

THE WEEKLY EDGE

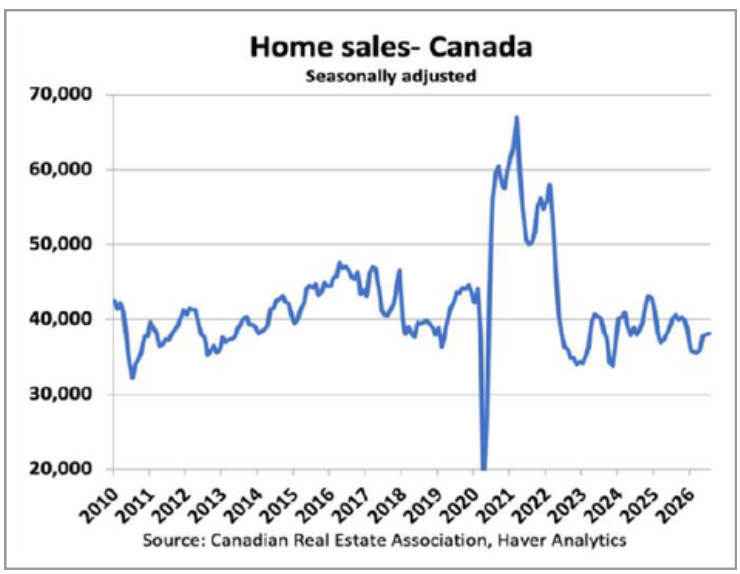
Week of August 24, 2026

CASHIN™
MORTGAGES
FSRA # 12543

1) Regional divide intensifies: ON/AB housing stabilizes, QC/BC weakens

Sales perk up

Seasonally adjusted home sales nationally rose 0.5% m/m in July. It was the 4th consecutive increase, driven this time entirely by Ontario where sales jumped +2.5% m/m. Still, it left sales running 5.3% below year-ago levels and down 40% from 2021 highs.

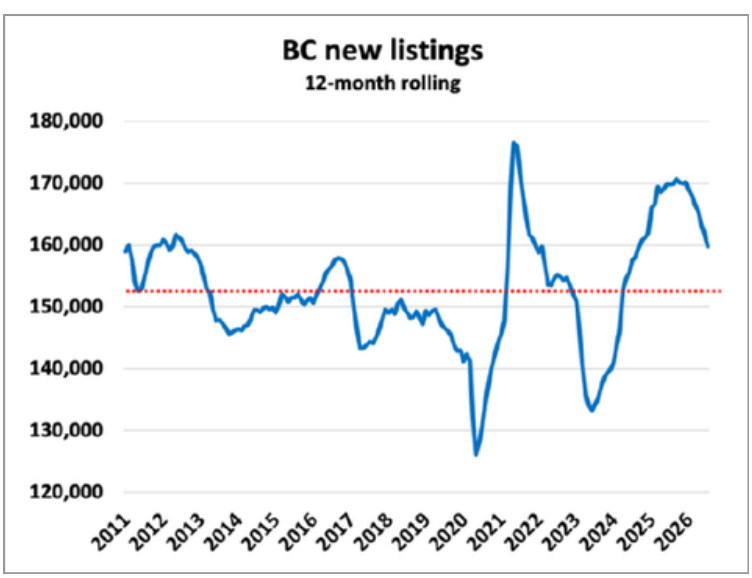


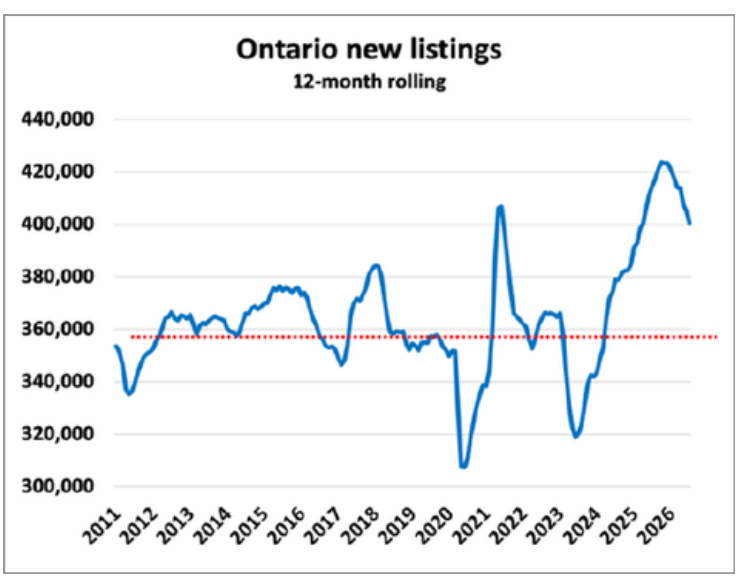
Key trends by province are shown below. Note in particular the growing weakness in Quebec where inventory continues to accumulate and prices are now grinding lower:

	Sales		New Listings		Active Inventory		House Prices (HPI, seasonally adjusted)	
	y/y	m/m seasonally adjusted	y/y	m/m seasonally adjusted	y/y	m/m seasonally adjusted	y/y	m/m seasonally adjusted
Canada	-5.3%	+0.5%	-6.9%	-1.6%	+0.6%	-0.0%	-3.3%	-0.1%
BC	-6.7%	-0.1%	-13.9%	-2.6%	-5.2%	-0.5%	-4.9%	-0.3%
AB	-9.6%	-1.4%	-5.3%	+0.2%	+5.8%	-0.2%	-1.1%	+0.1%
ON	-1.3%	+2.5%	-10.8%	-1.5%	-5.1%	-1.2%	-3.9%	+0.3%
QC	-6.4%	+0.3%	+9.2%	-2.9%	+18.9%	+2.3%	+3.3%	-0.1%

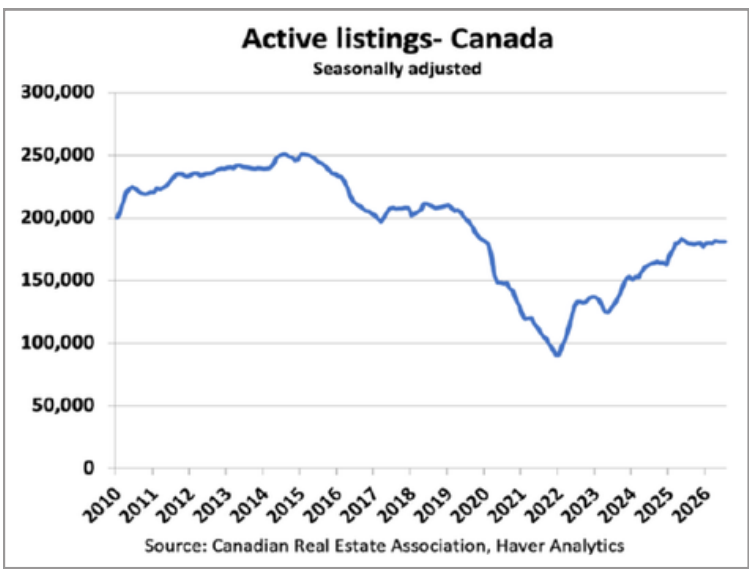
Supply tightens

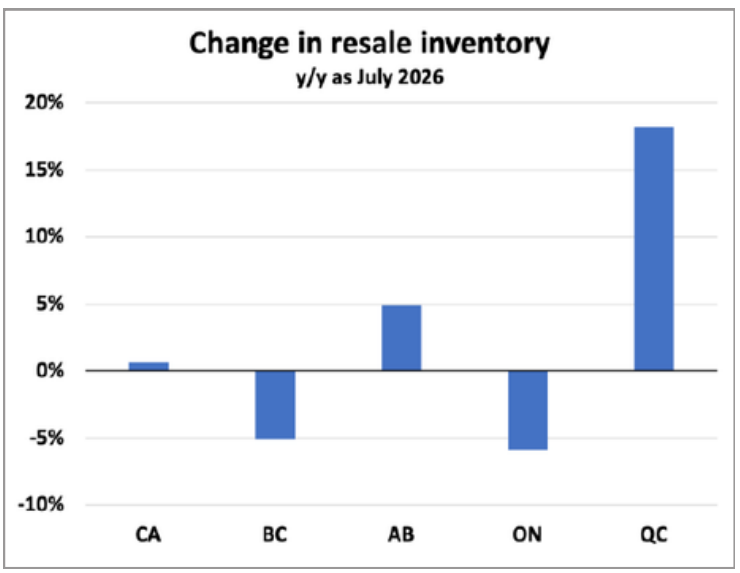
The big story remains on the supply side where new listings fell 1.6% m/m and were down 6.9% y/y nationally. The decline in listings last month was driven by BC (-13.9% y/y) and Ontario (-10.8% y/y). Both provinces are seeing listings mean-revert off the 2025 highs:



