HOUSING MARKET OUTLOOK
Winnipeg CMA

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2011

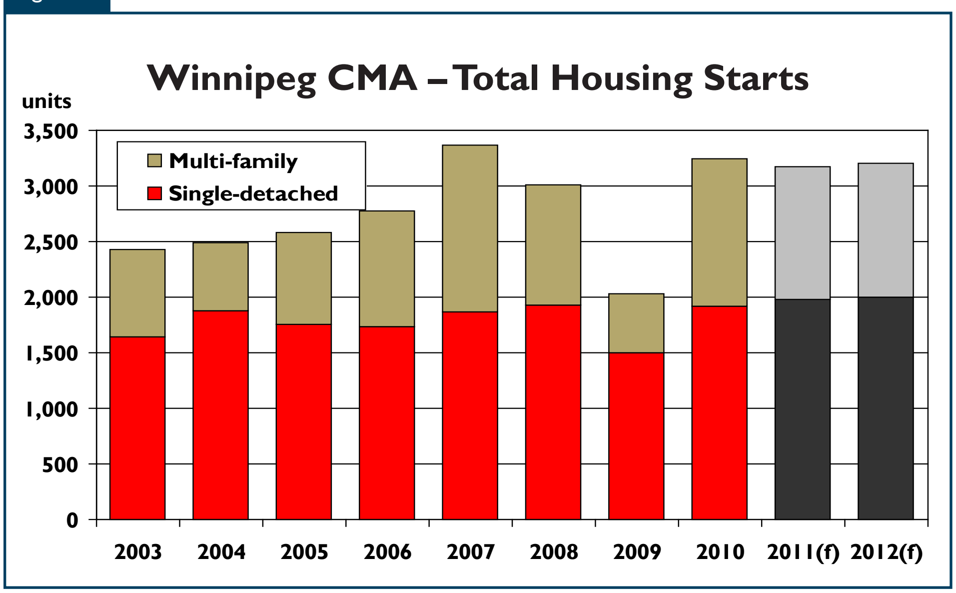
Table of Contents

NEW HOME MARKET

Winnipeg housing starts to remain elevated through 2012

Total housing starts in the Winnipeg Census Metropolitan Area (CMA) substantially improved in 2010, turning in an increase of almost 60 per cent over 2009 levels. A healthy increase of 28 per cent was felt on the single-detached side, while starts on the multi-family sector posted an impressive two and a half-fold increase from the prior year. Factors which supported demand for housing last year will persist over the forecast period. Employment and wage gains will remain steady over the forecast period, while net migration will continue to sustain population growth,

Figure 1



Source: CMHC, CMHC Forecast (f)

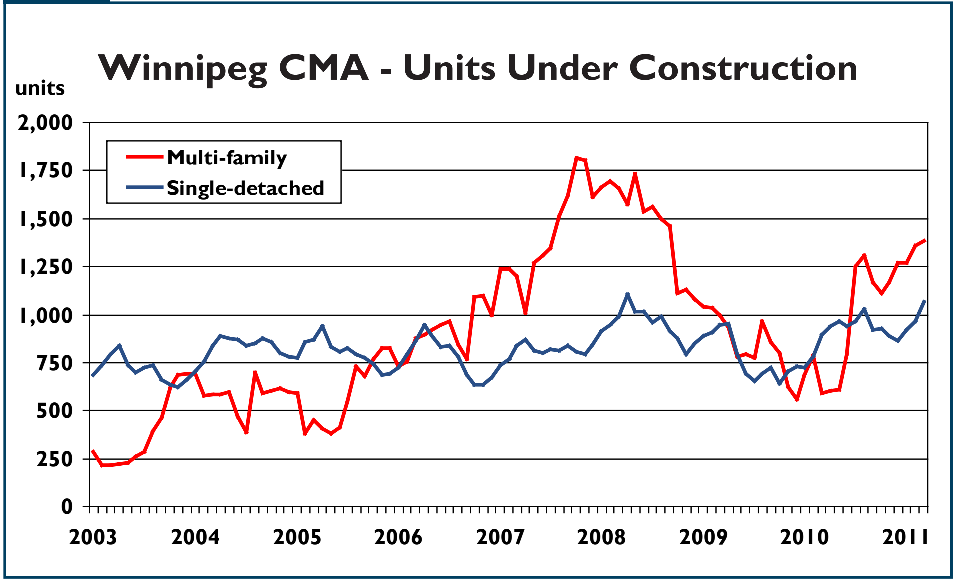
SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at **www.cmhc.ca/housingmarketinformation.** View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

