



Q2 2019

Calgary Economic
& Housing Outlook

QUARTERLY REPORT

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The forecasts included in this document are based on information available as of July 22, 2019.

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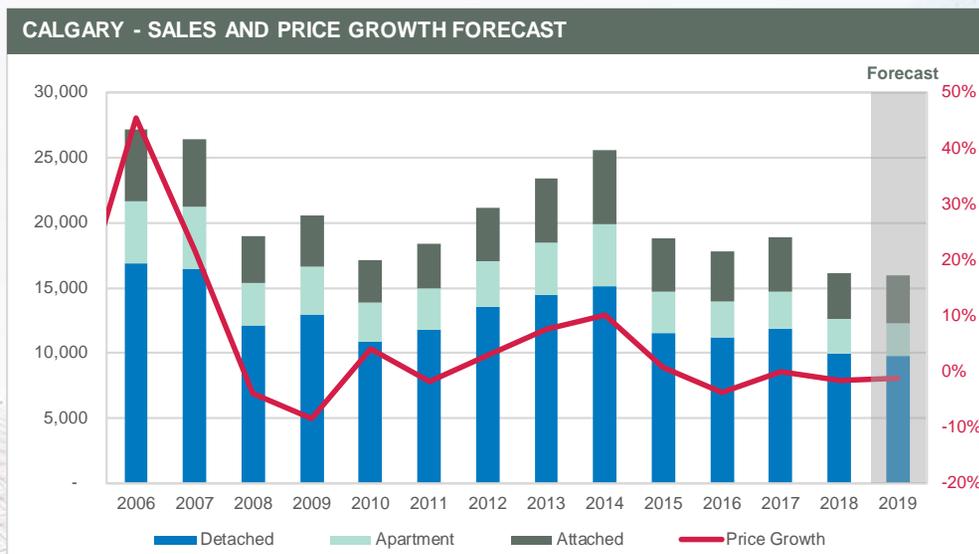
FORECAST SUMMARY

With current economic conditions, we expect housing demand will remain similar to levels recorded last year. Supply continues to adjust in the resale market, but also in the new-home and rental markets. Reductions in housing supply are expected to move the resale market toward more balanced conditions and support price stability by the end of the year. While prices may stabilize, on an annual basis they are expected to remain below last year's levels.

- A struggling energy sector continues to weigh on the overall economy. Unemployment levels remain elevated and income growth remains weak. However, we continue to benefit from stable population growth fuelled by international migration and natural increases.
- Conditions throughout specific price ranges and product types will continue to vary. Growth in the attached and detached markets will continue to be fuelled from the lower end of the market, but apartment activity will continue to face challenges due to competition from new-build product and rentals.
- Nonetheless, the supply declines will help to better position the broader market for recovery moving into 2020.

UPSIDE/DOWNSIDE RISK TO THE FORECAST

- Stable lending rates and the new shared-equity mortgage program may support modest improvements in housing demand in the second half of the year.
- Concerns regarding slowing global growth and impacts on commodity prices may affect consumer confidence and housing sales.
- Slowing economic activity in the province may result in weaker job growth than the current forecast suggests.



SALES AND PRICE FORECAST				
	CITY WIDE	DETACHED	ATTACHED	APARTMENT
ANNUAL PRICE GROWTH	-2.61%	-2.66%	6.29%	2.94%
ANNUAL SALES	15,930 -1.31%	9,730 -2.15%	3,650 3.19%	2,550 -4.17%

ECONOMIC UPDATE

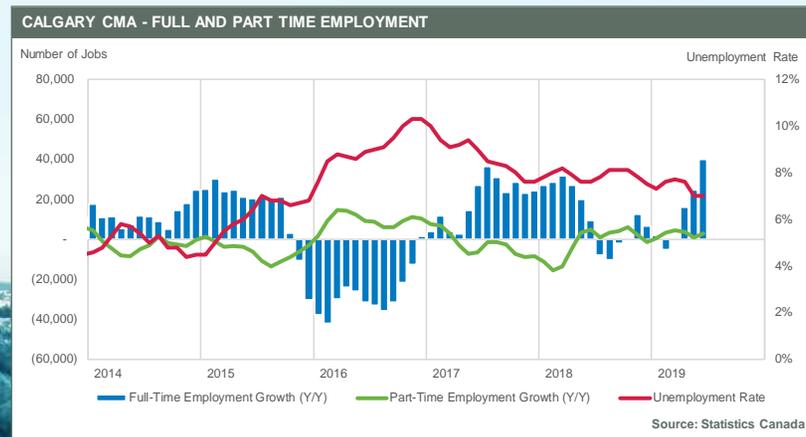
OVERALL COMMENTARY

Economic activity in the province has faced some recent challenges due to pullback in energy sector exports, further declines in energy capital spending, and slower activity from consumers.

The weak first quarter has caused many forecasters to revise growth expectations for 2019, ranging from a mild recession to slow growth, with economic activity improving over the balance of the year. Gains are expected to come primarily from export improvements in energy caused by easing oil production curtailments and increased shipments by rail.

Expectations for improvements in the job market have also shifted, with a slower pace of growth expected in the second half of the year. Some full-time job losses were recorded earlier in the year, but overall, there have been improvements in full-time positions.

Most of the employment growth has been limited to sectors outside the energy sector. The improvements have also caused overall unemployment rates to ease, but rates remain relatively high, hovering around seven per cent in Calgary.



