

Resale Market

Data from the Canadian Real Estate Association shows a small dip in April. The annualized sales rate of 549,100 is quite strong in historic terms.

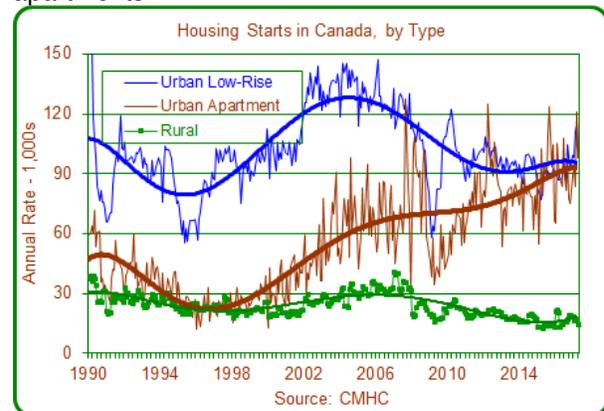


Looking across the provinces, activity has shown the greatest recent improvement is in Alberta (due to increased optimism in the oil patch – but, activity is still weak in historic terms) and Ontario (related to exuberance in the GTA and environs). The trend is weakest in British Columbia (reflecting a setback from excessive strength, but actually decent in a longer perspective). Saskatchewan as well as Newfoundland and Labrador are weak in historic terms.

CREA's price index for Canada is still accelerating, with year-over-year growth at 19.8%. Toronto and environs, plus Vancouver Island (including Victoria) are accelerating. Elsewhere, prices are tame.

Housing Starts

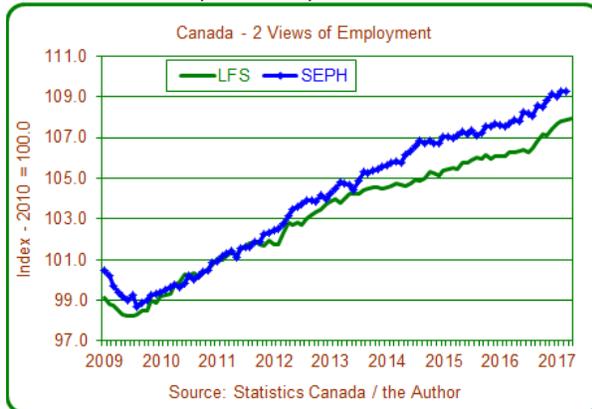
Housing starts remained strong in April, at an annualized rate of 214,100. During the past year, starts have averaged 207,000, which is 5% higher compared to the past five years (197,100). The greatest contribution to that growth has come from apartments.



Average Monthly Resale Activity by Province				
<i>Province</i>	<i>Dec 2016- Apr 2017</i>	<i>Oct 2015- Sept 2016</i>	<i>Change</i>	<i>Versus 5-year Average</i>
British Columbia	7,987	9,819	-18.7%	7.3%
Alberta	4,824	4,339	11.2%	-5.5%
Saskatchewan	937	984	-4.7%	-11.7%
Manitoba	1,220	1,208	0.9%	4.5%
Ontario	21,447	19,701	8.9%	20.5%
Quebec	6,722	6,435	4.5%	8.7%
New Brunswick	623	583	7.0%	12.9%
Prince Edward Island	155	168	-8.1%	14.5%
Nova Scotia	803	824	-2.6%	2.3%
Newfoundland & Labrador	307	359	-14.3%	-11.9%
Canada	45,079	44,472	1.4%	11.0%

Employment Trends

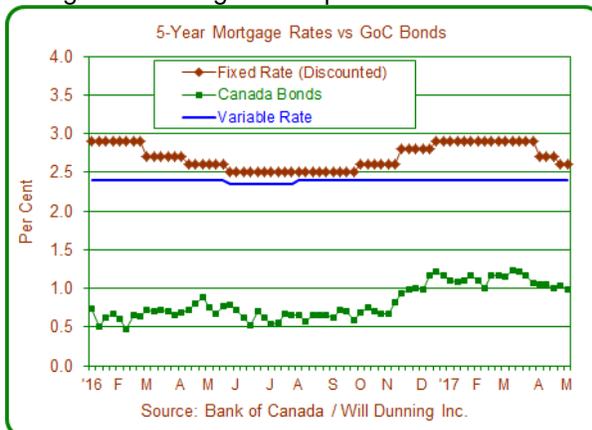
Canada has seen improved job creation during the past year. Both of Statistics Canada's surveys (the Labour Force Survey, or "LFS" and the Survey of Employment, Payrolls and Hours, or "SEPH") show growth at 1.5% year-over-year. By contrast, the population (adults 15 years and over) is estimated to have increased by 1.0%. As a result, the percentage of adults who have jobs has increased. The strongest job growth is occurring in British Columbia, Quebec, and Ontario.



Interest Rates

Bond yields have been inched downwards 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.



Other News

On May 16, I was at BNN, talking about the evolving housing market as well as the supply situation in the Toronto area:

<http://www.bnn.ca/video/mortgage-rules-and-unintended-consequences~1125999>

Also, in two recent columns on canadianmortgagetrends.com I discussed:

- Borrowing by the federal government implies that it is not worried about increases for bond yields:

<http://www.bnn.ca/video/mortgage-rules-and-unintended-consequences~1125999>

- A recent report from Manulife Bank probably over-stated mortgage borrowers' susceptibility to higher interest rates:

<https://www.canadianmortgagetrends.com/2017/05/dissenting-opinion-manulife-bank-survey/>

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