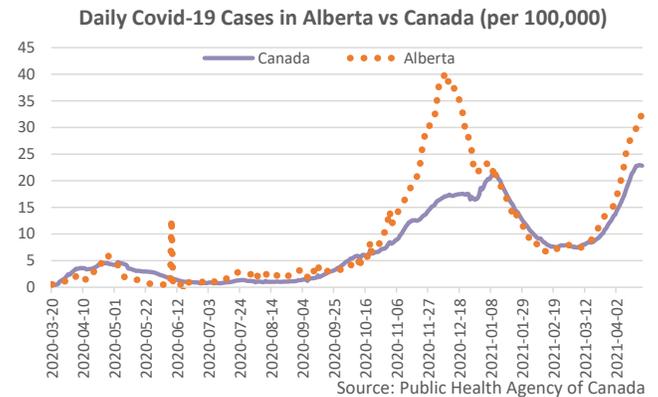


Are You Staying Safe?

The province of Alberta is experiencing a high rate of Covid-19 infections. As is illustrated in this chart, the current average rate of new diagnoses is 33 per 100,000 people, exceeding the rate (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>



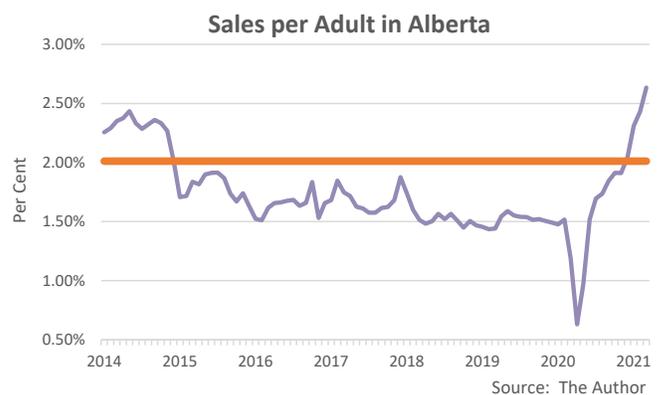
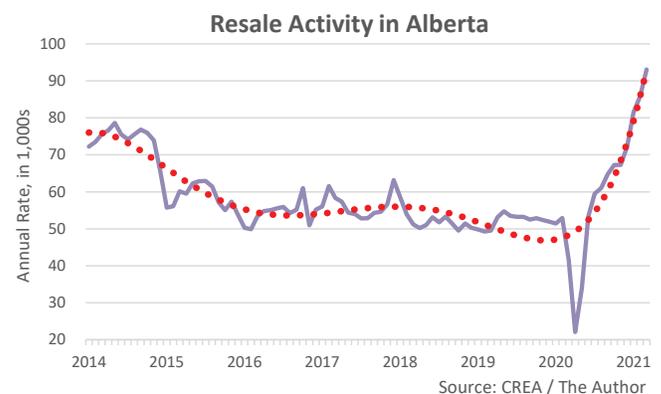
Resale Market

Alberta set a new quarterly sales record in the first quarter (however, many other provinces have seen three consecutive new records). A combination of low interest rates and favourable affordability, along with strong desires to change housing situations, is resulting in increasingly strong sales. The sales rate for the first quarter was 87,000.

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 71,000. On this population-adjusted basis, the province's sales rate for the first quarter was 22% above the long-term average.

This demand increment is the smallest across the provinces (for all of Canada, the sales rate in the first quarter was 47% above the long-term average). Looking at the entire period since January 2018, total sales in Alberta have been substantially (46,000, or 20%) below the population-adjusted average.

The collapse of energy prices almost a decade ago continues to limit the Alberta housing market.



FIRST QUARTER 2021 HOUSING MARKET DIGEST ALBERTA



Resale Market (Continued)

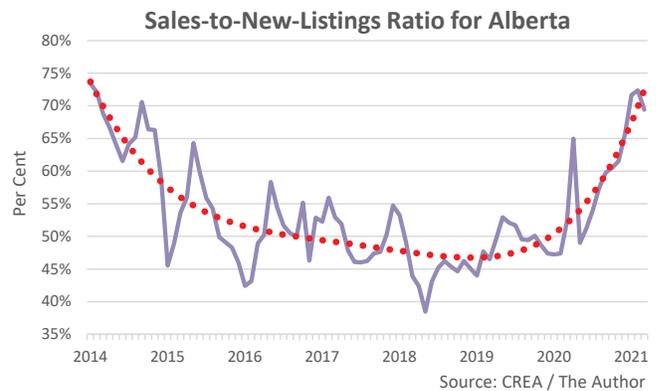
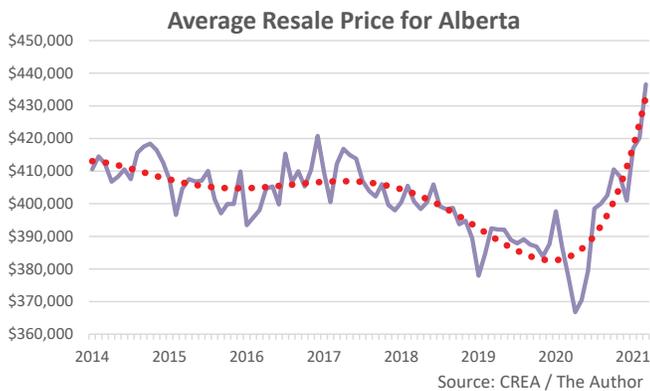
The flow of new listings into the market isn't keeping up with demand, which has caused the province's sales-to-new-listings ratio ("SNLR") to increase to a high level.

