

FIRST QUARTER 2021 HOUSING MARKET DIGEST SASKATCHEWAN

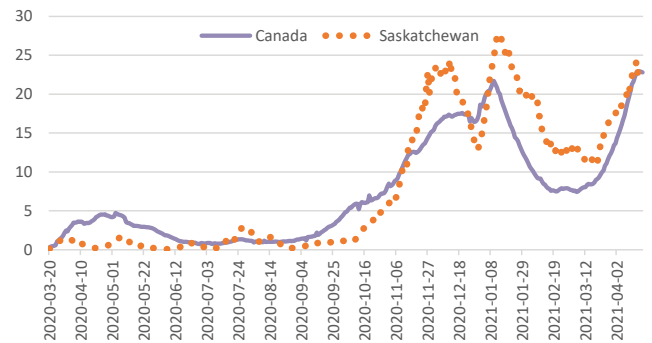


Are You Staying Safe?

The province of Saskatchewan is experiencing a high rate of Covid-19 infections. As is illustrated in this chart, the current average rate of new diagnoses is 22 per 100,000 people, matching the rate 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 Sask'n vs Canada (per 100,000)



Source: Public Health Agency of Canada

Resale Market

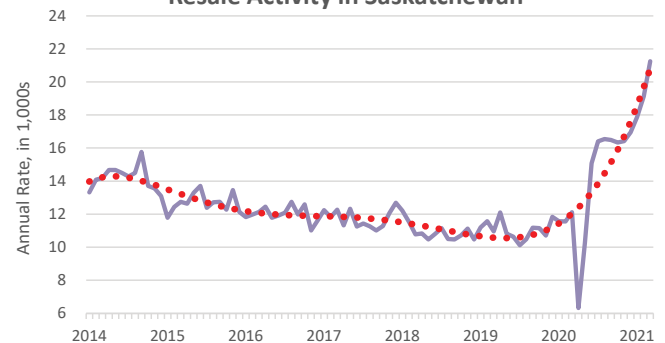
Saskatchewan has set new quarterly sales rates for three consecutive quarters, as a combination of low interest rates and favourable affordability, along with strong desires to change housing situations, is resulting in increasingly strong sales. The sales rate for the first quarter was 19,400, which is very high in historic terms.

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 13,000. On this population-adjusted basis, the province's sales rate for the first quarter was 52% above the long-term average.

This demand increment is slightly larger than for the entire country (for all of Canada, the sales rate in the first quarter was 47% above the long-term average). It is possible that sales within Saskatchewan are being constrained by inadequate supply.

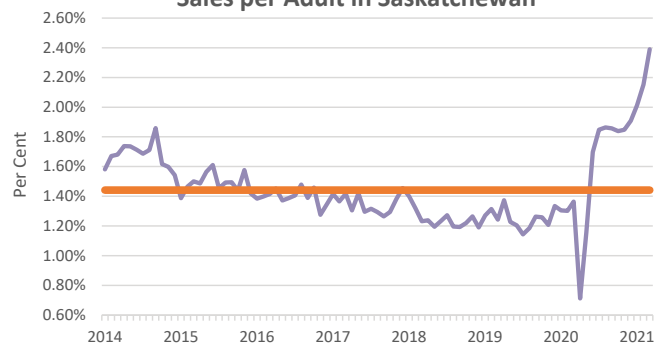
Looking at the entire period since January 2018, total sales in Saskatchewan have been slightly (less than 1,000, or 2%) below the population-adjusted average.

Resale Activity in Saskatchewan



Source: CREA / The Author

Sales per Adult in Saskatchewan



Source: The Author

Resale Market (Continued)

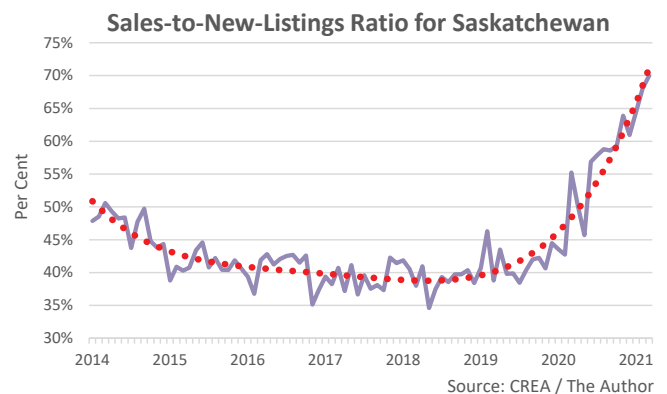
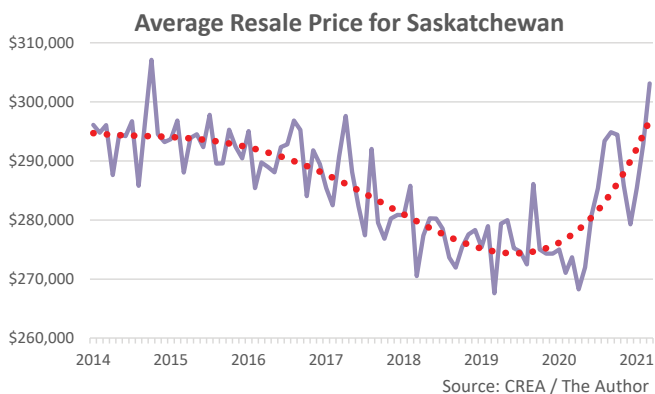
The flow of new listings into the market isn't keeping up with demand, which has caused the province's sales-to-new-listings ratio ("SNLR") to increase to a high level.

