

## Residential and Non-Residential Investment - January 2021

*Residential properties showing strength, while non-residential construction has taken a step back.*

[Chris Ferris](#), Senior Economist

March 12, 2021

### Bottom Line

During the COVID-19 pandemic, the value of building permits in Canada, Manitoba and the Winnipeg CMA have gained for residential permits, while they have fallen for non-residential permits. The Nov'20 – Jan'21 period figures shown strong residential permit gains.

Residential property, particularly detached and semi-detached homes, has shown strength. Plans for building non-residential properties eased off in 2020 and are expected to show overall weakness as we head into 2021. This could be mitigated by spending on government infrastructure, and industrial and warehouse capex.

### Building Permits – Jan'21

Statistics Canada released building permit values for January 2021 on March 3, 2021. **Table 1** reveals that building permit values have moved away from non-residential in favor of residential construction on a year-over-year (YoY) basis. The switch is much more prominent for Manitoba and the Winnipeg CMA than Canada overall.

Table 1: Value of Building Permits - Seasonally Adjusted <sup>1</sup>

| Geography       | Permit Type     | Jan 2020<br>(\$Millions) | Jan 2021<br>(\$Millions) | YoY Index<br>(100 = same<br>as prior year) |
|-----------------|-----------------|--------------------------|--------------------------|--|
| Canada          | Residential     | \$5,853                  | \$7,075                  | 121  |
|                 | Non-residential | \$3,455                  | \$2,829                  | 82   |
| Manitoba        | Residential     | \$111                    | \$219                    | 196  |
|                 | Non-residential | \$173                    | \$93                     | 54   |
| Winnipeg<br>CMA | Residential     | \$76                     | \$155                    | 203  |
|                 | Non-residential | \$104                    | \$64                     | 61   |

**Figure 1** shows residential permit values held up well despite the COVID-19 pandemic. In fact, during the Nov'20 – Jan'21 period, the value of residential permits saw YoY gains – particularly in Manitoba and the Winnipeg CMA.

Considering **Figure 2**, we see that non-residential permit values have declined in Canada, Manitoba, and the Winnipeg CMA since January 2020. Non-residential permits saw greater declines in Manitoba and the Winnipeg CMA than in Canada.

<sup>1</sup> Statistics Canada. Table 34-10-0066-01 Building permits, by type of structure and type of work.

Figure 1: YoY Index of Residential Building Permit Values by Month by Geography

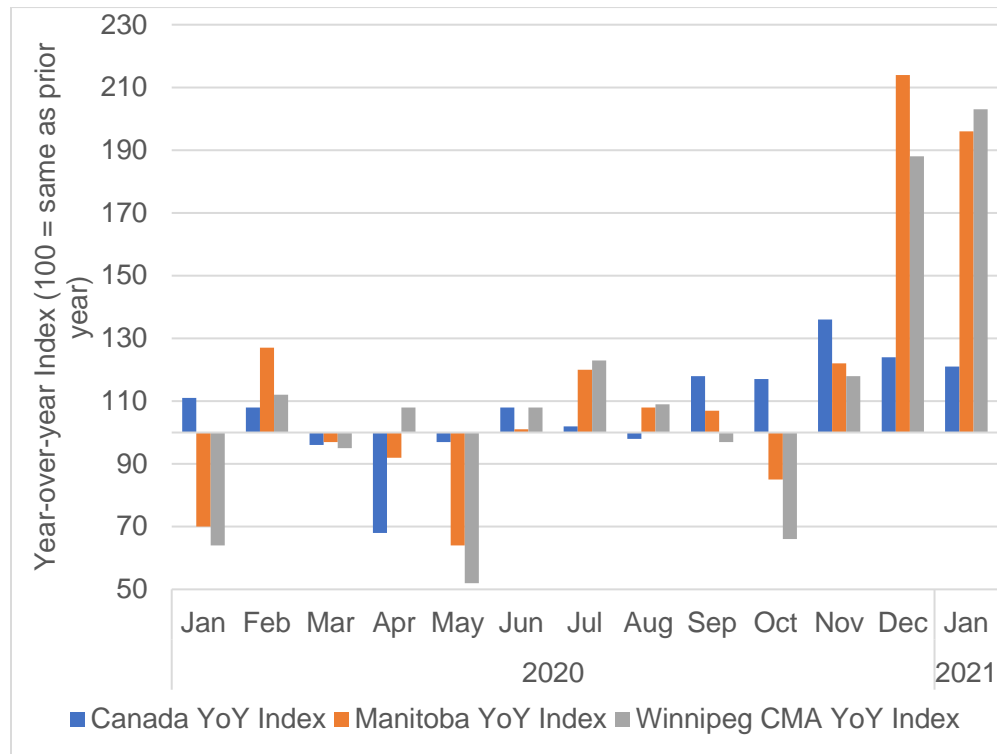


Figure 2: YoY Index of Non-residential Building Permit Values by Month by Geography

