

SECOND HALF 2020 WINDSOR RESIDENTIAL REAL ESTATE FORECAST

The world changed in the first half of 2020 but Windsor-Essex's residential real estate is still a seller's market

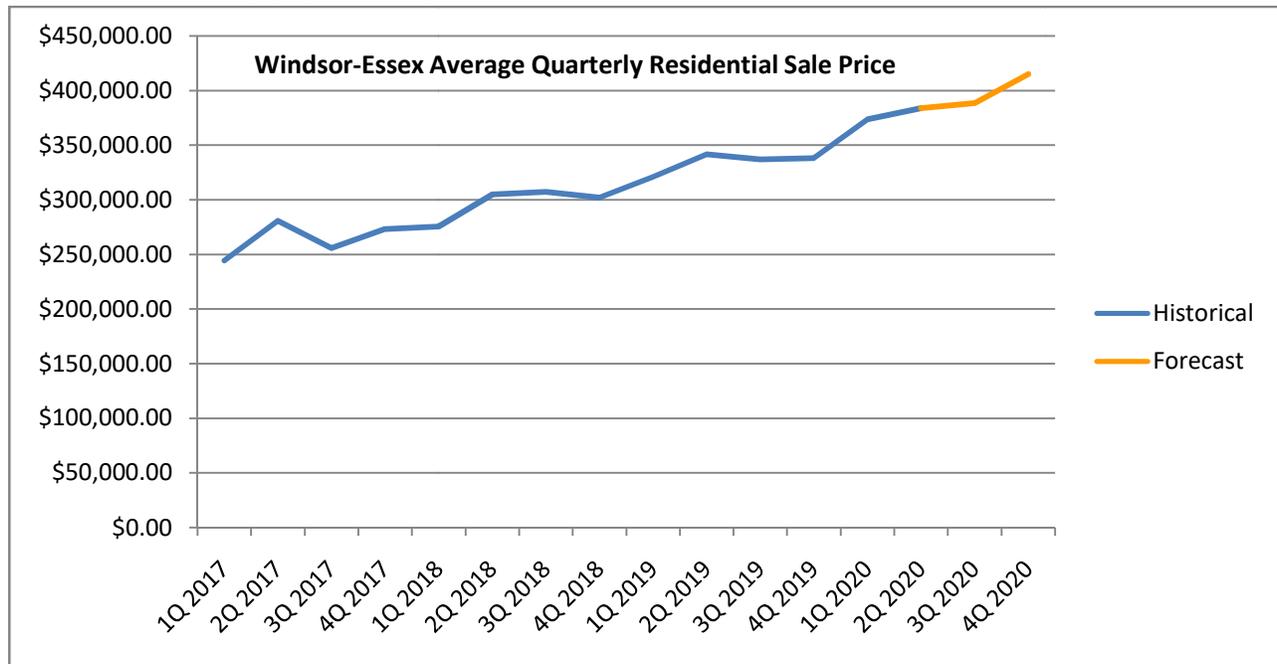
Average Sale Price (Average of 2Q 2020 Monthly Data)	Number of New Listings (2Q 2020)	Number of Sales (2Q 2020)	Median Days to Sell (Average of 2Q 2020 Monthly Data)	Months of Inventory (Active Listings/Sales June 2019)	Residential Rental Vacancy Rate (October 2019)	Row/Apt. Average Rent (October 2019)
\$383,829	2,112	1,506	11.67 Days	2.4 Months	2.8%	\$874
↑2.8% QoQ ↑12.4% YoY	↑4.0% QoQ ↓29.9% YoY	↑14.6% QoQ ↓25.4% YoY	↔from 11.67 QoQ ↑from 10.67 YoY	↓from 3.5 Mo. MoM ↔from 2.4 Mo. YoY	↓ from 2.9% in Oct. 2018	↑from \$827 in Oct. 2018

