H O U S I N G   M A R K E T   I N F O R M A T I O N

HOUSING MARKET OUTLOOK
Winnipeg CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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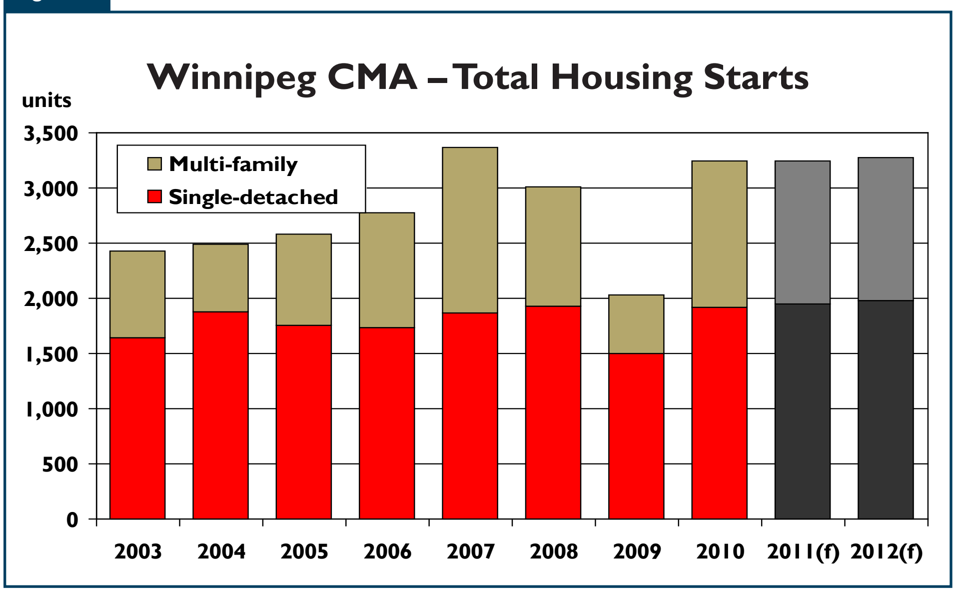
NEW HOME MARKET

Winnipeg housing starts to remain elevated through 2012

Total housing starts in the Winnipeg Census Metropolitan Area (CMA) are on track to mirror last year's results. By the end of 2011, builders are expected to have started construction on 3,250 homes, on par with the 3,244 homes started in 2010. To the end of August the number of single-detached starts is almost identical to the number started by the end of August 2010. On the multi-family side, year-to-date starts to the end of August were lagging last year's pace, however with four months remaining, it is expected that starts will catch up to last year.

Figure 1



Source: CMHC, CMHC Forecast (f)

[1]The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in this document reflect information available as of October 5, 2011, except for the addition of new information regarding the British Columbia and Nova Scotia shipbuilding contracts of October 19th, 2011.

[2]Multiple Listing Service ® (MLS ®) is a registered trademark owned by the Canadian Real Estate Association.

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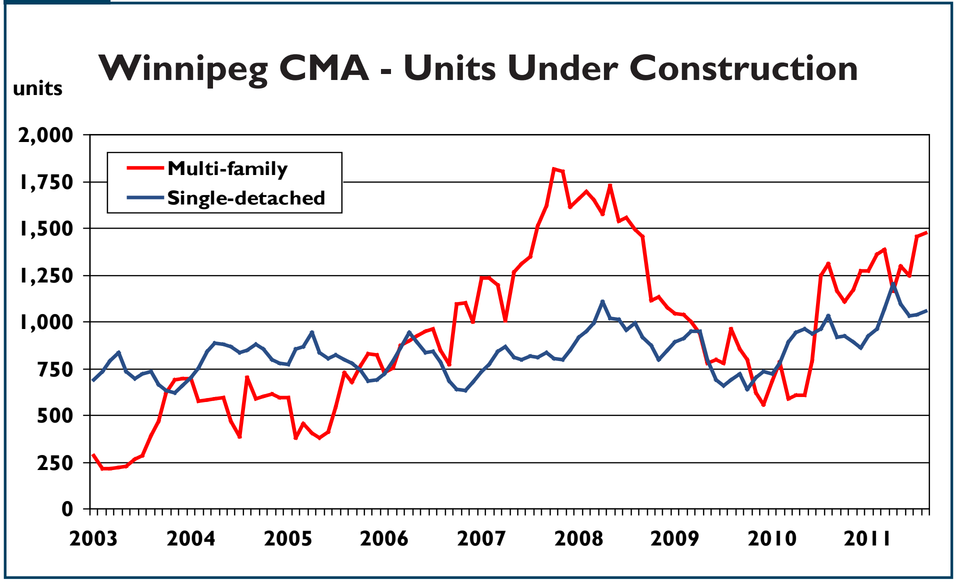
Many of the factors that have supported demand for housing this past year will persist into 2012. Sustained employment growth, particularly within full-time positions, has fuelled a 4.7 per cent gain in average weekly earnings to the end of August, maintaining housing demand thus far and will help fuel demand for new homes well into next year. Population growth will also support housing demand as gains in international immigration continue to outpace inter-provincial losses, ensuring net migration remains positive. In addition, mortgage rates are expected to remain low, thus not compounding the effect of higher prices on carrying costs that might soften demand for housing. Builders will therefore maintain high production levels next year, starting 3,275 units for a gain of just under one per cent.

