

**1<sup>ST</sup> HALF 2020 WINDSOR-ESSEX RESIDENTIAL REAL ESTATE FORECAST**

# 2021 brings hope against COVID-19 and continued strength in Windsor’s residential real estate market

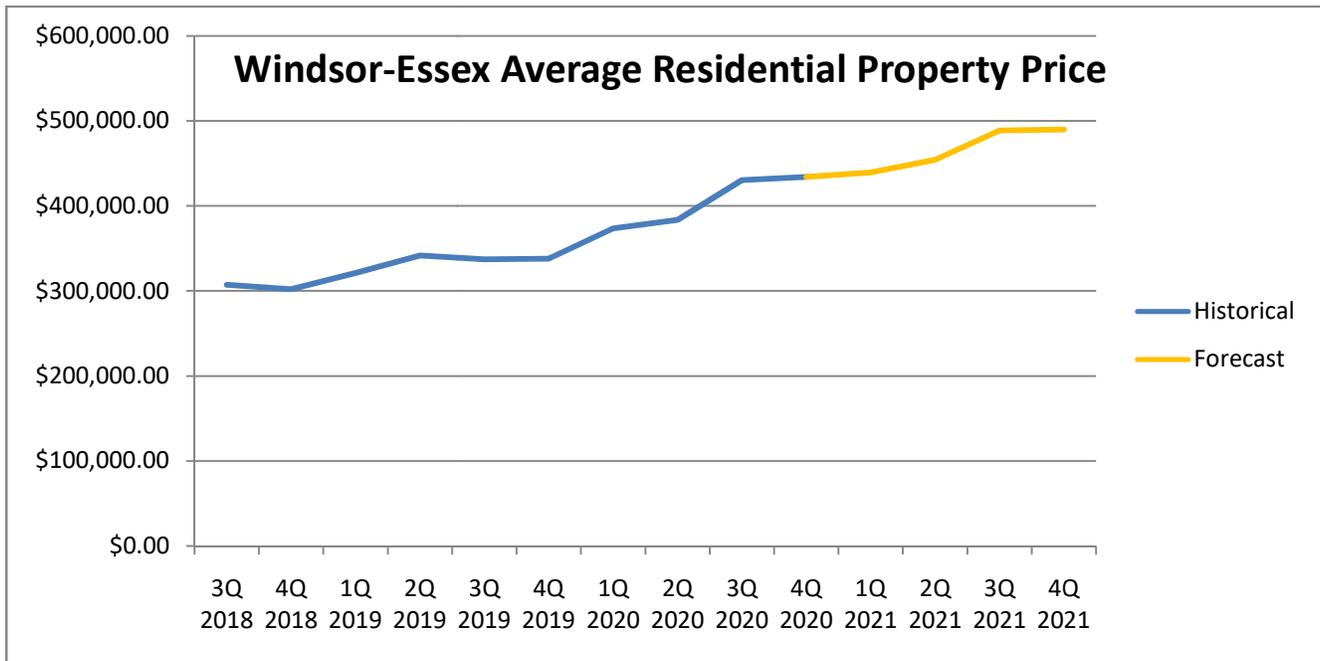
Average Sale Price (Average of 4Q 2020 Monthly Data)	Number of New Listings (4Q 2020)	Number of Sales (2Q 2020)	Median Days to Sell (Average of 4Q 2020 Monthly Data)	Months of Inventory (Active Listings/Sales December 2020)	Residential Rental Vacancy Rate (October 2019)	Row/Apt. Average Rent (October 2019)
\$434,272	1,849	1,725	10.00 Days	2.9 Months	2.8%	\$874
↑0.9% QoQ ↑28.5% YoY	↓35.1% QoQ ↑8.2% YoY	↓24.3% QoQ ↑20.7% YoY	↓from 11.33 QoQ ↓from 14.67 YoY	↑from 2.5 Mo. MoM ↓from 4.0 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

- New lockdowns have stifled recent economic growth in the Windsor area. The Windsor Census Metropolitan Area’s (CMA) unemployment rate fell from 15.2% at the end of June 2020 to 11.1% at the end of December 2020. However, the December unemployment rate was an increase from 10.6% in November 2020.
- The monthly average for the 4th quarter of 2020 (4Q 2020) was \$434,272, an increase of 0.9% over the 2nd quarter of 2020 (2Q 2020) and 28.5% over the 4th quarter of 2019 (4Q 2019). In our view, the continued increase in local residential real estate is likely driven by strong supply/demand dynamics, low interest rates, and continued 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 \$454,436 for 2Q 2021, an increase of about 4.6% over 4Q 2020, and an average of about \$489,977 for Q4 2021, an increase of about 12.8% over 4Q 2020.

