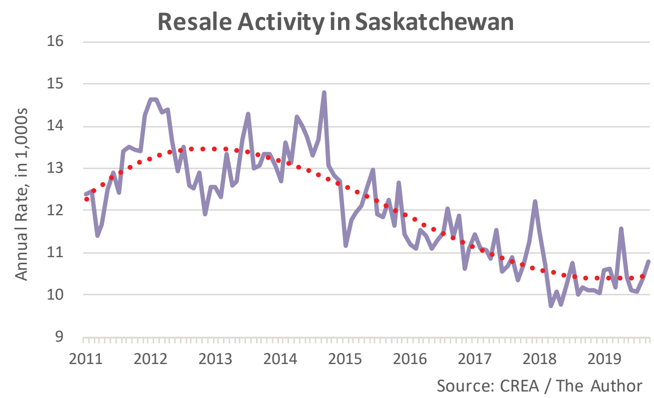
THIRD QUARTER 2019

HOUSING MARKET DIGEST
SASKATCHEWAN

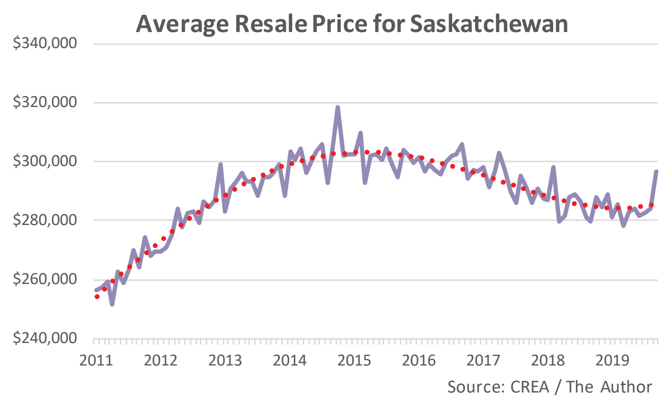
MORTGAGE PROFESSIONALS CANADA

Resale Market

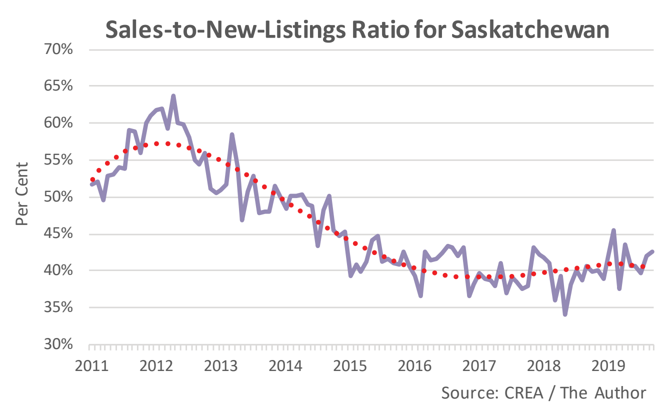
The data indicates that resale activity in Saskatchewan has stabilized (and might even be increasing slightly). But, activity remains very weak, with sales one-quarter below the peak seen five years ago. Interest rates have fallen sharply this year, which is a strongly positive factor. But, a weakened employment situation and a slowdown in population growth are constraints, as are the federal government's mortgage stress tests.



Weakened demand has resulted in some erosion of house prices (the provincial average resale price has seen a total drop of 6-7% during the past four years). Until August, it had appeared that prices continued to trend downwards. The unusually large move in the data for September complicates the interpretation. Overall, recent price reductions are probably still a deterrent to home-buying, since prospective owners would be discouraged by the potential loss of home equity.



The sales-to-new-listings ratio ("SNLR") remains quite low in Saskatchewan, at just 41% in the third quarter, which is far below the threshold (estimated at 51%) for a "balanced market" (this is the level at which prices are expected to rise by 2% per year). The low level of the SNLR suggests that the province will continue to experience price erosion.



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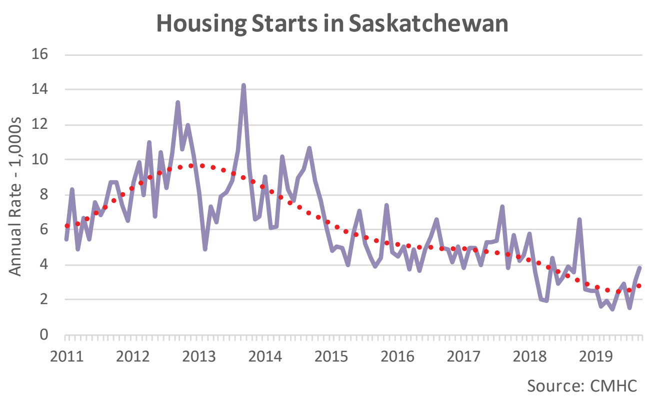
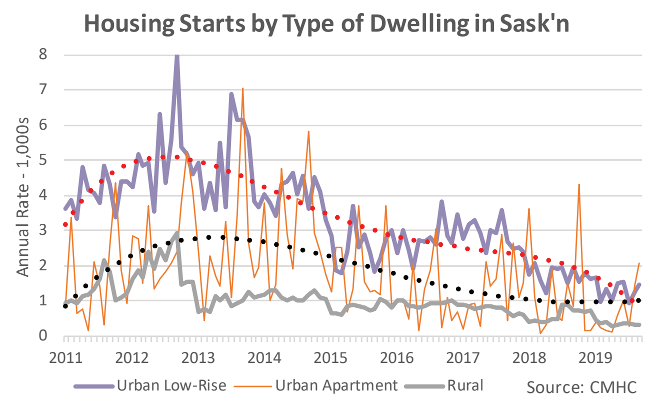
Housing Starts

