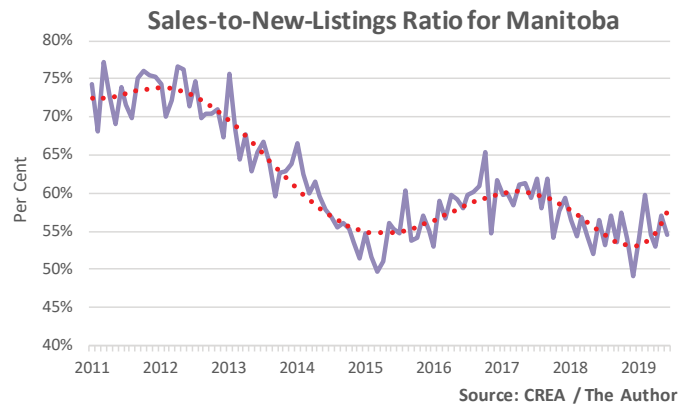
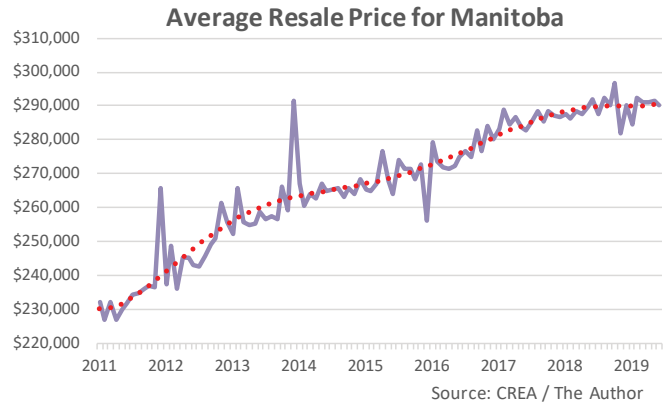
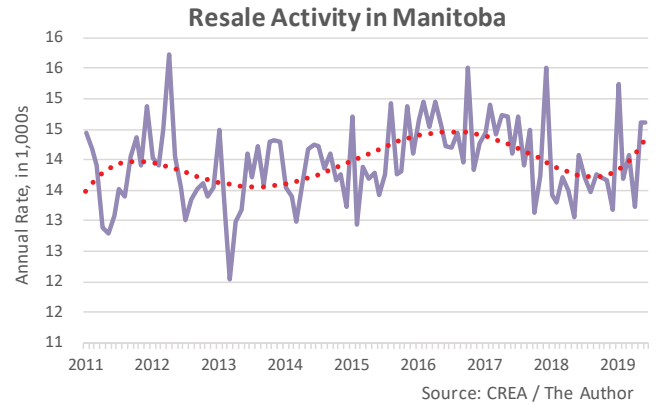


## Resale Market

The resale data for Manitoba is difficult to interpret at present because the reporting area for Winnipeg was expanded in May. A sharp rise in provincial sales was seen for May and June, but it is unclear to what extent this is an artificial result of the boundary change versus a “true” rise in activity. For May and June, the sales rate was equal to the long-term average.

While the average price varies from month to month, the trend line indicates that prices have been flat since early last year.

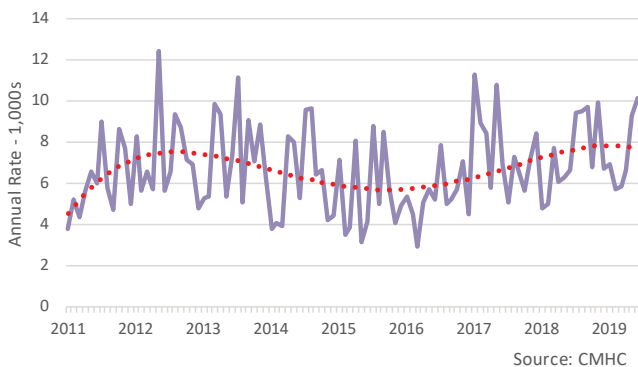
The sales-to-new-listings ratio (“SNLR”) at 55% in the second quarter remains slightly below the threshold (estimated at 58%) for a “balanced market” (this is the level at which prices are expected to rise by 2% per year). The relatively low level of the SNLR is consistent with the recent weak performance of house prices. At this time, the province should experience little or no change in prices: there appears to be little risk of significant price drops.



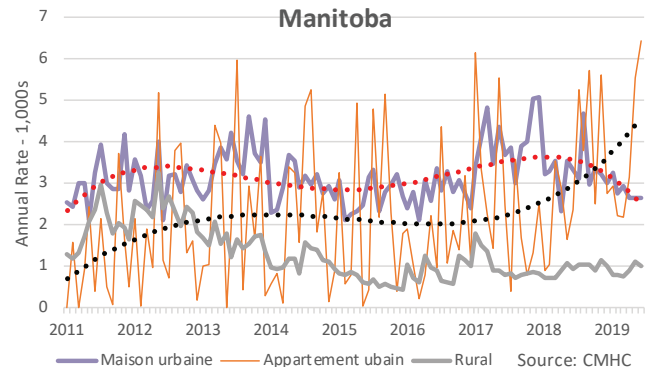
## Housing Starts

Volatile data creates uncertainty about the trend for total housing starts. Activity was strong in the second quarter, but this followed weakness in the first quarter. Overall, it appears that total starts are roughly flat at a relatively high level. Looking at the details, low-rise activity (singles, semi-detached, and town homes) has fallen substantially (by at least 20%) from a peak that was seen during 2017. On the other hand, apartment activity has increased: within Manitoba, apartment construction is mostly for rentals rather than condominiums. Investors are responding to a combination of low interest rates and rapid rent growth during the past decade. Given the large amount of housing that is under construction in Manitoba, combined with what appears to be an emerging slowdown for job creation and population growth, vacancy rates are likely to rise during the coming two years. Few other areas in Canada face this prospect.

