

HOUSING MARKET INSIGHT

Alberta



CANADA MORTGAGE AND HOUSING CORPORATION

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"Resale housing markets in Grande Prairie have recovered substantially from multi year lows, but are still weak compared to earlier in the decade. MLS® sales are up 25% year over year. Sales are expected to continue strengthening, stabilizing prices."



Timothy Gensey
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Housing markets across Alberta are stabilizing as the recession in Alberta dissipates

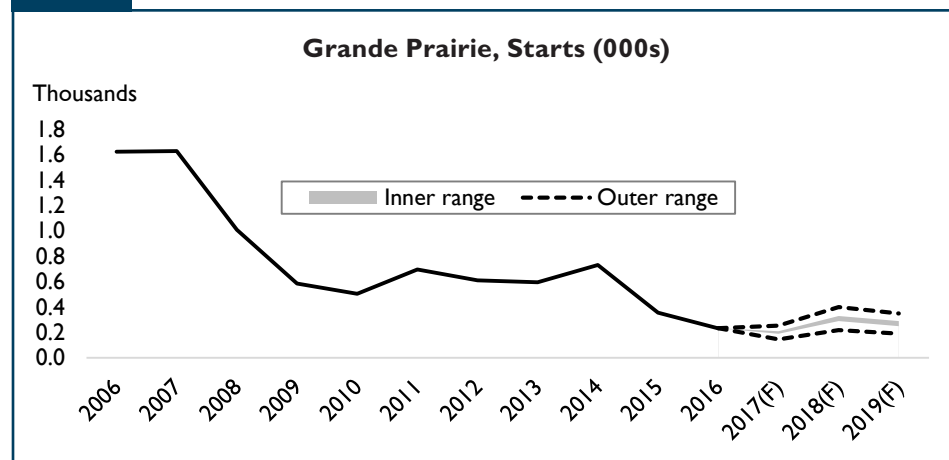
Housing markets across Alberta's mid-sized centers are beginning to stabilize after two years of economic recession. However, housing market profiles have differed from center to center.

Grande Prairie

Rental Market

Stronger economic conditions will bring back workers to Grande Prairie. Workers coming to the city will reduce the apartment vacancy rate in 2018 and 2019. Rents are expected to rise as vacancies fall.

Figure 1



Source: CMHC, CMHC Forecast (F)

Resale Market

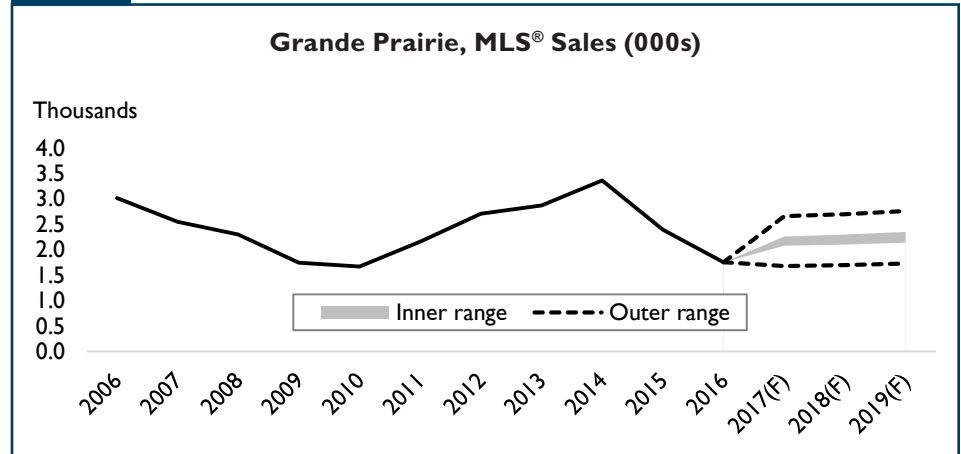
Improved economic conditions have translated into stronger MLS® sales. Sales will likely increase by over twenty per cent year-over-year in 2017. Looking forward into 2018 and 2019, expect demand to continue to rise but at a moderated pace. Completion of the Grande Prairie Regional Hospital in 2019² will bring more healthcare specialists to the region, contributing to demand.

Stronger sales have caused average prices to stabilize; however, the MLS® average price still remains below the pre-recession level. This is due to a high level of active listings that remain on the market. Even with increased sales support, it will take a year to resolve the high level of supply. Thus, it is expected that average MLS® prices will remain near the current level over the forecast period.

