

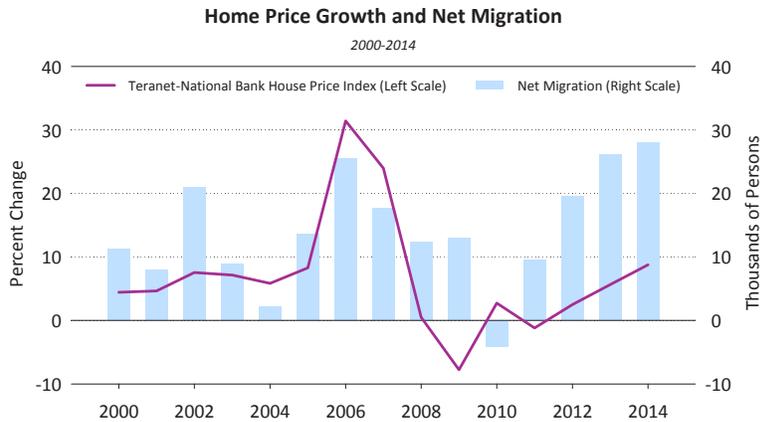
# Housing Review

## You can't burst a bubble that doesn't exist.

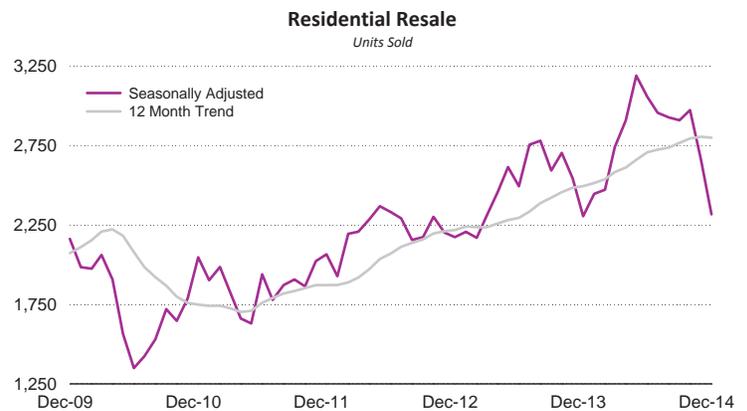
December was not a pretty month for Calgary's real estate market. Resale activity slumped, as did building permits and housing starts. The MLS benchmark home price edged down slightly from November, though it was still up 8.8 per cent year-over-year. One bright spot was average weekly wages, which advanced 0.5 per cent month-over-month and 3.9 per cent year-over-year. Mortgage rates remained low, and will begin to trend downwards in light of the recent interest rate cut by the Bank of Canada.

Although we expect to see a lot of negative growth on a year-over-year basis in the coming months, it is important to keep in mind that Calgary will be coming down from a record-setting year in real estate in 2014. Resale activity hit an all-time high, as did prices, and multi-family home construction. Regardless of the recent plunge in oil prices, the pace of home building, resale activity, and price growth was not going to be sustained in the long run. There is a big difference between a market that is transitioning from a red-hot sellers' market to a more balanced environment, and a market that is crashing.

In the aftermath of the 2008/2009 plunge in real estate values, Calgary's housing market took years to gain traction again. The MLS benchmark home price did not return to



Sources: Teranet - National Bank, City of Calgary Civic Census Corporate Economics



Sources: CREA, Corporate Economics

### Calgary's Housing Market - December 2014

	Dec-14	Nov-14	Oct-14	Dec-13	Annual Change (%)	YTD	2013
Building Permits (Units)	881	723	1,612	1,025	-14.0	1,060	1,148
Single-family (Units)	286	303	357	335	-14.6	375	408
Housing Starts (Units)	555	827	1,147	659	-15.8	1,153	782
Single-family (Units)	256	398	306	276	-7.2	385	391
MLS Benchmark Home Price (\$000s)	455.3	455.8	454.2	418.5	8.8	445	405
Single-family (\$000s)	501.4	501.4	500.0	459.6	9.1	489.9	446.6
Apartment (\$000s)	299.0	299.1	298.3	277.0	7.9	292.9	264.9
Resales (Units)	1,401	2,292	2,848	1,464	-4.3	2,801	2,496
Sales: Listings Ratio (Dimensionless)	0.78	0.83	0.75	1.13		0.71	0.73
5-Year Mortgage Rate (%)	4.79	4.79	4.79	5.34		4.88	5.24
Average Weekly Wage Rate (\$)	1,122.04	1,116.93	1,118.55	1,080.42	3.9	1,104.12	1,101.35

Source: Statistics Canada, CREA, CMHC, Corporate Economics, February 2015

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its pre-recession peak until January 2014. The reason for this was easily explained by economic fundamentals; prices rose too far too fast relative to incomes in the years preceding the recession, and a frenzied pace of residential construction left Calgary with a supply glut.

