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# 2019

## Calgary Economic & Housing Outlook

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The forecasts included in this document are based on information available as of December 2018.

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# SUMMARY

**The challenging economic climate in Calgary is expected to persist into 2019. While there was some evidence of stabilization in the energy sector in early 2018, issues surrounding the price differential of oil, falling global prices, a lack of market access and ability to attract investment are placing current and future growth at risk. The economic impact of recent events is not expected to translate into another recession in 2019. However, it will impact employment opportunities, consumer confidence and the housing market.**

On top of energy sector concerns, we are in an environment of stricter lending conditions and higher interest rates. The Canadian economy is growing, supporting further expected gains in interest rates in 2019.

Higher rates and stricter requirements come at a time when the Alberta economy still struggles with employment and wages.

With further rate increases expected in the second half of 2019 and no significant improvements in the job market, resale sales activity is forecasted to remain low compared to historical standards.

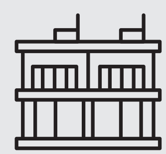
Persistently weak demand and excess supply in the Calgary market are expected to cause further price declines in 2019.

There are signs that supply in the market is starting to adjust to slower sales, but the pace of adjustment is expected to be slow. Overall, it will help reduce some oversupply in the market and put the industry in a more stable position by 2020.

## OVERALL PRICES ARE EXPECTED TO DECLINE BY:

**- 2.34%** ACROSS THE CITY

**- 2.27%** IN THE APARTMENT SECTOR



**- 2.49%** IN THE ATTACHED SECTOR

**- 2.33%** IN THE DETACHED SECTOR

# SUMMARY

## TOP CONSIDERATIONS FOR 2019:

• If conditions in the energy sector get worse, this could have downside risk on confidence, employment and wages, creating persistent oversupply and steeper-than-expected price declines in the housing market.

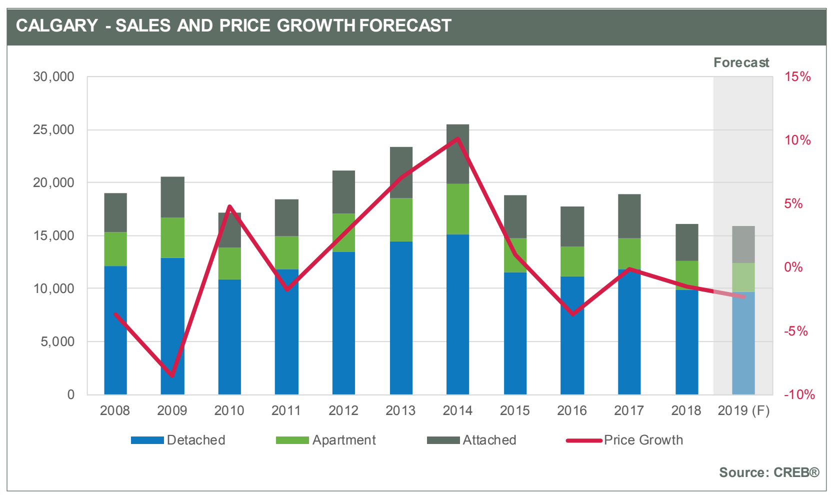
• Signs of supply adjustments are present in the market. If the downside risk is averted, then the amount of oversupply should start to ease by the end of the year.

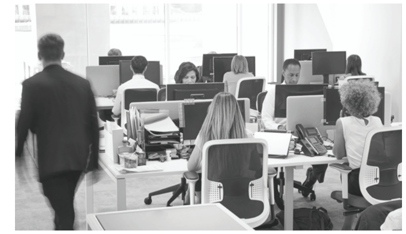
• Unless the Canadian economy underperforms, further rate increases are expected in 2019. This will impact housing demand.

• If new-home inventories and product under construction do not ease, this will prolong buyers' market conditions in the housing market.

• Provincial and federal elections could result in changes to government spending, policies and confidence in the market.

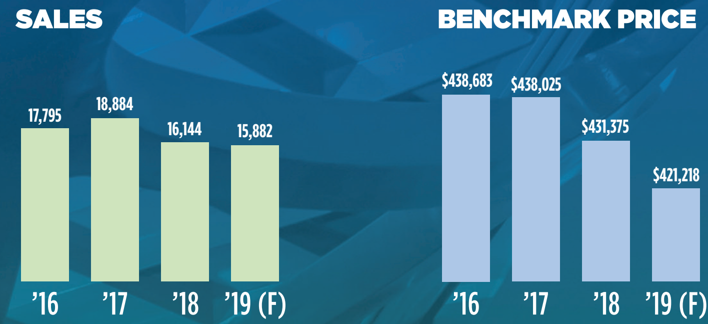
• For those considering ownership, further resale price declines can make the resale market more attractive to purchasers compared to new homes.



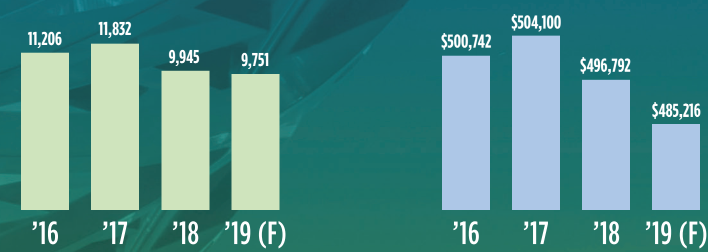



# MLS® RESALE MARKET

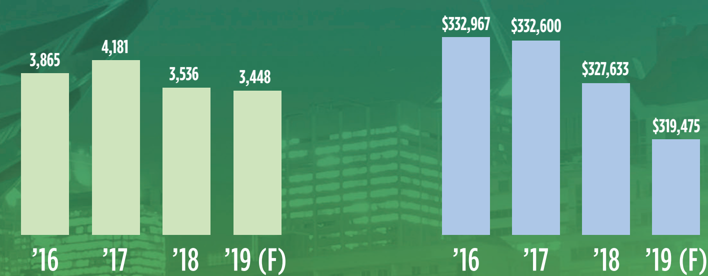
CITY OF CALGARY
**RESIDENTIAL**



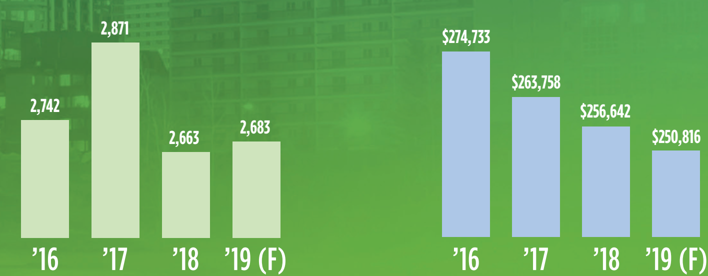

CITY OF
CALGARY
**DETACHED**




CITY OF
CALGARY
**ATTACHED**




CITY OF
CALGARY
**APARTMENT**



# ECONOMY

## ECONOMIC SUMMARY

**Slower economic growth, weak consumer confidence, persistently high unemployment and a lack of job growth in higher paid industries summarizes the economic climate expected in Alberta this year. The primary cause of these conditions is continued weakness in the energy sector. While measures are in place to attempt to minimize the impact, relief is not expected until the end of 2019.**

## GDP

The economy is expected to return to pre-recession levels this year, but we are left with an economy and employment market that do not compare to the dynamics experienced in 2014.

Several sectors of our economy are smaller than they used to be. More people are working today than in 2014, but the type of employment has shifted, as there are fewer people employed in the energy sector.

One other change has been the relationship between economic growth and jobs. While the primary & utilities sector has grown due to more oil production, this has not translated into job growth, as over 31,000 jobs in this sector have not returned.

| ALBERTA INDUSTRY GROWTH | GDP Growth 2014 – 2018 (E) | Employment Change 2014-2018 |
|---|---|---|
| Arts, Entertainment and Recreation | 23.85% | 9,184 |
| Health Care and Social Assistance | 12.09% | 38,043 |
| Educational Services | 10.66% | 32,626 |
| Transportation and Warehousing | 10.14% | 8,914 |
| Public Administration | 9.93% | 21,471 |
| Primary and Utilities | 9.71% | -31,551 |
| Finance, Insurance and Real Estate | 9.11% | 7,853 |
| Retail Trade | 1.65% | 12,702 |

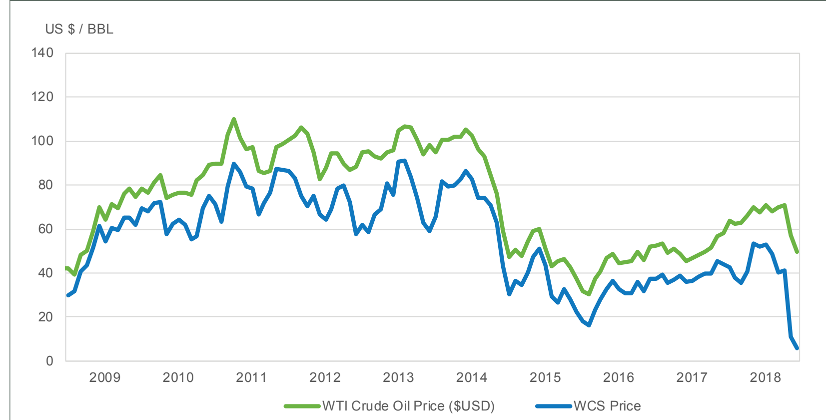
| ALBERTA INDUSTRY CONTRACTION | GDP Loss 2014 – 2018 (E) | Employment Change 2014-2018 |
|---|---|---|
| Construction | -29.70% | -11,194 |
| Professional, Scientific & Technical Services | -11.06% | -3,439 |
| Wholesale Trade | -7.71% | 385 |
| Accommodation and Food Services | -6.78% | -2,225 |
| Other Services | -6.43% | -8,355 |
| Manufacturing | -5.57% | -14,484 |
| Information and Cultural Industries | -1.18% | -3,810 |

# ECONOMY

## ENERGY

Concerns about weak demand growth and excess supply have emerged again in the global energy sector. This has caused many forecasters to downgrade their oil price forecasts for 2019. The Canadian market faces additional challenges with investor interest and pipelines. While some of the concerns regarding the price differential have eased, expectations for improvements in this sector in 2019 have mostly vanished, with optimism shifting to 2020.

ENERGY - CRUDE OIL PRICE




Source: U.S. Energy Information Administration, Alberta Energy

## A LOOK AT THE ENERGY SECTOR IN 2019:

• Government imposed production cuts and a ramp up of rail aimed to minimize oil price discounts and prevent significant job losses this year.

• Changes in government policies regarding the energy sector (e.g., Bill C69) could impact future growth prospects over the near term, as well as investor confidence.

• The future of Trans Mountain could help shift sentiment in the sector.

• Low natural gas prices are raising short-term concerns. However, progress on LNG Canada is boosting longer-term optimism and could lead to employment gains in the technical and professional business service sector.

