

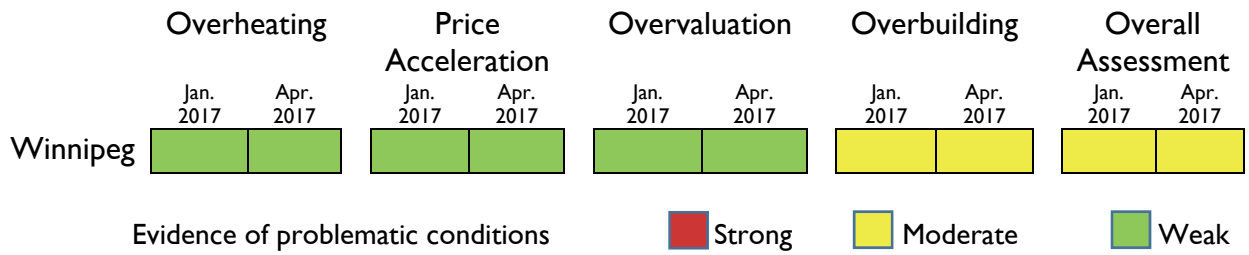
HOUSING MARKET ASSESSMENT Winnipeg CMA

Date Released: Second Quarter 2017



Housing market intelligence you can count on

Highlights



- Overall, moderate evidence of problematic conditions was detected in Winnipeg's housing market, unchanged from the previous assessment¹.
- Moderate evidence of overbuilding continued to be detected as the inventory of completed and unsold units moved higher above the problematic threshold.
- Factors such as overheating, price acceleration, and overvaluation continued to show weak evidence of problematic conditions; unchanged from last quarter's assessment.
- The Housing Market Assessment (HMA) analytical framework considers four factors to assess the evidence of problematic housing market conditions: overheating; acceleration in the growth of house prices; overvaluation; and, overbuilding. A brief summary of the framework is presented on page 6 of this report.

HMA Overview²

As Canada's authority on housing, CMHC contributes to market stability by providing information on potential imbalances that could affect housing markets. With the Housing Market Assessment (HMA), CMHC offers information and analysis that can help Canadians make more informed decisions.

The HMA combines the results from a technical framework with insights gained through CMHC's Market Analysts' knowledge of local market conditions. These insights position

CMHC to provide additional context and interpretation to the results of the HMA framework.

The HMA framework detects problematic market conditions in local housing markets by identifying imbalances. An example would be the detection of overbuilding, a situation in which the inventory of unsold new homes accumulates due to supply outpacing demand. Such an imbalance could be resolved by an adjustment in house prices. As an example, lower prices would help resolving an excess supply imbalance by supporting stronger demand and/or reducing

supply. However, other unexpected developments that do not originate from the housing market could accentuate or reduce an imbalance.

Colour codes indicate the level of evidence of problematic conditions. The HMA is a comprehensive framework that considers the intensity of signals of imbalances (that is, how far the indicator is from its historical average), and the persistence over time. Generally, low intensity and persistence are

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.

¹ Results are based on data as of the end of December 2016 and local market intelligence up to end of March 2017. CMHC continuously monitors market developments and will issue HMA updates on a quarterly basis.

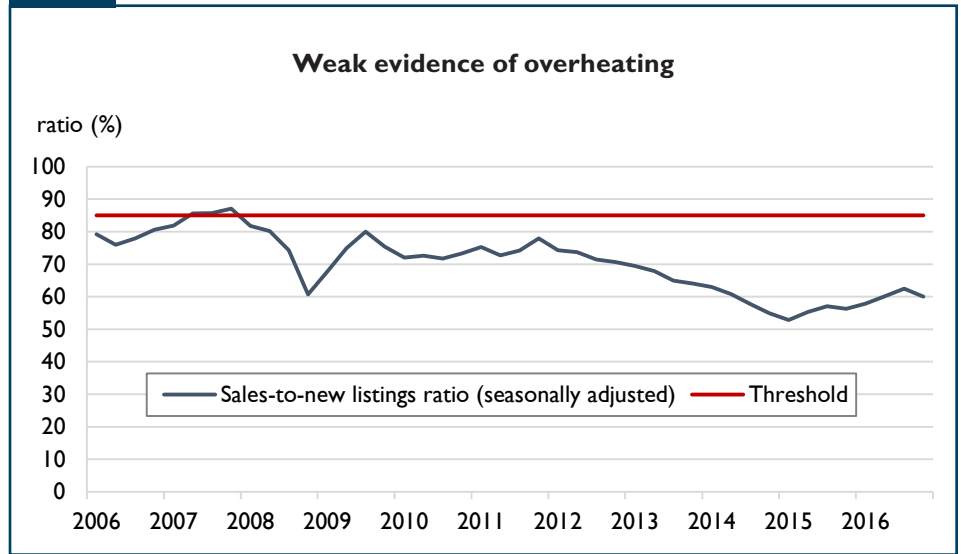
² A detailed description of the framework is available in the appendix of the [National edition](#).

