



REALTORS® Association of Edmonton

January 10, 2018

7:30am to Noon

Shaw Conference Centre

2018 REALTORS® Housing Forecast Seminar



2017 First Quarter

- Stable average and median prices
- Increasing sales volume
- Inventory declining - fewer listings
- Increased activity on both high-priced and entry level homes

2017 Second Quarter

- Continued stable average and median prices
- Increasing sales volume compared to same period in 2016
- Slower pace than Q1
- Bank of Canada increases interest rate
- Affordability and value were key drivers

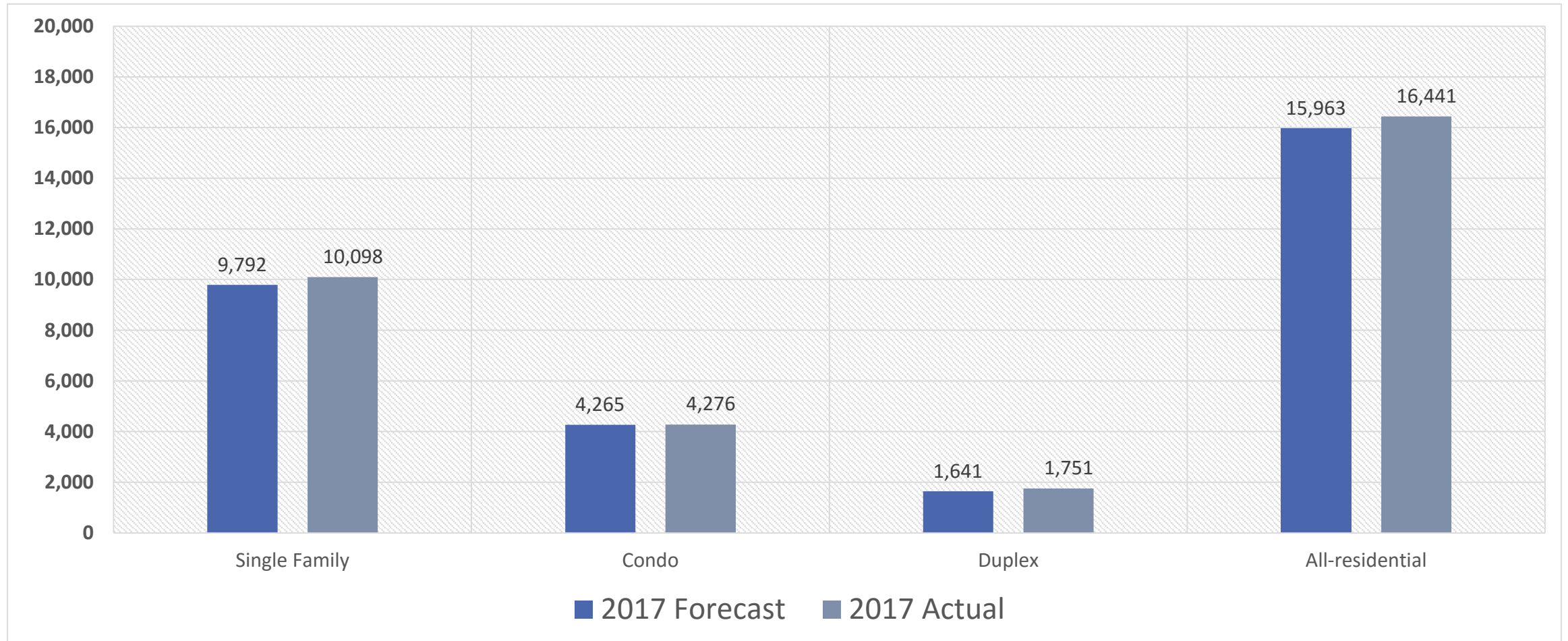
2017 Third Quarter

- More balance
- Stable average and median prices
- Sales still up compared to same period in 2016
- 50% year-to-date sales-to-listing ratio
- Bank of Canada increases interest rate again
 - Resulted in some downward pressure
 - Popular price segments were still strong

