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FORECAST

SUMMARY

Canada Mortgage and Housing Corporation

Economic Overview

After weak employment growth in 2003, Winnipeg will rebound with expected gains of 4,000 jobs in both 2004 and 2005. This past year most of the employment gains were in the service producing sectors such as accommodation and food services and education services, while losses were felt in the goods producing sector. Moving forward, we expect gains to be in the goods producing sector, particularly construction where several major commercial and infrastructure projects are expected to start.

Winnipeg has also experienced a turnaround in

population growth. The most recent data from Statistics Canada indicates that the city has seen a growth rate of 0.5 per cent per year since 1998 and 0.75 per cent over the last year, a rate of increase not seen since the late 1980's. Most of the population increase has been due to positive net migration. While net interprovincial migration is still negative, the rate of losses has slowed over the last few years, and net international migration has increased. This trend is expected to continue over the forecast period, which will have a significant impact on the housing markets.

WINNIPEG SPRING 2004

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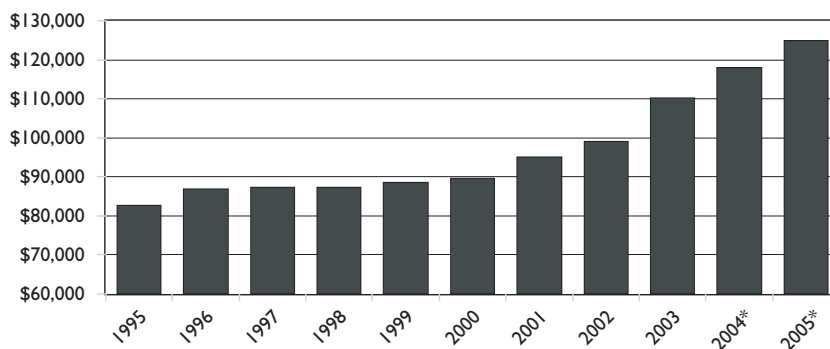
Resale Market

Listings remain scarce, sellers' market conditions to persist

After a decline in sales in 2002, MLS sales in 2003 rebounded, but only modestly, registering an increase of three per cent. Demand, however, remains strong, bolstered by low interest rates, bullish consumer confidence and positive population growth. The lack of active listings appears to be the main factor holding back sales. The average number of active listings

per month dropped another 25 per cent in 2003 after registering a drop of 30 per cent in the previous year. Shortages are especially prevalent in the mid price ranges where extreme sellers' market conditions dominate. Demand appears to remain strong as many listings in these categories are snapped up as soon as they are put on the market.

Average MLS Sale Price Winnipeg CMA



Source: WREB and CMHC



HOME TO CANADIANS
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In order to return to balanced market conditions, the number of active listings would have to double to meet the current level of demand. The recent and expected high level of activity in new house construction will add to the number of listings as move up buyers and those empty-nesters moving into multiple-family living dispose of their existing homes. The numbers, however, will not be great enough to loosen supply going into 2004 and 2005. With demand for resale homes expected to remain firm over the same period, sellers' market conditions will prevail and sales will remain flat.

Price growth will surpass inflation

Given an extreme lack of listings and favorable conditions for homeownership, the tight supply and demand relationship is pushing up prices. In 2003, average resale price reached \$110,256 an increase of 11 per cent over 2002. These increases were felt across the CMA as prices in the inner-city increased at the same rate as in the suburbs. Desirable listings are so scarce that, on average, 30 to 40 per cent of homes sold in a given month sell at list-price or greater. Some homes are even entertaining bids in excess of \$10,000 of their asking price. Average price is also being pushed up by homes in higher price categories gaining market share while sales of homes at the lower end of the spectrum are declining. This phenomenon is due in part to homebuyers taking advantage of lower mortgage



rates. The popularity of higher priced homes will continue into 2004 and 2005 as mortgage rates are expected to remain low. As a result, price increases are expected to surpass the rate of inflation over the same period, with average price expected to reach \$120,000, an increase of almost nine per cent in 2004 and a further six per cent increase in 2005 to \$127,000.

Low mortgage rates will continue to cushion affordability

Rising prices will have an effect on affordability in Winnipeg over the next year, but potential homebuyers will not be hit with the compounding effect of increased mortgage costs as mortgage

rates are expected to remain historically low. CMHC estimates that after a rise of almost nine per cent in average house price, a slight rise in mortgage rates of 25 basis points will cause the monthly principal and interest payment on the popular NHA 95 per cent mortgage to increase by 11.3 per cent from \$716 to \$797. This situation will erode affordability as average earnings are not forecast to rise at the same pace. Despite rising costs, a home is still viewed by many as a stable investment.

