



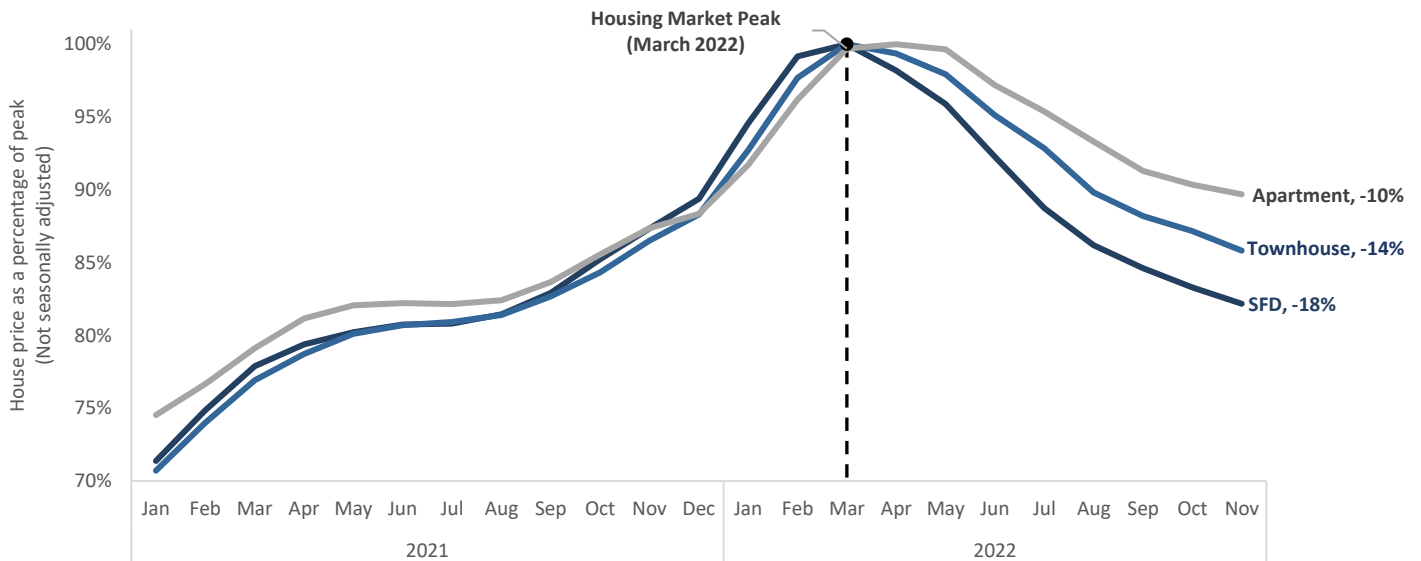
## Price Decline & Affordability

House prices across the country have fallen precipitously in response to rising interest rates. The Canadian Real Estate Association (CREA) recorded a decline in their benchmark housing price of 16.4% from the market peak in March to November 2022. This marks the deepest 8-month decline in their records dating back to 2005.

Looking more granularly at the composition of this decline, it has not been borne equally by all housing types. In the year leading up to the housing market peak, prices for single-family detached (SFD), townhouses, and apartments behaved in lockstep. After the peak, price performance began to diverge as shown in the figure below. Lower-density housing products appear to have shouldered the brunt of the price correction, with the national benchmark price for SFDs down 18% compared to the 10% decrease felt by apartments.

	Detached	Townhouse	Apartment
March	\$ 966,200	\$ 778,300	\$ 598,100
November	\$ 794,000	\$ 668,000	\$ 536,400
Price Decline	-18%	-14%	-10%

**Figure 1 – National Average Unseasonalized Housing Price by Type from March to November**  
Data Source: CREA

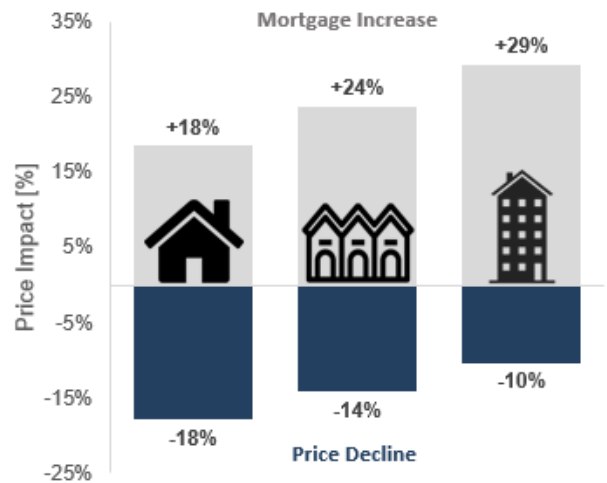


**Figure 2 – Unseasonalized Housing Price Movement Relative to Peak – Categorized by Housing Type**  
Data Source: Canadian Real Estate Association (CREA)

How does this affect buyers? Just as price declines have not been equally felt by the various housing types, so has the affordability of buyers' preferences. At the peak of the housing market, an interest rate of 2% for a year fixed-term mortgage was available to most buyers. At the time of writing, prevailing fixed rates are hovering at 5.5%. This has drastically increased the debt cost of residential mortgages, offsetting the affordability increment gained through the price decline alone.

Since higher-density housing products have experienced less of a correction, there is less price decline available to offset the increased borrowing cost, resulting in a disproportionate increase in new mortgage payments. Figure 3 illustrates the price impact on new mortgage payments and price declines from March to November for the three major housing products.

In summary, despite the significant price declines, affordability is worse today than it was at the peak with higher-density housing products experiencing the greatest loss of affordability.



**Figure 3 – Price Impact on Nominal Mortgage Payments and Housing Prices from Peak to November**