In contrast, the recent increases in property values and building activity were relatively tame. More importantly, they were supported by higher wages and record population growth. Consequently, there is little evidence that Calgary has a real estate bubble, let alone one that is vulnerable to bursting. Sinking consumer confidence will almost certainly lead to a short-term downturn in real estate sales and prices, but a rebound should materialize relatively quickly. Until oil prices recover to more favourable levels for producers, it's likely that property prices will be more or less flat.

*Next update: February 26, 2015*

## Who We Are

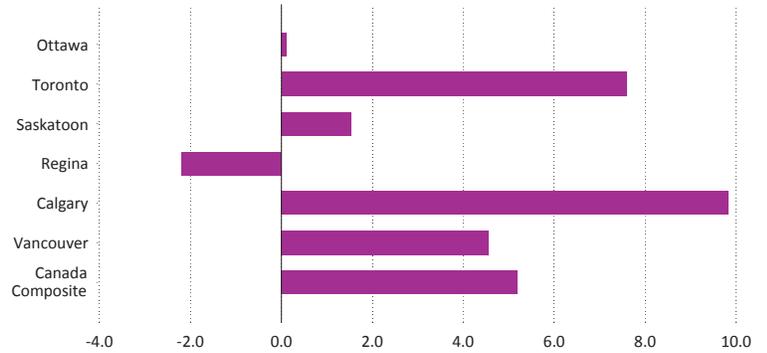
Corporate Economics provides services in four areas: forecasting, information provision, policy analysis and consulting. We also monitor the current economic trends which allows us to develop unique insights on how external events are impacting the local economy and the Municipal government. We are experienced 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](http://www.calgary.ca/economy).

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### Canadian Home Prices

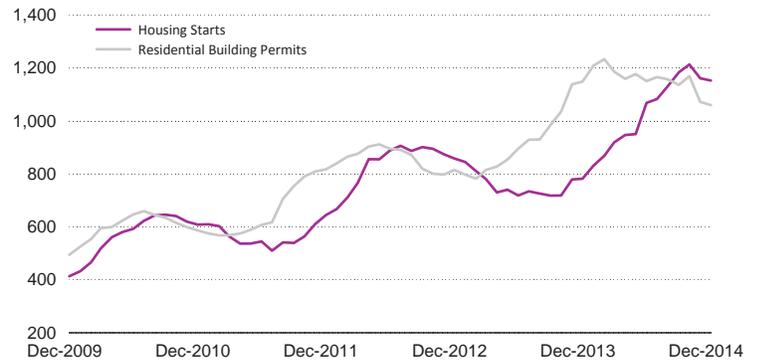
MLS Benchmark Home Price, Year-to-Date Percentage Change



Sources: CREA, Corporate Economics

### Residential Construction

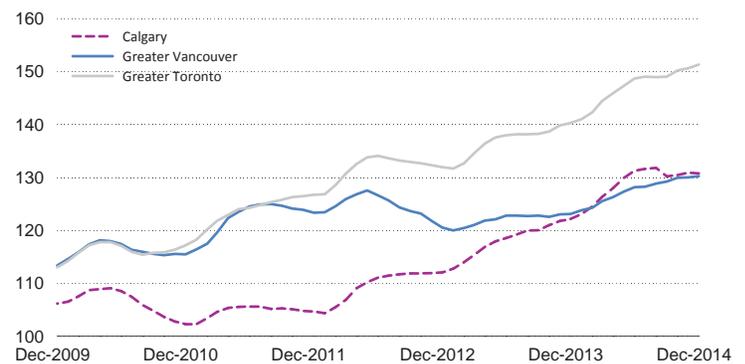
Number of Units, 12 Month Trend



Sources: CREA, Corporate Economics

### MLS Composite Benchmark Home Price

Indexed to Recession-Low, March 2009 = 100



Sources: CREA, Corporate Economics

