



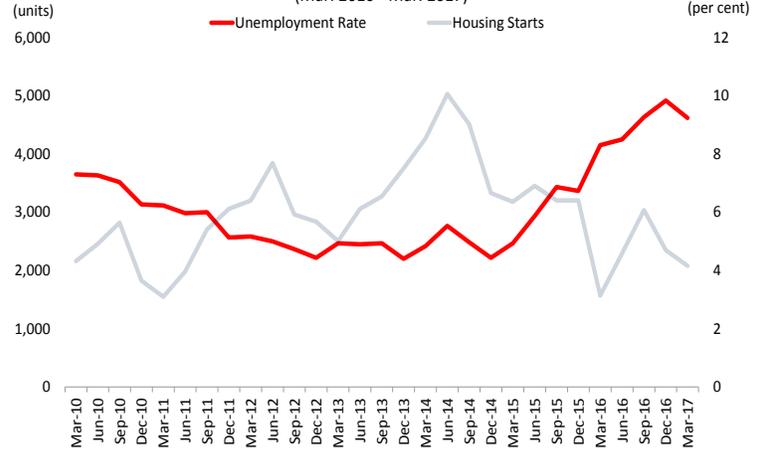
Welcome to Calgary Census Metropolitan Area (CMA) where the real estate market presents great opportunities for buyers in the region. The economy has begun to experience positive employment growth and this signals an end to the economic downturn. The Calgary economy has now embarked on a path of recovery as unemployment rate in the first quarter of 2017 fell after remaining elevated for four consecutive quarter periods. The lack of positive net migration to the region has weighed on housing demand and added to the weakness in house price appreciation. We will continue to experience weakness in the regional demand for resale housing as the local labour market remains weak relative to the rest of Canada, but, as employment growth gains momentum we can expect to see a narrowing of the unemployment rate gap between the Nation and Calgary which should attract migrants to Calgary and boost the demand for housing. The Calgary real estate market remains relatively affordable to both Vancouver and Toronto, and we can expect to see some of the investment activity flowing from those real estate markets to the Calgary market as employment conditions continue to improve and the real estate foreign tax begins to further discourage additional residential real estate buying in Vancouver and Toronto.

With concerted effort to make sure Calgary continues to diversify across industries types we see Calgary as a major contender in the real estate market space alongside Vancouver and Toronto. The regional fundamentals for house price appreciation within Calgary are positive and similar to Toronto, where household formation has on average outpaced housing starts, suggesting that significant inertia exists in housing prices for Calgary real estate housing market.

In the residential rental market in Calgary we should continue to see upward pressures on rents as more households settle for relatively affordable accommodation which will continue to reduce the apartment vacancy rate and increase the pent up demand for new and resale housing. As employment opportunities strengthen and the unemployment rate falls in the region we do expect to experience additional pressures on the new and resale housing prices as pent up demand begins to materialize.

Unemployment Rate vs. Housing Starts

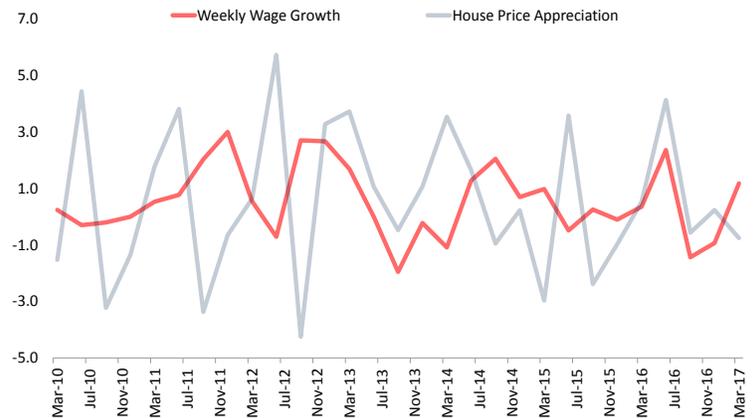
(Mar. 2010 - Mar. 2017)



