

Resale Market

Data from the Canadian Real Estate Association shows a strong rebound for February and March, with March hitting a new record, an annualized sales rate of 557,000.



Since the mortgage insurance changes took effect in October and November, resale market activity has increased slightly for all of Canada (0.9%). At the Canada level, the resale market evidence does not point to an impact from the mortgage insurance changes. But, looking into the details, we can see that sales have fallen in many areas that already had the weakest economies and weakest housing markets.

The data in the table indicate:

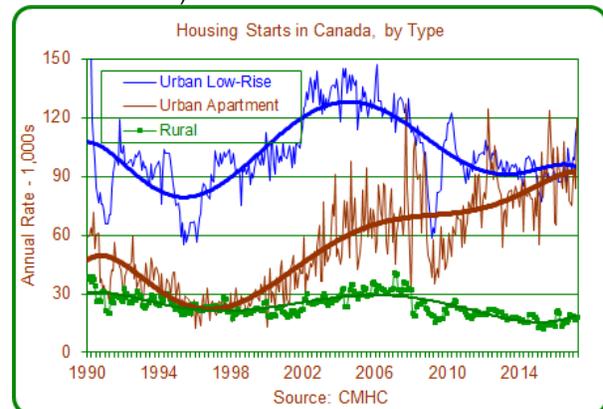
- BC shows the greatest weakness (reflecting the combined effects of the Vancouver foreign buyer tax plus the stress test).
- Alberta has improved, as higher oil prices are boosting confidence.

- Manitoba and Saskatchewan show little change.
- Growth in Ontario reflects confidence in Toronto and surrounding areas. On the other hand, in many of the CREA's board areas in Ontario's "hinterlands", sales have weakened.
- Quebec and New Brunswick are also showing increased activity.
- New Brunswick, Nova Scotia, and Newfoundland have weakened.

CREA's price index for Canada is accelerating, with year-over-year growth at 18.6%. Toronto and environs, plus Vancouver Island are accelerating. Elsewhere, prices are tame.

Housing Starts

Housing starts were unusually strong in March, at an annualized rate of 253,200 (the highest rate in over a decade).



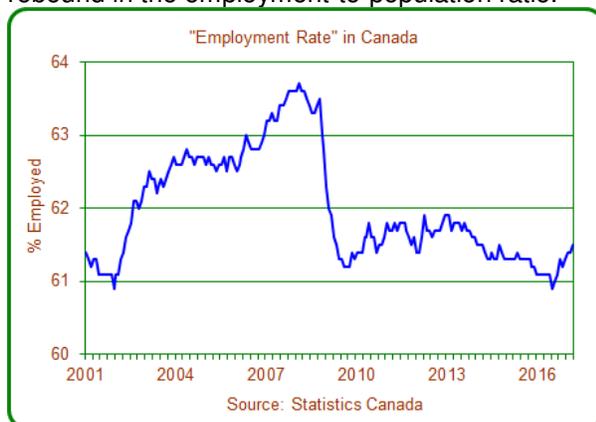
Average Monthly Resales (Seasonally-Adjusted), by Province			
Province	Last four months (Dec 2016-Mar 2017)	12 months prior to change (Oct 2015-Sept 2016)	% Change
British Columbia	7,711	9,819	-21.5%
Alberta	4,785	4,339	10.3%
Saskatchewan	973	984	-1.1%
Manitoba	1,212	1,208	0.3%
Ontario	21,497	19,701	9.1%
Quebec	6,758	6,435	5.0%
New Brunswick	621	583	6.6%
Nova Scotia	792	824	-4.0%
Prince Edward Island	156	168	-7.4%
Newfoundland and Labrador	304	359	-15.2%
Canada	44,865	44,472	0.9%

Source: Canadian Real Estate Association; analysis by Will Dunning

The jump in March was due to “lumpiness” for apartments, as several provinces saw unusually large numbers. Low-rise starts also increased in both February and March, which may have more to do with a very mild winter than to any underlying change.

Employment Trends

Data from Statistics Canada’s Labour Force Survey continues to paint an optimistic picture. Estimated employment growth is 1.5% during the past 12 months, which exceeds the 1.0% growth rate for the adult population. This has resulted in a rebound in the employment-to-population ratio.



Yet, it looks like the rebound is at least partly “technical” - the reversal of under-estimates that were made earlier. Moreover, the growth rate for Quebec has been surprisingly large (2.4% over the past year, versus population growth of just 0.6%). In addition, recent data for British Columbia shows suspiciously large growth (3.5% for employment versus 1.3% for population). Thus, there might be some over-estimation in the most recent data, and it is possible (but far from being certain) that there could be some reversal later this year.

Employment trends look tepid in the other provinces.

The impression from the data is that the employment situation is improving slightly (but not by as much as the data suggests). Combining this modestly good news with continued exceptionally low mortgage interest rates, is positive for housing demand in Canada.

Interest Rates

Bond yields have been eased during the past two months, but remain higher than they were before the US elections.

I have dropped my opinion-estimate of the typical 5-year fixed mortgage rate, to 2.6%. The spread versus bonds is now skinny, at 1.6 points, versus a long-term average of 1.8 points. (It is now necessary to add a caveat that my estimate of a typical mortgage interest rate is for insured mortgages; typical rates are generally higher for uninsured mortgages).



Other News

I will be speaking at the Alberta Mortgage Brokers (“AMBA”) conference in Edmonton on Monday June 12 (and possibly at another session). I’m hoping to meet you there!

Registration info can be found here: <https://www.amba.ca/events/amba-annual-conference>

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