

As an economist, I feel that there isn't very much I can usefully say at this time. I hope for the best for you and your loved ones. Anyways, here are some backwards-looking comments.

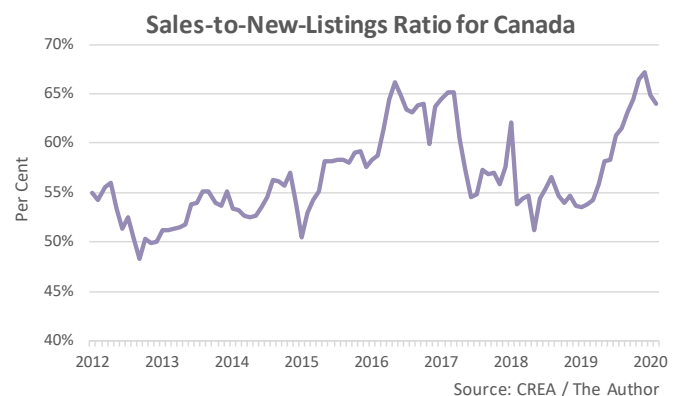
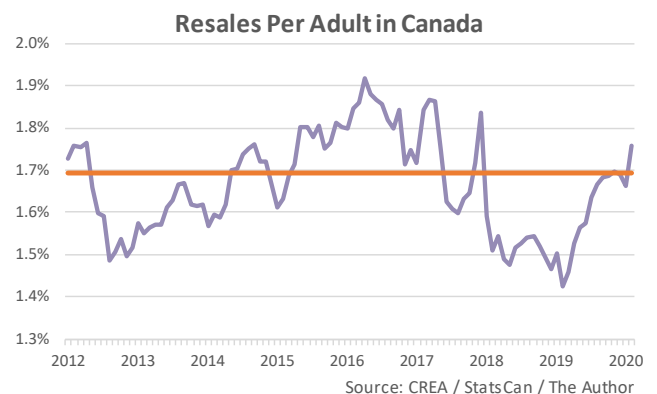
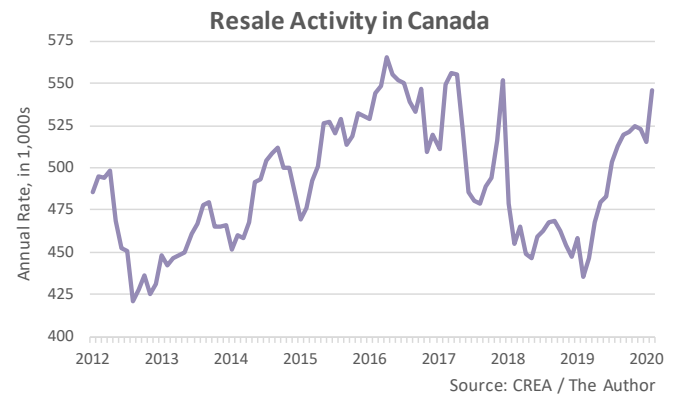
## Resale Market

Resale activity in Canada jumped sharply in February, to one of the highest all-time rates, at 546,000. This follows several months of mid-range activity, so the sales trend is still lower than it should be, given the very positive economic fundamentals.

On a population-adjusted basis, the February sales rate was 4% above the long-term average, but this follows two years of disappointing results.

The increase in sales for February was supported by a larger inflow of new listings into the market. Consequently, the national sales-to-new-listings ratio ("SNLR") eased a bit in both January and February (to 64%). The SNLR remains far above the 52% threshold for a "balanced market" - this is the level at which prices are expected to rise by 2% per year).

The tightened conditions are causing accelerating price growth. The House Price Index from the Canadian Real Estate Association ("CREA") has now increased by 5.9% compared to a year ago, and over the past six month the annualized growth rate has been 8.7%.

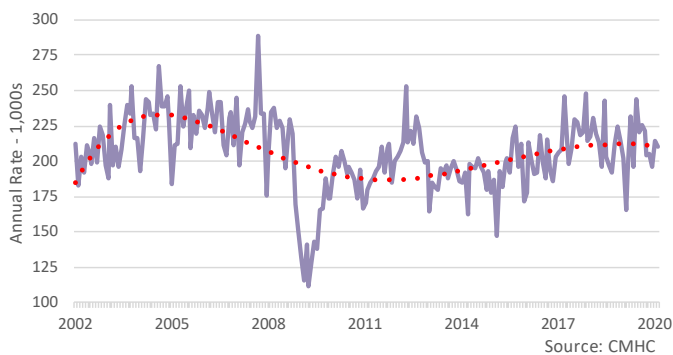


## Housing Starts

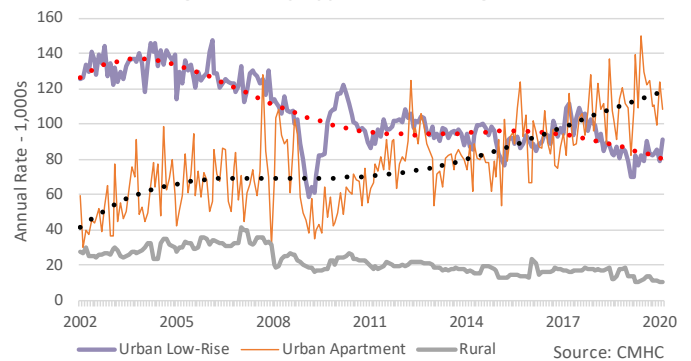
Housing starts are showing month-to-month variations, but the trend appears to be roughly flat at present, in the area of 210,000. As commented previously, based on rapid population growth, there is now a demographic requirement in the area of 245,000-250,000.