The forecasts included in this document are based on information available as of April 28, 2011.

which in turn will support demand for new homes. Moving forward, however, builders will be challenged to maintain the elevated pace of construction set in 2010. Accordingly, single-detached starts will post modest gains, rising three per cent in 2011 and a further one per cent in 2012. Meanwhile, multi-family construction is expected to decline nine per cent in 2011 but remain stable in 2012. The forecasted decline in multi-family construction will result in a modest two per cent reduction in total starts this year to 3,175 units, followed by a slight increase of just under one per cent to 3,200 units in 2012.

Figure 2



Source: CMHC

Single-detached starts to remain elevated

Last year, area builders initiated construction of 1,921 single-detached units, up 28 per cent from 2009 and only nine fewer starts than the results posted in 2008, which at the time was a 19-year high. Following such a strong year, it has been difficult for builders to post year-over-year increases in the first three months of 2011. At 348 units at the end of March, single-detached starts were down 4.4 per cent from the 364 units that were initiated during the first three months of 2010. Nevertheless, this represents a deficit of only16 homes and it is expected that robust demand for single-detached housing this year will enable builders to make up this difference over the coming months and improve on last year's strong performance.

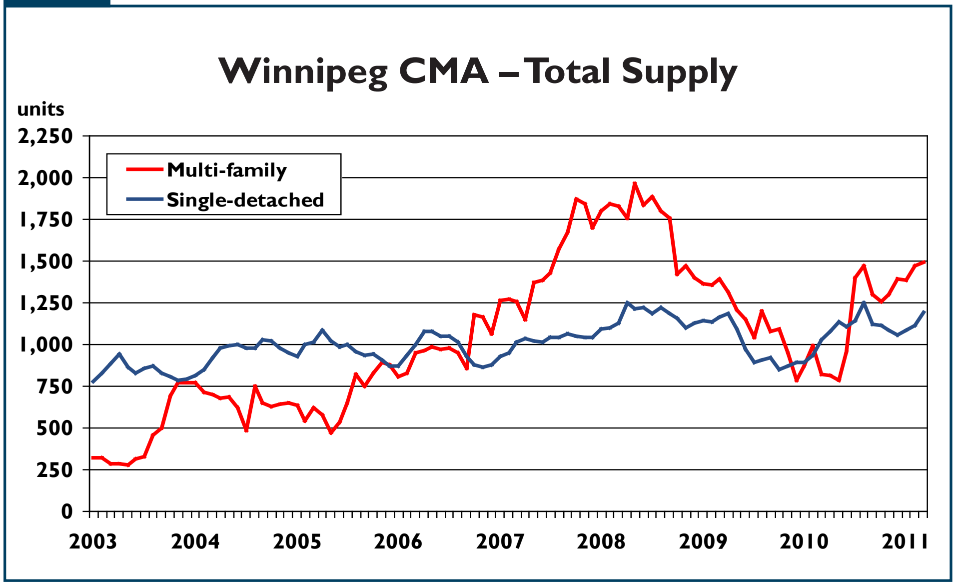
Last year's heightened pace of production has fuelled an increase in the total supply of single-detached homes, which includes the number of units under construction and complete and unabsorbed units. Consequently, total supply of single-detached homes climbed back from a dip in 2009 and stood at 1,191 units at the end of March 2011, a 16 per cent increase over the previous year and the highest number since August 2008. However, along with the increased level of construction, absorptions have remained strong, mitigating the risk of over-supply. Considering a 12-month moving average rate of absorption of approximately 145 units per month, there is sufficient supply to last approximately seven months, on par with the preceding five-year average.

The increase in total supply was mainly due to a rise in the number of units under construction. Inventory, the other component of supply, has moved lower. At 123 units at the end of March 2011, the inventory of complete and unabsorbed single-detached units was down eight per cent from the prior year and represents the lowest number of units in inventory in seven years. With inventories trending downwards, builders will continue to initiate more starts over the next two years. Gains will be limited, however, given the already elevated level of production and the slight moderation to demand caused by rising prices and carrying costs, as well as increasing competition from the resale market. Starts will nonetheless rise to 1,975 units in 2011 and 2,000 units in 2012, representing the best performance since 1989.