*Sale data obtained from WECAR

*Rental data obtained from CMHC

*MoM = Month over Month, QoQ = Quarter over Quarter, YoY = Year over Year

*Real estate data can have seasonal variations



*Please read the Forecast Disclaimer on page 4 regarding forecasts

SUMMARY

- The COVID-19 pandemic in the first half of 2020 changed our society and also has caused a major economic disruption worldwide, including in Windsor & Essex County. The Windsor Census Metropolitan Area's (CMA) unemployment rate doubled from 7.6% at the end of December 2019 to 15.2% at the end of June 2020.
- In June 2020, Windsor-Essex's average residential real estate price reached a record of \$400,146. The monthly average for the 2nd quarter of 2020 (2Q 2020) was \$383,829, an increase of 2.8% over 1st quarter of 2020 (1Q 2020) and 12.4% over the 2nd quarter of 2019 (2Q 2019). In our view, the continued increase in local residential real estate is likely driven by strong supply/demand dynamics, low interest rates, and local population growth.
- The RenCen Real Estate Limited proprietary models forecast that Windsor-Essex's residential real estate prices will continue increasing and reach an average of about \$415,188 for 4Q 2020, an increase of about 8.2% over 2Q 2020. RenCen Real Estate Limited will not be providing forecasts beyond 4Q 2020 due to uncertain economic conditions.

MARKET CONDITIONS

Who would have ever thought 2020 would be what it is! We certainly didn't. The events of 2020 have already led to major economic disruptions worldwide. Windsor-Essex is no exception to this and we have suffered major economic damage as a result of the COVID-19 pandemic. Job losses in the Windsor CMA as a result of the pandemic peaked out at 31,900 in May, with a total unemployment rate of 16.7%. Since May, employment figures have begun to improve but are still far below pre-pandemic levels. As of the completion of this report, Essex County has recently begun Stage 3 of its reopening. This may lead to a further improvement in our labour market, due to many workers in the service industry returning to work. However, the overall economic picture remains very unclear at present. The Canada Emergency Response Benefit (CERB) is scheduled to expire on October 3. If this expires on schedule, it will withdraw stimulus from the nation's economy, which has the potential to slow consumer spending. It is also unknown whether there will be additional lockdowns in the future, as there is certainly a possibility (or even a likelihood) of a second wave of the virus materializing in the fall as a result of business and school re-openings. Locally, the third shift at the FCA Windsor Assembly Plant ended in July. These job losses have the potential to create job losses at local feeder plants as well. The Bank of Canada seems committed to maintaining low interest rates and monetary stimulus for as long as it takes for our economy to recover. However, in our view, a normal life and a normal economy do not appear to be very likely in the near-term.

Economic Data (Windsor CMA)	Dec 2019	June 2020
Population (thousands)	297.3	299.1
Employment (thousands)	166.8	136.9
Unemployment Rate	7.6%	15.2%
Economic Data (Canada)		
CMHC Conventional 5-Yr Lending Rate	4.08%	3.77%
*Economic data for both the Windsor CMA and the nation were obtained from Statistics Canada		

The COVID-19 pandemic has depressed overall market activity in the Windsor area, with total listings and total sales both declining significantly. It is understandable that many people would not want to move during a pandemic. However, while the pandemic clearly has affected the number of listings and sales, it does not appear to have had much effect on the trajectory of overall prices. Windsor-Essex's real estate market has continued to appreciate at one of the highest rates in the country. In June 2020, Windsor-Essex's average residential real estate price reached a record of \$400,146, an increase of about 19.4% from June 2019. The monthly average for 2Q 2020 was \$383,829, an increase of 2.8% over 1Q 2020 and 12.4% over 2Q 2019. While overall market activity is depressed, demand appears to be outpacing supply at present. The number of total new listings was down 29.9% in 2Q 2020 when compared to 2Q 2019. However, the number of sales was only down 25.4% over this same period. Between 1Q 2020 and 2Q 2020, the number of new listings rose by 4.0% while the number of new sales rose by 14.6%. In 2Q 2020, the median number of days to sell a house was 11.67 days, unchanged from 1Q 2020 and up only slightly from an average of 10.67 days in 2Q 2019. As of June 2020, there were approximately 2.4 months of residential sale inventory on the market. This is down from 3.5 months in May of 2020 and unchanged from 2.4 months in June of 2019. 2.4 months of inventory is a very low figure historically and indicates a strong seller's market at present. Interest rates, another key driver of

housing demand, have fallen since the start of the COVID-19 pandemic. The CMHC (Canada Mortgage and Housing Corporation) Conventional Lending 5-Year Lending Rate fell from 4.08% in December of 2019 to 3.77% in June 2020. Interest rates are not quite at record lows at present but they are close to those levels. Population growth in the Windsor area has also been strong of late. Over the last 6 months, the Windsor CMA has added approximately 1,800 new residents, a strong number for an area that is not generally accustomed to significant population growth. However, immigration levels in Canada have fallen significantly during the pandemic. Population growth in the Windsor CMA still appears to be positive as of now. However, the prospect that slowing immigration will slow population growth is a potential threat to real estate markets throughout Canada, including Windsor-Essex.