• Regulatory changes, uncertainty regarding approval timelines and risk of stranded assets have made it increasingly difficult to attract investment capital into the Alberta energy sector. Lack of investment growth will limit employment opportunities.

| Economic Indicators | 2016 | 2017 | 2018 (E) | 2019 (F) | Forecaster |
|---|---|---|---|---|---|
| Alberta GDP Growth | -3.60% | 4.75% | 3.02% | 2.27% | Conference Board of Canada |
| WTI Price ($USD) | $43.29 | $50.80 | $65.06 | $54.19 | U.S. Energy Information Administration |
| Henry Hub Spot Price ($USD) | $2.52 | $2.99 | $3.15 | $2.89 | U.S. Energy Information Administration |

# ECONOMY

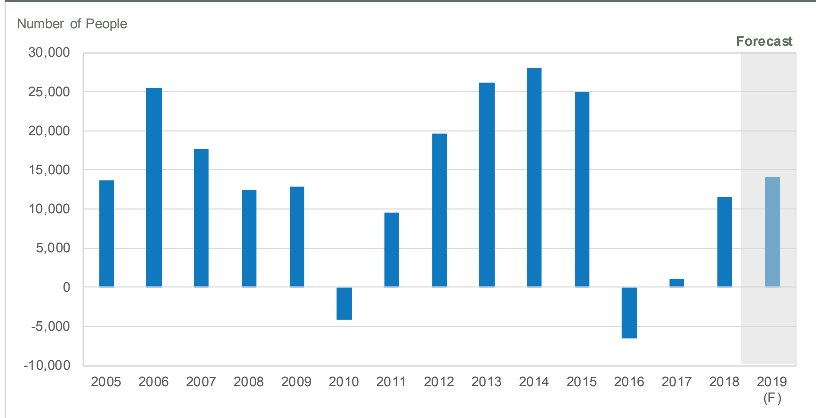
## POPULATION

One area of notable improvement in 2018 was net migration. In 2018, net migration was expected to be nearly 2,000 people, but civic census figures showed a 2018 gain of more than 11,000 people.

Based on provincial figures, it is expected that most of the gains were due to international migrants, which had a notable impact on the rental market.

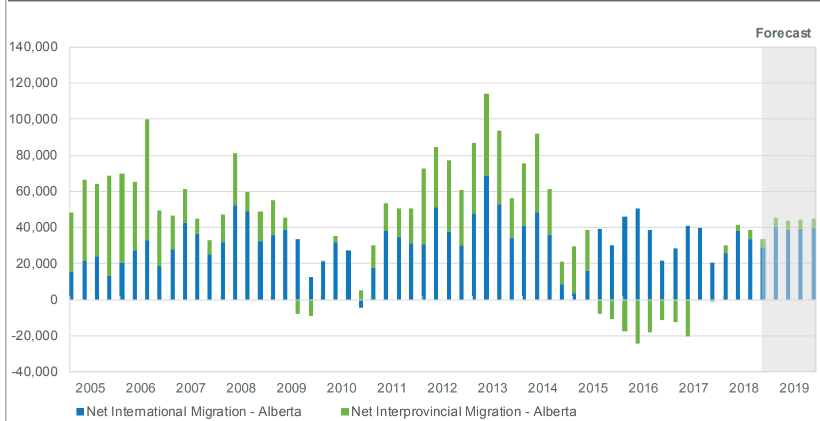
The rise in net migration will help reduce overall housing supply. However, the composition is expected to consist mostly of international migrants. Over the near term, it is more likely to have an impact on the rental market than the ownership market.

**CITY OF CALGARY NET MIGRATION**




Source: City of Calgary Census, City of Calgary Forecast

**ALBERTA - NET MIGRATION (QUARTERLY)**




Source: Statistics Canada, Conference board of Canada forecast

# ECONOMY

## POPULATION CONT.

**The facts about Calgary's population growth:**

• The pace of population and net-migration growth is expected to remain comparable to 2018, with a continued shift towards more international migrants.

• Forecasted net migration gains in 2019 will help chip away at some of the oversupply, primarily in the rental market. However, it is not expected to be enough to support significant improvements in ownership demand this year.

• Calgary net migration is expected to be 14,000 in 2019.

• Based on the last civic census, Calgary's population grew by 1.7 per cent, for a total gain of 21,007 residents – 9,419 coming from natural increases and 11,588 from net migration.

• As of the fourth quarter of 2017, Alberta's interprovincial migration moved from negative to positive. While levels remain relatively low, the lack of outflow is a move in the right direction.

# ECONOMY

## EMPLOYMENT

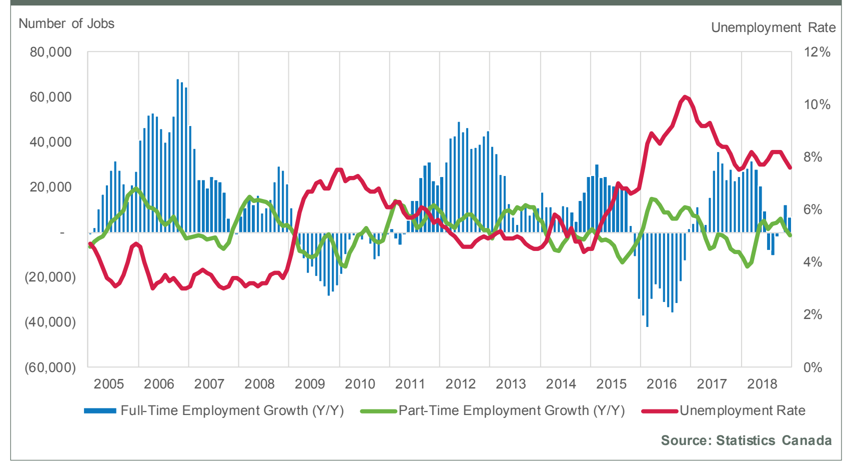
Calgary's job market did not play out as most forecasters had anticipated in 2018.

Instead of a continual improvement in the job market, with a slow reduction in unemployment rates, Calgary faced further job losses in the latter part of the year and the city's unemployment rate remained the highest in the province.

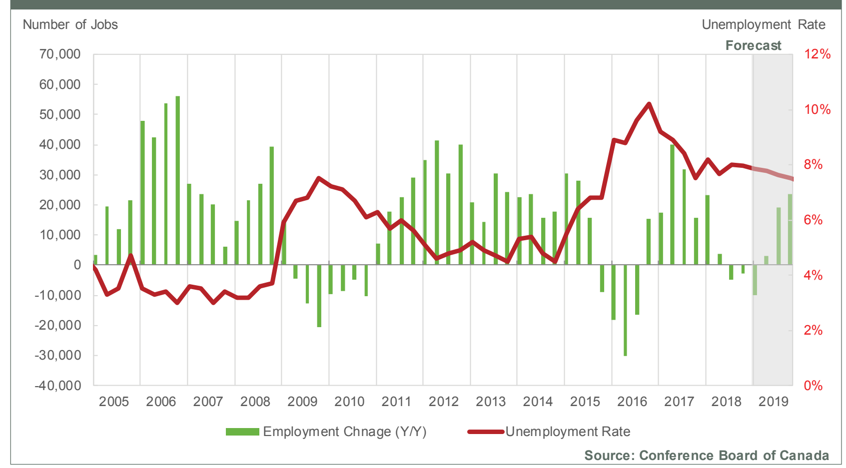
Weakness in the employment market and household income impacted housing markets in 2018.

Modest growth in employment is expected in 2019, but not enough to push unemployment rates below seven per cent or to generate a significant shift in housing demand.

**CALGARY CMA - FULL AND PART TIME EMPLOYMENT**




**CALGARY CMA - EMPLOYMENT GROWTH AND UNEMPLOYMENT RATES**



# ECONOMY

## EMPLOYMENT CONT.

**Key factors in Calgary's job market:**

• Substantial risk is present in the employment market forecast. If concerns in the energy sector do not ease, we could see further job losses in higher-paid occupations.

• Employment growth is forecasted to increase by one per cent in 2019. This will be led by growth in Wholesale Trade, Education, Accommodation and Food Services, and Public Administration.

• Persistently high unemployment rates will impact income growth and housing demand.

• Overall employment figures have risen above levels recorded prior to the recession. However, employment has not recovered to pre-recession highs in industries that are related to the energy sector, including Technical and Professional Services, Manufacturing, Construction and Primary, and Utilities.

| EMPLOYMENT **GROWTH** IN **2019 (F)** |
|---|
| Public Administration |
| Wholesale Trade |
| Accommodation & Food Services |
| Arts, Entertainment & Recreation |
| Educational Services |
| Professional, Scientific & Technical Services |
| Transportation & Warehousing |
| Other Services |

| EMPLOYMENT **LOSS** IN **2019 (F)** |
|---|
| Manufacturing |
| Construction |
| Information & Cultural Industries |
| Primary & Utilities |
| Finance, Insurance & Real Estate |
| Retail Trade |
| Healthcare & Social Assistance |

# ECONOMY

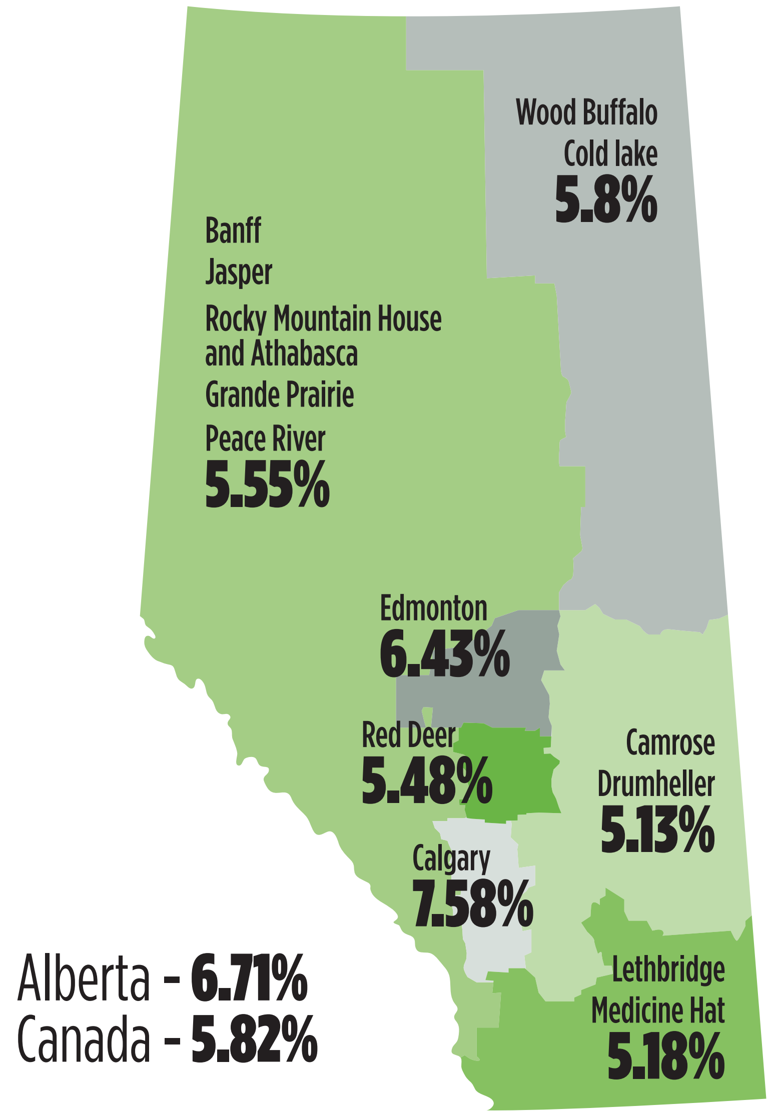
## EMPLOYMENT CONT.

