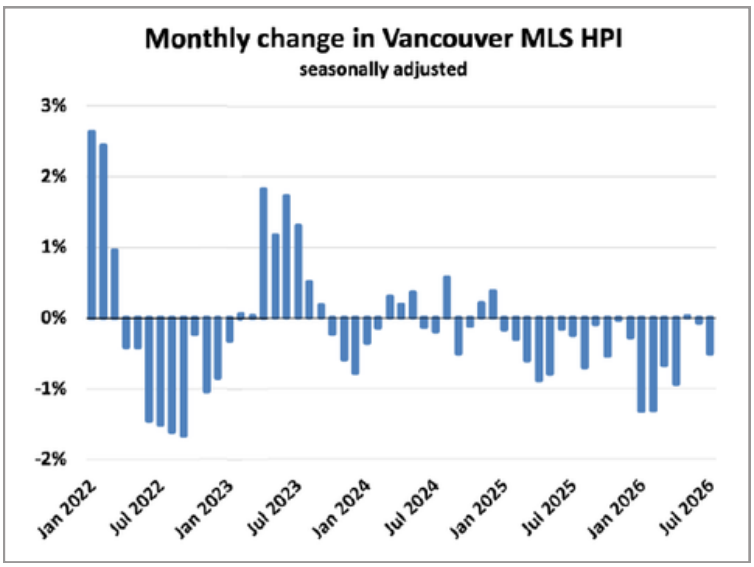
But new listings are also on the decline, falling 17.8% y/y last month:

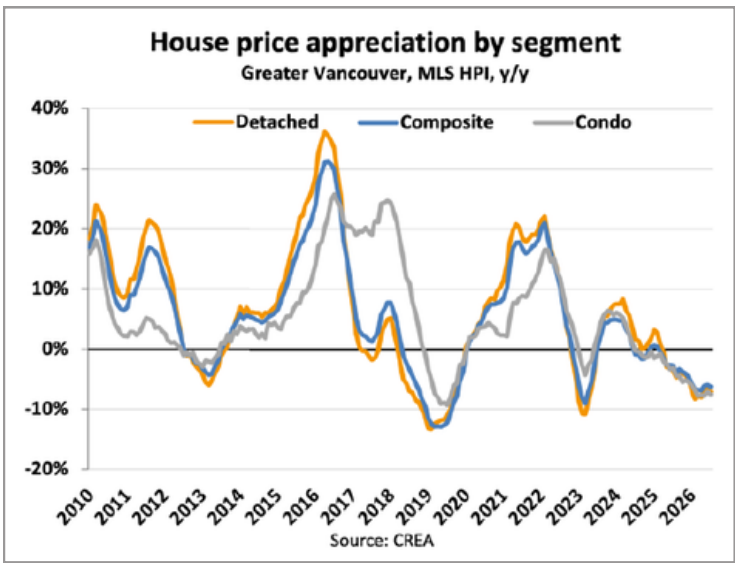


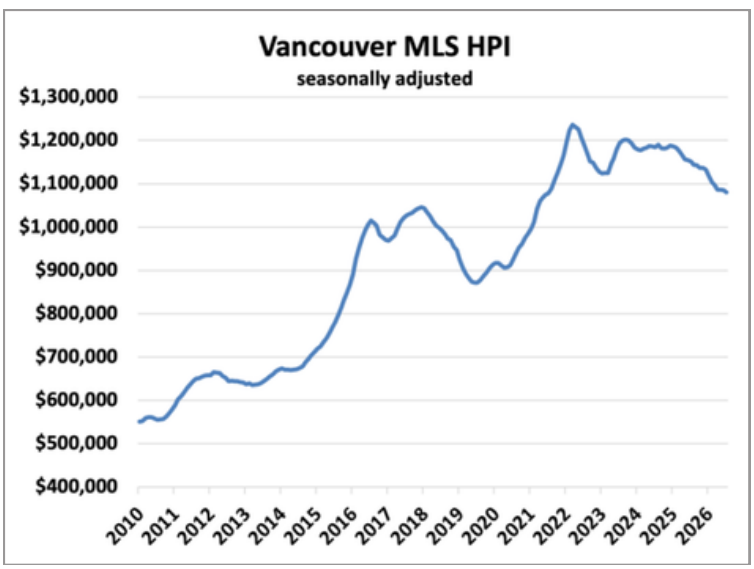
Active inventory is now trending lower, down 4.0% y/y…the largest annual decline since early 2023:



Still, the direction for pricing is down with the MLS HPI registering a seasonally adjusted 0.3% m/m decline in July leaving prices down 6.2% y/y and down 12.5% from the 2022 peak:







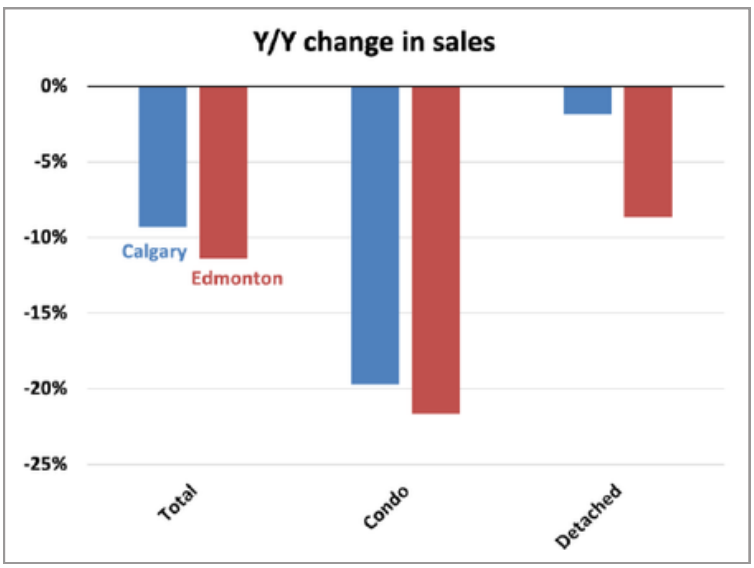
While I think a credible case can be made that Ontario metros are searching for a bottom, I'm not as optimistic about BC metros in the near term.

Alberta stabilizing

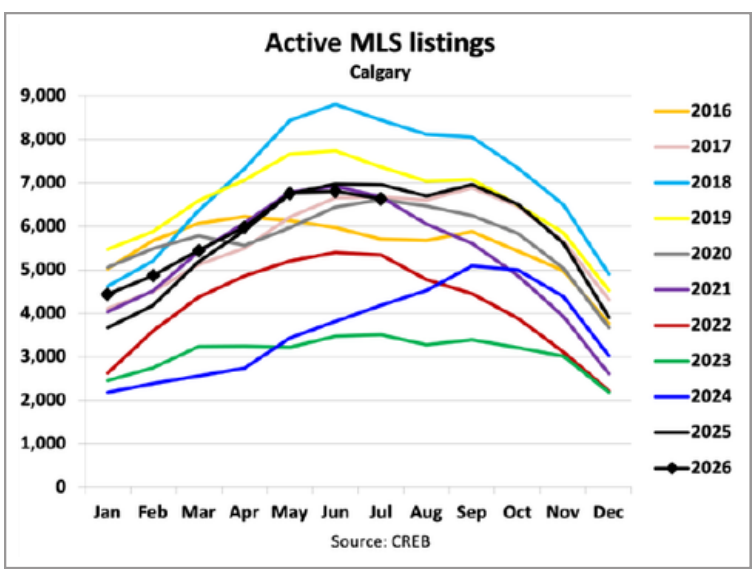
With two major pipeline proposals in the works, a wave of data centre announcements, and signs of significant brownfield oil sands expansion in the latest producer results, the pieces are falling into place for a meaningful acceleration in Alberta's economic growth.

