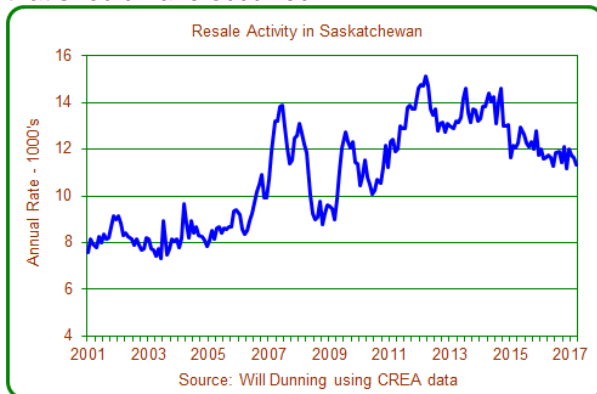


Resale Market

Data from the Canadian Real Estate Association show that resale activity in Saskatchewan has dropped sharply in the wake of the plunge in the price of oil. The recent level of sales is about 15% below the peak seen during late 2011 to late 2014. At this time, activity is still much stronger than it was prior to 2007.

In the wake of the widening of the mortgage insurance stress test, to evaluate all insured loans at the 5-year posted rate (currently 4.64%), resale market activity has fallen only slightly (during December to March, the pace of sales was just 1.1% below the average seen during the 12 months prior to the change). However, there are multiple factors that affect housing activity. One of these has been distinctly positive - the increase in the price of oil earlier this year was no doubt positive for consumer confidence in Saskatchewan. From that perspective, the stress test has most likely constrained the improvement that should have occurred.

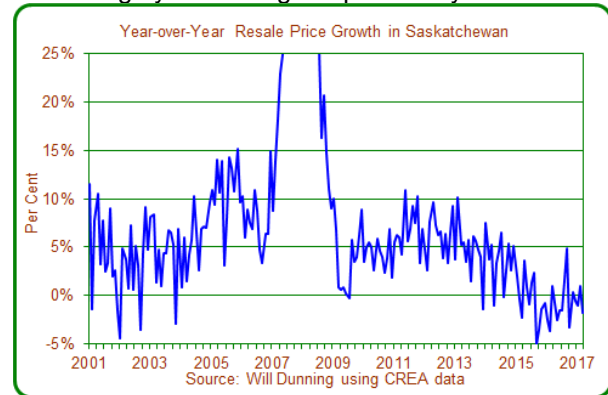


Looking across the province, the data shows variations.

Market Area	Last four months	12 months prior	% Change
Battlefords	35	40	-11.7%
SE Saskatchewan	35	36	-2.8%
Lloydminster (SK)	21	15	40.0%
Moose Jaw	57	57	-1.5%
Prince Albert	55	55	-1.2%
Regina	276	283	-2.2%
Saskatoon	396	408	-2.9%
Swift Current	36	33	8.3%
Yorkton	62	56	10.7%

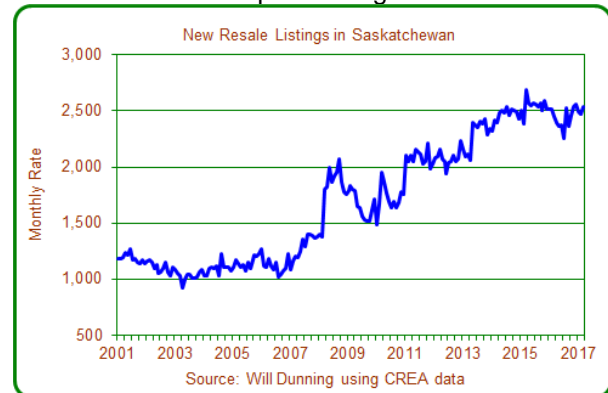
Source: CREA, analysis by Will Dunning

The average resale price for Saskatchewan is highly volatile and so are the calculated year-over-year changes. That said, the average price has been roughly flat during the past two years.

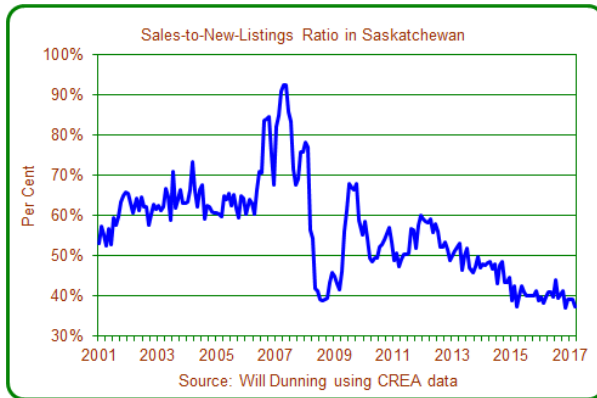


The monthly average prices can be distorted by changes in composition (the locations of sales and the types of homes sold). The Canadian Real Estate Association (“CREA”) is attempting to address this by producing House Price Indexes for major market areas. As of March, the year-over-year change for Regina is a rise of 1.7% and for Saskatoon the index has fallen by 1.5%.

