

## Resale Market

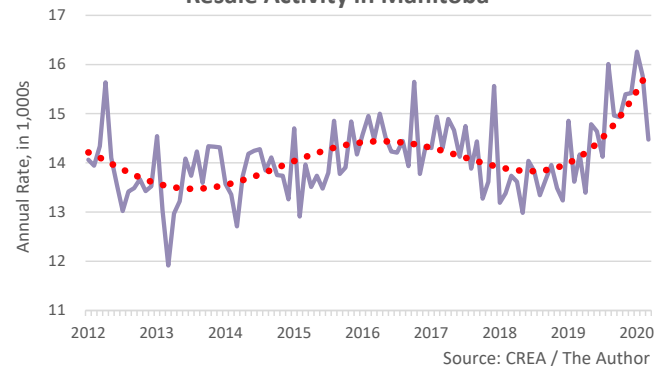
During the second half of 2019, the province's resale activity began to recover from the weakness seen in 2018. But, the data for March show a very sharp downturn. Across Canada, there have been reports that activity was quite strong during the first half of March, but then there were sharp downturns during the second half, as fears developed about personal safety, the federal and provincial governments urged us to stay at home, and businesses reduced their activities, which generated great fears about our incomes and employment. It is quite likely that during the second half of March, the effective sales rate within Manitoba was much lower. For the entire first quarter, the provincial sales rate was slightly (1.7%) higher than for the fourth quarter of last year.

At present, there is a great deal of uncertainty about the effects of the developing health emergency.

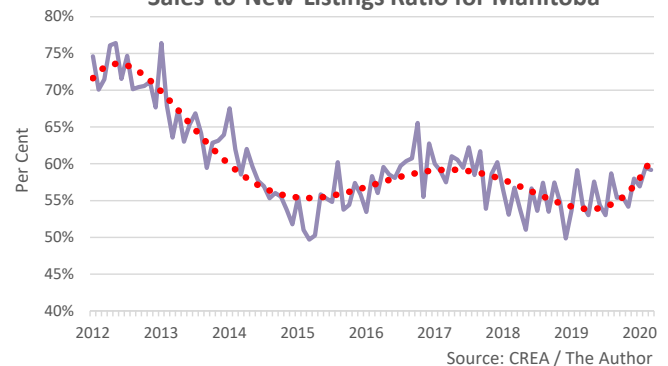
The sales-to-new-listings ratio ("SNLR") has shown a market that is more-or-less "in balance". During the first quarter, the SNLR averaged 58.5% (up from 56% in the fourth quarter). This is quite close to the threshold (estimated at 58%) for a "balanced market" (this is the level at which prices are expected to rise by 2% per year).

The slightly-below-balanced conditions seen during the past two years have resulted in flat prices. The average selling price for the province (reported by the Canadian Real Estate Association, or "CREA") is unchanged from a year earlier.