The SNLR has averaged 64% during the past six months (below the national average of 80%). It is above the threshold for a "balanced market", which for Saskatchewan may be in the range of 51% - 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 Saskatchewan during the first quarter was 8% higher than a year ago.

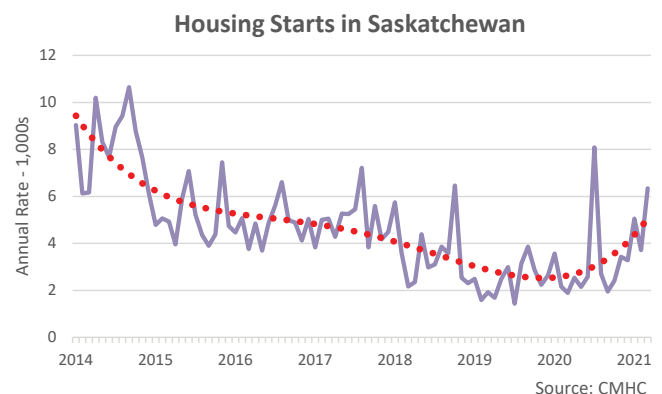
This growth rate is lower than in other provinces, as the "degree-of-tightness" within the province is less severe than elsewhere.

At this point, Saskatchewan has more-or-less recovered the price erosion that occurred during the past half decade.



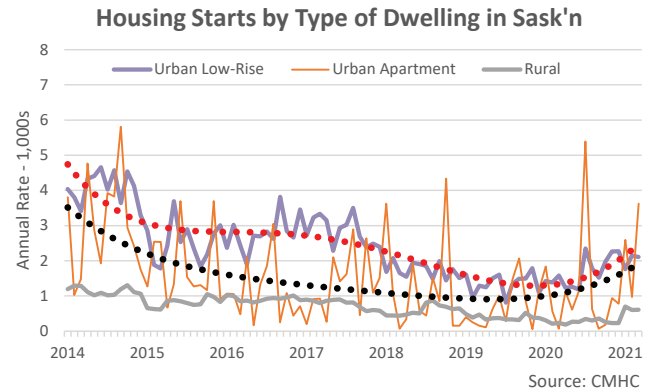
Housing Starts

Housing starts are recovering in Saskatchewan. The annualized rate for the first quarter was slightly under 5,000.



Housing Starts (Continued)

Starts are improving for both low-rise homes and apartments, but in historic terms, activity remains weak.



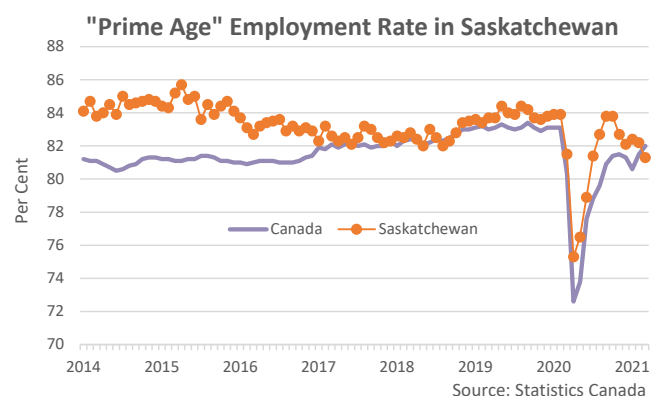
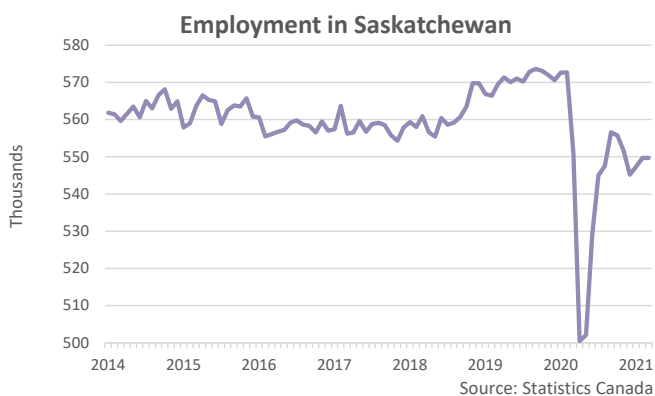
Employment Trends

Employment estimates from Statistics Canada suggest that the recovery of employment has been sluggish in Saskatchewan.

As of March, the estimated level of employment is 4.0% 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 Saskatchewan appears to be at best similar to the pre-Covid period and possibly lower. The current employment situation is providing little support for housing demand, but on the other hand affordability is a very positive factor.



Interest Rates

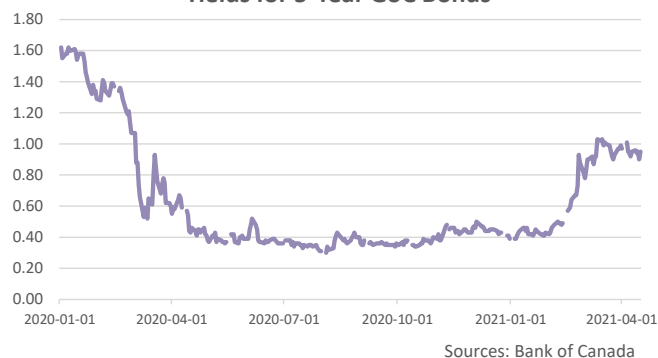
Interest rates rose sharply during late February into early March, but have shown little change since then. The yield for 5-year Government of Canada bonds has been just below 1.0% during the past four weeks, which is about 0.6 points higher than during the second half of last year.

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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