### Regional Comparison

Unemployment rates have generally declined across all regions from the highs recorded during the peak of the recession. However, Calgary continues to report the highest unemployment rates in the province, as the downturn in the energy sector had a significant impact on office positions in the city.

The variation is not limited to employment, as housing markets throughout the province differ depending on location. Other than Fort McMurray, the Calgary region has seen the largest pullback in resale sales compared to typical levels.

**Unemployment Rate (2018)**



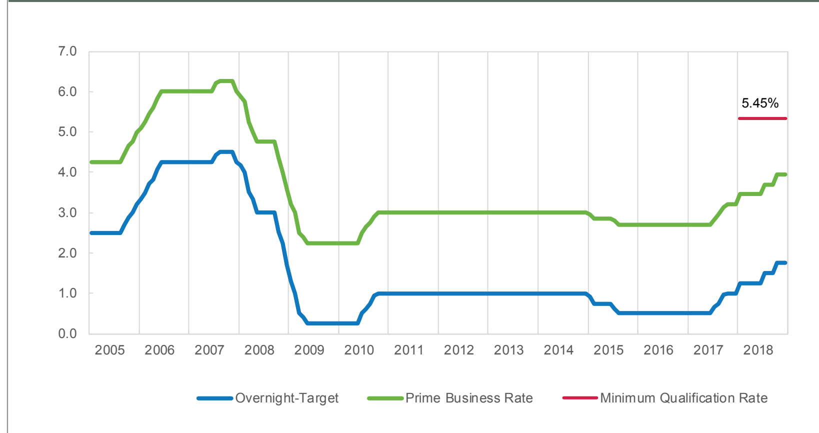
# ECONOMY

## LENDING MARKET

Following a decade of low interest rates, the Bank of Canada is expected to gradually raise rates until they reach 2.5 – 3.5 per cent. These are rates identified by the major banks as neutral. Rate increases of 50 basis points are expected in the second half of 2019, if the Canadian economy and inflation grow in line with expectations.

Higher rates also cause higher qualification rates. These gains, combined with continued weakness in labour incomes, are expected to weigh on housing demand in 2019.

**NATIONAL LENDING RATE**




**Source: Bank of Canada, Royal Bank of Canada Forecast**

**What you should know about housing and interest rates:**

- The Bank of Canada's overnight target rate is expected to rise from 1.75 per cent at the end of 2018 to 2.25 per cent by the end of 2019, potentially pushing up qualification rates to near six per cent.

- The pace of rate increases may slow if the national economy does not grow as expected.

- While overnight target rates may continue to rise, there is some speculation that banks may not raise fixed rate mortgages, limiting the impact on housing markets.

- Stricter lending conditions, combined with higher rates, have weighed on housing demand in 2018, as households adjust expectations regarding their housing choices. Also, economic recovery has not been substantial enough to offset the impact of the changes.

- Activity has slowed across all price ranges, except the most affordable ownership product for each property type.

**Note: understanding the impact of B20**

The mortgage stress test has changed what all borrowers will qualify for based on their income levels. The Canadian Real Estate Association (CREA) estimated purchasers who previously qualified for the average detached benchmark home in our city would now need to save an additional $76,000 to purchase that same home.

CREA also estimates it would take a minimum of 12 months to save the additional funds, and only if all income goes towards the additional down payment.

This highlights that the adjustment to these changes will take time and will weigh on the housing market well into 2019.

# NEW-HOME MARKET

**New-home starts eased over 2018 levels due to pullback in both detached and semi-detached activity. However, further gains occurred in the apartment sector, mostly due to condominium construction.**

Product under construction and in inventory increased. Supply choice in the new-home market contributed to the overall excess supply in the housing market last year and is impacting prices in the resale market.

Due to an environment of rising lending rates and slower growth, new-home starts are expected to slow further in 2019.

This will help reduce the amount of additional supply pressure in the market.

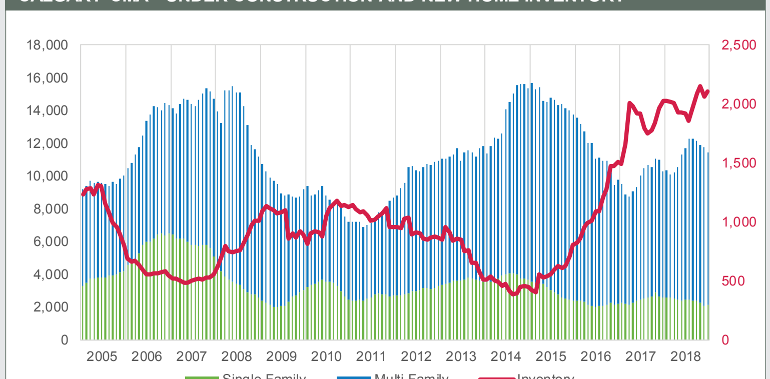
With the current pace of construction, and expectations of new households forming, it will take some time for the new-home supply to ease to more normal levels. This will affect home prices well into 2019.

## New-home construction – A quick summary:

- The amount of product under construction has risen, mostly due to growth in higher-density product. As of December 2018, 81 per cent of all product under construction was multi-family, with apartment-style product accounting for 7,155 of the 11,452 units under construction.

- The majority of apartment construction remains targeted to condominium ownership, but there has been a rise in the amount of rental-apartment construction, accounting for 2,489 of the 7,155 apartment units under construction.

CALGARY CMA - UNDER CONSTRUCTION AND NEW HOME INVENTORY



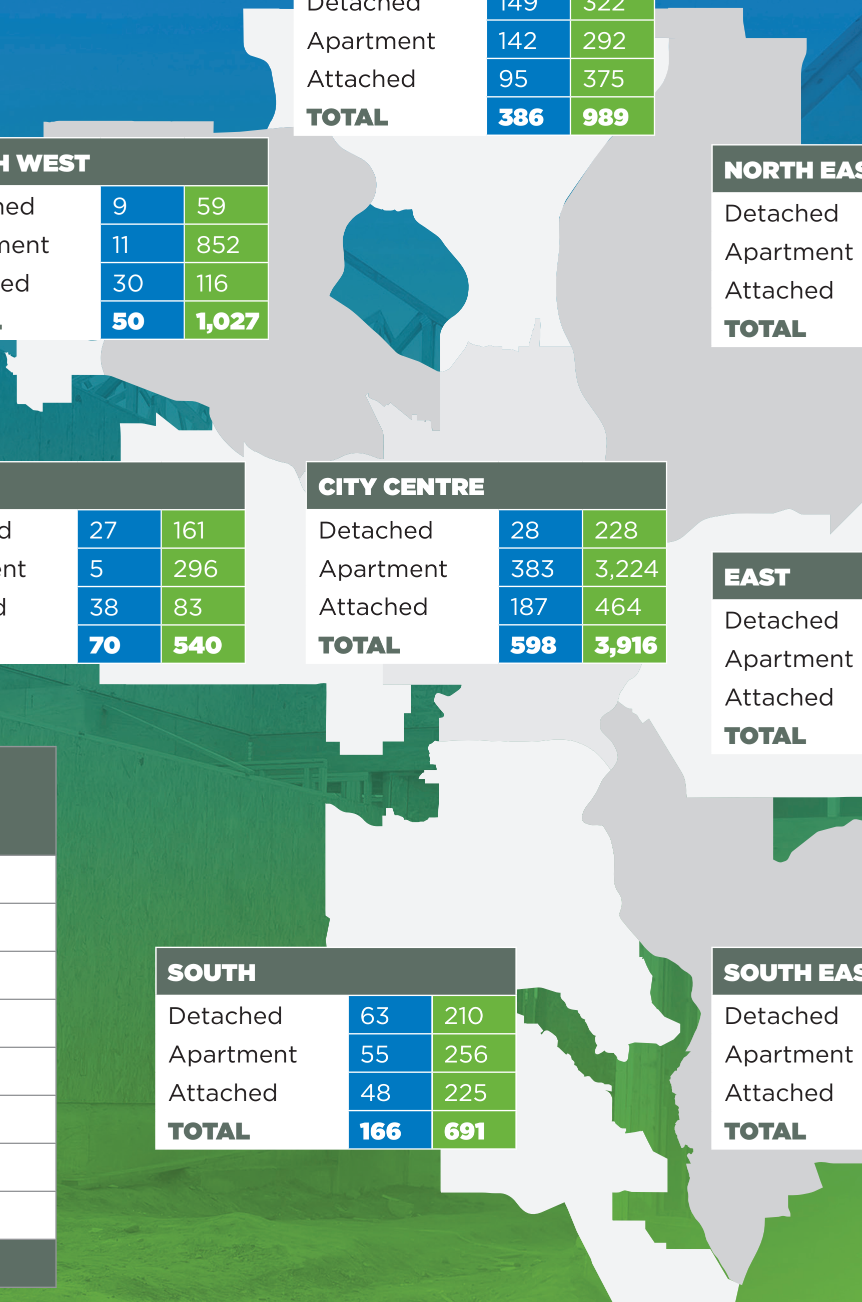

Source: CMHC

- New-home inventories rose to new highs in 2018. In December, there were 2,105 units completed and in inventory. Of those, 915 were apartment condominium product.

- 2018 starts were 10,971 units. This is a 4.9 per cent decrease over the previous year. In 2019, levels are expected to ease slightly due to a pullback in multi-family starts.

- Many new-home builders have become more aggressive with their pricing to pull available consumers toward new products rather than resale homes. Price adjustments in the new-home market can affect resale home prices in areas that are near new developments.

# NEW-HOME ACTIVITY



| NORTH | | |
|---|---|---|
| Detached | 149 | 322 |
| Apartment | 142 | 292 |
| Attached | 95 | 375 |
| **TOTAL** | **386** | **989** |

| NORTH WEST | | |
|---|---|---|
| Detached | 9 | 59 |
| Apartment | 11 | 852 |
| Attached | 30 | 116 |
| **TOTAL** | **50** | **1,027** |

| NORTH EAST | | |
|---|---|---|
| Detached | 72 | 238 |
| Apartment | 235 | 1,349 |
| Attached | 109 | 328 |
| **TOTAL** | **416** | **1,915** |

| WEST | | |
|---|---|---|
| Detached | 27 | 161 |
| Apartment | 5 | 296 |
| Attached | 38 | 83 |
| **TOTAL** | **70** | **540** |

| CITY CENTRE | | |
|---|---|---|
| Detached | 28 | 228 |
| Apartment | 383 | 3,224 |
| Attached | 187 | 464 |
| **TOTAL** | **598** | **3,916** |

| EAST | | |
|---|---|---|
| Detached | - | 3 |
| Apartment | 3 | 135 |
| Attached | - | 4 |
| **TOTAL** | **3** | **142** |

| SOUTH | | |
|---|---|---|
| Detached | 63 | 210 |
| Apartment | 55 | 256 |
| Attached | 48 | 225 |
| **TOTAL** | **166** | **691** |

| SOUTH EAST | | |
|---|---|---|
| Detached | 59 | 267 |
| Apartment | 51 | 725 |
| Attached | 32 | 132 |
| **TOTAL** | **142** | **1,124** |

**LEGEND**

- Total New-Home Inventory (blue)
- Under Construction Inventory (green)

| 2018 PRICE CHANGE | DETACHED | APARTMENT | ATTACHED | ALL |
|---|---|---|---|---|
| City Centre | -0.01% | -2.07% | 0.12% | -0.55% |
| North East | -2.94% | -3.59% | -4.13% | -3.22% |
| North | -2.20% | -3.62% | -2.27% | -2.12% |
| North West | -2.09% | -1.79% | 0.25% | -1.54% |
| West | 0.09% | -4.10% | -2.39% | -0.39% |
| South | -1.85% | -4.28% | -3.23% | -2.20% |
| South East | -1.16% | -2.52% | -0.94% | -1.24% |
| East | -1.50% | -5.26% | -2.72% | -1.70% |
| **TOTAL CITY** | **-1.45%** | **-2.70%** | **-1.49%** | **-1.52%** |

# RENTAL

Improving net migration and stricter ownership conditions have translated into improvements in the rental market.