Housing starts remain extremely weak, about two-thirds lower than was seen at the economic peak in the first half of this decade. Job losses in the residential construction sector are an added negative factor for the provincial economy.

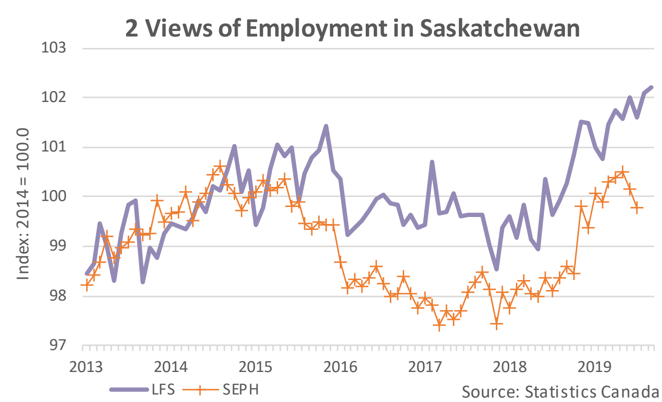
Starts have fallen by very large amounts for low-rise homes (singles, semi-detached, and town homes) and for apartments.





Employment Trends

Statistics Canada's two surveys of employment both show substantial improvements in the employment situation during the past year, bringing total employment back to roughly the levels seen before the oil price collapse. If sustained, this should help stabilize the housing market. The Labour Force Survey ("LFS"), which is based on personal surveys, shows a 1.9% year-over-year growth rate as of September. The Survey of Employment Payrolls and Hours ("SEPH") shows a 1.7% rise (as of July).



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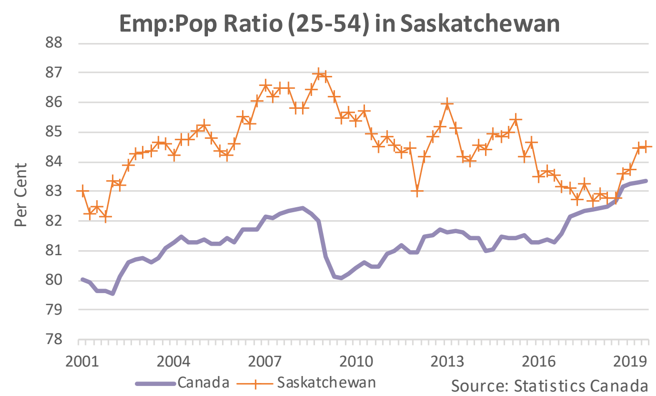
Employment Trends (Continued)

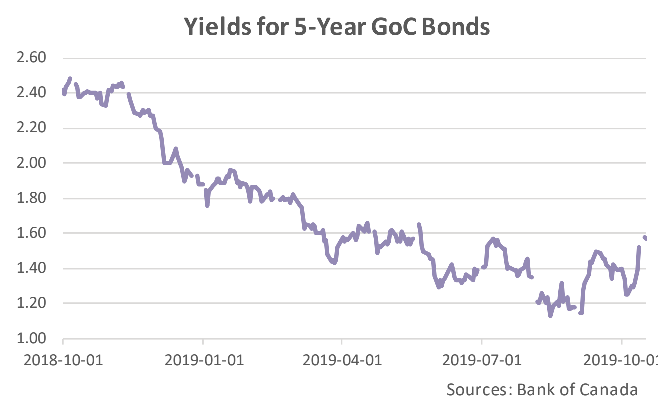
Both surveys show employment growth that exceeds the 0.7% growth rate for the adult population. This has brough an improvement for the employment-to-population ratio (the percentage of people who have jobs). For the "prime working ages" (25-54) the recent data shows a substantial recovery, but the rate is still low in historic terms. This data is volatile, and should be watched for a while before we draw conclusions.



Interest Rates

Bond yields have been unusually volatile during the past four months, due to swings in expectations about the outlook (and fears about the consequences of erratic trade policies and political disfunction in the US). At present (October 16) the yield for 5-year Government of Canada bonds is in the area of 1.55%-1.6%, which is more-or-less where I think it should be given current economic conditions.

My opinion-estimate of a typical advertised "special offer" mortgage interest rate (5-year fixed-rate from major lenders) has been unchanged (at 2.7%) for the past two months. The mortgage-bond spread is quite thin (about 1.1 points versus a long-term average in the area of 1.8 points). Therefore, we could to see some increases in mortgage rates during the next few days (or weeks).



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