New Construction Market

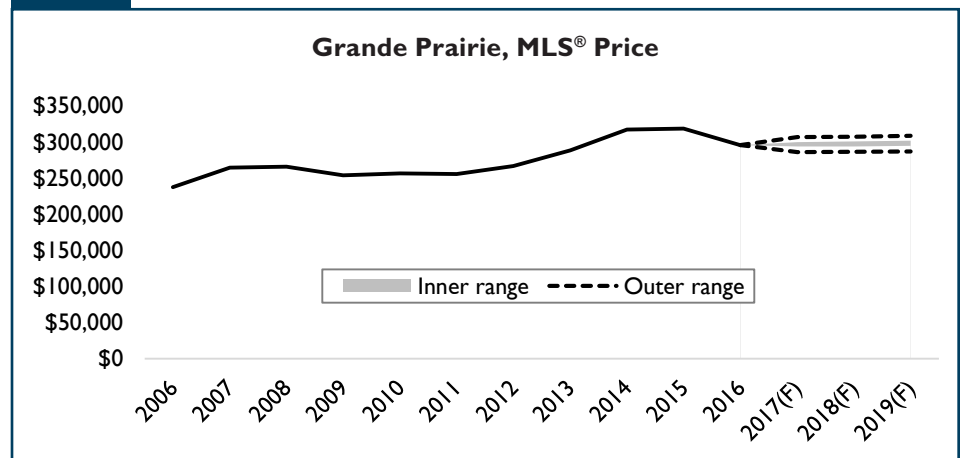
The high level of supply on the resale market has reduced activity in the new single-detached home market. Many resale homes are less than three years old; an attractive substitute to a newly built home. New single-detached construction has been low by historic standards, even though inventory is near record lows. The expected starts for 2017 will be the second lowest in the last ten years. Starts will strengthen somewhat in 2018 and 2019, as MLS® inventory draws down.

Figure 2



Source: CREA, CMHC Forecast (F)

Figure 3



Source: CREA, CMHC Forecast (F)

Multi-family construction is expected to be weak in 2017, due to the high vacancy rates seen at the beginning of the year. Planned rental apartment units were put on hold as same-sample rents fell 16% between October of

2015 and 2016. Between 45 and 55 multi-family starts are expected this year. However, multi starts will be stronger in 2018 and 2019 due to tighter rental market conditions.

Forecast Summary Grande Prairie CA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	396	107	108	140	160	150	170	155	185
Multiples	336	250	126	45	55	135	165	85	115
Starts - Total	732	357	234	190	210	290	330	250	290
Resale Market									
MLS® Sales	3,363	2,394	1,752	2,080	2,260	2,100	2,300	2,140	2,350
MLS® Average Price(\$)	317,468	318,798	295,859	294,000	300,000	294,000	301,000	294,900	302,000
Rental Market									
October Vacancy Rate (%)	1.2	10.4	19.8	7.0		5.0		4.0	
Two-bedroom Average Rent (October)(\$)	1,155	1,193	1,022	975		980		1000	

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Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 30th September 2017. (L)=Low end of Range. (H)=High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2017-2019).

Lethbridge

Rental Market

As major projects such as the Cavendish Farms processing plant³ get underway later in 2017, demand for rental units will begin to stabilize as workers are drawn back to the area. On the other hand, a new university residence will draw some students from the purpose built rental market. The overall apartment vacancy rate is expected to trend lower through 2019.