The SNLR has averaged 67% during the past six months (below the national average of 80%). It is above the threshold for a "balanced market", which for Alberta may be in the range of 56% - this is the level at which prices are expected to rise by 2% per year.

The imbalance between supply and demand is now resulting in accelerating price growth. CREA's average resale price for Alberta during the first quarter was 10% higher than a year ago.

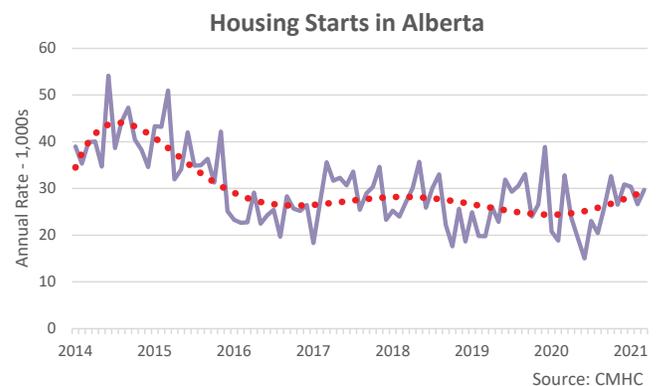
This growth rate is lower than in other provinces, as the "degree-of-tightness" within the province is less severe than elsewhere.

At this point, pricing in Alberta has more-than-recovered the price erosion that occurred during the past half decade.



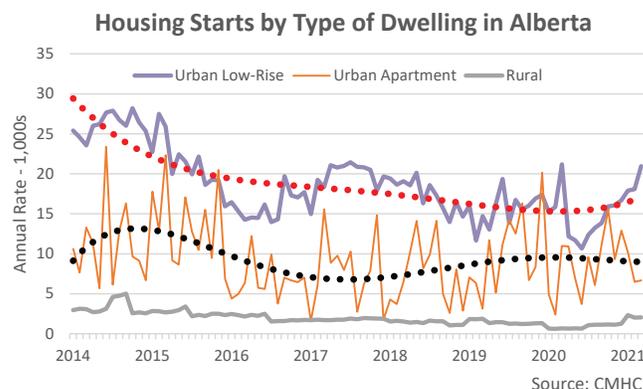
Housing Starts

Housing starts in Alberta are not yet showing the growth seen elsewhere in Canada. The annualized rate for the first quarter was about 28,000.



Housing Starts (Continued)

With rapid price growth now occurring in the low-rise sector, it is possible that construction activity will improve in the coming months.



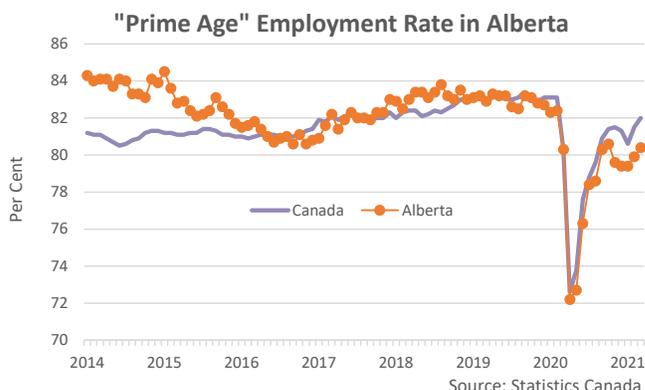
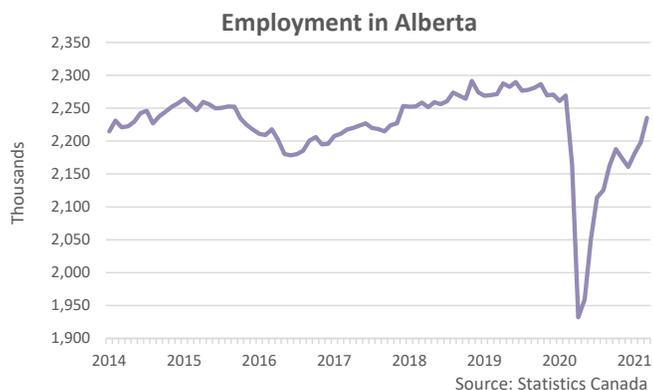
Employment Trends

Employment estimates from Statistics Canada suggest that there has been a substantial recovery of employment in Alberta.

As of March, the estimated level of employment is 1.1% lower compared to the start of 2020. For all of Canada, employment is estimated to be 1.4% lower than in January 2020.

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.

The employment rate in Alberta appears to be lower than during the pre-Covid period. The current employment situation is providing little support for housing demand, but on the other hand affordability is a very positive factor.



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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