



creb<sup>®</sup>

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**2016  
ECONOMIC  
OUTLOOK  
&  
REGIONAL  
HOUSING  
MARKET  
FORECAST**

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The forecasts included in this document are based on information available as of December 2015.

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# FORECAST SUMMARY

→ The impact of low oil prices on Calgary's economy overshadowed all resale residential housing activity in 2015 and will continue to do so in 2016.

Alberta's economy will remain weak in 2016, as WTI oil prices are expected to remain below \$45 US per barrel until the last quarter of the year. This will impact new investment, encourage more mergers and acquisitions and could result in further job losses and/or wage cuts. Unemployment levels will also remain higher than normal, meaning out-of-work Albertans will have a tough time finding replacement positions.

With no economic change expected on the horizon, demand for housing in Calgary will be weak. Total sales activity is expected to fall below 2015 levels by 2.2 per cent to 18,416 units, while new listing levels will increase. Both will keep inventories elevated and place downward pressure on prices – albeit with some divergent activity based on location, price and product type. The annualized benchmark price is expected to decline by 3.44 per cent to \$438,652.

Calgary's housing market will start 2016 in buyers' market territory. With higher levels of inventory in the rental, new home and resale market, there will be less room to absorb further supply gains caused by weak economic conditions.

The buildup to 2016 for Calgary's resale residential housing market has been well documented. The first quarter of 2015 was characterized by a wait-and-see attitude by buyers that sparked a pullback in housing demand. This weak consumer confidence, when coupled with a corresponding rise in new listings activity, caused

CITY OF CALGARY	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Average Months of Supply	2.43	4.16	2.56	3.14	4.29
S/NL Ratio	0.78	0.41	0.68	0.58	0.56
Average Benchmark Price	\$459,267	\$456,567	\$453,700	\$455,933	\$450,867
Average Y/Y Price Change	9.1%	5.7%	1.0%	-0.2%	-1.8%
Average Q/Q Price Change	0.56%	-0.59%	-0.63%	0.49%	-1.11%
Y/Y Sales Growth	3.2%	-32.8%	-22.0%	-24.2%	-28.4%
Y/Y New Listings Growth	20.2%	11.2%	-21.1%	-7.8%	-0.1%

inventory levels to rise and prices to decline compared to the previous quarter.

Over the next two quarters, market conditions balanced somewhat, preventing steep price declines. New listings fell as potential sellers held off with some indication of oil price stabilization, while sales declines eased due to pent-up demand from buyers who finally had more choices.

In the fourth quarter, however, the housing market reverted as the economic downturn settled in. Continued job losses in the energy sector, weaker levels of net migration and ominous forecasts weighed on housing demand. In addition, a rise in new home completions and rental vacancy rates added to already-elevated supply levels. While new listing levels were similar to those posted

at the same time in 2014, when combined with weaker sales activity, inventory levels remained elevated. As a result, the market moved into buyers' conditions and ultimately caused further price declines.

By year's end, sales activity declined by 26 per cent in 2015 to 18,830 units. However, thanks to a six per cent retraction in new listings, and the previous lack of supply, prices remained fairly resilient. December's residential benchmark price of \$448,800 retracted by just 2.24 per cent compared to levels at the start of 2015. And when considering annual averages, the benchmark price remained 1.11 per cent above 2014 levels and just slightly below forecasted levels of 1.58 per cent. By way of comparison, the average and median price declined by 2.64 and 0.38 per cent on an annual basis.

	2013	2014	2015 (E)	2016 (F)	Forecaster
<b>Economic Indicators</b>					
Calgary CMA GDP growth	4.10%	5.17%	-0.62%	1.03%	Conference Board of Canada
Calgary CMA net migration	37,996	36,521	11,747	14,951	Conference Board of Canada
Calgary CMA employment growth	2.96%	2.60%	2.51%	-0.90%	Conference Board of Canada
Average residential mortgage lending rate five year	4.17%	4.08%	3.77%	3.75%	Conference Board of Canada
Housing starts: single-family Calgary CMA	6,402	6,494	4,200	4,558	Conference Board of Canada
Housing starts: multiple-family Calgary CMA	6,182	10,637	8,710	7,045	Conference Board of Canada
Apartment rental rates, Calgary CMA	1,224	1,322	1,332	1,335	CMHC
Apartment vacancy rates, Calgary CMA	1.00%	1.40%	5.30%	3.70%	CMHC
WTI price	97.91	93.26	49.08	50.89	U.S. Energy Information Administration
Henry Hub price	3.73	4.39	2.67	2.88	U.S. Energy Information Administration
	2013	2014	2015	2016 (F)	Forecast
<b>MLS® System resale market</b>					
<b>City of Calgary</b>					
Sales	23,360	25,543	18,830	18,416	CREB®
Price growth	7.65%	9.91%	1.11%	-3.44%	CREB®
New listings	31,998	36,173	33,860	34,379	CREB®
<b>City of Calgary detached</b>					
Sales	14,433	15,093	11,517	11,229	CREB®
Price growth	7.51%	10.06%	1.35%	-3.20%	CREB®
<b>City of Calgary attached</b>					
Sales	4,871	5,649	4,085	4,024	CREB®
Price growth	6.66%	9.61%	1.84%	-3.50%	CREB®
<b>City of Calgary apartment</b>					
Sales	4,056	4,801	3,228	3,163	CREB®
Price growth	8.82%	10.66%	-0.82%	-4.20%	CREB®

### Housing forecast risk

Calgary's housing market faces several risks in 2016. The most significant is weak economic conditions that could cause higher-than-expected housing inventory buildup and place further downward pressure on resale prices, particularly in the apartment sector.

Other risk factors include:

- If economic conditions do not start to improve by the end of the year, this may lead to a stronger-than-expected pullback in sales and prices.
- Any sign of sustained recovery in the energy sector could result in a faster-than-expected rebound in

housing market demand, as consumers waiting for the bottom may re-enter the market in the later portion of 2016.

- If employment opportunities improve enough in other sectors, this could prevent further escalation of inventory levels and minimize the downward pressure on prices.

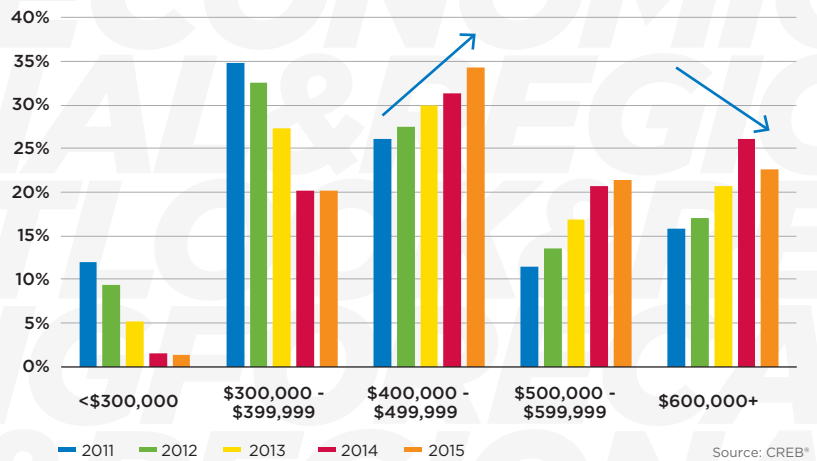
# FORECAST SUMMARY

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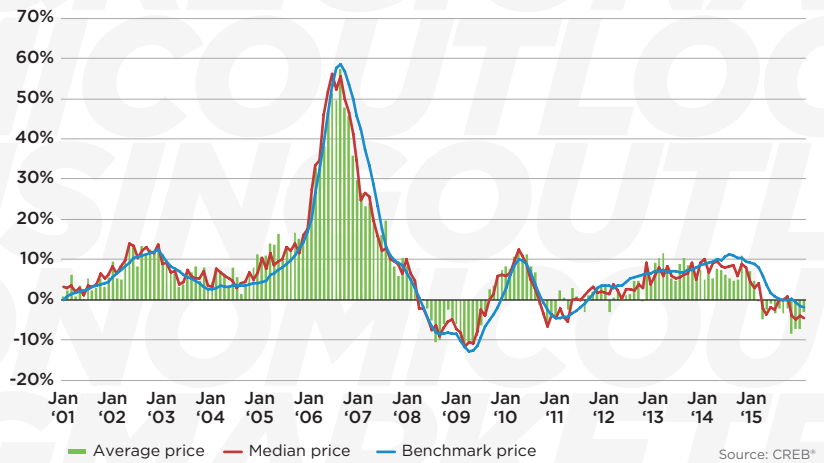
Note: Using average price as a barometer for home price trends can be misleading. Average price declines could be due to price reductions or shifts in the composition of what is sold. For example, in 2014, 3,942 detached properties sold within Calgary for more than \$600,000, compared to 2,597 in 2015. Because the average simply looks at the dollar volume of the sales divided by the total number of sales, it is not surprising that average prices recorded a steeper decline as there were some compositional shifts.

Benchmark prices, meanwhile, compare changes in price for the same type of home (i.e. number of bedrooms, bathrooms, size and location). The typical detached home in Calgary in 2015 was constructed in 1984, measured 1,294 square feet above grade and featured three bedrooms and two-and-a-half bathrooms. The aggregate benchmark price for this home was \$508,700 in December, a 1.91 per cent decline from \$518,600 in January. While the benchmark price trended down for this property in 2015, it was not as steep as average and median prices because it was less impacted by the compositional changes.

### CITY OF CALGARY DETACHED SALES DISTRIBUTION



### CITY OF CALGARY DETACHED PRICE GROWTH



# GLOBAL AND NATIONAL ECONOMIES

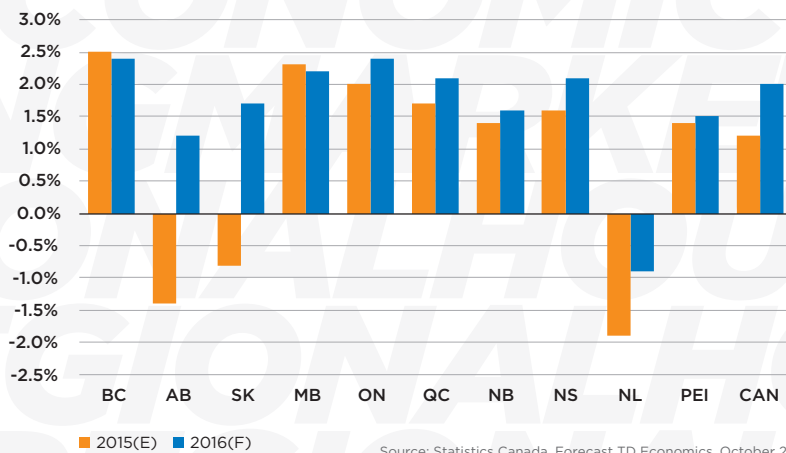
→ The international oil price collapse that started at the end of 2014 has impacted economies around the globe, including Calgary's. In the year ahead, oil-producing regions will continue to face hardships, while oil consumers benefit from lower prices.