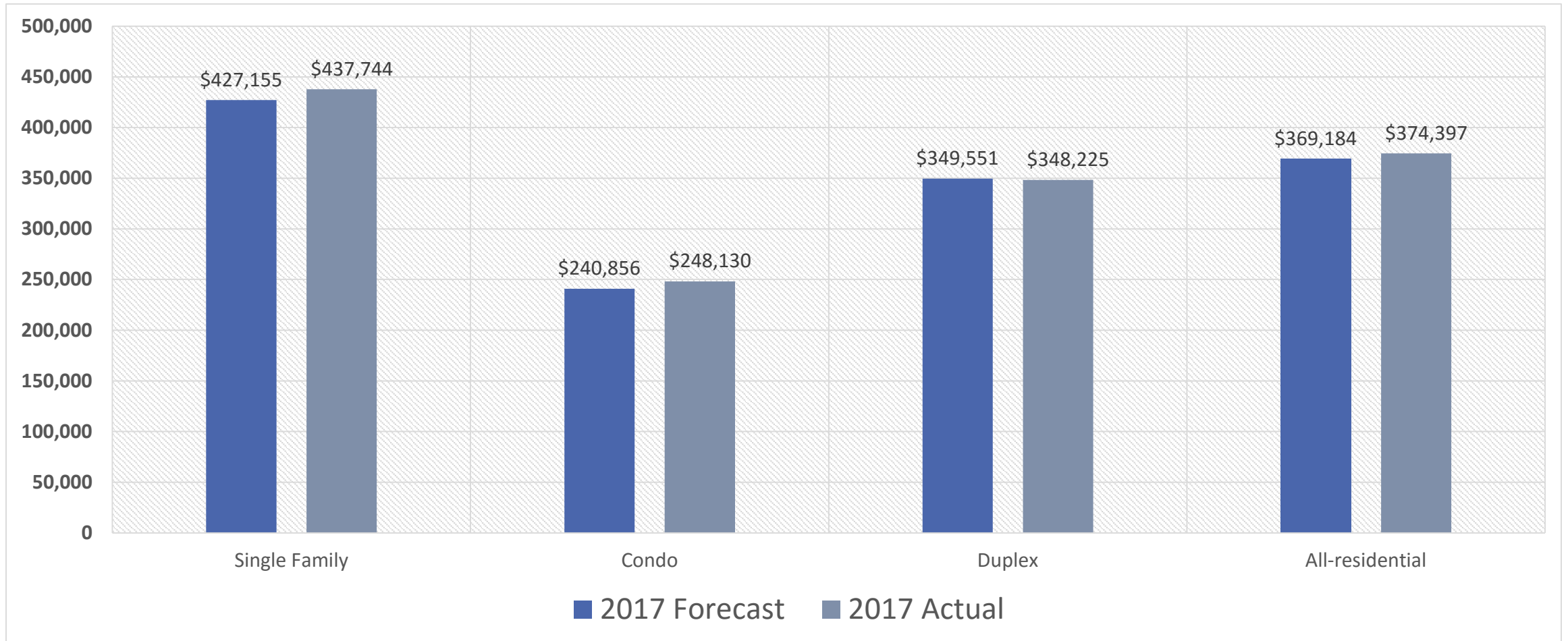
What does this mean
for our 2017 Forecast?

We were close.

