

FOURTH QUARTER 2020 HOUSING MARKET DIGEST MANITOBA



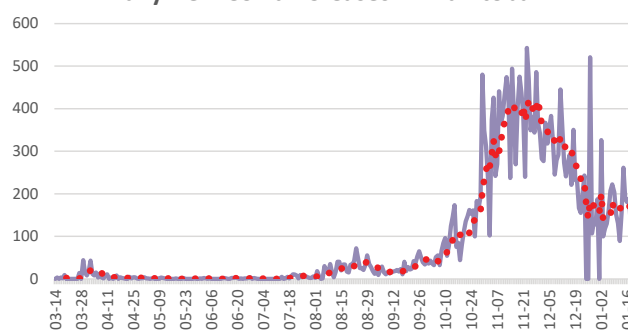
Some Encouraging Data

Manitoba experienced a very sharp surge of Covid-19 infections during October and November, but there has been a substantial improvement. While the current rate of new infections remains high, it is about 30% lower than the average rate for all of Canada (looking at the current 7-day average, expressed on a per million or per 100,000 basis). This chart shows data up to January 18. Current data can be found here:

<https://health-infobase.canada.ca/src/data/covidLive/covid19.csv>

Emerging economic data is now showing some negative consequences, although that data lags behind actual events. That said, I am still unwilling to produce any forecasts on what might happen to the housing market or the broader economy, because we can't know how this will unfold.

Daily New Covid-19 Cases in Manitoba



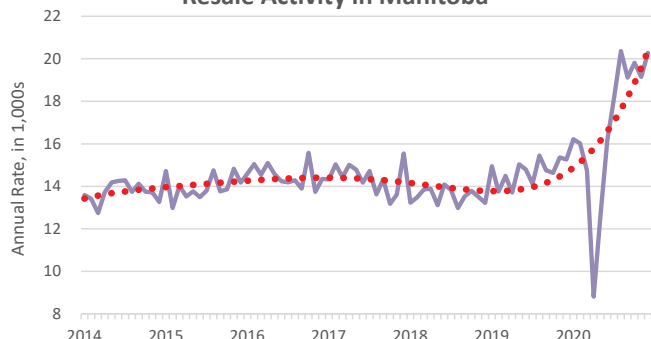
Source: Public Health Agency of Canada

Resale Market

Resale activity within Manitoba has become very strong, with the annualized sales rate at 19,700 in the fourth quarter. This (as well as the third quarter) is by far the highest sales rate ever seen in the province. For the entire year, sales totaled 16,789, which is a new annual record (14% above the prior record, which was set in 2019).

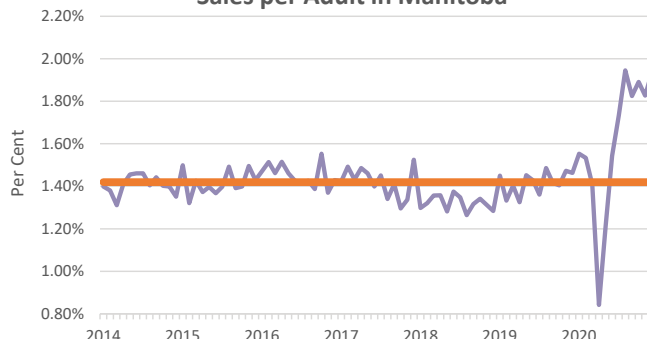
Looking at sales rates over the past two decades and then making an adjustment for population growth, I calculate that the long-term average rate for 2020 would be about 14,900. On this basis, the sales rate for 2020 was 13% above average, and was the highest-ever.