- In Canada, low oil prices are exacerbating regional disparities, as evidenced by economic downturns in Alberta, Saskatchewan and Newfoundland. Meanwhile, British Columbia is expected to lead the country in growth in 2016.
- Overall, a low dollar should help Canada's export sector despite continued weakness in business investment.

- The U.S. recovery, meanwhile, is well underway, manifested by job growth, consumer spending gains – particularly via housing starts and vehicle sales – and real business investment growth. Some analysts feel a stronger U.S. economy will help Canada through export growth.

- In China, the pace of growth is easing as its economy transitions from investment based to domestic driven. This transition is expected as its economy matures and moves toward a sustainable pace of growth. Despite slower growth, the Bank of Canada expects China's demand for raw material to expand, albeit at a slower pace.

**REAL GDP ANNUAL GROWTH**



Source: Statistics Canada, Forecast TD Economics, October 2015

# INTEREST RATES

→ Following a surprise decline in 2015, short-term interest rates will likely remain unchanged throughout most of 2016 as economic conditions remain sluggish.

- While the U.S. is expected to see the federal funds rate rise, Canada is not expected to follow suit given limited inflation risk. This should keep the dollar low, providing some additional boost for the country's export sector.

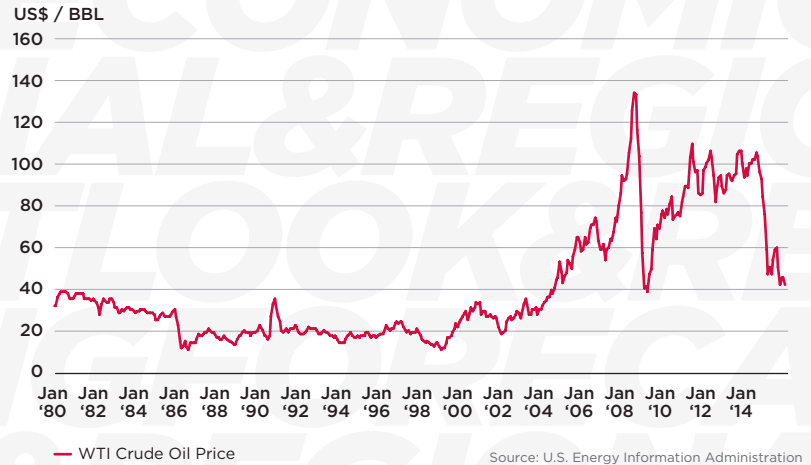
- While the Bank of Canada may not raise its overnight interest rate target, some analysts speculate banks will raise mortgage lending rates, which could further dampen housing demand.

# ENERGY

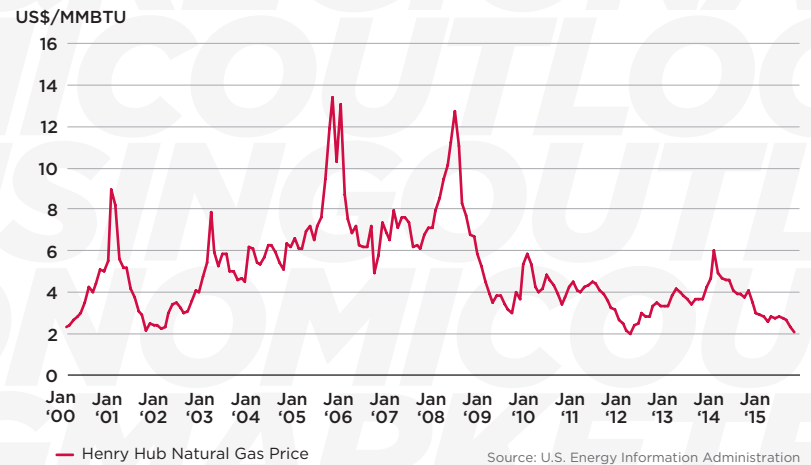
→ The price of oil underperformed for most of 2015, and its expected weakness in 2016 will continue to impact the provincial economy. The price for a barrel of West Texas Intermediate (WTI) averaged \$49 US per barrel through most of 2015, a 47 per cent decline from the previous year. The U.S. Energy Information Administration expects prices to average \$50 in 2016. However, based on monthly projections by PIRA Energy Group, prices are expected to remain below \$40, dip into the mid-\$30 range by spring and not rise above \$45 again until the fourth quarter.

- According to Alberta Treasury Board and Finance, oil and gas investment in the province is estimated to retract by 35 per cent in 2015 and face additional declines in 2016.
- Persistently low energy prices will continue to place pressure on Alberta producers to improve efficiencies and reduce operating costs.
- Market access will be a continued concern in 2016. The price differential between WTI and Western Canadian Select averaged around \$13 in 2015. While exchange rates will partially offset the differential to local producers going forward, this gap may rise due to ongoing delays to pipeline approvals.

## WTI OIL PRICE



## HENRY HUB NATURAL GAS PRICE



- Energy supply levels will be closely watched over the next year. Any significant unexpected disruptions caused by geopolitical instability, for example, could result in higher-than-expected price levels.
- Employers will be looking for signals of longer-term stability and price gains before revisiting their respective capital budgets and labour force.
- While the upstream market is suffering from low oil prices, downstream has fared better. Finished products, such as gasoline, have seen some price declines, but not to the same levels as those on the production side. As a result, larger companies with more diversified product suites may have better cash flow, encouraging merger and acquisition activity in 2016.
- Low natural gas prices are expected to persist over the next several years due to reduced demand.

Note: Often, oil and gas are priced in U.S. dollars. Prior to the oil price slide, the loonie was close to parity with the greenback. Since then, the Canadian dollar has dropped by 15 per cent, helping Canadian producers offset some of the impact from the global oil price drop. The U.S. Federal Reserve is expected to start raising interest rates, and Canada is unlikely to follow suit. This should result in a weak Canadian dollar environment, helping exporters of U.S.-priced goods such as oil.

### CANADIAN / U.S. EXCHANGE RATE



#### Energy sector risks

The energy sector's performance in 2016 will depend on several factors, the most notable of which will be oil price recovery. If additional oil supply from Middle Eastern markets is not offset from production cuts elsewhere, oil prices could remain low for an extended period of time. On the other hand, if geopolitical tensions escalate in supply regions, the disruptions could provide for some moderate gains.

Energy downturns typically necessitate efficiency gains, which result in overall sector strength. While this may not be realized in 2016, it could provide a foundation for the next cycle.

#### Other factors to consider:

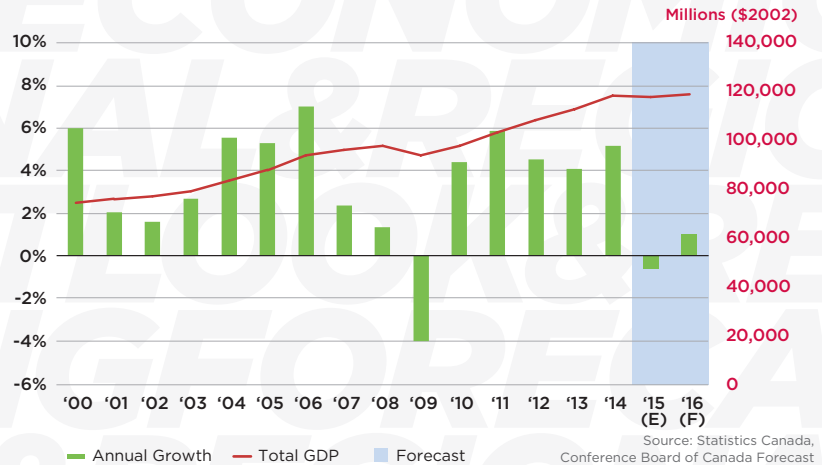
- Quicker-than-expected oil price recovery could help prevent further cutbacks to both operating and capital budgets in the energy sector.
- Newly elected provincial and federal governments and their respective energy policies, particularly around pipeline approvals, could impact investment activity within Alberta.
- Low energy prices can support stronger oil demand growth, helping to absorb some of the inventory imbalance in the energy sector.

# LOCAL ECONOMIC CONDITIONS

→ The dramatic decline in oil prices is expected to weigh on economic growth, pushing the province into a recession in 2015 with an estimated 0.62 per cent GDP contraction. While further economic contraction is not expected in 2016, many forecasters anticipate sluggish growth throughout the year.

Note: Energy sector weakness is expected to spill over into other sectors, such as transportation and warehousing. Wage cuts and overall employment concerns will impact consumer spending – and therefore, wholesale and retail trade – as well as in-migration to the province – and thereby new home construction and services.

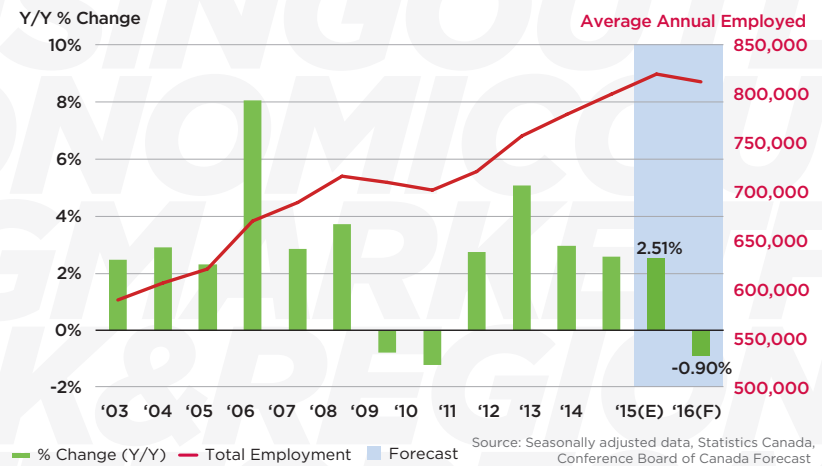
## CALGARY CMA GDP GROWTH



## Employment

→ Labour market weakness is expected to persist throughout 2016. The Conference Board of Canada forecasts employment levels in the Calgary CMA to contract by 0.9 per cent as previous energy sector-related contractions impact other areas of the economy.

