

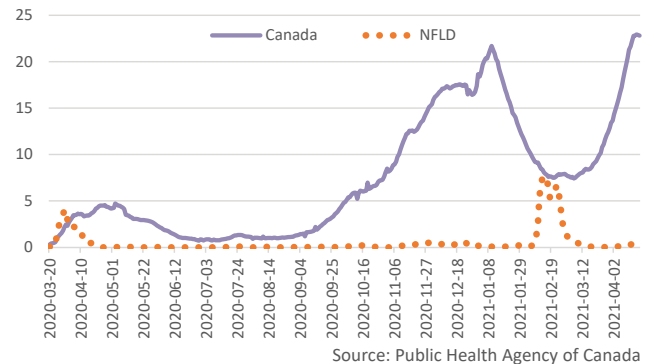


Are You Staying Safe?

Newfoundland and Labrador experienced a short-lived surge of Covid-19 infections during February, but has since seen few new infections. As is illustrated in this chart, the population adjusted rate for the province remains very far below the national average (the 7-day average is just 0.4 per 100,000 people, versus 22 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 NFLD vs Canada (per 100,000)



Source: Public Health Agency of Canada

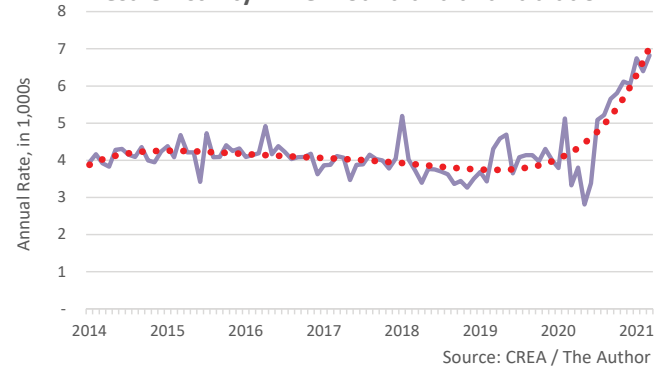
Resale Market

Resale activity remains very strong in Newfoundland and Labrador (and across the country). For the first quarter, the annualized sales rate was 6,700, which was a new record for the region, on top of another extreme record that was set in the fourth quarter of last year.

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 4,100. On this population-adjusted basis, the province's sales rate for the first quarter was 63% above the long-term average.

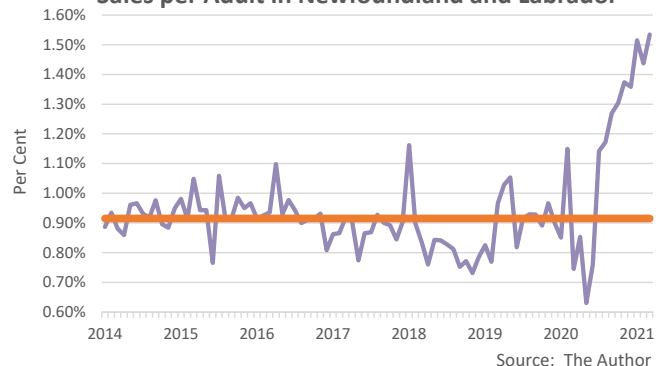
Demand within the province is currently stronger than for the entire country (for all of Canada, the sales rate in the first quarter was 47% above the long-term average). Strong housing demand in Newfoundland and Labrador is based on a combination of low interest rates and excellent affordability, with a relatively healthy employment situation.

Resale Activity in Newfoundland and Labrador



Source: CREA / The Author

Sales per Adult in Newfoundland and Labrador



Source: The Author

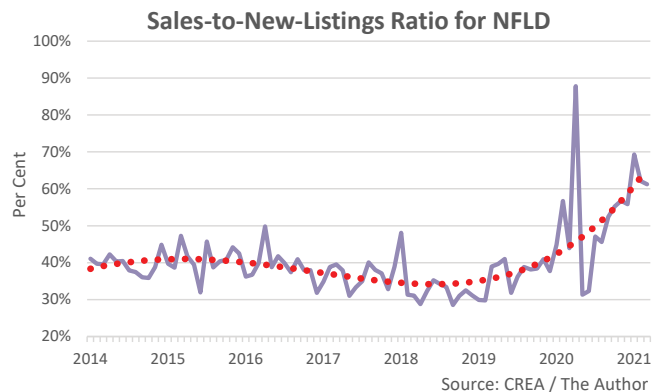
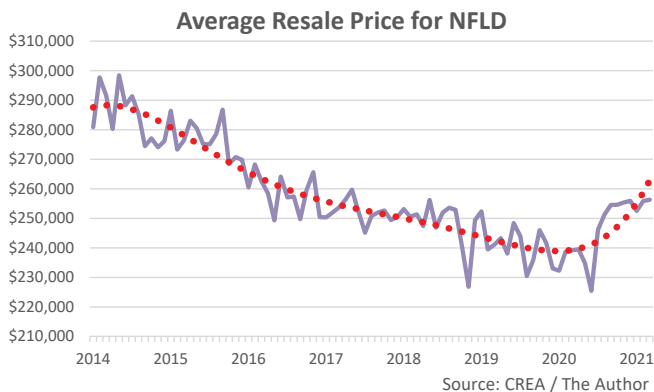
Resale Market (Continued)

Looking at the entire period since January 2018, total sales in Newfoundland and Labrador have been above the population-adjusted average by about 1,000, or 7%.

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 sharply.