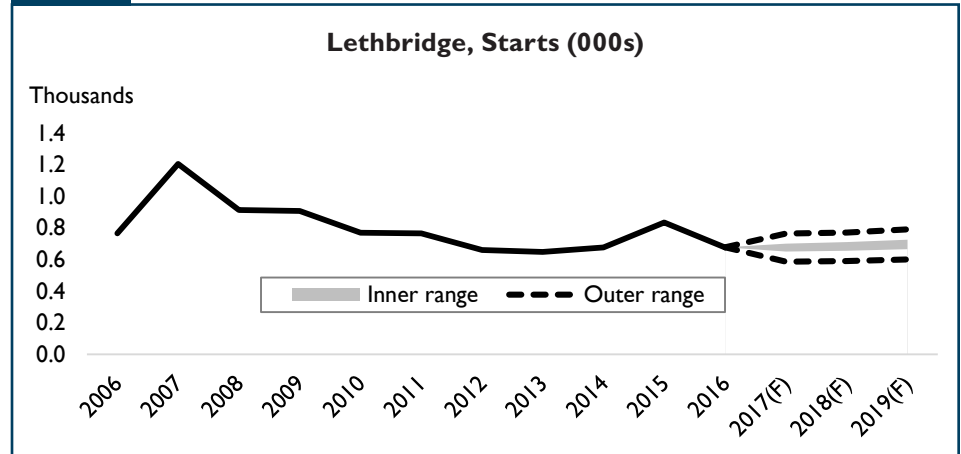
Resale Market

Lethbridge's economic diversity helped the region weather the impact of lower oil prices, and contributed to balanced resale market conditions. In addition, the younger demographic profile of the Lethbridge region continues to support resale market activity, especially for properties suited to first-time home buyers. Looking forward to 2018 and 2019, balanced market conditions are expected to hold, with modest levels of growth in both years. The average resale price for 2017 is expected to range from \$268,300 and \$273,700. With balanced market conditions expected to persist over the next couple of years, house prices are forecast to modestly increase in 2018 and 2019.

"Unlike other mid-sized Alberta centers, Lethbridge was not heavily impacted by the price shock in energy markets. Lethbridge's housing markets continue to grow in a balanced manner and are expected to post moderate gains over the forecast horizon."

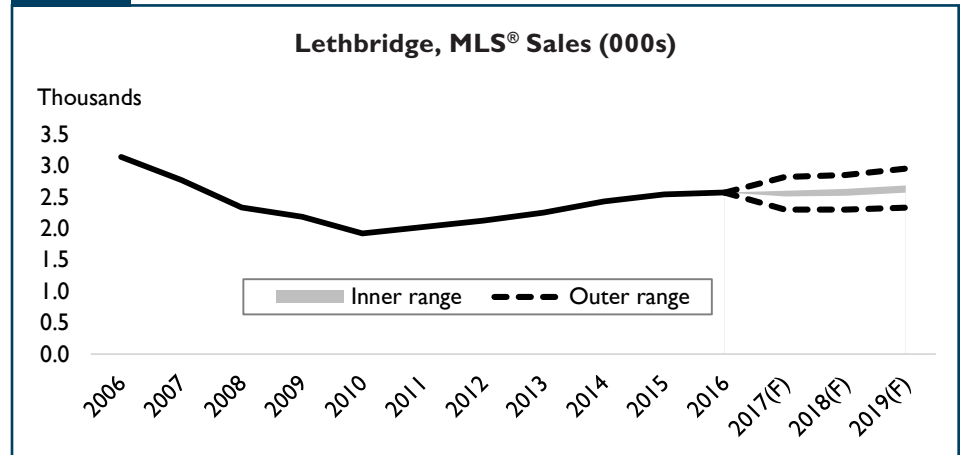
Timothy Gensey
Market Analyst
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Figure 4



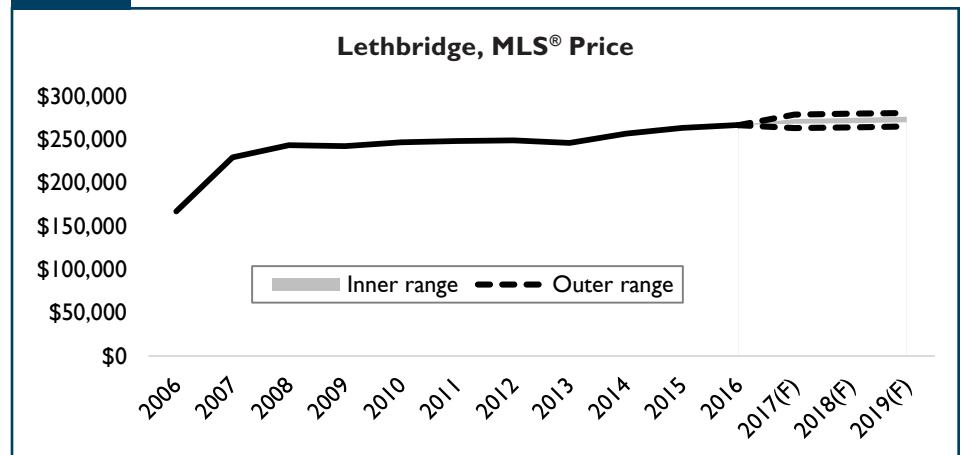
Source: CMHC, CMHC Forecast (F)

Figure 5



Source: CREA, CMHC Forecast (F)

Figure 6



Source: CREA, CMHC Forecast (F)

New Construction Market

Although single-detached inventories were down year-over-year, they remain elevated when compared to the five- and ten-year averages. Inventories will continue to influence

builder activities through the remainder of the forecast period, with only moderate increases in single-detached starts expected in both 2018 and 2019. With multi-family inventories below historical averages, measured growth is expected

throughout the forecast period, focused primarily on homeownership units. Multi-family starts are expected to increase slightly over the forecast period.