## CALGARY CMA EMPLOYMENT GROWTH



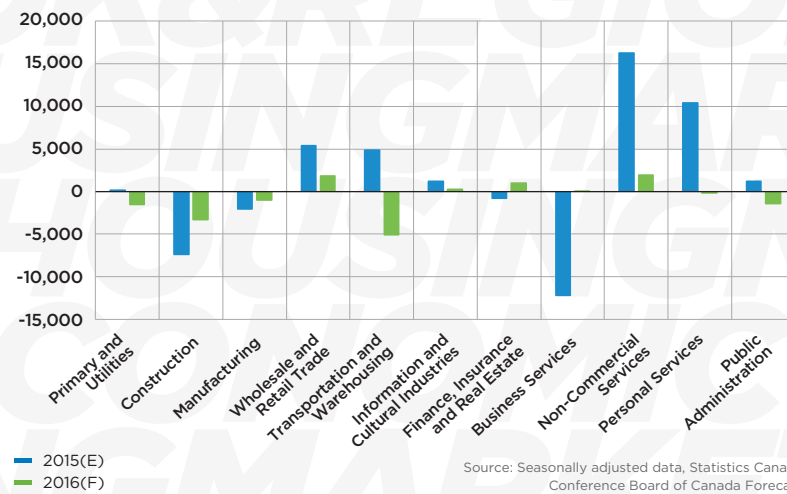
- Despite ongoing economic uncertainty and near continuous reports of jobs losses, Calgary employment was estimated to increase by 2.5 per cent in 2015 compared to the previous year.
- The majority of year-over-year job growth was due to gains in typically lower-paying sectors

such as wholesale and retail trade, non-commercial services and personal services. Significant job losses, meanwhile, occurred in the higher-paying business services and construction sectors. This partially explains the varying activity between the higher and lower price ranges in the housing market.

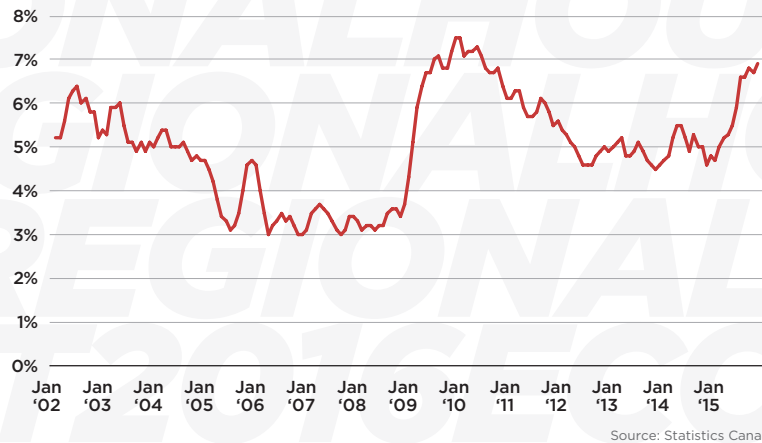
- Despite year-over-year gains, employment levels in the Calgary CMA declined throughout most of the second half of 2015. The unemployment rate, meanwhile, pushed up to almost seven per cent by the end of the year.
- Commercial office leasing in the city can be a leading indicator for employment growth. In 2015, vacant space in both the downtown and suburban commercial markets grew to high double-digit levels and is expected to persist throughout most of 2016, indicating continued weakness in the job market.
- High unemployment rates, combined with continued job losses, will continue to impact housing demand in 2016.

**Note:** While some energy companies have made significant cuts to their labour force, others have attempted to avoid layoffs by cutting salaries, adjusting benefits and reducing paid work weeks. Depending on the extent of this activity, these measures might help minimize the impact on the resale residential housing market. However, a recent survey from PetroLMI, a division of Enform, indicated that if a similar economic environment persists over the next six months, further project cuts and/or layoffs would be expected for half of the companies surveyed.

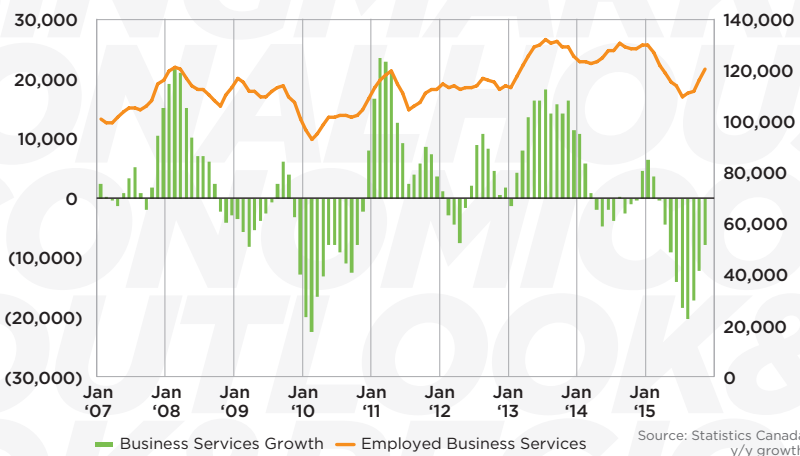
### CALGARY CMA EMPLOYMENT GROWTH BY INDUSTRY



### CALGARY CMA UNEMPLOYMENT RATE



### CALGARY CMA BUSINESS SERVICES



# LOCAL ECONOMIC CONDITIONS

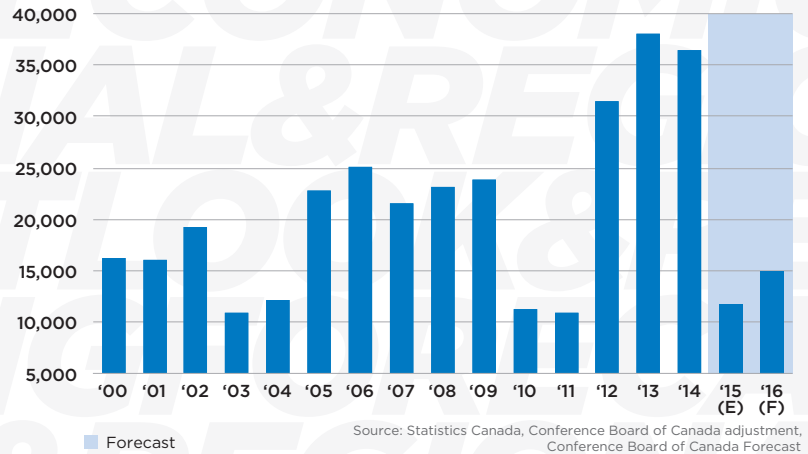
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### Population

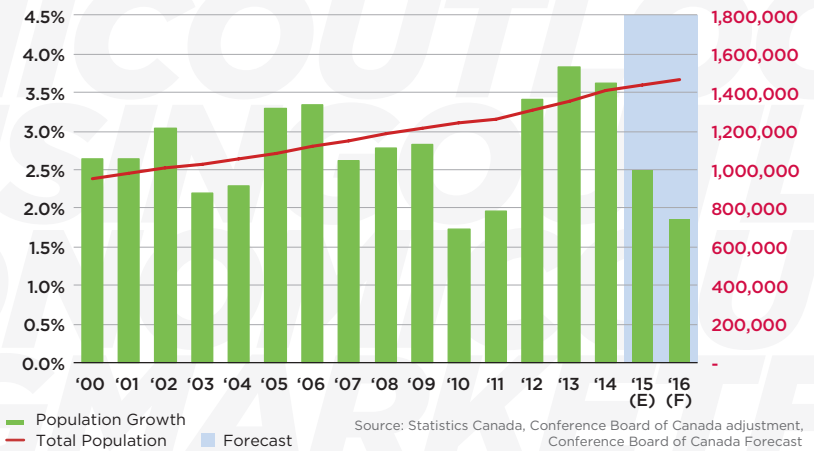
→ Net migration to Calgary CMA will remain positive in 2016, but subside from recent record highs, as well as typical levels. With fewer job prospects and better opportunities elsewhere in the country, net-migration levels are expected to total 11,747 in 2016, compared with 14,951 in 2015.

While overall population growth is expected to remain positive, slower migration will impact housing vacancies in the city – first the rental market, followed by the ownership market. As a result, newly completed projects may have some difficulty being absorbed, pushing up overall housing inventory levels.

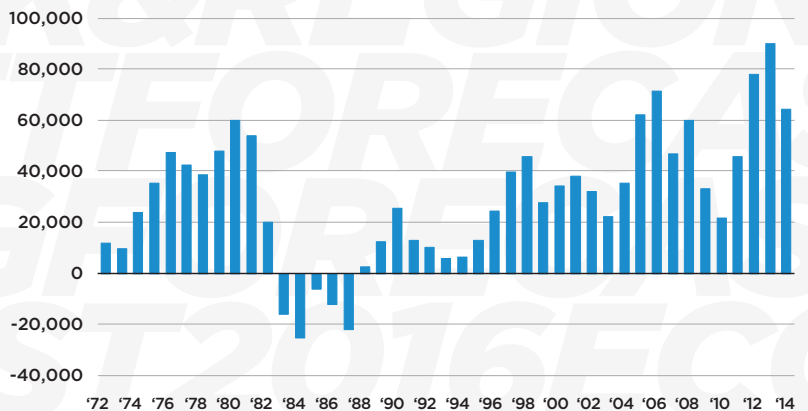
### CALGARY CMA NET MIGRATION



### CALGARY CMA POPULATION GROWTH



### ALBERTA NET MIGRATION



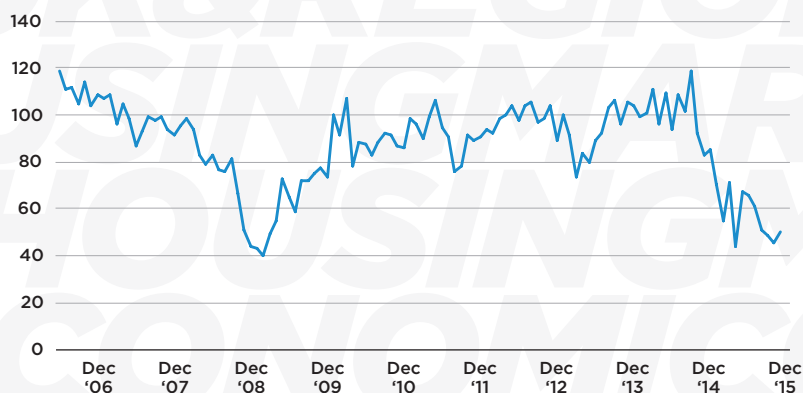
## A different downturn

→ Does this downturn feel different than the last? It should. Unlike the 2008/09 recession, which was sparked by a financial crisis and thus considered deeper and more widespread, the current downturn is oil related and more regionalized. Weakness in both the oil and natural gas market has left many to suggest this downturn is more comparable to the 1980s, when the province's energy industry faced a similar low oil price environment and high unemployment rates.