Vacancy rates have eased, helping reduce the oversupply. As this trend is expected to continue, we should start to see some room for further rental-rate growth and, eventually, improvements in ownership demand.

However, the transition to ownership will be slow, as rental vacancies are still higher than normal and consumers are still adjusting to changes in the lending market.

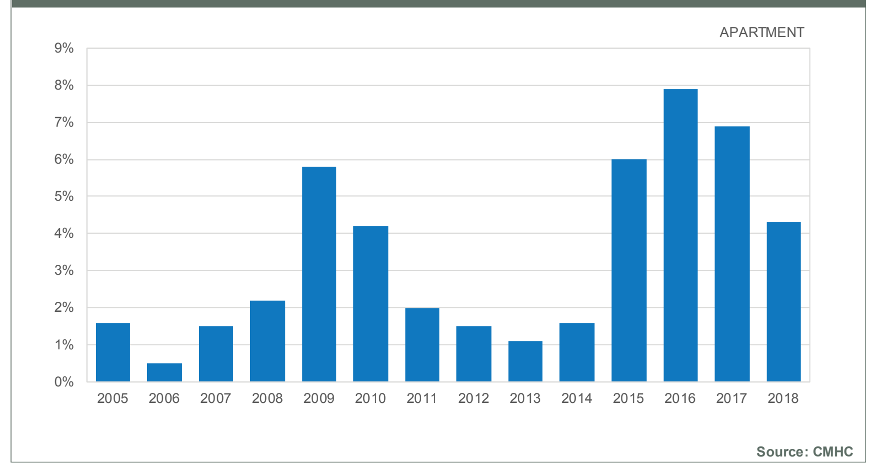
**What's changing in the rental market:**

- Vacancy rates in the Calgary rental market trended down in 2018, according to the most recent Canada Mortgage and Housing Corp. (CMHC) survey. Purpose-built rental vacancies dropped from 6.7 per cent for two-bedroom units to 4.2 per cent.

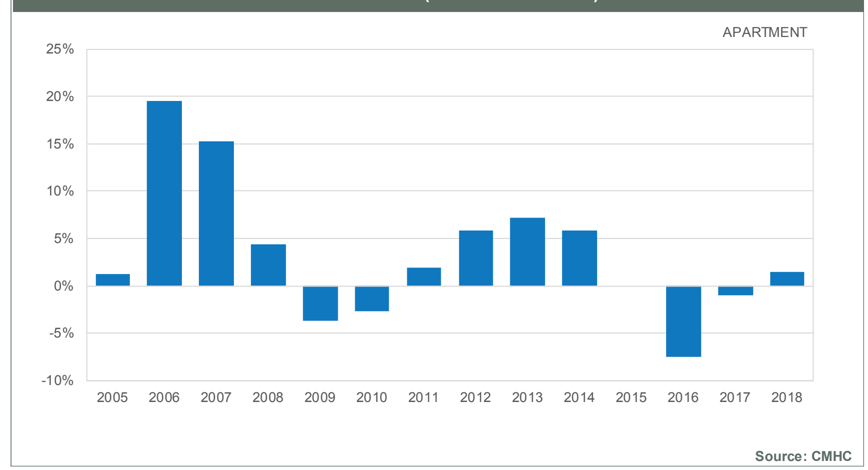
- Easing vacancy rates are primarily due to improvements in net migration and higher barriers to ownership that are keeping individuals in the rental market.

- The easing supply in this sector has helped support a modest improvement in rental rates following two years of declines.

**CALGARY CMA - VACANCY RATE (2 BEDROOM UNITS)**




**CALGARY CMA - CHANGE IN AVERAGE RENT (2 BEDROOM UNITS)**



# RESALE

**The Calgary housing market faced numerous challenges in 2018.**

Some were expected, but weakness in the first half of the year was supposed to be somewhat offset in the second half of the year, as the economy and job market improved. Instead, Calgary faced job losses in the latter portion of the year and confidence in the market fell due to concerns over oil prices and pipelines.

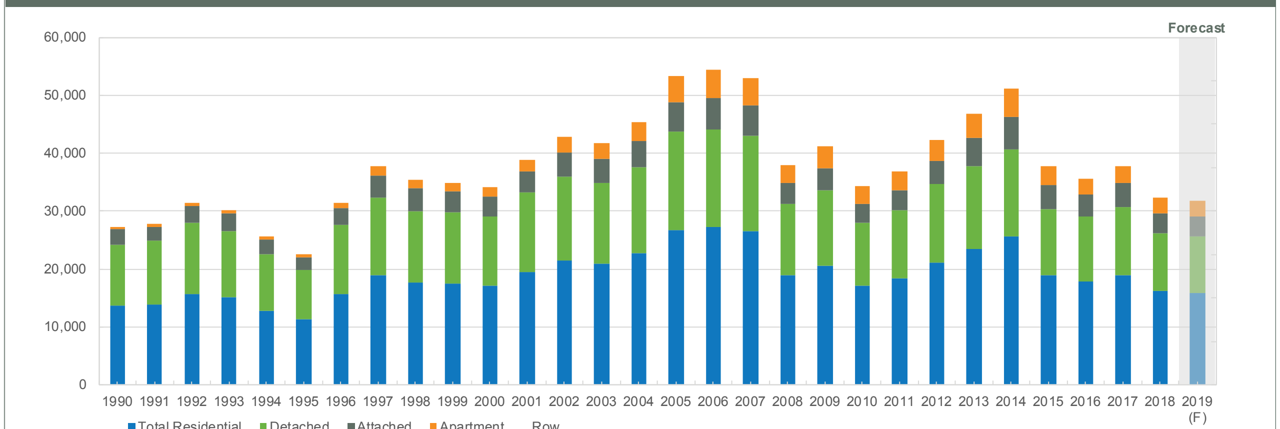
The result was a steep decline in sales activity and a persistently oversupplied market. With too much supply, prices slid further in 2018, erasing any progress made towards recovery in 2017.

Much of the concern plaguing the market in 2018 will continue this year. Weakness in the labour market will persist throughout 2019, further weighing on demand. However, there are signs that supply is adjusting. If this trend continues, by the end of 2019, oversupply in the housing market should ease and the rate of price declines should slow.

## BY THE NUMBERS: 2019 FORECAST

- Sales in 2019 are expected to total 15,882 units. This is comparable to last year, but still well below historical levels.
- The resale market is expected to remain oversupplied, as adjustments to supply levels will be slow due to weak expectations of economic activity.
- Persistent oversupply will weigh on prices throughout most of the year, causing an annual price decline of 2.34 per cent.
- New supply is expected to ease, as price adjustments will cause some consumers to delay moving into another home. This should help slow inventory gains in the latter portion of 2019 and reduce the amount of oversupply in the resale market.
- The market is expected to move towards more balanced conditions, but the transition will likely take most of the year.

CALGARY - SALES




Source: CREB®

# RESALE

| 2018 | Sales | Sales Growth | New Listings | New Listings Growth | Inventory | Inventory Growth | Benchmark Price | YoY Benchmark Price Change | % Change from Annual Peak |
|---|---|---|---|---|---|---|---|---|---|
| **RESIDENTIAL** | | | | | | | | | |
| City Centre | 3,134 | -12.3% | 8,131 | 5.0% | 1,827 | 18.87% | $501,800 | -0.90% | -7.45% |
| North East | 1,594 | -11.7% | 3,478 | -7.5% | 696 | 8.59% | $342,558 | -3.22% | -6.24% |
| North | 1,984 | -14.3% | 4,044 | -0.2% | 817 | 26.08% | $383,000 | -3.14% | -6.52% |
| North West | 2,157 | -14.3% | 4,243 | 5.2% | 785 | 36.13% | $468,458 | -1.54% | -6.94% |
| West | 1,769 | -16.3% | 4,015 | 7.7% | 820 | 34.13% | $558,325 | -0.28% | -2.56% |
| South | 2,858 | -17.3% | 5,658 | -1.4% | 1,082 | 19.39% | $402,858 | -2.23% | -8.55% |
| South East | 2,168 | -14.2% | 4,164 | 2.9% | 801 | 27.81% | $418,167 | -1.27% | -6.01% |
| East | 501 | -14.4% | 921 | -12.2% | 189 | 0.71% | $297,658 | -1.70% | -6.28% |
| **TOTAL CITY** | **16,144** | **-14.5%** | **34,608** | **1.4%** | **7,017** | **22.36%** | **$431,375** | **-1.47%** | **-6.49%** |

## A look back at 2018:

• Citywide sales totalled 16,144 in 2018. This is nearly 15 per cent below the previous year and 20 per cent below long-term averages.

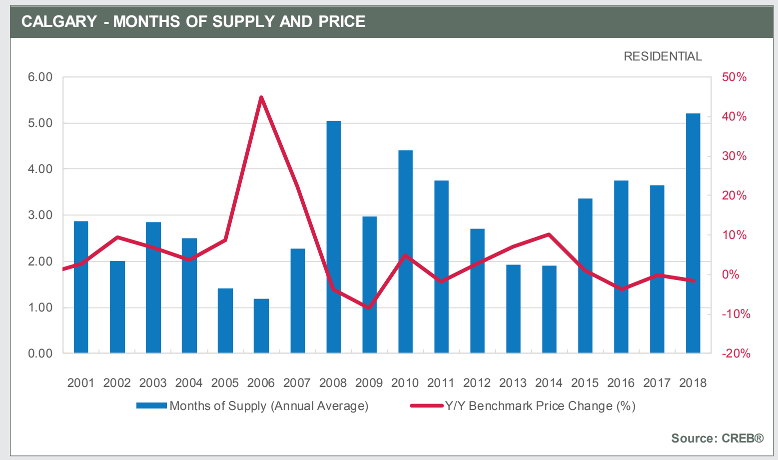
• Inventories rose above levels recorded throughout the 2015 – 2016 recession, but remained below peaks from 2008.

