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highlights

Energy investment will be the primary stimulus to economic growth in Alberta and Calgary.

Employment growth in full-time positions will attract a wide range of migrants from both other provinces and international sources.

Relatively low interest rates will continue to provide monetary stimulus to the housing market.

Improved range of single family homes on the market, combined with relatively stable pricing, will continue to boost sales.

Condominium market is on the path to recovery as improving demand, combined with reduced supply, is reducing inventory levels.

Resale home prices are expected to remain stable as demand growth can be accommodated through the supply of housing stock.

Downgrades in Alberta and Calgary growth may occur if U.S. economic growth contracts.

RE-ENERGIZING THE ALBERTA ECONOMY

Economic growth in Alberta is undoubtedly fuelled by the energy sector. The International Energy Agency expects global crude oil demand to increase by 1.6 per cent in 2011. The recovery in the world economy, and the fast rise of emerging markets, has meant world oil demand is now resuming its long-term growth trajectory. As a result, Calgary's economic growth is projected to increase this year as oil and gas activity continues to recover from the recessionary levels recorded in 2009. Energy forecasters anticipate the recovery in total oil and gas investment will occur over a longer time frame, reaching 2006 - 2008 peak levels between 2014 and 2016.¹

stepping on the gas: investment in energy sector rises

ALBERTA CONVENTIONAL OIL & GAS AND OILSANDS CAPITAL EXPENDITURE



Recent concerns regarding the U.S. economy and Washington's struggle to agree on a long-term fiscal strategy could potentially hamper expected economic growth in Alberta and Calgary. Based on 2010 figures, 87 per cent of Alberta's exports are distributed to the U.S. Furthermore, energy accounts for 71 per cent of Alberta's export sector.

Should the U.S. economy continue to slow down, it will mean a weaker demand for energy sector products and lower growth prospects for Alberta and Calgary.

Oil prices have improved over the past year and, despite some volatility, are expected to average \$98 per barrel in 2011,² as demand from emerging economies and slowing growth in non-OPEC supply is putting upward pressure on oil prices. Meanwhile, robust natural gas inventories, particularly in the U.S., will continue to prevent any significant increase in gas prices.

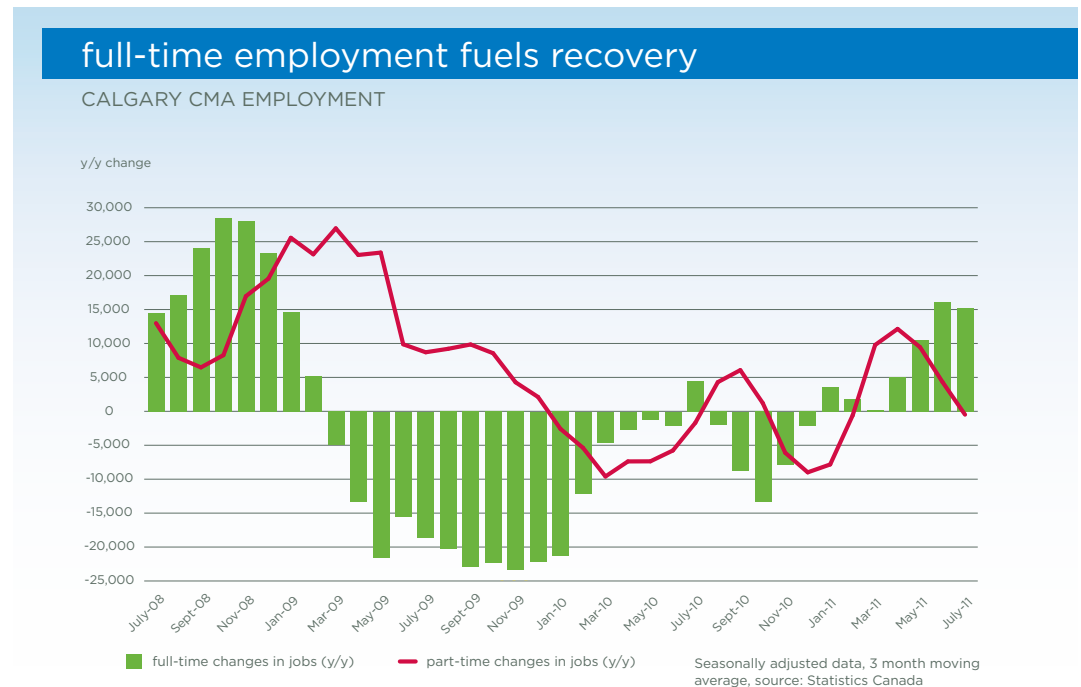
Investment in energy projects will continue to drive Alberta's production and export growth and the overall Alberta economy. The climate of stable investment growth over the next few years will result in sustainable growth throughout all sectors of the economy, including the labour market.