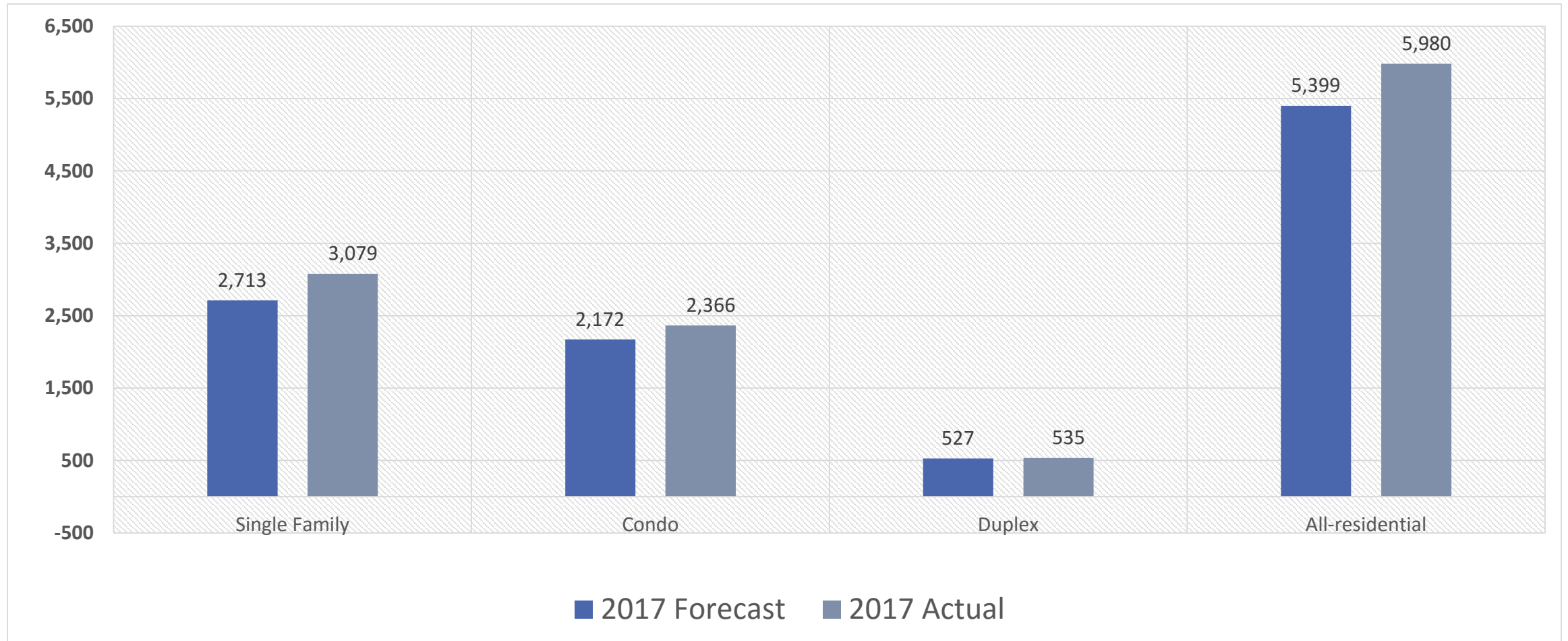
2017 Unit Sales



2017 Average Prices



2017 Inventory



Thank you!

The background of the slide is a collage of images related to Edmonton's economy. It includes a blue-tinted image of a worker in a hard hat and safety vest working on a large industrial pipe, with sparks flying from a welding torch. To the left, there is a view of the Edmonton city skyline at night, with lights reflecting on a body of water. Overlaid on these images are various geometric patterns, including a green and yellow diamond-shaped grid on the left and several vertical green and blue bars on the right, resembling a bar chart. The title text is centered over the collage in a large, white, sans-serif font.

