

Housing Review

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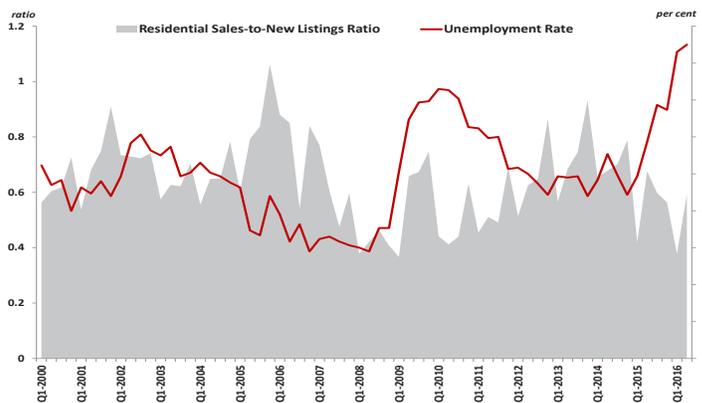
August 19, 2016

The persistence of low oil prices into the second quarter of 2016, with a relatively high unemployment rate in Calgary compared to the rest of the nation, continues to set the environment for a weak housing market this year. The unemployment rate was estimated at 8.5 per cent in the second quarter of 2016, up from 8.3 per cent in the previous period. An increase of 0.2 basis points in unemployment rate between immediate quarters and a year-over-year increase of 2.6 basis points in unemployment rate points to a relative slowing in the rate of increase in the unemployment rate from the previous quarter and year-over-year. However, despite this development, the continued weak labor market has reduced business capital spending and depressed housing demand in Calgary. Adding to the weakness of housing demand is the sharp reduction in net-migration to the City of Calgary, which saw more people leaving the City than arriving. As Calgary's unemployment rate decreases relative to the national rate, net migration to Calgary should again be positive and therefore help to bolster demand for housing.

The resale market saw housing units sold rise from 4,395 units in the 1st quarter to 7,246 units in the 2nd quarter of 2016, but down from 7,968 units year-over-year. Correspondingly, the new listings increased from 11,427 units to 12,290, an increase of 7.5 per cent over the previous period and a year-over-year increase of 4.4 per cent from 11,770 in 2nd quarter of 2015. The sales / listing ratio was estimated at 0.59 (that is, for every ten houses listed 6 units were sold) for the 2nd quarter of 2016, up from 0.379 in the quarter prior, but down year-over-year from 0.68 in 2nd quarter of 2015.

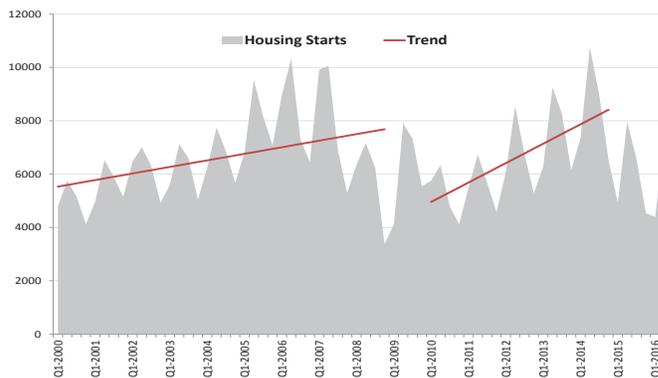
In 2015, the supply of housing increased in the rental market. The apartment vacancy rate rose to 5.3 per cent in 2015 from 1.4 percent in 2014. In 2016, the vacancy rates should fall below the 2015 rate in the rental space market as those displaced from home ownership readjust their accommodation needs; however, negative net migration could mitigate downward pressures on vacancy rates. Total housing starts rose from 1,567 units in 1st quarter to 2,293 units in 2016 2nd quarter, an increase of over 46 per cent. Housing starts were down 33.6 per cent in 2nd quarter 2016 from the same period 2015. This annualized weakness in housing

Chart 1: Calgary Unemployment Rate and Residential Sales-New Listing Ratio



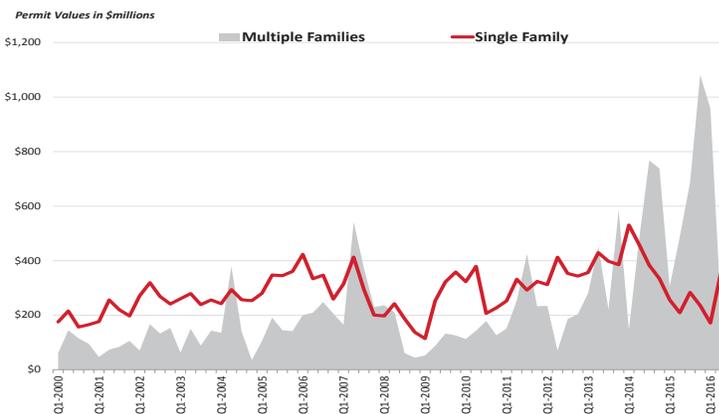
Sources: CREA, Statistics Canada, Corporate

