

Resale Market

Resale activity improved has increased recently in Manitoba, and the sales rate for the fourth quarter was 6% higher than during the first half of the year. However, due to a change in the reporting area for Winnipeg, there is uncertainty about the true state of affairs. A further consideration is that rises in mortgage interest rates might have given a push to sales, as buyers take advantage of pre-approvals before they expire. That positive effect may now be ending and we might see a slowing during the first half of this year.

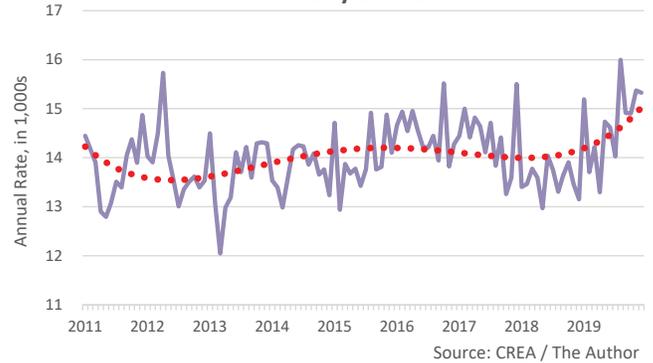
For the entire year, sales increased by 8%, to about 14,700.

On a population-adjusted basis, sales in 2019 were fractionally (0.4%) above the long-term (2001-2019) average. Fundamental factors are mixed (a tepid employment situation, with moderate population growth, but low interest rates), resulting in a neutral performance of the housing market in 2019.

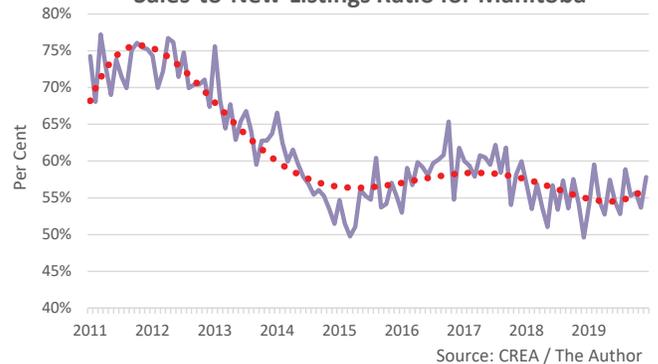
The sales-to-new-listings ratio (“SNLR”) was at 56% in both the third and fourth quarters. This is slightly below the threshold (estimated at 58%) for a “balanced market” (this is the level at which prices are expected to rise by 2% per year).

In response to these conditions, prices are essentially flat in Manitoba, with negligible change during the past two years. We should expect this to continue for a while yet.