Forecast Summary Lethbridge CA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	511	567	486	470	490	470	500	475	515
Multiples	165	266	191	180	210	180	215	185	220
Starts - Total	676	833	677	650	700	655	710	665	725
Resale Market									
MLS® Sales	2,433	2,543	2,573	2,510	2,600	2,520	2,630	2,570	2,685
MLS® Average Price(\$)	257,008	263,408	266,801	268,300	273,700	269,000	275,000	270,000	276,500
	2014	2015	2016	2017		2018(F)		2019(F)	
Rental Market									
October Vacancy Rate (%)	4.8	6.1	8.5	6.0		6.0		5.5	
Two-bedroom Average Rent (October)(\$)	898	919	939	945		950		960	

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Source: CMHC (Starts and Completions Survey and Market Absorption Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2017-2019).

Medicine Hat

Rental Market

Stronger economic conditions are expected to draw workers back to the Medicine Hat area. Increased economic activity will translate into stronger demand for rental units, putting downward pressure on vacancy rates through 2018 and 2019. In turn, increased demand and declining vacancy rates will allow rents to gradually move upwards.

Resale Market

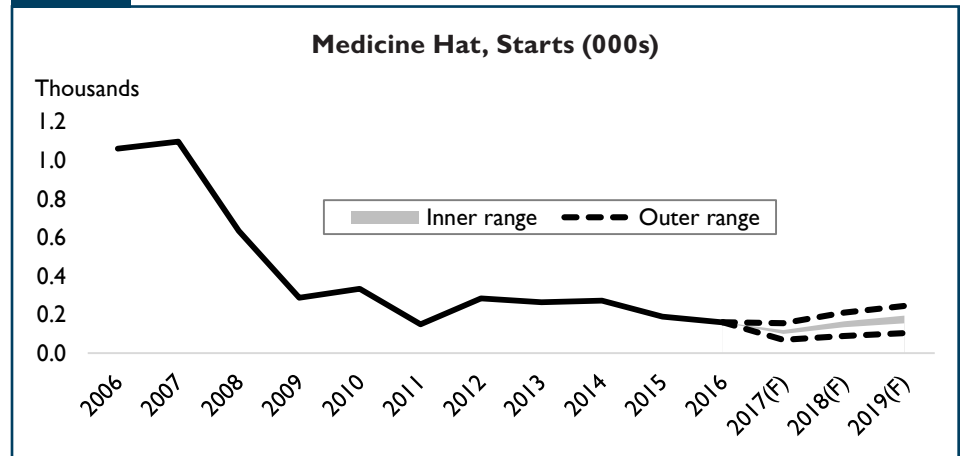
Improved economic conditions in 2017 have helped to boost MLS® sales for Medicine Hat. All told, sales transactions were up 5.5 % year-over-year as of August, with growth expected to continue as Alberta's natural resource sector continues to rebound through the end of 2017. Resale transactions are expected to range between 1,275 and 1,365 units at year end. Sustained economic growth is expected to gradually lift sales throughout the forecast period.

Increased demand, coupled with a reduction in active listings have put upward pressure on average MLS® prices in 2017, rising just over one per cent as of August 2017. The expected increase in economic activity during the forecast period, will contribute to moderate growth in the average MLS® resale price through to 2019.

"Employment in Medicine Hat has begun to recover. This has provided support for prices and sales in the resale market. Housing starts are expected to rise in 2018 and 2019, but they are rising from a historically low level."

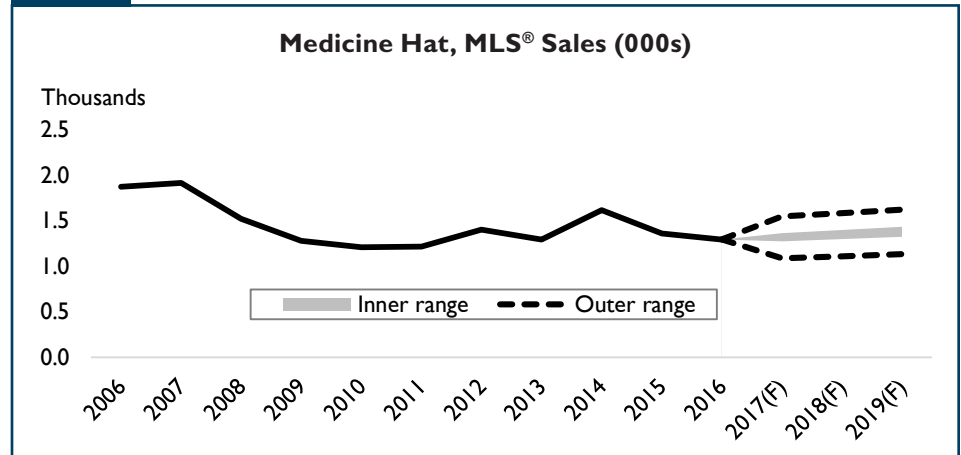
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Figure 7