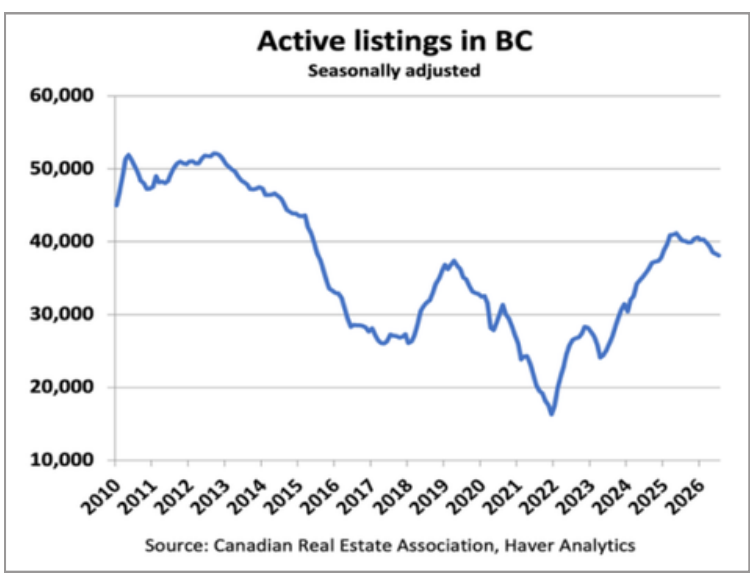


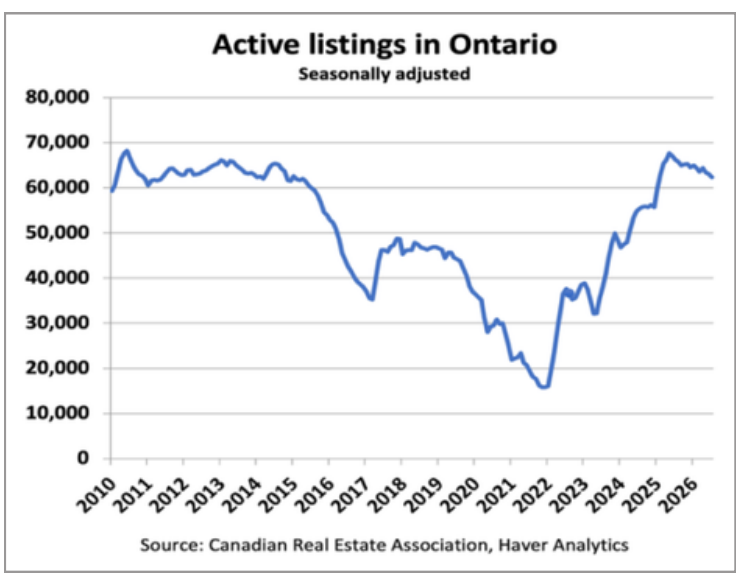
Seasonally adjusted resale supply was flat m/m across the country but the picture changes when we drill down by province. Active supply fell in BC (-0.5% m/m), Alberta (-0.2%) and Ontario (-1.2%) but surged 2.3% in Quebec where inventory is up nearly 20% relative to last year.



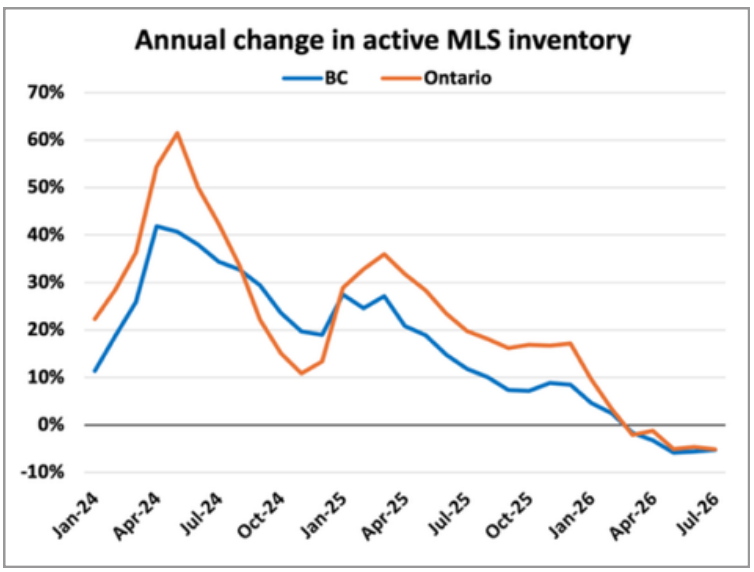


Hard-hit provinces like BC and Ontario continue see inventory levels declining off the 2025 peak:



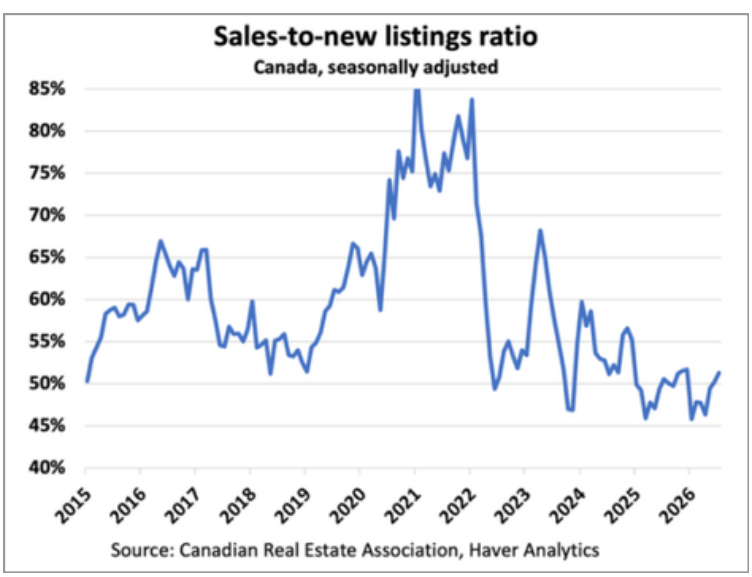


Both provinces are now seeing inventory fall on a y/y basis for the first time since early 2022:



Market balance improves

The market balance tightened overall with the sales-to-new listings ratio hitting 51.3% nationally, well below normal levels but still the best showing since late 2024. Ontario remains deep in buyer territory but this measure did improve to the highest level in 18 months:

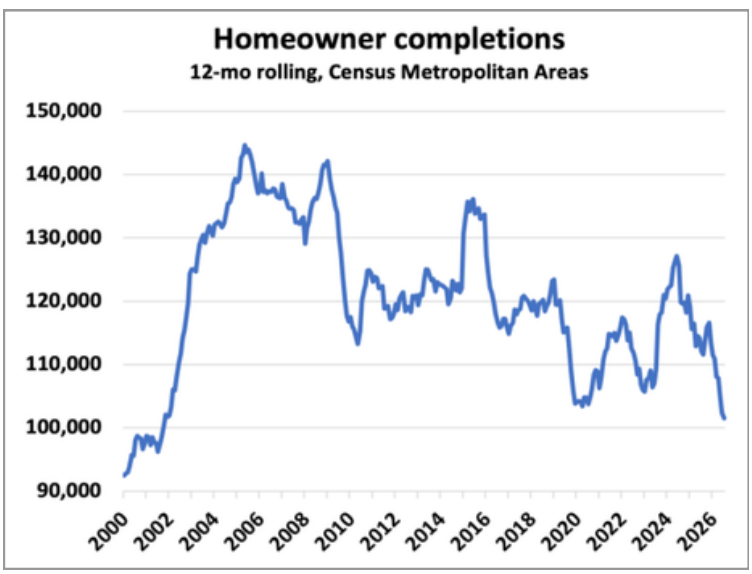




Supply "tug of war" on deck

Offsetting forces are impacting resale supply at the moment.

New homeowner completions have fallen to levels last seen in the early 2000s and are set to go much lower based on housing starts which have collapsed to levels last seen in the 1990s:





At the same time, there's a lot of residual speculative activity that has not yet been flushed from the market but likely will as rents continue to grind lower and mortgage rate resets continue into next year. Consider, from the Globe and Mail[1]:

How young condo owners became accidental landlords

Jane Tsang didn't set out to be a long-term landlord when she bought her one-bedroom condo in downtown Toronto five years ago.

She'd been planning to briefly rent out the unit, which she purchased for $550,000, until she and her partner could move in together after she graduated university. But they broke up just after the sale closed.

It didn't make financial sense to live in it alone, so Ms. Tsang, a 26-year-old content creator in Toronto, changed her plans. She decided to rent it out for the long haul and continue living with her parents, which she said she enjoys and allows her the flexibility to travel regularly.

[1] https://www.theglobeandmail.com/investing/personal-finance/article-how-young-condo-owners-became-accidental-landlords

Ms. Tsang now rents the condo out for $2,200 a month. Her monthly condo expenses are higher than the rent she's receiving – she pays an additional $800 a month out of pocket – and she's just about to renew her mortgage at a higher interest rate than the 1.99 per cent she has been paying since she bought the condo.

But Ms. Tsang is at peace with the situation. She has a good tenant, and she's making good money now. And she says she believes that in the long run, the condo market will rebound from its current sluggish state.

"I try not to look back in regret," she said. "And I feel pretty confident [the market] will overall trend up."

[…] When Francesca Parc and her partner bought their condo about an hour outside of Toronto in February, 2022, for $520,000, she said they believed that "owning was a great investment, and no matter what time you sell, you're going to make money." Ms. Parc, a correctional officer, said she fell into the trap of comparing herself to other people her own age who were settling down and buying homes.

Reality hit once they moved in: The commute into Toronto for work was "killing us," she said. There were also costs the couple didn't anticipate, including condo fees that rose from $400 a month when they bought to about $770 today. She said buying the condo is the worst financial mistake she has made.