Average new house price to increase

Statistics Canada's New House Price Index (NHPI), which measures the change in the price of new homes where the specifications remain the same between two consecutive periods, increased 4.8 per cent in 2010, following a more modest advance of 2.5 per cent in 2009. The land-only component of the NHPI saw the greatest increase last year, recording a gain of almost seven per cent compared to a gain of only four per cent for the house-only component. The greatest jump in the land-only component came early in 2010, and since then, the index has stabilized and the increases are expected to be more incremental. The house-only component has seen

Figure 3



Source: CMHC

steady increases which are expected to continue given increasing cost of labour and materials. These two components will combine to boost the total NHPI by 4.3 per cent in 2011 and a further 3.9 per cent in 2012.

In contrast to the relatively strong increase in the NHPI, the gains in the average absorbed price of a new house in the Winnipeg CMA was not as strong in 2010, rising only two per cent over the average absorbed price in 2009. The slower pace of price growth was largely compositional as the share of units priced above $375,000 moderated slightly from 36 per cent in 2009 to 33 per cent last year. Many of the homes absorbed in 2010 were started based on orders placed in 2009 when economic uncertainty moved buyers toward the mid-range of the market. With a return to more favourable economic conditions, and with existing home owners having realized additional equity gains in the last year, the trend toward purchasing homes in the higher price ranges will resume. As a result, the average absorbed price of new homes will increase at a slightly stronger pace, rising 4.1 per cent to $392,000 in 2011 and 3.6 per cent to $406,000 in 2012.

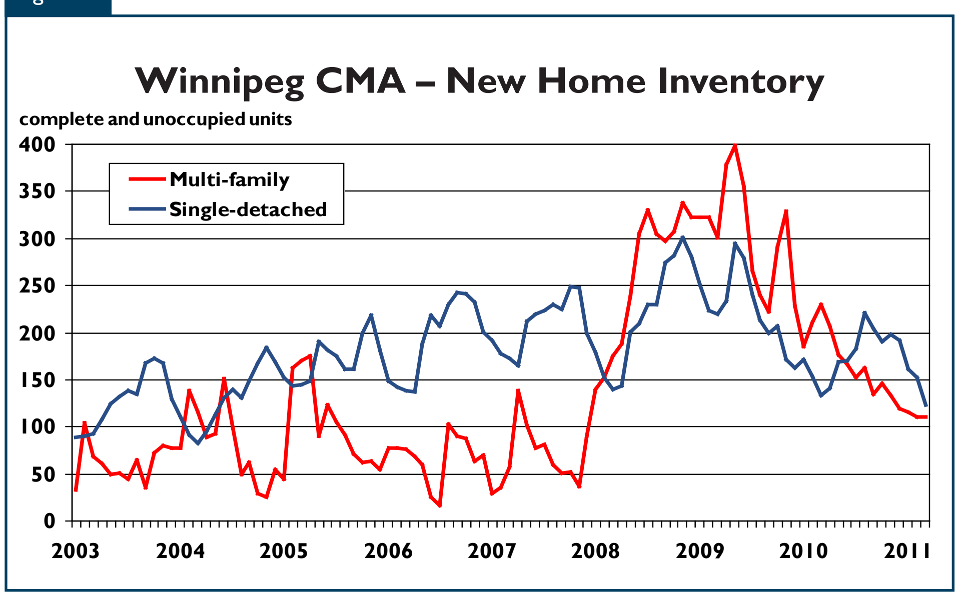
Multi-family starts to ease slightly

Multi-family starts, which consist of semi-detached units, rows, and apartments, will remain elevated over the forecast period but will fall short of the 1,323 units started in 2010. Nonetheless, our forecast of 1,200 units per year for 2011 and 2012 is slightly higher than the five-year average of 1,100 units per year. Demand from several fronts will continue to drive the development of multi-unit projects. Elevated net migration will feed demand for rental units in a market where there is very little vacancy. As well, a steady number of residents reaching the household formation stage will be moving from their parents' home into either rental or homeownership. Empty-nesters will also be a source of demand as rising resale prices encourage owners to sell and purchase new condominiums which respond to their changing lifestyle.

