



Resale Market

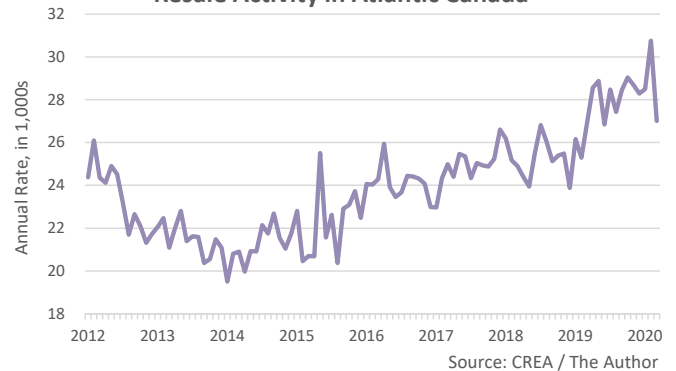
The region's resale activity was quite strong during the first quarter, although a large reduction was seen for March. Across Canada, there have been reports that activity was quite strong during the first half of March, but then there were sharp downturns during the second half, as fears developed about personal safety, the federal and provincial governments urged us to stay at home, and businesses reduced their activities, which generated great fears about our incomes and employment. For the entire first quarter, the region's sales rate was fractionally (just 0.3%) higher than for the fourth quarter of last year.

Economic fundamentals (rapid job creation and low interest rates) have been very favourable for housing demand, but at present there is a great deal of uncertainty about the effects of the developing health emergency.

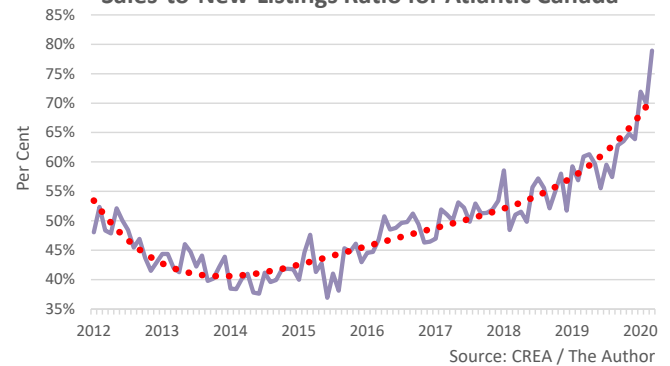
The sales-to-new-listings ratio ("SNLR") has tightened further, to an average of 74% in the first quarter, versus 64% in the fourth quarter. This is very far above the threshold (estimated at 45%) for a "balanced market" (this is the level at which prices are expected to rise by 2% per year).

Prices are responding to the very tight conditions. The average price reported by the Canadian Real Estate Association ("CREA") has increased by 7% versus the first quarter of 2019. However, this follows a long period of flat pricing, and affordability remains very favourable in the region.

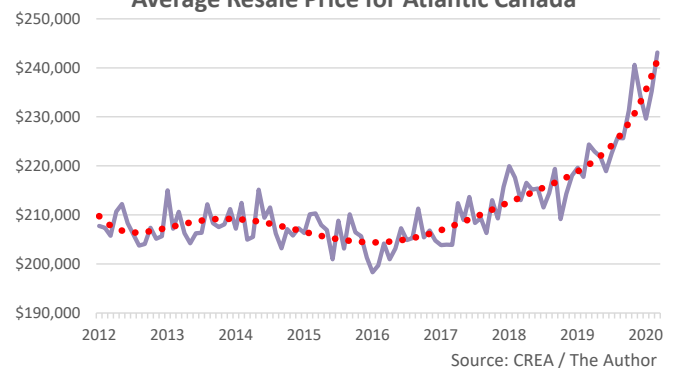
Resale Activity in Atlantic Canada



Sales-to-New-Listings Ratio for Atlantic Canada



Average Resale Price for Atlantic Canada

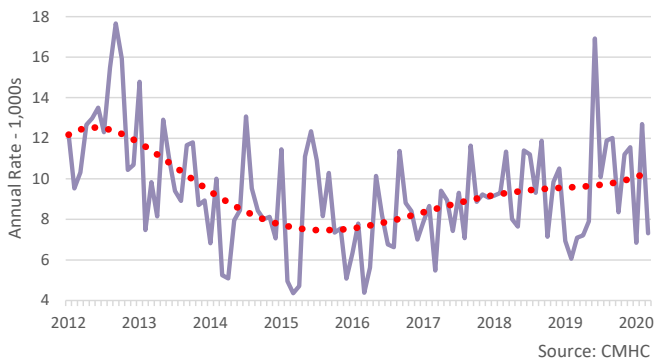


Housing Starts

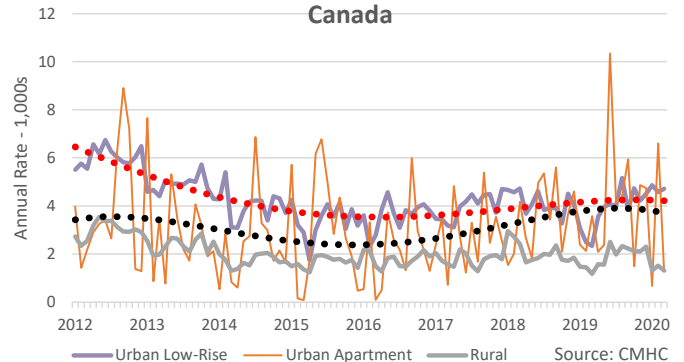
The rate of housing starts fell in the first quarter (to 9,000 versus 10,400 in the fourth quarter). But, the trend remains quite strong compared to a few years ago.