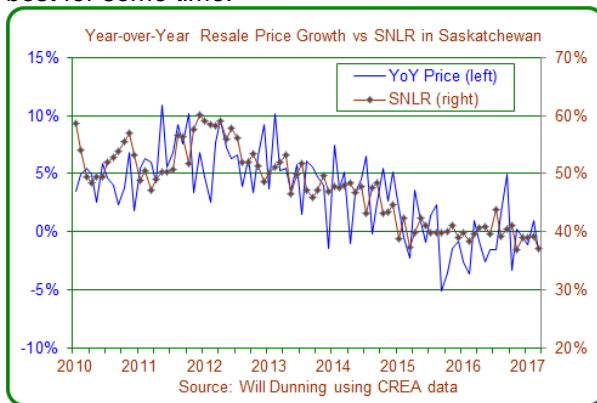
The changes in the price trend have been influenced by supply as well as demand. While demand has slowed, the flow of new listings into the market remains quite strong.



This has caused the sales-to-new-listings ratio (“SNLR”) to fall to a quite low level (see the chart on the 2nd page). During the first half of the period shown, the provincial resale market was clearly in a “sellers’ market” condition, which resulted in strong price growth. At present, there is a clear “buyers’ market” and flat prices.

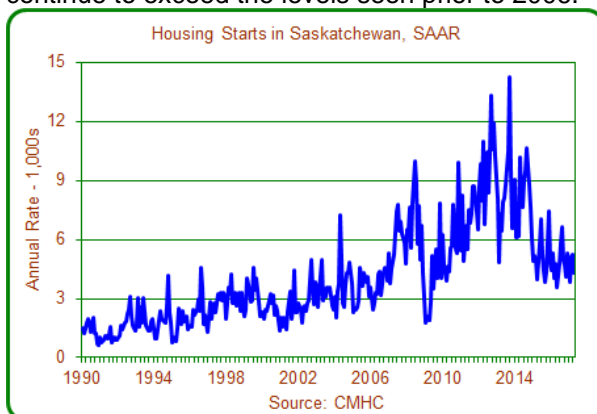


The chart below shows that there is a relationship between SNLR and price growth. (Due to the volatility of the data, the relationship is far from perfect, but it is clear that the state-of-balance does influence price growth.) Under current conditions, it should be expected that in most areas of the province, resale prices will be flat at best for some time.

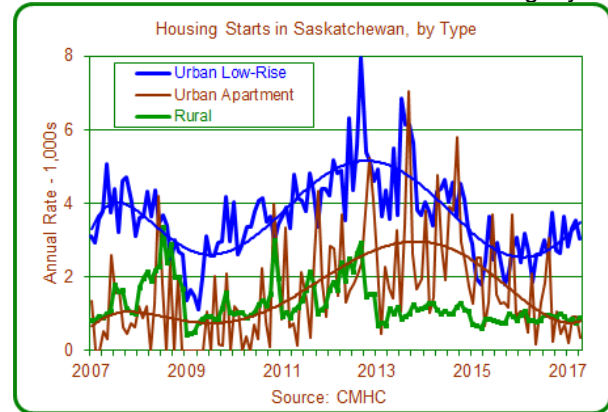


Housing Starts

Housing starts in Saskatchewan vary widely from month to month, but it is clear that they move in long cycles. The trend has fallen by about one-half compared to the peak that was seen during 2012 to 2014. To date, Saskatchewan's housing starts continue to exceed the levels seen prior to 2006.

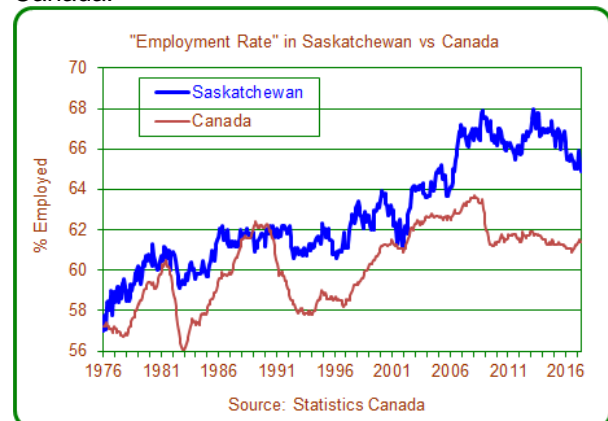


Activity has fallen for both low-rise starts (single-detached, semi-detached and town homes) and apartments. However, the reduction for apartments has been considerably deeper than for low-rises. The apartment vacancy rate in Saskatchewan (8.4% as of the fall of 2016) is at the highest level since 1991, which is no doubt deterring investors. For low-rises, it does appear that starts have bottomed and recovered slightly.



