

FIRST QUARTER 2021 HOUSING MARKET DIGEST MANITOBA

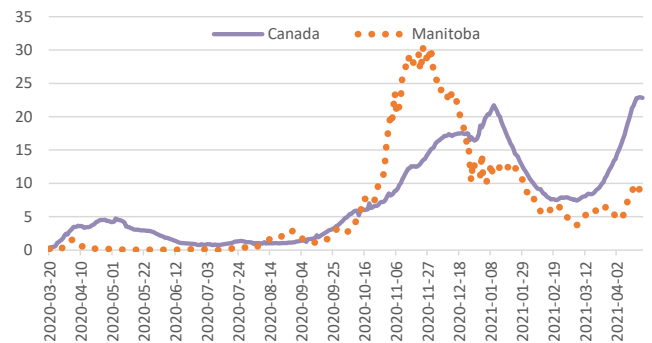


Are You Staying Safe?

The province of Ontario is experiencing a high rate of Covid-19 infections. As is illustrated in this chart, the population adjusted rate (the 7-day average) is 10 per 100,000 people. While high, this rate is less severe than for all of Canada (22). 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 Manitoba Canada (per 100,000)



Source: Public Health Agency of Canada

Resale Market

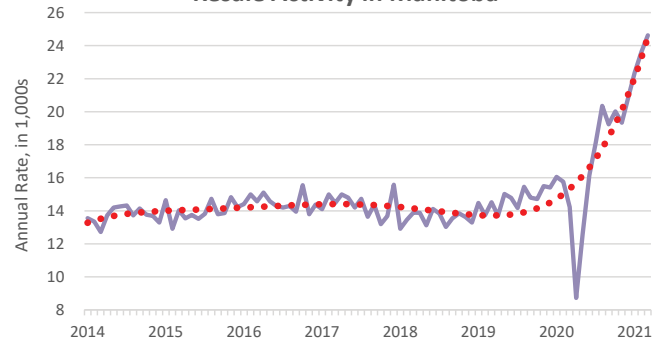
Manitoba has set new quarterly sales rates for three consecutive quarters, as a combination of low interest rates and favourable affordability, along with strong desires to change housing situations, is resulting in increasingly strong sales. The sales rate for the first quarter was 23,500, which is very high in historic terms.

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 15,000. On this population-adjusted basis, the province's sales rate for the first quarter was 57% above the long-term average.

This demand increment is slightly larger than for the entire country (for all of Canada, the sales rate in the first quarter was 47% above the long-term average).

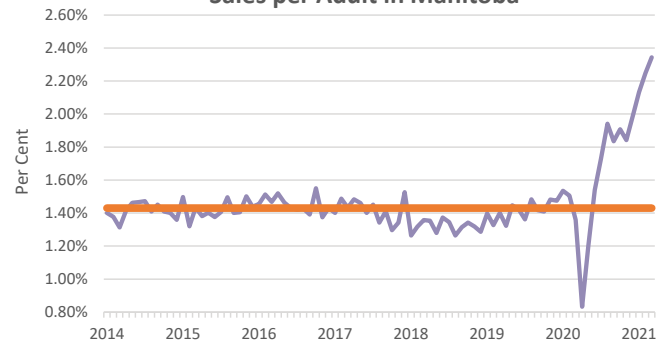
It is possible that sales within Manitoba are being constrained by inadequate supply. Looking at the entire period since January 2018, total sales in Manitoba have been slightly (about 2,500, or 5%) above the population-adjusted average.

Resale Activity in Manitoba



Source: CREA / The Author

Sales per Adult in Manitoba



Source: The Author

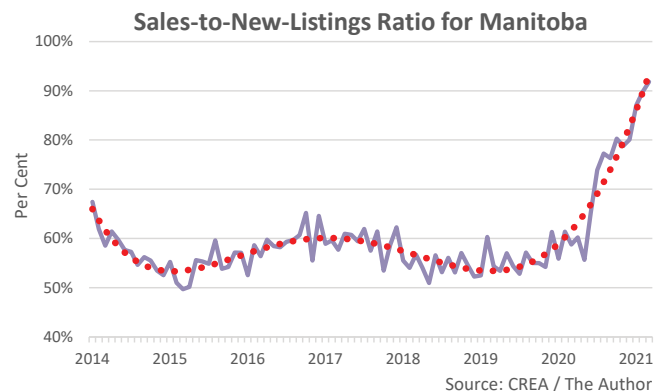
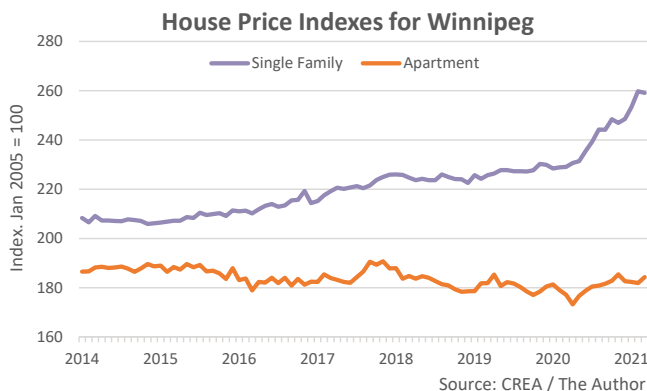
Resale Market (Continued)

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 to an extremely high level. The SNLR has averaged 85% during the past six months (a bit higher than the national average of 80%).

It is far above the threshold for a "balanced market", which for Manitoba may be in the range of 58% - this is the level at which prices are expected to rise by 2% per year.