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Valuable information at the click of a mouse

Canada Mortgage & Housing Corporation (CMHC) is the Government of Canada's national housing agency; helping Canadians to gain access to a wide choice of quality, affordable homes. For more information visit our website at www.cmhc.ca

MLS® Resale Market Information RESIDENTIAL DETACHED HOMES

CMHC's Survey Zones:	Sales			Average Price			Days to sell	
	2003	2002	% change	2003	2002	% change	2003	2002
Zone 1: Fort Rouge	552	479	15.2%	101,533	94,395	7.6%	23	29
Zone 2: Centennial	251	200	25.5%	46,766	41,809	11.9%	110	73
Zone 3: Midland	650	615	5.7%	65,468	57,440	14.0%	51	63
Zone 4: Lord Selkirk	850	819	3.8%	58,211	53,356	9.1%	52	60
Inner-city Area	2303	2113	9.0%	69,396	62,755	10.6%	56	56
Zone 5: St. James-Assiniboia	821	825	-0.5%	100,227	91,460	9.6%	23	26
Zone 6: West Kildonan	594	641	-7.3%	103,943	94,833	9.6%	34	46
Zone 7: East Kildonan	1058	983	7.6%	94,503	86,615	9.1%	29	42
Zone 8: Transcona	417	467	-10.7%	92,596	83,629	10.7%	29	25
Zone 9: St. Boniface	714	663	7.7%	136,866	119,724	14.3%	29	35
Zone 10: St. Vital	850	803	5.9%	121,911	106,857	14.1%	37	36
Zone 11: Fort Garry	749	742	0.9%	143,817	124,334	15.7%	27	26
Zone 12: Assiniboine Park	1122	1120	0.2%	161,368	146,196	10.4%	40	70
Suburban Area	6325	6244	1.3%	122,173	109,164	11.9%	32	40
Surrounding Rural Municipalities	525	516	1.7%	146,897	127,259	15.4%	69	94
Winnipeg CMA	9153	8873	3.2%	110,312	99,164	11.2%	41	48

Source: WREB, CMHC

New Home Market

Single-family starts to level off

Single-family starts appear to have reached a plateau in 2003 with the year-end total of 1,641 starts representing a modest increase of seven per cent over the total reported in 2002. Builders have been working at capacity for nearly two years and are having the difficulty of finding additional skilled labour. Thus, builders are likely unable to increase their current levels of production despite continued strong demand. Demand is not expected to wane as a forecasted higher job growth rate, and continued positive population growth will contribute to the formation of new households going into 2004 and 2005. Also, a lack of choice in the resale market and low borrowing costs will encourage potential homebuyers to turn to the new home market for a move-up and even a first home.

Within the City of Winnipeg, almost all single-family construction occurred in the suburban areas. The southern half of the City, the CMHC zones of Assiniboine Park, Fort Garry, St. Vital and St. Boniface, accounted for more than 77 per cent of all activity within the city in 2003. As we progress into 2004, the increasing scarcity of serviced lots, especially in the south-west part of Winnipeg, will begin to affect the market's ability to respond to demand. The subdivisions of Linden Woods and Whyte Ridge will likely be completely built out by mid-year. While demand may shift to the south-east where new phases have been added to the Royalwood and Island Lakes subdivisions, capacity there is also limited. The industry is attempting to bring new lots onto the market, but the time lag involved in municipal approval, construction and servicing,

will mean that the bulk of these lots will not be available until 2005. As a result of this lack of supply, as well as the industry's ability to access skilled labour and increase output, single-family starts will level off and begin to decline in 2004 for a total of 1,600 units. In 2005, rising prices and mortgage rates will start to soften demand, but starts will still remain above the five-year average to post 1,500 units.

New single-family housing prices on the rise

While new housing will be restricted by lot availability in parts of Winnipeg, this scarcity also means that land prices in general will continue to increase, adding to the price of a new home. In addition to rising land prices, rising labour and material costs are also pushing up the average price. In 2003 the average price of a new home was \$216,458, some nine per cent greater than in 2002. Higher priced homes are also gaining market share, contributing to the increase in average price. Looking at the rest of this year, expect new home prices to rise another seven per cent to finish in 2004 at \$231,500, and rising a further six per cent in 2005 to \$245,000.

Multiple-family construction will be sustained

Multiple-family construction in the Winnipeg CMA exploded in 2003. There were 789 units were started, over two and one half times the number started in 2002, making it the best year for multiple-family construction since 1989. Almost half of these units were part of one

project, a 360 unit rental apartment complex in North Winnipeg, which was also the largest single market rental apartment project in Winnipeg in over ten years. Most of the remainder of the multi- activity was focused on the seniors' condominium market. Absorption of these units is not expected to be an issue. The rental units are expected to be quickly occupied given the extremely tight rental market conditions currently being experienced in Winnipeg, and many of the condominium units currently under construction have been pre-sold and will be absorbed immediately upon completion.

Moving into the forecast period, multiple-family construction is expected to remain strong. The demand for rental accommodations, fuelled in part by expected positive in-migration, will continue to spur rental construction. Another large rental complex is already approved and poised to break ground in 2004, and the immediate success of last year's project has created growing interest in the initiation of other similar projects. In addition, the tri-partite Affordable Housing Initiative will stimulate the construction of affordable rental units. Seniors' condominium construction will also remain strong as the population ages, recent price gains in the resale market are encouraging empty-nesters to sell while the market is in their favour. Several seniors' condominium and life-lease projects have recently received municipal approvals and are currently pre-selling prior to construction. Multiple-family construction is therefore forecast to remain solid with 650 starts in both 2004 and 2005.