Multi-family construction pushes up supply

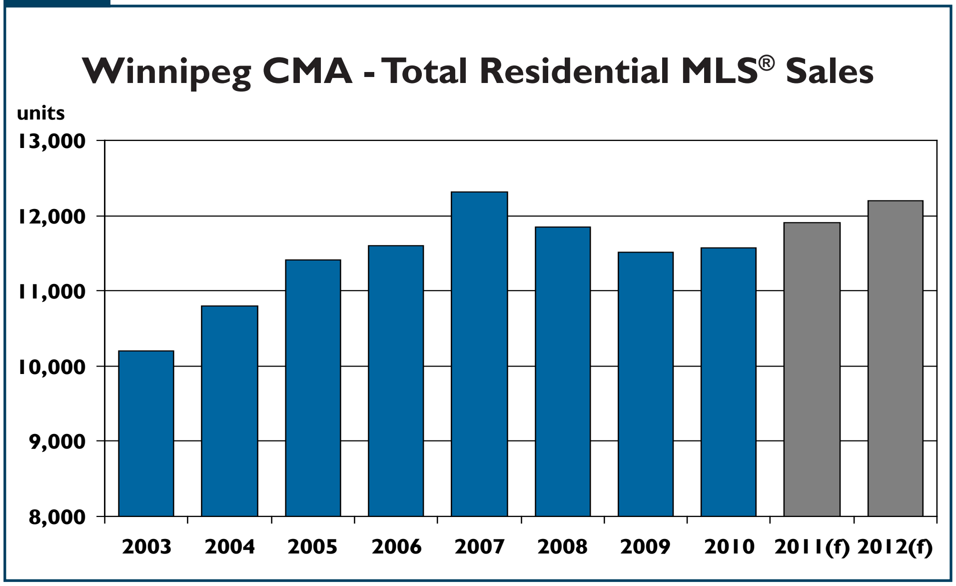
The elevated level of multi-unit starts in 2010 has replenished the total supply of multi-family units, which includes the number of units under construction and complete

Figure 4



Source: CMHC

Figure 5



Source: CREA, CMHC Forecast (f)

and unabsorbed units. Supply had dipped to 783 units in mid-2010. Since then, however, it has climbed to 1,486 units at the end of March 2011, an 81 per cent increase over the previous year but less than the recent peak of 1,966 units set in mid-2008. Much of this supply is comprised of units started during 2010 and is still under construction. Meanwhile, the inventory of complete and unoccupied units, at 111 units at the end of March 2011, was half what it was at the end of March 2010.

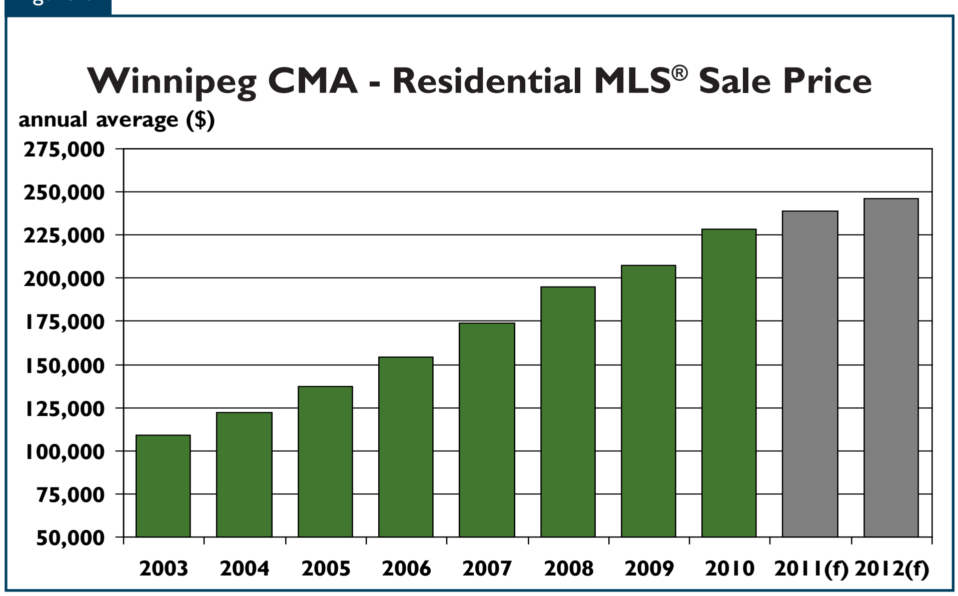
While only representing 37 per cent of all multi-family starts in 2010, condominium starts nonetheless saw a four-fold increase in 2010. The inventory of complete and unoccupied condominiums was at 110 units at the end of March 2011, consisting mainly of apartments. As more apartment condominium units are completed over the course of 2011, inventories will rise, causing builders to ease off on new projects. Semi and row units have been quick to absorb upon completion and inventory is low. This form of housing is becoming increasingly popular with buyers as units are priced competitively with single-family detached homes in the resale market, where there are many buyers competing for a limited supply of homes.