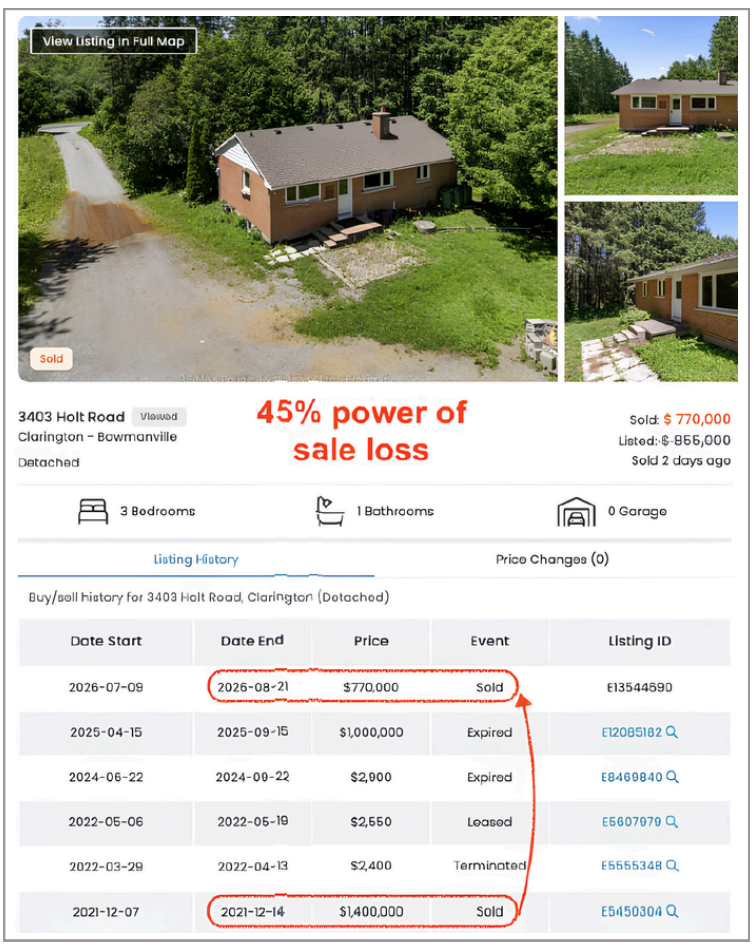
The couple opted to rent their place out and move to Toronto to rent from her parents while they wait for the market to recover. Their tenant pays $2,400 a month, and Ms. Parc estimates she and her partner pay an additional $10,000 a year to cover their mortgage and other homeownership expenses. They also pay her parents $2,000 a month in rent.

How long can this punitive negative carry be sustained?

Meanwhile from Scott Terrio over on Linkedin reporting on the surge in investor power of sales/insolvencies in his practice:



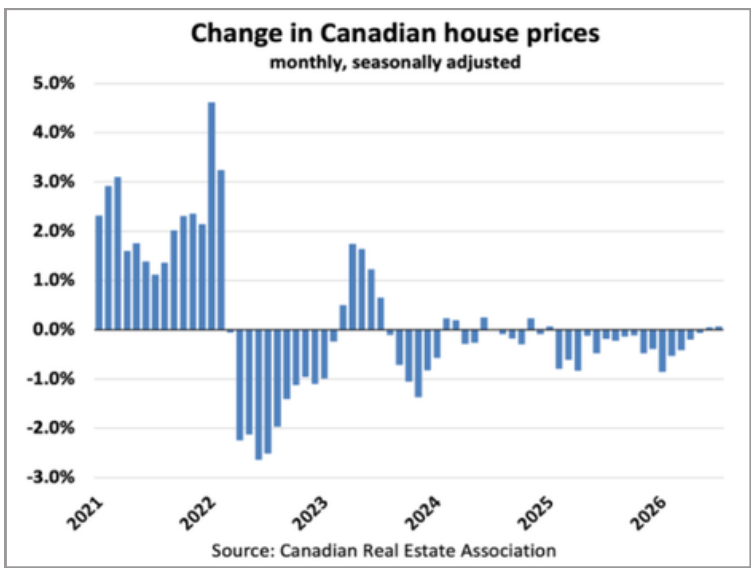
These power of sale listings continue to add considerable volatility to official price data. Consider the one below from Bowmanville on the east part of the GTA. This place was bought for $1.4 million by an investor in 2021, rented out to tenants, then ultimately sold under power of sale at a 45% loss just last week:

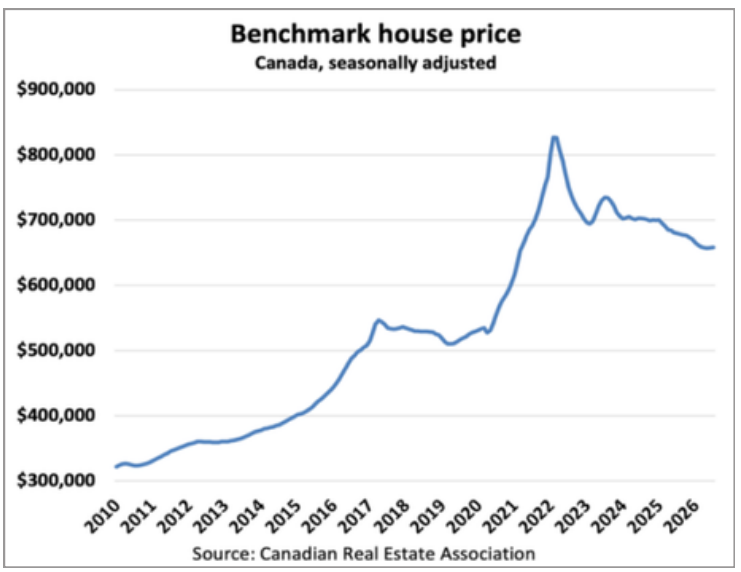


Given the supply cross-currents, I expect resale inventory will stabilize in the back half of the year and hold at elevated levels right through 2027. Soft demand and elevated supply will keep prices grinding more or less sideways as we enter a multi-year bottoming process.

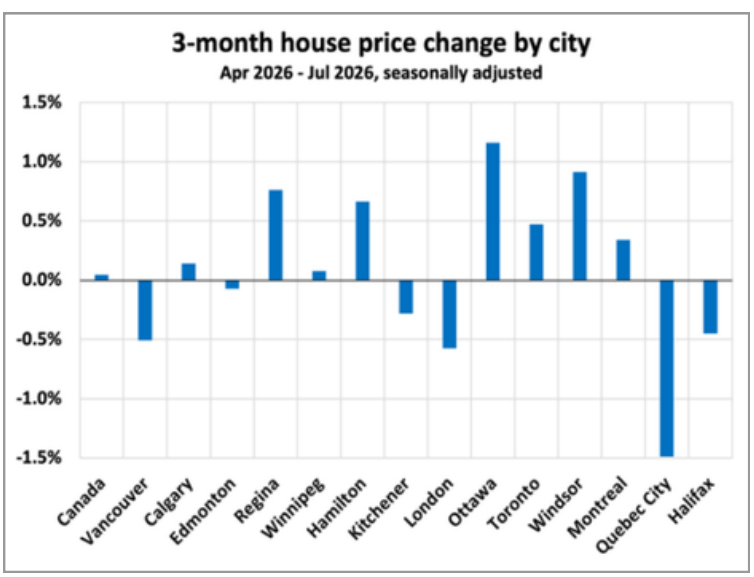
Prices flat nationally but perk up in Ontario

House prices nationally are now effectively unchanged over the past 3 months…





…but with considerable regional variation. BC continues to see falling prices, Alberta is flat, Ontario is trending slightly higher, and Quebec is showing mounting signs of topping out:



BC warrants attention, particularly the luxury market. A slowdown in foreign capital flows and mounting uncertainty stemming in part from ongoing land claim issues, are leading to some eye-watering losses in that segment.

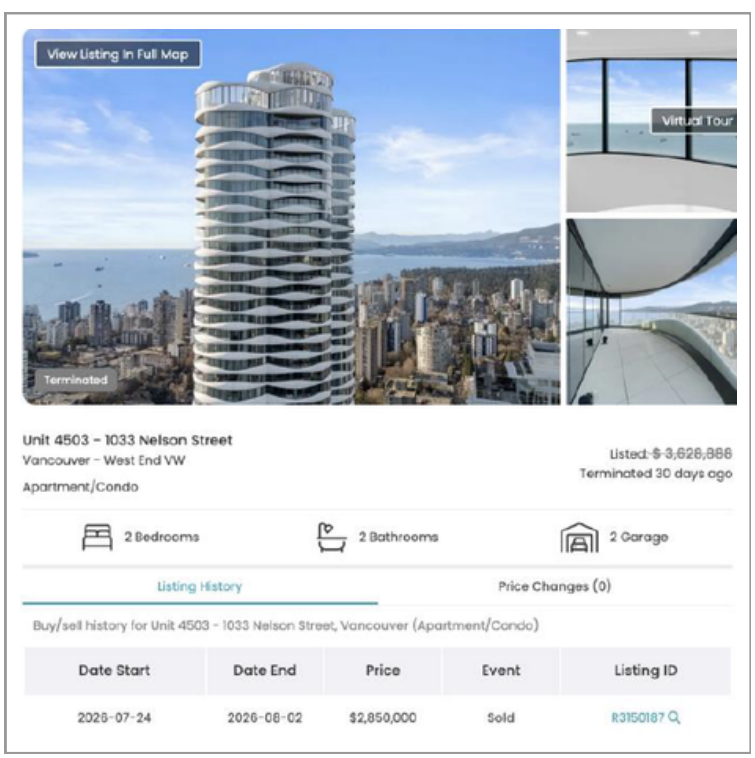
Consider The Butterfly development in Vancouver, a luxury development that was presold right at peak. Resales have been sparse, but I did previously report last month on one unit that sold at $1,400/sqft….way under the $2,400psf presale price.