Resale Activity in Manitoba



Source: CREA / The Author

Sales per Adult in Manitoba

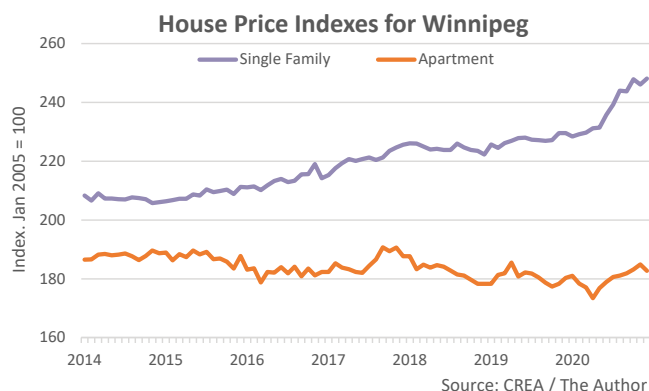
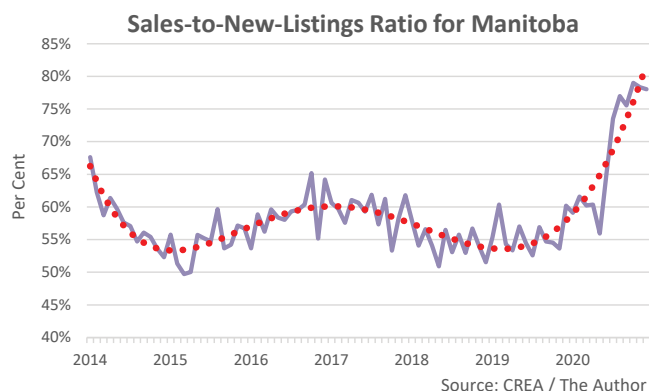


Source: The Author

Resale Market (Continued)

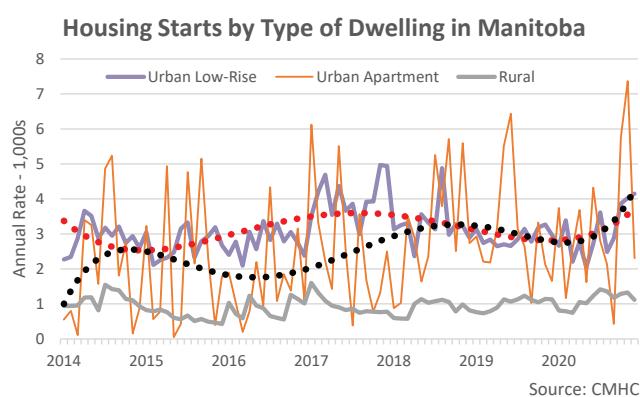
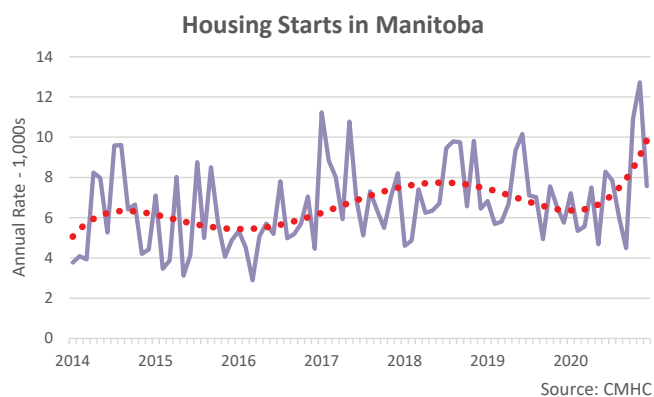
The flow of new listings into the market has not responded to the demand, which has caused the provincial sales-to-new-listings ratio (“SNLR”) to increase sharply. The SNLR has averaged 77% during the past six months, far above the threshold for a “balanced market”, which may be in the range of 58% - this is the level at which prices are expected to rise by 2% per year.

The recent sharp imbalance between supply and demand is now resulting in rapid price growth. CREA’s estimate of a typical “benchmark” house price for Winnipeg is now 4.8% higher versus six months ago. Within Manitoba and across the country, there has been some shifting away from condominium apartments towards low-rise dwellings. CREA’s estimates of “benchmark” prices for Winnipeg indicate that on a “constant quality” basis, prices for single-family homes have increased by 5.2% during the past six months, but prices are showing smaller changes for apartments (2.1%).