RESALE MARKET

Existing home sales to increase through 2012

Last year, a slight increase in sales during the fourth quarter helped to boost results for that year with resale transactions posting a modest improvement after two years of declining sales. That momentum seems to have persisted into the current year as sales in the first quarter of 2011 numbered 2,367, an increase of 9.7 per cent over the first quarter of 2010 and the best first quarter since 1987. Some of this momentum may have come from buyers looking to purchase properties prior to changes in mortgage regulations. With some demand having been pushed forward into the first quarter, expectations are that that the pace of sales will moderate slightly in the remainder of the year. As well, increasing prices and carrying costs will slow demand moving forward.

Figure 6



Source: CREA, CMHC Forecast (f)

Rising supply to impede price growth

Another factor contributing to increased sales was the fact that more existing home owners listed their properties, thus offering more selection to prospective home buyers. There were 3,576 new listings in the first quarter of 2011, up 3.4 per cent from the first three months of 2010. Recent price gains will serve to further encourage owners to list their homes over the forecast period. However, with demand expected to remain strong, homes will continue to sell quickly. As a result, active listings on the market will rise slowly. In doing so, the market will begin to trend towards more balanced conditions, a deviation from the sellers' market conditions that persisted during the better part of the last decade.

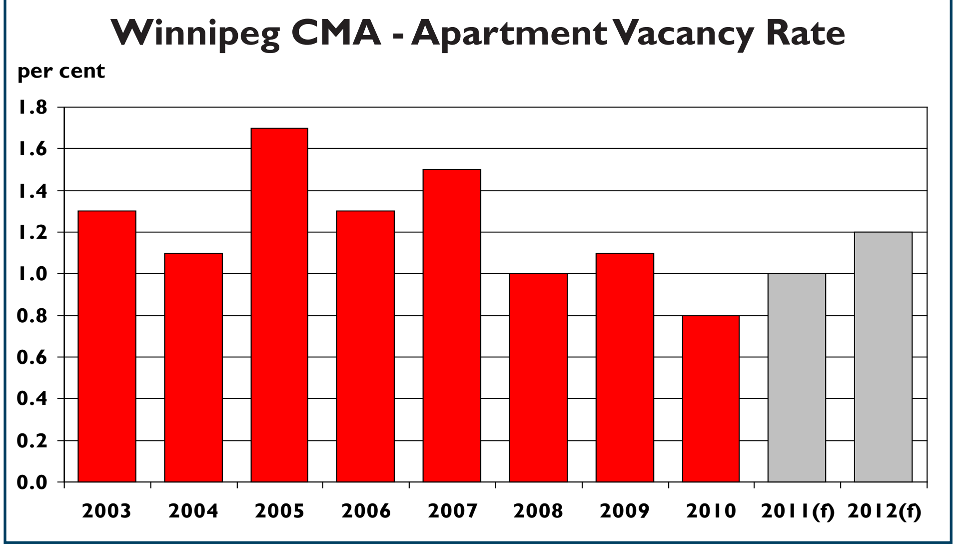
Under sellers' market conditions last year, the Winnipeg resale market saw another year of average price increase, rising 10.3 per cent to $228,706. As a result, resale prices have seen double-digit increases in seven of the last eight years. Despite these increases however, Winnipeg's average resale price continues to be among the lowest for Canadian CMAs. As demand cools slightly and more supply becomes available, price growth will ease to 4.5 per cent in 2011 and 2.9 per cent in 2012.

RENTAL MARKET

Low vacancy rates to persist over forecast period

According to CMHC's October 2010 Rental Market Survey, the vacancy rate in the Winnipeg rental market was 0.8 per cent, substantially lower than the national average of 2.6 per cent

Figure 7



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

and the lowest apartment vacancy rate among the 35 CMAs in Canada. These results represent the 10th year in a row that the vacancy rate has been below 2.0 per cent in Winnipeg. The persistently low vacancy rates continue to be supported by supply and demand factors and are not likely to change in the near future. 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.