• Months of supply ranged from a low of 4.7 months to a high of 6.3 months, averaging over five months for the entire year. This is well above the long-term average of three months.

• New listings eased compared to the previous year over the last two quarters, but it was not enough to offset earlier gains.

• Persistent oversupply in the market caused prices to trend down throughout most of the year, with steeper declines occurring in the last two quarters. On an annual basis, benchmark prices totalled $431,375, 1.5 per cent below 2017 levels.

• Sales declined in almost all price categories, but the share of activity shifted from higher-priced product to more affordable stock compared to 2017. Product priced under $300,000 grew from 18 per cent of the sales to 20 per cent of the sales. Product priced in the $600,000 - $999,9999 range fell from 18 per cent of the sales to 16 per cent of the sales.



# DETACHED

**The detached sector saw the most significant market shifts in 2018, due to weakness in demand.**

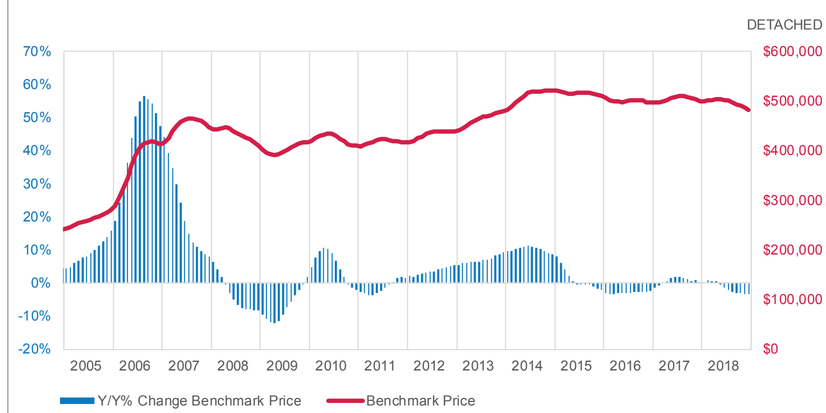
Higher lending rates and stricter qualifications, combined with weak job creation in the higher-paid sectors of our market, have weighed on the traditionally higher-priced detached market. Supply was slow to adjust, causing prices to fall by 1.45 per cent this year, landing below levels from the 2016 recession.

Oversupply will be a consistent theme in 2019 and prices are expected to fall during the first portion of the year. As prices ease, purchasers may enter the market and help to reduce the amount of oversupply.

However, persistently high unemployment levels, weak wage growth and employment gains limited to traditionally lower-paid sectors will likely prevent a recovery in sales activity.

Overall, the oversupply in the detached market is expected to persist for most of 2019, causing further price adjustments, with no expectation of stabilization until the end of 2019.

CALGARY - BENCHMARK PRICE AND GROWTH




Source: CREB®

## THINGS TO CONSIDER IN 2019:

- Easing prices might draw more demand to the resale market versus the new-home market, particularly as starts activity eases.
- Price movements will not be equal across all price ranges. There could be price improvements in the more affordable sectors of the market, while price declines might be more significant in some of the higher ranges.
- Annual price declines of 2.33 per cent are expected, resulting in a detached benchmark price of $485,216.
- Sales are expected to ease slightly compared to last year, but will remain well below historical norms.

# DETACHED

### A look back at 2018:

• Sales activity eased by 16 per cent in 2018 compared to 2017. The decline in sales was far steeper in the beginning of the year, as potential purchasers adjusted to new lending rules. As prices trended down because of persistent oversupply, the pace of sales decline eased by the end of 2018.

• Reduction in new listings by the end of the year helped limit growth in inventory. Detached inventory rose to levels not seen since 2010, yet sales were far weaker than levels recorded in 2010 and months of supply resembled highs recorded during the financial crisis in 2008.

• Prices eased by 1.5 per cent, mostly due to declines in the second half of the year. The declines erased any gains made in 2017 and caused prices to remain four per cent below 2014 highs.

• Detached sales activity eased across all price ranges except the under-$300,000 range. However, this segment represents less than three per cent of all detached sales activity and reflects just over one per cent of inventory.

• Inventory levels rose for most price ranges, but reached new highs for product priced from $500,000 – $999,999.

## ACROSS YYC: THE DETACHED MARKET

Detached sales activity eased in every district this year, with declines ranging from 11 per cent to 18 per cent. Easing sales and gains in new listings caused inventories and months of supply to rise across all districts. This resulted in downward pressure on prices in most districts.

The City Centre and West districts recorded prices comparable to 2017, while all other districts recorded declines that ranged from a low of one per cent to a high of three per cent.

The difference with these two districts was the amount of oversupply.

Months of supply – a measure of market balance – rose in each district, indicating more supply than demand, but it was only in the City Centre and West that months of supply did not push above levels seen during the 2015 recession.

Both areas saw annual prices remain comparable to 2017, and while the prices generally trended down from January through to December, it was not enough to erase the gains that occurred in 2017.

Variation exists throughout the districts compared to citywide numbers, but it is important to note that trends can vary significantly by specific community, product type and price range.

# DETACHED

| 2018 | Sales | Sales Growth | New Listings | New Listings Growth | Inventory | Inventory Growth | Benchmark Price | YoY Benchmark Price Change | % Change from Annual Peak |
|---|---|---|---|---|---|---|---|---|---|
| **DETACHED** | | | | | | | | | |
| City Centre | 1,088 | -15.7% | 2,540 | 13.0% | 517 | 36.55% | $681,458 | -0.01% | -4.30% |
| North East | 1,082 | -16.3% | 2,318 | -6.6% | 437 | 12.60% | $372,258 | -2.94% | -5.42% |
| North | 1,434 | -11.6% | 2,754 | -0.3% | 524 | 26.87% | $428,192 | -2.20% | -5.23% |
| North West | 1,453 | -16.7% | 2,831 | 10.2% | 494 | 59.08% | $533,333 | -2.09% | -6.92% |
| West | 1,090 | -17.8% | 2,255 | 6.0% | 419 | 39.21% | $726,900 | 0.09% | -0.88% |
| South | 1,977 | -18.2% | 3,816 | 3.6% | 689 | 34.87% | $467,450 | -1.85% | -6.68% |
| South East | 1,532 | -13.5% | 2,803 | 5.0% | 510 | 38.21% | $444,125 | -1.16% | -5.04% |
| East | 302 | -18.2% | 526 | -6.9% | 93 | 14.52% | $348,933 | -1.50% | -4.78% |
| **TOTAL CITY** | **9,945** | **-15.9%** | **19,812** | **3.8%** | **3,682** | **33.83%** | **$496,792** | **-1.45%** | **-4.66%** |

## HIGHS AND LOWS SINCE 2014

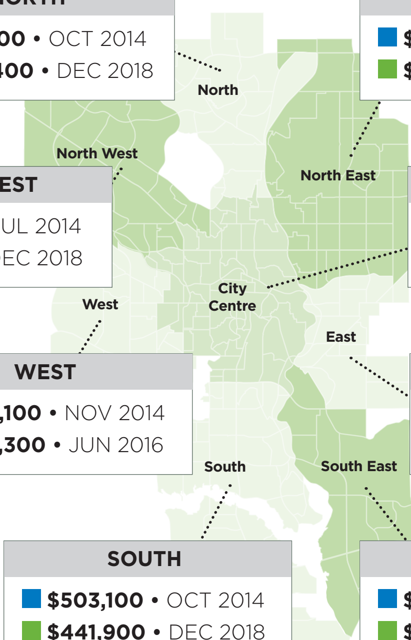
**CITY OF CALGARY**
- **$521,600** • OCT 2014
- **$481,400** • DEC 2018

**NORTH**
- **$453,100** • OCT 2014
- **$420,400** • DEC 2018

**NORTH EAST**
- **$383,100** • NOV 2014
- **$364,800** • OCT 2018

**NORTH WEST**
- **$579,200** • JUL 2014
- **$513,800** • DEC 2018

**CITY CENTRE**
- **$711,700** • DEC 2014
- **$653,400** • JUN 2016




**WEST**
- **$725,100** • NOV 2014
- **$687,300** • JUN 2016

**EAST**
- **$361,600** • SEP 2014
- **$340,900** • DEC 2018

**SOUTH**
- **$503,100** • OCT 2014
- **$441,900** • DEC 2018

**SOUTH EAST**
- **$467,500** • DEC 2014
- **$432,900** • DEC 2018

**LEGEND**
- Monthly Max Benchmark Value in 2014 (blue)
- Monthly Min Benchmark Value Since 2014 (green)

# APARTMENT

**The resale apartment sector has undergone a vast transformation over the past several years.**

Availability in the rental and new-home market, falling prices, and improved selection in attached and detached product have drawn demand away from the resale apartment condominium sector.

In an era of higher lending rates and challenges with affordability, we expect some stabilization in condominium apartment sales. However, current supply levels in the rental, new-home and resale markets remain a problem expected to linger well into 2019. This should prevent opportunities for price recovery.

## SALES IN 2019 ARE EXPECTED TO TOTAL 2,683 UNITS

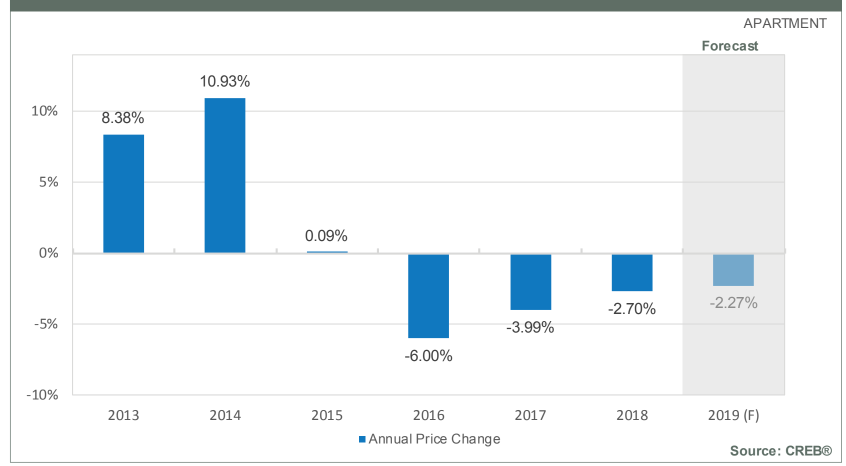
## THINGS TO CONSIDER IN 2019:

- Rising demand for affordable product and tighter conditions in the rental market will likely result in stable sales activity this year. Sales are expected to total 2,683 units, similar to levels recorded last year.

- Multi-family starts are expected to ease, limiting some of the supply growth in competing markets.

- Persistent oversupply is expected to cause further price declines. However, the pace of decline is expected to ease to an annual average of 2.27 per cent, bringing the total price adjustment from the 2014 monthly high to nearly 17 per cent.

**CALGARY - BENCHMARK PRICE CHANGE (%)**



# APARTMENT

## A look back at 2018:

• Despite some year-end improvement in apartment sales, 2018 sales activity eased to 2,663 units, a seven per cent decline over last year and 22 per cent below the 10-year average.