employment, migration & interest rates

EMPLOYMENT OUTLOOK IMPROVES

Improvements in the Calgary labour market are finally starting to take hold following the job losses that occurred in 2010. The recession hit Calgary's energy sector hard, resulting in declines in commodity prices and demand for energy. Contractions in the energy sector impacted all economic activity in the city as many construction projects were put on hold, companies delayed expansion plans, and general caution persisted amongst Calgary consumers.

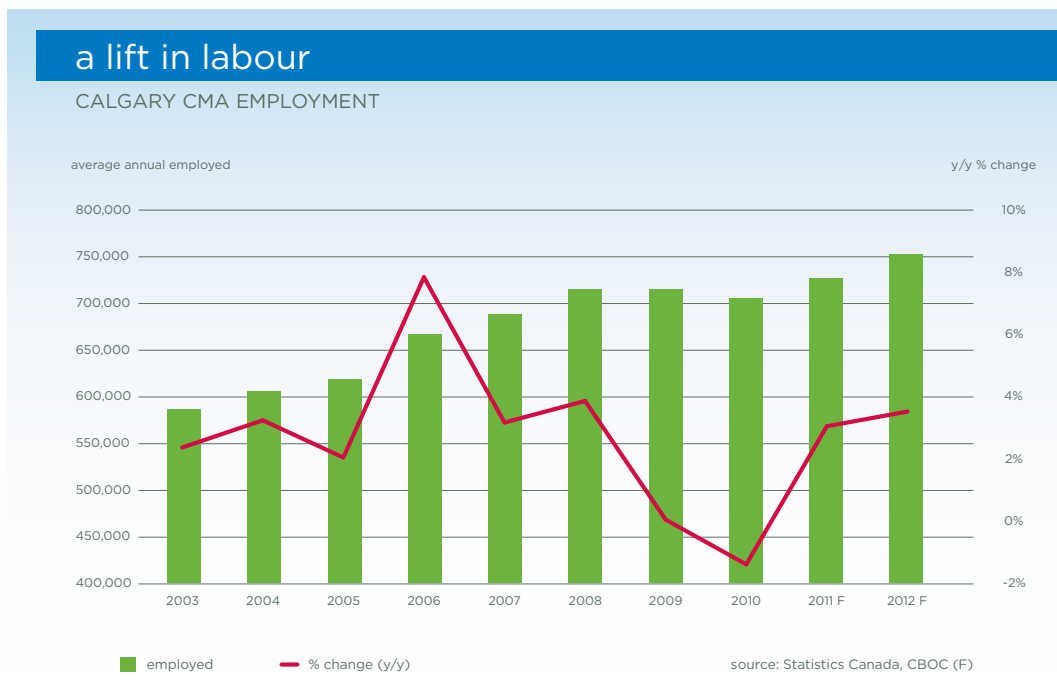
Following the first half of the year, employment levels have moderately increased in Calgary. Much of the investment spending in the province has resulted in stronger employment growth in other parts of the province as Alberta's total employment growth outpaced growth levels in Calgary. However, employment growth that has occurred in Calgary has been primarily from full-time jobs. In the month of July 2011 there were 15,380 more full-time jobs than at the same time last year. Growth in full-time positions will encourage migration into Calgary, providing the necessary fuel for growth in the housing market.



After the first half of the year, the majority of jobs created were in the Business Services sector.³ Growth in these positions is a reflection of overall improvements in Alberta's energy sector.