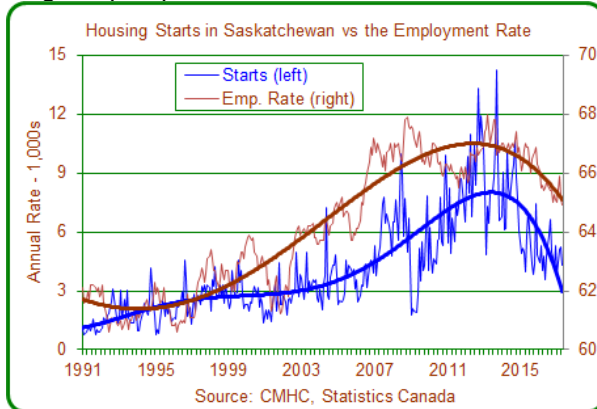
Employment Trends

The chart below uses data from Statistics Canada's Labour Force Survey ("LFS"). It shows percentages of the adult population that are employed ("the employment-to-population ratio" or the "employment rate"). Based on this measure, Saskatchewan's economic performance is better than the national average, and the performance gap has been higher during the past decade than it was previously. Saskatchewan's employment rate has fallen, in the wake of the drop of oil prices. Yet, the provincial economy remains strong relative to its history and relative to the rest of the country: as of April, the employment rate in Saskatchewan is 64.9%, which is 3.5 percentage points higher than the 61.4% rate for all of Canada.

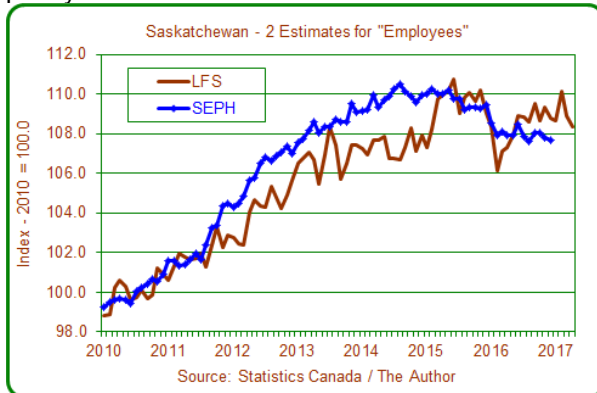


The next chart contrasts Saskatchewan's employment rate and housing starts (emphasizing

trend lines rather than the actual, volatile data). It confirms that while both indicators have weakened, they are both still relatively healthy in a long run perspective.



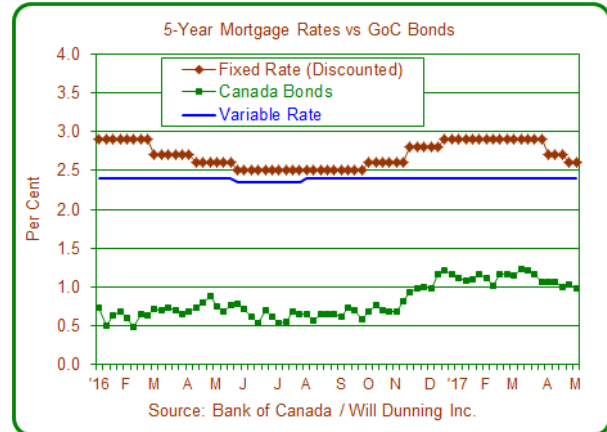
Statistics Canada's has a second survey of the employment situation (the Survey of Employment, Payrolls and Hours, or "SEPH"). The two surveys often tell different stories, but at this time they are broadly consistent, indicating that employment has weakened but it has been roughly flat during the past year.



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).



Disclaimer of Liability

This report has been compiled using data and sources that are believed to be reliable. Neither Mortgage Professionals Canada Inc. nor Will Dunning accepts any responsibility for any data or conclusions contained herein.

Completed by Will Dunning, Chief Economist, Mortgage Professionals Canada

Copyright: Mortgage Professionals Canada 2017