

Housing Review

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May 4, 2016

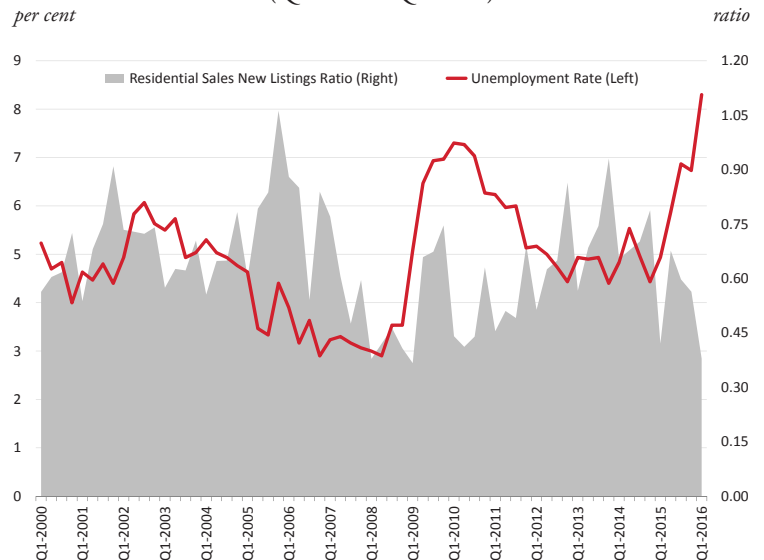
An environment of soft oil prices continued into first quarter of 2016 with the unemployment rate in Calgary increasing from 6.7 per cent in the last quarter of 2015 to 8.3 per cent first quarter of 2016. This increase in the unemployment rate and reduced business capital spending in Calgary in 2016 has contributed to the further weakening of housing demand.

The re-sale market saw housing units sales fall from 4,536 units in the 4th quarter of 2015 to 4,395 units in 1st quarter of 2016, and a year-over-year (1st quarter 2015 to 1st quarter 2016) decrease of 3.1 per cent from 4,921 units in 1st quarter of 2015. Correspondingly, the new listings increased from 8,115 units to 11,427 units, an increase of 41 per cent quarter-over-quarter, and year-over-year decrease of 3 per cent from 11,782 in 1st quarter of 2015. The sales listing ratio which is defined as the ratio of units sold to the total number of units listed attempts to identify a buyer versus seller's market. A value of this ratio closer to one signifies a strong seller's market, while numbers south of this value show a retreating from seller's to buyer's market. The last time we saw a sales listing ratio comparable to 0.379 was in the 1st quarter of 2009 prior to the beginning of "Global Financial Crisis". The 1st quarter of 2016 sales listing ratio of 0.379 (that is, for every ten houses listed only 4 units were purchased) fell from 0.564 in the previous quarter, and year-over-year fell from 0.421 in 1st quarter of 2015. Clearly, a buyer's market, however, weak consumer confidence, increased unemployment and increased uncertainty about the future have dampened housing demand and correspondingly average house price appreciation.

Last year, 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 per cent in 2014. In 2016 we expect to see vacancy rates fall below the 2015 mark as those displaced from home ownership readjust and provided Calgary continues to see positive net migration.

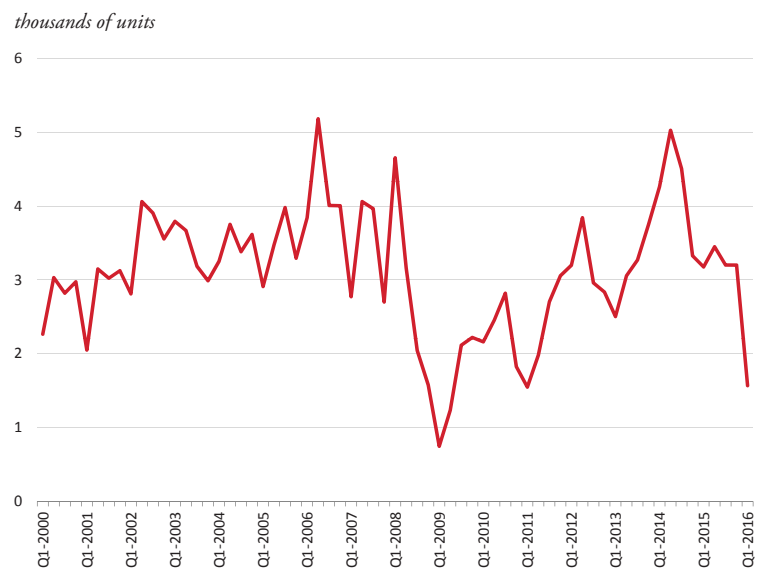
The total housing starts fell from 3,202 units in 2015 4th quarter to 1,567 units in 2016 1st quarter, a decrease of over 50 per cent. The year-over-year change from 1st quarter 2015 to 1st quarter 2016 saw a decrease of 51.1 per cent. This

Chart 1. Calgary Unemployment Rate and Residential Sales-New Listing Ratio
(Q1 2000 - Q1 2016)



Sources: CREA, Statistics Canada, Corporate Economics.