associated with potentially weaker evidence of problematic conditions. As the number of intense and persistent signals increases, the associated evidence of problematic conditions becomes stronger.

Overheating

There continued to be weak evidence of overheating in Winnipeg. The resale market eased in the fourth quarter of 2016 as the seasonally adjusted sales-to-new listings (SNL) ratio moved lower to 60 per cent from 62 per cent in the previous quarter. Adjusting for seasonality, total resale transactions in the fourth quarter were 1.9 per cent lower compared to the third quarter, while new listings increased by almost one per cent. At the same time, active listings were up by roughly one fifth. Additional supply in the fourth quarter lowered the seasonally adjusted SNL ratio, which remained well below the 85 per cent threshold for overheating. The Winnipeg resale market continued to remain in balanced market conditions.

Figure 1



Source: CREA, calculations (threshold) by CMHC
Last data point: 2016Q4

Price Acceleration

There continued to be weak evidence of price acceleration in Winnipeg. In the fourth quarter of 2016, the seasonally adjusted average MLS® price remained relatively unchanged at \$286,302 compared to the previous quarter. Year-to-date as of February, average MLS® price

was up 2.0 per cent to \$281,478 over the same period last year. At the same time, activity in the resale market slowed as both sales and new listings declined 3.8 and 6.3 per cent respectively.

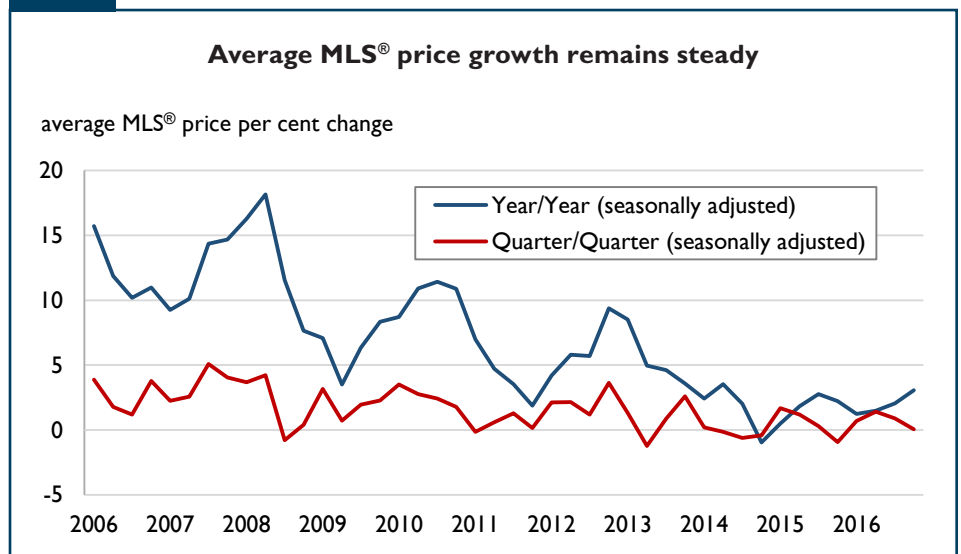
The average MLS® price in 2016 was \$284,610 an increase of 2.3 per cent from 2015 signifying moderate price growth. The Winnipeg resale market

“Following an increase in the number of completions, the inventory of newly completed and unoccupied units moved higher, and moderate evidence of overbuilding continued to be detected in the Winnipeg CMA.”



Heather Bowyer
Senior Market Analyst
(Manitoba)

Figure 2



Source: CREA
Last data point: 2016Q4

experienced more demand in 2016 compared to 2015, with transactions finishing the year at 12,871, or 4.9 per cent higher. At the same time, there was a decline in supply as new listings fell by 3.8 per cent putting upwards pressure on prices.