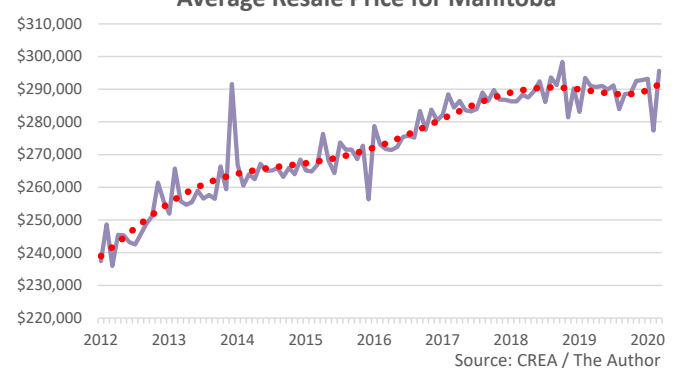
Resale Activity in Manitoba



Sales-to-New-Listings Ratio for Manitoba



Average Resale Price for Manitoba

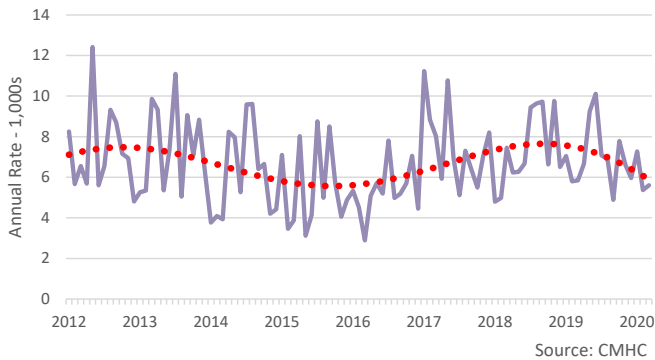


## Housing Starts

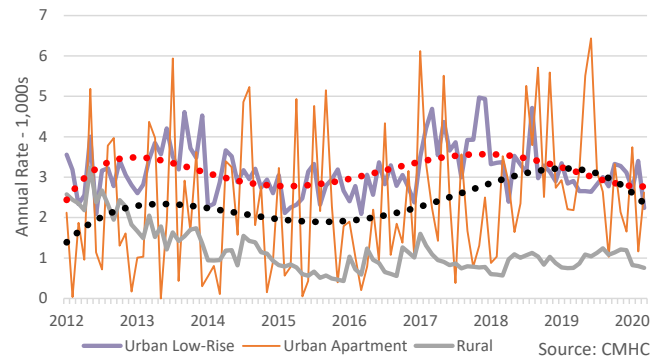
Softer conditions in the resale sector (as well as weak job creation) have meant that there is less need for new housing construction, and starts are now trending downwards in Manitoba. The rate of housing starts in the first quarter (6,100) was 10% lower compared to the fourth quarter (6,800).

Starts have been reduced for both low-rise homes (single-detached, semi-detached, and town homes) and apartments.

**Housing Starts in Manitoba**



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



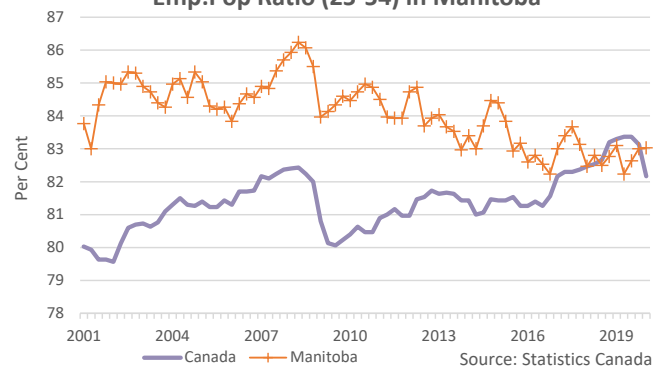
## Employment Trends

Manitoba has shown only moderate job creation during the past few years (there was a jump early this year, but this might have been one of the random variations that sometimes occurs in this data). Then, the onset of Covid-19 and the need for social distancing caused a sharp reduction in March. StatsCan's estimate of employment for March was 25,000 (3.8%) lower than for February (for all of Canada, the drop was larger, at 5.3%). A sharp rise in fears about personal safety and economic security resulted in a very rapid downturn in home buying.

**Employment in Manitoba**



**Emp:Pop Ratio (25-54) in Manitoba**

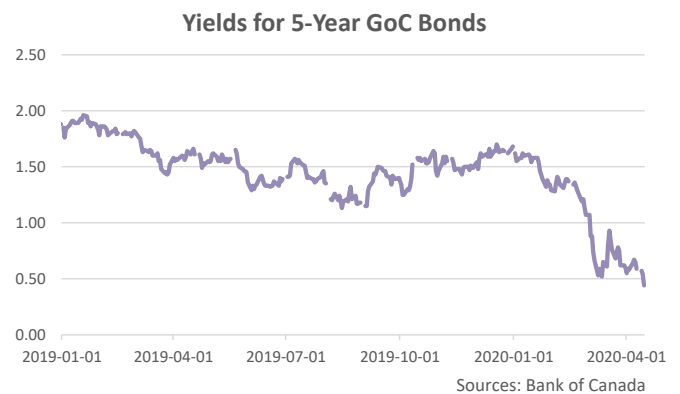


## Employment Trends (Continued)

The next chart shows data on the percentage of “prime working age” adults who have jobs, for quarterly periods (in order to reduce “statistical noise” and make it easier to see longer term trends). This chart shows that during the past few years, the prime age employment rate for Manitoba eroded gradually (meaning that job creation did not keep up with population growth). The quarterly data does not show the effect of the sudden negative change that occurred in March.

## Interest Rates

Changes in bond yields show that fears began to rise during late January and into February. Then, during late February and into March, escalating fears caused bond yields to fall rapidly. At this time (as of April 15), the yield for 5-year Government of Canada bonds (0.44%) has fallen by more than 1 point since year end (1.68%). Lending rates tend to move a bit later than bond yields. My opinion-estimate of a typical advertised “special offer” mortgage interest rate (5-year fixed-rate from major lenders) is currently 2.7%. The spread between this typical mortgage rate versus bonds is currently about 2.25 points, which is well above the long-term average of 1.8 points.



It remains to be seen if bond yields will remain extremely low and then to what extent mortgage rates will follow the reductions for bond yields. Similarly, the Bank of Canada’s policy interest rate has been reduced by 1.5 points in a very short period of time, to just 0.25%, and it remains to be seen if variable rates will fully follow those reductions (my opinion-estimate of a typical special offer rate is at 2.65%, versus 2.9% at the end of last year).

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