Figure 2



Source: CMHC

Small gains for single-detached starts

Single-detached homebuilders are maintaining last year's elevated pace of construction and are expected to end 2011 with 1,950 units. This will represent an increase of 1.5 per cent over 2010, and surpass the 19-year record set in 2008. So far this year, builders have been hard-pressed to improve upon the previous year's heightened level of activity, only recording a cumulative year-over-year gain of one unit to the end of August. Consecutive years of elevated production continue to fuel increases in new home supply, and in April, the number of units under construction hit a 22-year high of 1,202 units. Nevertheless, completions have improved in recent months, and in August, the number of units under construction eased off to within three per cent of last year's levels. With builders freed up to begin construction on new units, it is expected that starts in the remainder of the year will maintain the current elevated pace and surpass 2010.

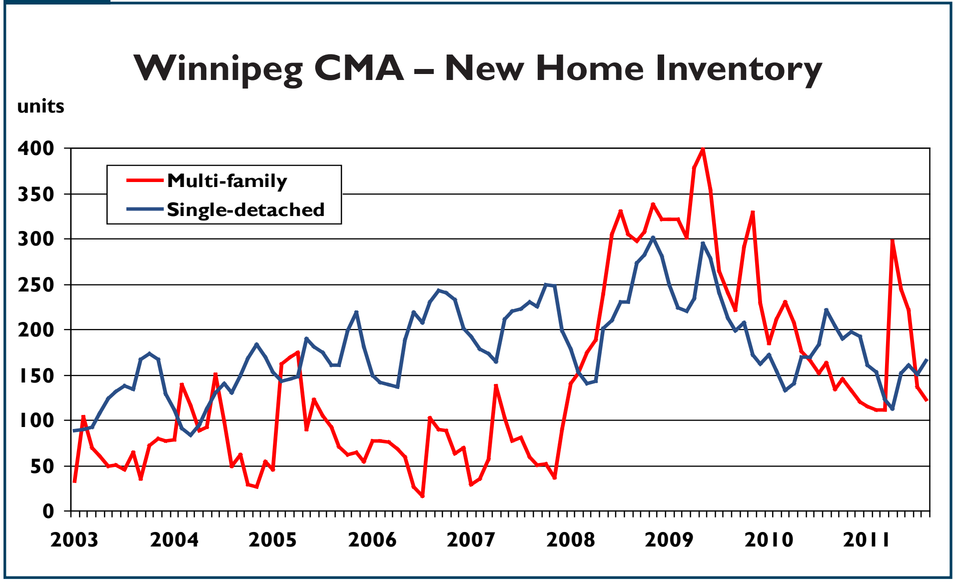
By the end of August 2011, completions numbered 1,113 units, 10 per cent more than for the same period of 2010. In tandem with the higher number of completions, the number of absorptions over the same period was 1,139 units, representing a year-over-year increase of 20 per cent. This has resulted in downward pressure on the inventory of complete and unoccupied homes which stood at 166 units at the end August, 25 per cent lower than it was one year prior. This represents one month of inventory at the current six-month moving average rate of absorption.