UNEMPLOYMENT RATE

2019	UNEMPLOYMENT RATE	Y/Y CHANGE	Q/Q CHANGE
Q1	7.70	↓	↑
Q2	7.60	↓	↓
Q3 (forecast)	7.43	↓	↓
Q4 (forecast)	7.30	↓	↓

Source: statistics Canada, forecast: Conference Board of Canada

EMPLOYMENT GROWTH

2019	Y/Y CHANGE	Q/Q CHANGE
Q1	1.53%	1.38%
Q2	5.44%	3.09%
Q3 (forecast)	2.31%	-3.69%
Q4 (forecast)	1.15%	0.49%

ALBERTA GDP GROWTH

2019	Y/Y CHANGE	Q/Q CHANGE
Q1	0.59%	-0.7%
Q2 (forecast)	-0.86%	0.28%
Q3 (forecast)	-1.07%	0.5%
Q4 (forecast)	0.67%	0.59%

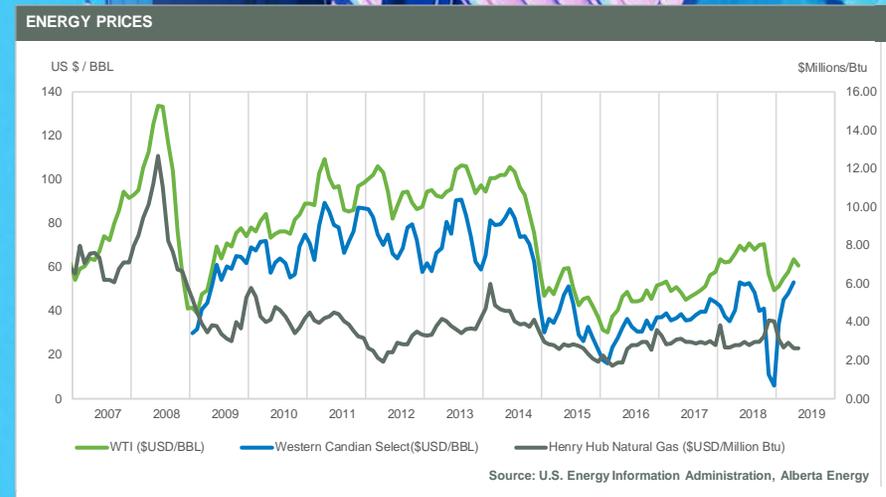
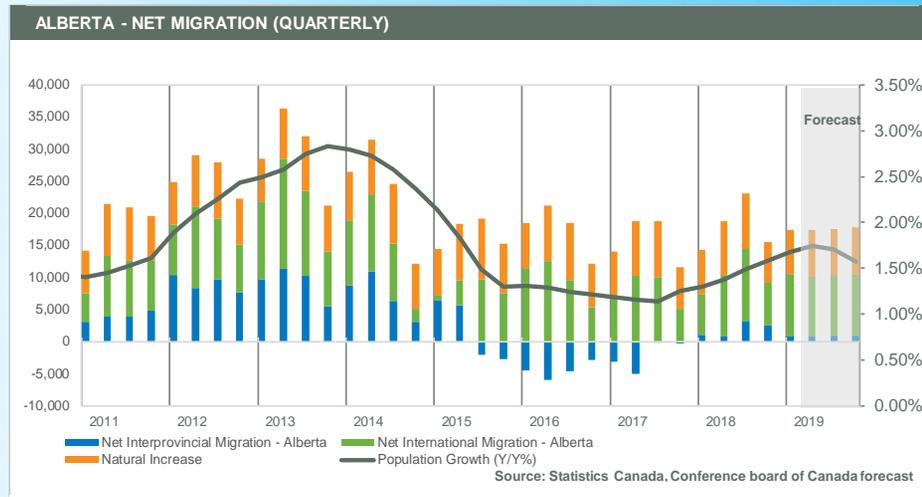
ECONOMIC RISKS

- Concerns over a weakening global economy and trade conflicts could cause further declines in commodity prices.
- Oil price expectations are currently volatile, as they could shift higher if tensions in the Middle East escalate. However, U.S. oil production figures continue to exceed expectations, which would place downward pressure on oil prices.
- Persistent weakness in the oil sector continues to impact investment activity, which is not expected to stabilize until 2020. This could result in further adjustments in employment in this sector this year.
- Corporate tax cuts could support some business investment in the province.

LENDING RATES

2019	5-YEAR BENCHMARK RATE	PRIME BUSINESS RATE	OVERNIGHT TARGET RATE
Q1	5.34	3.95	1.75
Q2 (forecast)	5.33	3.95	1.75
Q3 (forecast)	5.33	3.95	1.75
Q4 (forecast)	5.33	3.95	1.75

Source: Conference Board of Canada



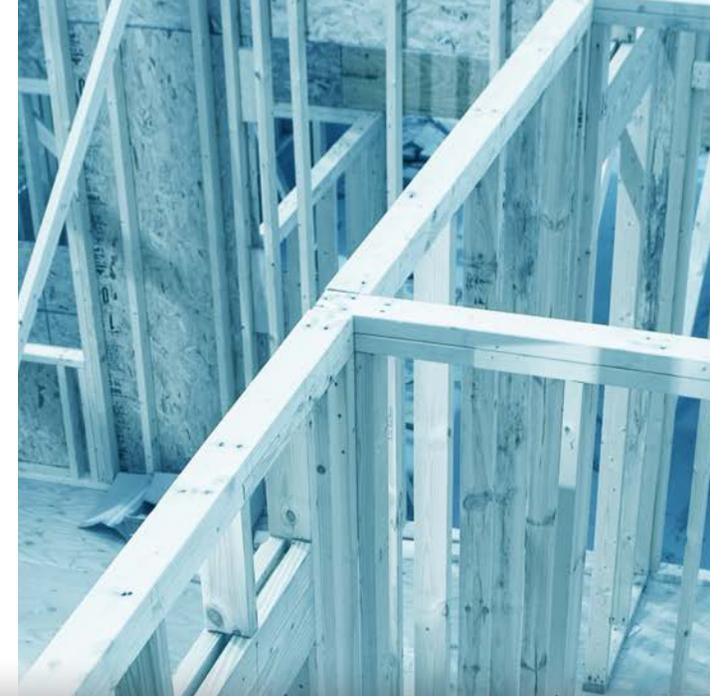
NEW HOME & RENTAL

New-home inventories remain elevated, but new-home starts are easing in Calgary.

Reductions in starts should eventually translate into easing supply in new-home inventories, as well as product under construction. This supply reduction for new product could also help support more stability in the resale market, especially in areas with a significant amount of new-home construction.

No new data is available for rental vacancies, but based on financial reports from larger rental companies, vacancy rates in Calgary continue to ease and fewer incentives are required to fill the vacant units.

Reduction in rental vacancies will eventually help support more balanced conditions in the ownership market through overall housing supply reduction and improvements in ownership demand from current renters or potential investors.