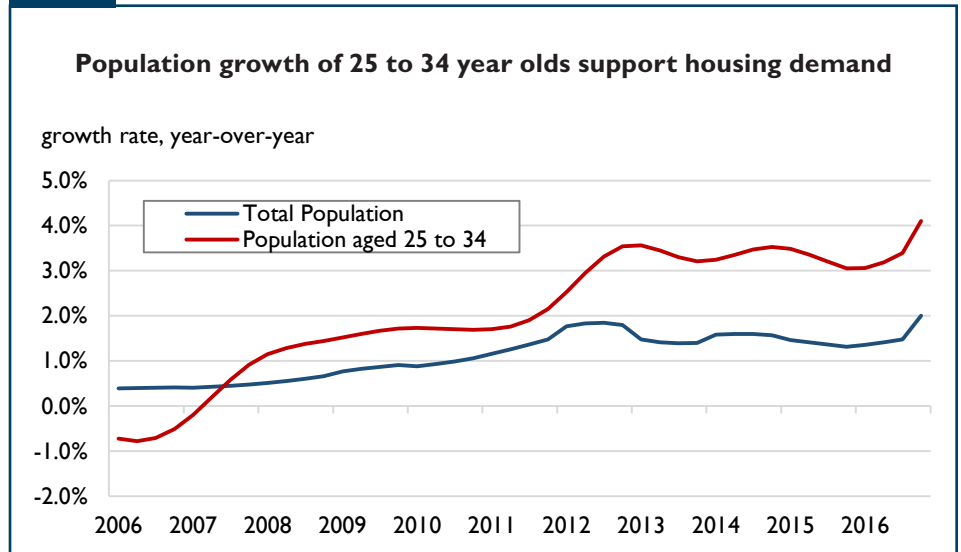
In the new home market, Statistics Canada's New Housing Price index showed the same pattern in price growth over the previous year, increasing 2.3 per cent year-over-year.

Overvaluation

There continued to be weak evidence of overvaluation in Winnipeg, unchanged from the assessment of last quarter. However, economic and demographic fundamentals continued to have mixed impacts on the level of overvaluation.

Employment growth was flat throughout most of 2016, growing at a rate of less than half a per cent by the end of the year, with slow gains in the first several months of 2017 as well. However, while 2016 saw full-time job losses partially offset part-time gains, this trend has reversed in the beginning of 2017. Full-time employment increased by 1.7 per cent year-over-year in February compared to a decline of 3.4 per cent in part-time employment over the same time. The seasonally adjusted unemployment rate in the fourth quarter of 2016 edged up 0.3 percentage points to 6.9 from the previous quarter, contributing to a slight decline in real personal

Figure 3



Source: Statistics Canada
Last data point: 2016Q4

disposable income per capita of 0.2 per cent. However, year-to-date as of February, the seasonally adjusted unemployment rate has improved, decreasing to 6.7 per cent. In addition, housing demand continued to be supported by population growth of individuals aged 25 to 34, increasing by 4.1 per cent on a year-over-year basis.

Overbuilding

Moderate evidence of overbuilding continued to be detected, as the inventory of completed and unsold units per 10,000 population remained above the problematic threshold. Throughout most of 2016, total units in inventory were declining, however the number of completed

and unsold units moved higher in the fourth quarter of 2016 from the previous one, largely a result of a number of unsold units completing construction at the end of the year. In the fourth quarter of 2016, total units in inventory were 23.4 per cent higher than last quarter but have come down from the fourth quarter of 2015 by 27.0 per cent.

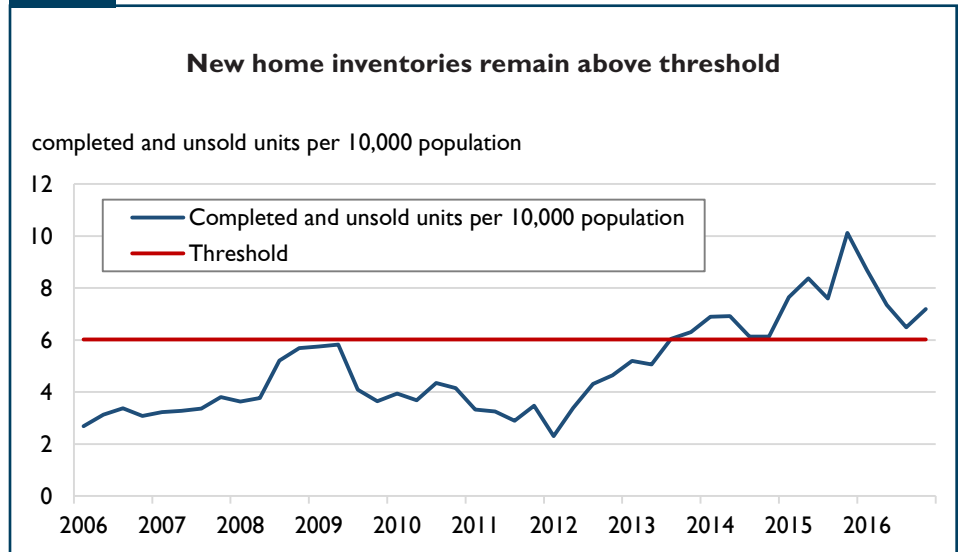
Single detached units remained below the problematic threshold for overbuilding. The inventory of single-detached units averaged 216 in 2016, a decrease of 16.9 per cent from one year prior. In addition, inventories in the fourth quarter of 2016 were 13.7 per cent lower than the same quarter in 2015.