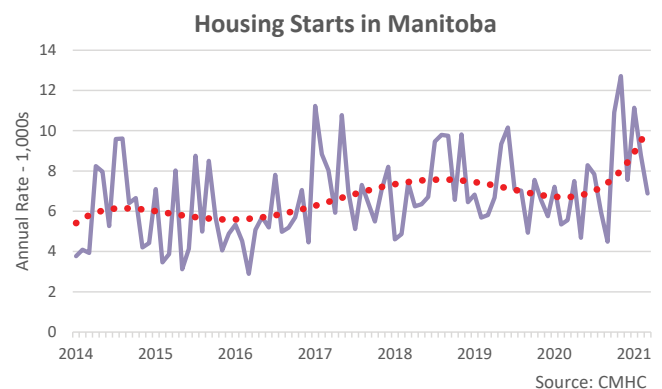
The sharp imbalance between supply and demand is now resulting in rapid price growth. CREA's house price indexes for Winnipeg indicate that for the first quarter prices for single-detached homes were 13% higher than a year ago, although for apartments the increase is just 2%.

If more supply was available for low-rise housing, sales would very likely be stronger than they currently are, and price growth would be less extreme.



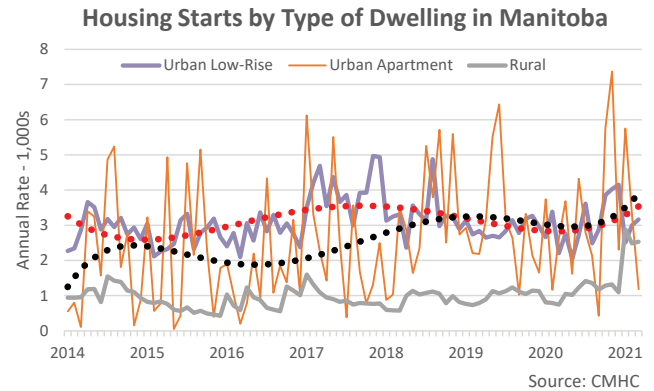
Housing Starts

Housing starts appear to be trending upwards in Manitoba, but this is largely due to a lump of starts in the fourth quarter. For the first quarter, the annualized rate was 7,800.



Housing Starts (Continued)

Activity in urban areas remains about equally divided between apartments and low-rise homes: production of low-rises remains much lower than is required.



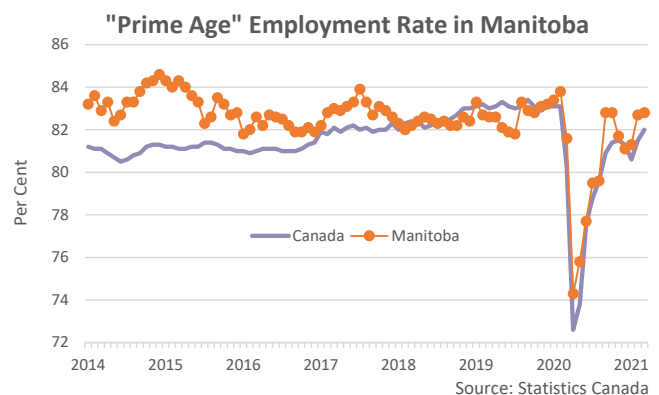
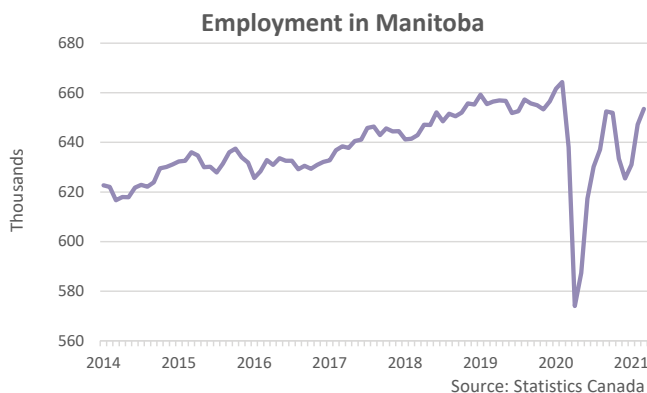
Employment Trends

Employment estimates from Statistics Canada suggest that employment in Manitoba rose in March. This data comes from a sample survey, and like all such surveys there are random variations that create some uncertainty about the true state of affairs.

The estimate for March is 1.2% lower than in January 2020, a fractionally smaller shortfall than for all of Canada (estimated to be 1.4% lower than in January 2020).

The next chart looks at the percentage of adults in the “prime working age” (25 to 54) who have jobs. Due to variations in the estimates, there is uncertainty.

The “prime age” employment rate in Manitoba appears to be similar to or slightly lower than the pre-Covid period. On this basis, the employment situation is modestly supportive for housing demand. (Affordability, on the other hand, is strongly supportive.)



Interest Rates

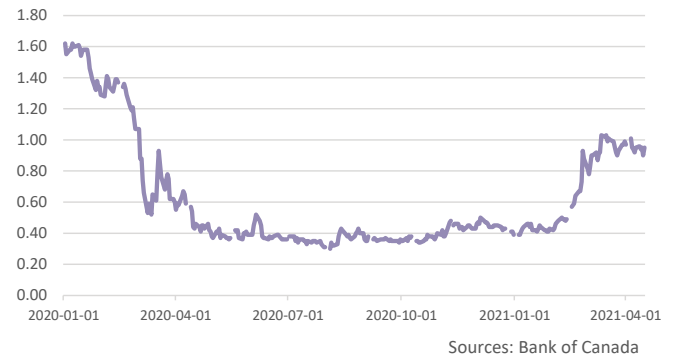
Interest rates rose sharply during late February into early March, but have shown little change since then. The yield for 5-year Government of Canada bonds has been just below 1.0% during the past four weeks, which is about 0.6 points higher than during the second half of last year.

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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