SINGLE HOUSING STARTS

2019 Year to Date	2019 Forecast
1,210 ↓	3,220 ↓
-26.76% year over year	-15.07% year over year

MULTI HOUSING STARTS

2019 Year to Date	2019 Forecast
2,379 ↓	6,308 ↓
-27.02% year over year	-12.15% year over year

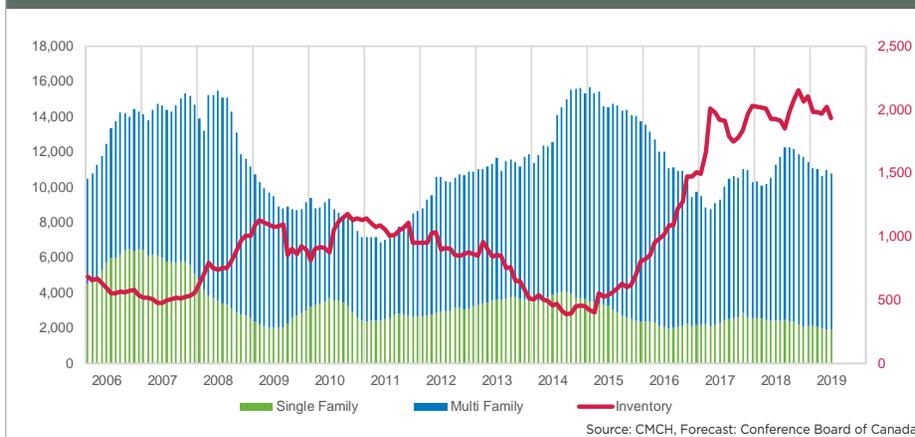
TOTAL HOUSING STARTS

2019 Year to Date	2019 Forecast
3,589 ↓	9,527 ↓
-26.93% year over year	-13.16% year over year

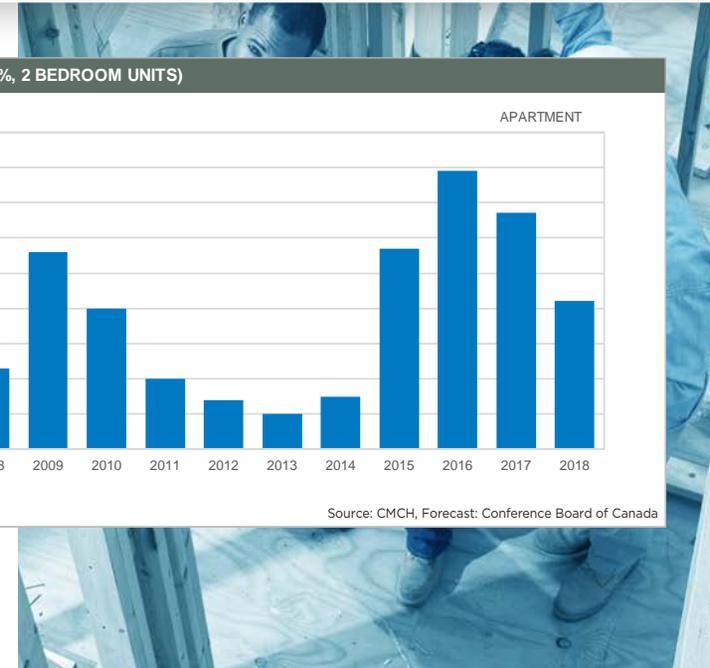
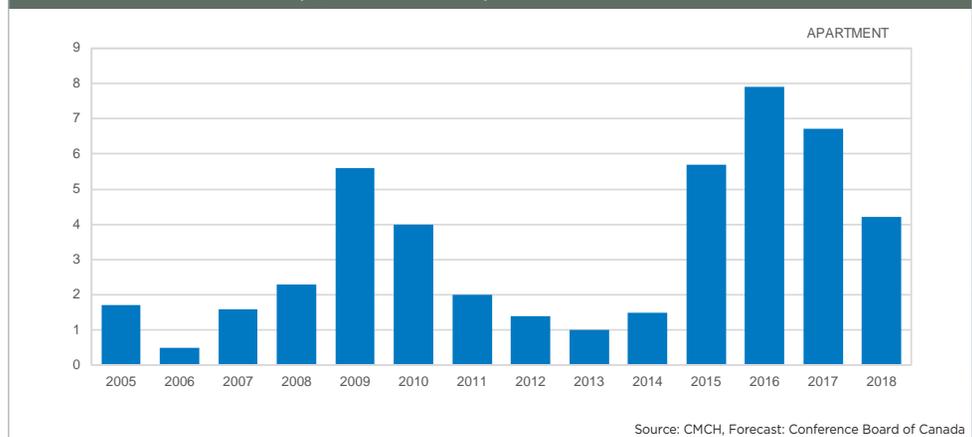
Source: CMHC, Forecast: Conference Board of Canada

Year-to-date until May 2019

CALGARY CMA - UNDER CONSTRUCTION AND NEW HOME INVENTORY



CALGARY CMA - VACANCY RATE (% , 2 BEDROOM UNITS)



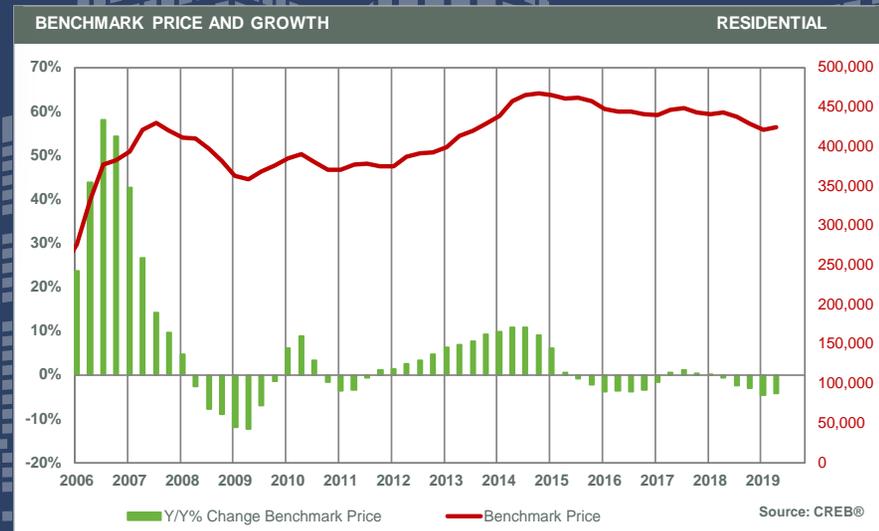
CITY OF CALGARY

Second-quarter activity has shown indications of modest shifts in the market. For the first time in over five quarters, sales activity improved compared to the previous year. This shift is a welcome change, but levels generally remain well below longer-term norms for the city and are consistent with overall economic activity.

The more significant shift is occurring with new listings. As expected, supply in the market is starting to adjust to slower sales activity. The decline in new listings relative to sales was enough to cause inventories to decline. This is the first time inventories have averaged lower figures for the quarter than the previous year since the second quarter of 2017.

The adjustments in the market are necessary to reduce oversupply and create an environment that supports more stability in prices. This transition to a stable/recovering housing market will take time, as conditions still favoured the buyer in the second quarter.

Overall, citywide prices have improved slightly in the second quarter compared to the first. They remain over four per cent lower than last year's levels.



Q2 BENCHMARK PRICE

\$424,233

-4.25% year over year ▼

0.85% quarter over quarter ▲

Q2 MONTHS OF SUPPLY

4.21

-12.12% year over year ▼

-27.39% quarter over quarter ▼

SALES

Total Q2

5,245 ▲

2.16% year over year

2019 Year to Date

8,347 ▼

-2.39% year over year

NEW LISTINGS

Total Q2

9,678 ▼

-17.98% year over year

2019 Year to Date

17,435 ▼

-13.27% year over year

INVENTORY

Total Q2

7,369 ▼

-10.22% year over year

2019 Year to Date

6,685 ▼

-1.83% year over year

HOUSING MARKET DETACHED

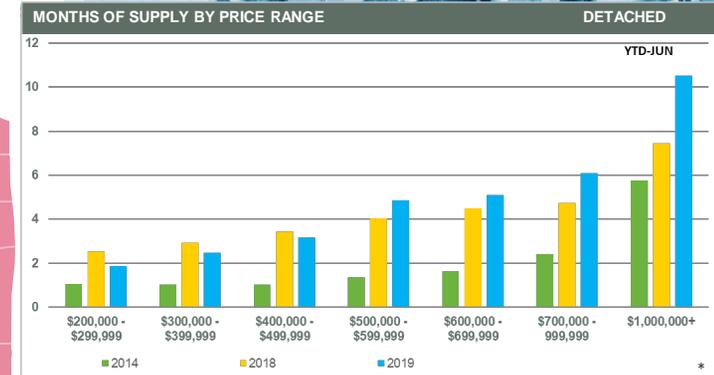
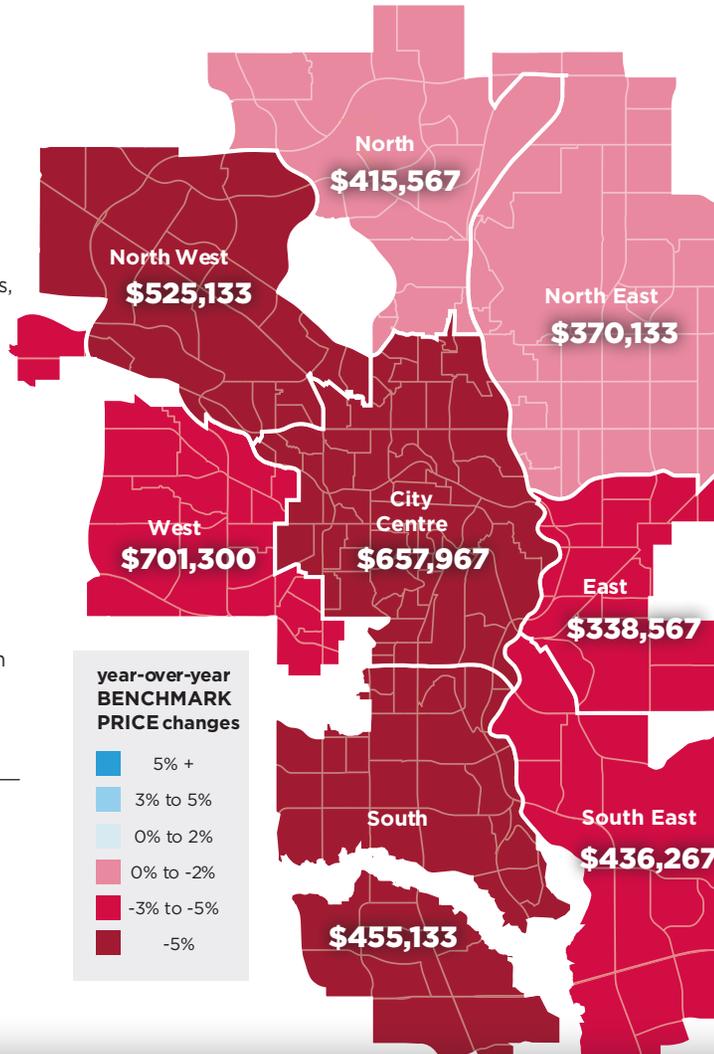
The detached market continues to experience divergent trends based on price range.