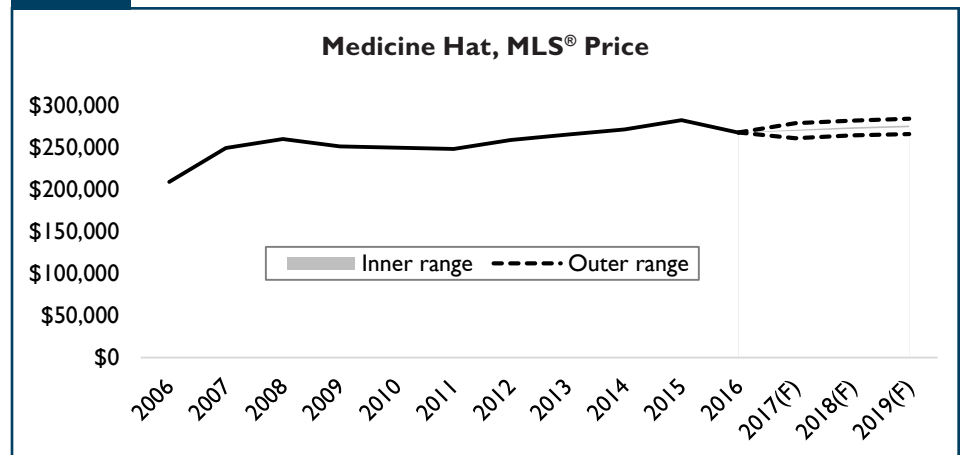
Source: CMHC, CMHC Forecast (F)

Figure 8



Source: CREA, CMHC Forecast (F)

Figure 9



Source: CREA, CMHC Forecast (F)

New Construction Market

It is expected single-detached starts will finish 2017 slightly off-pace from 2016, ranging between 70 and 75 units. Looking forward to the remainder of the forecast period,

single-detached starts are expected to increase in both 2018 and 2019 as builders respond to increased demand and begin to rebuild inventories. Multi-family construction is expected to remain weak in 2017, as builder's

curtailed major developments during the first eight months of the year. As economic conditions improve, multi-family construction is forecast to modestly increase from low levels in 2018 and 2019.

Forecast Summary Medicine Hat CA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	196	146	103	70	75	95	105	105	125
Multiples	77	44	57	35	45	40	60	45	75
Starts - Total	273	190	160	100	120	135	165	155	195
Resale Market									
MLS® Sales	1,619	1,360	1,295	1,275	1,365	1,300	1,400	1,325	1,435
MLS® Average Price(\$)	271,489	282,454	267,610	269,650	271,000	272,000	274,000	274,000	276,000
Rental Market									
October Vacancy Rate (%)	4.1	4.6	5.4	5.0		4.5		4.0	
Two-bedroom Average Rent (October)(\$)	795	828	825	830		840		850	

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Rental Market: Privately initiated rental apartment structures of three units and over.

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Source: CMHC (Starts and Completions Survey and Market Absorption Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2017-2019).

Red Deer

Rental Market

Red Deer's overall apartment vacancy rate is expected to remain elevated in 2017. This is due to reduced migration and reduced employment. However, the absence of additional rental starts in the market will help to stabilize supply, after two years of substantial growth. Economic growth throughout the forecast period will help see vacancy rates decline; however, they will remain above historical averages. In response to heightened vacancy rates, many landlords have opted to rent newer units at near-existing prices. Thus, the average two-bedroom apartment rent is expected to remain relatively stable over the forecast period.

