

# FIRST QUARTER 2021 HOUSING MARKET DIGEST NEW BRUNSWICK

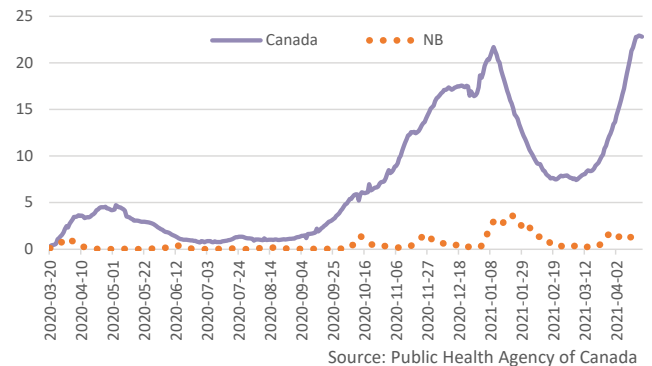


## Are You Staying Safe?

New Brunswick continues to experience a very low level of Covid-19 infections. As is illustrated in this chart, the population adjusted rate for the province remains very far below the national average (the 7-day average is just 1.2 per 100,000 people, versus 22 for all of Canada). This chart shows data up to April 19. Current data can be found here:

<https://health-infobase.canada.ca/src/data/covidLive/covid19.csv>

Daily Covid-19 Cases in NB vs Canada (per 100,000)



## Resale Market

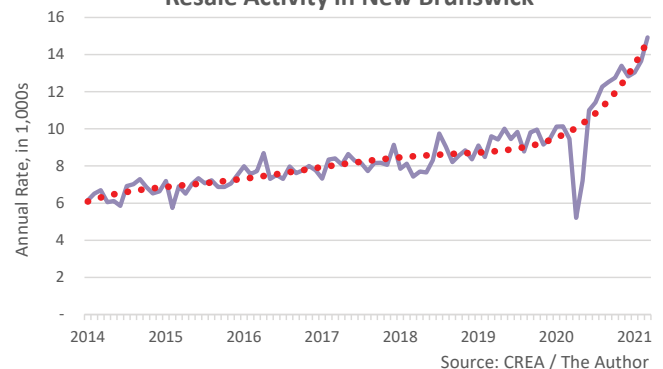
Resale activity is very strong in New Brunswick (and across the country). For the first quarter, the annualized sales rate was 13,900, which was the third consecutive all-time (quarterly) record for the province.

Looking at sales rates over the past two decades and then making an adjustment for population growth, I calculate that an average rate is now about 7,600. On this population-adjusted basis, the province's sales rate for the first quarter was 82% above the long-term average.

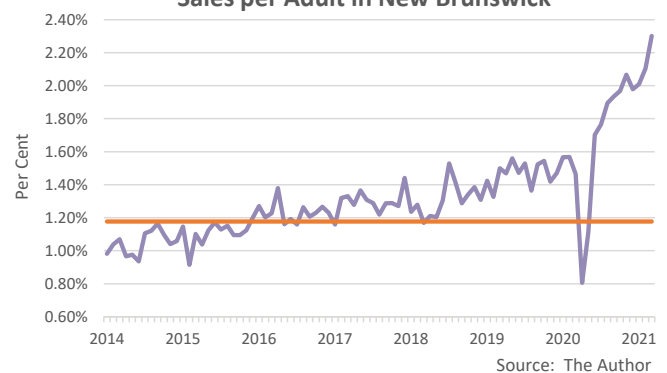
This demand increment is much larger for New Brunswick than for the entire country (for all of Canada, the sales rate in the first quarter was 47% above the long-term average).

Demand is very strong within the province due to a combination of low interest rates and excellent affordability, with a robust employment situation. That said, it is possible that sales have been constrained within the province due to inadequate supply.