Housing Starts

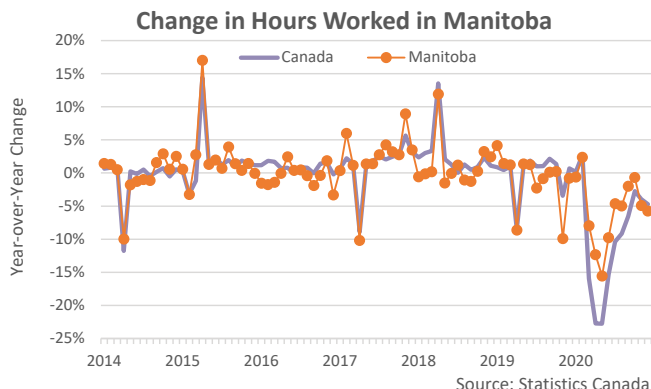
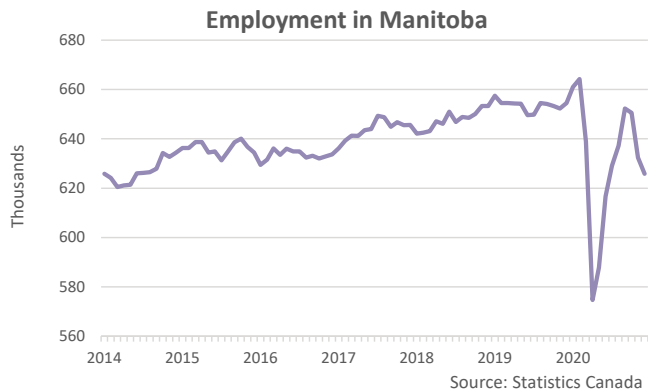
Housing jumped in the fourth quarter, to a rate of 10,400, which is quite high in historic terms. For the full year, starts in Manitoba totaled 7,314, which is far (29%) above the average of the past 20 years. Starts have improved for both low-rise dwellings (single-detached, semi-detached, and town homes) and apartments.



Employment Trends

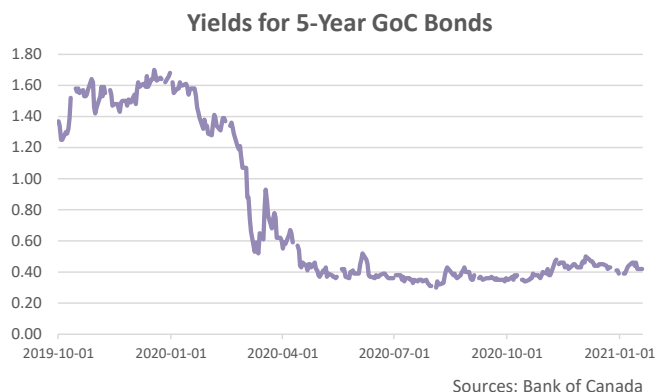
The estimates from Statistics Canada's Labour Force Survey indicate that employment fell in Manitoba during the fourth quarter. As of December, the province's employment is estimated to be 38,000 (5.8%) lower than in February. Because the data is generated via a sample survey it can sometimes be wrong. But, if the data is correct this is a worrying sign. For all of Canada, the current shortfall is 3.3%.

The next chart looks at employment in terms of numbers of hours worked. As of December, total hours for Manitoba are 5.7% lower than a year ago. The reduction for all of Canada is less substantial, at 4.7%.



Interest Rates

In reaction to positive news about Covid-19 vaccines, bond yields rose slightly during November. Since then, there have been only minor variations. The yield for 5-year Government of Canada bonds has been in the area of 0.45%, just slightly higher than the record lows that were seen during the summer and early fall.



Interest Rates (Continued)

Mortgage interest rates remain extremely low. My opinion-estimate of a typical advertised “special offer” mortgage interest rate (5-year fixed-rate, advertised by major lenders) is now 1.65% (even lower rates can be negotiated). The spread between mortgage rates and bond yields is just 1.2 points, which is below the long-term average of 1.8 points. For variable rates, my opinion-estimate is now 1.35%.

As commented previously, the rate used in the mortgage stress tests remains ridiculous, at 4.79%.

Rental Markets

CMHC will release the results from its October survey on January 28. Two years ago, the release occurred on November 28.

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