It is anticipated that much of the investment spending, particularly in the energy sector, will result in stronger employment growth in Calgary in the later portion of this year. The recent growth in office leasing, a leading indicator for employment growth, supports this trend. Record absorption levels occurring in the first half of 2011 are from several energy companies in need of space to accommodate their plans of hiring and filling positions.

Employment growth is forecasted to rise by 3 per cent in 2011, making Calgary one of the most attractive labour markets in the country.



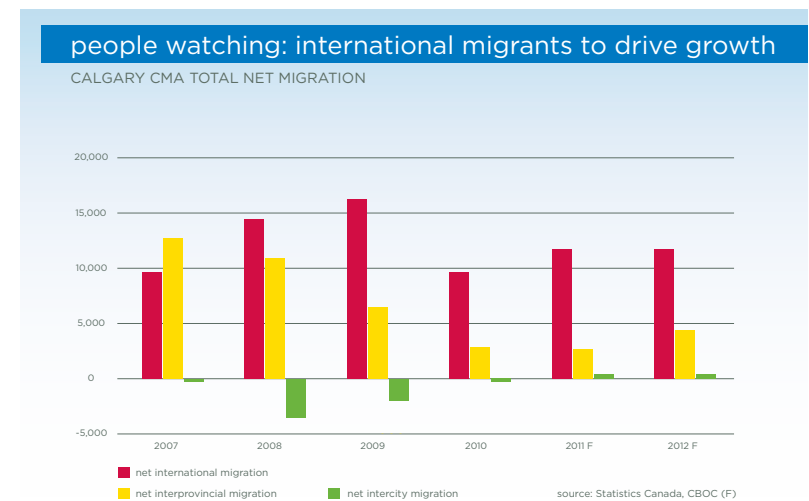
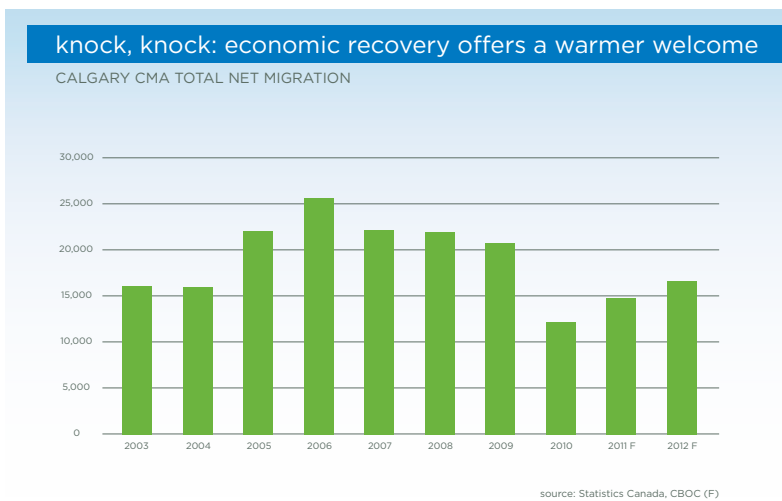
MIGRATION GETS A BOOST

Following several years of more than 20,000 migrants coming to Calgary CMA annually, migration plummeted in 2010 to levels not seen since 1995. However, improvements in employment prospects will provide a boost to net migration, albeit at a slower pace. It is anticipated that 14,793 individuals will migrate to our city this year. While this level still falls short of historic trends, it is a notable improvement over 2010 levels and is an indication that a more robust economic recovery is starting to take hold.

Along with employment growth, forecasters are anticipating rising migration levels to take hold by the fourth quarter of 2011, setting the pace as we move into 2012. Improvements in migration will contribute to improving demand in the housing sector and support growth in the second half of this year and into 2012.

One notable change is where the migrants are coming from. During the economic boom in this city, the majority of migrants

came from other provinces in Canada. However, over the past three years, there were more migrants coming from international regions, and this trend is expected to continue. The city's ability to attract a wide range of migrants will continue to play an important role in Calgary's economy and, in particular, help ensure growth is not constrained by a lack of skilled labour.