Looking forward, demand for new homes will remain strong as existing homeowners will continue to take advantage of on-going price gains in the resale market and make their way to the move-up market. While the number of active listings in the resale market is expected to rise modestly in 2011, it will remain relatively low, leaving buyers with limited choice. This will make a new home an attractive option, fuelling sales. Gains in the number of starts will be limited, however, given the already elevated level of construction activity. As a result, starts will rise by only 1.3 per cent to 1,975 units in 2012, which would represent the best performance since 1989.

Average new house price to increase steadily through 2012

Winnipeg's New House Price Index (NHPI) is continuing on a steady rise, after registering an increase of 4.8 per cent in 2010. As of July 2011, the NHPI has recorded an increase of 4.3 per cent year-over-year. Statistics Canada's NHPI measures the change in the price of new homes where the specifications remain the same between two consecutive periods. The land-only component of the index contributed to the bulk of last year's increase, growing by 6.8 per cent. This growth has stabilized

Figure 3



Source: CMHC

somewhat this year, increasing only 2.3 per cent in July 2011 compared to July 2010. The house-only component, which increased 3.9 per cent in 2010, registered a year-over-year gain of 5.2 per cent in July 2011due to increasing costs for labour and materials. The total average NHPI is projected to increase by 4.5 per cent in 2011 and rise a further 3.9 per cent in 2012.

Following a modest increase of two per cent in 2010, the average absorbed price of a new house in the Winnipeg CMA is posting a stronger rate of growth. To the end of August 2011, the year-to-date average price was $386,012, an increase of 5.1 per cent over the corresponding period of 2010. Many of the homes absorbed this year are based on orders placed last year when firming economic conditions encouraged buyers to turn towards higher priced units with more features and amenities. Consequently, by August 2011, the number of homes absorbed at the $425,000 and higher price range had increased by almost 50 per cent causing market share in this price category to rise from 19 per cent to 25 per cent. The increase in average price has been influenced by this upward shift in market share. For all of 2011, the average absorbed price of a new home will increase by 4.1 per cent and reach $392,000. The compositional effect will be less pronounced moving forward and the increase in average price will moderate to 3.6 per cent in 2012, reaching $406,000.

Multi-family starts hold steady in 2012

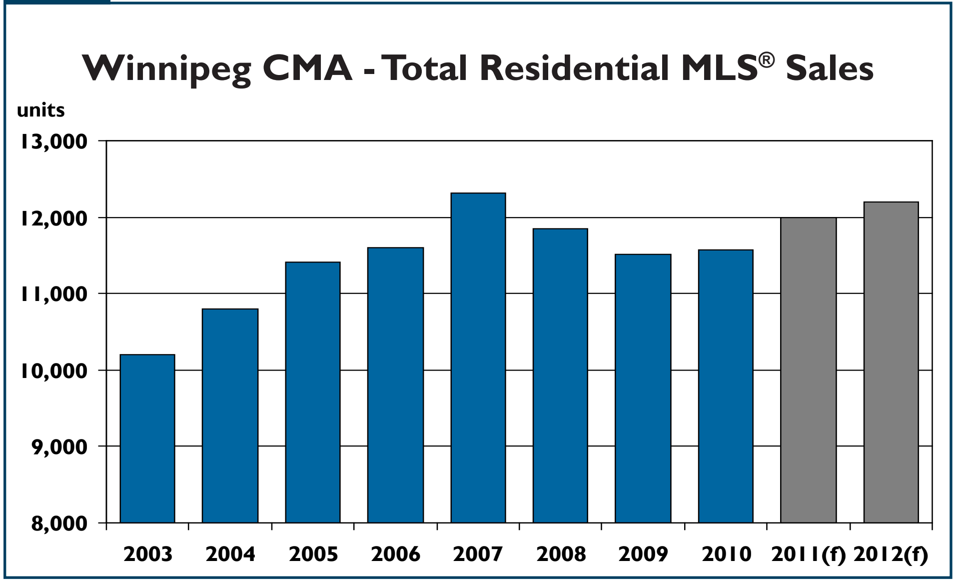
Multi-family starts, which consist of semi-detached units, rows, and apartments, are on track to match 2010's impressive performance and post 1,300 units in 2011. High levels of in-migration are contributing to demand, particularly within the rental market where the vacancy rate fell to 0.7 per cent in April 2011, its lowest point on record. This has spurred increased rental construction. As a result, units destined for the rental market made up over 60 per cent of all multi-family starts in the first eight months of 2011, much like in 2010. Meanwhile, demand for ownership units also remained strong, fed by first-time buyers looking for an alternative to renting and an affordable entry into home-ownership. A growing number of empty-nesters looking to take advantage of equity gains in the resale market and make the lifestyle change to condominium living are also contributing to demand.

