

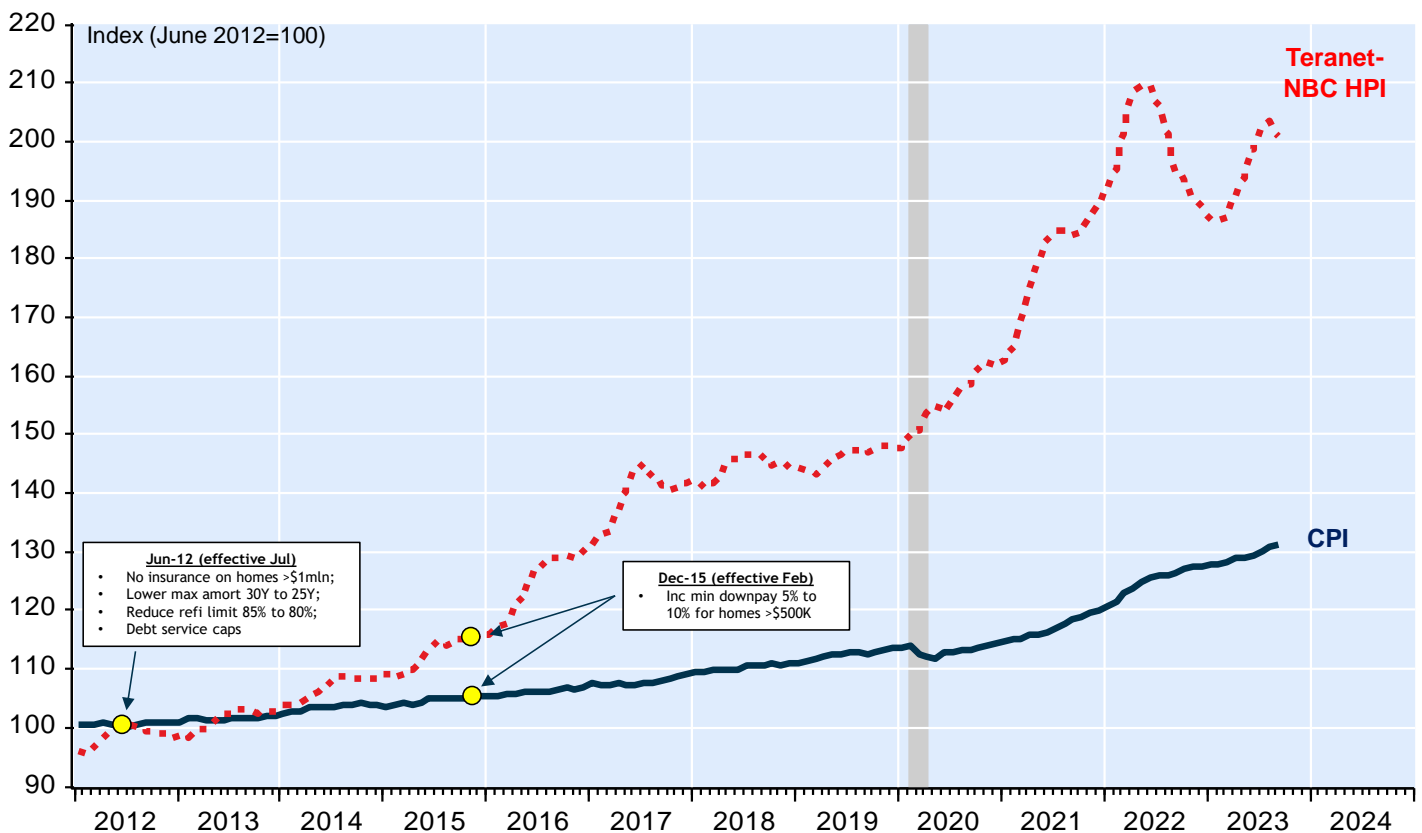
Canada Watch

By Stéfane Marion & Daren King

Housing affordability is currently at one of its worst levels since the 1980s. Given the unprecedented population growth that continues to far **exceed the capacity to build housing**, we believe that affordability challenges will persist in the short and medium term, even if mortgage rates decline over the next year. Faced with this dilemma, we must ask ourselves whether some of our policies and standards in the mortgage industry could be improved to limit the deterioration in access to housing. Since June 2012, it has not been possible to insure a mortgage of more than \$1 million, forcing buyers to put at least 20% down. Since December 2015, the minimum down payment for the portion of an insured loan over \$500,000 has increased from 5% to 10%. As today's *Hot Chart* shows, home prices in Canada have doubled since 2012, with the median home price now exceeding one million in some major cities such as Toronto and Vancouver. Over the same period, headline inflation has also exceeded 30%. Yet the mandated limits on mortgage insurance have never been revised upward. Given the current impasse, we believe that mortgage insurance terms should at least be indexed to inflation in order to limit the deterioration of housing affordability in the country.

Canada: How to limit erosion of affordability

CPI and Teranet-NBC Home Price Index



NBF Economics and Strategy (data via Teranet-NBC & Statistics Canada)

Economics and Strategy

Montreal Office
514-879-2529

Stéfane Marion
Chief Economist and Strategist
stefane.marion@nbc.ca

Kyle Dahms
Economist
kyle.dahms@nbc.ca

Alexandra Ducharme
Economist
alexandra.ducharme@nbc.ca

Matthieu Arseneau
Deputy Chief Economist
matthieu.arseneau@nbc.ca

Daren King, CFA
Economist
daren.king@nbc.ca

Angelo Katsoras
Geopolitical Analyst
angelo.katsoras@nbc.ca

Jocelyn Paquet
Economist
jocelyn.paquet@nbc.ca

Toronto Office
416-869-8598

Warren Lovely
Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich
Rates Strategist
taylor.schleich@nbc.ca

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