

Hot Topics

Canadian Mortgage Rules Readjusted

In a surprise move on June 21st the Federal Government attempted to slow the condo market in Toronto by lowering the maximum mortgage amortization to 25 years while raising the required deposit to 20% from the current 15%.

The implications for the Calgary economy:

Calgary GDP

- The widest measure of economic activity is the Gross Domestic Product. As a result of this rule change the GDP in Calgary is expected to continue growing but to slow that growth by 1/4 for the rest of 2012. Beyond that we anticipate Calgary GDP will grow at the previously expected rate but from a lower starting point due to this year's slower growth.
- Industries most affected in 2012 will be Manufacturing (1.7% less growth than prior expectations), Finance, Insurance and Real Estate (-2%) and Construction (-0.5%). In 2013 the industries most affected will be Manufacturing (-1.5%), Finance Insurance and Real Estate (-1.7%) and Construction (-1%).

Employment

- The Calgary unemployment rate is expected to go up by 0.3% above the baseline in 2012 - not as a result of any job losses but as a result of slightly lower job growth. A slightly elevated unemployment rate is expected to slowly return to levels expected prior to the mortgage rule change by 2019.

- Industries most affected by the slower growth in jobs, in order, are: Finance, Insurance and Real Estate, Manufacturing, Professional and Scientific Services and Construction. Job growth in construction is expected to return to prior expectations within a couple years, however reduced job growth in Professional and Scientific, Finance and Insurance and the Manufacturing sectors may be permanent.

Housing

- The Calgary housing market has two active sectors, entry level and move-up level. Low priced entry level housing will be affected most by this mortgage rule change. We anticipate a price drop in the below \$300,000 market of about 8% as a result of this mortgage rule change. Houses valued at or above \$450,000 should experience little downward pressure while houses priced over \$700,000 will experience none.
- We anticipate it will take the construction market about 18 months to adjust to the new rules. By the end of 2013 we anticipate about 200 more units of multi / condo units will be produced than previously expected with about the same number of single family homes as prior (albeit smaller more austere single family).

Outlook

- A faster growing job market in Calgary and Alberta should lessen the impacts of this policy on the local economy.

Commentary on Calgary's statistics for June 2012

Who We Are

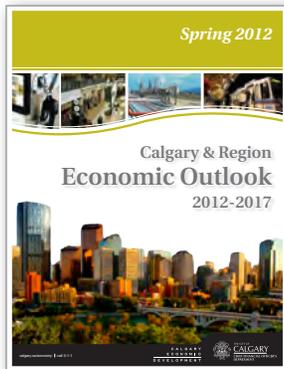
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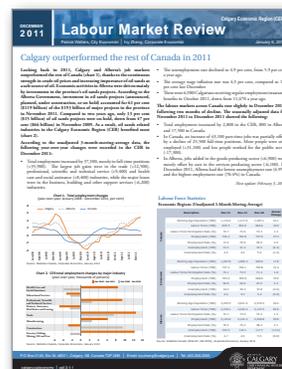
Many of our publications are available on the internet at www.calgary.ca/economy.

Forecasting



- ▶ Calgary & Region Economic Outlook
- ▶ Energy Reports on Natural Gas and Crude Oil

Information Provision



- ▶ Labour Market Review
- ▶ Inflation Review
- ▶ Current Economic Analysis
- ▶ Construction Inflation

Policy Analysis



- ▶ A Case of Fiscal Imbalance: The Calgary Experience
- ▶ Diesel Fuel Price Pass-Through in Calgary
- ▶ Calgary Residential and Commercial Real Estate Markets

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