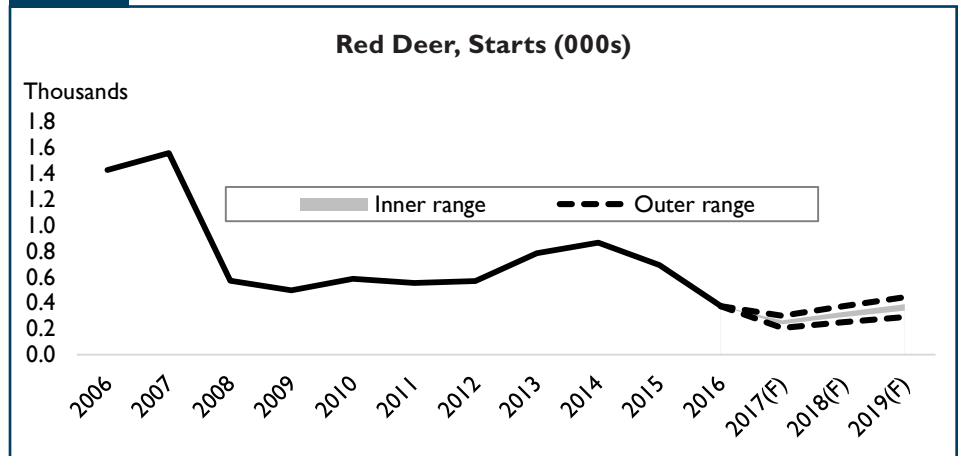
Resale Market

The resale market in Red Deer began to stabilize in 2017 and will end the year with sales similar to 2016. Sales are expected to remain relatively stable to higher in both 2018 and 2019. Downward pressure on resale prices from increased supply were softened by a year-over-year increase in the proportion of sales over \$500,000. Average resale price levels will remain relatively stable for the remainder of 2017. Moderate price growth will continue over the remainder of the forecast period.

"Red Deer is a market in transition from buyers' conditions in 2017. Housing demand is expected to improve over the forecast horizon, but both resales and starts are increasing from low levels. Vacancy rates in Red Deer are expected to remain elevated."

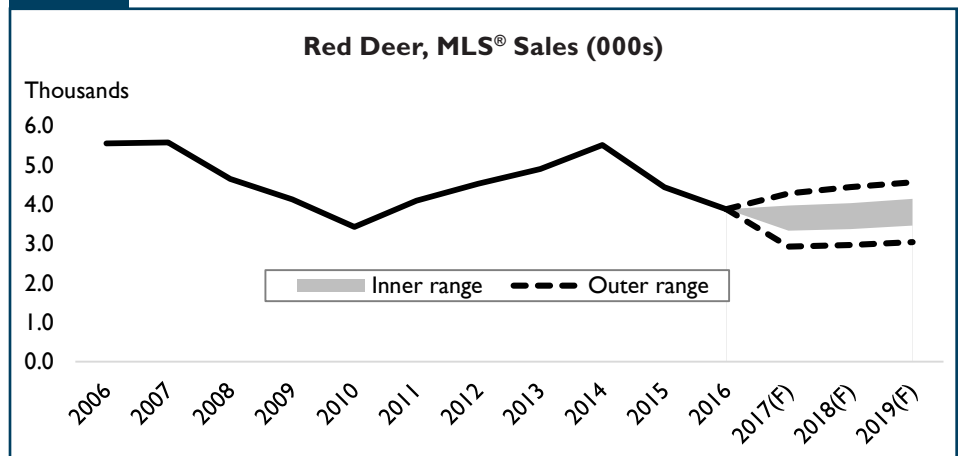
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Figure 10



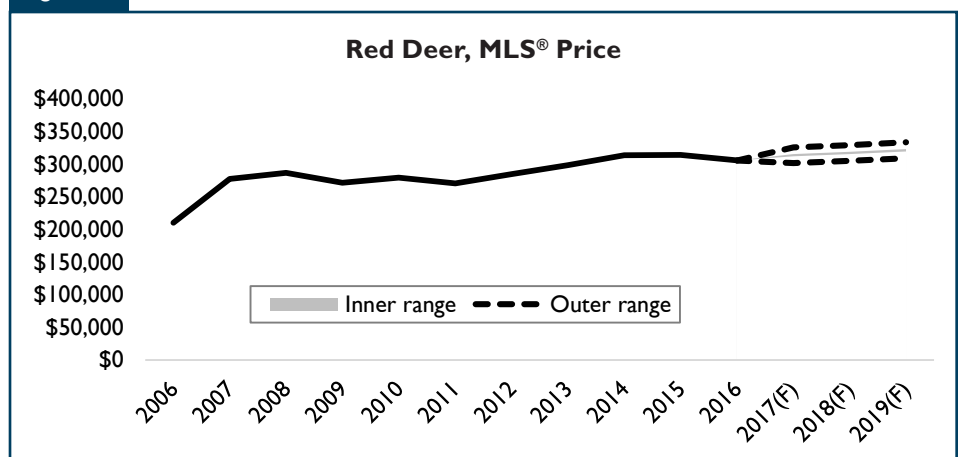
Source: CMHC, CMHC Forecast (F)

Figure 11



Source: CREA, CMHC Forecast (F)

Figure 12



Source: CREA, CMHC Forecast (F)

New Construction Market

Although still below historical averages, new single-detached starts are expected to grow to between 195 and 205 in 2017, up from 163 at the end of 2016. Growth is expected to continue from low levels in 2018 and 2019.

