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FOR IMMEDIATE RELEASE:

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Press Release

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HOUSING COSTS: A MATTER OF INTEREST?

Housing in Atlantic Canada has seen prices increase along a sharp trajectory since the start of the pandemic, making an already challenging housing situation appear to be even more dire. Turner Drake & Partners Ltd. looked at the past four decades' worth of housing prices, interest rates and mortgage payments, and average income. According to the numbers, housing is about as affordable now as it was in the early 1980s, when interest rates were at record highs.

Although the sky-high interest rates of the 1980s are still (understandably) a sore point for those who were in the housing market in those days, Atlantic Canadians who are experiencing the current situation would probably be more inclined to take the \$60k house with 18% interest, rather than having rock-bottom interest rates on the average \$600k house today: after all, the likely scenario is that mortgage rates will drop from an 18% starting point, but climb from current levels, over the course of a 25-year amortization period.

Over four decades, housing prices have quadrupled, and while the data show average income has kept pace with that increase, record low levels of housing inventory within the region has caused prices to jump at a stunning rate; clocking in at an average price of almost \$150,000 higher than two years ago in Halifax. From the outset of the study period, it took 25 years to see that kind of dollar increase.

Supply and demand are the key drivers of price. As our population increases (and it's been increasing like never before), so too will demand. Ask anyone looking for a house right now about supply constraints and they'll tell you it's a problem. If you can find something you'd be happy with, getting it is the next hurdle. The buying process has changed from making an offer under the asking price and negotiating back and forth until a deal is reached, to sellers accepting offers – likely over asking prices – by a certain time and date then picking the best one. To date, low interest rates have kept mortgage payments from climbing higher than they were in the early 1980s relative to income. But overall inflation is also rising and could be the issue that finally triggers interest rate increases. When that happens, will sellers who purchased their homes at today's sky-high rates (or those who have adjusted their expectations of what their home is now worth) be willing to sell at a discount if they don't have to? That is, will the principal component of the mortgage payment ever come back down? It's not without precedent in Canada, but also not a certainty, especially without supply (housing units) surplus to demand (population growth).

For access to the full article, and its research visit:

<https://www.turnerdrake.com/blog/2022/02/03/HousingCostsAMatterOfInterest.aspx>

Turner Drake & Partners Ltd. have provided real estate property advice for over forty-five years. From their offices in Halifax, St. John's, Charlottetown and Saint John they service clients across Canada.

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If you would like more information about this topic, or wish to schedule an interview with Alex Baird Allen, please call her at (902) 429-1811 ext. 323 or email abairdallen@turnerdrake.com.