Edmonton's Economic Outlook January 10, 2017

Chief Economist
Financial and Corporate Services





Agenda

The Context

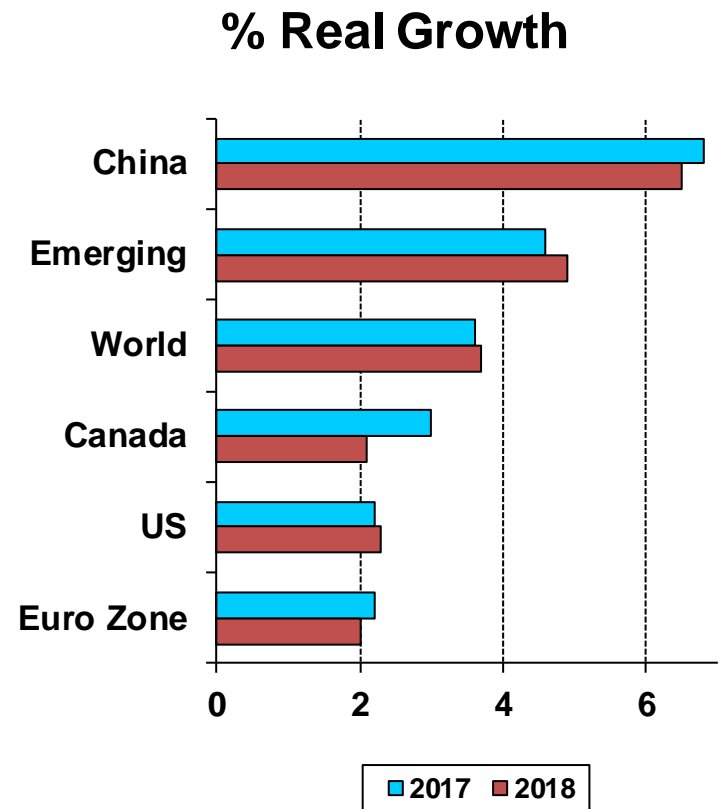
- Past Trends
- Regional & Local Current Indicators

Long-Term Outlook

- Edmonton, the Region and Alberta
- Risks to the Outlook

Global Context

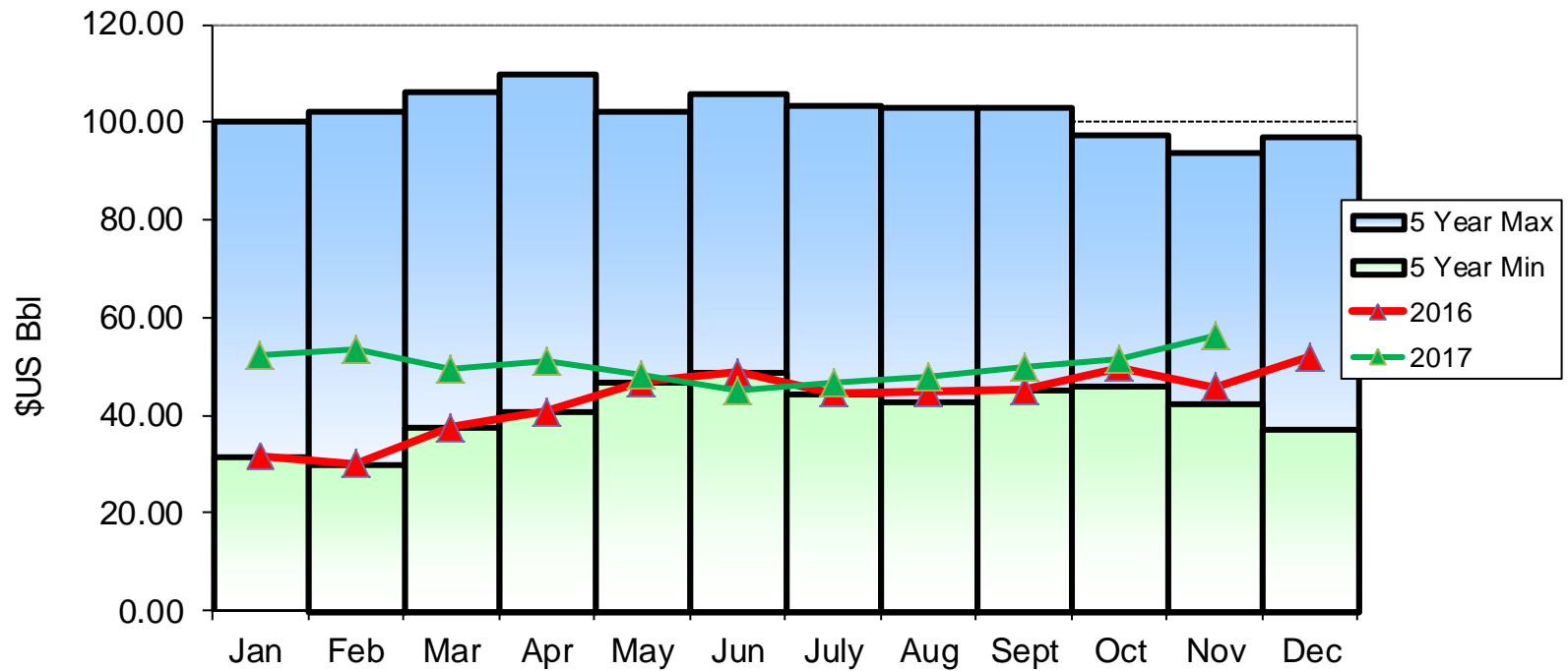
- While very prolonged, global recovery is gaining momentum
- Forecast growth rates in most regions have been raised
- Euro zone countries finally showing sustained growth
- Global financial markets remain fragile – large capital outflows from emerging markets
- 2018 will be a slightly better year globally, slowing growth in China is problematic due to its increasing share of global output



