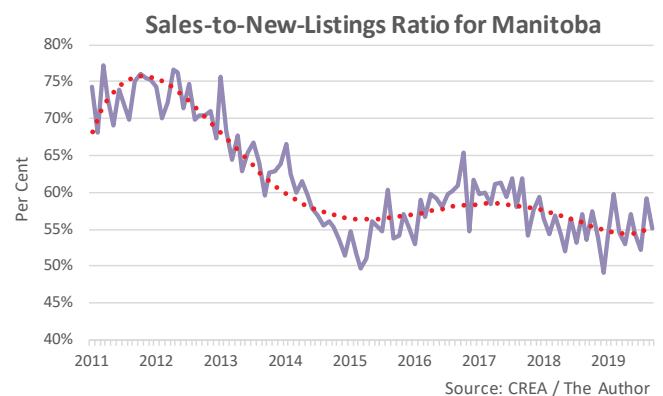
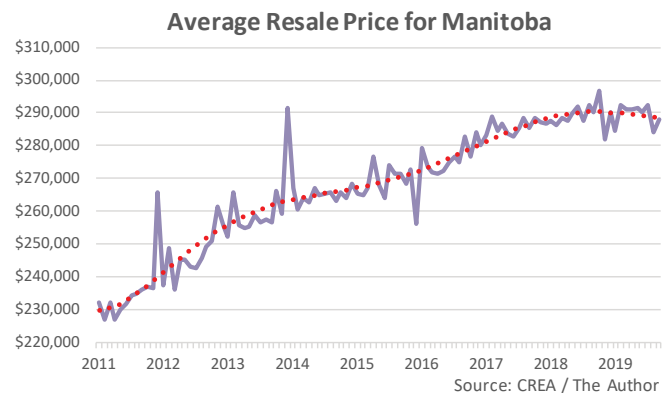
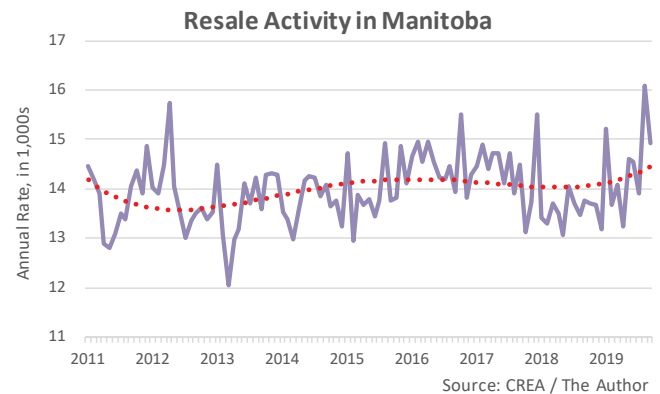


Resale Market

The resale data for Manitoba indicates that there has been a degree of recovery this year. However, this might be artificially influenced by an expansion of the reporting area for Winnipeg (which occurred in May). Thus, it is unclear to what extent the recent improvement is the result of the boundary change versus a “true” rise in activity. Looking at sales on a population-adjusted basis, sales for the third quarter were 2% above the long-term average.

The average price varies from month to month. The trend line indicates that prices have been flat since early last year (there is a hint of some erosion in the last two months of data, but it is too soon to draw any conclusion).

The sales-to-new-listings ratio (“SNLR”) at 56% in the third quarter remains 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). The relatively low level of the SNLR is consistent with the recent flatness of house prices. The province should experience little or no change in prices, and there appears to be little risk of significant price drops.

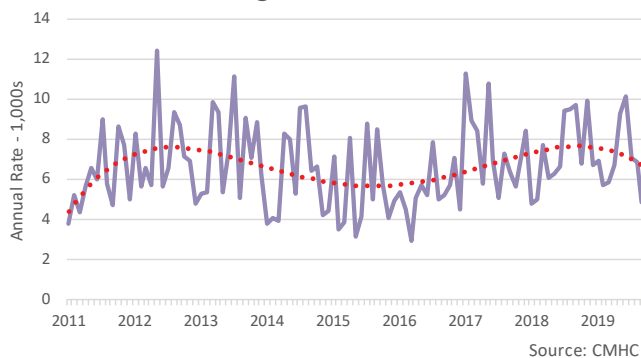


Housing Starts

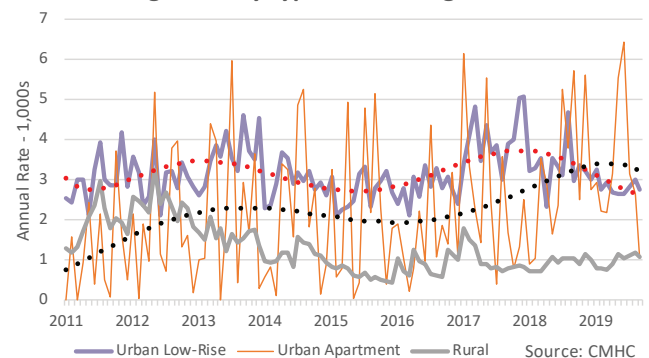
A trend line suggests that housing starts have weakened, but due to month-to-month volatility, there is uncertainty. Overall, total starts are roughly flat at a relatively high level.