Now we have another. The BC Assessment site shows this unit on the 45th floor was originally purchased preconstruction for $4.83M:

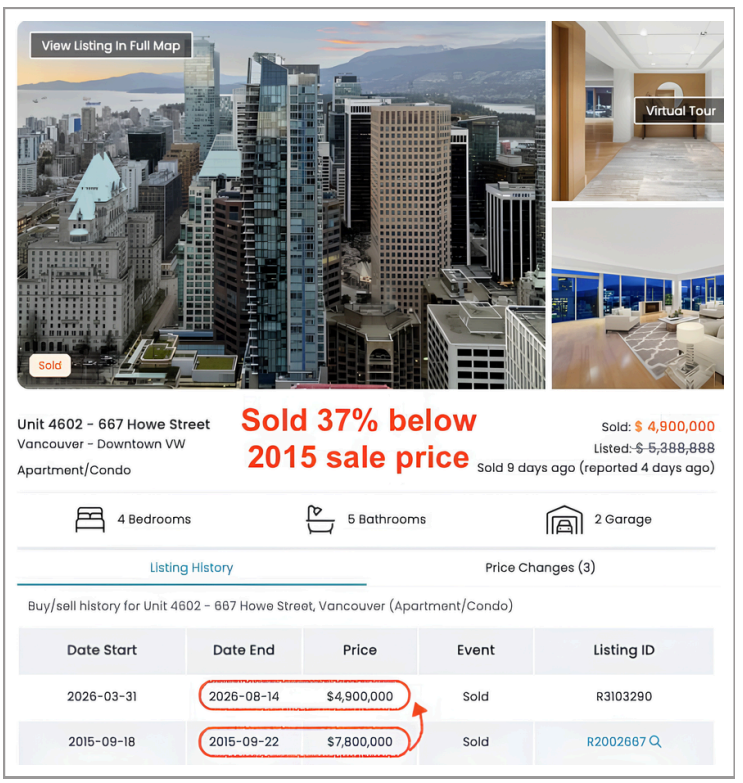
Sales history (last 3 full calendar years)

Dec 26, 2023	$4,830,000

It just sold again earlier this month for $2.85M….a 41% loss.



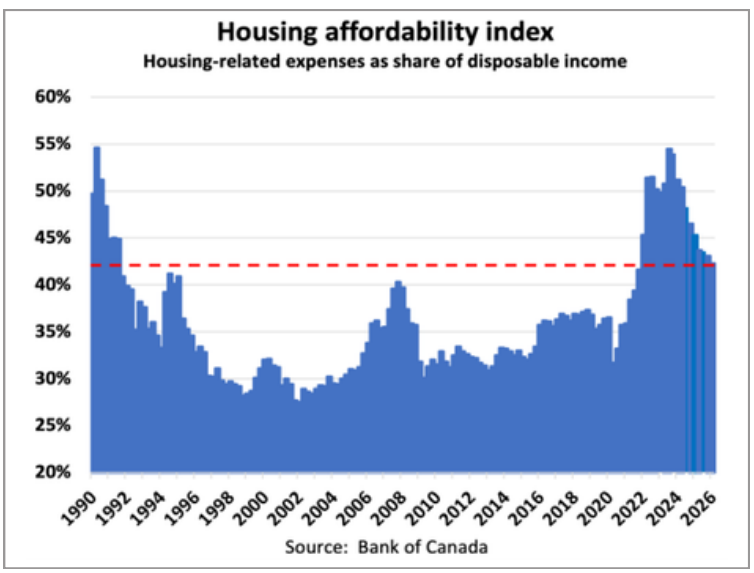
Things aren't much better in the resale market. Consider this luxury downtown condo that sold this month for 37% below the prior 2015 sale price:



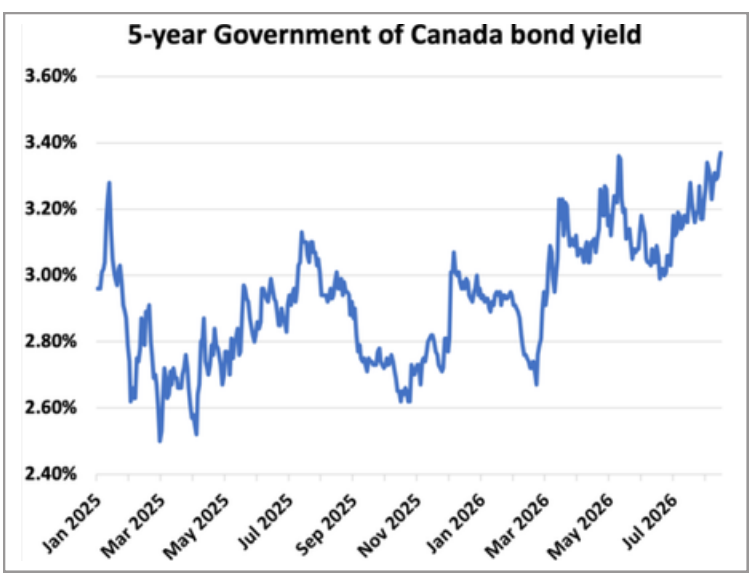
Keep an eye on BC. The resale market remains in a tenuous position, particularly since it is the province most impacted by the new 50% tariffs that went into effect over the weekend. More on that in a moment.

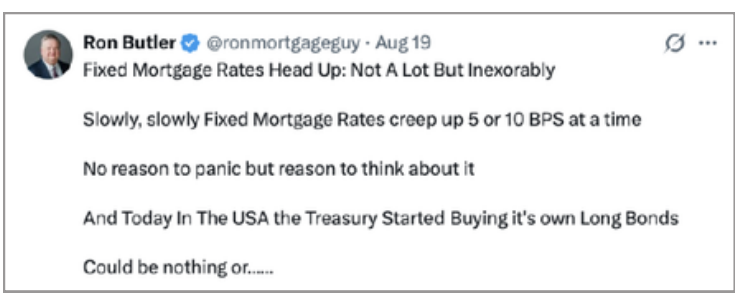
2) *Interest rate risks mount*

Housing affordability is improving but still remains quite challenged across the country. Consider the latest from the Bank of Canada. The good news is we're back to 2021 levels of affordability according to their index. The bad news is that this still leaves us at levels last seen in the deep housing recession of the early 1990s.



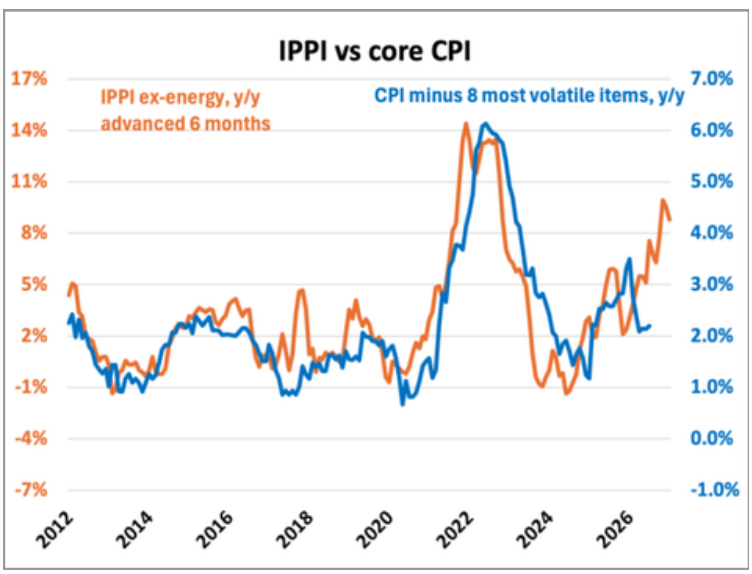
A potential back-up in rates remains a key risk for Canadian housing and the broader economy. It's no longer a tail risk either. Already we have 5-year bond yields breaking to 2-year highs and pressuring fixed mortgage rates which Ron Butler notes are creeping higher every week:





This comes on the heels of July CPI data that came in a tad hot (3.0% y/y vs 2.9% expected) and with a notable acceleration in core measures to a higher-than-expected 2.3% y/y reading.

Perhaps more importantly, forward-looking data suggest that the risks are increasingly skewed to the upside. Consider industrial prices (ex-energy) which have cooled slightly over the past couple months but are still up 9% y/y…pointing to a marked uptick in core CPI on deck:

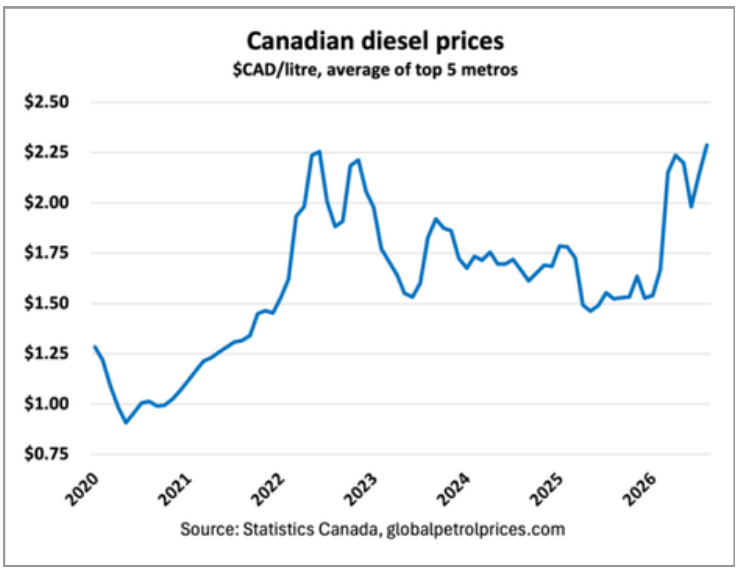


This will have the Bank of Canada a little nervous.