The 2010 fall rental market survey saw a reduction in Winnipeg's private rental apartment universe, offsetting gains made in 2009. There were 52,319 units surveyed in October 2010, a decrease of 835 units or 1.6 per cent from October 2009. Winnipeg's rental market universe has posted declines in 15 of the last 18 years. During this period, Winnipeg's rental market universe shrank by almost 5,000 units for a total decline of nine per cent.

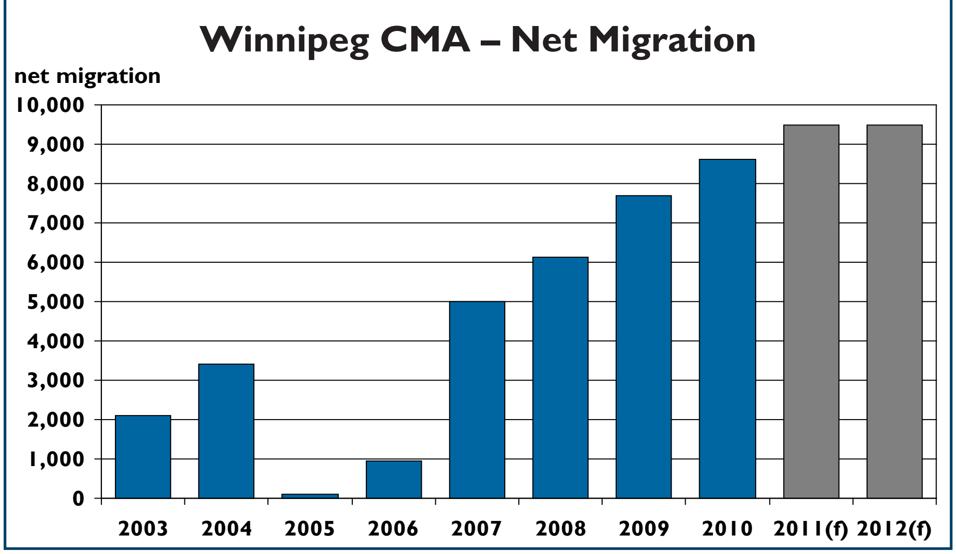
Additions to the universe in the last year did not offset removals as there were only 605 units added to the universe between the fall 2009 survey and the fall 2010 survey. Of these additions, new construction accounted for only 234 units. This is in contrast to the 691 units that completed construction in the 12 months that preceded the fall 2009 survey. Rental construction rebounded in 2010, with 807 units breaking ground, more than double the 383 units started in 2009. This points to future additions to Winnipeg's rental stock as many of these units will be completed in time to be included in the October 2011 survey. Rental units completed thus far have been absorbed quickly, as of the end of March 2011 there was one rental unit within the complete and unabsorbed inventory.

While there is little change in the supply of rental units, demand for rental units remains strong. Winnipeg continues to benefit from record levels of international immigration which has its strongest impact initially on the rental market as most new immigrants seek rental accommodation upon arrival. The longer these new immigrants remain in the province, however, the more likely they are to become homeowners. Renters considering a move to home ownership will also find a favourable environment over the forecast period. A positive economic climate will bolster employment and earnings, and rising listings in the resale market will provide first-time buyers with more homes to choose from. Therefore, while there will continue to be an influx of new renters, more existing renters will make their units available by entering the homeownership market.

Two-bedroom rents steadily increasing

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 new guideline limits landlords to a 1.5 per cent increase. Average rents are forecast to increase at a rate greater than the guideline for several reasons. Landlords facing rising maintenance and energy costs are able to apply for permission to increase rents above the guideline, and in general, between 25 and 30 per cent of rental units apply for and receive above guideline increases in rent. Likewise, 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. In addition, 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.

Figure 8



Source: Statistics Canada, CMHC Forecast (f)

ECONOMIC OUTLOOK

Full-time job growth supports housing demand

Following a modest decline in 2009, the Winnipeg CMA returned to a position of job growth in 2010, recording an increase of 1.8 per cent or 7,400 jobs. All of these gains were in part-time employment as the Winnipeg economy shed full time jobs. The story in 2011 is quite different, as gains in full-time employment have accounted for the expansion in employment thus far. Many of the full-time job gains went to workers between the ages of 25 and 64, as those 15 to 24 saw job losses in both full and part-time employment. Full-time job gains in these age categories bode well for housing demand into the future as those earning steady income will likely want to invest in homeownership, either as first-time buyers or move-up buyers.