New Home Market Information

HOUSING STARTS

CMHC's Survey Zones	Single-family			Multiple-family			Total starts		
	2003	2002	% change	2003	2002	% change	2003	2002	% change
Zone: Not Coded	11	4	***	25	0	***	36	4	***
Zone 1: Fort Rouge	4	4	0.0%	68	2	***	72	6	1100.0%
Zone 2: Centennial	12	0	***	0	0	***	12	0	***
Zone 3: Midland	3	3	0.0%	0	0	***	3	3	0.0%
Zone 4: Lord Selkirk	18	5	***	0	0	***	18	5	***
Zone 5: St. James-Assiniboia	4	7	-42.9%	31	0	***	35	7	400.0%
Zone 6: West Kildonan	154	103	49.5%	351	0	***	505	103	390.3%
Zone 7: East Kildonan	50	72	-30.6%	54	106	***	104	178	-41.6%
Zone 8: Transcona	30	40	-25.0%	0	0	***	30	40	-25.0%
Zone 9: St. Boniface	301	284	6.0%	24	17	41.2%	325	301	8.0%
Zone 10: St. Vital	199	137	45.3%	84	34	147.1%	283	171	65.5%
Zone 11: Fort Garry	295	292	1.0%	79	10	690.0%	374	302	23.8%
Zone 12: Assiniboine Park	183	167	9.6%	69	124	***	252	291	-13.4%
Winnipeg City	1264	1118	13.1%	785	293	167.9%	2049	1411	45.2%
Surrounding Rural Municipalities	377	410	-8.0%	4	0	***	381	410	-7.1%
Winnipeg CMA	1641	1528	7.4%	789	293	169.3%	2430	1821	33.4%

Source: CMHC

Rental Market

New construction to help ease vacancy rates

For the first time in 6 years, Winnipeg's apartment vacancy rate eased in 2003, but the change was negligible. According to CMHC's October Rental Market Survey, the vacancy rate rose by 0.1 per cent to 1.3 per cent. These tight conditions are expected to persist during the forecast period due to a number of factors that favour a stable rental population. Winnipeg will continue to see positive migration, particularly international migrants who tend to first seek rental accommodation when they arrive. Additional renter household formation is also expected with positive job growth. Low mortgage rates and new options, such as CMHC's Flex-Down product, will encourage renters to move to homeownership. However, a continued shortage of listings will make it difficult for these potential purchasers to find adequate housing. Rising resale prices will also begin to price some renters out the homeownership market. At the same time there will be some additions to

the rental market universe through new construction, however, these will not make a significant difference when measured against increasing demand. Therefore, only a slight relaxation of the vacancy rate is expected over the forecast period rising to 1.5 per cent in 2004 and 1.8 per cent in 2005.

New stock will push up average rents

Given that the vacancy rate is to remain low, landlords will likely increase rents to the full extent of the rent control guideline which is set at 1.5 per cent for 2004. In addition, the new units being added to the inventory will likely be in the upper end of the spectrum which will have the effect of pushing up overall average rents. Therefore, rents are expected to increase by slightly more than the guideline with an average two per cent increase in 2004 and 2.5 per cent in 2005.

FORECAST SUMMARY Winnipeg Census Metropolitan Area

	2001	2002	2003	2004*	2005*	Change
RESALE MARKET**						
MLS® New Listings ¹	1,900	1,327	1,002	1,100	1,200	9.1%
Residential MLS® Sales (Total)	9,280	8,873	9,151	9,000	9,000	0.0%
Residential MLS® Sales Price (Average)	95,203	99,164	110,256	120,000	127,000	5.8%
NEW HOME MARKET						
Total Housing Starts	1,473	1,821	2,430	2,250	2,150	-4.4%
Single-family	1,238	1,528	1,641	1,600	1,500	-6.3%
Multiple-family	235	293	789	650	650	0.0%
Average New House Price						
Single-family All Types	\$183,517	\$198,382	\$216,458	\$232,000	\$245,000	5.6%
RENTAL MARKET						
Vacancy rate (Oct)						
Rental Rate: (annual % chg) 2bdr.	1.4%	1.2%	1.3%	1.5%	1.8%	
Rental Housing Starts	2.9%	2.8%	3.7%	2.0%	2.5%	
ECONOMIC OVERVIEW						
Mortgage rate: 1 yr term	6.1%	5.2%	4.8%	4.2%	4.6%	
3 yr term	6.9%	6.3%	5.8%	5.5%	6.0%	
5 yr term	7.4%	7.0%	6.4%	6.1%	6.7%	
Employed (000's)	358	362	362	366	370	1.1%
Employment growth (new jobs)	7	5	0	4	4	
Net-migration	385	706	2,698	2,000	2,050	

Legend: * CMHC Forecast

¹ Annual average based on monthly listings

² Includes Residential Detached, Condominium, Single-attached, Duplex, Mobile Home, and Town House

³ Interprovincial migration + International immigration + Intraprovincial migration

Source: CMHC, Statistics Canada, Winnipeg Real Estate Board, Canadian Real Estate Association

** Resale data has been taken from the Sold and Expired Book produced by the WREB

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