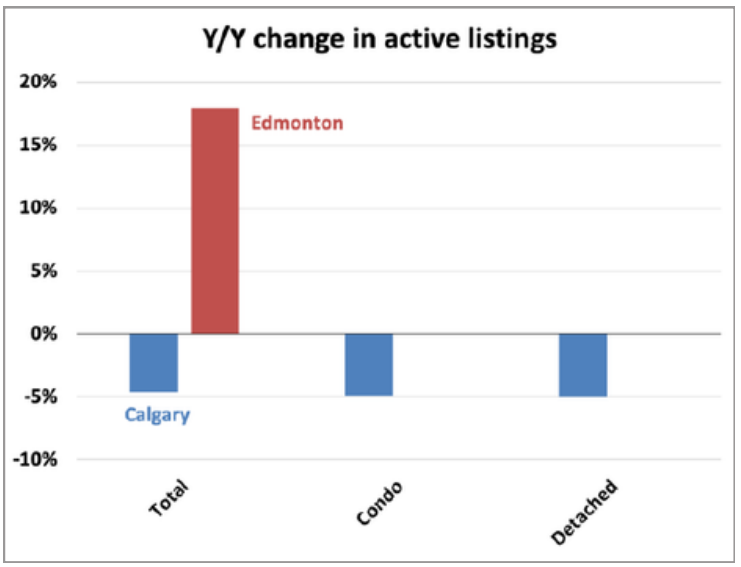
That hasn't fully translated into a rebounding housing market, but there are signs that things are stabilizing at the margins.

Consider Calgary. Yes sales were down 9.2% y/y in July (and down 11% in Edmonton)…

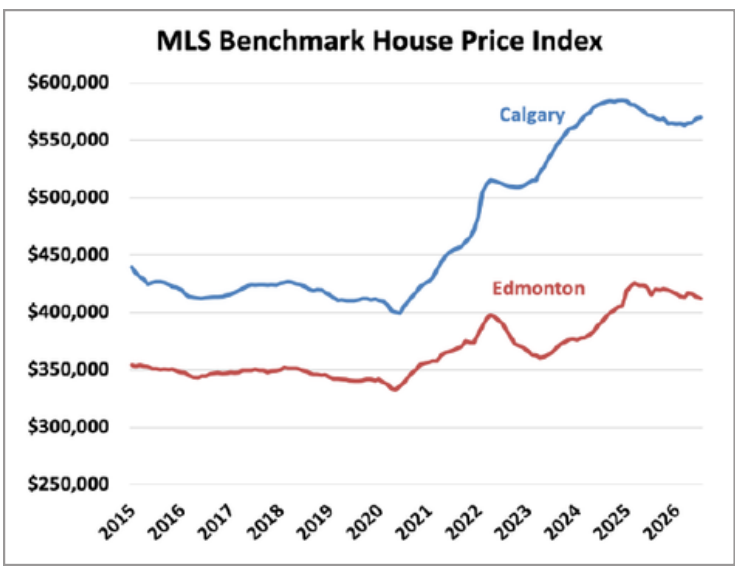


But new listings were down 15.1%. That's led to a 4.2% reduction in resale supply in Calgary relative to last year:



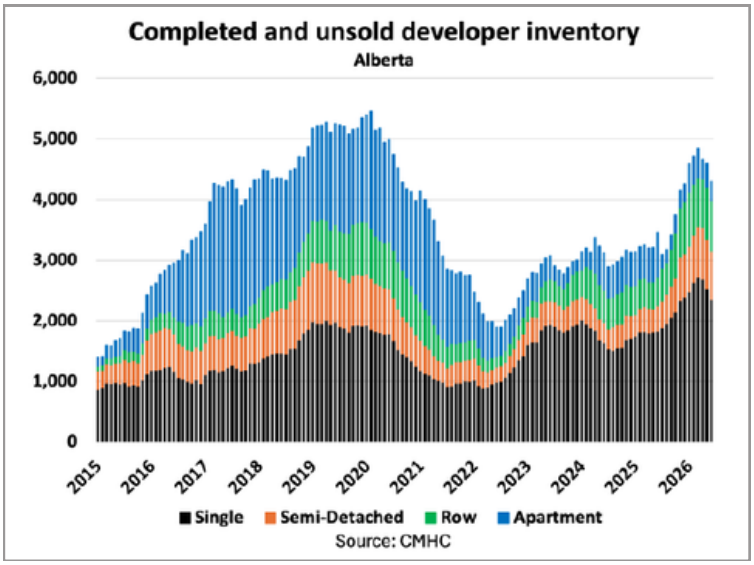


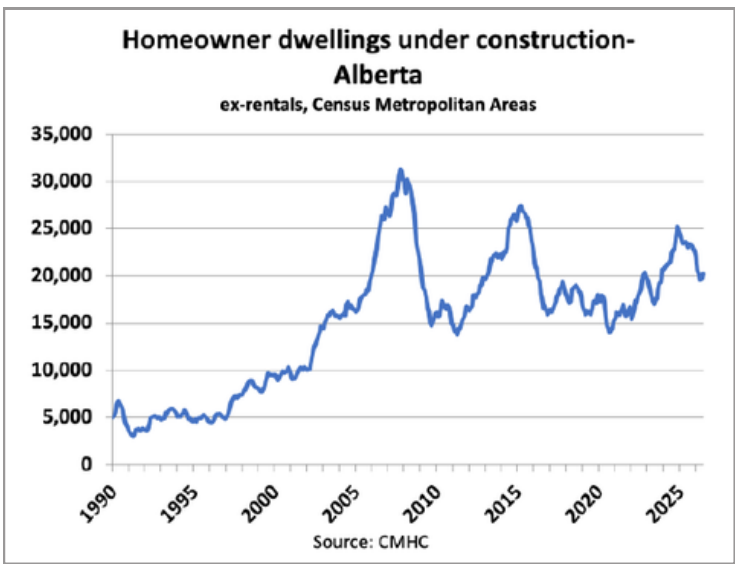
Most telling is that the MLS HPI has hooked higher over the past 4 months in Calgary, signaling that perhaps the mid-cycle adjustment is behind us.



Developers still have a pile of unsold inventory (albeit down from peak earlier this year), and there's a fair bit of new homeowner supply still in the pipelines, so this is not a return to boom times just yet. But if the

economic momentum materializes and the province continues to attract young talent from the rest of the country, we may be heading for a much different market in coming years.





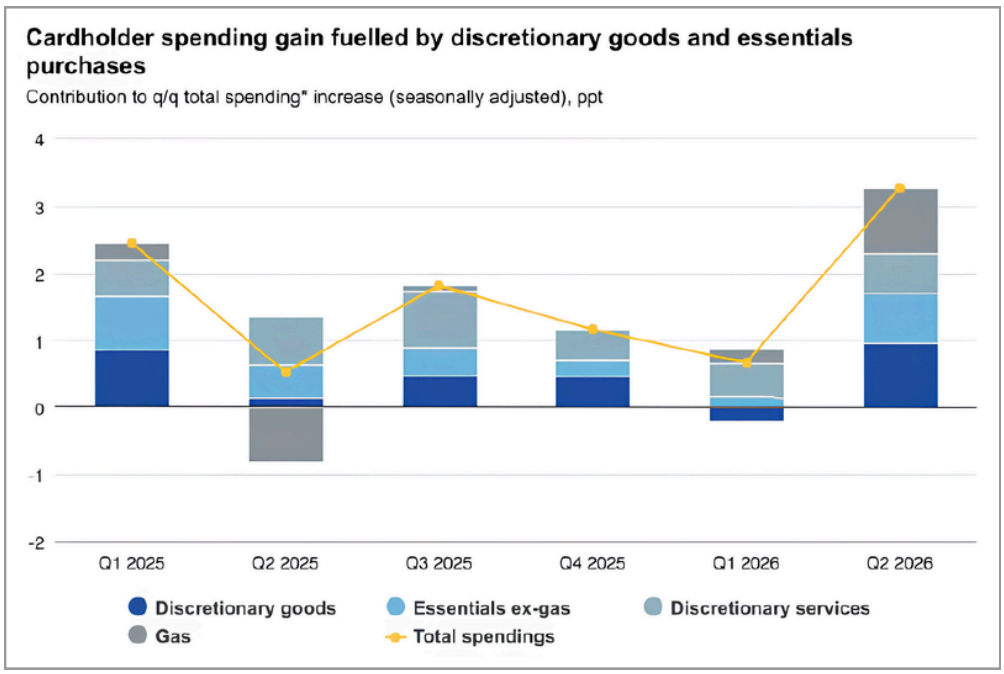
5) *Consumer check: More signs of a k-shaped economy*

Solid card spending in Q2

Interesting report here from RBC [3]