Source: International Monetary Fund

Oil Prices

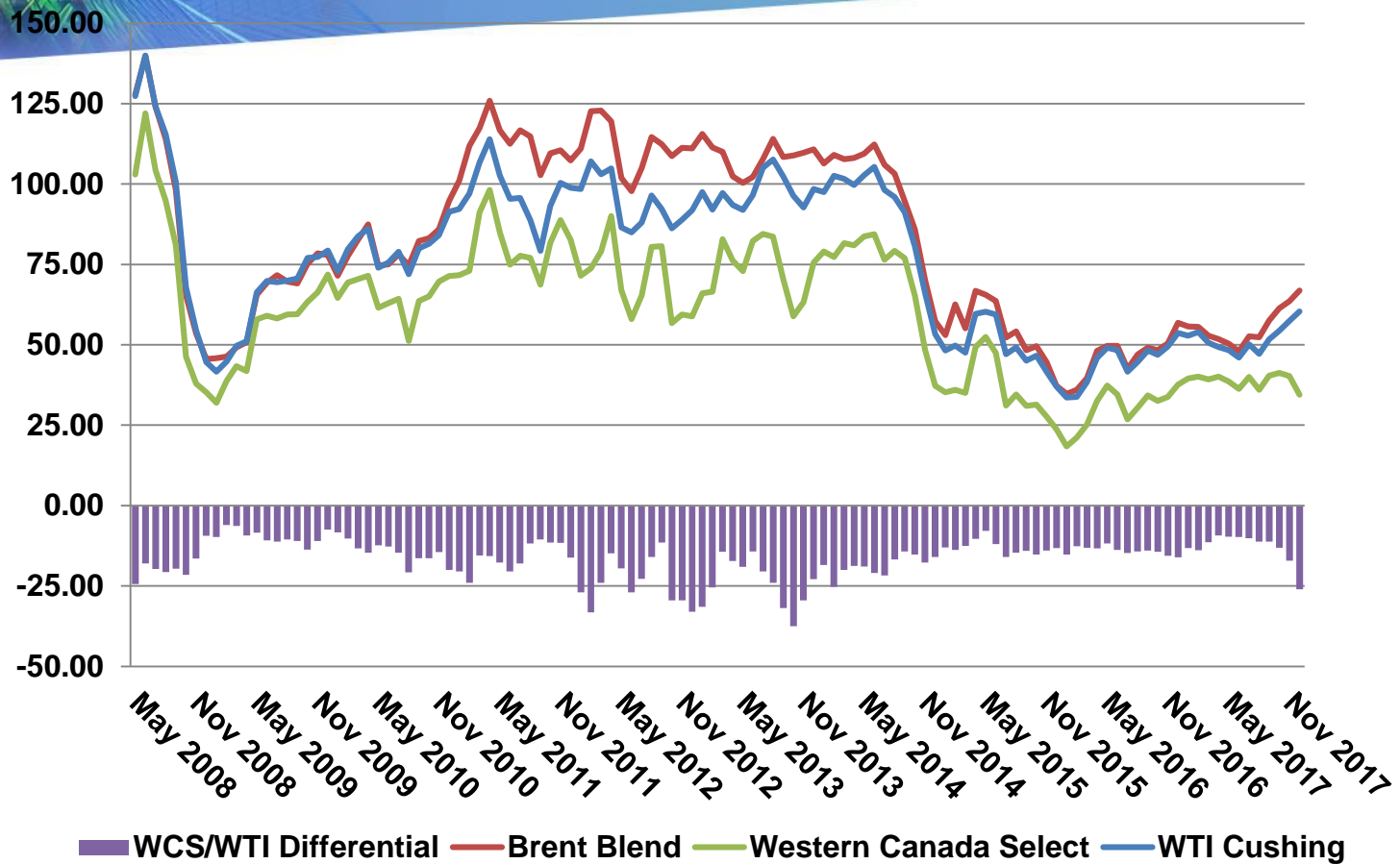
West Texas Intermediate