We know they are inclined to look through the initial, transitory effects of the current energy shock, but only so long as there's a clear end in sight and no evidence that inflation expectations are becoming unanchored.

That position is becoming increasingly difficult to maintain, particularly as transportation costs rise.

These are an important input across the economy, and it's hard to ignore diesel prices breaking to new record highs just last week.



There was also an unexpected labour market signal in the latest CFIB Business Barometer, with the share of businesses reporting labour shortages jumping in August.

At first glance, this seemingly came out of nowhere. But regular readers will recall that I've been flagging the sharp deceleration in Canada's labour force growth as a factor that could tighten labour market conditions sooner than many expect.

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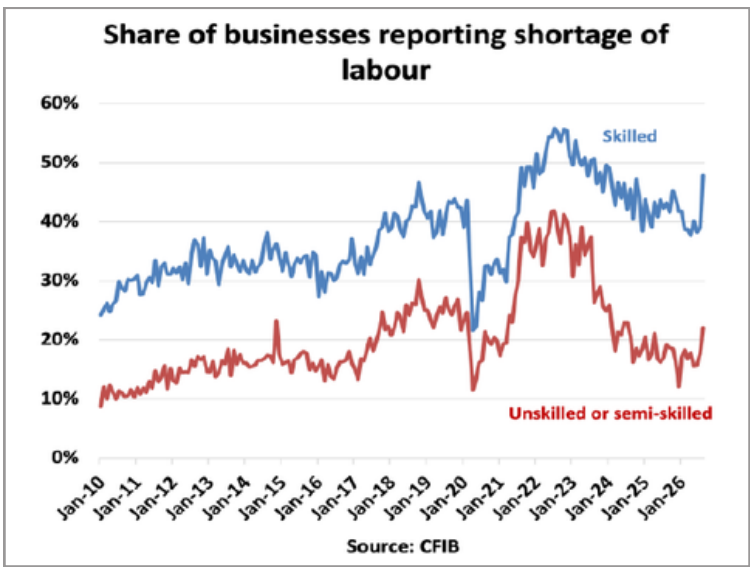
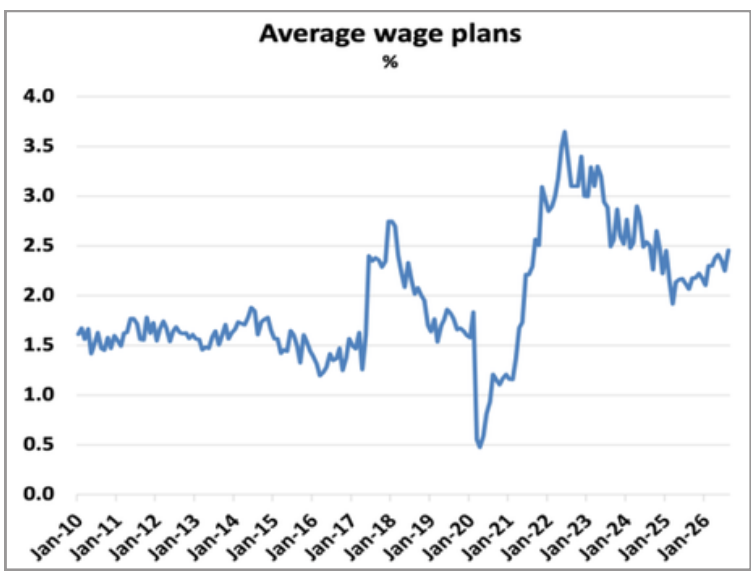
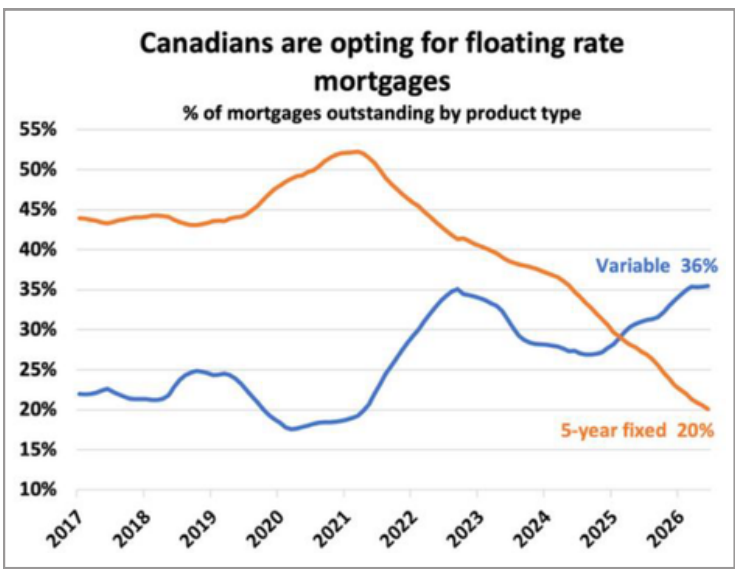


Perhaps it's just a statistical blip, but it's worth noting that wage plans also jumped to the highest levels since late 2024:



All of this points to rate risks tilted firmly to the upside, and it comes just as Canadians flock to variable rate mortgage products. The latest data shows variable rate originations surged 56% y/y in June. We now have a record 36% of all mortgage debt in the country being floating rate while the share that has locked in rates for 5-years has fallen from over 50% in 2021 to a record low of just 20% today:

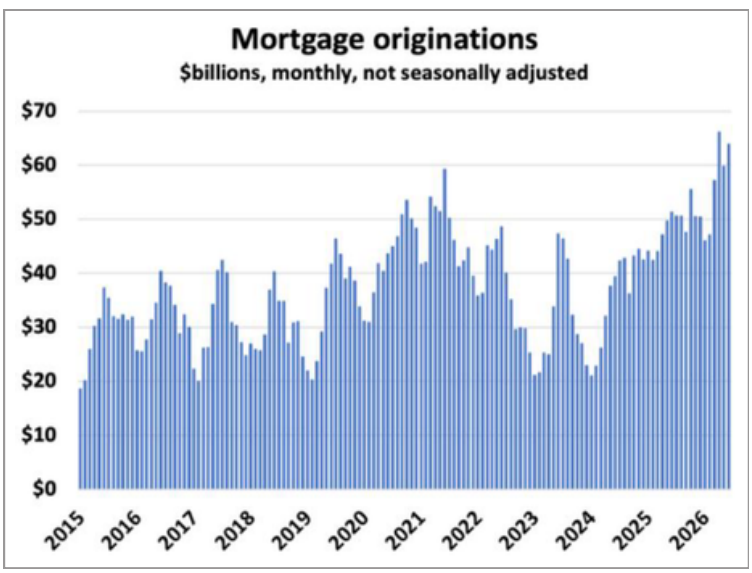


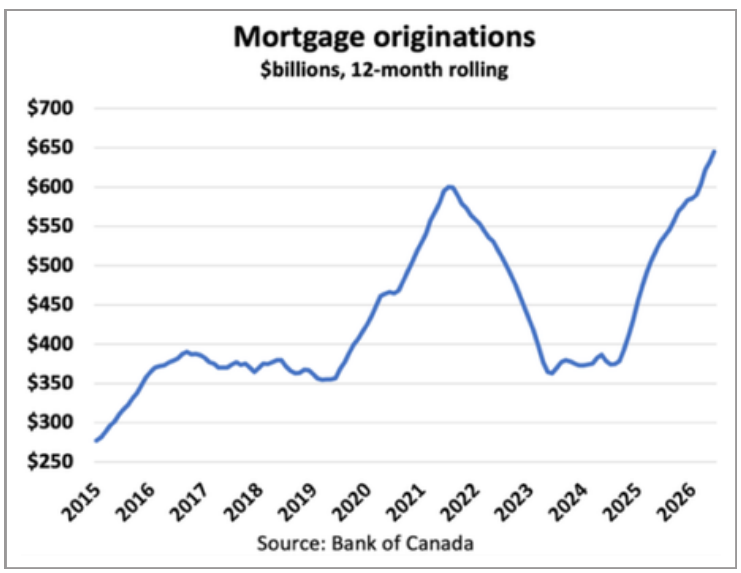
For the time being, markets are expecting two rate hikes over the next year, which I think will be manageable and likely won't derail my "bottom" call in Ontario. But if that's wrong and we end up with additional hikes, we risk another round of grinding price declines. I'm hopeful it can be avoided, but it's a risk worth flagging.

3) Credit check: Renewal wave update, HELOC debt unexpectedly surging

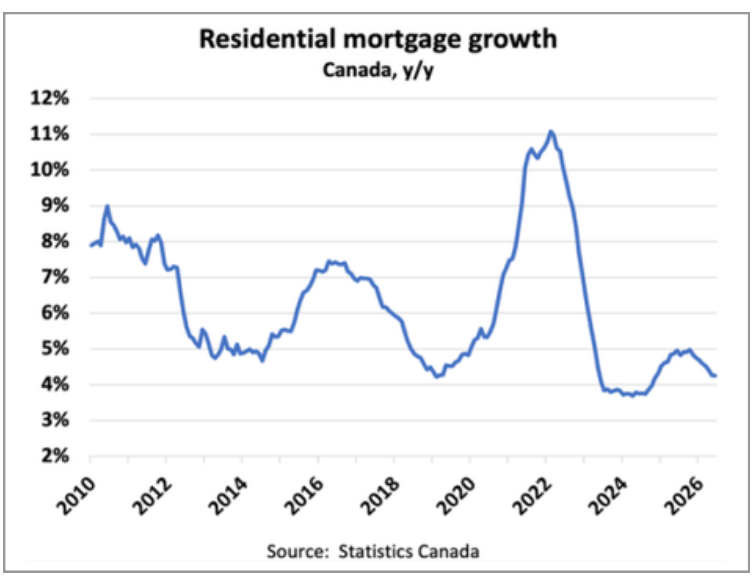
"Great renewal wave" update

Total originations (including new loans, refis, and renewals) jumped 24% y/y in June to hit the second highest monthly tally on record. That pushed the 12-month total to just under $650B.