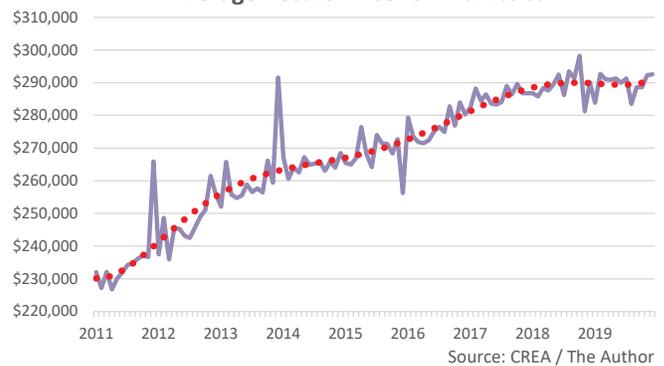
Resale Activity in Manitoba



Sales-to-New-Listings Ratio for Manitoba



Average Resale Price for Manitoba



FOURTH QUARTER 2019 HOUSING MARKET DIGEST MANITOBA

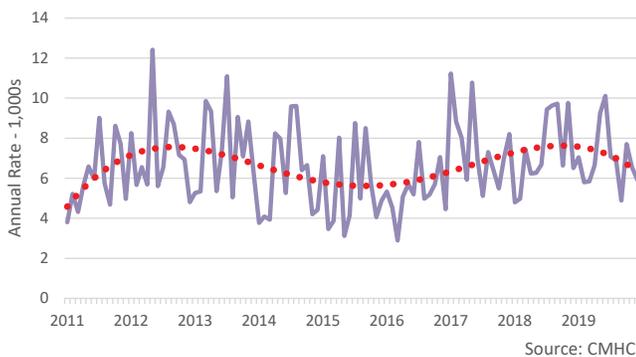


Housing Starts

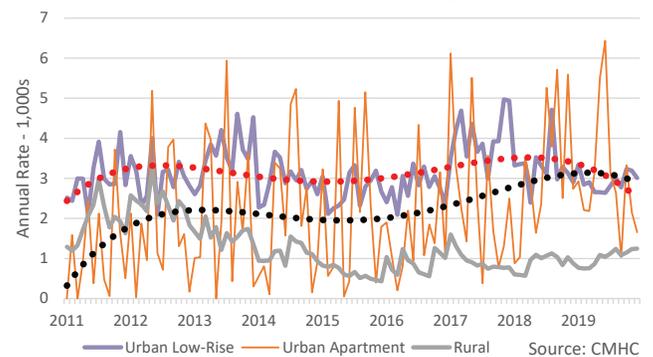
The rate of housing starts rose in the fourth quarter (to 6,700, versus 6,300 in the third quarter). For the year, starts totaled just under 7,000, which was 6% lower than in 2018, but 28% above the 20-year average of 5,427.

Starts of low-rise homes remain weak (particularly single-detached homes - for 2019, singles starts were 16% below the 20-year average). But, apartment starts have been very strong (starts in 2019 were 105% above the 20-year average).

Housing Starts in Manitoba



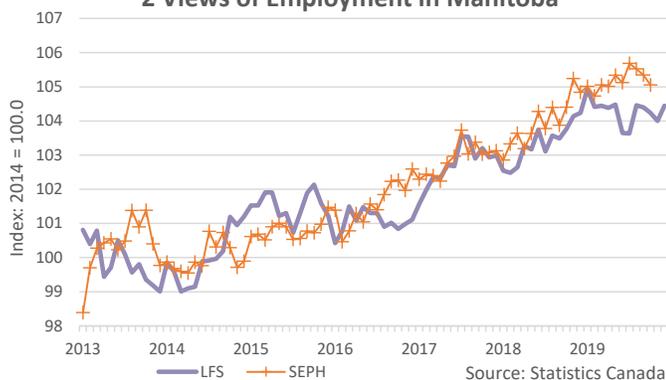
Housing Starts by Type of Dwelling in Manitoba



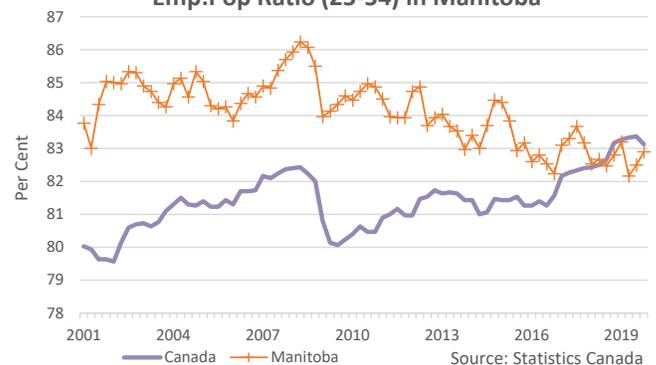
Employment Trends

Statistics Canada's two surveys of employment are telling different stories about 2019. But, they both indicate that job creation has slowed in Manitoba during the past year. The Labour Force Survey shows just 0.2% year-over-year growth (as of December). The Survey of Employment, Payrolls and Hours shows growth of just 0.6% (but as of October). This slowdown, if sustained, is a negative indicator for the provincial housing market for 2020 and 2021.

2 Views of Employment in Manitoba



Emp:Pop Ratio (25-54) in Manitoba

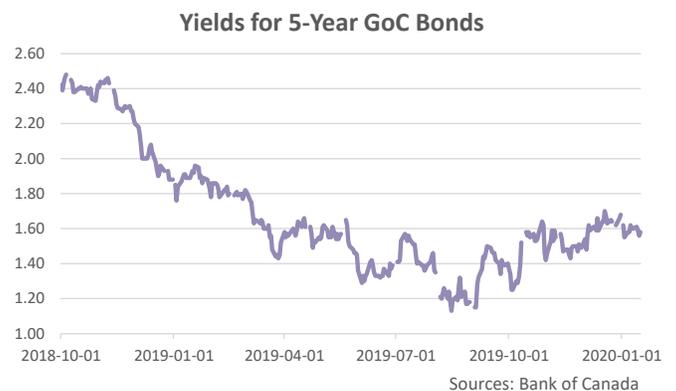


Employment Trends (Continued)

The employment-to-population ratio for “prime working age” adults (25-54) is volatile (as often happens in a survey with relatively small sample sizes). But, the rate appears to be trending downwards. Before 2016, the rate in Manitoba was consistently above the national average. Now that the provincial rate is at (or even below) average, this is a negative factor for future population growth, as Manitoba has become comparatively less attractive to job seekers.