Not surprisingly, talk of the 1980s has also inevitably created comparisons to housing price declines during that time. Provincially, average annual prices declined by 20 per cent from 1981-85 – from \$94,749 to \$75,871 – coinciding with the recession/ National Energy Program and prior to the oil price drop that occurred in 1986. (Average prices were used; benchmark prices are not available prior to 2000.)

From 1981-85, lending rates were also in the double digits, with five-year terms averaging near 20 per cent before declining to around 12 per cent. Furthermore, net migration was negative throughout most of that time frame and unemployment rates hit double digits. Home price recovery did not occur until 1989, coinciding with positive provincial net migration and improvements in the labour market.

### ALBERTA CONSUMER CONFIDENCE



— Alberta consumer confidence

Source: Conference Board of Canada

### CANADA PRIME LENDING RATE



— Canada Prime Lending Rate

Source: Conference Board of Canada

Today, several factors point toward a less severe pullback in home prices. First, lending rates are near record lows. Second, net migration, albeit slowing, is expected to remain positive. Lastly, housing supply levels remain 35 per cent

lower than levels recorded during the 2008/09 recession. For Calgary to see price drops comparable to the 1980s, or even 2008/09, the current economic downturn will have to last for an extended period of time.

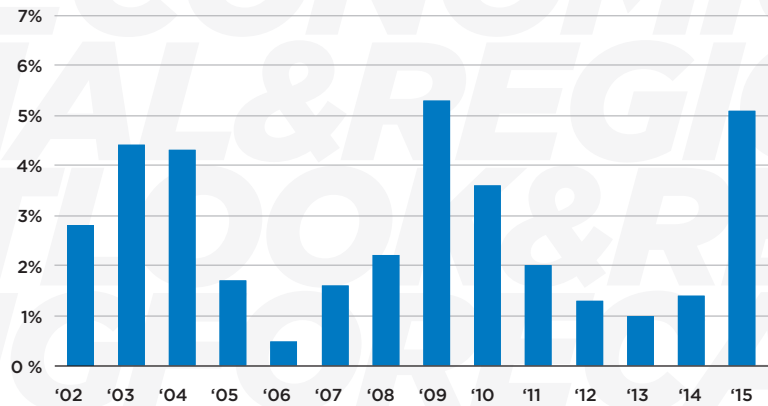
# HOUSING MARKET

→ Continued energy sector weakness will have a pronounced impact on the housing market in 2016. Since the end of 2014, energy companies have pulled back in investment spending, resulting in job losses and weak housing demand throughout 2015 and into 2016.

## Rental

- Slower net migration, combined with increased supply from purpose-built rental construction and higher supply through the secondary rental market (i.e. condominium apartments), caused purpose-built apartment vacancy rates to increase to 5.3 per cent in 2015 from 1.4 per cent in 2014.

### CALGARY CMA RENTAL MARKET



Source: CMHC, 2015 vacancy based on October CMHC survey

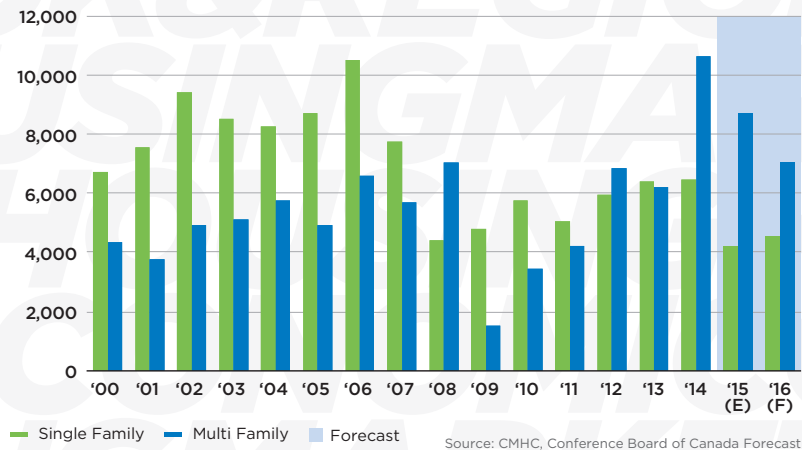
- Vacancy levels in 2014 were extremely low, making the increase in 2015 seem more dramatic. However, the vacancy rate is still at its highest level since 2009.
- Rising vacancy rates should place downward pressure on rental rates throughout 2016.
- Higher vacancy rates and downward pressure on rents due to higher supply is expected to decrease ownership demand from investors.
- If economic conditions start to improve, as some analysts have forecasted for the later portion of the year, some renters may make the shift to ownership, especially if lending rates remain unchanged and housing prices continue to decline.

## New home

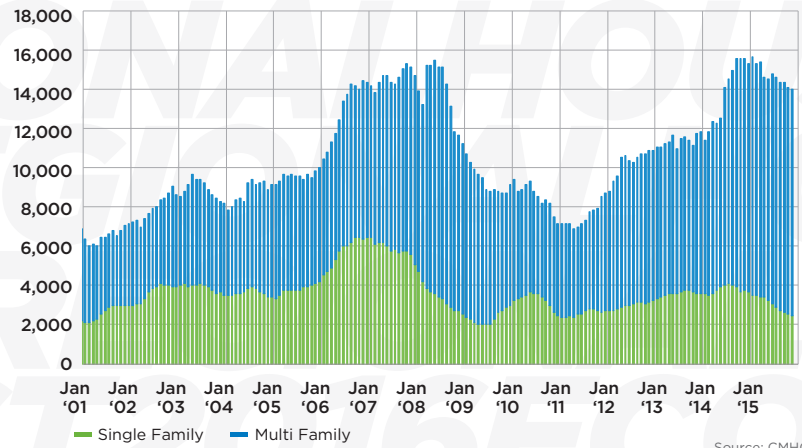
- New home starts activity in 2015 are estimated to have fallen by 35 per cent in the single-family sector and 18 per cent in the multi-family. Weak economic conditions contributed to the decline in demand, which resulted in a starts pullback in 2015. Further contractions are expected in 2016.
- New home inventories are rising and product under construction has hit new record highs. Yet absorption levels remain above 95 per cent upon completion, which, if maintained, can help prevent a large spike in inventory levels in 2016.
- The multi-family sector remains the largest at risk due to the large number of units still under construction. When many of these projects are completed, inventory levels could rise. This could spill into more rental and ownership supply if the product cannot be sold. Increased supply of both new and rental product would provide consumers more choice, placing downward price pressure on the competing resale attached and apartment sectors.

Note: Prior to the last economic downturn, starts activity and completions outpaced household formation levels, resulting in large inventory gains. While product under construction currently resembles previous highs, inventory levels are still 40 per cent lower than the last period. This could better position the market to absorb inventory and ultimately prevent steep price declines.

### CALGARY CMA HOUSING STARTS

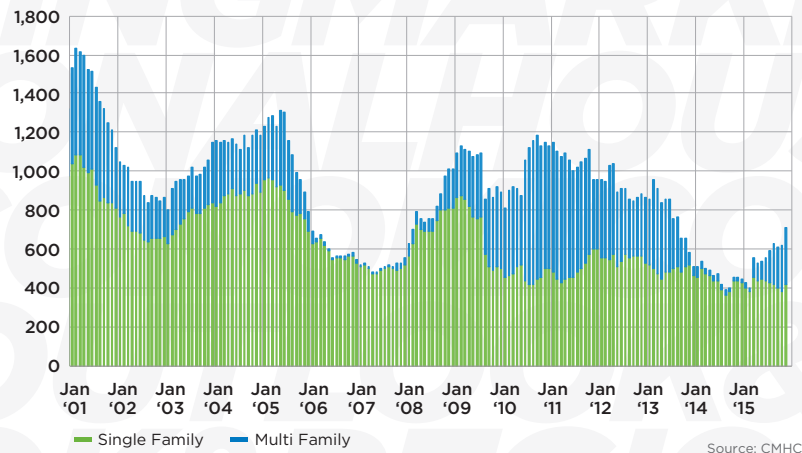


### CALGARY CMA UNDER CONSTRUCTION



New multi-family construction includes purpose-built rental, apartment condominiums and ownership attached product.

### CALGARY CMA NEWLY COMPLETED AND UNOCCUPIED



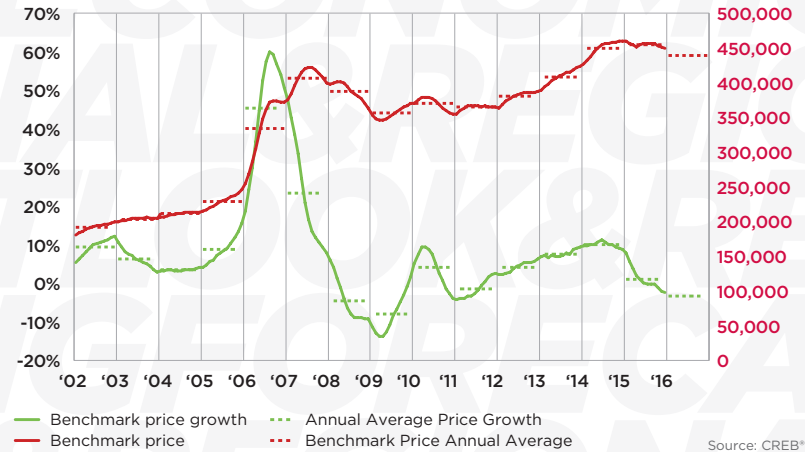
# HOUSING MARKET CONTINUED

## Resale housing market

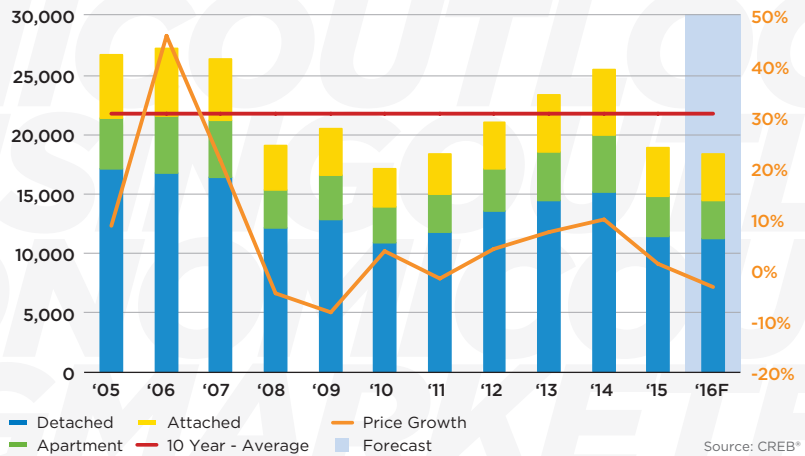
→ Many of the challenges Calgary's resale residential housing market faced in 2015 are likely to continue in 2016. Energy sector weakness will impact sales activity, decreasing by 2.2 per cent to 18,416 units. The market will also start off the year with higher-than-usual inventory levels, making it difficult to absorb additional supply.