Overall sales activity improved in the second quarter, but growth only occurred for homes priced under \$500,000. In the second quarter, sales activity increased by nearly six per cent for homes priced under \$500,000. Conversely, sales fell by 10 per cent for homes priced over \$500,000.

Inventories have been declining across all price ranges, except product priced above \$1,000,000. The result is tighter market conditions in the lower end of the market versus the higher end of the market.

This variation will ultimately influence price recovery, as this segment moves towards more balanced conditions.

With nearly 56 per cent of the detached sales occurring in the under-\$500,000 range, it is not a surprise detached prices in the second quarter improved over first-quarter prices. However, overall, detached prices remain over four per cent lower than last year's levels, with the largest declines occurring in the City Centre, North West and South districts.



Q2	MONTHS OF SUPPLY	Q/Q CHANGE	Y/Y CHANGE
City Centre	5.97	▼	▲
North East	3.93	▼	▼
North	3.45	▼	▼
North West	2.91	▼	▼
West	4.28	▼	▲
South	3.16	▼	▼
South East	3.06	▼	▼
East	2.85	▼	▼
Total	3.61	-26.04%	-11.61%

Q2 BENCHMARK PRICE

\$487,000

-4.15% year over year ▼

1.17% quarter over quarter ▲

SALES

Total Q2

3,209 ▲

1.10% year over year

2019 Year to Date

5,100 ▼

-2.95% year over year

NEW LISTINGS

Total Q2

5,595 ▼

-19.72% year over year

2019 Year to Date

9,834 ▼

-13.90% year over year

INVENTORY

Total Q2

3,864 ▼

-10.64% year over year

2019 Year to Date

3,471 ▲

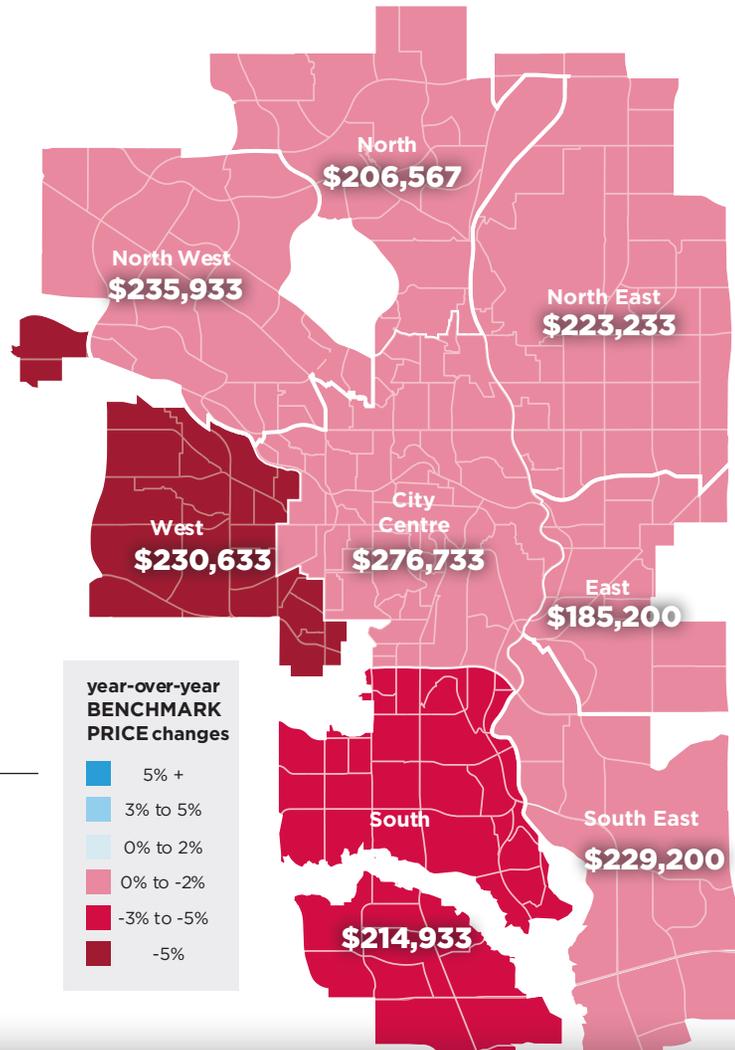
0.57% year over year

HOUSING MARKET APARTMENT

Options in the new-home and rental markets, and lower-priced product in the resale market, have prevented any significant shift in demand for resale condominium apartments.

Year-over-year sales in this sector have eased for six consecutive quarters, and year-to-date levels are nearly 21 per cent lower than long-term averages.

New listings have also been declining and year-over-year inventories have fallen for the past four quarters, but this sector continues to remain firmly in buyers' territory and prices continue to trend down.



year-over-year BENCHMARK PRICE changes



Q2 BENCHMARK PRICE

\$249,400

-2.79% year over year ↓

-0.44% quarter over quarter ↓



Q2	MONTHS OF SUPPLY	Q/Q CHANGE	Y/Y CHANGE
City Centre	6.54	↓	↓
North East	5.10	↓	↓
North	4.36	↓	↓
North West	5.09	↓	↑
West	6.28	↓	↓
South	5.10	↓	↑
South East	6.51	↓	↓
East	8.31	↑	↑
Total	6.03	-29.60%	-10.93%*