Resale Activity in New Brunswick



Sales per Adult in New Brunswick



# FIRST QUARTER 2021 HOUSING MARKET DIGEST NEW BRUNSWICK



## Resale Market (Continued)

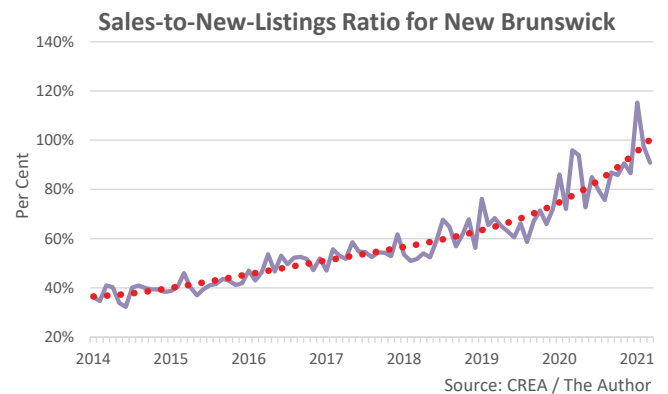
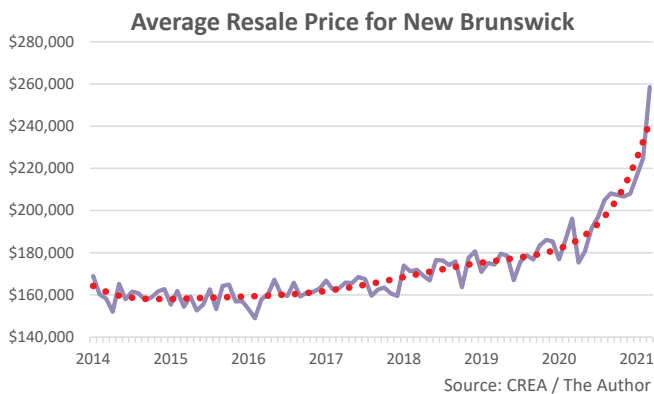
Looking at the entire period since January 2018, total sales in New Brunswick have been significantly (7,000, or 30%) above the population-adjusted average.

The flow of new listings into the market isn't keeping up with demand, which has caused the province's sales-to-new-listings ratio ("SNLR") to increase to an extremely high level.

The SNLR has averaged 94% during the past six months, the second highest in the country and far above the threshold for a "balanced market", which for New Brunswick may be in the range of 44% - this is the level at which prices are expected to rise by 2% per year.

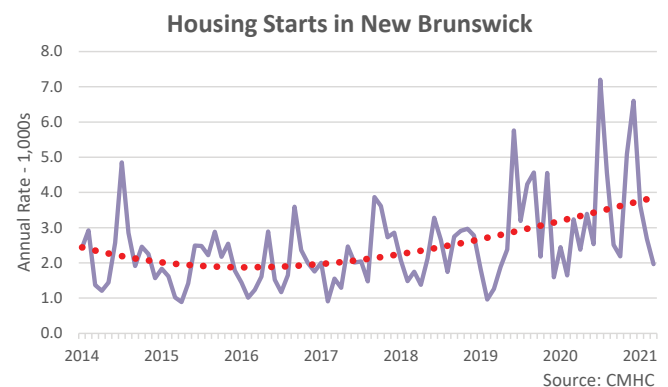
The sharp imbalance between supply and demand is now resulting in rapid price growth. CREA data shows that the average resale price for the first quarter was 26% higher than a year ago.

If more supply was available, sales would very likely be stronger than they currently are, and price growth would be less extreme.



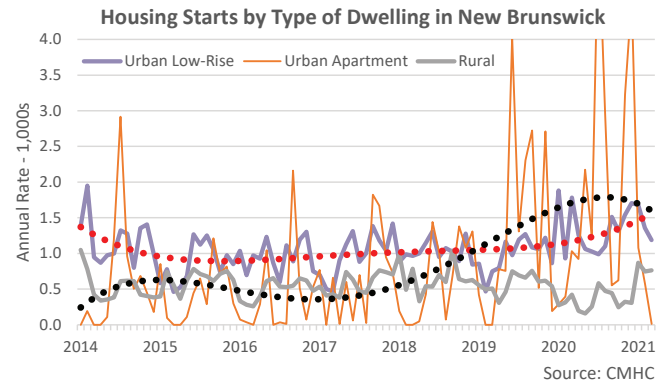
## Housing Starts

Housing starts have trended upwards in New Brunswick, and the annualized rate for the first quarter was 5,200.



