

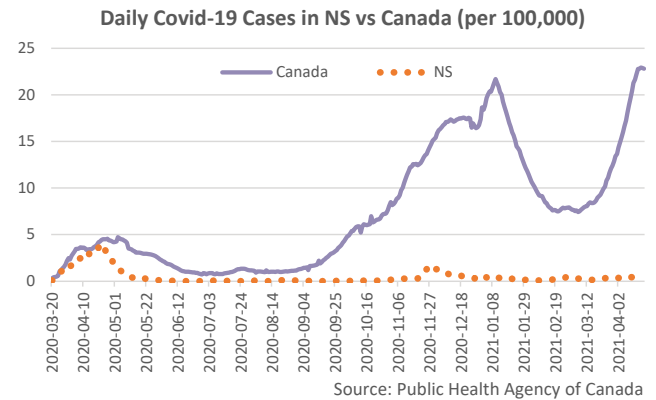
# FIRST QUARTER 2021 HOUSING MARKET DIGEST NOVA SCOTIA



## Are You Staying Safe?

Nova Scotia 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 0.7 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>



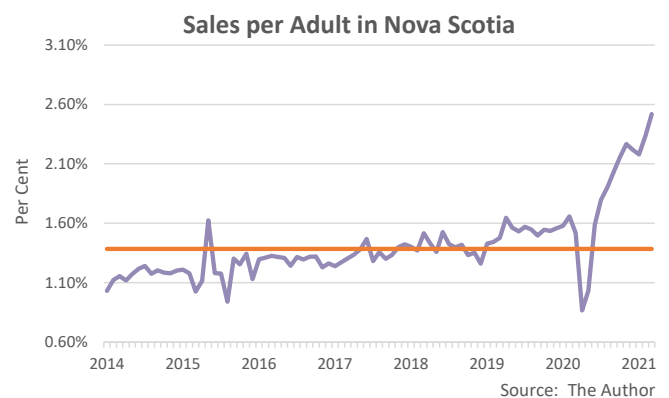
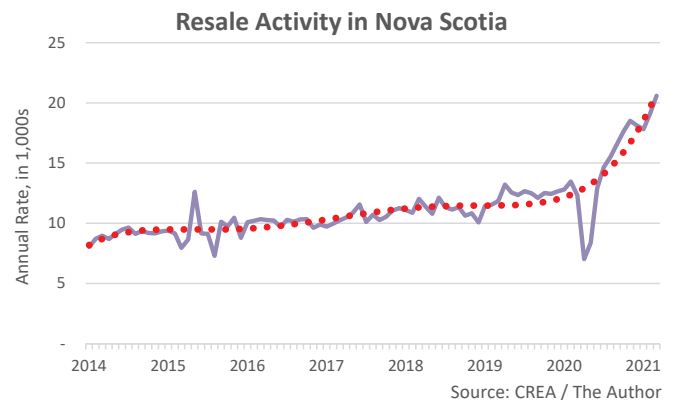
## Resale Market

Resale activity is exceptionally strong in Nova Scotia (and across the country). For the first quarter, the annualized sales rate was 19,200, 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 11,300. On this population-adjusted basis, the province's sales rate for the first quarter was 69% above the long-term average.

This demand increment is considerably larger for Nova Scotia 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.



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## Resale Market (Continued)

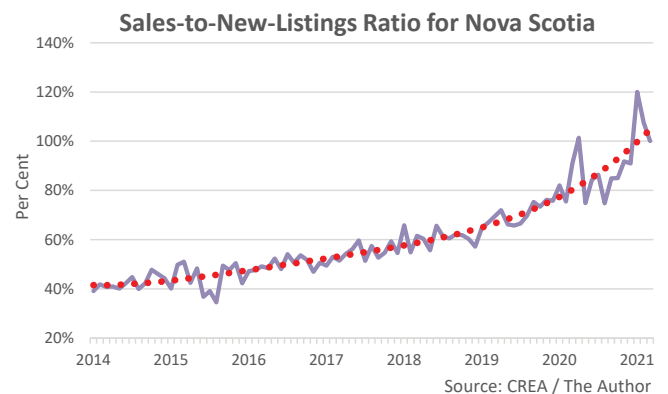
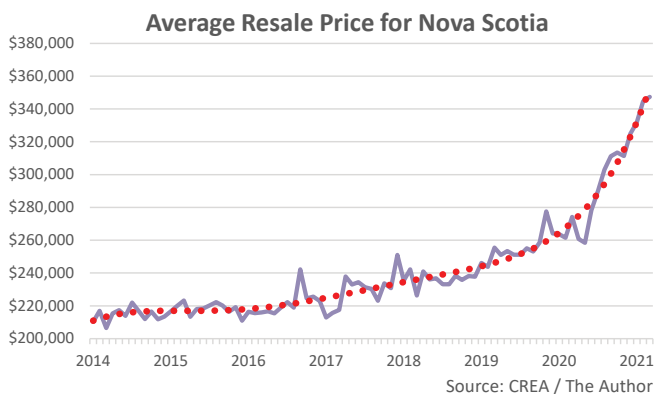
Looking at the entire period since January 2018, total sales in Nova Scotia have been significantly (6,000, or 16%) above the population-adjusted average.

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 99% during the past six months, the highest in the country and far above the threshold for a "balanced market", which for Nova Scotia may be in the range of 48% - this is the level at which prices are expected to rise by 2% per year.