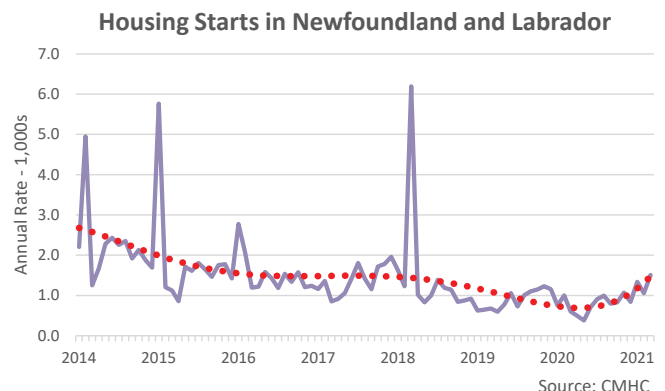
The SNLR has averaged 60% during the past six months, far above the threshold for a "balanced market", which for the province may be in the range of 45% - this is the level at which prices are expected to rise by 2% per year.

The sharp imbalance between supply and demand is now resulting in rapid price growth. CREA data shows that the average resale price for the first quarter was 8% higher than a year ago.



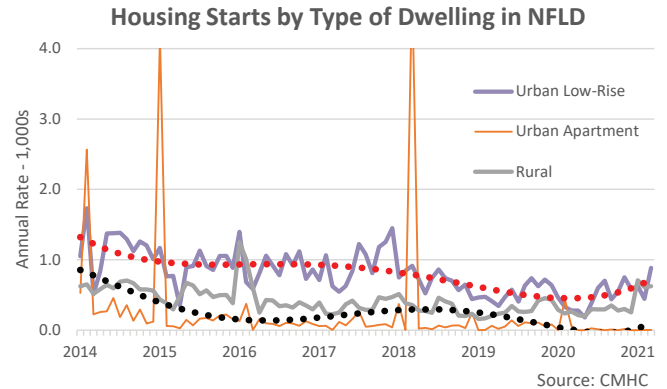
Housing Starts

Housing starts remain relatively low in Newfoundland and Labrador, although the rate did increase in the first quarter (to an annualized rate of 1,855).



Housing Starts (Continued)

Looking at the details, there were improvements for both urban low-rise homes and starts in rural areas. Low-rise activity remains quite weak. Apartment activity is negligible.



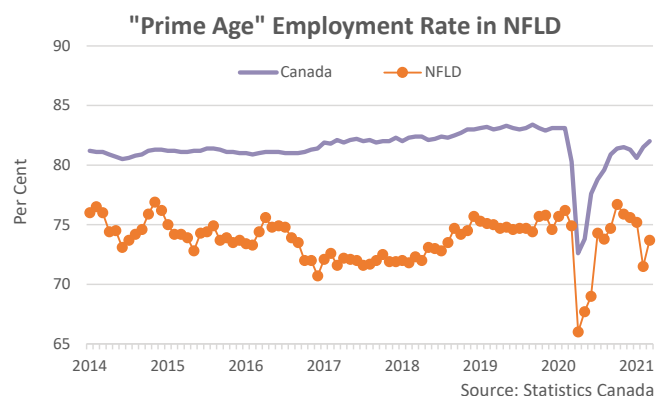
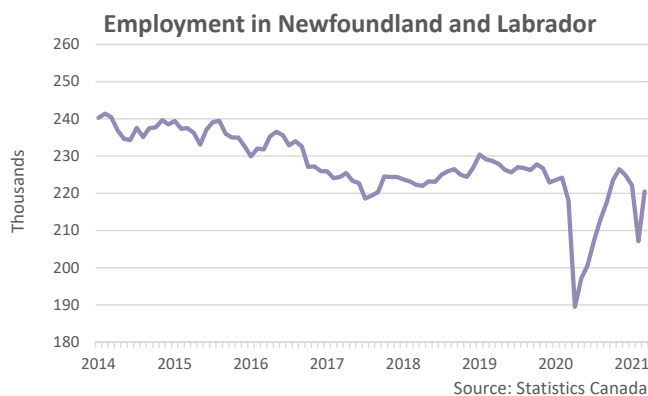
Employment Trends

Similar to the country as a whole, Newfoundland and Labrador has recovered most of the jobs that have been lost since the start of Covid-19. The data comes from a sample survey, and therefore has some random variation, which creates some uncertainty about the true state of affairs.

That said, the estimates indicate that the province's employment level is just 1.4% lower than in January 2020, the same as for all of Canada.

The next chart looks at the percentage of adults in the "prime working age" (25 to 54) who have jobs. Traditionally, Newfoundland and Labrador has had a rate lower than for all of Canada.

Again, there is some uncertainty due to random movements in this data, but it appears that the "prime age" employment situation within the province is similar to before the pandemic.





Interest Rates

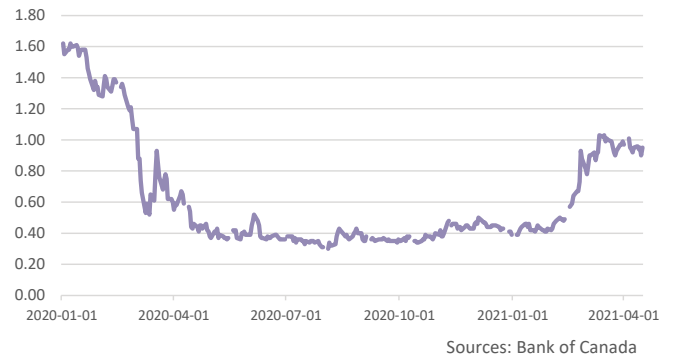
Interest rates rose sharply during late February into early March, but have shown little change since then. The yield for 5-year Government of Canada bonds has been just below 1.0% during the past four weeks, which is about 0.6 points higher than during the second half of last year.

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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