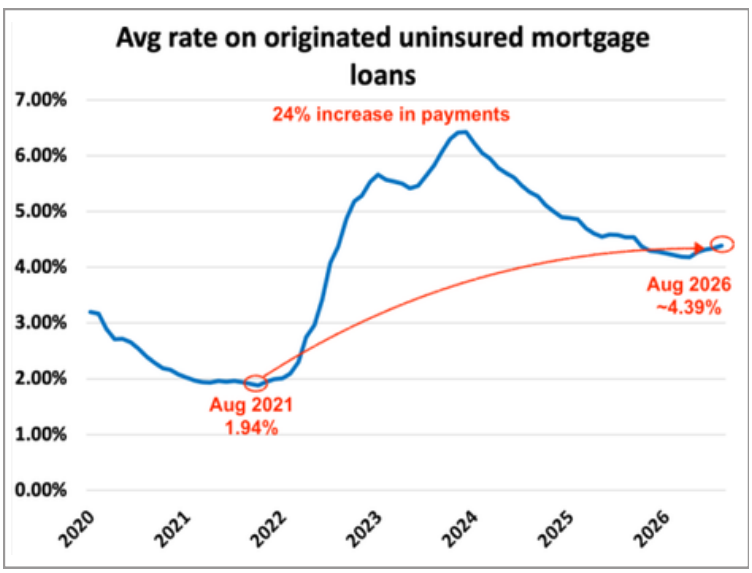




The past 3 months have seen the highest origination levels on record. Most of this volume is from renewals as opposed to new lending. We know this because mortgage growth overall continues to decelerate and was up just 4.2% y/y in June in spite of surging originations:



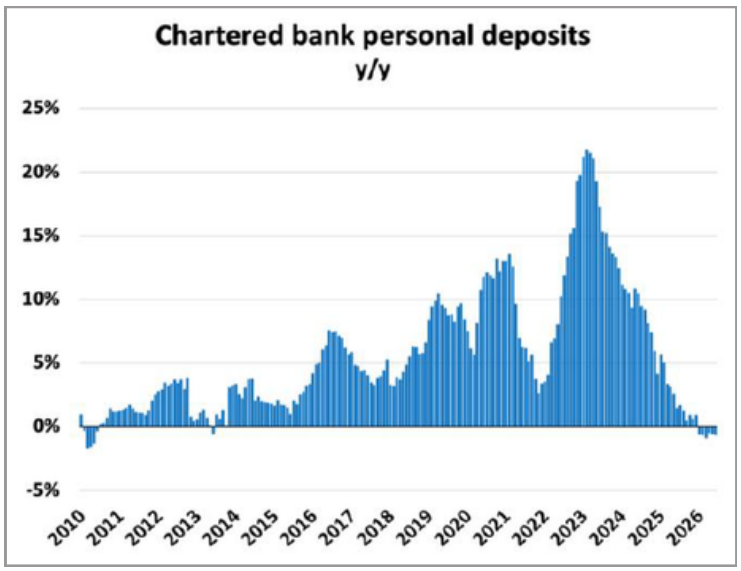
This is important since these borrowers are facing roughly a 24% increase in monthly payments at renewal according to Stats Canada data (extrapolated to August using MortgageLogic.news data):



The combination of higher payments and the sheer volume of renewals means we remain at peak pain in the current renewal wave.

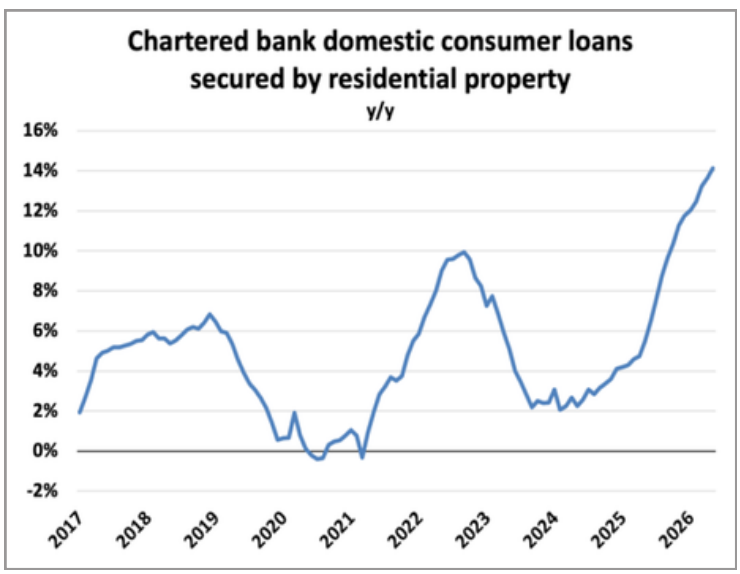
Personal deposits fall

Chartered banks continue to see personal deposits decline, down a seasonally adjusted 0.5% m/m in June and still trending lower on a y/y basis. Coupled with rising bond yields, the loss of an ultra-cheap incremental funding source means higher mortgage rates all else equal.



HELOC debt rising?

An interesting and counterintuitive tidbit from the latest chartered bank OSFI filings: Consumer loans secured by real estate (ie primarily HELOCs) are surging at a +14% y/y clip. It's not something you'd expect to see with home equity levels falling.

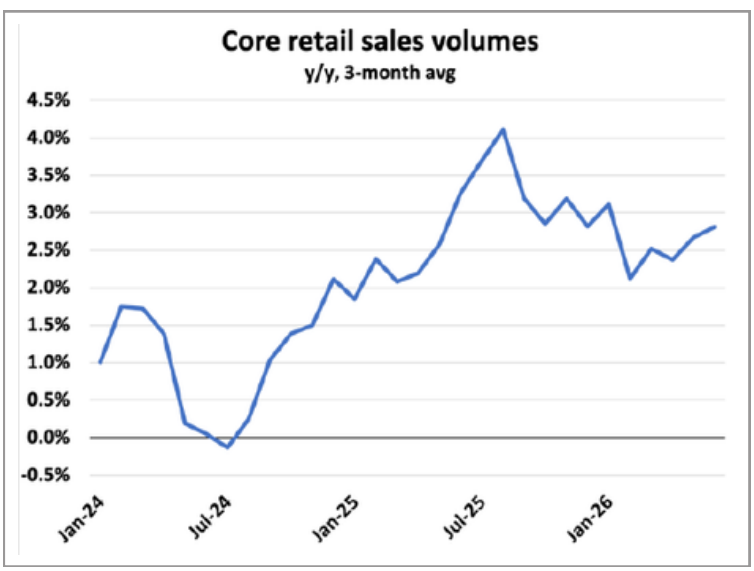


One likely explanation is that borrowers are experiencing some cash-flow stress given surging mortgage renewals and are drawing on interest-only HELOCs to help smooth consumption.

Perhaps that helps explain the persistently strong retail sales numbers. Headline sales for June came in at 0.6% m/m last week, well ahead of the 0.4% preliminary reading.

More impressive was that core sales were up 1.2% following the 0.9% increase in May. It was the best monthly showing since November of last year. Even after adjusting for inflation, core sales volumes are running at nearly a 3% y/y clip….an extremely impressive feat given a declining population and wage growth with a 2-handle.

It certainly stands to reason that some of this is being sustained with a drawdown in savings or accumulation of consumer debt.



The one soft spot in the retail sales data came in the advanced reading for July which pointed to a 0.8% monthly decline.

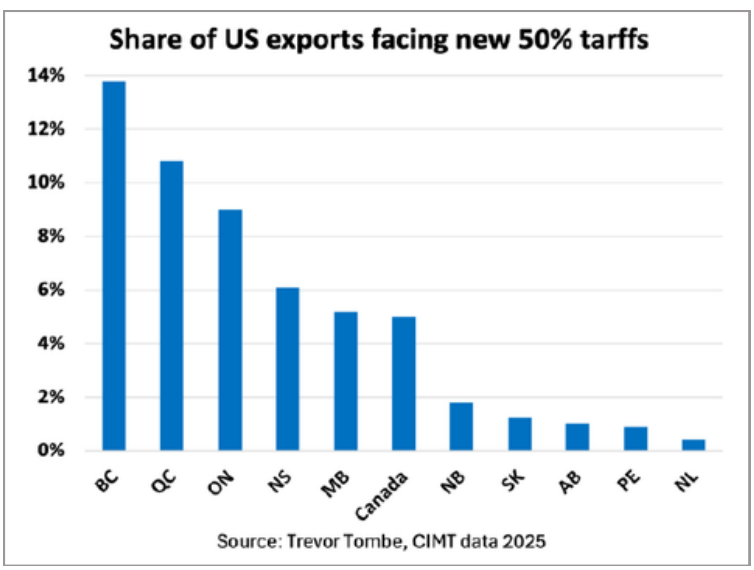
4) *Macro tidbits: BC the big loser from latest tariffs, record rental completions in July*