SALES

Total Q2

828 ↓

-0.84% year over year

2019 Year to Date

1,292 ↓

-7.45% year over year

NEW LISTINGS

Total Q2

1,858 ↓

-13.98% year over year

2019 Year to Date

3,400 ↓

-15.28% year over year

INVENTORY

Total Q2

1,665 ↓

-11.67% year over year

2019 Year to Date

1,495 ↓

-10.98% year over year

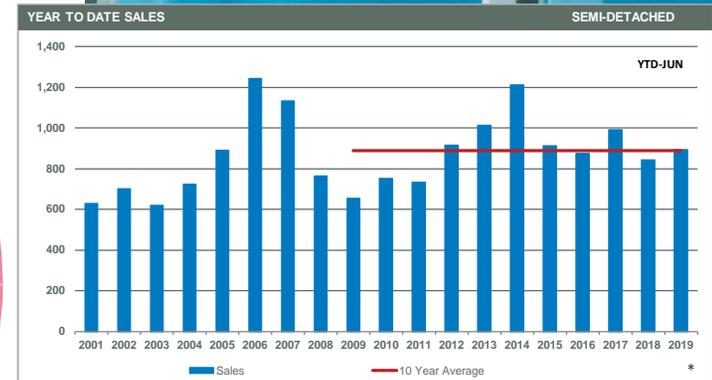
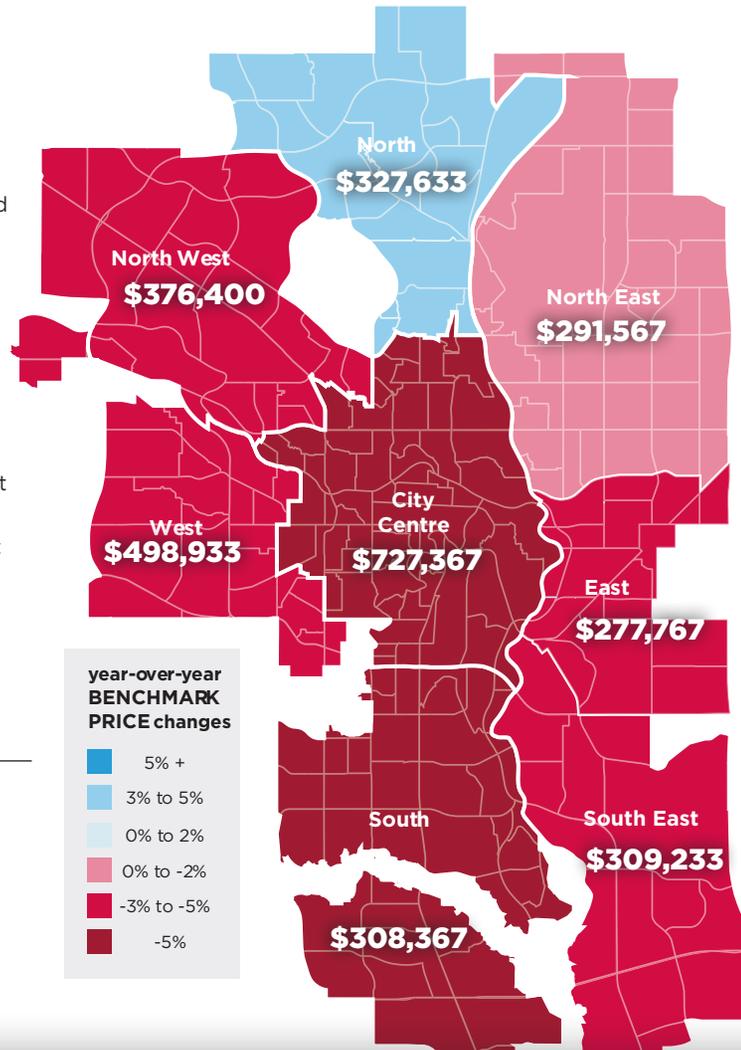
HOUSING MARKET SEMI-DETACHED

After the first half of the year, sales activity in this sector increased by nearly seven per cent. It is the only sector that has recorded sales above longer-term trends.

Like other property types, new listings have been easing, with reductions in both inventory levels and months of supply.

While still oversupplied at four months, this is a significant improvement over the past several quarters, where the figure was well over six months.

Reductions in the amount of supply compared to sales have helped reduce some of the downward pressure on prices, but prices are still lower in most districts and far from recovery. The North district is the only area that has seen prices rise above last year's levels.



Q2 BENCHMARK PRICE
\$397,833
 -3.99% year over year ↓
 1.73% quarter over quarter ↑

	Q2	MONTHS OF SUPPLY	Q/Q CHANGE	Y/Y CHANGE
City Centre		5.54	↓	↓
North East		4.27	↓	↓
North		2.55	↓	↓
North West		4.19	↓	↑
West		5.36	↓	↓
South		2.69	↓	↓
South East		2.80	↓	↓
East		2.93	↓	↓
Total		4.13	-34.07%	-19.61%

SALES
 Total Q2: **559** ↑
 13.16% year over year
 2019 Year to Date: **894** ↑
 6.18% year over year

NEW LISTINGS
 Total Q2: **945** ↓
 -19.51% year over year
 2019 Year to Date: **1,820** ↓
 -10.83% year over year

INVENTORY
 Total Q2: **769** ↓
 -9.03% year over year
 2019 Year to Date: **734** ↑
 5.11% year over year

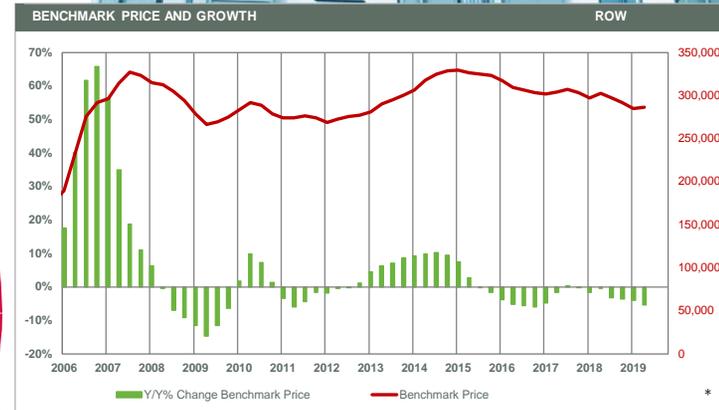
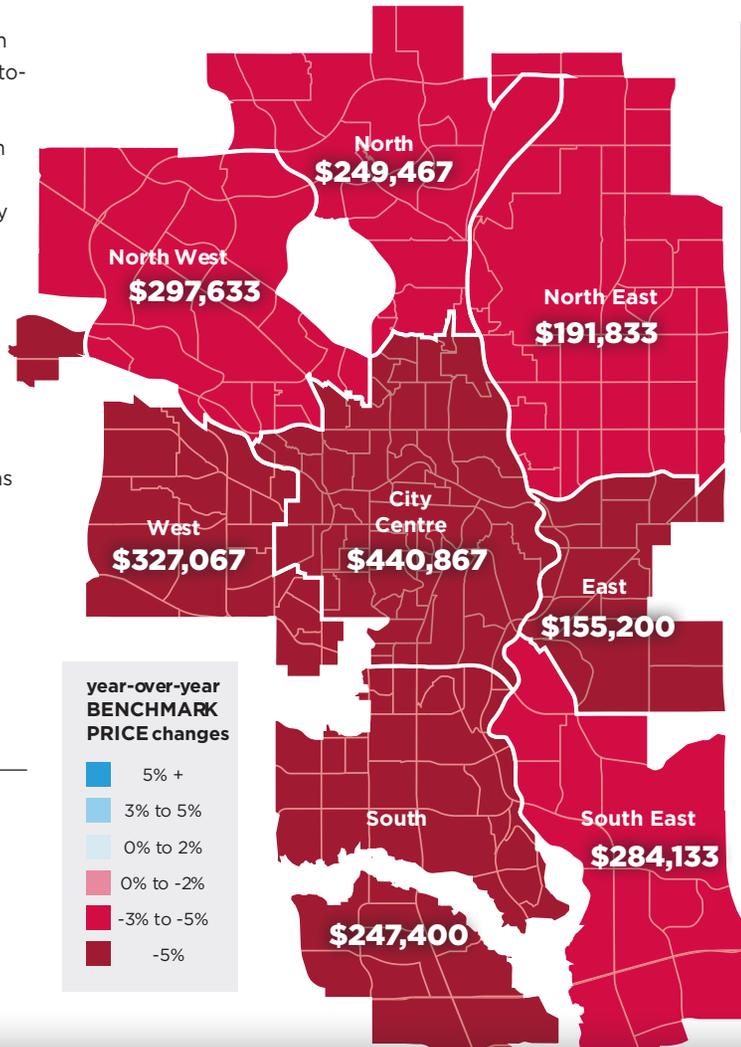
HOUSING MARKET ROW

Improving sales in the second quarter were enough to offset declines in the first quarter, causing year-to-date sales to rise slightly above last year's levels.

