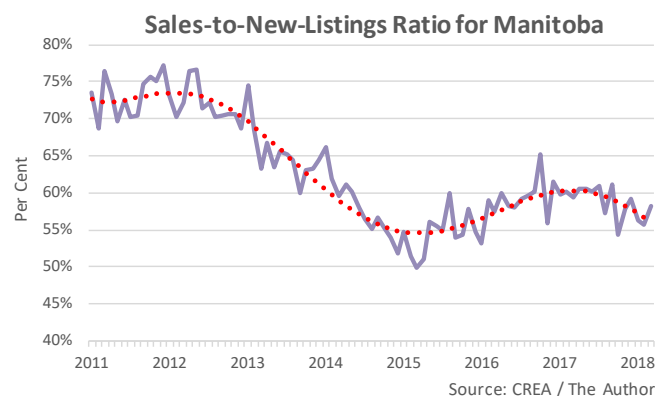
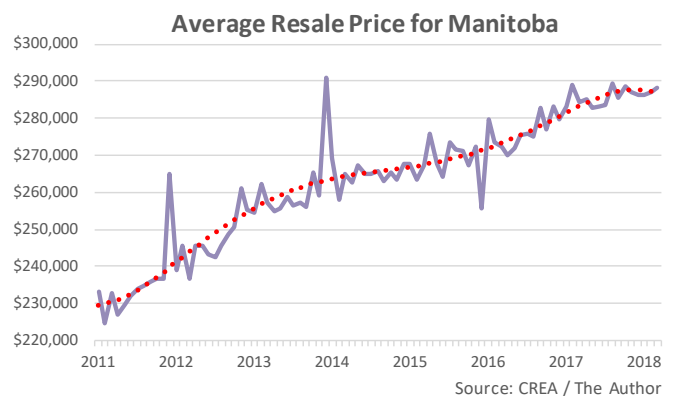
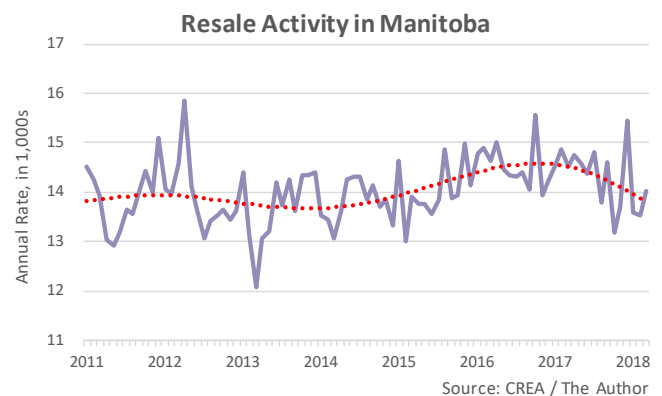


## Resale Market

Historically, resale activity in Manitoba has shown much less volatility compared to other areas of Canada. The recent data hints at a slowdown: during the first quarter, the annualized sales rate was 13,700, 5.0% below the 2017 total. Two factors have contributed to this deceleration. Higher interest rates are weighing on affordability. Equally important is the duo of mortgage stress tests. The negative impacts have – so far – been less severe in Manitoba compared to all of Canada: nationally, the first quarter sales rate is down by 10.7% versus all of 2017.

Manitoba has been experiencing moderate house price growth for some time, with the average price rising by 2.5% per year during the past three years. The data on average resale prices suggest that price growth has recently ceased.

During the past three years, the resale housing market in Manitoba's has been roughly in balance. For the first quarter, the sales-to-new-listings ratio was 57%, slightly below the estimated threshold (estimated at 59%) for a "balanced market" (this is the level at which prices are expected to rise by 2% per year). At the current level of the ratio, prices should be stable. However, if the sales slowdown worsens, there could be some (moderate) downward pressure on prices.

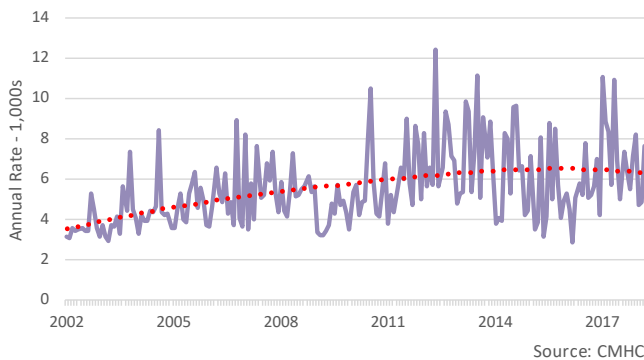


## Housing Starts

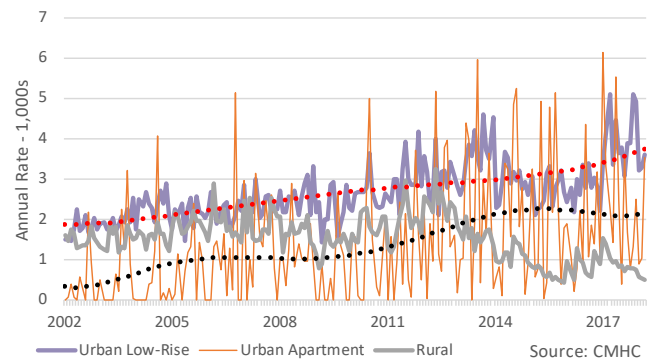
Housing starts have been relatively strong during the past decade, although it appears that the growth has ended. This is consistent with trends in the resale market (the end of price growth and the mid-range sales-to-new-listings ratio are signaling that there is less need for new construction). Housing starts lag behind the resale market, since they result from new home sales that occurred earlier. Therefore, the trend for starts is likely to turn down this year.