With market imbalance expected to persist over the first portion of the year, benchmark prices will face further downward pressure, declining by 3.44 per cent on an annual basis to \$438,652. Despite this forecasted decrease, price declines in 2016 are not expected to erase all gains from the past three years.

CITY OF CALGARY BENCHMARK PRICE AND GROWTH



CITY OF CALGARY SALES AND PRICE GROWTH FORECAST

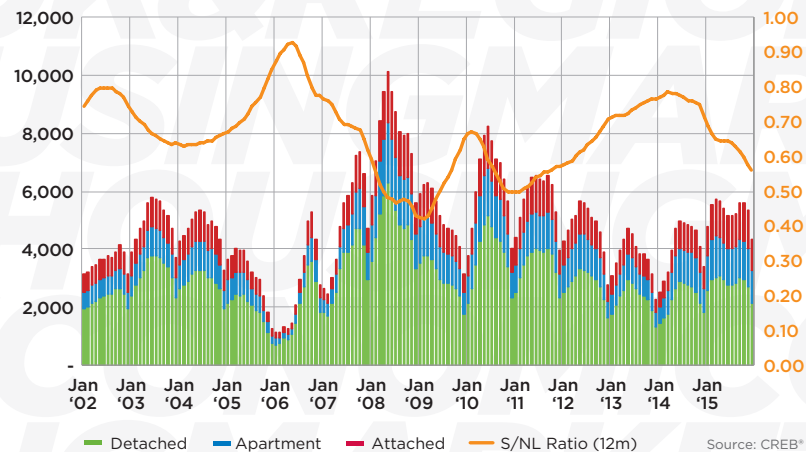


Looking back on the market in 2015:

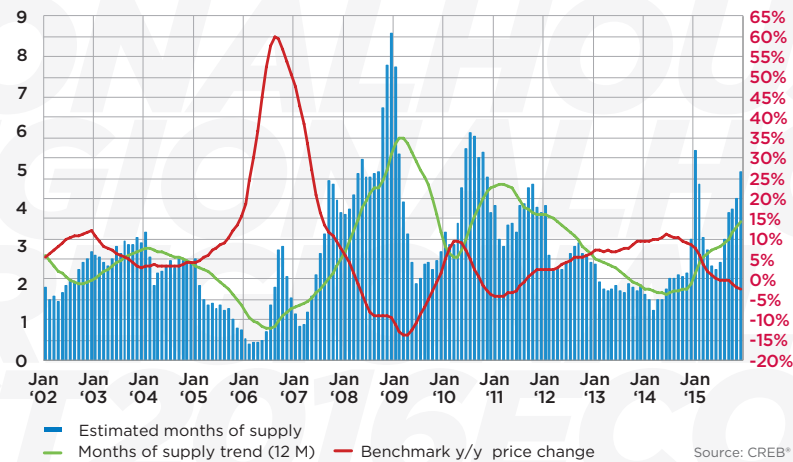
- Sales activity in 2015 declined year-over-year by 26 per cent to 18,830 units, which was 16 per cent below the 10-year average.
- In the first quarter, months of supply averaged 4.16 months. In the second and third quarters, new listings eased, sales pulled back and the market moved toward more balanced territory, preventing significant price declines.
- In the fourth quarter, absorption levels, once again, eased as months of supply pushed up to 4.29 units, well above long-term averages. As a result, aggregate prices again faced downward pressure.
- Benchmark prices averaged \$454,267 in 2015, 1.11 per cent above the previous year. However, December's benchmark of \$448,800 remained 2.24 per cent below levels recorded in January and 2.33 per cent below December 2014.

Note: Year-over-year changes can be short-sighted, particularly coming off strong years such as 2014. As a result, CREB® will often compare current levels (i.e. sales, new listings, inventory and months of supply) with longer-term figures to better identify housing trends and gain insight into full housing cycles.

### CITY OF CALGARY INVENTORY



### CITY OF CALGARY MONTHS OF SUPPLY AND PRICE CHANGES



# HOUSING MARKET CONTINUED

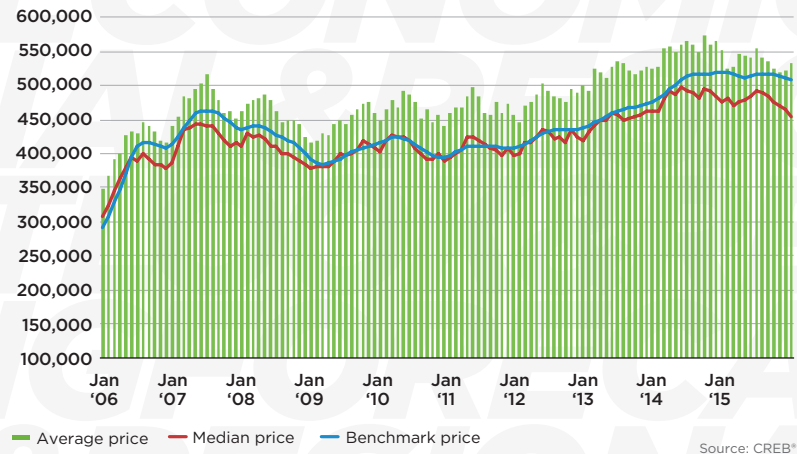
## Detached

→ While aggregate prices were fairly resilient in 2015, they will face downward pressures in 2016 due to higher levels of supply relative to demand and continued economic weakness. On an annual basis, the detached benchmark price is expected to decline by 3.2 per cent to \$497,600.

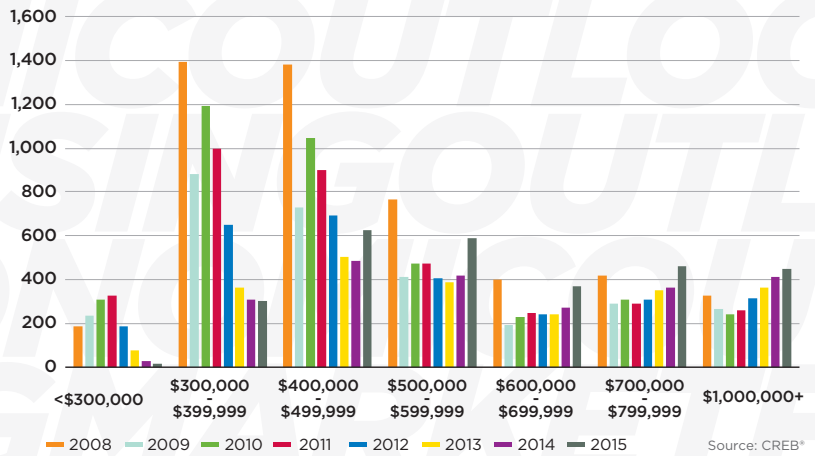
Additional competition from the new home sector, combined with more resale supply coming from people who can no longer wait to sell their home, is expected to contribute to the annual benchmark price decline in 2016.

- In 2015, the annual average benchmark price for a detached home was \$514,050, 1.35 per cent above 2014 levels. However, prices in December declined 1.91 per cent from January. By way of comparison, the average price and median price declined by 3.64 and 1.56 per cent, respectively, in 2015. The variation between these price measures and the benchmark price is partially related to composition effects.

### CITY OF CALGARY PRICES DETACHED



### CITY OF CALGARY AVERAGE ANNUAL DETACHED INVENTORY



- Overall inventory levels in 2015 were below long-term averages. Yet like other sectors, inventories were elevated moving into the fourth quarter, causing further aggregate price declines. While absorption levels eased in 2015, months of supply hit a high of 3.65 in the first quarter, before dipping below three months in the next two subsequent quarters and ending at 3.52 during the final three months of the year.
- Detached sales represented 61 per cent of all citywide sales in 2015, compared with a low of 59 per cent in 2014. Meanwhile, the detached sector represented 53 per cent of all inventory.

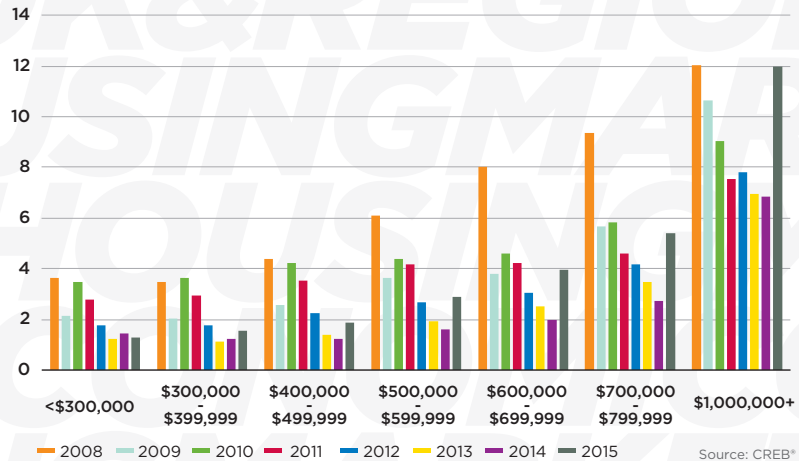
Note: Detached activity by price range

While aggregate statistics throughout most of 2015 showed a relatively balanced detached market, sales activity varied significantly based on price range. Even though sales slowed in all ranges, demand fell more severely for product priced over \$600,000.

In addition, new listings in that range did not decline enough to prevent inventory gains. As a result, months of supply pushed up to a three-year high – in the case of homes priced over \$1 million, months of supply hit levels not seen since 2008 – thus creating downward pressure on prices.

