

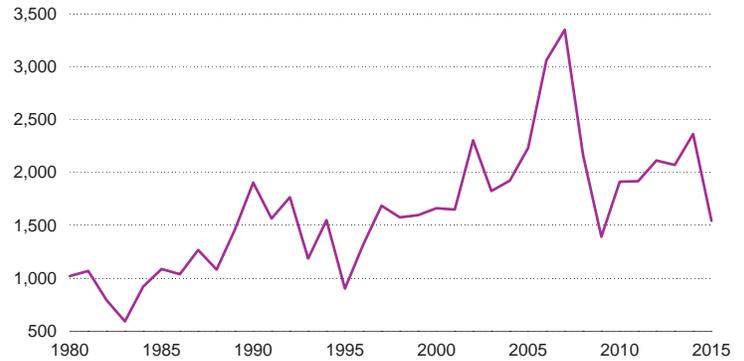
Housing Review

Calgary's resale market froze in February as consumer confidence deteriorated.

First, the bad news. Resale activity continued to languish in February, with home sales down almost 35 per cent from the same time last year. New listings were up 7.4 per cent year-over-year, leading the sales-to-new-listings ratio to come in at 0.41. While this was considerably lower than February 2014's reading of 0.67, it was an improvement from January 2014's reading of 0.28. Typically, a reading between 0.40 and 0.60 is indicative of a balanced market, while a ratio below 0.40 is labelled as a buyers' market. Anything above 0.60 is thought to be a sellers' market. From this we can surmise that **Calgary's market has weakened, but is actually relatively balanced.**

The good news is that home builders have adjusted their behaviour, mitigating the risk of an oversupplied housing market. Building permits had been trending downwards since early 2014, and housing starts began to follow suit about six months later. Because new home construction has been lagging household formation in Calgary since the aftermath of the 2008/2009 recession, there has actually been a slight shortage of homes. Unlike in 2008/2009, there is no supply glut that needs to be worked through before the market can recover. Moreover, home price growth has been relatively tame in comparison to the period preceding the last recession.

Residential Resale - February Only
Units Sold



Sources: CREA, Corporate Economics

Residential Construction
Number of Units, 12 Month Trend



Sources: CREA, Corporate Economics

Calgary's Housing Market - February 2015

	Feb-15	Jan-15	Dec-14	Feb-14	Annual Change (%)	YTD	2014
Building Permits (Units)	470	507	881	856	-45.1	489	1,060
Single-family (Units)	235	280	286	248	-5.2	258	375
Housing Starts (Units)	556	576	555	1,063	-47.7	566	1,153
Single-family (Units)	310	217	256	404	-23.3	264	385
MLS Benchmark Home Price (\$000s)	451.9	454.2	454.4	426.5	6.0	453.1	444.3
Single-family (\$000s)	498.2	500.5	500.5	468.9	6.2	499.4	489.1
Apartment (\$000s)	294.6	297.2	298.9	281.7	4.6	295.9	292.8
Resales (Units)	1,544	1,162	1,401	2,363	-34.7	1,353	2,801.3
Sales:Listings Ratio (Dimensionless)	0.41	0.28	0.78	0.67		0.35	0.71
5-Year Mortgage Rate (%)	4.74	4.79	4.79	5.24		4.77	4.88
Average Weekly Wage Rate (\$)	1,134.77	1,123.22	1,118.88	1,074.35	5.6	1,129.00	1,098.03

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

Housing Review

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April 2, 2015

Another piece of good news is that affordability conditions in Calgary have continued to improve. In spite of the weakened job market, the average weekly wage rate rose 1.0 per cent month-over-month in February, and was up a whopping 5.6 per cent year-over-year, significantly outpacing the rate of inflation in the city. Mortgage rates also edged down in response to the Bank of Canada's surprise interest rate cut in January.

The MLS benchmark home price dipped 0.5 month-over-month in February, and is off its November 2014 peak by 0.7 per cent. On an annual basis, however, prices were up 6.0 per cent from the same time last year.

Overall, **there is no fundamental reason why real estate prices should materially decline.** Wavering confidence in the economy will almost certainly lead to a short term dip, but recent home price growth has been well supported by robust population growth, a strong labour market, and solid affordability due to high wages and low mortgage rates. While the labour market will weaken in the near term, new home building has not kept up with population growth and affordability will only improve. **Even in its weakened state, Calgary's housing market is in a far better position than those of cities like Toronto and Vancouver.**

Next update: April 30, 2015

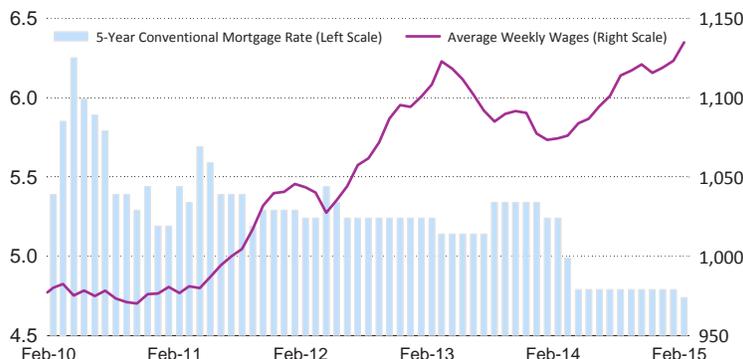
Who We Are

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.

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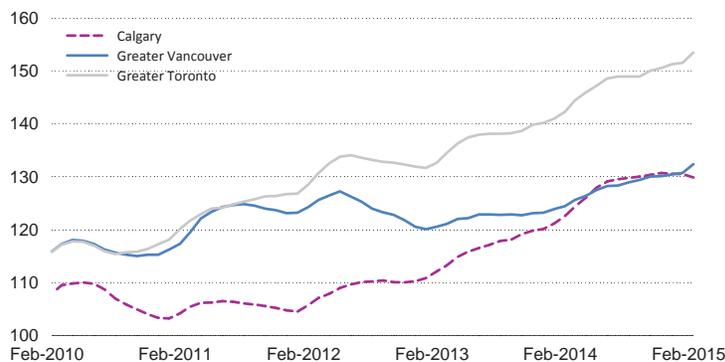
Housing Affordability Factors



Sources: Statistics Canada, CMHC, Corporate Economics

MLS Composite Benchmark Home Price

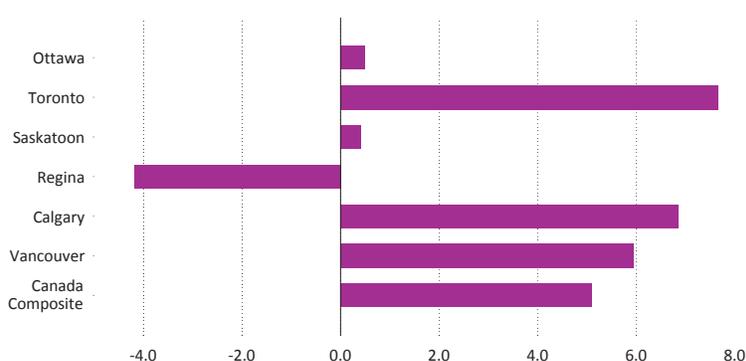
Indexed to Recession-Low, March 2009 = 100



Sources: CREA, Corporate Economics

Canadian Home Prices

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



Sources: CREA, Corporate Economics