Chart 2: Calgary CMA Total Housing Starts (Q1 2000 - Q2 2016)



Sources: CMHC, Corporate Economics

Chart 3: City of Calgary Residential Permit Values (Q1 2000 - Q2 2016)



Sources: CMHC, Corporate Economics

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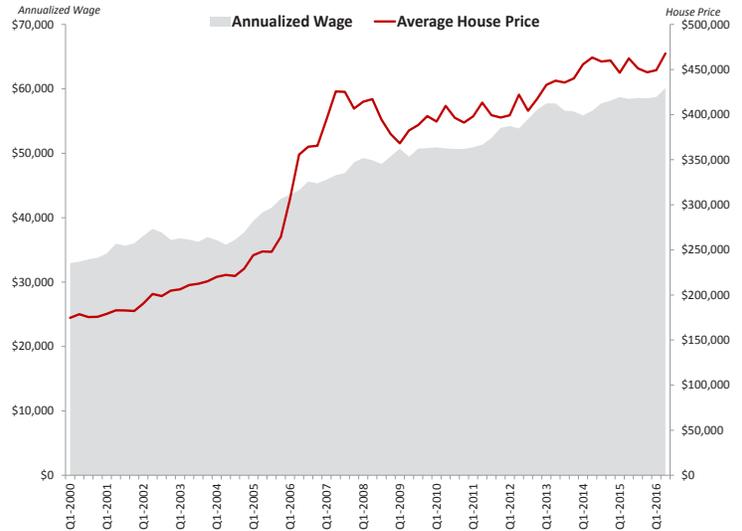
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starts was evidenced by the decrease in the City building permit values of residential properties. Over the last quarter permit values surged from \$171.2 million to \$351.3 million for single family units in the 2nd quarter of 2016, and decreased for multifamily units from \$957.7 million to \$242.3 million. Year-over-year, single family residential values rose by \$142.5 million while multifamily fell by \$246.2 million. The fall in the multifamily permit values in 2016 (quarter-over-quarter and year-over-year) resulted from a 2015 surge in demand for permits as builders attempted to avoid the anticipated impacts of the 2016 building code changes and a weak labor market.

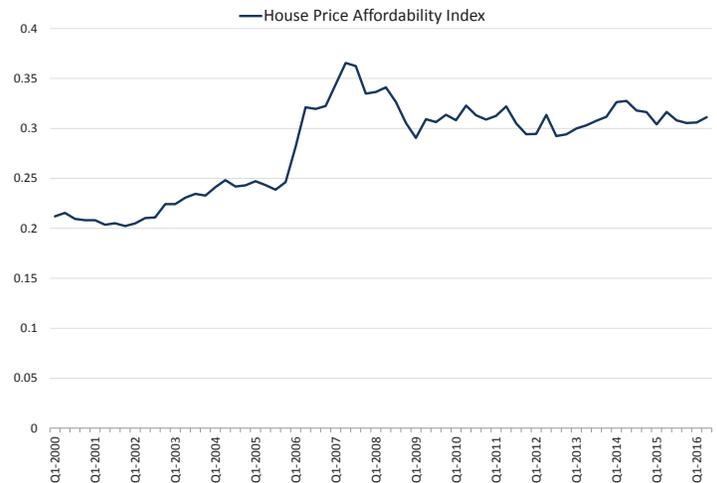
The average re-sale house price in the 2nd quarter of 2016 was up 4.1 per cent from the last quarter average resale price of \$449,316, up 1.2 per cent year-over-year. The increased pace of average annualized wage growth relative to house price appreciation does suggest that house price affordability is growing in Calgary. We do not expect to see any increased pace in house price appreciation in the 3rd quarter or this year given the current economic conditions, however, as investment capital begins to flow into the region this should drive down unemployment rate and become a catalyst for positive net migration in the region which should put some upward momentum into house prices.

Chart 4: Average House Price and Annualized Wage
(Q1 2000 - Q2 2016)



Sources: The City of Calgary, Corporate Economics

Chart 5: House Price Affordability Index in Calgary
(Q1 2000 - Q2 2016)



Sources: CREA, Corporate Economics

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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