BC the big loser from latest tariffs

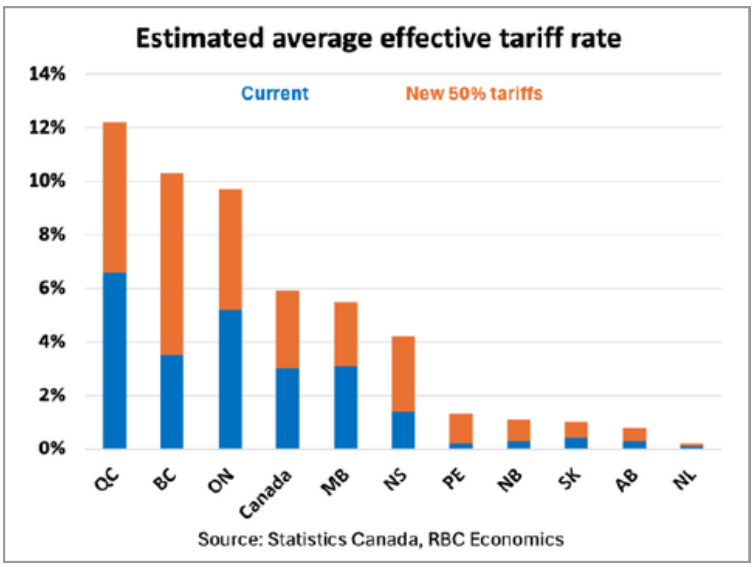
Trade tensions ratcheted up a notch over the weekend with Canada walking away from talks and the US moving ahead with previously-announced 50% tariffs on certain exported goods.

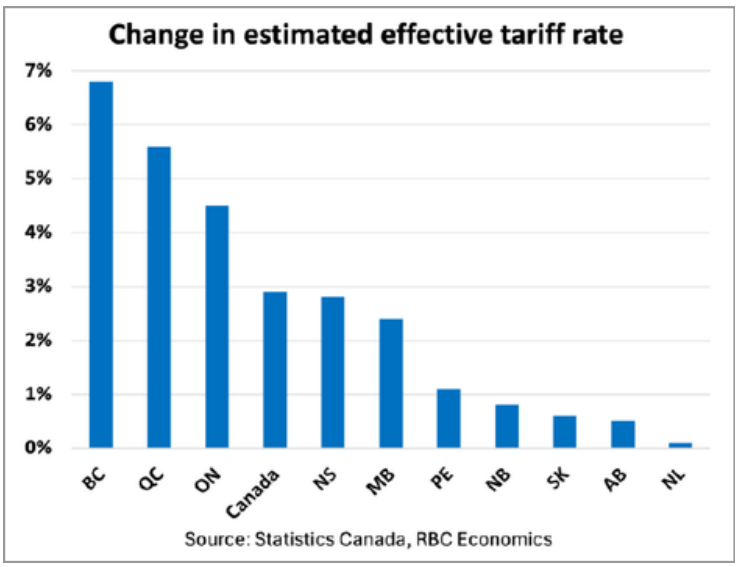
Some takeaways:

- BC is the most impacted given that roughly 14% of their US exports are facing the new higher tariffs. Quebec is just under 11% and Ontario just under 9%.

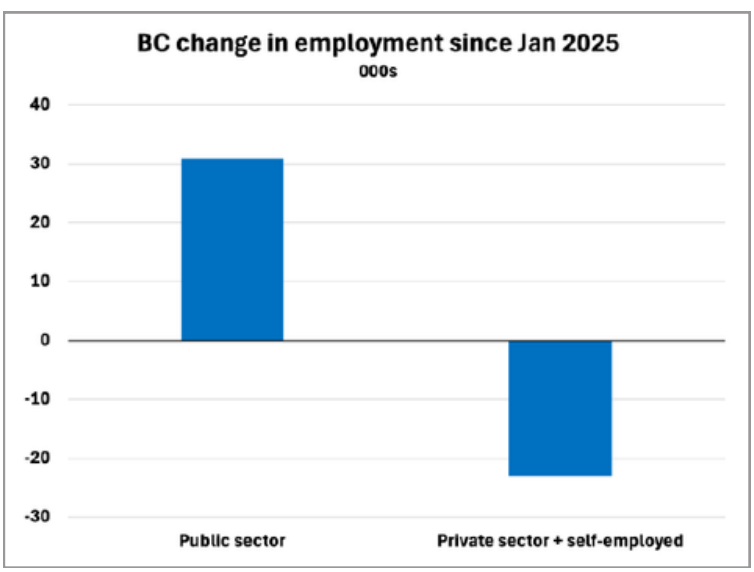


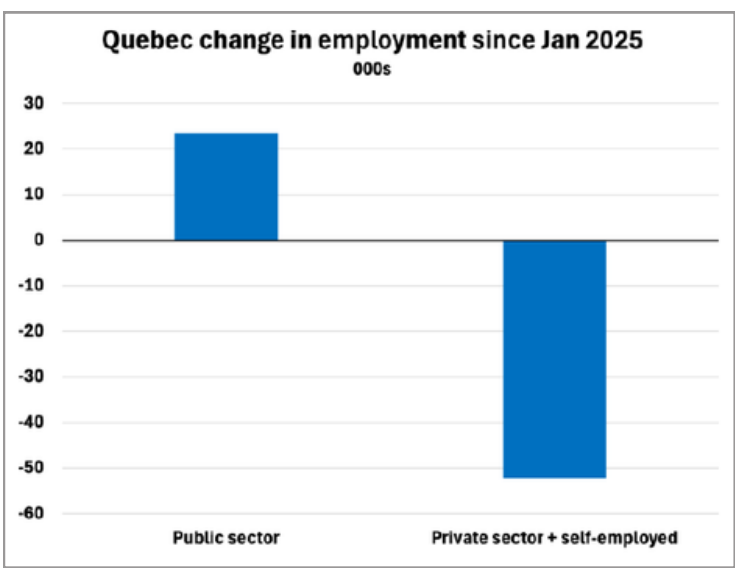
- Related, the change in the effective estimated tariff rate is most significant in BC (+6.8%), followed by Quebec (+5.7%) and Ontario (+4.5%).



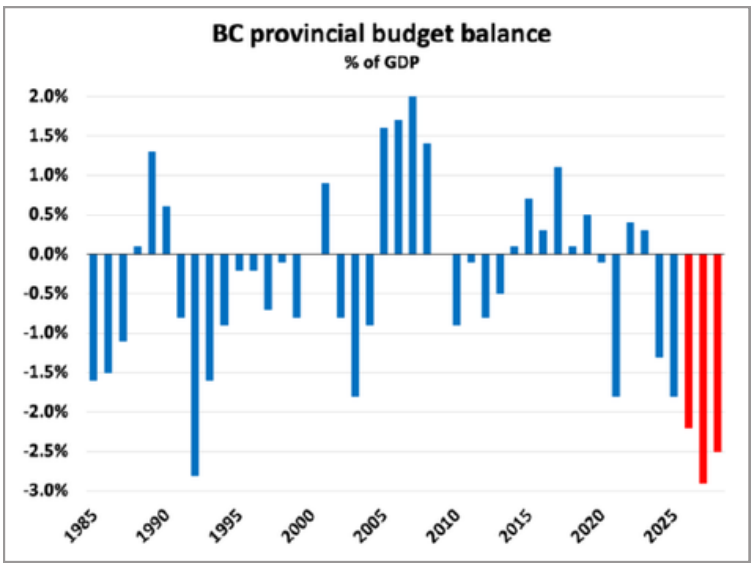


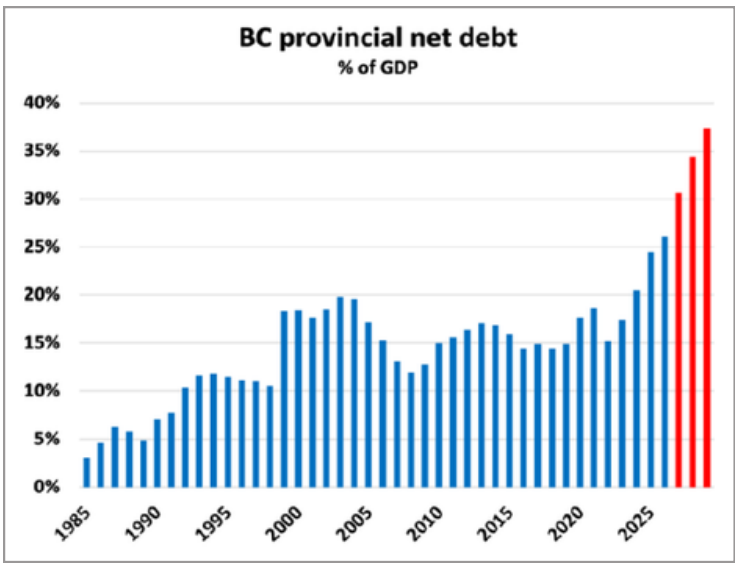
- This will weigh on the labour market in two key provinces where all job creation since the start of 2025 was already in the public sector.





- The feds have already announced plans to support impacted industries, but the provinces will likely also have to roll out their own targeted measures. That risks further blowing out an already-record deficit in BC where public finances are increasingly strained. When it rains, it pours. Right now it's monsoon season on the west coast.