Multi-family inventories slow to climb

Despite a 73 per cent increase in multi-family completions during the first eight months of 2011, inventories have been slow to rise due to increasing absorptions. The 6-month moving average rate of absorption in August was 93 units, 69 per cent higher than the same average calculated one year earlier. At the end of August 2011, the inventory of complete and unoccupied multi-family units stood at 123 units, 25 per cent less than where it stood at the end of August 2010.

As more projects complete construction going forward, there is limited risk in seeing inventories rise rapidly. In the first eight months of 2011, approximately 86 per cent of multi-family units were absorbed upon completion. This rate is expected to be maintained since most condominium projects only start construction after reaching a pre-sold threshold and rental units continue to be in high demand given the low vacancy rate environment. With inventories remaining in check, builders will be encouraged to start new units in 2012 in alignment to demand. Meanwhile, government incentives will also encourage the construction of new units, particularly in the downtown where the city and province have collaborated on the Downtown Residential Development Grant Program. As a result, the

Figure 4



Source: CREA, CMHC Forecast (f)

level of multi-family construction will hold steady, repeating this year's performance with another 1,300 units in 2012.

RESALE MARKET

Resale activity to increase through 2012

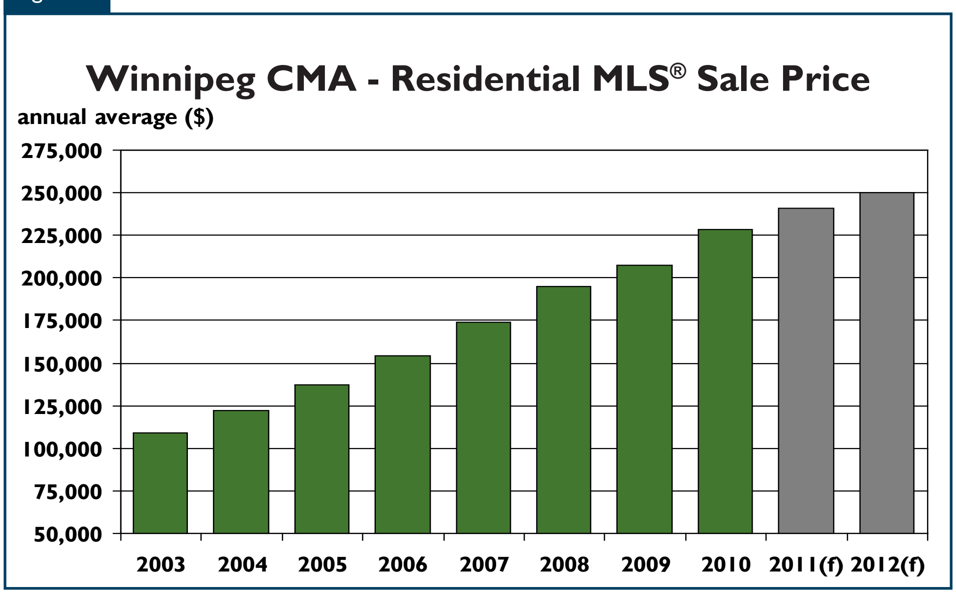
Sales of existing homes in the Winnipeg market are on pace to reach 12,000 units in 2011, nearly four per cent higher than in 2010. This will bring sales to within a few hundred units of the high of 12,319 set in 2007. Although the rapid pace of sales that occurred in the early spring has slowed, each month except April thus far has posted a year-over-year gain. Looking forward, recent gains in net migration will continue to feed demand as more and more immigrants who arrived within the last few years make the move to homeownership. Also, some new immigrants arrive with savings and opt to purchase homes immediately upon arrival given the limited availability of rental units.