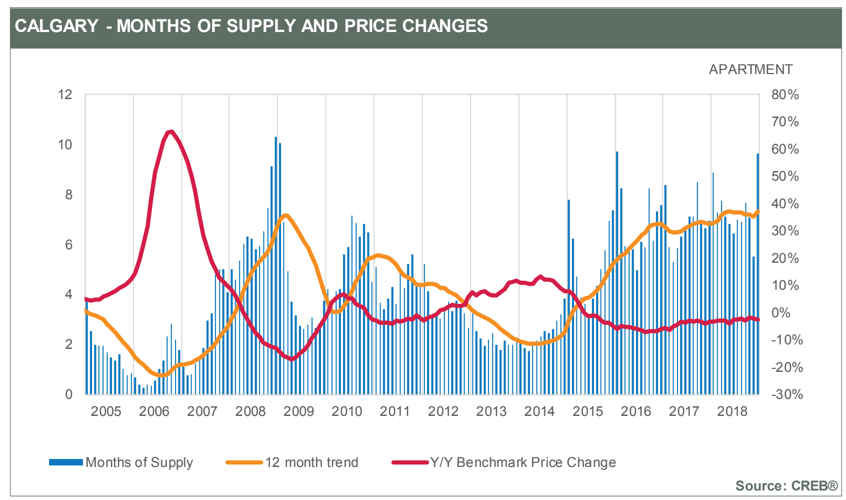
• Multi-family product under construction has eased from 2014 highs, but 2018 starts still rose. This ran counter to expectations of slower starts activity in 2018 in response to oversupplied conditions.

• New listings in the resale market started to match slow sales activity, falling by nearly 7.3 per cent on a citywide basis and preventing further inventory gains. New listing reductions occurred in most districts, with inventory easing in the North East, East, North West and South districts.

• Oversupply has persisted in the apartment sector of the market for over three years, causing prices declines across all districts that ranged from a high of 5.3 per cent in the East to a low of two per cent in the City Centre and North West.

• Citywide prices have eased for three consecutive years, but interestingly, the pace of decline has slowed over each year, moving from a six per cent decline in 2015 to a three per cent decline in 2018.

## 2018 SALES DECLINED BY 7.2%



# APARTMENT

| 2018 | Sales | Sales Growth | New Listings | New Listings Growth | Inventory | Inventory Growth | Benchmark Price | YoY Benchmark Price Change | % Change from Annual Peak |
|---|---|---|---|---|---|---|---|---|---|
| **APARTMENT** | | | | | | | | | |
| City Centre | 1,268 | -5.3% | 3,405 | -3.5% | 790 | -0.46% | $283,650 | -2.07% | -13.55% |
| North East | 110 | 8.9% | 269 | -27.1% | 64 | -25.44% | $225,217 | -3.59% | -15.93% |
| North | 131 | -21.6% | 380 | -10.6% | 82 | -9.23% | $213,992 | -3.62% | -19.10% |
| North West | 276 | -3.2% | 564 | -7.7% | 123 | -3.45% | $239,133 | -1.79% | -10.60% |
| West | 257 | -18.2% | 728 | 3.4% | 173 | 14.10% | $242,583 | -4.10% | -14.07% |
| South | 345 | -3.1% | 743 | -15.5% | 165 | -16.45% | $224,283 | -4.28% | -16.22% |
| South East | 215 | -9.3% | 480 | -5.1% | 111 | 5.88% | $241,592 | -2.52% | -13.98% |
| East | 62 | -13.9% | 127 | -34.9% | 34 | -28.40% | $186,192 | -5.26% | -24.67% |
| **TOTAL CITY** | **2,663** | **-7.2%** | **6,691** | **-7.3%** | **1,544** | **-3.58%** | **$256,642** | **-2.70%** | **-14.20%** |

## PICTURE OF AVAILABILITY

| | OCT '13 | OCT '18 |
|---|---|---|
| Available Rental Units | 339 | 1,546 |
| Available Completed Condos | 111 | 1,006 |
| Resale Inventory | 682 | 1,508 |

# ATTACHED

**Attached sales activity is expected to remain relatively weak due to improved options in the more affordable price ranges of the detached sector and in the new-home market.**

High inventories will fuel further price declines across the attached sector next year.

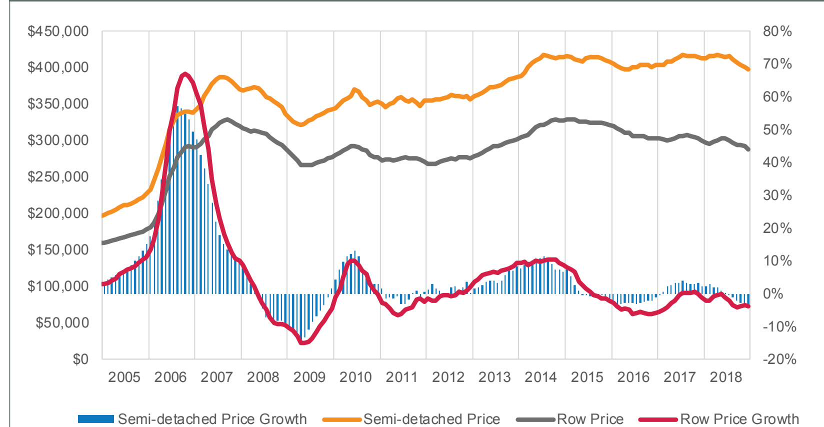
While supply levels are expected to adjust, it will take time for inventories to return to normal levels.

## SALES IN 2019 ARE EXPECTED TO TOTAL 3,448 UNITS

## THINGS TO CONSIDER IN 2019:

- Attached sales are expected to total 3,448 units, 2.5 per cent below 2018 levels.
- Persistent oversupply is expected to weigh on attached prices, causing an expected decline of 2.49 per cent in 2019.
- Any improvements in the affordable price ranges of this sector are expected to be offset by challenges in the higher-priced product.

CALGARY - PRICE GROWTH COMPARISON




Source: CREB®

# ATTACHED

### A recap of semi-detached product in 2018:

• Thanks to a jump in new listings, as well as weak sales, semi-detached inventories rose to record highs.

• Gains in months of supply resulted in price declines, particularly in the second half of the year. Annual benchmark prices eased by 0.34 per cent compared to 2017.

• Most sales occurred in the City Centre, but sales still eased by 13.5 per cent in that district. New listings rose by 26 per cent, with an inventory gain of 58 per cent.

• While sales eased across most districts, the one exception was the North West, where sales activity improved.

• Prices eased across most districts over the last two quarters. Earlier gains caused prices to improve in the City Centre, North, North East and East districts. Despite these annual gains, no district has seen unadjusted prices return to pre-recession highs.

| 2018 | Sales | Sales Growth | New Listings | New Listings Growth | Inventory | Inventory Growth | Benchmark Price | YoY Benchmark Price Change | % Change from Annual Peak |
|---|---|---|---|---|---|---|---|---|---|
| **SEMI-DETACHED** | | | | | | | | | |
| City Centre | 469 | -13.5% | 1,358 | 25.5% | 310 | 58.16% | $756,808 | 1.08% | -2.01% |
| North East | 178 | -9.6% | 353 | -2.8% | 73 | 20.36% | $295,950 | 0.38% | -6.37% |
| North | 151 | -20.9% | 274 | 3.8% | 52 | 43.28% | $322,667 | 0.17% | -4.03% |
| North West | 203 | 5.2% | 388 | 22.4% | 69 | 48.04% | $385,525 | -2.79% | -4.26% |
| West | 160 | -7.0% | 389 | 32.3% | 80 | 63.28% | $511,350 | -1.28% | -1.40% |
| South | 188 | -29.6% | 392 | -1.5% | 77 | 37.20% | $328,958 | -2.59% | -7.65% |
| South East | 165 | -13.2% | 301 | 15.8% | 54 | 39.39% | $316,142 | -2.38% | -3.33% |
| East | 64 | -8.6% | 136 | -6.8% | 32 | 9.71% | $294,450 | 0.28% | -3.72% |
| **TOTAL CITY** | **1,577** | **-13.4%** | **3,588** | **15.0%** | **748** | **45.73%** | **$410,500** | **-0.34%** | **-1.39%** |

# ATTACHED

### A recap of row product in 2018:

- Row sales activity is evenly spread throughout the city, except the East district, which has a small concentration of all the sales.

- Sales activity declined across all districts, except the North East.

- In response to weaker sales and elevated inventory levels, new listings started to ease. This was consistent throughout most districts, except the North and West.

- Adjustments in new listings helped prevent larger gains in inventory, but overall inventories continued to edge up.

- Price adjustments ranged from a high of six per cent in the North East to relatively stable prices in the North West district.

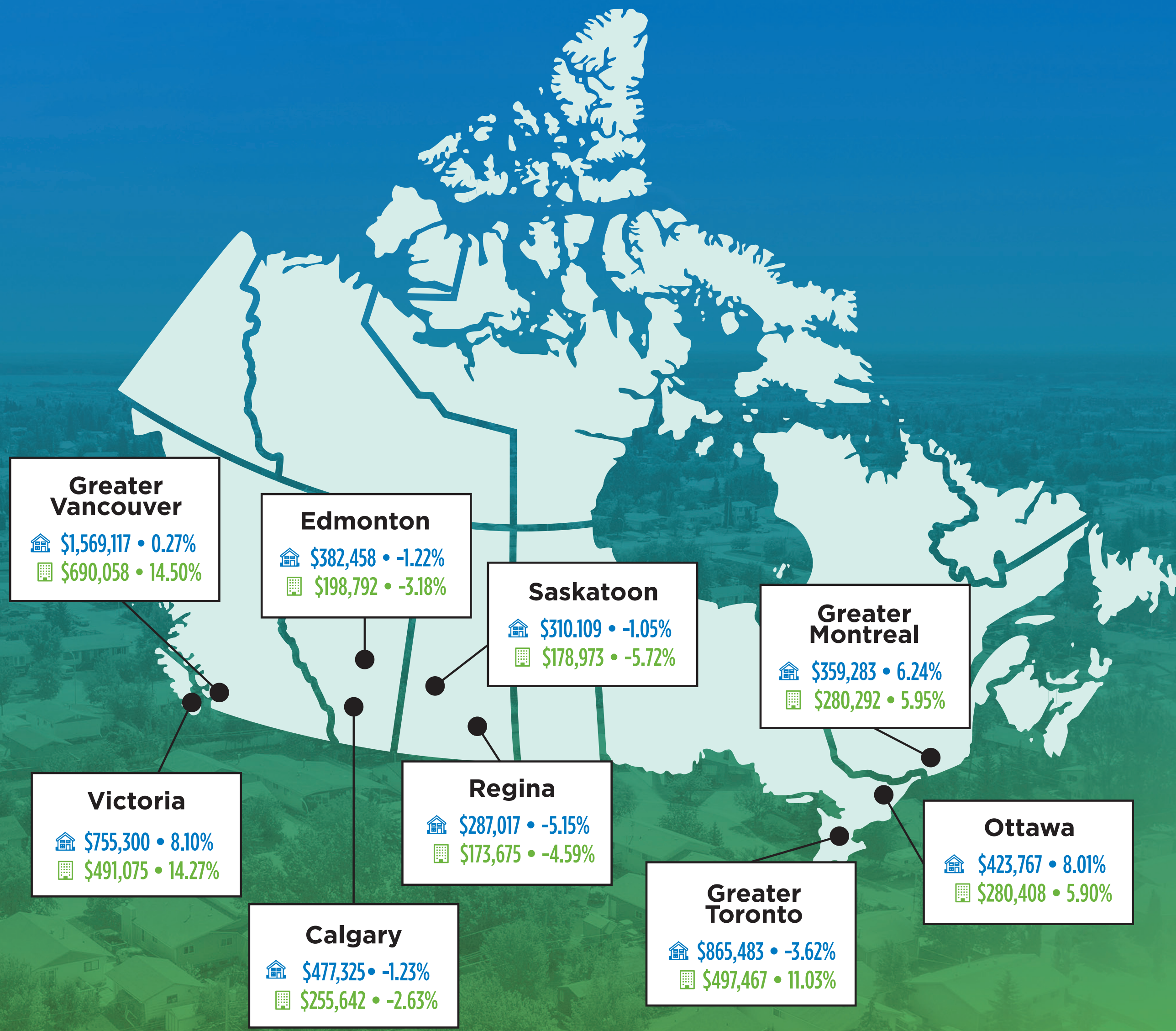
- Prices in the row sector have declined for the third consecutive year on an annual basis and currently sit nearly 10 per cent below previous highs.