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



Sources: CMHC, Corporate Economics.

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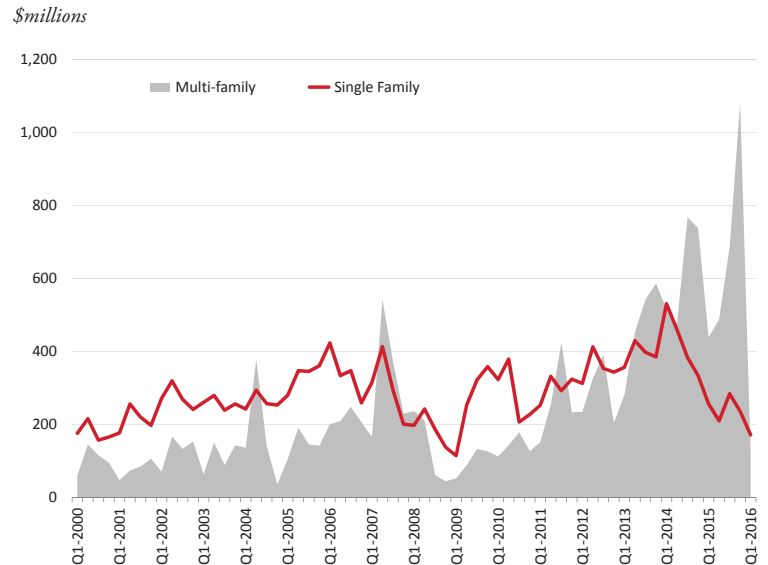
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weakness in housing starts was evidenced by the decreases in the City building permit values of both single family and multi-family residential properties. Over the last quarter permit values fell from \$235.5 million to \$171.2 million for single family units in the 1st quarter of 2016, and similarly fell for multi-family from \$1.8 billion to \$119.2 million. Year-over-year single family residential values fell sharply. The significant fall in the multi-family permit values was expected. The surge in demand for permits was caused by an expected change in the building regulations in 2016 for multi-family units. Permits which would have normally been pulled in 2016 were subsequently pulled in 2015 to avoid the additional requirements imposed by the National Building Association on new multi-family building permits. With continued lower house price inflation, lower sales listing ratios and rising unemployment rates we will continue to observe decreasing momentum in new home construction.

The average re-sale price for a house in the 1st quarter of 2016 was up 0.67 per cent from the last quarter's price of \$446,930 and year-over-year up 0.53 per cent from \$446,358.

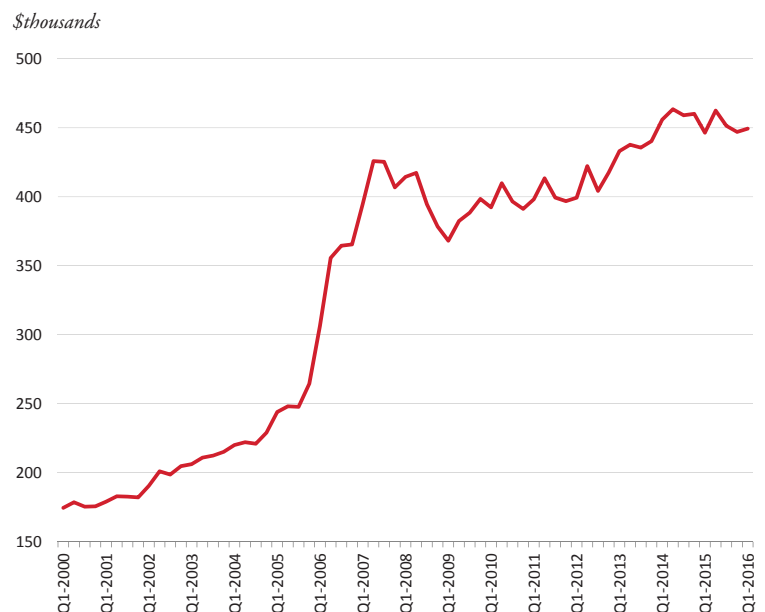
Next release: July 2016

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



Sources: The City of Calgary, Corporate Economics.

Chart 4. Average Re-sale House Prices in Calgary
(Q1 2000 - Q1 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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