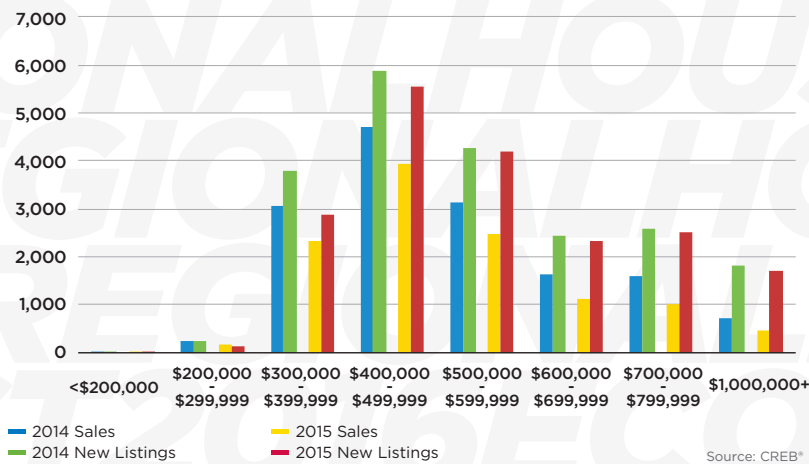
- Meanwhile, detached product priced below \$500,000 saw strong demand in 2015 relative to supply, helping to limit some of the downward pressure on prices.
- The variation in activity based on the price ranges will likely continue into 2016. However, homes in the \$500,000-\$600,000 range might see more downward pressure on prices as persistently weak economic conditions start to weigh on this segment of the market.

### CITY OF CALGARY MONTHS OF SUPPLY DETACHED



Source: CREB\*

### CITY OF CALGARY SALES AND NEW LISTINGS DETACHED



Source: CREB\*

# HOUSING MARKET CONTINUED

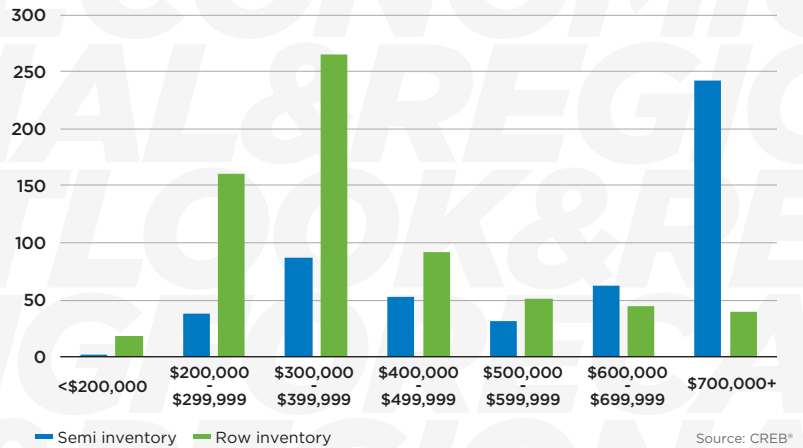
## Attached

→ Weaker-than-normal economic conditions, combined with additional supply, is expected to place downward pressure on the attached sector in 2016, with the benchmark price expected to decline by 3.5 per cent to \$342,101.

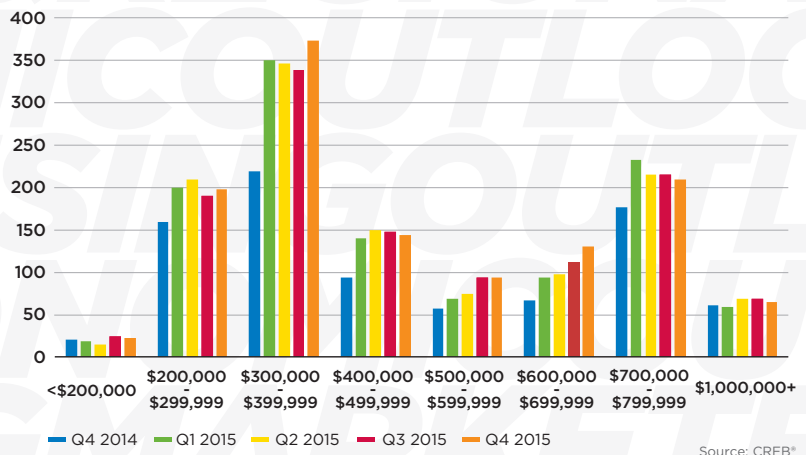
Supply could be impacted by the new home market; nearly 20 per cent of multi-family product currently under construction consists of attached properties. Newly completed supply, when combined with increased ownership choices in other resale sectors, could result in further imbalance in 2016.

- In 2015, the annualized attached benchmark price was \$354,508, a 1.84 per cent increase from 2014. However, prices slid throughout the year, dropping to \$351,400 in December, a 1.29 per cent decline from the start of the year.
- Prior to the start of the downturn, the attached sector had strong demand compared to market supply. This was expected given the attached sector provided homebuyers with an attractive middle ground between apartment-style condominiums and detached properties. However, economic conditions caused attached sales activity to decline year-over-year by 28 per cent to 4,085 units in 2015. New listings, meanwhile, only declined by 2.50 per cent, causing a rise in inventory levels.
- As with all other product types in 2015, months of supply within the attached sector remained in balanced territory from March

## CITY OF CALGARY AVERAGE ANNUAL INVENTORY



## CITY OF CALGARY INVENTORY ATTACHED



to August. Over the last four months of the year, however, elevated inventories and further weakening in sales caused months of supply to push into buyers' market territory, causing price contractions.

- The attached sector includes both row and semi-detached properties. Activity within these two categories can vary significantly both in terms of availability and demand in each

price range. In 2015, inventory levels rose in higher price ranges due to gains in the semi-detached category; in lower price ranges, they rose due to increases in the row category.

- The total attached market accounted for 22 per cent of resale residential sales activity in Calgary in 2015. Row-type properties accounted for 60 per cent of attached sales while 40 per cent were attached.

## Apartment

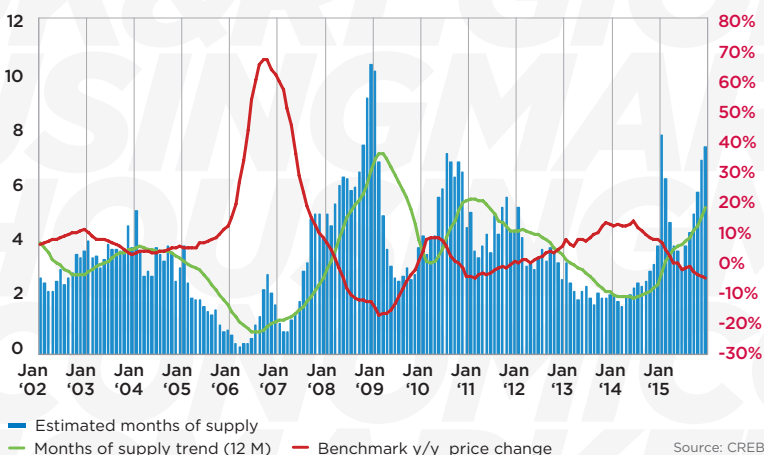
→ The apartment sector, which was the hardest hit by the economic downturn in 2015, will face further price compression in 2016. The annualized benchmark price is expected to decline by 4.2 per cent to \$279,936 due to continued weakness in demand and increase in supply. A record number of multi-family units under construction will add to the overall supply of apartment-condominium and rental projects.

Sales activity in 2016 is expected to ease by two per cent over 2015 levels, well below long-term averages. Overall activity in the later portion of 2016 may improve if economic conditions stabilize and price corrections encourage renters to consider ownership.

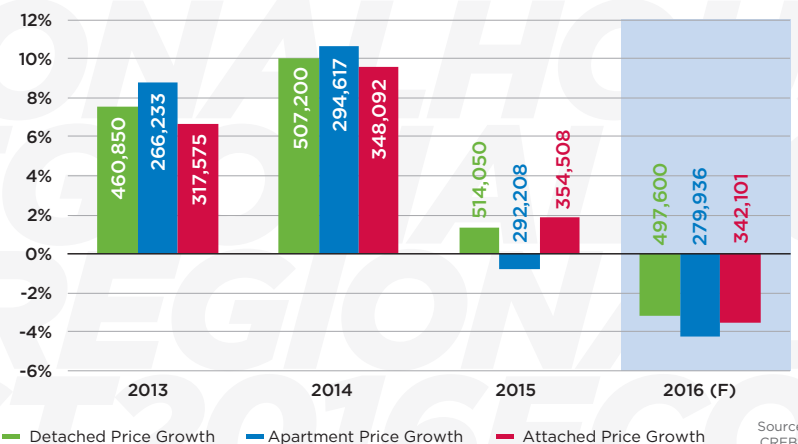
- In 2015, the apartment sector saw the steepest decline in benchmark price when compared to competing property types, retracting annually by 0.82 per cent to \$292,208. By December, the benchmark price totaled \$285,500, 4.42 per cent lower than figures reported in January.

- Price declines in the apartment sector occurred sooner than anticipated in 2015 due to persistently highly inventory levels partially caused by a less severe pullback in new listings when compared to sales drops.

CITY OF CALGARY MO. OF SUPPLY, PRICE CHANGES APARTMENT



CITY OF CALGARY FORECAST PRICE COMPARISON



- Apartment sales declined by 33 per cent to 3,228 in 2015. While economic conditions impacted all sectors, apartment resales faced added pressure from competition in the rental, new construction and resale attached sectors.
- Unlike other sectors, the apartment market faced elevated months of supply for most of 2015. In the first quarter, months of supply averaged 5.91 months, causing steep price declines. While months of supply eased to 3.51 in the second quarter, it

gained momentum during the second half of the year, increasing to 4.36 and 6.58 in the third and fourth quarters, respectively. While not as high as record levels recorded in 2008, inventory levels by the end of 2015 were at their highest since 2010.