| 2018 | Sales | Sales Growth | New Listings | New Listings Growth | Inventory | Inventory Growth | Benchmark Price | YoY Benchmark Price Change | % Change from Peak |
|---|---|---|---|---|---|---|---|---|---|
| **ROW** | | | | | | | | | |
| City Centre | 309 | -23.1% | 828 | -6.5% | 188 | 11.49% | $467,575 | -1.05% | -5.78% |
| North East | 224 | 4.7% | 538 | -1.8% | 119 | 12.47% | $198,083 | -6.20% | -16.07% |
| North | 268 | -20.2% | 636 | 6.2% | 150 | 38.75% | $258,225 | -1.33% | -9.81% |
| North West | 225 | -23.2% | 460 | -14.3% | 97 | 6.56% | $309,000 | -0.37% | -10.37% |
| West | 262 | -13.0% | 643 | 7.0% | 149 | 36.02% | $336,542 | -3.26% | -10.69% |
| South | 348 | -15.9% | 707 | -9.2% | 147 | 3.58% | $256,050 | -5.25% | -12.64% |
| South East | 256 | -22.2% | 580 | -4.9% | 125 | 9.02% | $292,417 | -1.05% | -8.30% |
| East | 73 | -1.4% | 132 | -7.7% | 29 | -3.08% | $173,617 | -5.48% | -22.25% |
| **TOTAL CITY** | **1,959** | **-17.0%** | **4,517** | **-3.9%** | **1,003** | **15.44%** | **$296,892** | **-0.89%** | **-9.84%** |

# COAST TO COAST: A CROSS-COUNTRY COMPARISON

Alberta's economy is struggling with job growth and challenges in the energy sector. Other provincial markets are demonstrating overall growth and improving fundamentals, supporting an environment of rising interest rates.

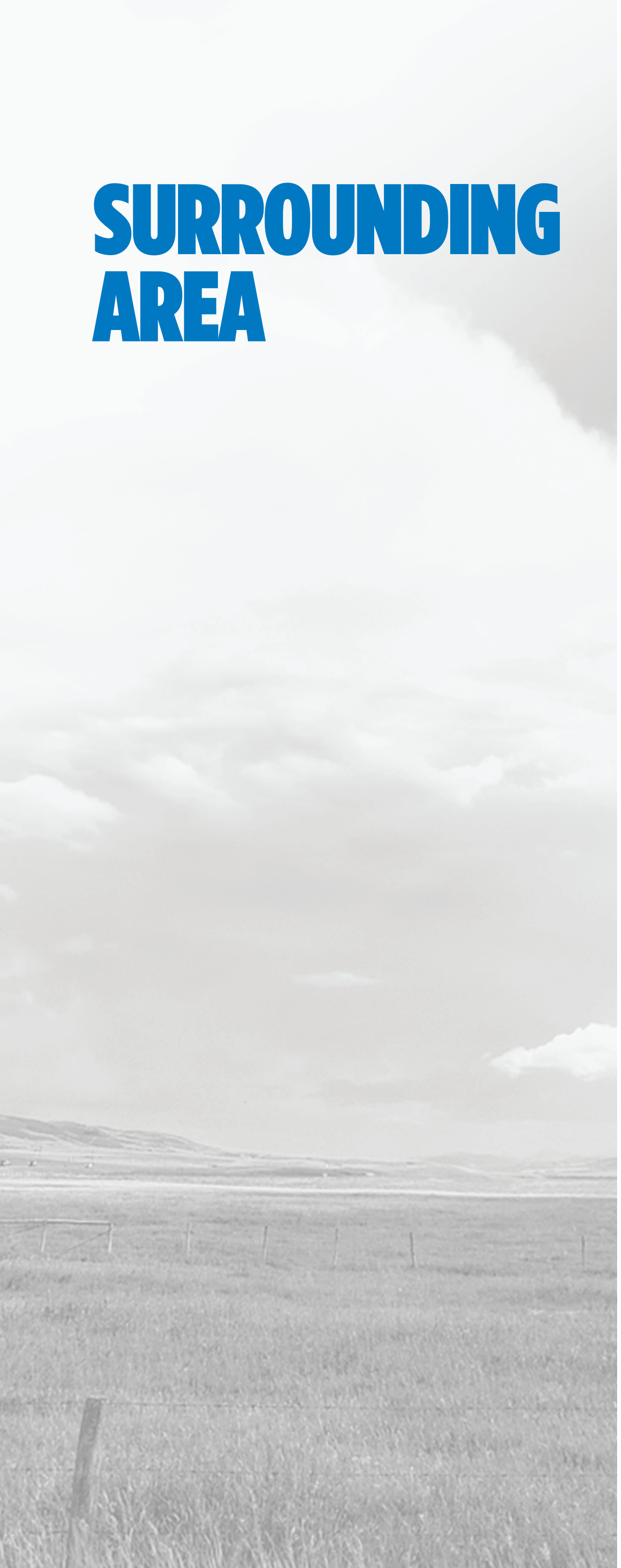
All markets had to adjust to lending changes this year, but the impact is easing in many areas and prices are generally stabilizing in some areas. Most housing markets in 2019 are expected to post modest price gains, except for resource-dependent provinces, including Alberta, Saskatchewan and Newfoundland.




**LEGEND - CITY**

**SINGLE-FAMILY HOME**
Benchmark Price 2018 • Y/Y Change in Benchmark Price

**APARTMENT CONDOMINIUM**
Benchmark Price 2018 • Y/Y Change in Benchmark Price



# SURROUNDING AREA

**THESE ECONOMIC FACTORS AFFECTING CALGARY ALSO INFLUENCE THE SURROUNDING AREAS:**

Reduced consumer confidence

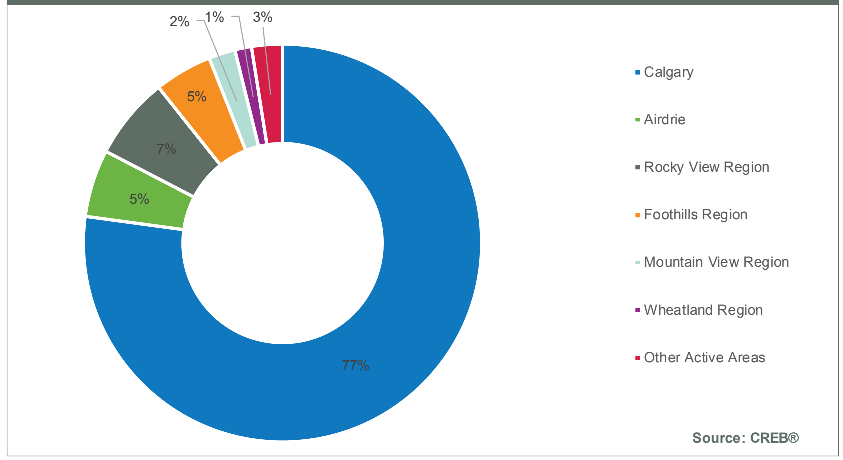
-

High unemployment and job losses

-

Slow economic growth

**CREB® - SHARE OF SALES 2018**




Housing markets in some surrounding areas experienced rising listings and inventory gains coupled with easing sales, limiting price recovery. Important to consider in these areas are the new-home-market effects, which often place a greater weight on resale pricing. Due to unique fundamentals and data variability attributed to the small size of each area, we often focus on the larger centres within the region.

Surrounding areas account for 22 per cent of total regional sales, with most of the activity occurring in Airdrie, Cochrane and Okotoks. Overall sales activity in surrounding areas totalled 4,782 units in 2018, a 10 per cent decline over the previous year and five per cent below long-term averages.

New listings were comparable to last year and just above typical levels. However, this was elevated compared to sales, causing inventories to reach an annual historical peak at 3,215 units and pushing prices down. However, not all surrounding areas faced price declines.

**As local and provincial economic conditions are not expected to change much this year, many of these areas could continue to experience weak demand and easing prices in 2019. Price movements in these areas will ultimately depend on:**

- **Supply of product in the resale market**
- **Competition from the new-home market**
- **Supply availability within Calgary, along with other surrounding areas**

# AIRDRIE

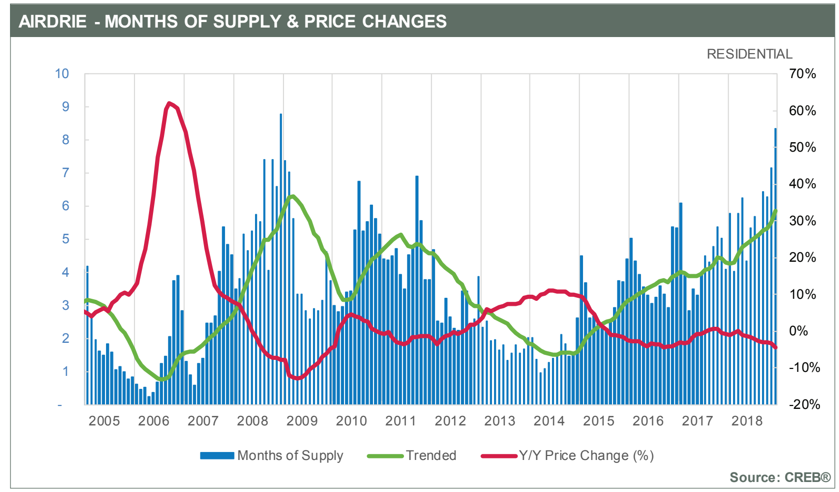
| | 2016 | 2017 | 2018 |
|---|---|---|---|
| **Airdrie Residential** | | | |
| Sales | 1,336 | 1,328 | 1,146 |
| Sales Growth | -6.11% | -0.60% | -13.70% |

| | | | |
|---|---|---|---|
| Inventory | 412 | 458 | 536 |
| Inventory Growth | 18.65% | 11.17% | 17.05% |

| | | | |
|---|---|---|---|
| Benchmark Price | 352,825 | 348,958 | 341,742 |
| Price Growth | -3.62% | -1.10% | -2.07% |
| Change from Annual Max. | -4.77% | -5.81% | -7.76% |

Airdrie represents an affordable alternative to Calgary. It has proven to be especially attractive for young families and working-age individuals, as 78 per cent of the residents are under the age of 50. Over the past decade, Airdrie's population has surged from 34,116 to 68,091.

