

Housing Review

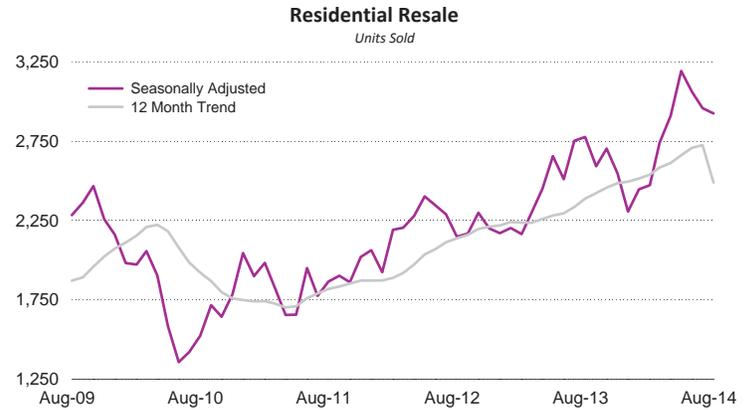
Jillian Kohut, Associate Economist | Estella Scruggs, Corporate Research Analyst

September 25, 2014

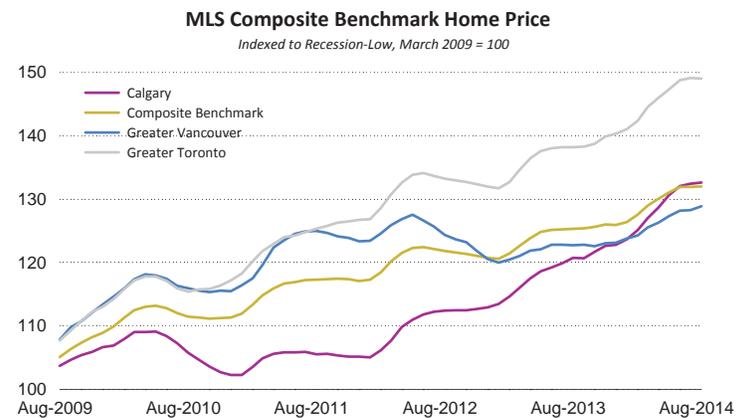
Home price inflation continued to stall in August but the resale market remains hot.

Resale activity fell from July, but hit an all-time high for the month of August. Sales continued to moderate after hitting a post-recession high in May, with unit sales falling to 2,976. Even so, activity was 5.2 per cent higher than what we saw in August 2013. The contraction in sales did not do much to ease up pressure in the market, however. New listings also fell, allowing sellers to continue to hold an advantage over buyers in the city. The sales-to-new-listings ratio retreated 0.1 percentage point to 0.71, a reading that points to a sellers' market.

The MLS benchmark home price for Calgary inched up 0.1 per cent month-over-month. The benchmark price climbed to \$450,200 in August, with marginal advances of 0.1 per cent in prices for both single and multi-family homes. Home price growth has decelerated in recent months, but without a significant increase in new listings there is a strong possibility that home price inflation could pick up speed going forward. Low inventories have continued to behave as a catalyst rising house prices, particularly in the single-family home segment. The Calgary Real Estate Board has stated that year-to-date up to the end of August, Calgary's market was on track to surpass the record \$11.3 billion peak for total dollar volume in MLS sales hit in 2007.



Sources: CREA, Corporate Economics



Sources: CREA, Corporate Economics

Calgary's Housing Market - August 2014

| | Aug-14 | Jul-14 | Jun-14 | Aug-13 | Annual Change (%) | YTD | 2013 |
|--------------------------------------|----------|----------|----------|----------|-------------------|----------|----------|
| Building Permits (Units) | 1,174 | 1,314 | 942 | 1,283 | -8.5 | 1,056 | 1,149 |
| Single-family (Units) | 311 | 441 | 456 | 412 | -24.5 | 404 | 409 |
| Housing Starts (Units) | 1,318 | 1,101 | 2,155 | 724 | 82.0 | 1,248 | 782 |
| Single-family (Units) | 414 | 485 | 445 | 427 | -3.0 | 413 | 391 |
| MLS Benchmark Home Price (\$000s) | 450.2 | 449.6 | 448.3 | 409.9 | 9.8 | 438 | 404 |
| Single-family (\$000s) | 494.1 | 493.4 | 491.3 | 450.0 | 9.8 | 480.2 | 443.4 |
| Apartment (\$000s) | 296.9 | 296.6 | 298.2 | 269.4 | 10.2 | 290.4 | 265.3 |
| Resales (Units) | 2,976 | 3,177 | 3,569 | 2,830 | 5.2 | 3,030 | 2,496 |
| Sales:Listings Ratio (Dimensionless) | 0.71 | 0.72 | 0.70 | 0.77 | | 0.68 | 0.73 |
| 5-Year Mortgage Rate (%) | 4.79 | 4.79 | 4.79 | 5.34 | | 4.93 | 5.24 |
| Average Weekly Wage Rate (\$) | 1,116.87 | 1,107.32 | 1,100.68 | 1,091.18 | 2.4 | 1,096.92 | 1,101.35 |

