Prices and sales volume down

Mario Fazio - August 2022

After the third Bank of Canada rate increase since January of 1%, the rate now stands at 2.5% up from .5%. This translates into the rate for mortgages being 4% to 5%, making financing homes 3 times more expensive that it was 6 months ago.

The Bank of Canada is planning more rate increases in the coming months to try to stem rising inflation. As expected, the increase in borrowing cost is putting a halt to the rise in real estate prices and a slowdown in sales.

This does nothing for the shortage of housing in every price sector because developers and builders are slowing down their efforts to provide more supply for the housing shortage. Instead, potential buyers are forced to rent housing because they no longer qualify for the housing unit they were waiting to buy.

Meanwhile inflation is still growing because people still have to eat, buy goods and services, put fuel in their vehicles, with costs still rising with no end in sight.

If people remember the '80s, or google it (the last time inflation was this high) the Bank of Canada raised rates to an extreme of 16% with financial institutions charging as much as 21%. Hopefully, the Bank of Canada has a better understanding of the effects of this kind of dramatic rate increases. Hopefully they hold steady, or just a few more minimal increases, or we could be heading for some dark times.

Real estate is a good barometer of the economy and its health. House prices should be affordable and available to everyone with affordable financing easily obtained. The supply of new housing could be easily brought on stream with less government interference. More affordable housing cheaply financed in all categories draws people from all over the world to Canada.

Housing is a basic need for everyone and a drawing card to people looking for a better life and happy home.