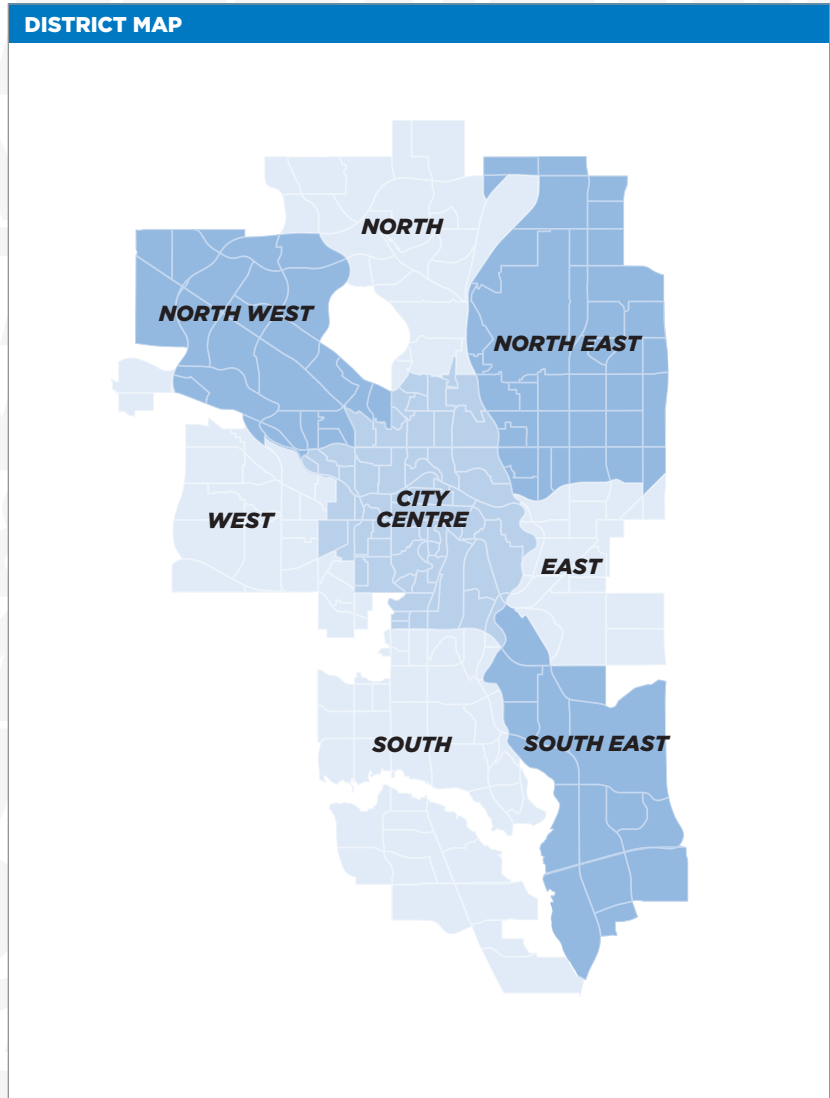
**Note:** New product is only recorded in CREB® statistics if it is sold or listed by a CREB® member on the MLS® system. The share of new homes listed on the resale market has crept up this year in both the apartment and attached markets.

# DISTRICTS

→ Sales activity in 2015 varied significantly by price range and location. For example, while high inventory levels were consistent in all areas of the city, the centre district recorded higher months of supply (5.7) than all others throughout the year. As a result, the city centre annual average benchmark price declined by 0.52 per cent, the largest drop among Calgary districts. This district was the most affected due to its large share of both higher-priced and apartment products, the two areas most impacted by slower demand.

- The northeast and east districts, which offer some of the most affordable detached homes in Calgary, recorded price appreciation throughout the year and the highest annual average benchmark price increase of 7.05 and 5.48 per cent, respectively. Meanwhile, prices retracted in most other districts from January through to December.
- In the attached segment, the story was similar to the detached. The districts with the majority of their product priced below \$300,000 recorded stable-to-modest benchmark price gains throughout the year.
- The apartment sector behaved differently than both the attached and detached markets, as most districts in the city saw elevated supply relative to demand and downward pressure on pricing.

DISTRICT MAP



# DISTRICT TABLE

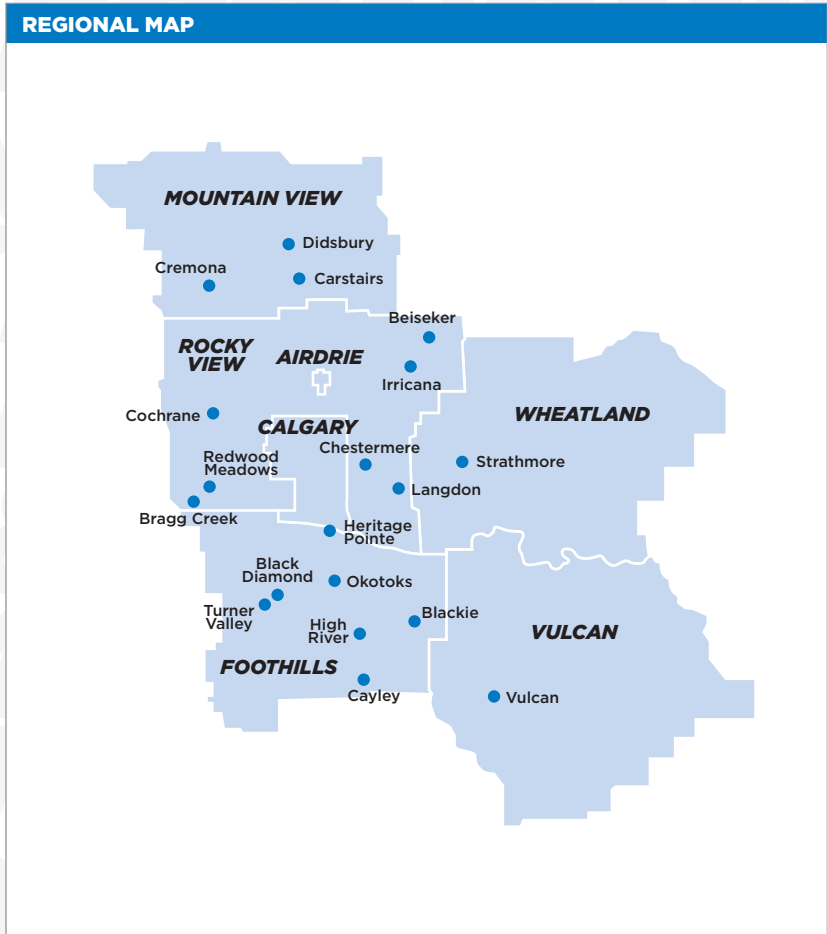
2015	CN	NE	N	NW	W	S	SE	E	Total
<b>DETACHED</b>									
Benchmark price	685,825	400,092	446,958	545,933	691,658	496,408	488,000	364,733	514,050
Y/Y % change	-0.71%	7.05%	1.71%	-0.46%	0.84%	-0.69%	2.54%	5.48%	1.35%
Sales	1,030	1,566	1,620	1,612	1,095	2,359	1,875	356	11,517
Sales growth	-37.23%	-22.01%	-21.97%	-25.16%	-25.36%	-19.30%	-19.91%	-25.05%	-23.69%
New listings	2,389	2,364	2,477	2,620	2,313	3,694	2,941	501	19,319
New listings growth	-12.65%	-16.99%	-8.23%	-9.81%	1.58%	-4.62%	-3.73%	-22.69%	-8.29%
Sales to new listings ratio	43.11%	66.24%	65.40%	61.53%	47.34%	63.86%	63.75%	71.06%	59.61%
Average annual months of supply	5.68	2.19	2.33	2.53	4.47	2.54	2.58	2.12	2.93
Share of district sales	30.94%	71.25%	69.35%	68.80%	58.12%	67.69%	71.02%	58.27%	61.16%
Share of citywide sales	8.94%	13.60%	14.07%	14.00%	9.51%	20.48%	16.28%	3.09%	100.00%
<b>ATTACHED</b>									
Benchmark price	577,592	273,142	311,233	360,383	407,683	301,892	322,267	259,867	354,508
Y/Y % change	-0.18%	4.43%	1.18%	2.68%	2.91%	2.10%	1.30%	5.48%	1.84%
Sales	830	488	505	413	448	678	556	167	4,085
Sales growth	-32.02%	-25.04%	-17.35%	-38.17%	-36.54%	-27.02%	-17.63%	-11.17%	-27.69%
New listings	2,127	741	782	691	905	1,054	976	253	7,529
New listings growth	-0.28%	-17.11%	1.16%	-18.42%	-0.55%	-4.53%	22.77%	-4.89%	-2.50%
Sales to new listings ratio	39.02%	65.86%	64.58%	59.77%	49.50%	64.33%	56.97%	66.01%	54.26%
Average annual months of supply	5.98	2.45	2.47	2.83	4.15	2.38	3.16	2.73	3.49
Share of district sales	24.93%	22.20%	21.62%	17.63%	23.78%	19.45%	21.06%	27.33%	21.69%
Share of citywide sales	20.32%	11.95%	12.36%	10.11%	10.97%	16.60%	13.61%	4.09%	100.00%
<b>APARTMENT</b>									
Benchmark price	329,483	217,083	257,150	273,933	268,717	256,142	254,308	212,150	292,208
Y/Y % change	-0.78%	-2.12%	0.19%	0.84%	-0.55%	-0.86%	-1.23%	0.66%	-0.82%
Sales	1,469	144	211	318	341	448	209	88	3,228
Sales growth	-37.78%	-6.49%	-17.25%	-31.17%	-35.42%	-32.43%	-13.64%	-34.81%	-32.76%
New listings	3,497	333	380	579	740	870	409	204	7,012
New listings growth	-9.78%	18.93%	5.26%	-9.25%	-3.77%	-7.25%	21.36%	10.27%	-5.05%
Sales to new listings ratio	42.01%	43.24%	55.53%	54.92%	46.08%	51.49%	51.10%	43.14%	46.04%
Average annual months of supply	5.50	5.27	3.37	3.79	4.80	4.13	3.87	4.75	4.79
Share of district sales	44.13%	6.55%	9.03%	13.57%	18.10%	12.86%	7.92%	14.40%	17.14%
Share of citywide sales	45.51%	4.46%	6.54%	9.85%	10.56%	13.88%	6.47%	2.73%	100.00%
<b>TOTAL</b>									
Benchmark price	532,542	371,342	416,325	495,175	561,317	433,533	452,475	323,950	454,267
Y/Y % change	-0.52%	6.21%	1.53%	0.18%	0.69%	-0.21%	2.11%	5.04%	1.11%
Sales	3,329	2,198	2,336	2,343	1,884	3,485	2,640	611	18,830
Sales growth	-36.26%	-21.86%	-20.60%	-28.65%	-30.25%	-22.81%	-18.97%	-23.43%	-26.28%
New listings	8,013	3,438	3,639	3,890	3,958	5,618	4,326	958	33,860
New listings growth	-8.36%	-14.52%	-5.06%	-11.39%	0.05%	-5.02%	3.32%	-12.83%	-6.39%
Sales to new listings ratio	41.54%	63.93%	64.19%	60.23%	47.60%	62.03%	61.03%	63.78%	55.61%
Average annual months of supply	5.67	2.45	2.45	2.76	4.45	2.71	2.81	2.67	3.37