The improvement seen during the past three years has been largely attributable to apartments. Similarly, the reduction seen in the first quarter rate of starts is due to lower apartment activity: it remains to be seen if this is a temporary random variation or a downward turn. Starts of low-rise homes and starts in rural areas, on the other hand, remain only moderate.

Housing Starts in Atlantic Canada



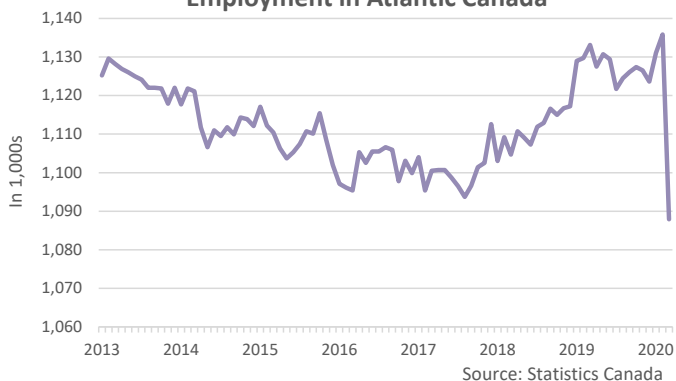
Housing Starts by Type of Dwelling in Atlantic Canada



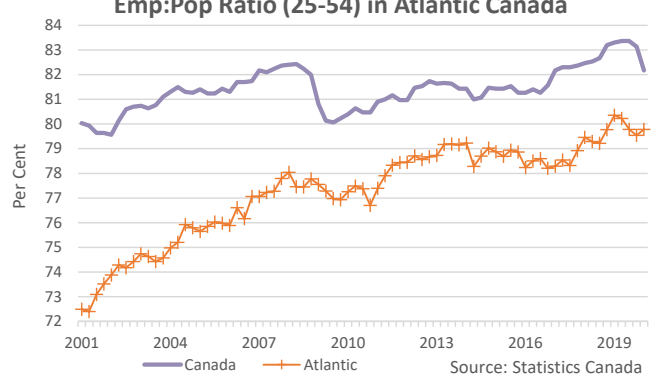
Employment Trends

The Atlantic Region has seen a much better employment situation during the past two years. But, the onset of Covid-19 and the need for social distancing caused a sharp reduction in March. StatsCan's estimate of employment for March was 48,000 (4.2%) lower than for February (for all of Canada, the drop was 5.3%).

Employment in Atlantic Canada



Emp:Pop Ratio (25-54) in Atlantic Canada

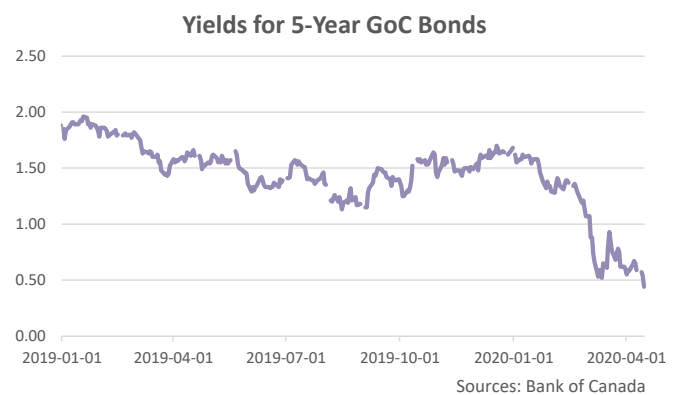


Employment Trends (Continued)

A sharp rise in fears about personal safety and economic security has resulted in a very rapid downturn in home buying. The next chart shows data on the percentage of “prime working age” adults who have jobs, for quarterly periods (in order to reduce “statistical noise” and make it easier to see longer term trends). Thus, this chart shows that the regional economy has been in quite good health in recent times. But, the quarterly data does not show the sudden negative change that occurred in March.

Interest Rates

Changes in bond yields show that fears began to rise during late January and into February. Then, during late February and into March, escalating fears caused bond yields to fall rapidly. At this time (as of April 15), the yield for 5-year Government of Canada bonds (0.44%) has fallen by more than 1 point since year end (1.68%). Lending rates tend to move a bit later than bond yields. My opinion-estimate of a typical advertised “special offer” mortgage interest rate (5-year fixed-rate from major lenders) is currently 2.7%. The spread between this typical mortgage rate versus bonds is currently about 2.25 points, which is well above the long-term average of 1.8 points.



It remains to be seen if bond yields will remain extremely low and then to what extent mortgage rates will follow the reductions for bond yields. Similarly, the Bank of Canada’s policy interest rate has been reduced by 1.5 points in a very short period of time, to just 0.25%, and it remains to be seen if variable rates will fully follow those reductions (my opinion-estimate of a typical special offer rate is at 2.65%, versus 2.9% at the end of last year).

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