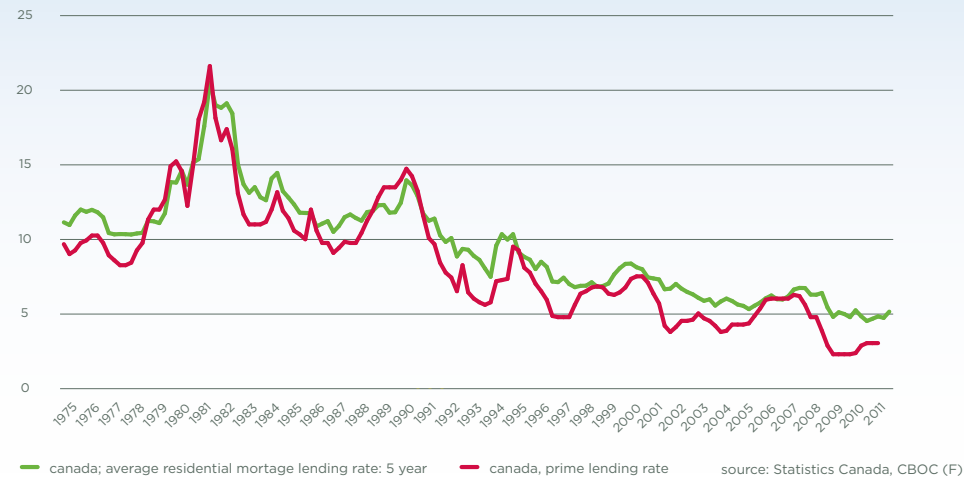
WAGE GROWTH TO HELP OFFSET EVENTUAL RISE IN INTEREST RATES

Wages and salaries per employee on average grew by 9 per cent from 2004 to 2007, reaching double digit increases in 2005. However, following the financial meltdown, average wage growth fell to levels below 2 per cent from 2008 to 2010. Wage growth is forecasted to remain around 2 per cent for 2011, which remains consistent with the rate of inflation. A rise in the interest rate would increase the cost of ownership in the city; however, wage growth can offset some of the increases.

Given the current economic climate, increases in interest rates are not expected to occur until late 2012. Furthermore, increases in interest rates are expected to be gradual, and the target overnight rate is expected to be between 2 per cent to 3 per cent compared to the current 1 per cent. While higher interest rates can place some downward pressure on housing prices, significant changes in Calgary housing prices will be more directly impacted by changes in demand and supply fundamentals.

maintaining interest: lending rates to remain low

CANADA'S LENDING RATES



city of calgary resale housing market

SINGLE FAMILY MARKET SET TO SIMMER

The start of 2010 showed significant gains in resale home sales, prices and listings over 2009 levels, and much of the gains were based on confidence that our economy was out of recession. After the first quarter of 2010, it became obvious that job losses were still occurring and the recession was deeper and longer than most experts predicted. Despite following improvements in economic growth, uncertainty in the market remained for the rest of 2010, resulting in a 16 per cent decline in 2010 sales over 2009 sales, with only 12,091 single family transactions, the lowest level of sales since 1995. Meanwhile, listings increased by nearly 15 per cent. This trend, combined with lower demand, bolstered inventory levels, and resulted in a buyer's market.

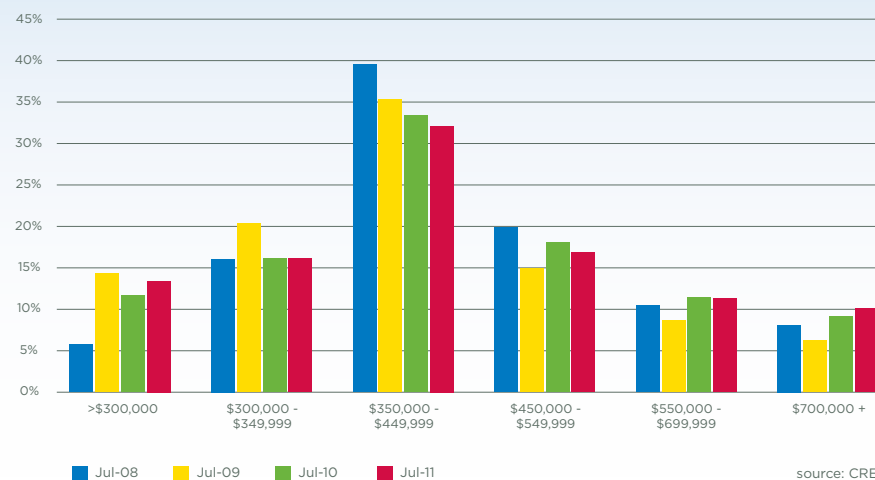
The average price of single family homes increased in 2010 by 4 per cent over 2009. However, the rise in average price is not indicative of an overall rise in prices, simply a slight change in the distribution

of sales. As overall prices eased, the share of sales for large or more expensive homes increased, as home buyers who did

buy, bought more—driving up the average price of single family homes.