The multi-family market has been slow to respond to economic growth in the Red Deer area. Year-to-date, multi-family starts are the weakest they have been in twenty years. As a result, multi-family inventories have been drawn down well below historical averages. As economic

activity continues to improve, builders will take advantage of relatively low inventories and gradually increase production through 2019.

Forecast Summary Red Deer CA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	393	253	163	195	205	200	220	225	255
Multiples	474	439	212	45	55	90	110	110	140
Starts - Total	867	692	375	235	265	290	330	340	390
Resale Market									
MLS® Sales	5,496	4,439	3,669	3,330	3,970	3,370	4,030	3,460	4,140
MLS® Average Price(\$)	313,509	314,563	306,911	312,200	315,600	315,600	319,100	319,600	323,300
Rental Market									
October Vacancy Rate (%)	2.2	5.4	13.6	13.5		7.0		6.0	
Two-bedroom Average Rent (October)(\$)	966	1,036	1,016	998		998		1,007	

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Rental Market: Privately initiated rental apartment structures of three units and over.

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Source: CMHC (Starts and Completions Survey and Market Absorption Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2017-2019).

Wood Buffalo

Rental Market

It is expected that vacancy rates declined but remained elevated as workers came to Fort McMurray in 2017 to assist in the rebuild. Vacancy rates will likely remain elevated in 2018 and 2019. Many homeowners whom have had their home rebuilt will leave rental housing. With vacancy rates expected to remain above historical averages, there will be downward pressure on rents.

Resale Market

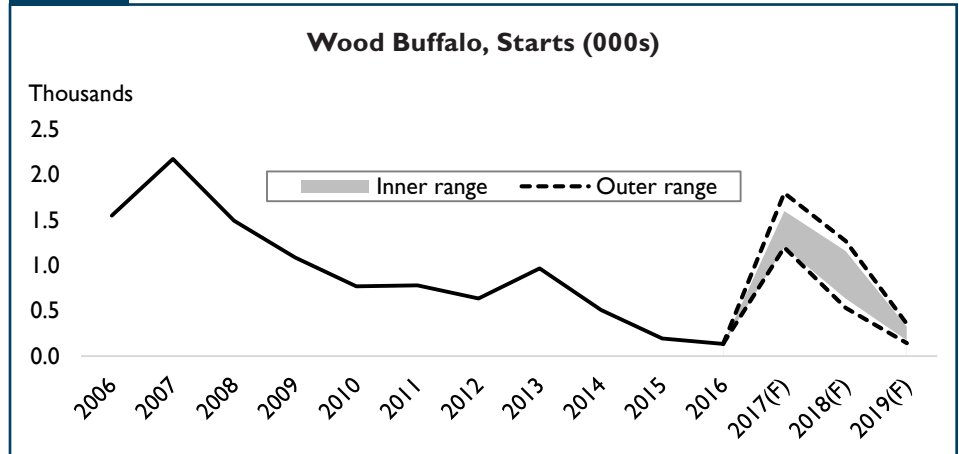
In the first eight months of 2017, MLS® sales have roughly been in line with the number of sales in 2015. Sales will likely remain near 2015 levels throughout the forecast horizon. Sales could become stronger if energy markets strengthen.

Average MLS® prices in Wood Buffalo peaked in 2012, and have declined year-over-year for the last four years. A combination of new land supply and weak economic conditions have put downward pressure on home prices in the region. The average MLS® price for the first eight months

“One year after wildfires destroyed almost ten per cent of all residential structures in Fort McMurray, the rebuild has begun in earnest. Most of the impacted units will be rebuilt this year, while the remainder will begin reconstruction in 2018 or 2019. However, once reconstruction efforts are complete, housing market conditions will likely return to conditions dictated by economic and demographic factors similar to before the wildfires.”

