

Canada's Real Estate Bubble Is Approaching The Largest In History



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Canada's real estate bubble has blown past the 90s bubble, and is going for the biggest of all time. National Bank (NBF) data shows affordability in Q3 2022 eroded to the worst level since the early 1980s. Just like the 80s bubble, they don't expect this one to persist for much longer. Affordability is expected to improve next year as home prices continue to fall.

Canadian Housing Affordability Is The Worst Since 1981

Canadian housing affordability is now the worst in not one, but two generations. NBF estimates median households buying a home would need 67.3% of their income to carry a mortgage in Q3. It's a big jump of 3.8 points from the previous quarter and 21.0 points higher than last year. Buying a home in Canada's cities hasn't been this hard since the 1981 inflation-real estate bubble.

Remember, that’s right across Canada—it gets worse in the more expensive cities. A median household would need to spend a lot more to carry a mortgage in Vancouver (102.1%), Victoria (100.5%), and Toronto (93.1%). Even Hamilton (68.1%) has reached the point where a typical family can no longer afford to buy. Can you name one thing Hamilton is famous for? Exactly.

Canadian Mortgage Affordability

The share of income a median household would need to spend servicing a mortgage on a typical home in each respective market.

020406080100VancouverVictoriaTorontoHamiltonCompositeMontrealOttawaCalgaryWinnipeg
QuebecEdmontonPercent

Region	Percent
Vancouver	102.1
Victoria	100.5
Toronto	93.1
Hamilton	68.1
Composite	67.3
Montreal	49.2
Ottawa	48.9
Calgary	37.2
Winnipeg	33.9
Quebec	32
Edmonton	31.7

Source: National Bank Financial; Better Dwelling.

Even markets considered “affordable” are beginning to look frothy these days. A much smaller share of income is needed to carry a mortgage in Edmonton (31.7%), Quebec (32%), and Winnipeg (33.9%). However, that’s close to the maximum leverage a lender will lend to people. It only looks affordable in contrast to Canada’s mega bubbles, which happen to [top Global Bubble Indexes](#).

Canadians Need To Make Over \$250,000 To Own In Toronto Or Vancouver

Okay, it’s impossible for a typical household to buy a home in most of Canada’s cities. How much does a household need to make to carry the mortgage on one? Nationally, buyers of a typical home in major cities require a qualifying income of \$189,000/year to carry the mortgage in Q3. That’s around double the median income. It’s also so steep that most existing homeowners likely wouldn’t qualify for a mortgage on their home today.

Once again, that’s across Canada—a lot more is needed to buy in the largest cities. The highest minimum incomes are in Vancouver (\$279,000), Toronto (\$254,000), and Victoria (\$233,000). It’s even multiples of a median household’s income in Hamilton (\$223,000). Even small “working class” cities with a population of fewer than 600,000 people are out of reach.

Canadian Househousing Affordability Hasn’t Been This Bad Since 1981

The minimum qualifying income for a mortgage on a typical home vs the median household income in each region.

Minimum Median C\$0 C\$50,000 C\$100,000 C\$150,000 C\$200,000 C\$250,000 Vancouver Toronto Victoria Hamilton Composite Ottawa Montreal Calgary Edmonton Winnipeg Quebec

Region	Minimum	Median
Vancouver	278,760	89,878
Toronto	253,934	89,825
Victoria	232,572	76,188
Hamilton	222,545	92,869
Composite	188,776	79,382
Ottawa	155,633	89,372
Montreal	130,578	73,979
Calgary	120,383	89,788
Edmonton	100,819	88,221
Winnipeg	98,407	80,424
Quebec	88,670	76,752

Source: National Bank Financial; Better Dwelling.

The erosion of affordability is due to a combination of high prices and high rates. Low rates boosted investor demand for housing, sending prices soaring. Now that rates are climbing, we’re at that awkward transition phase. Home prices are falling, but not as fast as rates have been rising. NBF expects

affordability to start improving by next year as prices continue to fall. They estimate we're about halfway to the bottom.

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