Sources: CMHC, Statistics Canada, Corporate Economics

Average House Price Appreciation and Average Weekly Wage Growth

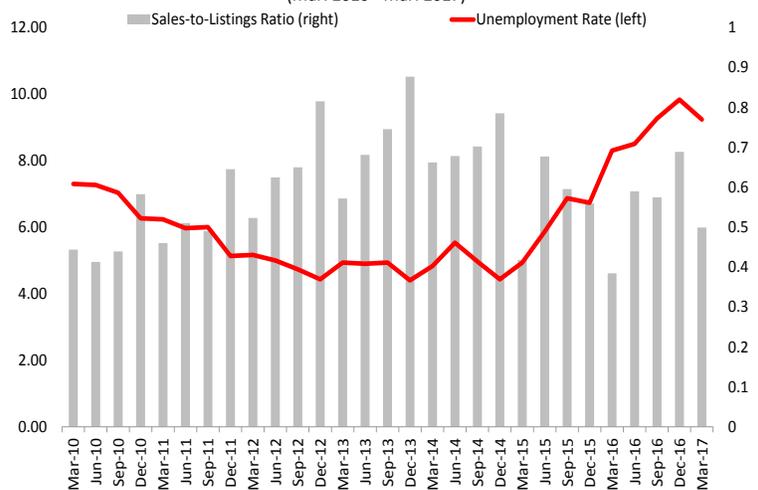
(Mar. 2010 - Mar. 2017; per cent)



Sources: CREA, Statistics Canada, Corporate Economics

Sales-to-Listings Ratio and Unemployment Rate

(Mar. 2010 - Mar. 2017)



Sources: CREA, Statistics Canada, Corporate Economics



What We Know

Calgary Economic Region

The unemployment rate rose from 6.73 per cent in the last quarter of 2015 to 9.83 per cent in last quarter of 2016, before retreating to 9.23 per cent in the first quarter of 2017. Employment grew 0.27 per cent between last quarter of 2015 and the same period of 2016, and by 2.4 per cent between the first quarter of 2017 and last quarter of 2016, a strong performance for the Calgary economy.

Average weekly wage growth for Calgary in the first quarter of 2017 relative to the last quarter of 2016 was 1.2 per cent, while year over year was 1.1 per cent. As the economy recovers we do expect to see stronger wage growth as business confidence returns and investment levels follow suit.

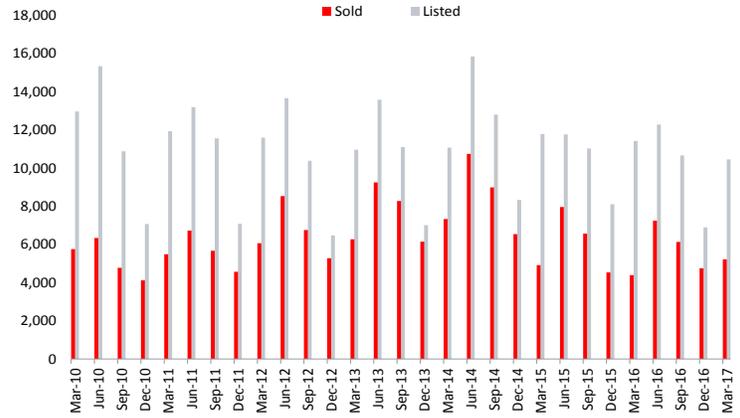
Calgary Census Metropolitan Area Re-sale Market

We track the sales-to-listings ratio indicator which captures the demand-supply balance in the housing market. If the units sold are equal to the total listings for the quarter, then the sellers sell what they list, and this would imply that opportunities are clearly in favour of the seller. If, on the other hand, half of what is listed is sold, then one can say the market is balanced: neither is it a buyer's or seller's market; the probability of purchasing or selling a home is 50 per cent. However, if it is less than 50 per cent, it is now tipped in the buyer's favour, such that, we claim it is a buyer's market. (The buyers have a greater opportunity to purchase more along their demands than the sellers.) In the first quarter of 2017, the sales-to-listings ratio was 0.49 down from 0.73 in the last quarter of 2016, clearly a balanced market in latest quarter. In the first quarter of 2016, the indicator was 0.38 clearly a buyer's market. Residential new listings in first quarter of 2017 were 10,463 units up from 6,896 units the previous quarter, and down from 11,427 units same quarter a year ago. On the other hand, in the first quarter of 2017 sales were 5,220 units up from 4,749 units sold in the previous quarter and up from 4,395 units sold same quarter a year ago.