Source: Statistics Canada, CREA, CMHC, Corporate Economics, September 2014

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Wage growth has perked up, bolstering affordability. After underperforming for several months, average weekly wages clocked in their second consecutive annual increase in August, advancing 2.4 per cent. A flood of new migrants to the city has helped keep labour shortages at bay, and the unemployment rate has held above 5.0 per cent for most of the year. This has eased upward pressure on the cost of labour. Until the slack added to the labour market is absorbed, wage growth will remain fairly muted. Meanwhile, the five year mortgage rate has been flat at 4.79 per cent since April. Low interest rates are expected to support affordability for several months to come, but a recent acceleration in the national inflation rate has reminded us that interest rates have nowhere to go but up. We're anticipating a rate hike by the Bank of Canada sometime in mid-2015.

Housing starts rebounded in August, but recent building permit figures suggest construction will slow in the coming months. Starts continued their see-saw pattern, rising 19.7 per cent in August following a 48.9 per cent contraction in July. New construction of single-family homes has remained very stable, averaging 413 units year-to-date. Conversely, the multi-family segment continued to fluctuate wildly, jumping nearly 50.0 per cent in the month. Looking ahead, residential construction is likely to slow. The number of building permits issued by the city has trended downward in the last several months, pointing to a reduction in housing starts going forward. The pullback will be largely concentrated in condominiums. Even so, residential construction in the city will continue to hum along at a healthy, yet more sustainable pace.

Next update: October 30, 2014

Who We Are

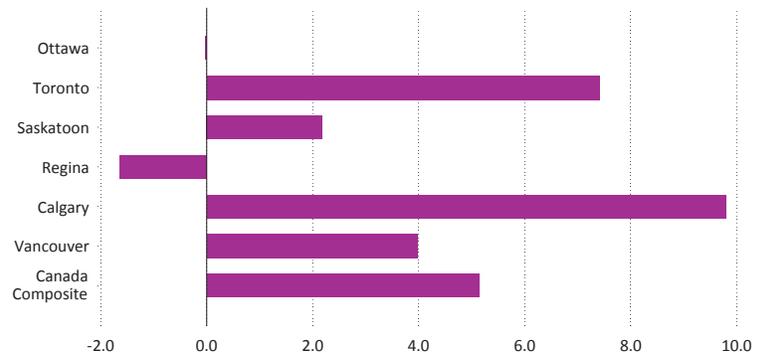
Corporate Economics provides services in four areas: forecasting, information provision, policy analysis and consulting. We also monitor the current economic trends which allows us to develop unique insights on how external events are impacting the local economy and the Municipal government. We are experienced at researching different economic topics and have developed reliable methods of forecasting and analysis.

Many of our publications are available on the internet at www.calgary.ca/economy.

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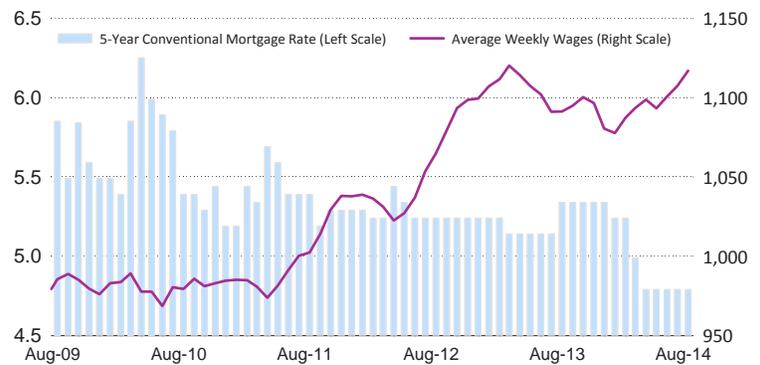
Canadian Home Prices

MLS Benchmark Home Price, Year-to-Date Percentage Change



Sources: CREA, Corporate Economics

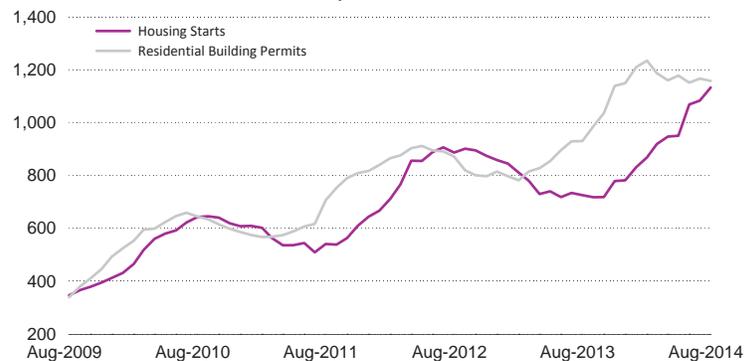
Housing Affordability Factors



Sources: Statistics Canada, CMHC, Corporate Economics

Residential Construction

Number of Units, 12 Month Trend



Sources: CREA, Corporate Economics