Most of the job gains in the first quarter of 2011 came in the construction sector. This sector is showing strength on both the residential and non-residential sides. Several major construction projects are currently progressing. While some projects, such as the new Winnipeg Airport, are slated for completion this year, others will continue construction through to 2012. In addition several new infrastructure projects are beginning construction in 2011, filling the gap created by completed projects.

The manufacturing sector is also seeing steady employment gains. Winnipeg enjoys a diverse manufacturing sector that has been able to weather the negative economic factors such as a decline in exports impacted by the rising Canadian dollar and the U.S. economy. These exports are expected to increase as the U.S. economy continues on the road to recovery.

On balance, the above conditions bode well for the region's economy. Given this, employment growth is expected to persist with an increase of 1.5 per cent in the number of persons employed in 2011 and a further increase of 1.4 per cent in 2012. With positive net migration, Winnipeg's labour force is also expected to continue to increase in step with job growth. As a result, the unemployment rate will remain stable at 5.4 per cent in 2011 and 5.3 in 2012.

Positive net migration to fuel population growth

Population growth has been a key factor driving housing demand in the province. International migration is at record levels as Manitoba welcomed 15,805 international immigrants in 2010, an increase of 17 per cent over the previous year. This contributed to net migration of 11,315 for the province, the highest number on records going back thirty years. The Winnipeg CMA saw net migration of 8,607 persons in 2010, 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 will continue on this positive track with the potential for combined net migration of 19,000 persons over the next two years. A risk to this forecast, however, is that immigration through the Provincial Nominee Program is capped at current levels.

MORTGAGE RATE OUTLOOK

On April 12th, the Bank of Canada announced that it was leaving the Target for the Overnight Rate unchanged at 1.0 per cent. The last increase in the overnight rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. The Bank of Canada is expected to resume raising the overnight rate in the fourth quarter of 2011. 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 in 2011 before increasing moderately in 2012. For 2011, the one-year posted mortgage rate is assumed to be in the 3.1 to 3.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.1 to 5.6 per cent range. For 2012, the one-year posted mortgage rate is assumed to be in the 3.4 to 4.3 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2 to 6.3 per cent range.

Rates could, however, increase at a faster pace if the economy ends up recovering more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Forecast Summary Winnipeg CMA Spring 2011	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	11,854	11,509	11,572	11,900	2.8	12,200	2.5
MLS® New Listings	16,050	15,478	15,975	16,600	3.9	17,100	3.0
MLS® Average Price ($)	196,940	207,341	228,706	239,000	4.5	246,000	2.9
New Home Market							
Starts:							
Single-Detached	1,930	1,505	1,921	1,975	2.8	2,000	1.3
Multiples	1,079	528	1,323	1,200	-9.3	1,200	0.0
Starts - Total	3,009	2,033	3,244	3,175	-2.1	3,200	0.8
Average Price ($):							
Single-Detached	342,885	369,320	376,625	392,000	4.1	406,000	3.6
Median Price ($):							
Single-Detached	311,443	336,960	342,160	356,000	4.0	370,000	3.9
New Housing Price Index (% chg.)	10.2	2.5	4.8	4.3	-	3.9	-
Rental Market							
October Vacancy Rate (%)	1.0	1.1	0.8	1.0	-	1.2	-
Two-bedroom Average Rent (October) ($)	769	809	837	875	-	900	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.23	-	3.76	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.45	-	5.94	-
Annual Employment Level	401,200	401,100	408,500	414,600	-	420,400	-
Employment Growth (%)	1.5	0.0	1.8	1.5	-	1.4	-
Unemployment rate (%)	4.4	5.4	5.7	5.4	-	5.3	-
Net Migration	6,116	7,697	8,607	9,500	10.4	9,500	0.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

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 April 28, 2011.

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

Housing market intelligence you can count on

FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Renovation and Home Purchase Report
- Rental Market Provincial Highlight Reports *Now semi-annual!*
- Rental Market Reports, Major Centres
- Rental Market Statistics *Now semi-annual!*
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports
- Seniors' Housing Reports - Supplementary Tables, Regional

Get the market intelligence you need today!
Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis** – Future-oriented information about local, regional and national housing trends.
- **Statistics and Data** – Information on current housing market activities — starts, rents, vacancy rates and much more.

CMHC Client e-Update Newsletter

Get the latest market in-sight, housing research and news on CMHC mortgage loan insurance to grow your business and enhance your client relationships. Everything you need to open new doors.

64355_2011_B01