Growth has occurred for both low-rises (singles, semi-detached, and town homes) and apartments. In many areas of Canada, low-rise construction has been inadequate. Manitoba's housing system is very effective in providing housing as needed.

**Housing Starts in Manitoba**



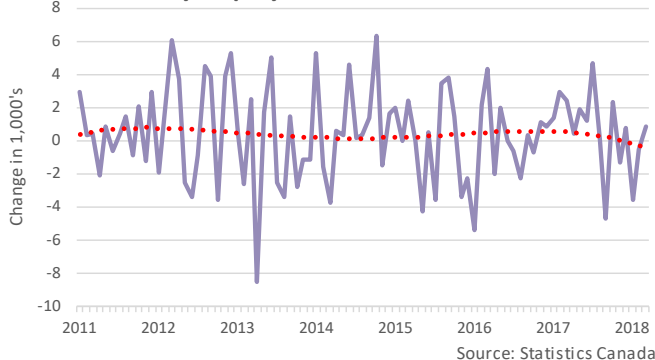
**Housing Starts by Type of Dwelling in Manitoba**



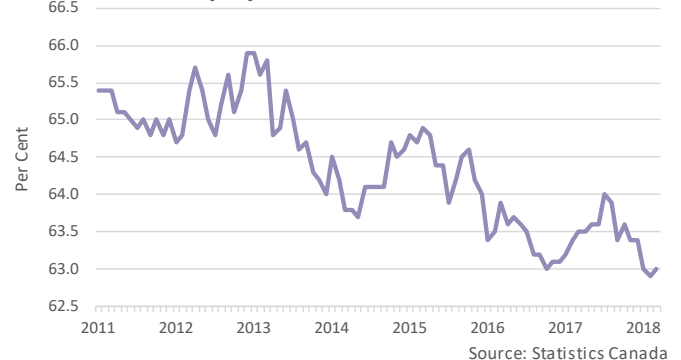
## Employment Trends

Recent data hints that the employment situation has weakened in Manitoba, as the trend line for job creation has fallen to slightly below zero. However, given the volatility in the estimates that are reported by Statistics Canada, there is uncertainty about the current state of affairs.

**Monthly Employment Growth in Manitoba**



**Employment Rate in Manitoba**



## Employment Trends (Continued)

The employment-to-population ratio is a useful economic statistic, as it compares the growth rate of employment versus population growth. Random movements in the employment estimates make it difficult to interpret the employment rate. It is likely that during the past two years the rate of job creation was roughly equal to the rate of population growth, with the result that the “true” employment rate might be roughly flat.

Looking forward, it seems unlikely that the employment growth will strengthen by very much, due to higher interest rates and slowing housing activity. A flat employment rate (meaning that the rate of job creation matches population growth) would be a favourable situation, which would support the housing market.

## Interest Rates

Bond yields (5-year Government of Canada) have been roughly flat since early January, albeit with some small movements that have reflected volatile policies and politics in the US.

My opinion-estimate of a typical “special offer” rate for 5-year fixed rate mortgages (major lenders) is 3.2% (lower rates can be negotiated). The spread versus 5-year Government of Canada bonds is just 1.0-1.1 points, versus an average of 1.83 points over the past decade. The compression of housing activity is resulting in more competition among lenders.

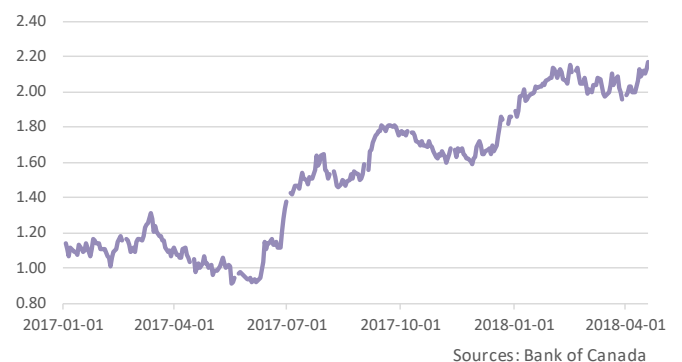
The Canadian dollar has strengthened versus the US (rather, the US dollar is weakening against major currencies). While it takes very long periods of time for the exchange rate to have significant effects on our economy, recent movements in the dollar will be mildly depressive.

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Yields for 5-Year GoC Bonds



Canada-US Exchange Rate