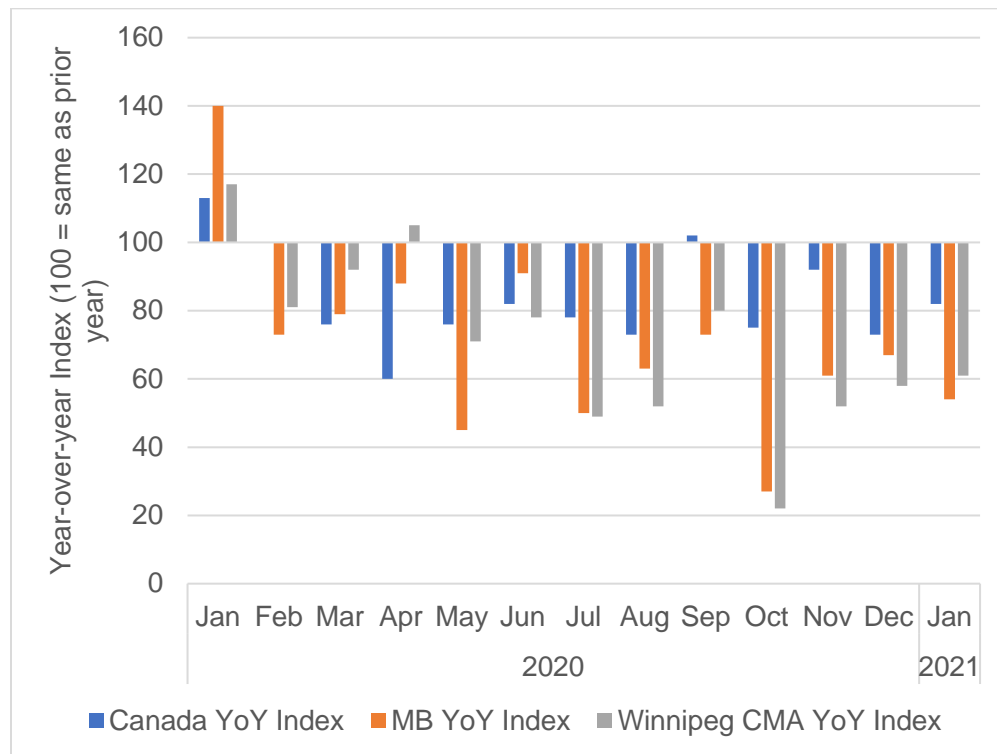
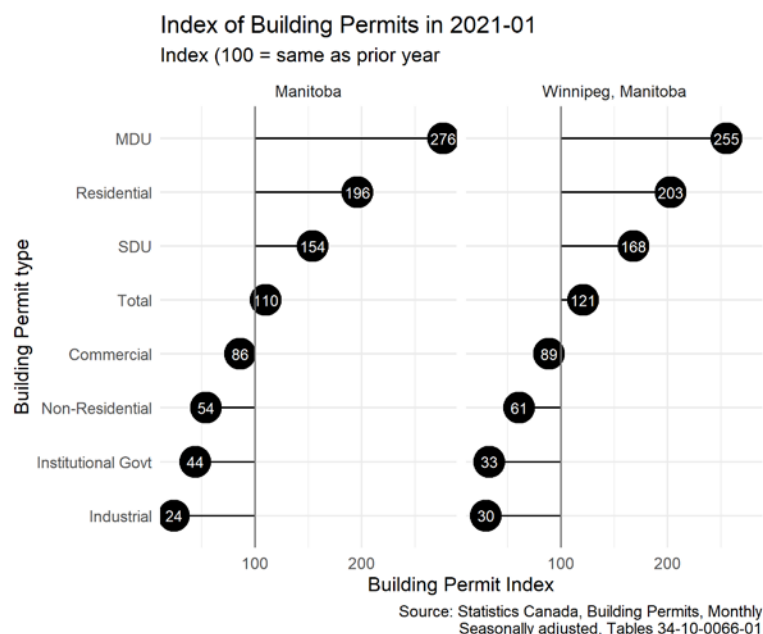


Figure 3: Index of Building Permits in January 2021 (100 = same as prior year)



Compared to last year in January 2021 some building permit types have posted strong gains (**Figure 3**). For example, building permits for **multiple dwelling units (MDU)** in:

- Manitoba are up 176 per cent, and
- Winnipeg CMA up 155 per cent.