**Housing Starts in Manitoba**



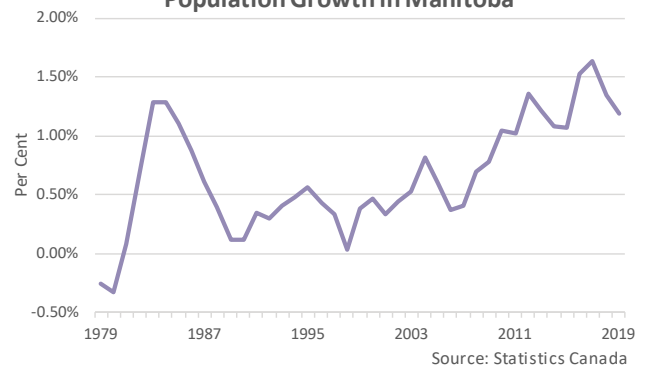
**Housing Starts by Type of Dwelling in Manitoba**



## Population Growth

Stronger population growth during the past decade resulted in very strong housing demand in Manitoba. With the apparent slowing of population growth in the province, housing market pressures are easing.

**Population Growth in Manitoba**

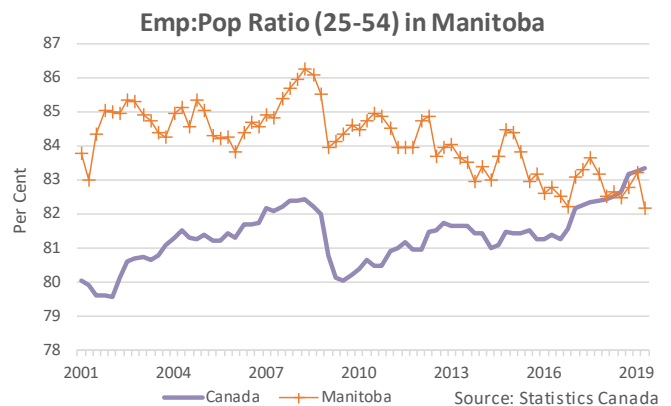
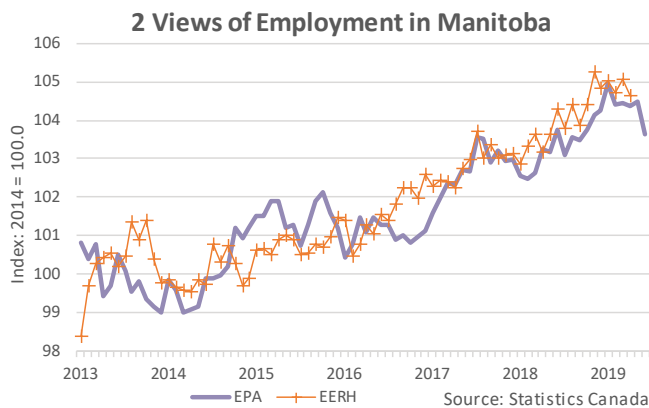


## Employment Trends

Statistics Canada's two surveys of employment portray different situations. The Labour Force Survey ("LFS"), which is based on personal surveys, indicates that there has been no growth during the past year (as of June), while the Survey of Employment Payrolls and Hours ("SEPH") shows 1.4% (but as of April). The LFS data has a negative implication for housing demand, while the SEPH data is slightly positive.

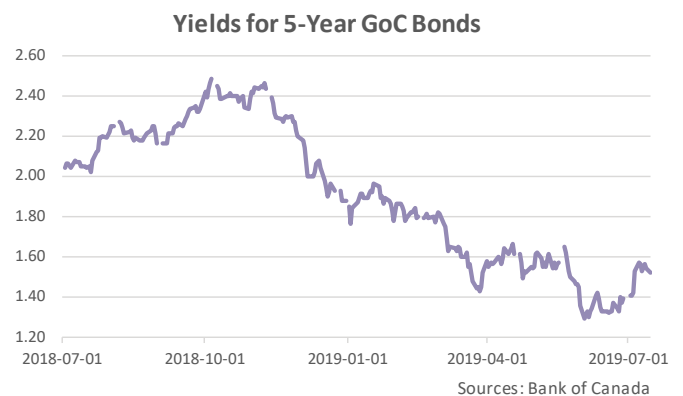
## Employment Trends (Continued)

The employment-to-population ratio (the percentage of people who have jobs) for the “prime working ages” (25-54) continues to trend 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 fell sharply during the late spring, but have now partially reversed that drop. As of mid-July, the yield for 5-year Government of Canada bonds is in the area of 1.5%. My opinion-estimate of a typical advertised “special offer” mortgage interest rate (5-year fixed-rate, from major lenders) has been reduced six times this year (from 3.75% at the start of the year to a current 2.8%). Because housing activity has slowed for all of Canada, demand for mortgages has been reduced and the mortgage market has become much more competitive: the spread between 5-year fixed-rate mortgages versus 5-year bonds is now just 1.3 points (versus a long-term average of 1.8). At this point, we should expect that mortgage rates have bottomed.



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