Alternatively, multi-family units remained above the problematic threshold for overbuilding, and condominium apartment units continued to represent the largest portion of total units in inventory. The inventory of apartment units intended for the ownership market increased by 24.0 per cent in the fourth quarter of 2016 from one quarter prior but, levels have come down by close to a third since their peak at the end of 2015.

In the Winnipeg rental market, the vacancy rate was well below the threshold for overbuilding. Rental units under construction have been trending lower in 2017, and as of February, were down by roughly 20 per cent year-over-year.

Alternatively, the number of newly completed rental units was elevated at the end of 2016, but strong immigration levels and demographic growth in Winnipeg will continue to create demand for these units.

Figure 4



Source: CMHC, calculations (threshold) by CMHC, Statistics Canada
 Last data point: 2016Q4

Overview of the Housing Market Assessment analytical framework

To obtain an accurate picture of the overall state of the housing market, it is important to consider multiple data points and lines of evidence rather than relying on just one measure or indicator.

The Housing Market Assessment (HMA) analytical framework provides a comprehensive and integrated view that relies on a combination of signals from several indicators to assess housing market conditions.

Specifically, the framework considers four main factors that may provide an early indication of potentially problematic housing market conditions: (1) overheating when demand outpaces supply; (2) sustained acceleration in house prices; (3) overvaluation of house prices in comparison to levels that can be supported by housing market fundamentals (listed below);

and, (4) overbuilding when the inventory of available housing units is elevated.

For each factor, the framework tests for: (1) the presence or incidence of signals of potentially problematic conditions, but also considers; (2) the intensity of the signals, i.e. how their magnitude compares with their historical average or how consistent they are with known or suspected house price bubbles, such as for Toronto in the late 1980s and early 1990s; and, (3) the persistence of signals over time.

Generally, a situation in which we detect few signals with low intensity or lack of persistence is associated with weak evidence of problematic conditions. Conversely, as the intensity, number, and/or persistence of the signals increases, the likelihood of a factor becoming problematic increases.

The framework takes into account demographic, economic, and financial determinants of the housing market such as population, personal disposable income, and interest rates to detect potentially problematic housing market conditions. The framework also takes into account developments in both resale and residential construction markets.

The framework was developed on the basis of its ability to detect problematic housing market conditions in historical data, such as the house price bubble Toronto experienced in the late 1980s and early 1990s. The ability of the HMA to detect current problematic conditions relies on the assumption that historical relationships between prices and fundamental drivers of housing markets have not changed.

Housing Market Assessment Factors

Overheating

Overheating is caused by demand significantly and persistently outpacing the supply of housing. The sales-to-new listings ratio is used as an indicator to assess possible overheating conditions in the existing home market. To identify problematic overheating conditions, the framework compares the sales-to-new listings ratio to thresholds. When demand is strong relative to supply, house prices typically grow at a faster rate. Sustained overheating conditions on the existing home market may lead to acceleration in house prices for existing and new homes. However, as supply and demand begin to balance out, indicators of overheating (and acceleration) would begin to soften and house prices would gradually moderate.

Acceleration in House Prices

Under balanced market conditions, house prices are expected to increase over time, in line with increases in households' cost of

living. House price acceleration occurs when the growth in house prices strengthens over time on a persistent basis. Acceleration in house prices over an extended period can cause their pace of increase to depart from the overall price inflation and eventually lead to overvaluation.

To assess acceleration in house prices, the HMA framework uses a statistical test* that was developed to identify periods of accelerating asset prices.