Similarly, the value of business permits was up for **single dwelling units (SDU)** in:

- Manitoba, up 54 per cent, and
- Winnipeg CMA up 68 per cent.

Industrial and institutional building permits have declined, partially because of a strong showing in the prior year.

## Housing Markets

According to the [Winnipeg Regional Real Estate Board](#), February sales were up 48% over 2020.<sup>2</sup> The Sales/Active Listing ratio is still tight for detached and attached housing, while it was lower for condominiums (**Table 2**).

This follows the Canadian theme of strong demand for housing that enables greater social distancing within market (with some moving from main markets to smaller markets, as enabled by the work from home trend). For example, a Global News [article](#), and an [Economic Commentary](#) from Central 1.

Table 2: Winnipeg Regional Sales - Feb 2021 (WRREB)

| Type     | Active Listings (L) | Sales (\$) | S/L Ratio | Average Price | Average Square feet |
|----------|---------------------|------------|-----------|---------------|---------------------|
| Detached | 1,032               | 814        | 79%       | \$360,194     | 1,359               |
| Attached | 109                 | 91         | 83%       | \$308,368     | 1,390               |
| Condos   | 512                 | 170        | 33%       | \$242,571     | 1,035               |

<sup>2</sup> See the associated [market release](#).

It will be interesting to see if the housing trend continues once the COVID-19 vaccination programs have covered all Canadians. This will depend on several factors. If work-from-home softens, we could see demand rise again in urban settings. Even if that does not change substantially, the cure for high-prices is high-prices (i.e., strong prices attract supply, often resolving the issue). Surging detached and attached house prices are likely to pull more houses into the market, particularly as we complete the vaccination programs. This is something to keep an eye on in the coming months.

## Non-residential capital expenditures, 2021

Statistics Canada released 2021 intentions for non-residential capital expenditures on February 26, 2021.<sup>3</sup> Canada overall has strong intended non-residential capital expenditure (capex) for 2021, driven by Quebec and Ontario. After strong capex in Manitoba in 2018, and 2019, intentions for 2021 look to post minor gains over 2020's weaker figure (**Table 3**).

Table 3: Capex on non-residential construction, machinery, and equipment.

| Geography       | 2018      | 2019 E    | 2020 E    | 2021 I    | 2021/2020 |
|-----------------|-----------|-----------|-----------|-----------|-----------|
| <b>Canada</b>   | \$263,397 | \$273,776 | \$248,679 | \$266,183 | 7.0%      |
| <b>Manitoba</b> | \$9,392   | \$9,476   | \$7,771   | \$7,817   | 0.6%      |

Note that this data was gathered during Sep to Dec 2020, so the Code Red restrictions in Manitoba may have depressed investment intentions for 2021. Also, the federal, provincial and city governments capex plans will likely help support overall capex numbers in 2021.<sup>4</sup> Industrial and warehousing real estate investment in the Winnipeg CMA is expected to do well in 2021, given the continuing strength in manufacturing sales and wholesale sales, and continuing buildout in [CentrePort](#).

EDW Contacts for Assistance or Inquiries:

**For Winnipeg looking for help accessing government programs, please reach out to our Yes! Winnipeg Team** through our [Help us help you form](#) if you are not sure whom to contact on the YW team. For general inquires please email [wpginfo@edwinnipeg.com](mailto:wpginfo@edwinnipeg.com). For Marketing & Communications Inquiries, please email: [marketingandbranding@edwinnipeg.com](mailto:marketingandbranding@edwinnipeg.com).

<sup>3</sup> Source: Statistics Canada, Table 34-10-0035-01. Private and public capital investment for Canada and Manitoba. Note: 2019 represents revised estimates, 2020 represents preliminary estimates and 2021 represents investment intentions. See the notes in the [PDF](#).

<sup>4</sup> Based on the Federal Fall Economic Statement, the mid-year review for the Province, and the recent budget update from the City of Winnipeg, which many not have been fully taken into account in the survey. The new provincial budget is due to arrive on April 7, 2021.