Sales activity has varied significantly depending on location within the city. Year-to-date sales activity ranged from declines of over 10 per cent in the City Centre and East, to gains of over seven per cent in the North East and South East districts.

Significant declines in new listings are starting to cause year-over-year inventory declines to occur across all districts, except the City Centre. This is reducing the amount of oversupply in the market, as the months of supply have moved from over six months in the first quarter to just under five months in the second quarter.

Reductions in oversupply are starting to support more stability in prices, but row prices remain over five per cent lower than last year's levels.



Q2 BENCHMARK PRICE
\$286,000
 -5.36% year over year ↓
 0.46% quarter over quarter ↑

Q2	MONTHS OF SUPPLY	Q/Q CHANGE	Y/Y CHANGE
City Centre	6.79	↓	↑
North East	5.00	↓	↓
North	5.47	↓	↓
North West	4.66	↓	↑
West	5.06	↓	↓
South	3.88	↓	↓
South East	3.97	↓	↓
East	4.52	↓	↑
Total	4.95	-24.40%	-9.71%

SALES	
Total Q2 649 ↑ 2.85% year over year	2019 Year to Date 1,061 ↑ 0.28% year over year

NEW LISTINGS	
Total Q2 1,280 ↓ -14.44% year over year	2019 Year to Date 2,381 ↓ -9.36% year over year

INVENTORY	
Total Q2 1,071 ↓ -7.14% year over year	2019 Year to Date 985 ↑ 0.48% year over year

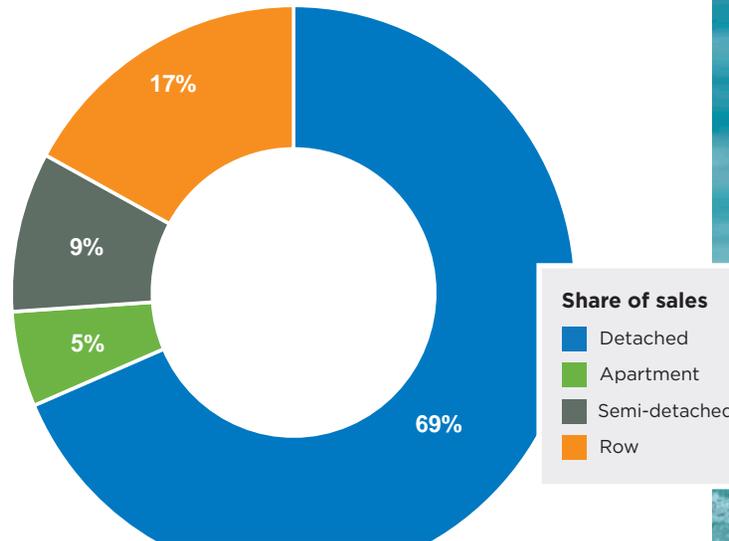
AIRDRIE

Sales activity in the area picked up in the second quarter, offsetting declines from the first quarter.

New listings continued to pull back, causing inventories to ease. It is the first time the year-over-year average quarterly inventory has eased since the first quarter of 2017.

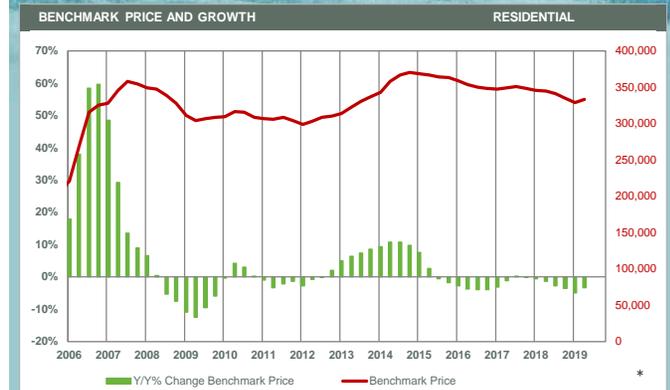
Easing inventory compared to sales caused the average months of supply in the second quarter to improve over both the previous quarter and levels recorded last year.

While the Airdrie market remains oversupplied, the recent shift this quarter is helping to ease downward pressure on prices. In the second quarter, the benchmark price improved by over one per cent compared to the first quarter of the year, but remained over three per cent lower than last year's levels.



Q2 BENCHMARK PRICE
\$333,033
 -3.38% year over year ↓
 1.35% quarter over quarter ↑

Q2 MONTHS OF SUPPLY
4.25
 -17.75% year over year ↓
 -19.53% quarter over quarter ↓



SALES

Total Q2	2019 Year to Date
375 ↑	633 ↑
4.75% year over year	1.77% year over year

NEW LISTINGS

Total Q2	2019 Year to Date
655 ↓	1,209 ↓
-17.92% year over year	-13.58% year over year

INVENTORY

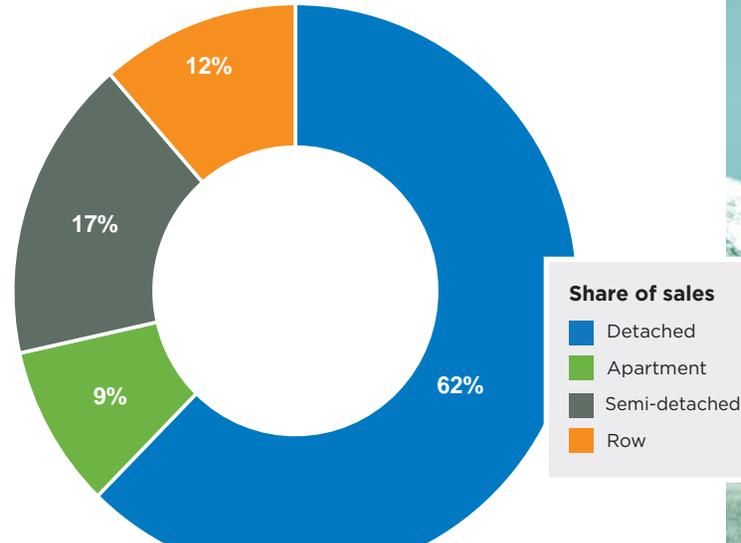
Total Q2	2019 Year to Date
531 ↓	493 ↓
-13.85% year over year	-7.22% year over year

COCHRANE

Sales activity in the second quarter rose well above longer-term trends.

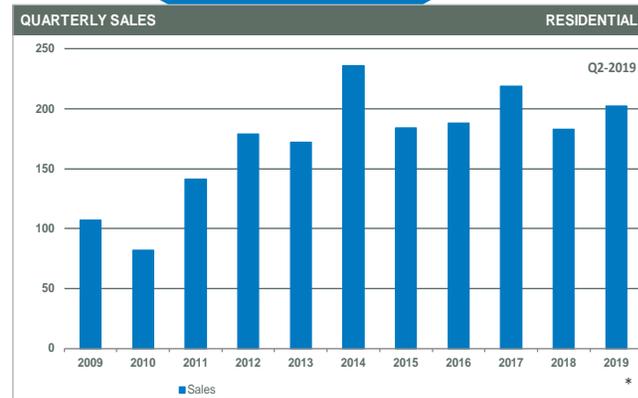
New listings coming onto the market started to ease, enough to cause inventories and months of supply to decline compared to the previous year. The reduction in oversupply has helped support more stability in quarterly prices.