Interest Rates

Bond yields are now more-or-less where they should be: the current yield for 5-year Government of Canada bonds is 1.57% (as of January 16), within the range of 1.5-1.75% that I think is appropriate, and I don't expect these yields to change materially during the next few months. My opinion-estimate of a typical advertised “special offer” mortgage interest rate (5-year fixed-rate from major lenders) has been 2.85% since early November.



The spread between mortgage rates and bond yields remains skinny (in the area of 1.2-1.3 points versus a long-term average of 1.8 points), due to intense competition. Variable rates are unchanged (my opinion-estimate remains at 2.95%).

Rental Markets

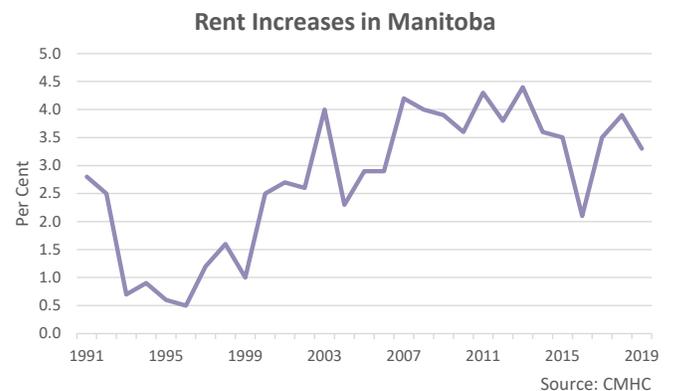
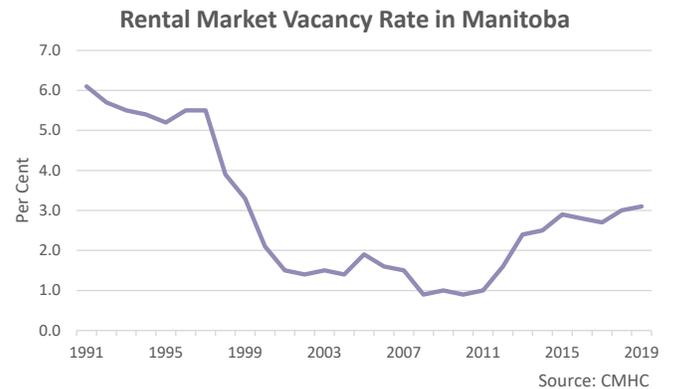
Every October, Canada Mortgage and Housing Corporation does a comprehensive survey of residential rental markets in Canada. The results for 2019 were released on January 15. For the urban areas of Manitoba, the October 2019 vacancy rate was 3.1%, fractionally up from 3.0% a year earlier. The average vacancy rate for the period shown in this chart is 2.9%.

I attribute the relatively stable vacancy rates of the past five years to a match between production of new housing versus the need for additional supply. The state of the rental market doesn't depend only on construction of rentals: production of housing for ownership influences how many tenants can move out of rentals. During 2019, there were about 6,250 housing completions. This is 23% above the 20-year average. Based on trends for housing starts (as shown earlier), the vacancy rate might increase a bit more during the next two years, but not by enough to materially lessen pressure on rents.

Rental Markets (Continued)

CMHC estimates that rents increased by 3.3% during the past year.

Occasionally, comments are made that a healthy vacancy rate is 3%. I have investigated the origins of this, and as far as I can tell, this has never been supported by actual research. In response, I have calculated the statistical relationships between vacancy rates and rent increases. For Manitoba, we should expect rents to increase by 2% per year when the vacancy rate is 3.8%. This is my opinion on a healthy (“balanced market”) vacancy rate. The calculated balanced market vacancy rates vary across the provinces and cities of Canada. For all of Canada, the estimated threshold is 3.7%.



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