## MARKET CONDITIONS

We are definitely happy that 2020 is over. We believe that 2021 may provide a transition towards normalcy. As of the completion of this report, we are in the middle of a major second wave of the COVID-19 virus in Windsor-Essex and a second lockdown. Vaccinations with the Pfizer and Moderna vaccines are presently underway in Canada, but moving at a slow pace. The local economy and labour market improved significantly in the second half of 2020 but have begun to worsen due to the present lockdowns. 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%. As of December 2020, 14,300 jobs have been regained and the local unemployment rate sits at 11.1%. However, the employment picture has worsened month-over-month, with 3,700 more jobs and a lower unemployment rate of 10.6% estimated for the Windsor area in November 2020. Due to the present pandemic situation and lockdowns, the overall short-term economic picture for the Windsor area remains very unclear. In our view, the longer-term outlook for the Windsor area economic activity is brighter. In October, Fiat Chrysler announced that it will be investing up to \$1.5 billion dollars in its Windsor Assembly Plant on a new electric-vehicle platform in its Windsor Assembly Plant. This is forecasted to lead to the addition of 2,000 jobs at the plant by 2024. The Gordie Howe Bridge, a new border crossing between Windsor and Detroit which prioritizes commercial traffic, is also forecasted to be completed by 2024. Due to the present uncertainty, the Bank of Canada continues to seem committed to maintaining low interest rates and monetary stimulus for the foreseeable future. With regards to the pandemic, we believe that there is light on the horizon and that significant progress will likely be made in Canada by this summer due to mass vaccinations.

<b>Economic Data (Windsor CMA)</b>	<b>June 2020</b>	<b>December 2020</b>
Population (thousands)	299.1	300.6
Employment (thousands)	136.9	149.7
Unemployment Rate	15.2%	11.1%
<b>Economic Data (Canada)</b>		
Bank of Canada Conventional Mortgage – 5-Year	4.94%	4.79%
*Economic data for both the Windsor CMA and the nation were obtained from Statistics Canada and the Bank of Canada		

Windsor-Essex's recent real estate market has continued to show strength and continues to appreciate at one of the highest rates in the country. The month average for 4Q 2020 was \$434,272, an increase of 0.9% over 3Q 2020 and 28.5% over 4Q 2019. The fourth quarter is generally the slowest quarter of the year for real estate activity, with December being the slowest month due to the holidays. However, even though fourth quarter real estate activity is generally slower, demand appears to be outpacing supply at present. The number of total new listings was up 8.2% in 4Q 2020 when compared to 4Q 2019. The number of new sales rose by a very strong 20.7% over this same period. Between 3Q 2020 and 4Q 2020, the number of new listings fell by 35.1% while the number of new sales fell by only 24.3%. In 4Q 2020, the median number of days to sell a house was 10.00. This is down from 11.33 days in 3Q 2020 and 14.67 days in Q4 2019. As of December 2020, there were approximately 2.9 months of residential sale inventory on the market. This is up from 2.5 months in November 2020 but down from 4.0 months in December 2019. 2.9 months of inventory is a low figure historically and especially low for the month of December, which tends to be much slower in terms of sales. All of the supply/demand trends analyzed in this paragraph indicate a very strong seller's market at present.

Interest rates, another key driver of housing demand, have fallen throughout the pandemic period and are at near record low levels. The Bank of Canada Conventional mortgage – 5-year fell from 4.94% at the end of June 2020 to 4.79% at the end of December 2020. Population growth in the Windsor area has been slowing down of late but is still positive. Over the previous 6 months, the Windsor CMA has added approximately 1,500 new residents. The number of immigrants coming to Canada fell significantly during the course of the pandemic and this has likely contributed to the Windsor area’s falling population growth rates. To compensate for the slowing of immigration during 2020, immigration levels are projected to rise in Canada between 2021 and 2023. These immigration increases may help to stem the declining population growth rates of the pandemic.

The last CMHC rental market report (October 2019) for the Windsor area was very strong. However, this data is dated and the present status of the rental market is unclear. At present, the lower number of international students in the area, declines in immigration levels, and recent multi-residential construction present some concerns for the local rental market. According to rentals.ca, a website that specializes in Canadian apartment rentals, the average rental price for a 1-bedroom apartment in the Windsor area fell by 1.3% year-over-year as of December 2020. This anecdotal data indicates a fairly stable rental market. However, a more accurate picture of the Windsor area’s rental market will not be known until the most recent CMHC rental report is released.

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 elevated unemployment and an uncertain short-term economic picture.

## 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 \$454,436 in Q2 2021 and \$489,988 in Q4 2021. The Q2 projection represents a 4.6% increase over Q4 2020 and an 18.4% increase over Q2 2020. The Q4 2021 projection represents a 12.8% increase over Q4 2020.

<b>Q2 2021 Average Residential Price Forecast</b>
<b>\$454,436</b>
<ul style="list-style-type: none"> <li>↑4.6% over Q4 2020</li> <li>↑18.4% over Q2 2020</li> </ul>

We encourage you to refer to our Forecast Disclaimer (contained on page 4), which explains proper and improper uses of our forecasts.

<b>Q4 2021 Average Residential Price Forecast</b>
<b>\$489,977</b>
<ul style="list-style-type: none"> <li>↑12.8% over Q4 2020</li> </ul>

## 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 formulated using various machine learning algorithms. 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.*