Prices remain over four per cent lower than last year's levels. If the months of supply can stay at or below current levels, this should start to support price recovery in this market.



Q2 BENCHMARK PRICE
\$404,867
 -4.64% year over year ↓
 0.36% quarter over quarter ↑

Q2 MONTHS OF SUPPLY
5.25
 -16.99% year over year ↓
 -38.40% quarter over quarter ↓



SALES

Total Q2	2019 Year to Date
202 ↑	316 ↓
10.38% year over year	-0.94% year over year

NEW LISTINGS

Total Q2	2019 Year to Date
341 ↓	672 ↓
-11.43% year over year	-7.18% year over year

INVENTORY

Total Q2	2019 Year to Date
354 ↓	339 ↓
-8.38% year over year	-1.74% year over year

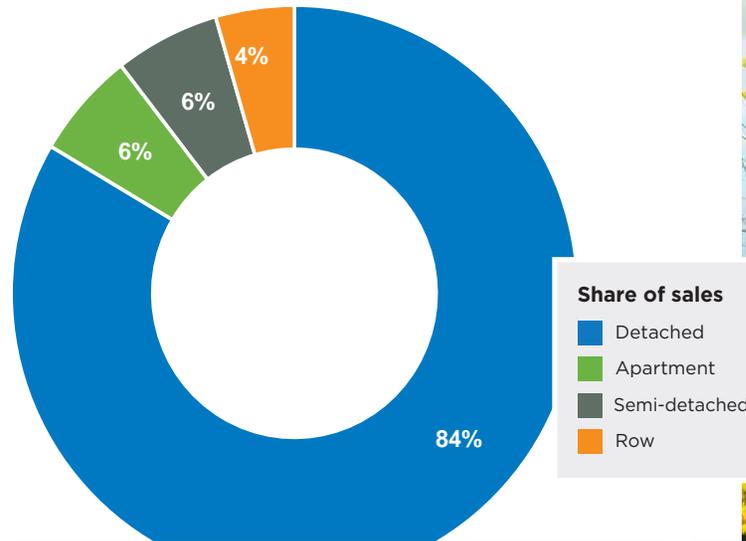
OKOTOKS

Improving sales in the second quarter were enough to offset earlier losses.

Like many other markets in the region, activity remains below longer-term trends. A change in the pullback in new listings was enough to cause inventories to ease and months of supply to average 4.3 for the quarter.

This is the first time since 2017 the months of supply has fallen below five months. The improvements in this market are helping to stabilize benchmark prices from the previous quarter.

However, overall, prices remain nearly five per cent lower than last year's levels.



Q2 BENCHMARK PRICE
\$408,700
 -4.92% year over year ↓
 0.79% quarter over quarter ↑

Q2 MONTHS OF SUPPLY
4.26
 -22.59% year over year ↓
 -44.59% quarter over quarter ↓



SALES

Total Q2	2019 Year to Date
179 ↑	267 ↔
13.29% year over year	0% year over year

NEW LISTINGS

Total Q2	2019 Year to Date
285 ↓	517 ↓
-19.03% year over year	-15.25% year over year

INVENTORY

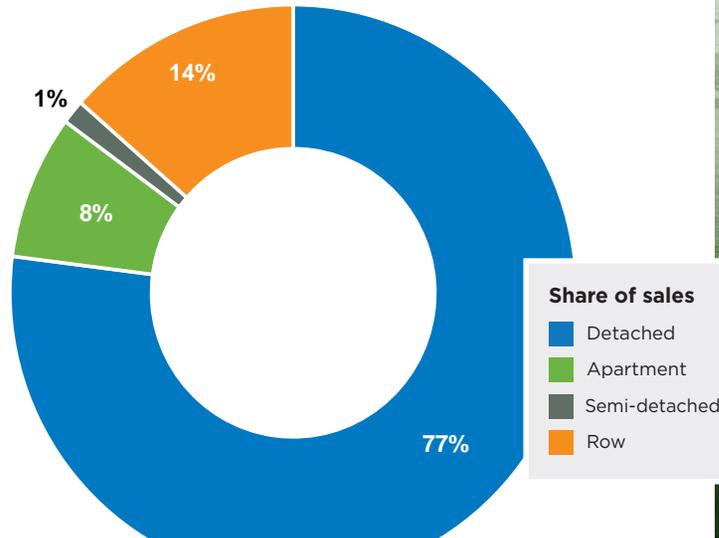
Total Q2	2019 Year to Date
254 ↓	240 ↓
-12.30% year over year	-0.69% year over year

CHESTERMERE

Chestermere has continued to see a pullback in second-quarter sales.

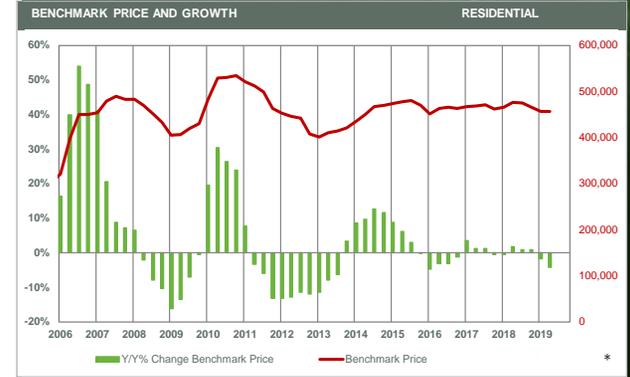
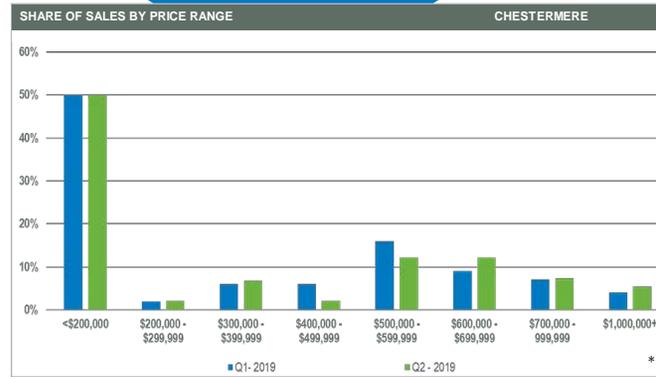
The decline in new listings was not enough to prevent further gains in inventories, keeping the months of supply elevated at 8.3 months. This market remains oversupplied and prices remain lower than last year's levels.

Benchmark prices have remained comparable to the first quarter, yet both average and median quarterly prices have risen compared to the first quarter. The gains are likely related to some distribution shifts, with a larger share of homes sold in higher price ranges during the second quarter compared to the first.