Source: US Energy Information Administration

Oil Prices are Bounded

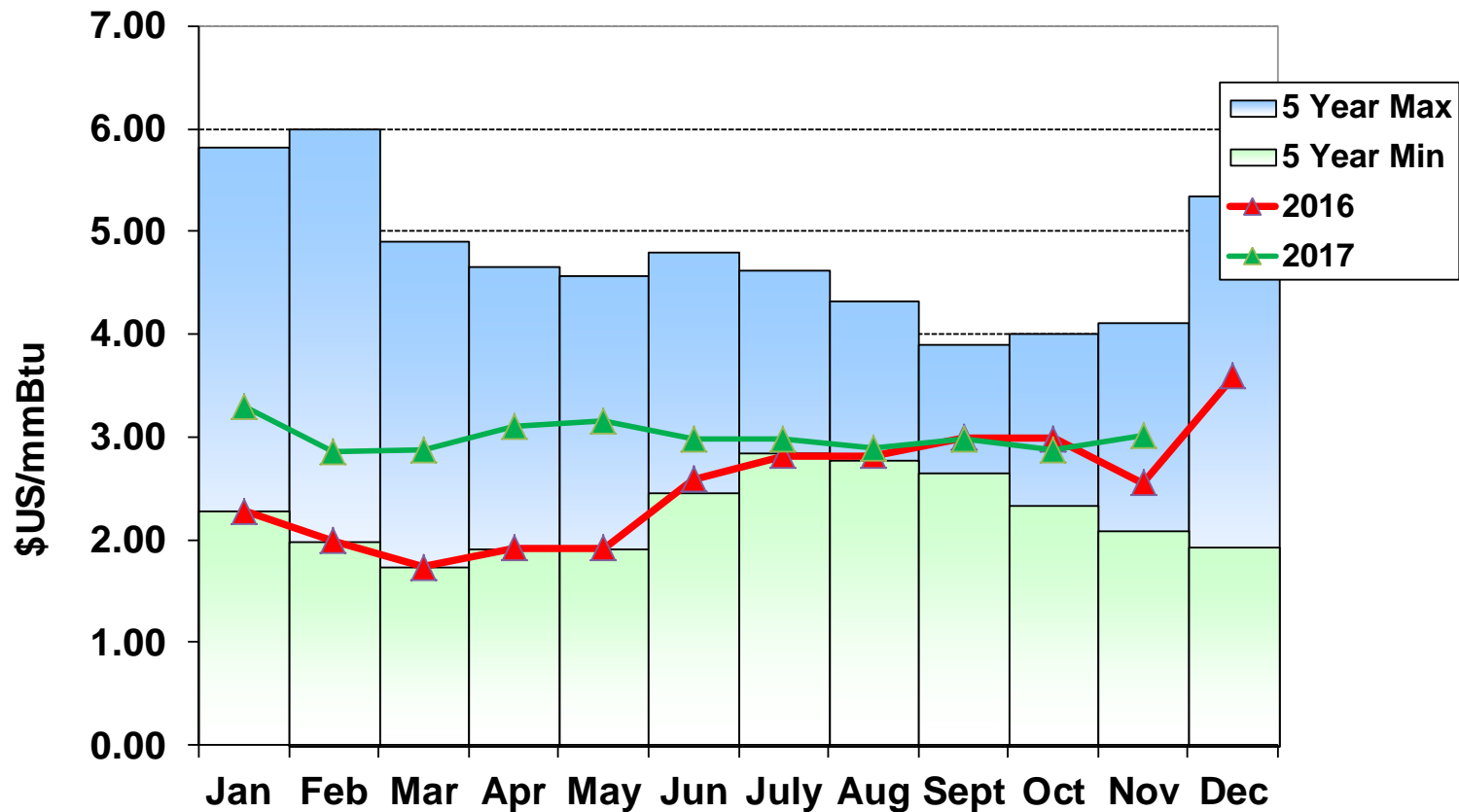
\$US/BBL



Source: Bloomberg

Natural Gas Prices

