

June 2022 Housing Report

CREA Updates Resale Housing Market Forecast

The Canadian Real Estate Association (CREA) has updated its forecast for home sales activity via the Multiple Listing Service® (MLS®) Systems of Canadian real estate boards and associations in 2022 and 2023.

With interest rates on the rise, and with 5-year fixed rates getting well out ahead of what the Bank of Canada is expected to do later this year, home sales have cooled sharply in recent months. Prices have also been halted in their tracks following a record setting five months of growth between October 2021 and February 2022.

A critical element of the story has been the impact that discounted 5-year fixed mortgage interest rate levels have had on the stress test. In April 2022 alone, discounted 5-year fixed rates increased from the low 3% range to the low 4% range. The stress test is the higher of 5.25% or the contract rate plus 2%. For fixed rate borrowers, qualifying for the stress test has moved from 5.25% to the low 6% range – close to a 1% increase. Variable rates will now be playing catch-up over the balance of 2022.

Some 568,288 properties are forecast to trade hands via Canadian MLS® Systems in 2022 – a decline of 14.7% from the 2021 record but still the second-highest annual figure ever. With conditions in the market changing quite rapidly, this was a considerable downward revision from the previous forecast published in March. Only Alberta and Newfoundland and Labrador are forecast to buck the trend of falling sales in 2022.

The national average home price is forecast to rise by 10.8% on an annual basis to \$762,386 in 2022. Price gains are forecast to be largest in the Maritime provinces, followed by Ontario and Quebec.

National home sales are forecast to edge back a further 2.8% to 552,403 units in 2023. The national average home price is forecast to rise by a modest 3.1% on an annual basis to \$786,282 in 2023.

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