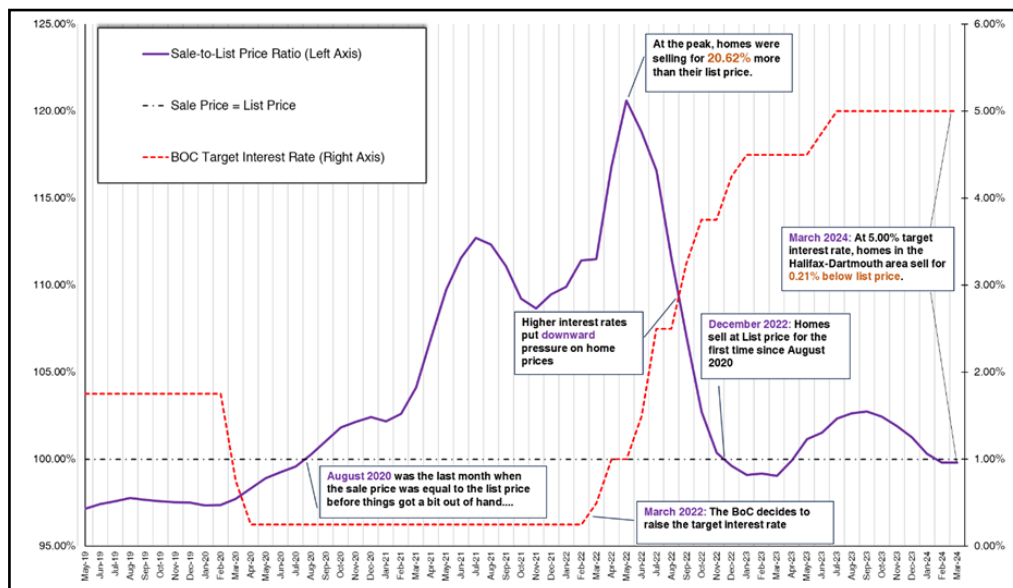




## Residential Property Prices: Has the Bubble Burst in HRM?



Forecasting the future is tricky. The clarity of our crystal ball depends on three things; adequate and reliable data, identifying the significant supply and demand drivers, and access to information technology tools to apply the foregoing. There are two techniques available to us. We can use the past to predict the future by projecting past events into the future. We utilised this technique to predict new house price movements in our Spring 2024 [Newsletter](#). Alternatively, we can dig through the entrails of the present and decide where we are in the cycle. We have utilised the latter technique in this article to determine whether the residential house price bubble has burst in Halifax Regional Municipality. Fools rush in where angels fear to tread so here goes...

One way of determining the state of the market is to look at the number of days it takes properties to sell. Based on our research we have determined it can be measured as follows: Bull (Seller's) Market < 91 days, Balanced (Normal) Market 91 to 106 days, Soft Market 107 to 123 days, Bear (Buyer's) Market > 123 days. The Canadian Real Estate Association (CREA) statistics for Halifax-Dartmouth show median time on the market as 21 days for May 2024 and 23 days for "the year to date". This has barely budged from the May 2023 "year to date" figure of 21 days despite the increase in mortgage rates. The market is still over-heated and has been for many years. The "year to date" median days on the market for May 2014 was 61.5 days (still a Seller's Market) and fell to an astonishing 15 days "year to date" in May 2022. In hindsight the seeds for the increase in residential property prices, the most recent surge of which started in year 2019, were first sown in year 2000 (see our Summer 2021 [Newsletter](#)). The recent increase in net migration into the Province exacerbated the situation.

The Sale to List Price Ratio is another measure of market equilibrium. In a balanced market, properties should sell for 90% to 95% of their Listing Price. This assumes that they are properly priced to include a negotiating margin. Multiple offers and sales above their Listing Price are the sign of a market bubble driven by excess exuberance as well as demand... the result of positive net immigration, ultra-low mortgage interest rates and panic by purchasers frightened of being left behind as prices escalate. The rise in mortgage rates which started in March 2022 should have ameliorated the over-heated demand, as will the recent decision by the Federal Government to reduce immigration nationally. The latter action is too recent to have an impact yet, so what about mortgage interest rates? The graph above plots the interest rates and the Sale to List Price Ratio. The latter peaked in April 2022 at 120.62% i.e. properties on average were selling for 20.62% more than their asking price; but had fallen to 99.79 by March 2024 i.e. 0.21% below the List Price. It has since risen to 101.1.

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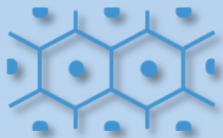
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## Conclusion

The bubble has burst and the market is slowly returning to an equilibrium. Prices will continue to increase but at the much more restrained rate.

🌐 Our *[Economic Intelligence Unit](#)* undertakes primary and secondary research to provide clients with practical real estate solutions to problems they face in today's rapidly changing world (market surveys, site selection, trade area analysis, supply & demand analysis, demographic reports, impact and economic analysis). For more information contact Jigme Choerab, EIU Manager by email at [jchoerab@turnerdrake.com](mailto:jchoerab@turnerdrake.com) or 1-800-567-3033 Ext. 323.

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