# SURROUNDING AREAS

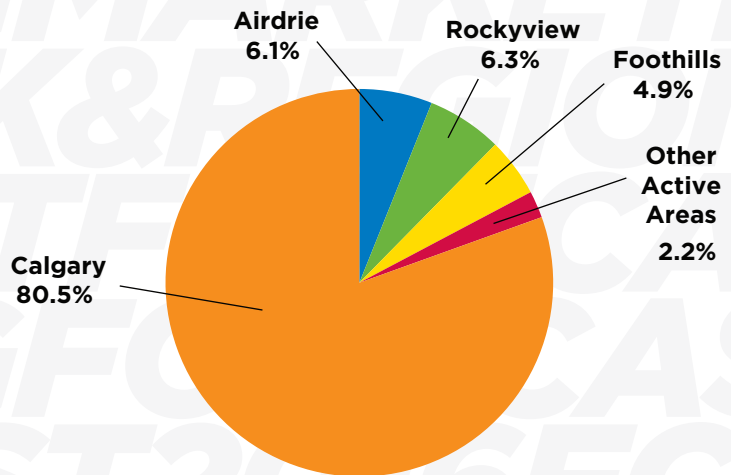
Note: CREB®'s membership expands well beyond what the map indicates. Data for some of these areas is not publically reported. This decision is based on whether the majority of transactions in these areas are being performed by CREB® members, as well as on the amount of annual activity. Many of these areas do not have a large amount of monthly activity, meaning small changes can have large impacts on per cent changes, as well as other metrics typically applied in the city. Months of supply also tend to be higher in surrounding areas; what is considered balanced within Calgary can vary in the surrounding areas.

The resale residential housing market outside of Calgary will face the same macro economic influences on housing demand as those within the city in 2016. However, each area in the surrounding region will have its own unique set of circumstances that will influence the supply-and-demand balance, as well as price trends.

REGIONAL MAP



SHARE OF SALES 2015



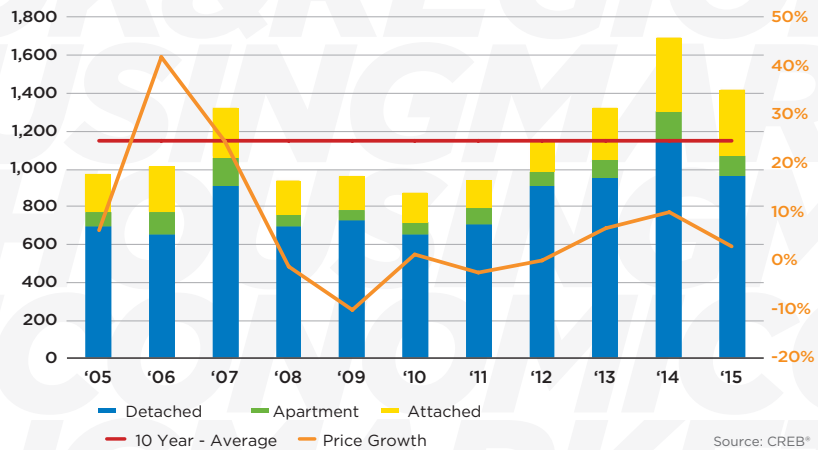
Source: CREB®

## Airdrie

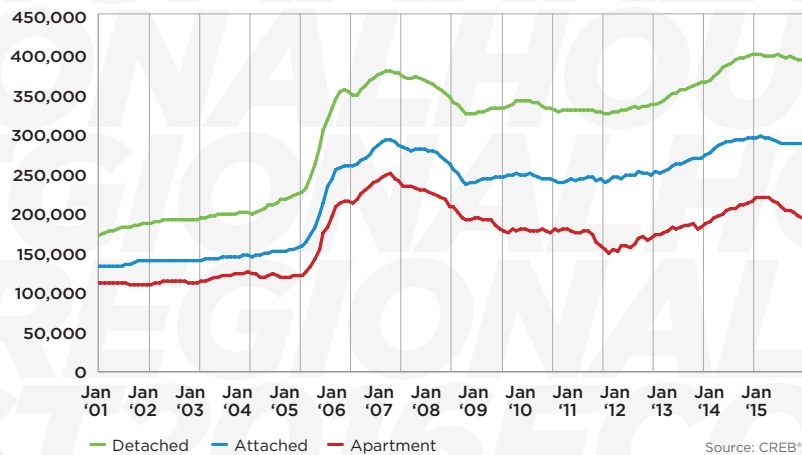
→ Airdrie has long benefited from its close proximity to Calgary, offering lower comparable prices and catering to buyers' different lifestyle choices. Yet the city's resale residential housing market will experience further pullback in sales activity and prices in 2016 due to added competition from the local new home sector and the neighbouring Calgary market.

- Coming off a record year, sales activity declined by 16 per cent to 1,424 units in 2015, yet remained 19 per cent above the five-year average and 27 per cent above the 10-year.
- New listings increased by 4.6 per cent, which outpaced both the five- and 10-year averages. This led to a slow buildup in inventory, which placed downward pressure on pricing.
- On an annual basis, the residential benchmark price remained 2.88 per cent higher than last year at \$373,467. Yet as of December, the typical home price was 2.36 per cent below the start of the year.
- Price declines were more pronounced in both the attached and apartment sectors, which saw December prices fall by a respective 3.12 and 10.9 per cent from the beginning of the year.
- New home inventory levels started to see some moderate gains in 2015, adding to overall housing supply and impacting resale pricing.

### AIRDRIE ANNUAL SALES AND PRICE GROWTH



### AIRDRIE BENCHMARK PRICE COMPARISON



# SURROUNDING AREAS

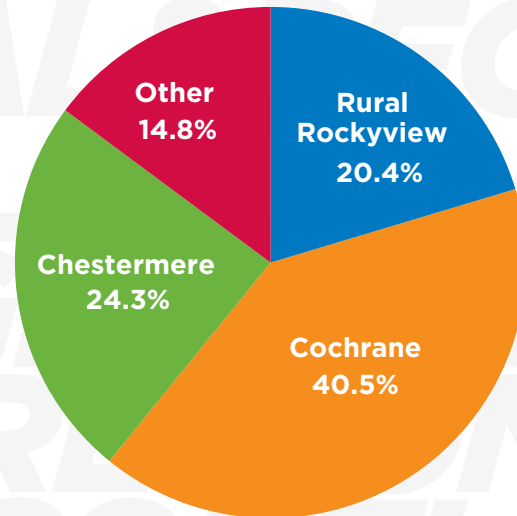
## CONTINUED

### Rockyview region

→ Rockyview region includes all MLS® activity in towns and rural areas within the geographical area, excluding Airdrie. The majority of activity in Rockyview occurs in Cochrane, Chestermere and the rural areas.

- Nearly 90 per cent of Cochrane sales occurred in the detached and attached sectors.
- In 2015, sales activity in Cochrane declined while new listings grew. The result was a gain in months of supply that still remained well below levels recorded throughout 2008-12.
- Cochrane's annual benchmark price of \$443,225 faced some downward pressure in 2015, yet remained 6.81 per cent higher than 2014. This was partly related to overall conditions in the detached market easing, but not to levels that would warrant a sharp reversal of price gains recorded in the previous year.
- Sales activity in Chestermere slowed in 2015 from record 2014 levels, yet remained well above long-term averages.
- New listings in Chestermere increased in 2015, causing some upward inventory pressures and, ultimately, weaker absorption levels. Despite the gains, market conditions remained in line with historical norms.

### SHARE OF SALES - ROCKYVIEW REGION



Source: CREB®

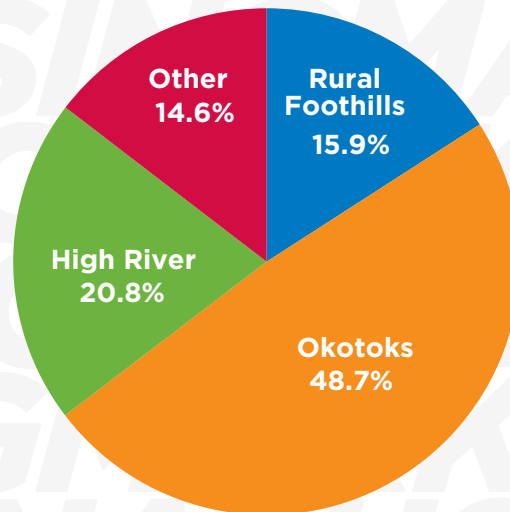
- Chestermere's annual benchmark price increased year-over-year by 5.71 per cent to \$488,142 in 2015. Despite some monthly declines, prices remained relatively flat throughout the year.
- Rural Rockyview saw the most significant pullback in sales activity in 2015 when compared to both Chestermere and Cochrane, which was expected given most of its high proportion of higher-priced product. New listings and, subsequently, inventory levels also declined – albeit not enough to offset steep sales declines, which led to market imbalance and some price contraction.
- On an annual basis, the benchmark price in rural Rockyview declined year-over-year by 0.11 per cent to \$990,917. Comparatively, the annual average price increased during this period, reflecting the proportion of higher-priced sales.

## Foothills region

→ Nearly 70 per cent of resale residential housing activity in the Foothills region occurs in Okotoks and High River, followed by 16 per cent in the rural area.

- Okotoks sales activity declined by 27 per cent to 558 units in 2015. While sales declined in most price categories, unlike other centres, the composition of sales pointed toward a larger share occurring in properties priced over \$400,000.
- Months of supply in Okotoks rose to five by the fourth quarter of 2015, causing some price corrections.
- Following the impact of the 2013 floods, activity in High River started to improve to levels consistent with historical activity. In 2015, sales totaled 238 units, similar to last year, but still 16 per cent below the 10-year average.
- Inventory levels in High River improved in 2015, but remained below levels recorded prior to the floods.

### SHARE OF SALES - FOOTHILLS REGION



Source: CREB\*

- Detached benchmark prices in High River eased from the start of 2015, but remained 1.32 per cent higher than 2014 on an annual average basis.
- Rural sales activity slowed to 182 units in 2015, 22 per cent below 2014 activity and 11 per cent below long-term averages. However, a decline in new listings did support some inventory contraction.
- While prices in rural Foothills contracted from the start of 2015 until the end, overall annual average benchmark prices remained 1.08 per cent above 2014's annual average.

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