the price is right: market offers attractive price points

CITY OF CALGARY SINGLE FAMILY SALES BY PRICE RANGE YEAR TO DATE



This is in part due to greater discounts on higher priced homes. On average, homes in the higher end sold nearly 5 per cent below the average list price, compared to the 3 per cent variance in the mid range to lower end of the market. As a result, a certain segment of homebuyers capitalized on lower overall market prices and purchased homes previously unattainable to many families.

Moving into 2011, single family home sales have recorded increases over last year, however it is important to note that 2010 sales were significantly lower than long term averages. Nonetheless,

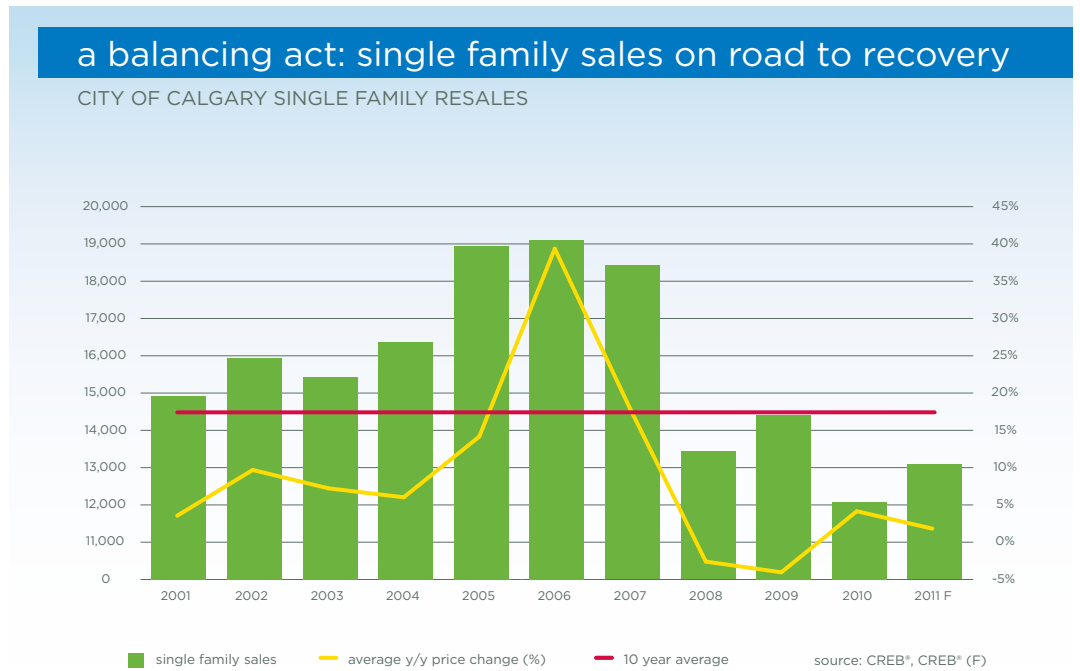
recent improvements in sales have been fuelled by economic fundamentals such as employment growth in full-time positions. In addition, the rise in sales has been accompanied by declines in listings—bringing down inventories to levels consistent with a balanced market. Consumers no longer have a sense of urgency, but are looking for value and spending time researching and viewing more options in the marketplace.

Employment growth in the second half of 2011 will help support an 8 per cent increase in single family sales for the city of Calgary, for a total of 13,100.

Meanwhile, listings will remain 5 per cent below last year's figures at 24,500. Single family sales and listings are forecasted to remain well below long term averages, indicating that while the improvement may be seen as significant, it is moderate compared to long run averages. Nonetheless, the current level of uncertainty in the market may shake consumer confidence further, weakening forecasted sales and listings as consumers take the "wait and see" approach prior to making any large purchases.

