Subject: Residential Tipping Point

Comments: Job creation has slowed in Nova Scotia during the past decade, resulting in reduced activity in both the resale market and new housing construction. In HRM, the determining factor for housing market is lack of demand rather than reduced supply. The number of population aged 60 years or older is increasing rapidly in the Atlantic Region, causing a decrease in average single dwelling sales. This unavoidable aging trend is accelerating a generally weakened regional housing market.

CAAMP (Canadian Association of Accredited Mortgage Professionals) recently released statistics for the numbers of homebuyers per year in Canada, by age group, and annual home-buying by province. The survey data indicates that most first-time buyers are between the ages of 25 to 34, followed by a small portion in the 35 to 59 group. Second-time buyers are also largely between the ages of 25 to 34, but also include older age groups. Subsequent buying is seen most often among those aged 50 to 59. Less than 2% of home purchases are made by buyers aged 70 years or older. In Atlantic Canada, only 35% of buyers are identified as first time buyers, which is below the national average (about 45%). This is due to out-migration of young people in the Atlantic region, which directly reduces the numbers of younger buyers. The table below shows the tipping points in HRM, for each age group. HRM reached its peak younger age population (≤ 34) and middle age (50-59) population in 2015. Population aged 60 or older is predicted to reach its peak in year 2025.

Based on the NSAR MLS® and Turner Drake in-house data, the type of home purchased most frequently in HRM is a single-detached (accounting for 71.4% of the total, or about 3,916 per year). The proportion was relatively higher for second-time buyers (64%, or 2,506 purchases per year) when compared to first-time buyers (47%, representing about 1,840 units per year). Condominium apartments accounted for a significant minority of purchases, at 12.5% of the total purchases. Purchases of a condominium apartment were most common for first-time buyers (22%), followed by subsequent buyers (17%) and second-time buyers (14%). For both semi-detached and row homes, there are about 878 purchases per year in HRM. About two-thirds of these (585) are bought by first-time buyers and the remainder are purchased by second-time and subsequent buyers.

As the majority single-detached first-time buyers (age ≤ 34) and subsequent buyers (age 50-59) reach peak levels, expect single detached demand to level off and then start to decline. HRM reached its younger (age ≤ 34) and medium (age 50-59) population peaks in 2015. Housing market sales will continue to decline slowly in 2016 and in the following years. The table above reflects this trend, starting in 2014.

©2016 Turner Drake & Partners Ltd all rights reserved. Whilst every effort has been made to ensure the accuracy and completeness of this TDP Trends no liability is assumed by Turner Drake & Partners Ltd. for errors or omissions. This bulletin is distributed without charge on the understanding that the contents do not render legal, accounting, appraisal or other professional services.