It continues to look like the trend for apartments is at or close to a peak (and starts could slow during the coming months, reflecting weak pre-construction sales during 2018 until early 2019). The trend for low-rises might have bottomed, and it's theoretically possible that there could be some improvement during the next few months (but health fears may intervene). Rural starts remain quite weak.

Housing Starts in Canada



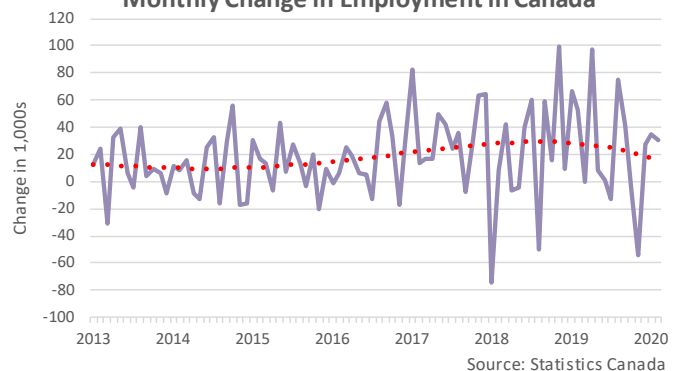
Housing Starts by Type of Dwelling in Canada



## Employment Trends

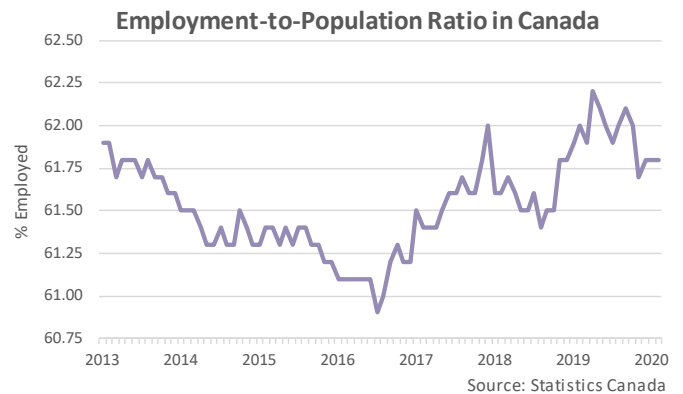
We have seen three consecutive months with estimates of decent job creation. But, due to several weak months seen earlier, the trend and the year-over-year growth rate continue to deteriorate. As of February, the YoY growth rate for employment is just 1.3%, which is slower than the rate of population growth (1.6%).

Monthly Change in Employment in Canada



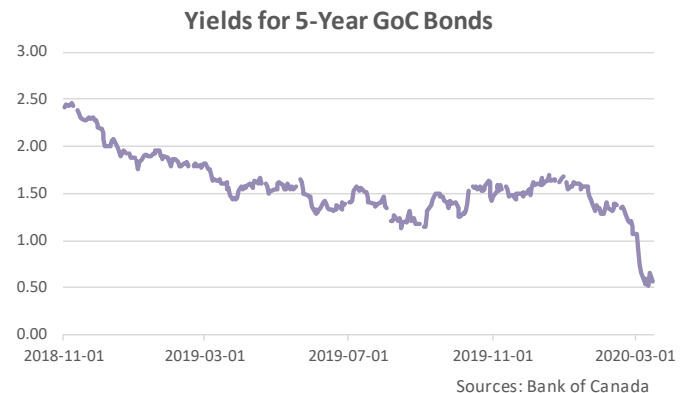
## Employment Trends (Continued)

Consequently, the employment-to-population ratio is slightly lower than a year ago. But, it is still at a quite healthy level. The employment data for March is expected to be based on the reference week of March 8-14, and therefore will not reflect events for the full month.



## Interest Rates

Bond yields and mortgage interest rates have become highly fluid. For now, my opinion-estimate of a typical advertised “special offer” mortgage interest rate (5-year fixed-rate from major lenders) is 2.6%. The spread between mortgage rates and bond yields is currently quite large (at the moment about 2.0 points versus a long-term average of 1.8 points, and an average of 1.49 points for all of 2019). Uncertainty about supply and costs of funds is making it very difficult for lenders to set rates. For variable rates, my opinion-estimate is 2.45% (as of the morning of March 16), but that is also subject to change at any time.



## Disclaimer of Liability

*This report has been compiled using data and sources that are believed to be reliable. Mortgage Professionals Canada Inc. accepts no responsibility for any data or conclusions contained herein. Completed by Will Dunning, March 16, 2020. Copyright: Mortgage Professionals Canada 2020.*