Average house prices fell marginally in the first quarter of 2017 to \$462,856 from \$466,375 in the previous quarter, and rose higher than the average house price in the same quarter a year ago at \$449,316. So, year over year, house price appreciation in the first quarter of 2017 grew by 3 per cent, while appreciation from the previous quarter was down 0.8 per cent. As labor market conditions, consumer and business confidence improve we

Residential Units: Sold and Listed

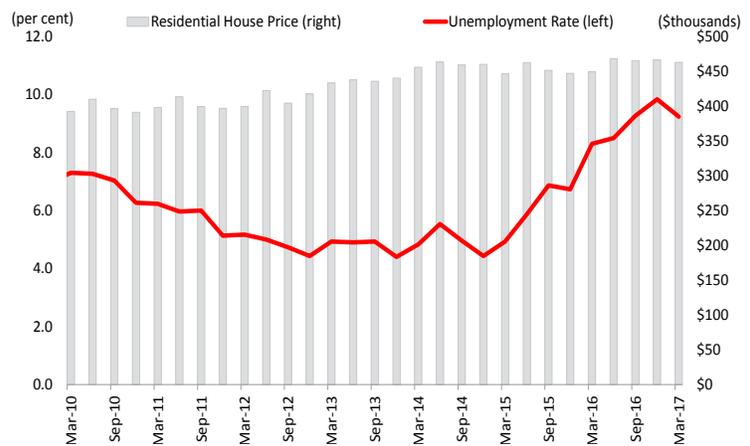
(Mar. 2010 - Mar. 2017, units)



Sources: CREA, Corporate Economics

Residential House Price vs. Unemployment Rate

(Mar. 2010 - Mar 2017)



Sources: CREA, Statistics Canada, Corporate Economics

City of Calgary: Residential vs. Non-residential Investment

(Mar. 2010 - Mar. 2017)



Sources: The City of Calgary, Corporate Economics



should expect to see above 3 per cent house price appreciation annually.

Housing Starts and Permit Values¹

Calgary Census Metropolitan Area

In Calgary Census Metropolitan Area housing starts were 2,079 units in the first quarter of 2017 down from 2,347 units the previous quarter and up 1,567 units same quarter a year ago.

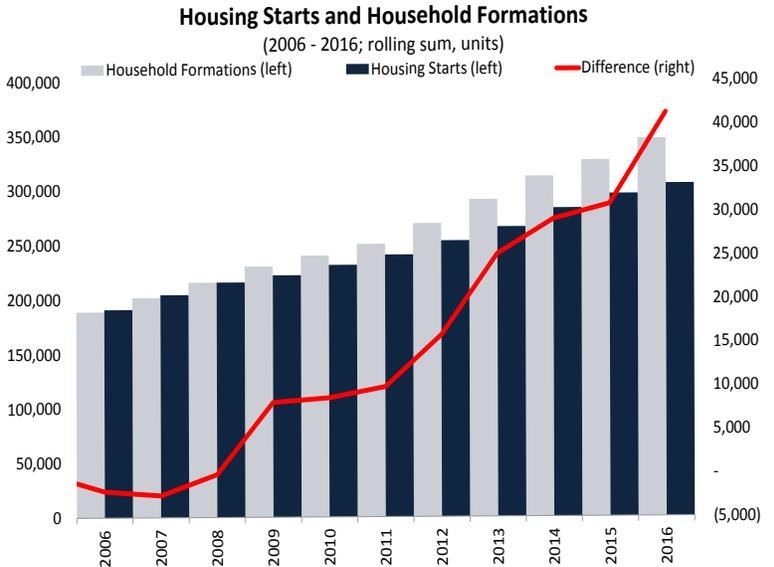
City of Calgary

In the City of Calgary the first quarter of 2017 saw total housing starts decrease to 1,649 units from 2,188 units previous quarter, and up from 1,219 units same quarter a year ago. Single family starts for the City of Calgary decreased to 602 starts from 822 the previous quarter, and up from 457 units same quarter a year ago.

For the City of Calgary total permit values were down \$0.79 billion dollars in the first quarter of 2017 from \$1.77 billion dollars the previous quarter, however up from \$0.57 billion same quarter last year. Residential permit values made up 51 per cent of total permit values in the first quarter of 2017 down from last quarter of 70 per cent, and unchanged from same quarter a year ago. Single family residential permit values made up 61 per cent of residential values in first quarter of 2017, up from 22 per cent in previous quarter, and up from 59 per cent a year ago same quarter.

Residential permit values are expected to remain relatively subdued going forward, however, as we continue on a trajectory of positive employment growth, this should improve consumer and business confidence and realize some price appreciation from the residential housing pent up demand in the region.

