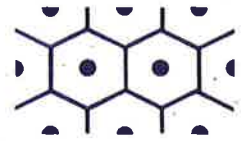


newsletter



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The Residential Scene

We have recently completed our annual study of single family dwelling sales in the Halifax/Dartmouth Metropolitan area. In order to achieve as great a degree of uniformity as possible, our analysis is restricted to sales of single family homes, without basement apartments, located in Halifax/Dartmouth and environs, sold through the Halifax/Dartmouth Real Estate Board's Multiple Listing Service.

Intra Year Price Movements

In an earlier article (Newsletter Vol. 1, No. 4) we mentioned that property price movements were cyclical within the year. They rise during the first quarter, peak during the second quarter, hold steady during the third quarter and fall slightly during the fourth quarter before bottoming out in the January of the next year. The price movements coincide, of course, with the surges in demand. Families move in and out of the area during the periods of the year which minimize disruption, particularly for their children, who they attempt to settle before the new school year starts. The cycle of price movements is disrupted by other factors which cause fluctuations in demand, the most general being the volatile nature of the mortgage interest rates.

This year prices rose through the first and second quarters of the year, but did not hit their peak until the third quarter. The rapid escalation in mortgage interest rates, which started in September, drastically reduced demand and prices began to soften. The fact that they did not start to fall heavily until December was probably due to the fact that most, if not all, of the sales that occurred after the increase in mortgage rates were of properties with assumable mortgages at pre-increase interest rates. The rise in mortgage rates also came at the end of the selling season when supply, as well as demand, is traditionally light. Unless it was essential to sell, because of a change in location necessitated by a job transfer, most vendors, who are also usually purchasers too, preferred to defer the sale of their properties until mortgage rates had fallen to reasonable levels. Indeed, the rates started to fall again only a few weeks after reaching their peak of 14%. By the end of December they had edged down to 13.25% for closed, 5 year, conventional mortgages and indications were that they, and the U.S. Prime Rate which had started the whole unfortunate episode, would continue to edge down further during the early part of 1980. Vendors who had to sell during December, however, could only have expected to receive \$45,000 for a property which would have sold for \$50,000 during the peak selling period.

The volume of single family homes used in our study fell dramatically during November and December. Since sales volumes rise steadily each year as the area population increases we have constructed a table of indices adjusted to a common annual base by dividing the monthly sales volume by the average monthly volume for that year. We can then compare the current year with the monthly trend established by the previous 5 years:

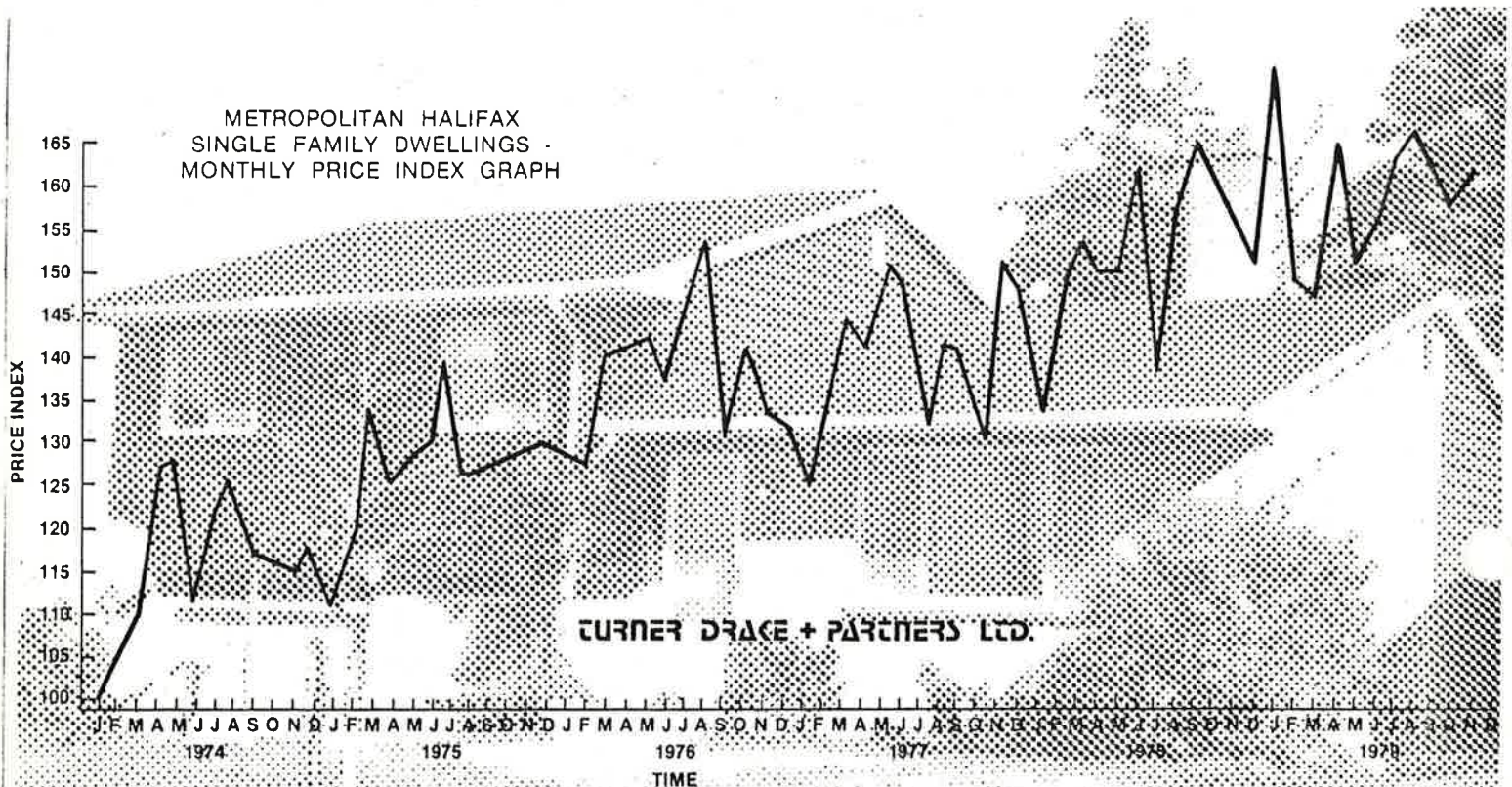
<u>Year</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>
Trend	64	91	94	105	130	120	126	128	102	97	91	53
1979	50	75	97	95	159	159	131	136	136	102	34	26

Inter Year Price Movements

The average sale price of the single family homes covered by our study in 1979 was \$52,305. This is an increase of 3.54% over 1977. Price increases in each of the past five years, over the year earlier, have been as follows:

<u>Year</u>	<u>Percent</u>
1975	8.99%
1976	8.66%
1977	2.22%
1978	8.82%
1979	3.54%

Price increases over the past six years are shown on the graph below:



The Residential Property Market in 1980

It is a sign of our shrinking world that events in Iran, a country on another continent 10,000 kilometers distant will affect the price of single family homes in Atlantic Canada. Instability in the oil producing world affects the U.S. dollar, resulting in a rise in *their* interest rates as a defensive measure. Canada raises its bank rate to defend its dollar, mortgage rates eventually follow suit, and demand for homes weakens, or collapses altogether. The prices of homes then start to fall here in Atlantic Canada.

Mortgages are now available at 13.25% for a closed 5 year mortgage, a rate that is still too high for most mortgagors, though one could argue that in real terms, with an inflation rate of 9%, they are no higher than the 3%-4% interest rates that prevailed 20 years ago when inflation was only 1% per annum. We anticipate that interest rates will continue to edge down during the first quarter of 1980, probably to between 12% and 13% for a closed 5 year conventional mortgage. Property price movements for the year will then follow the cyclical pattern of previous years. There will be continued scares, and possibly spot cyclical shortages of oil, during this winter. We will, therefore, see a greater demand for homes with fireplaces and a slight shift to homes with propane heating. Purchasers will concern themselves more too with the insulation characteristics of dwellings as oil prices rise.

We wish you all a happy, healthy and prosperous New Year.