Low-rise activity (singles, semi-detached, and town homes) has fallen substantially (by at least 20%) from a peak that was seen during 2017. Apartment activity has increased: most apartment construction (at least two-thirds) within Manitoba is for rentals rather than condominiums. Low interest rates and rapid rent growth are encouraging investment. However, slow job growth is likely to cause vacancy rates to rise during the coming two years and rent growth to slow, which may bring a future slowdown for apartment starts.

Housing Starts in Manitoba



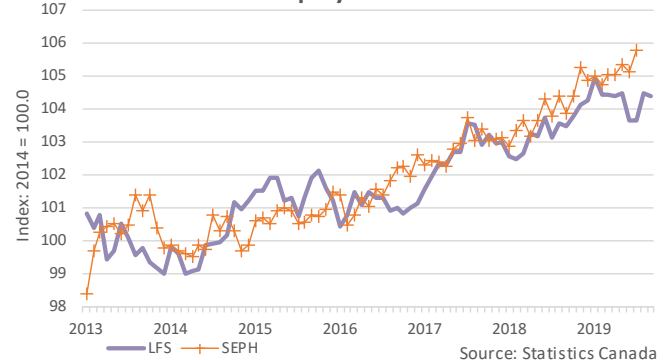
Housing Starts by Type of Dwelling in Manitoba



Employment Trends

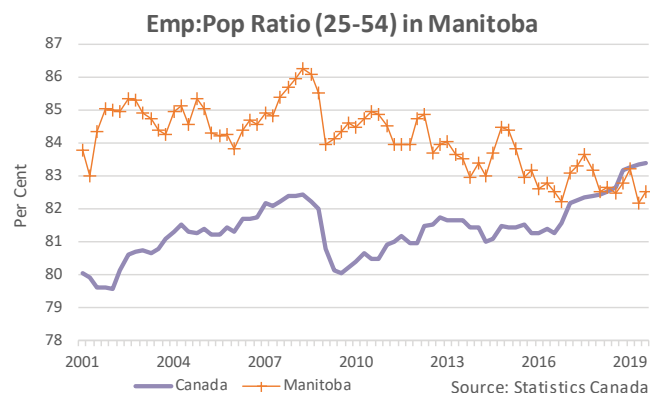
Statistics Canada's two surveys of employment portray different situations. The Labour Force Survey ("LFS"), which is based on personal surveys, shows moderate growth during the past year (0.9% as of September), while the Survey of Employment Payrolls and Hours ("SEPH") shows 1.9% (but as of July). The LFS data is neutral (at best) for housing demand, while the SEPH data is slightly positive.

2 Views of Employment in Manitoba



Employment Trends (Continued)

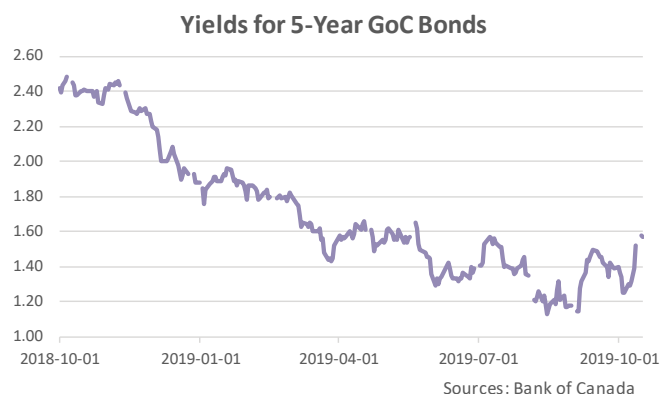
The job growth shown in the LFS is slower than the rate of population growth (1.3%), with the result that the share of adults who have jobs has fallen. The employment-to-population ratio (the percentage of people who have jobs) for the “prime working ages” (25-54) is trending gradually downwards. The shift from a rate well above the national average to the current position is a negative factor for housing demand, as it will tend to suppress population growth.



Interest Rates

Bond yields have been unusually volatile during the past four months, due to swings in expectations about the outlook (and fears about the consequences of erratic trade policies and political disfunction in the US). At present (October 16) the yield for 5-year Government of Canada bonds is in the area of 1.55%-1.6%, which is more-or-less where I think it should be given current economic conditions.

My opinion-estimate of a typical advertised “special offer” mortgage interest rate (5-year fixed-rate from major lenders) has been unchanged (at 2.7%) for the past two months. The mortgage-bond spread is quite thin (about 1.1 points versus a long-term average in the area of 1.8 points). Therefore, we could to see some increases in mortgage rates during the next few days (or weeks).



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