The last CMHC rental market report (October 2019) for the Windsor area was very strong. The estimated residential vacancy rate fell from 2.9% to 2.8% between October 2018 and October 2019 while the estimated average monthly rent rose approximately 5.7% to \$874. Falling vacancy rates and increasing market rents likely helped to power past gains in Windsor-Essex's residential real estate market. However, the present status of the rental market is unclear, and uncertainty regarding post-secondary education and international students raises concerns in the near-term.

In our view, due to the presently strong supply/demand dynamics, low interest rates, and continued local population growth, it appears that Windsor-Essex's real estate market is likely to continue along its current trajectory in the near-term despite the present state of the economy. We believe that the longer-term trajectory for local residential real estate is unclear at present due to economic and population uncertainties.

FORECAST

Proprietary Models developed by RenCen Real Estate Limited were used to forecast the future performance of the local real estate market. The models forecast an increase of the average residential real estate price in the Windsor-Essex County area to \$415,188 in Q4 2020, an increase of about 8.2% over Q2 2020 and an increase of about 22.8% over Q4 2019.

Q4 2020 Average Residential Price Forecast
\$415,188
↑8.2% over Q2 2020
↑22.8% over Q4 2019

The proprietary models are in fairly close agreement for the remainder of 2020, where they forecast continued appreciation. The models, however, begin to diverge after the end of 2020, likely due to the considerable economic uncertainty facing the world and also the Windsor area. Due to this uncertainty, RenCen Real Estate Limited will not be forecasting beyond Q4 2020. We encourage you to refer to our Forecast Disclaimer (contained on page 4), which explains proper and improper uses of our forecasts.

WINDSOR-ESSEX COUNTY MARKET AREA

The Windsor-Essex County real estate market referenced in this report includes all of the municipalities covered by the Windsor Essex County Association of Realtors (WECAR) and includes the City of Windsor, Town of Lasalle, Town of Tecumseh, Town of Lakeshore, Town of Amherstburg, Town of Essex, Town of Kingsville, and some other areas such as Tilbury and Wheatley, which are part of the Municipality of Chatham-Kent but have real estate activity shared with WECAR.

ABOUT RENCEN REAL ESTATE LIMITED

RenCen Real Estate Limited was founded in August 1979 with its office on Wyandotte Street West in Windsor, Ontario. Rocco Mancini, BA (Economics), a co-founder, became the sole principal owner in the early 1980's and as Broker of Record at present, continues to operate the company in Windsor, Ontario. It is one of the longest continuously operating real estate companies in the Windsor-Essex County area and has conducted business throughout Ontario in centers as far as Ottawa. Over the years, RenCen has represented a large number of financial institutions whose head offices are in Ontario, Alberta and Saskatchewan. Through prudent management, RenCen survived the 1980 recession and the latest economic downturn in Windsor-Essex County.

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Forecast Disclaimer: *Forecasts prepared by RenCen Real Estate Limited are prepared using various data science techniques. They are prepared for **informational purposes** only. In our opinion, it is extremely difficult to forecast anything accurately and the COVID-19 pandemic makes forecasting even more difficult. We **strongly discourage** anyone from making buying and selling decisions based on our forecasts and we are not responsible for any losses incurred as a result of any decisions that are made as a result of these forecasts. Forecasts also use average price data. Average price data can be affected by differing sale mixes and are not always reflective of the increase or decrease in price of a given property, or even an average property. Average price data were used because there are no properly adjusted index data available for the Windsor area. Monthly quarterly averages may also not be a perfect reflection of quarterly data itself. Data used in models may also be further manipulated for modelling purposes.*