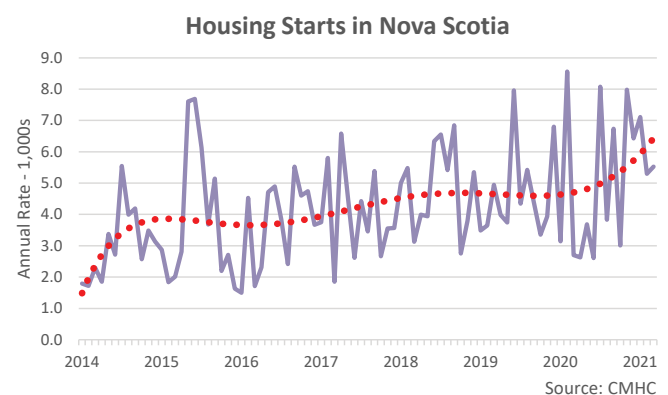
The sharp imbalance between supply and demand is now resulting in rapid price growth. CREA data shows that the average resale price for the first quarter was 28% higher than a year ago.

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



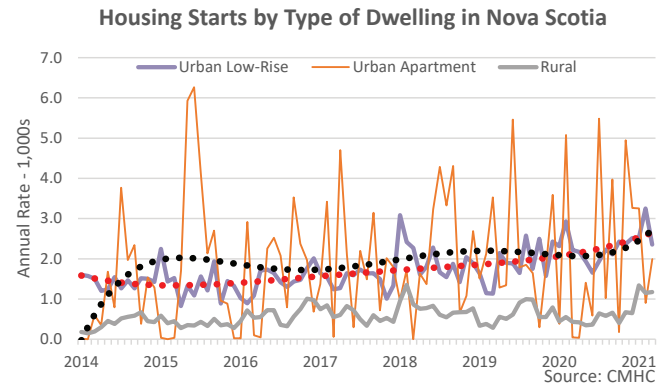
## Housing Starts

Housing starts remain strong, with the annualized rate at slightly under 6,000 for the first quarter. Looking at the details, starts continue to trend upwards for low-rise dwellings in urban areas: the trend has roughly doubled versus five years ago.



## Housing Starts (Continued)

Apartment activity is highly variable, but the trend remains very strong.



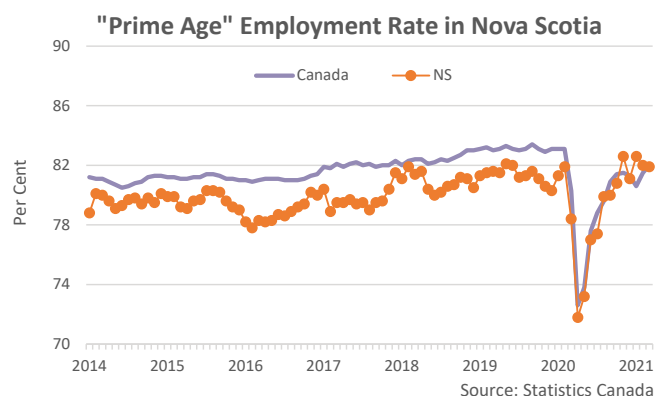
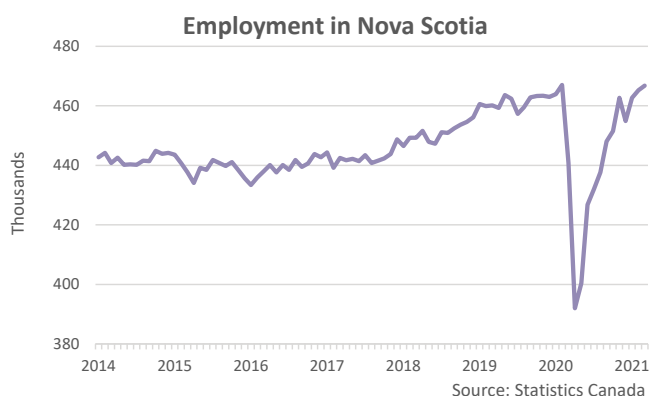
## Employment Trends

Employment estimates from Statistics Canada suggest that Nova Scotia has fully regained the job losses that occurred last spring.

For all of Canada, employment is estimated to be 1.4% lower than in January 2020). It must be remembered that the province economic situation was quite healthy prior to Covid-19, and the strong recovery is very encouraging.

The next chart looks at the percentage of adults in the “prime working age” (25 to 54) who have jobs. The data comes from a sample survey, and therefore has some random variation, which creates some uncertainty about the true state of affairs.

It appears that the “prime” employment situation is now higher than before Covid-19, and at that time, the employment rate was already quite high in a long-term perspective.



## Interest Rates

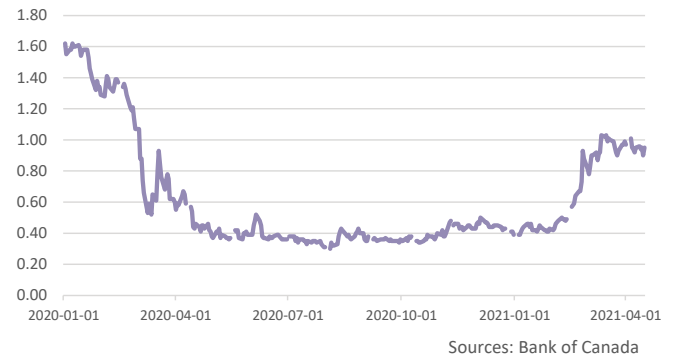
Interest rates rose sharply during late February into early March, but have shown little change since then. The yield for 5-year Government of Canada bonds has been just below 1.0% during the past four weeks, which is about 0.6 points higher than during the second half of last year.

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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