Overvaluation

Overvaluation is detected when house prices remain significantly above the levels warranted by fundamental drivers of housing markets such as income, population, and actual and expected financing costs.

The HMA framework uses combinations of different house price measures and models to estimate house price levels warranted by fundamental drivers.

The difference between observed house prices and their estimated levels consistent with housing market fundamentals allows for an estimation of the degree of over- and undervaluation. The use of different price measures and models improves the reliability of results.

Overbuilding

Overbuilding is detected when the supply of readily available housing units significantly exceeds demand. In such a context, downward pressure on house prices would occur until the excess supply is eventually absorbed.

To assess overbuilding conditions in the housing market, the HMA framework uses two indicators that relate to the supply of readily available housing units: the rental vacancy rate, and the inventory of completed and unsold housing units per 10,000 population. The HMA framework compares the current level and recent trends in these indicators with thresholds.

Note 1: Colour codes indicate the level of evidence of problematic conditions. The HMA reflects a comprehensive framework that not only tests for the presence or incidence of signals of potentially problematic conditions, but also considers the intensity of signals (that is, how far the indicator is from its historical average) and the persistence of signals over time. Generally, low intensity and persistence are associated with a lower potential of upcoming problematic conditions. As the number of persistent signals increases, the evidence of a problematic condition developing increases.

Note 2: Results at the CMA level are not segmented by housing type or neighbourhood. They represent an assessment of the entire CMA. However, specific CMA reports provide further detailed analysis of these markets.

Note 3: The colour scale extends to red only for those factors that have multiple indicators signaling significant incidence, intensity and persistence of potentially problematic conditions. As a result, only overvaluation and overbuilding can receive a red rating, since they are assessed using more than one indicator.

Note 4: To ensure the framework is as current as possible, on a regular basis, we undertake a model selection process whereby our house price models for overvaluation are tested for statistical significance at the national and CMA level. The result of this process may change the number of indicators of a problematic condition from the previous assessment.

* See Phillips, Wu and Yu (2008) "Explosive Behaviour in the 1990s NASDAQ When Did Exuberance Escalate Asset Values?" for further details on the methodology.

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for almost 70 years.

CMHC helps Canadians meet their housing needs. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer objective housing research and information to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at www.cmhc.ca or follow us on [Twitter](#), [LinkedIn](#), [Facebook](#) and [YouTube](#).

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/en/hoficlincl/homain

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 printed editions of MAC publications, call 1-800-668-2642.

©2017 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please complete the [CMHC Copyright request form](#) and email it to CMHC's Canadian Housing Information Centre at chic@cmhc.ca. For permission, please provide CHIC with the following information: Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on

FREE REPORTS AVAILABLE ON-LINE

Local, regional and national analysis and data pertaining to current market conditions and future-oriented trends.

- Canadian Housing Statistics
- Condominium Owners Report
- Housing Information Monthly
- Housing Market Assessment
- Housing Market Insight
- Housing Now Tables
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Regional and Northern
- Housing Market Outlook, Canada and Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

FREE DATA TABLES AVAILABLE ON-LINE

- Housing Construction Activity by Municipality
- Comprehensive Rental Market Survey Tables
- Comprehensive New Home Construction Tables

CMHC's Market Analysis Centre provides a wealth of local, regional, and national data, information, and analysis through its suite of reports, data tables, and interactive tools.

- **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.

HOUSING MARKET INFORMATION PORTAL!

The housing data you want, the way you want it.

- Information in one central location
- Quick and easy access
- Neighbourhood level data

cmhc.ca/hmiportal

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

Housing Observer Online

Featuring quick reads and videos on...

- Analysis and data
- Timely insights
- Updates to housing conditions and trends & *much more!*

All links can be shared in social media friendly formats!

The screenshot displays the Housing Observer Online website. At the top, there's a navigation bar with 'HOME', 'ABOUT', 'CONTACT', and 'SUBSCRIBE'. Below the navigation, there are several article cards with titles and dates. One card is titled 'The HMI Portal provides reliable and impartial housing market reports, data and analysis.' Another card is titled 'An alternative water ready home — what's the plan?'. A third card is titled 'We have to learn to be flexible... and so does our housing'. A fourth card is titled 'What is a condo?'. Below the article cards, there's a red banner with the text 'Subscribe today to stay in the know!' and the URL 'www.cmhc.ca/observer'. At the bottom, there's a small section for 'CMHC 2013 Mortgage Consumer Survey' and 'Own Your Home'.