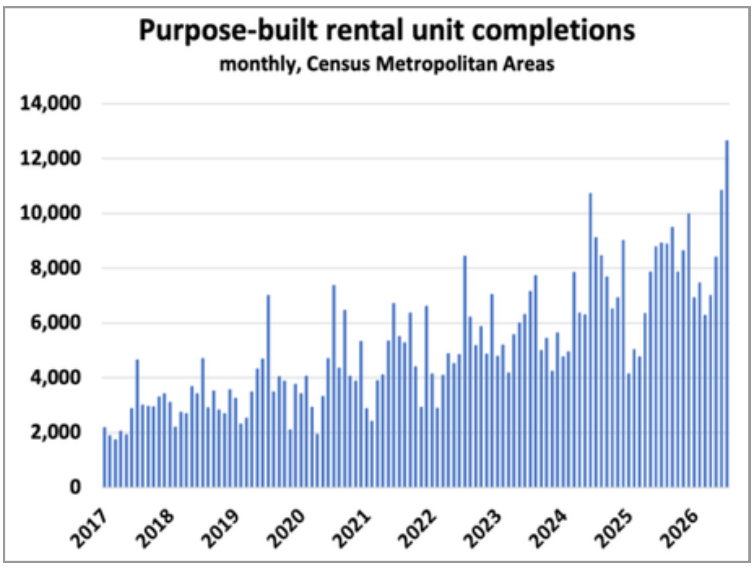
Housing starts fall to 15-month lows

Developers pulled back on construction activity in July, with housing starts nationally falling 4.9% m/m to hit 229k on an annualized basis. That represents the third consecutive month of deceleration, and it was the lowest monthly tally since March of 2025.

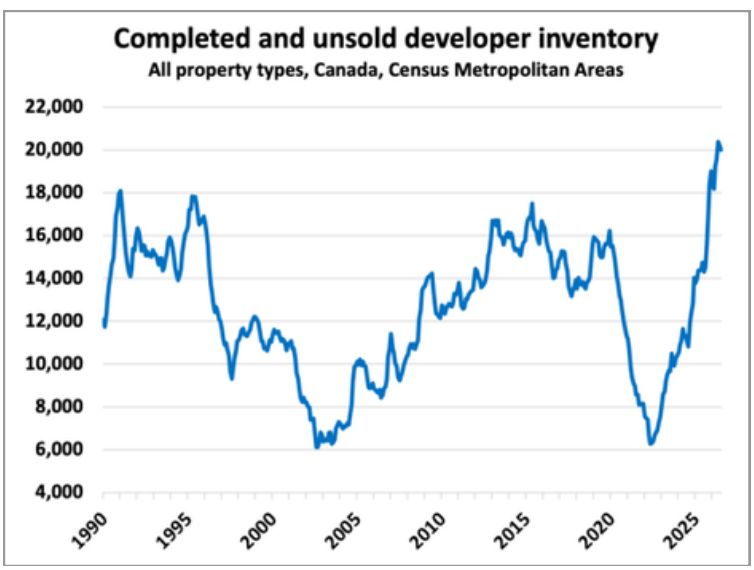
On a y/y basis, starts were down 19% y/y and down a whopping 47% in BC and 27% in Ontario!

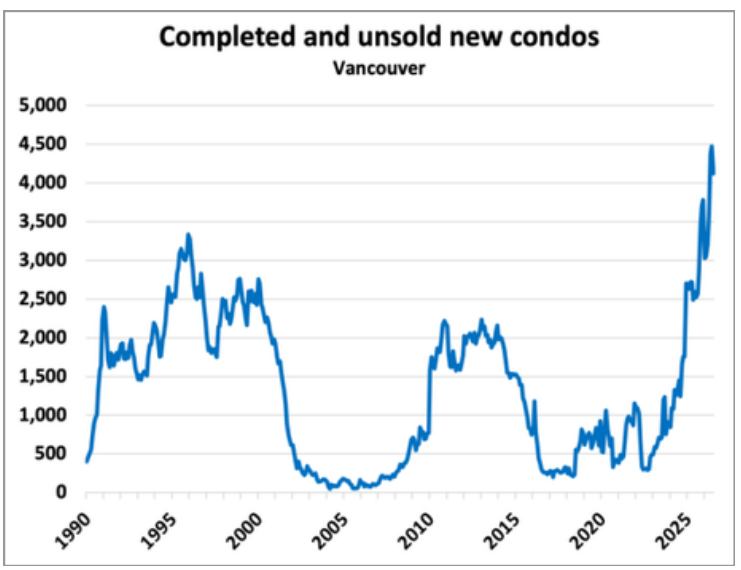
Some other interesting tidbits within the data;

- Completions jumped 9% y/y led by a record tally in the rental segment where nearly 13,000 units completed in July. That's a LOT of new supply that has to be occupied. Expect to see vacancies and rental inducements continue to trend higher at the big apartment REITs.

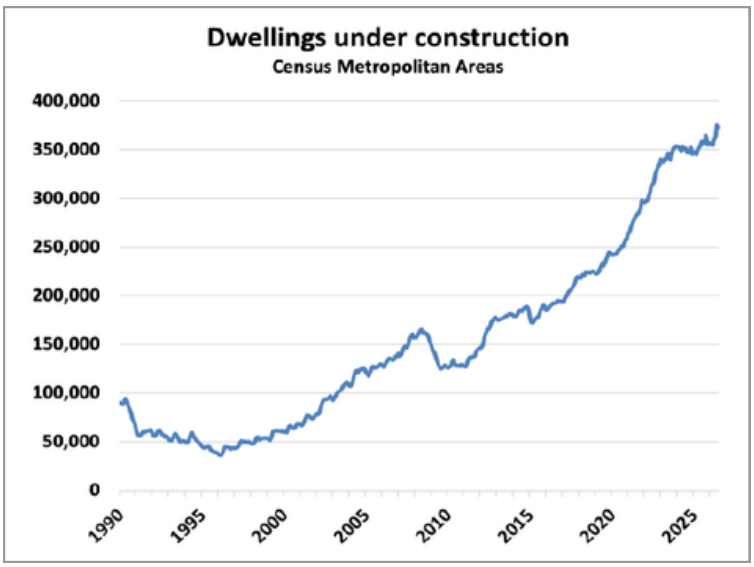


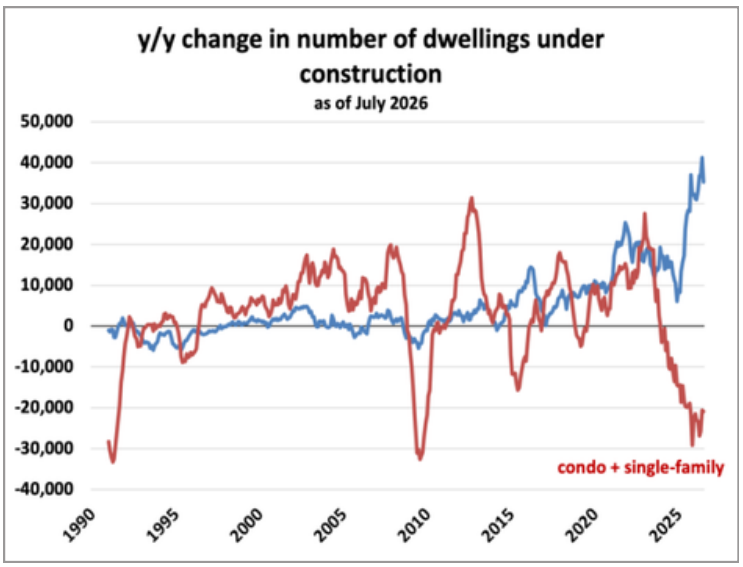
- There were just over 20,000 completed and unsold units held by developers in July…just off the record high set the prior month. Nearly a quarter of all unsold inventory nationally comes from condos in the Vancouver metro region.

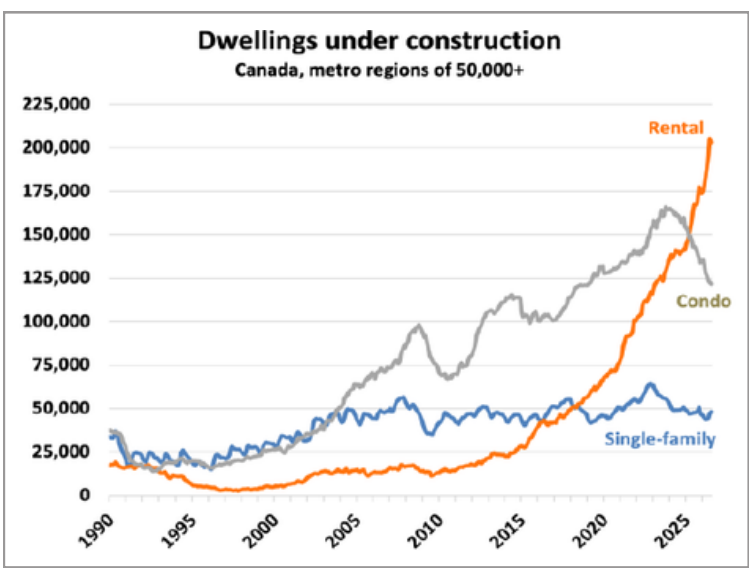




- Dwellings under construction declined in July and remain just off record highs….but with a growing divergence between segments. Rentals now account for a record 55% of all construction activity nationally.







- Homeowner construction is collapsing at a near-record pace, with 20,000 fewer homes being built than at this point last year. But that's being hidden by the rental segment where there are 35,000 more units in the pipeline:

- With housing starts now falling and completions accelerating, we're likely at the point where the construction pipeline begins to get hollowed out. That is a potentially unpleasant setup for developers and trades in 2027 and beyond….something to watch given the labour market's ongoing reliance on this sector.