A SILVER LINING: BUYERS TAKE ADVANTAGE OF A WIDER VARIETY OF PRICE RANGES

Prior to 2009, there was limited selection for homes priced under \$300,000. However, in 2011, there are more single family homes available at a wider variety of price ranges, and consumers have been taking advantage of this. In fact, there has been a slight rise in the number of homes sold under \$300,000, as well as an increase in the volume of higher priced homes sold. This trend, combined with relatively balanced market conditions, has kept the city of Calgary's average home prices stable in the first half of 2011. Moving into the remaining part of the year, average prices for single family homes will likely post a moderate increase of 2 per cent. This will mostly be driven by sales in the higher price ranges, which are expected to rise. Balanced market conditions will persist and prevent any significant increase in prices; however, improved employment and wages will backstop any price declines.



CONDOMINIUM MARKET TO IMPROVE AS INVENTORIES RECEDE

In 2010, the condominium market was plagued with double digit declines in sales. The weakening in sales was impacted by two key factors. Firstly, the overall economic downturn could not support continued sales growth, and secondly, a steady supply of new and resale multi-family units has meant overstocked inventory and little price growth for the condominium market.

Prior to 2009, there were few ownership options priced below \$300,000, particularly in the single-family market. However, with the recent rise in inventory, some purchasers previously relegated to the condominium market can now consider single family homes at similar price points.

In the new home market, the inventories nearly doubled from 2007 to 2010, amounting to over 12,355 units in inventory in 2010. Many of these were new condominiums, some of which showed up on the resale market. As a result, listings in 2010 rose by 11 per cent while sales declined by 18 per cent over the previous year. Lower demand and

condos curbing: inventories recede

CITY OF CALGARY CONDOMINIUM MONTHS OF INVENTORY



source: CREB®

higher inventories resulted in a buyer's market for condominiums. However, prices managed to record a modest increase of 2 per cent. As was the case in

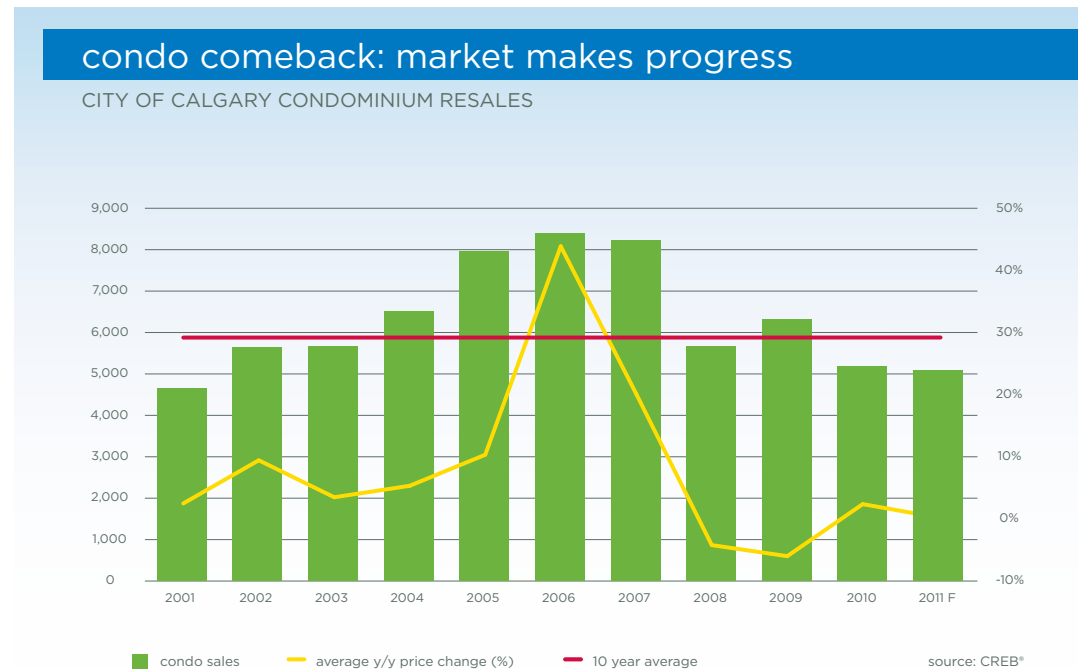
the single family market, the rise in prices was fuelled by more condominiums sold in the higher price ranges compared to the previous year.