The supply of listings in Winnipeg remains historically low, restricting choice for would-be buyers. While the cumulative number of new listings from January to August of this year was up 1.9 per cent from the prior year, sales were up 5.8 per cent. Given these figures, the average number of active listings for the first eight months of the year was 1,205 homes, down 3.1 per cent year-over-year. Moving forward, recent price gains will encourage more homeowners to list and either move-up or make the lifestyle change to a condominium, bringing up supply. With borrowing rates expected to remain favourably low and supportive of elevated resale demand, the increase in supply will help fuel modest gains of 1.7 per cent in 2012, bringing total sales to 12,200.

Price gains to moderate in 2012

Despite persistent sellers' market conditions, price gains will ease this year following double-digit gains in 2010. So far this year, changes in market share are having a small tempering effect on price increases as fewer upper-end existing homes are selling in favour of some buyers opting to build a new home. According to data from the Winnipeg Realtors, from January to August, the market share of homes between $250,000 and $450,000 has increased year-over-year, while the market share of homes

Figure 5



Source: CREA, CMHC Forecast (f)

above $450,000 remains unchanged. For all of 2011, expect the average resale price to reach $241,000, an increase of 5.4 per cent over 2010. The upward pressure on prices will continue to ease over the forecast period as the number of listings increases. Under these conditions, expect price gains to moderate to 3.7 per cent in 2012 to an average of $250,000.

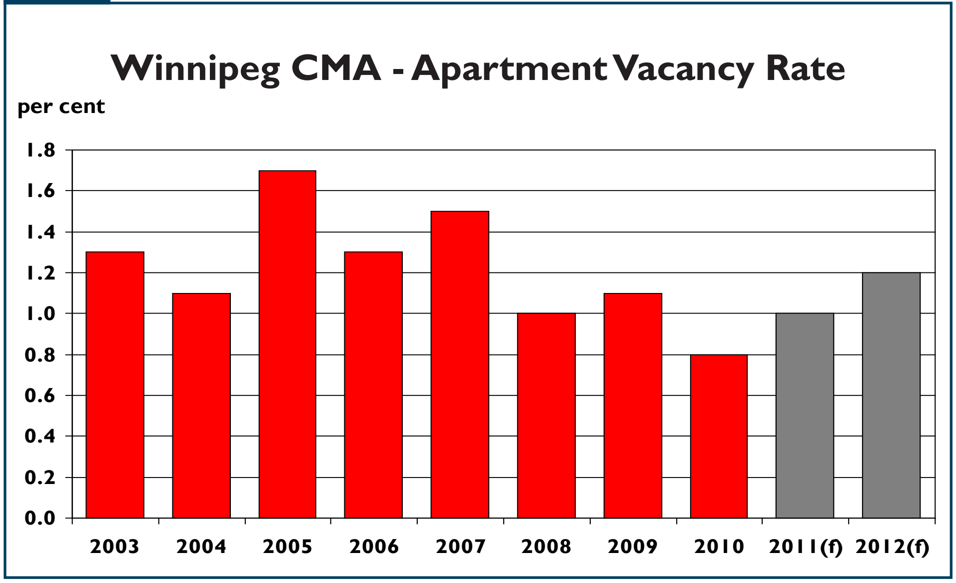
RENTAL MARKET

Vacancy rates to hover near one per cent

The vacancy rate in Winnipeg has been below two per cent since 2001. According to CMHC's April 2011 Rental Market Survey, the vacancy rate in the Winnipeg rental market was 0.7 per cent, on par with Regina for the lowest vacancy rate among the 35 CMAs in Canada. With a steady supply of new renters and little change in the rental market universe expected, a low vacancy rate will persist over the forecast period. The forecast for October of 2011 is for the vacancy to rate to rise only slightly to 1.0 per cent, followed by another slight increase to 1.2 per cent in October of 2012.