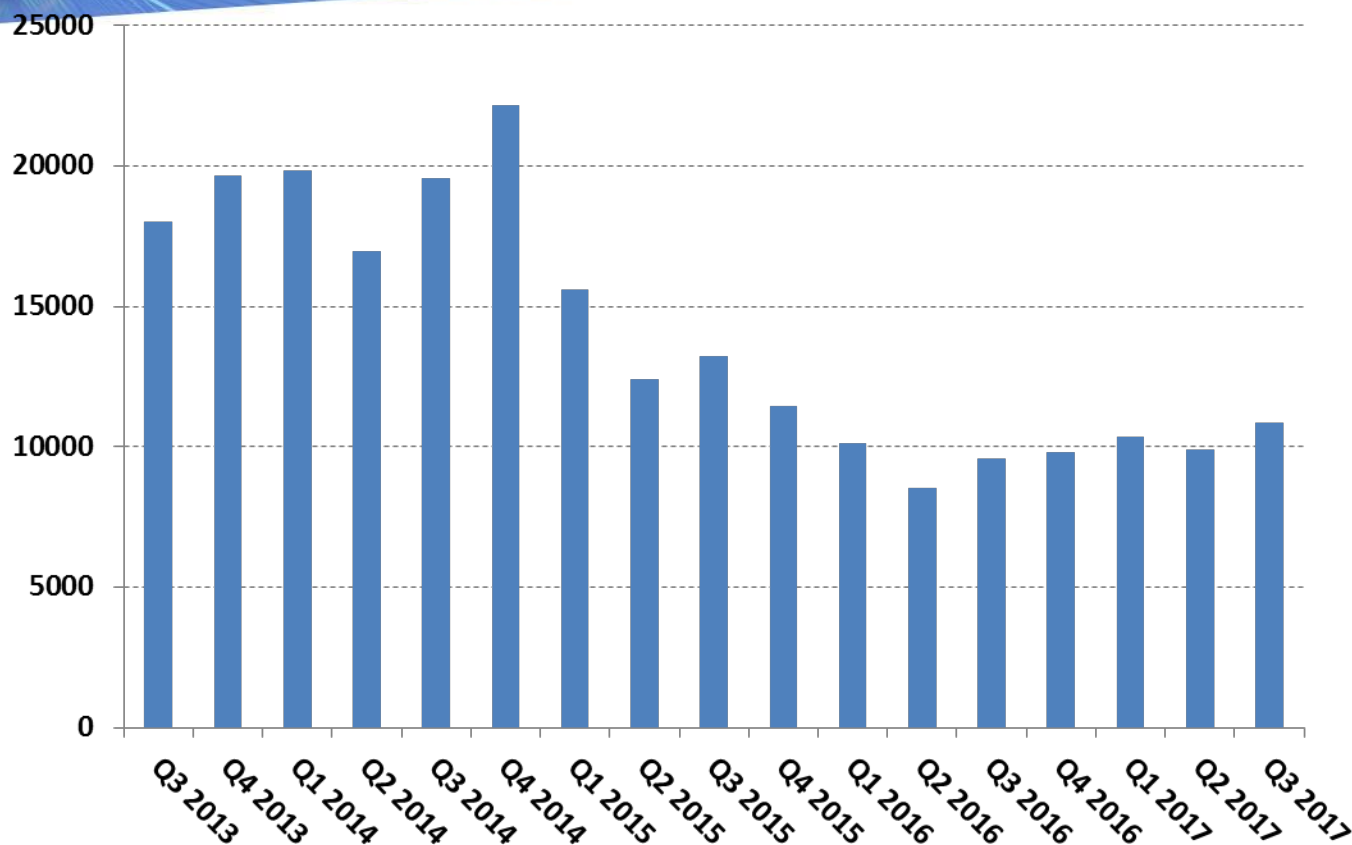
Henry Hub



Source: US Energy Information Administration

Oil & Gas Capital Expenditures