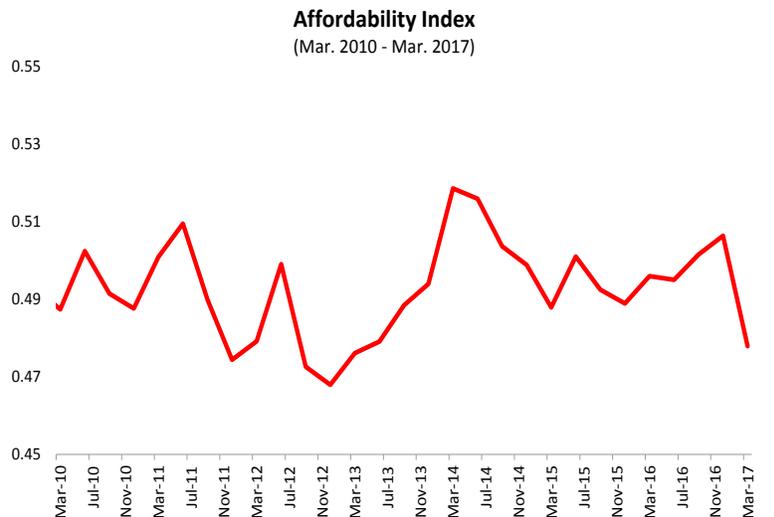
¹ Housing Starts are comprised of single and multifamily housing starts for the city of Calgary. Total building permit values are comprised of residential and non-residential permit values. Residential permit values are comprised of single family and multi-family permit values.



Sources: CHMC, The City of Calgary, Corporate Economics

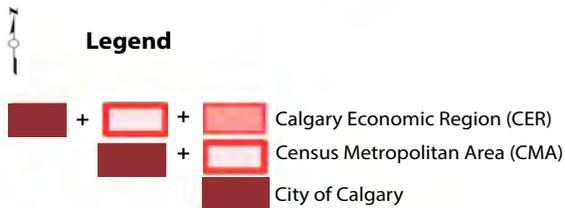
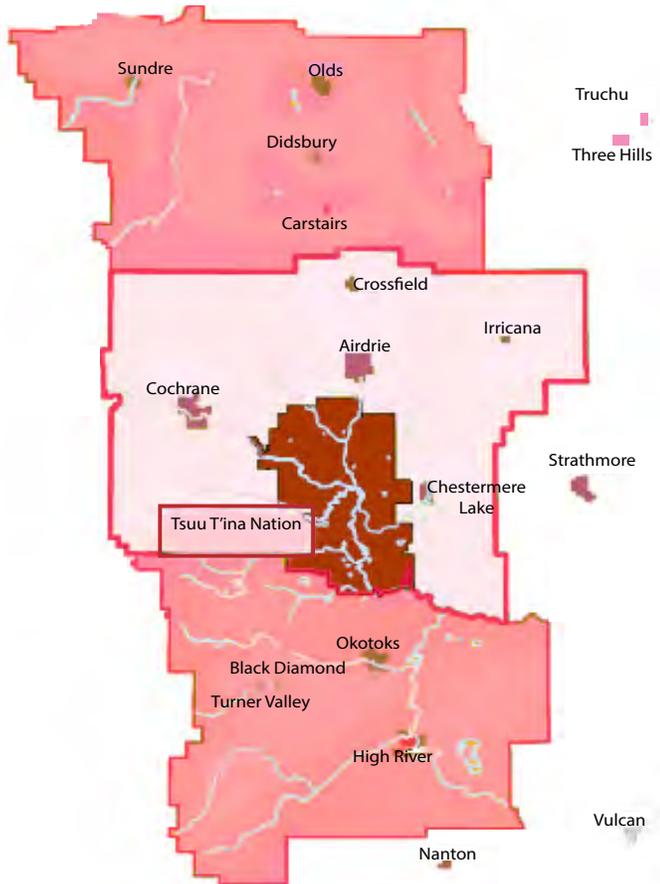
Calgary CMA Housing Affordability Index

In 2014 affordability index averaged 0.51 across all four quarters with a standard deviation of 0.01, and between 2015 first quarter and first quarter of 2017 affordability index averaged 0.48, with 0.48 being the least upper bound across all the quarters. In the first quarter of 2017 affordability decreased from 0.49 in the last quarter of 2016 to 0.48. In all, affordability has improved since 2015 and has remained relatively stable.



Sources: CREA, Statistics Canada, Corporate Economics

Calgary Economic Region Map



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.

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

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