Despite the positive demographics, challenges in the broader economy and changes in the lending market weighed on the housing markets across the region. In 2018, Airdrie's housing market experienced reduced sales, increased inventory and a decline in benchmark prices.




• Residential sales in 2018 totalled 1,146 units, well below activity recorded over the past five years and comparable to 2012 activity. Year-over-year sales levels were lower for all property types across the resale market and well below previous highs.

• New listings remained above previous highs at 2,398 units. This contributed to supply gains in the resale market, with inventory levels 17 per cent higher than the previous year at 536 units.

• Airdrie's new-home market has been adjusting to slower demand conditions, as starts activity eased compared to last year and remained below long-term averages. The amount of product under construction has trended down in 2018 and levels are well below what was seen prior to the recession. Overall, conditions are pointing to less supply pressure coming from the new-home side of the market.

• Due to oversupply, price recovery was stalled. Benchmark prices eased this year by two per cent and were well below previous highs. There are some indications that there will be less inventory pressure from both the resale and new-home sector. However, it will take some time for inventories to return to normal levels, prolonging the time it takes for prices to stabilize.

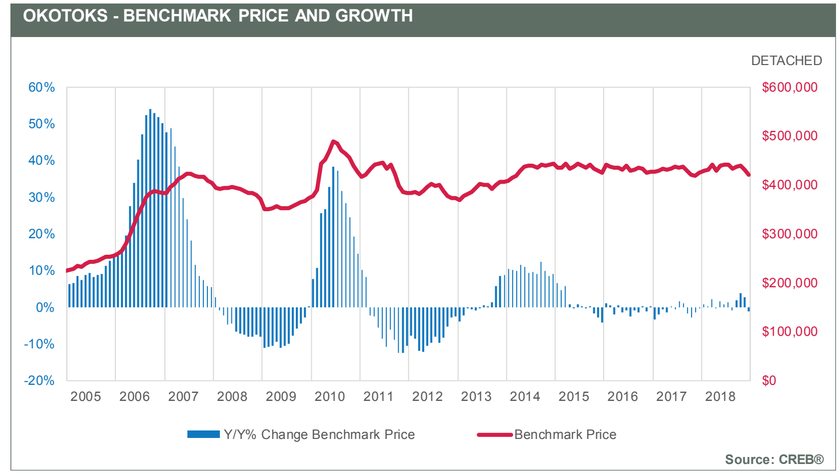
# OKOTOKS

| | 2016 | 2017 | 2018 |
|---|---|---|---|
| **Okotoks Residential** | | | |
| Sales | 531 | 547 | 463 |
| Sales Growth | -5.01% | 3.01% | -15.36% |

| | | | |
|---|---|---|---|
| Inventory | 202 | 192 | 246 |
| Inventory Growth | 5.25% | -4.87% | 27.74% |

| | | | |
|---|---|---|---|
| Benchmark Price | 425,033 | 421,500 | 426,625 |
| Price Growth | -0.57% | -0.83% | 1.22% |
| Change from Annual Max. | -3.69% | -4.49% | -3.33% |

Okotoks provides potential residents with relative affordability and easy access to Calgary. In 2018, this housing market saw low levels of sales combined with elevated levels of inventory. However, benchmark prices for properties have been slow to respond to the imbalance in market conditions.




• In 2018, sales in Okotoks were significantly below 2014 highs and comparable to levels from 2010. Year-over-year sales were also lower across all property types.

• New listings have stabilized at 1,033 units, comparable to historical periods as well as long-run averages. However, the drop in sales caused inventories to rise close to the historical peak achieved in 2009. This has led to an increase in months of supply, with an annual average of six months.

• Excess supply did start to weigh on prices, as prices in the fourth quarter eased compared to third-quarter figures. However, it was not enough to offset early gains, causing annual prices to rise.

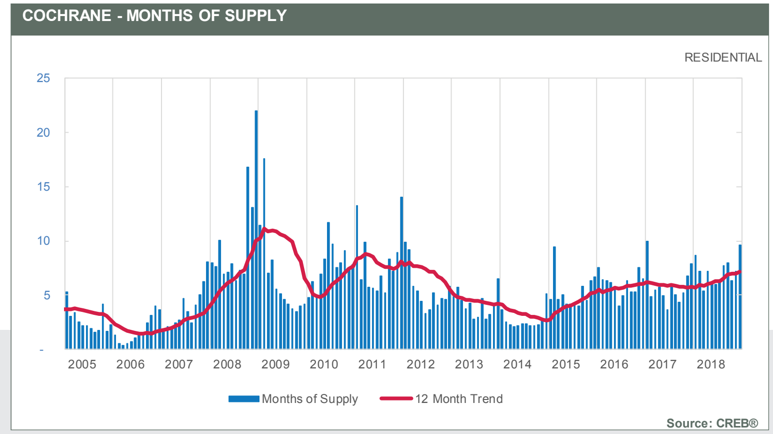
• In 2018, new-home starts and under-construction inventory declined significantly compared to 2017, which indicates a builder reaction to high inventory and easing demand levels.

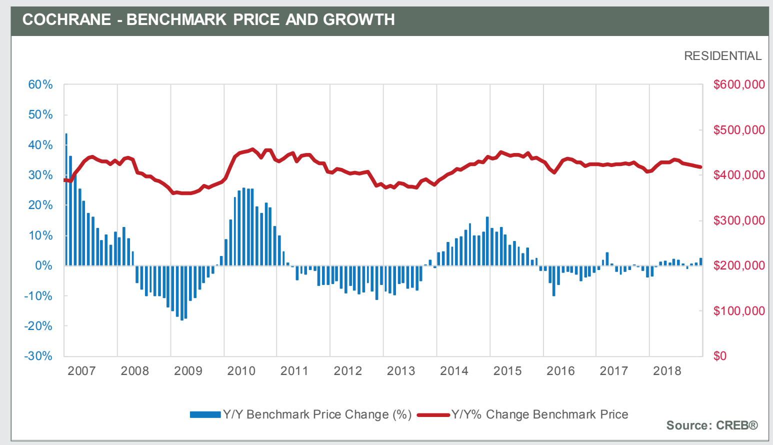
• Until resale inventories ease, Okotoks could see some downward price pressure in 2019. However, adjustments in the new-home sector should help limit the impact on overall resale prices.

# COCHRANE

| | 2016 | 2017 | 2018 |
|---|---|---|---|
| **Cochrane Residential** | | | |
| Sales | 590 | 663 | 599 |
| Sales Growth | -1.34% | 12.37% | -9.65% |
| Inventory | 285 | 297 | 343 |
| Inventory Growth | 15.32% | 12.65% | 15.27% |
| Benchmark Price | 424,617 | 421,633 | 424,217 |
| Price Growth | -3.94% | -0.70% | 0.61% |
| Change from Annual Max. | -4.37% | -5.04% | -4.46% |

Cochrane provides relatively affordable properties compared to Calgary's North West and West districts. Along with lifestyle preferences, this has encouraged people to move to the town. In 2018, Cochrane's population grew to nearly 28,000, a six per cent increase over the previous year.




- While residential sales declined in 2018, totalling 599 units, levels remained generally consistent with activity over the past three years. However, new listings reached a new historical peak, which contributed to record-high inventory levels.

- While easing sales and high inventories did cause months of supply to trend up this year, levels remained well below the highs recorded in 2009.

- Detached prices started to trend down in the third and fourth quarters, but it was not enough to offset earlier gains.

- The new-home market has shown some signs of slowing down, as both product under construction and starts trended down in 2018. If the adjustment in starts persists, this could limit the risk of oversupply and steeper price adjustments.

- Elevated levels of supply compared to demand are expected to slow the pace of price recovery in this market. However, if adjustments in new listings compared to sales continue, this could help ease the downward pressure on prices in 2019.

# FORECAST SUMMARY TABLE

| MLS® SYSTEM RESALE MARKET | 2016 | 2017 | 2018 | 2019(F) | Forecaster |
|---|---|---|---|---|---|
| **City of Calgary Residential** | | | | | |
| Sales | 17,795 | 18,884 | 16,144 | 15,882 | CREB® |
| Price Growth | -3.71% | -0.15% | -1.52% | -2.35% | CREB® |
| New Listings | 32,269 | 34,129 | 34,608 | 34,481 | CREB® |
| **City of Calgary Detached** | | | | | |
| Sales | 11,206 | 11,832 | 9,945 | 9,751 | CREB® |
| Price Growth | -2.95% | 0.67% | -1.45% | -2.33% | CREB® |
| **City of Calgary Attached** | | | | | |
| Sales | 3,865 | 4,181 | 3,536 | 3,448 | CREB® |
| Price Growth | -4.26% | -0.11% | -1.49% | -2.49% | CREB® |
| **City of Calgary Apartment** | | | | | |
| Sales | 2,724 | 2,871 | 2,663 | 2,683 | CREB® |
| Price Growth | -6.00% | -3.99% | -2.70% | -2.27% | CREB® |

| ECONOMIC INDICATORS | 2016 | 2017 | 2018 | 2019(F) | Forecaster |
|---|---|---|---|---|---|
| **GDP*** | | | | | |
| Alberta GDP Growth | -3.60% | 4.75% | 3.02% | 2.27% | Conference Board of Canada |
| Calgary CMA GDP Growth | -3.59% | 4.38% | 2.32% | 2.02% | Conference Board of Canada |
| **Employment** | | | | | |
| Calgary CMA Employment Growth | -1.52% | 3.27% | 0.58% | 1.08% | Conference Board of Canada |
| **Population** | | | | | |
| City of Calgary Net Migration | -6,527 | 974 | 11,588 | 14,000 | City of Calgary |
| **New Home** | | | | | |
| Housing Starts: Single Family Calgary CMA | 3,489 | 4,423 | 3,791 | 4,000-4,700 | CMHC |
| Housing Starts: Multiple Family Calgary CMA | 5,756 | 7,111 | 7,180 | 7,100-8,100 | CMHC |
| **Lending Rate** | | | | | |
| Average Residential Mortgage Lending Rate 5 Year | 3.70% | 3.79% | 4.36% | 5.04% | Conference Board of Canada |
| **Energy** | | | | | |
| WTI Price ($USD) | $43.29 | $50.80 | $65.06 | $54.19 | U.S. Energy Information Administration |
| Henry Hub Spot Price ($USD) | $2.52 | $2.99 | $3.15 | $2.89 | U.S. Energy Information Administration |

*2018 Estimated Values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We are committed to equipping our members with the right tools, services and education to achieve professional excellence — and, in turn, enabling REALTORS® to offer the best possible service to their clients.

Our REALTORS® are committed to a high standard of professional conduct, ongoing education, and a strict Code of Ethics and standards of business practice. Using the services of a professional REALTOR® can help consumers take full advantage of real estate opportunities, while reducing their risks when buying or selling real estate.

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