Winnipeg's rental market universe has posted declines in 15 of the last 18 years despite new construction. The universe continues to lose units permanently due to demolition and condominium conversion. Rental construction rebounded in 2010, with 807 units breaking ground, more than double the 383 units started in 2009. This trend has continued into 2011. To the end of August, rental starts numbered 490 units, making up 63 per cent of all multi-family starts. This points to future additions to Winnipeg's rental stock once these units are completed and included in upcoming surveys. These additions, however, will only represent a small percentage of the rental universe and not greatly impact the vacancy rate. Favourable economic conditions such as stable employment, rising earnings, and low mortgage rates will continue to encourage renters to make the move to homeownership. Along with weaker net migration due to higher inter-provincial losses, these factors will contribute to a slight easing of the vacancy rate over the forecast period.

Figure 6



Source: CMHC, Fall Rental Market Survey, CMHC Forecast (f)

Higher priced units pushing up average two-bedroom rent

Each year, the Residential Tenancies Branch sets a rent increase guideline which applies to the majority of Winnipeg's rental apartment stock. In 2011, the guideline limits landlords to a 1.5 per cent increase. Next year, the guideline will be 1.0 per cent. Average rents, however, are forecast to increase at a rate greater than the guideline for several reasons. There are provisions in the legislation for landlords to apply for permission to increase rents above the guideline to cover increasing costs. In addition, newly constructed rental units are exempt from the guideline for a period of time, as are units that have undergone renovation. As a result, the share of units in the universe exempt from the guideline has increased. Newly constructed and rehabilitated units added to the universe over the next year will command higher rents which will have the effect of pushing up the overall average increase. Consequently, we expect that rents will increase in excess of the guideline, with average two-bedroom rent increasing by 4.5 per cent to $875 in the October 2011 survey and a further three per cent to $900 in 2012.

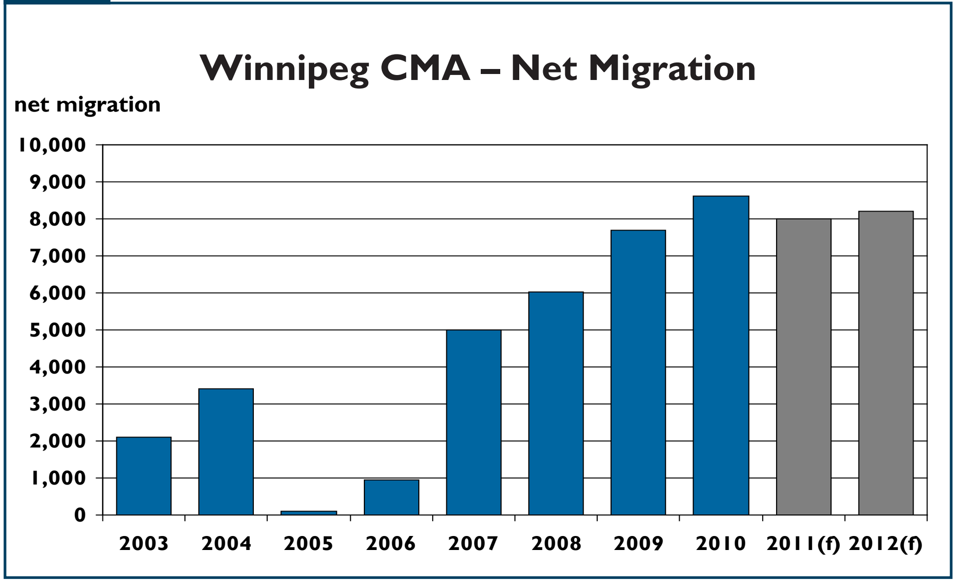
ECONOMIC OUTLOOK

Modest job growth over forecast period

The Winnipeg CMA saw job growth of 1.9 per cent in 2010 or 7,470 jobs, with most of these gains being in part-time employment. After a strong first quarter in 2011, employment growth has slowed with year-to-date gains of only 1,600 jobs to the end of August. The slowdown in employment growth has been mainly due to losses in part-time jobs. January to August job growth, however, has been favourable to housing demand as the growth occurred in full-time positions where the year-to-date average is showing 5,900 more people employed. Overall, average employment is expected to post an increase of 0.8 per cent in 2011.

Gains in full-time employment have contributed to an increase in average weekly earnings. In August, the year-to-date average wage posted an increase of 4.7 per cent year-over-year. The employment sectors seeing biggest gains in the first eight months of 2011 have been construction at 20 per cent, and manufacturing at 9.6 per cent. This is echoed by data that shows non-residential construction investment has been on the increase, registering a gain of 11 per cent at the mid-point of the year, much of this driven by increases in industrial and institutional/government investment. The relatively low vacancy rates for industrial space in Winnipeg have spurred the construction of new buildings in this sector. In addition, several infrastructure projects are underway in Winnipeg ensuring the need for construction labour into 2012.