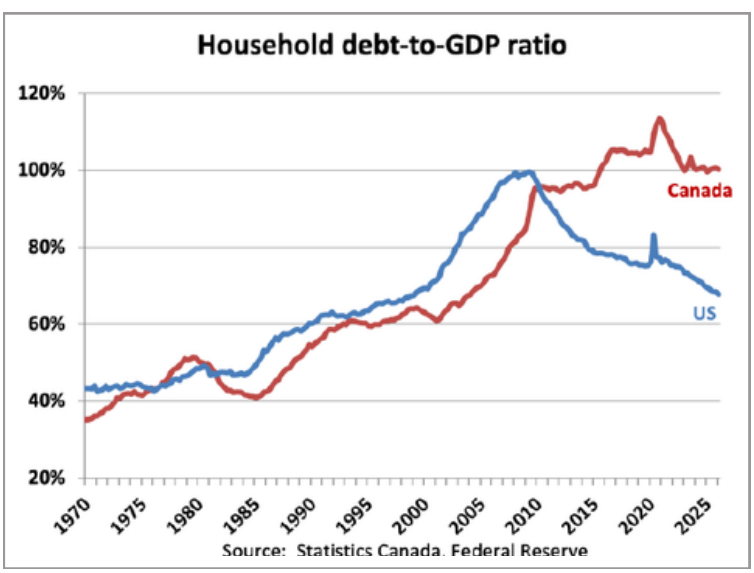
> Canadian consumers continued spending through another challenging quarter, likely drawing on savings or taking on more debt to maintain consumption patterns amid weak real wage gains and higher energy costs.
>
> RBC's Q2 cardholder transactions shows overall spending accelerating, consistent with signs of improvement in the broader economy—though some of the gain likely reflects spending to keep up with rising gasoline prices.
>
> Beyond the energy pull, RBC's core retail sales (excluding spending at gas stations) rose 2.4% in Q2, pointing to broader consumer strength. Purchases of essentials excluding fuel grew 2.2%, matching growth in discretionary services spending—where cardholders prioritized social experiences during the summer season.

[3] https://www.rbc.com/en/economics/canadian-analysis/rbc-consumer-spending-tracker/q2-canadian-consumer-signals-spending-on-fuel-overshadowed-purchases-by-sports-fans/



They note that discretionary goods spending jumped 3.7% q/q after roughly 18 months of weakness. They also flag a World Cup spending bump as a major contributor to headline growth, noting that food and drink spending hit 12.5% of total card spending in June, the highest reading since RBC began tracking data in 2018.

If their conclusion is correct and this rebound is being financed by debt and reduced savings, it won't last. Canadian consumers don't have a ton of balance sheet room in aggregate:



More signs of a k-shaped economy

I think the narrative of a K-shaped economy in which the wealthy are accounting for a larger share of economic activity does have some merit.

Consider some of the company earnings from the past week.

- Canadian Tire's consolidated same store sales improved to +0.7% from -1.0% in Q1, but the flagship Canadian Tire banner, which skews more discretionary, remained negative. Management explicitly said it lowered prices for "value-seeking customers."



- Perhaps the most interesting spending signal came from METRO. Management plans to convert 10 Ontario Metro stores into Food Basics locations, explicitly citing an "ongoing search for value" among its customers. It's telling that management is reallocating physical store capacity toward a discount banner.
- Air Canada had a solid quarter. Management specifically called out continued strength in premium and corporate travel: *"Within our cabins, premium and higher-yielding demand strength persisted through the quarter with premium and corporate revenues increasing 11% and 19% year-over-year, respectively."*

- Meanwhile, management at AutoCanada noted that *"demand remained soft into the early part of the second quarter amid macroeconomic uncertainty"*. Still their results were better than expected but the breakdown is telling. New vehicle sales fell 8.0% y/y in Q2 but used vehicle sales jumped 10.0%. New vehicle inventory was 79 days vs. 76 last year while used inventory tightened to 54 days from 63. That would seem to be a pretty clean affordability/trade-down signal.

Different companies, same message: strength at the top, value-seeking everywhere else. The K-shaped economy looks increasingly real.

For housing, the potential implication is important. If this trend continues, we should expect the high end to do relatively well, strong demand from well-qualified first-time buyers, and sluggish demand from everyone else.