Q2 BENCHMARK PRICE
\$456,767
 -4.22% year over year ▼
 0.01% quarter over quarter ▲

Q2 MONTHS OF SUPPLY
8.31
 24.80% year over year ▲
 -6.41% quarter over quarter ▼



SALES

Total Q2	2019 Year to Date
74 ▼	124 ▼
-15.91% year over year	-16.22% year over year

NEW LISTINGS

Total Q2	2019 Year to Date
212 ▼	371 ▼
-13.82% year over year	-7.25% year over year

INVENTORY

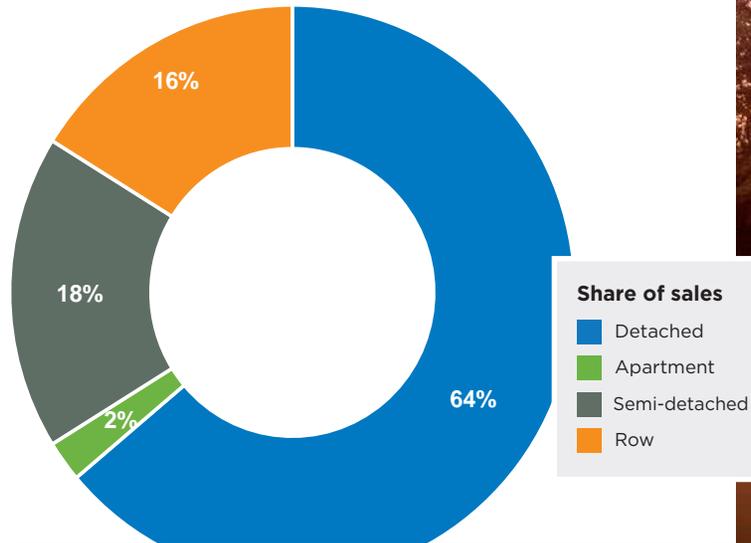
Total Q2	2019 Year to Date
205 ▲	177 ▲
4.95% year over year	7.95% year over year

HIGH RIVER

Following several quarters of weak sales activity, sales rose to levels not seen since the second quarter of 2013.

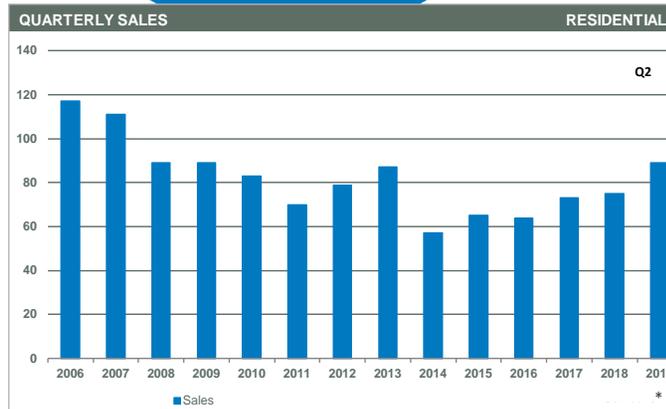
Gains in sales, combined with easing new listings, are starting to weigh on inventories in the market. However, on a quarterly basis, levels today still averaged slightly higher than last year.

The growth in sales helped push this market towards more balanced conditions, preventing further declines in price this quarter compared to last quarter. While benchmark prices may not have slid any further this quarter, they remain nearly six per cent lower than last year's levels.



Q2 BENCHMARK PRICE
\$308,900
 -5.74% year over year ▼
 0.31% quarter over quarter ▲

Q2 MONTHS OF SUPPLY
4.45
 -11.01% year over year ▼
 -44.72% quarter over quarter ▼



SALES
 Total Q2: **89** ▲
 18.67% year over year
 2019 Year to Date: **130** ▲
 1.56% year over year

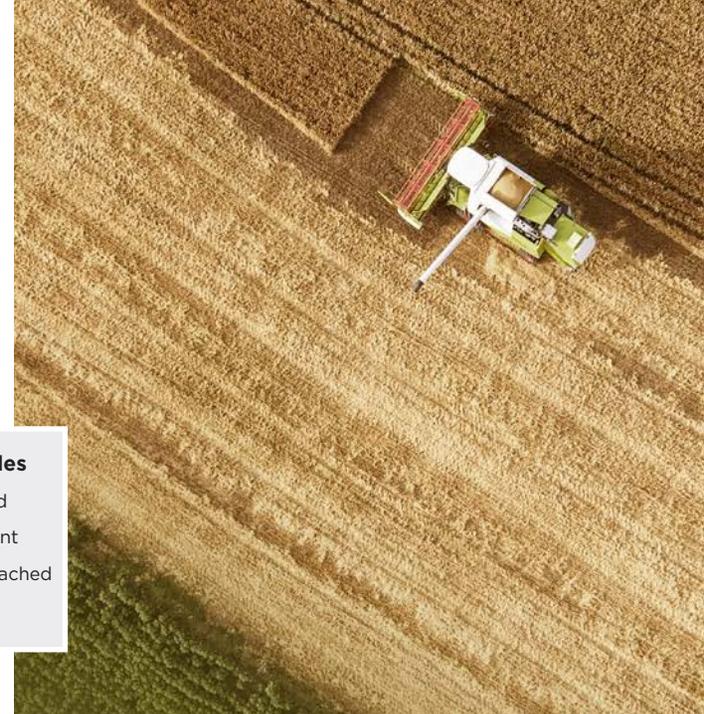
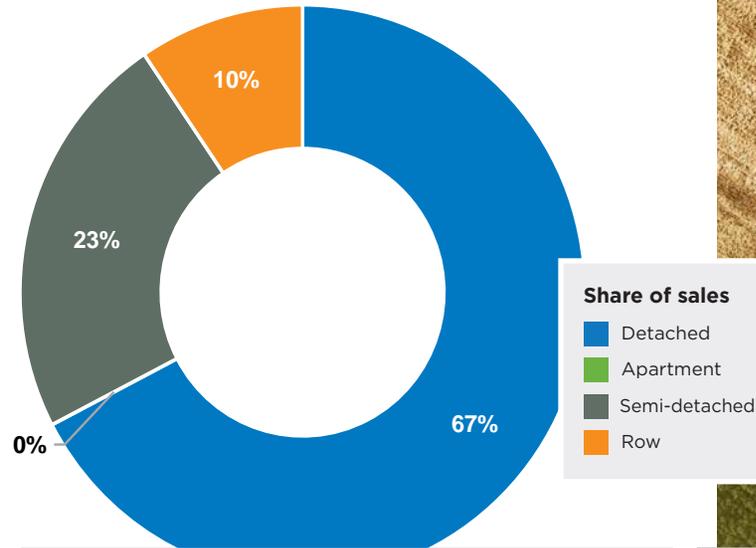
NEW LISTINGS
 Total Q2: **134** ▼
 -8.84% year over year
 2019 Year to Date: **241** ▼
 -0.41% year over year

INVENTORY
 Total Q2: **132** ▲
 5.60% year over year
 2019 Year to Date: **121** ▲
 13.44% year over year

STRATHMORE

Weaker demand conditions have persisted in the area, as sales activity has eased compared to last year and remains well below typical levels of activity.

As of the second quarter, new listings started to adjust to slower sales levels, helping reduce some of the inventory in the market. Despite the adjustments, the market generally remains oversupplied. This has been weighing on prices, which are over six per cent lower than last year's benchmark price.



Q2 BENCHMARK PRICE
\$339,067
 -6.63% year over year ↓
 0.36% quarter over quarter ↑

Q2 MONTHS OF SUPPLY
7.28
 -1.68% year over year ↓
 -45.35% quarter over quarter ↓



SALES

Total Q2	2019 Year to Date
69 ↓	101 ↓
-1.43% year over year	-13.68% year over year

NEW LISTINGS

Total Q2	2019 Year to Date
138 ↓	276 ↓
-24.18% year over year	-11.54% year over year

INVENTORY

Total Q2	2019 Year to Date
167 ↓	155 ↑
-3.09% year over year	6.42% year over year



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