Figure 7



Source: Statistics Canada, CMHC Forecast (f)

Boosted by gains in chemical and manufacturing shipments, Manitoba's manufacturing sector, where Winnipeg is a major contributor, regained strength in 2011 as total shipments were up 8.6 per cent by the mid-point of the year. Exports have also increased 13.8 per cent over the same period with industrial goods and materials seeing an increase of 24 per cent. Looking forward, uncertainty in the global market-place may impact future exports, however if downward pressure on the value of the Canadian dollar persists, it may help cushion this impact as the price of exported goods becomes more competitive.

Given these economic conditions, employment growth is forecasted to moderate in both 2011 and 2012, with increases of 0.8 and 1.0 per cent, respectively. The unemployment rate will remain stable at 5.6 per cent in 2011 and 5.4 in 2012.

Thanks to continued strong international immigration, Manitoba saw a net gain of 10,957 new migrants in 2010, the highest number on record going back thirty years. Of this, the Winnipeg CMA captured a gain of 8,607 persons, an increase of almost 12 per cent over the previous year. This brought up the population estimate for that centre to 753,555 in 2010, representing a growth rate of 1.5 per cent. Net migration is expected to ease, yet remain elevated in 2011, as an increasing number of people leave the province and a cap impacts the number of new applicants through the Provincial Nominee Program. At the end of the second quarter provincial net-migration was down 10.3 per cent year-over-year, mainly due to increases in inter-provincial losses. Expect net migration for the Winnipeg CMA to decline 7.1 per cent to 8,000 before bouncing back slightly to 8,200 persons next year.

Trends Impacting Housing

Mortgage Rates

Recent announcements by the Bank of Canada have indicated that the Bank will be leaving the target overnight interest rate unchanged at 1.0 per cent for some time to come. The Bank has been noting that in light of slowing global economic momentum and heightened financial uncertainty, the need to withdraw monetary policy stimulus has diminished. The last increase in the overnight interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat until late 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.4 to 3.8 per cent range, while the five-year posted mortgage rate is forecast to be within 5.2 to 5.7 per cent.

Short term mortgage rates and variable mortgage rates are expected to remain at historically low levels. The outlook also assumes that mortgage rates will remain relatively flat until late in 2012. This will continue to support housing demand.

Forecast Summary
Winnipeg CMA
Fall 2011

	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	11,854	11,509	11,572	12,000	3.7	12,200	1.7
MLS® New Listings	16,050	15,478	15,975	16,100	0.8	16,300	1.2
MLS® Average Price ($)	196,940	207,341	228,706	241,000	5.4	250,000	3.7
New Home Market							
Starts:							
Single-Detached	1,930	1,505	1,921	1,950	1.5	1,975	1.3
Multiples	1,079	528	1,323	1,300	-1.7	1,300	0.0
Starts - Total	3,009	2,033	3,244	3,250	0.2	3,275	0.8
Average Price ($):							
Single-Detached	342,885	369,320	376,625	392,000	4.1	406,000	3.6
Median Price ($):							
Single-Detached	311,443	336,960	342,160	350,000	2.3	362,000	3.4
New Housing Price Index (% chg.)	10.2	2.5	4.8	4.5	-	3.9	-
Rental Market							
October Vacancy Rate (%)	1.0	1.1	0.8	1.0	-	1.2	-
Two-bedroom Average Rent (October) ($)	769	809	837	875	-	900	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.60	-	3.56	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.42	-	5.43	-
Annual Employment Level	401,200	401,100	408,500	411,800	-	415,900	-
Employment Growth (%)	1.5	0.0	1.8	0.8	-	1.0	-
Unemployment rate (%)	4.4	5.4	5.7	5.6	-	5.4	-
Net Migration	6,116	7,697	8,607	8,000	-7.1	8,200	2.5

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

The forecasts included in this document are based on information available as of October 5, 2011.

CMHC—HOME TO CANADIANS

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