## Housing Starts (Continued)

Recent data hints at improvement for low-rise housing starts in urban areas. Apartment activity is variable but the trend remains strong.

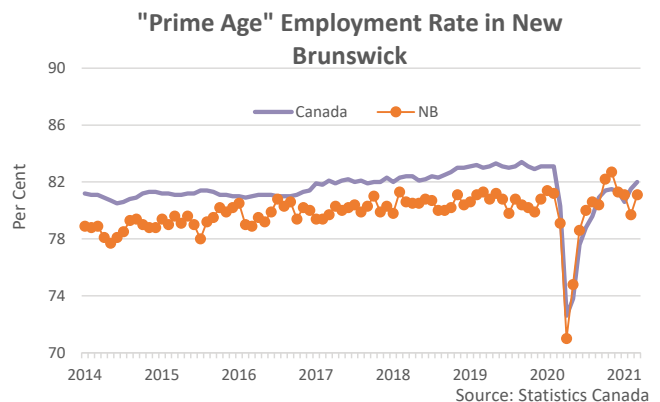
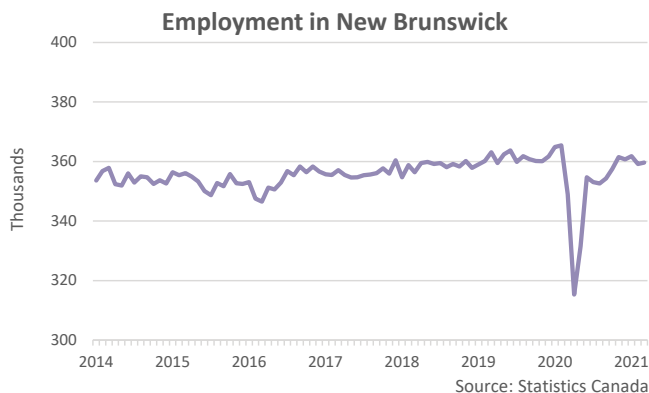


## Employment Trends

Employment estimates from Statistics Canada suggest that employment in New Brunswick is still slightly (1.5%) lower than in January 2020. But, the data comes from a sample survey, and therefore has some random variation, which creates some uncertainty about the true state of affairs: looking at the data, it is possible that employment within the province was being over-estimated at the start of 2020.

The current estimate of employment (for March this year) is similar to the figures shown earlier in 2020. For all of Canada, employment is estimated to be 1.4% lower than in January 2020). The recent employment data for New Brunswick, all things considered, appears to be encouraging.

The next chart looks at the percentage of adults in the “prime working age” (25 to 54) who have jobs. Due to variations in the estimates, there is uncertainty about the true state of affairs for the “prime age” employment situation. It appears to be similar to the pre-Covid period.



## Interest Rates

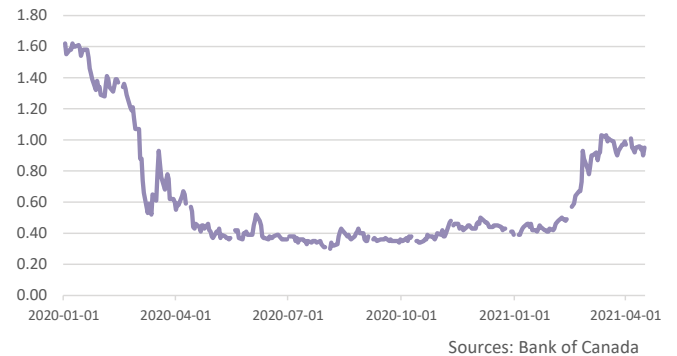
Interest rates rose sharply during late February into early March, but have shown little change since then. The yield for 5-year Government of Canada bonds has been just below 1.0% during the past four weeks, which is about 0.6 points higher than during the second half of last year.

Mortgage interest rates have now followed, rising by a similar amount. My opinion-estimate of a typical “special offer” mortgage interest rate (5-year fixed-rate, advertised by major lenders) is now 2.2% versus 1.65% at the end of last year.

For variable rates, my opinion-estimate is 1.3%.

During most of last year, rates were similar for fixed rate and variable rate mortgages. Variable rates are now considerably cheaper.

**Yields for 5-Year GoC Bonds**



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