CONDOMINIUM MARKET TO IMPROVE AS INVENTORIES RECEDE (CONTINUED)

Throughout the first half of 2011, condominium sales continued to be lower than levels recorded last year; however, sales are no longer declining at double digit rates. New listings are declining and this trend, combined with improving sales, has resulted in a downward pressure on supply. The inventory of condominiums in the city of Calgary is approaching levels more consistent with a balanced market.

For the remainder of the year, condominium sales will continue to improve as positive economic conditions fuel employment growth and improvements in net migration. As a result, condominium sales will likely reach 5,100 units for 2011, a 2 per cent decline over last year's figures. At the same time, new listings will likely remain 6 per cent lower than 2010 levels. However, it is expected that multi-family units will bounce back more substantially in 2012 and builders will increase new starts in response to a declining inventory.

The average price of condominiums is expected to remain relatively stable



despite the increased number of sales at the lower end of the market. To date, average condominium prices have been skewed by several transactions occurring

over \$2 million. While the condominium market has shown significant improvements in recent months, price recovery will not occur until 2012.

DOWNSIDE RISKS

- Trouble in the U.S. and European economies could result in lower than expected economic growth and place downward pressure on commodity prices. This will dampen growth in our resource driven sector and hamper gains in consumer confidence. Such uncertainty may cause consumers in Calgary to delay decisions on purchasing a home, limiting growth in the housing market.
- Uncertainty in the market may result in companies delaying expansion plans until further information is received regarding the probability that the U.S. will move into another recession. This would ultimately result in lower employment and migration growth in the city.

UPSIDE RISKS

- Investments into Alberta's energy sector translate into higher than expected employment and migration into the city, which will likely result in stronger than expected sales, further depletion of existing inventory and higher than expected price gains.
- A drop in interest rates, combined with employment growth, may encourage increased activity in the housing market, resulting in stronger than expected sales.

FORECAST AT A GLANCE

	2009	2010	2011 F *	CHANGE	TREND	FORECASTER
ECONOMIC INDICATORS						
Calgary GDP change	-4.19%	3.20%	3.42%	0.20%	→	Conference Board of Canada
Calgary net migration	20,736	12,199	14,793	21.30%	↗	Conference Board of Canada
Calgary employment growth	0.07%	-1.36%	3.09%	4.50%	↗	Conference Board of Canada
Oil price (\$USD/BBL)	61.65	79.40	98.43	24.00%	↗	U.S. Energy Information Administration
Gas Price (\$USD/MMBTU)	3.95	4.39	4.27	-2.70%	↘	U.S. Energy Information Administration
MLS RE-SALE HOMES						
Single Family Sales	14,429	12,091	13,100	7.70%	↗	CREB®
Single Family Listings	22,447	25,698	24,500	-4.89%	↘	CREB®
Single Family Average Price	\$442,329	\$461,132	\$470,000	1.89%	↗	CREB®
Condo Sales	6,321	5,177	5,100	-1.51%	↘	CREB®
Condo Listings	10,320	11,423	10,800	-5.77%	↘	CREB®
Condo Average Price	\$283,620	\$289,890	\$290,000	0.04%	→	CREB®

* F - Forecast

ENDNOTES

¹ Energy Resources Conservation Board. June 2011. ST98-2011, Alberta's Energy Reserves 2010 and Supply/Demand Outlook 2011-2020, www.ercb.ca/docs/products/STs/st98_current.pdf

² US energy Information Administration. Short-Term Energy Outlook, July 2011, www.eia.gov/emeu/steo/pub/contents.html

³ Based on the North American Industry Classification System (NAICS) 2007, Business Services Sector includes: Professional, Scientific, and Technical Services; Management of Companies and Enterprises; Administrative and Support, Waste Management and Remediation Services, www.statcan.gc.ca/subjects-sujets/standard-norme/naics-scian/2007/list-liste-eng.htm

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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.

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