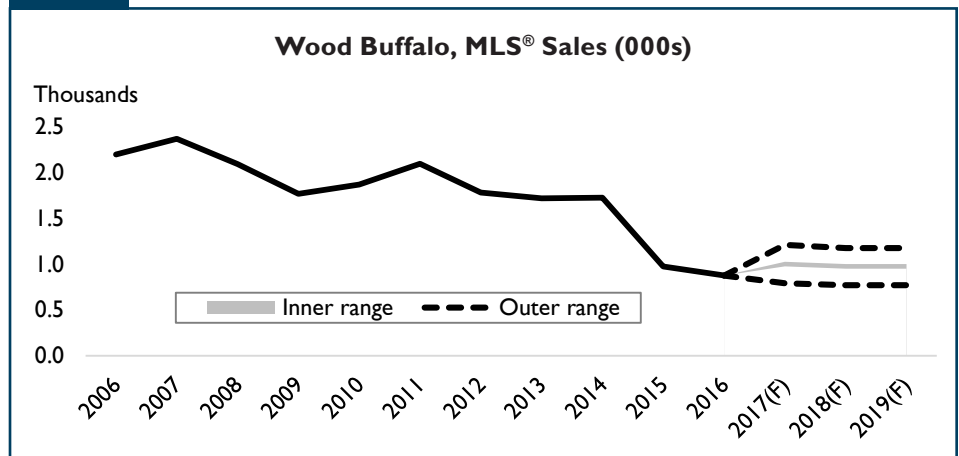
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Figure 13



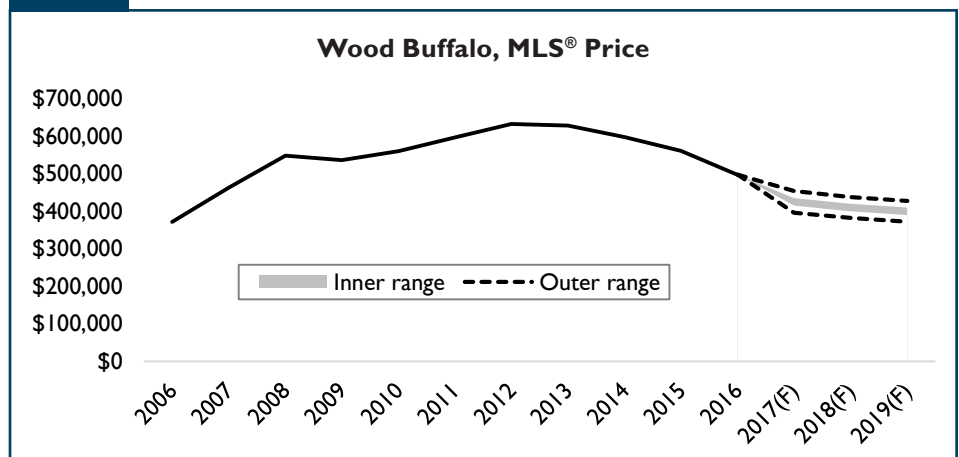
Source: CMHC, CMHC Forecast (F)

Figure 14



Source: CREA, CMHC Forecast (F)

Figure 15



Source: CREA, CMHC Forecast (F)

of the year is \$427,800, \$70,000 below the average price at the same point last year. The average MLS® price will continue to be weak over the forecast horizon due to market conditions that favor the buyer.

New Home Market

Approximately 2,400 housing units were lost in the wild fire⁴, and at least half of these units will be rebuilt by the end of 2017. In 2018, single-detached starts are forecast to range between 710 and 890 units, while

multi-family starts will range between 70 and 130 units. Any remaining rebuild starts will occur in 2019. It is likely that non-rebuild starts will be low in Fort McMurray, as conditions in the city's major industry are uncertain over the forecast horizon.

Forecast Summary Wood Buffalo CA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	231	74	91	750	890	710	890	170	225
Multiples	278	119	44	426	575	70	130	35	65
Starts - Total	509	193	135	1,200	1,600	635	1,160	175	325
Resale Market									
MLS® Sales	1,724	974	875	975	1,025	950	1,000	945	1,005
MLS® Average Price(\$)	597,626	560,793	497,398	415,000	435,000	400,000	420,000	390,000	410,000
Rental Market									
October Vacancy Rate (%)	11.8	29.4	17.8	8.0		10.0		10.0	
Two-bedroom Average Rent (October)(\$)	2,118	1,841	1,454	1,450		1,450		1,450	

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Source: CMHC (Starts and Completions Survey and Market Absorption Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2017-2019).

ENDNOTES

- ¹ MLS® is a registered trademark of the Canadian Real Estate Association
- ² Alberta Infrastructure. 2017. "Grande Prairie General Hospital." Major Projects Alberta.
<http://majorprojects.alberta.ca/details/Grande-Prairie-Regional-Hospital/356> (Retrieved September 10 2017)
- ³ Alberta Infrastructure. 2017. "Lethbridge Major Projects." Major Projects Alberta. (Retrieved September 20, 2017)
- ⁴ Conference Board of Canada. 2016. "The Economic Impacts of the 2016 Alberta Wildfires."
Conference Board Briefing. November

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