\$ CDN Million

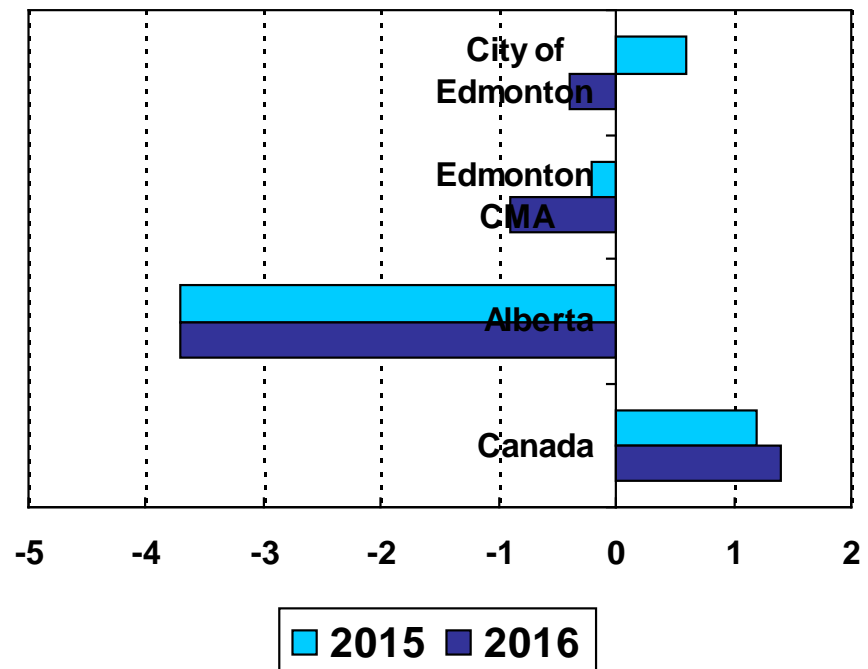


Source: Statistics Canada

Canada, Alberta & Edmonton

- **Edmonton outperformed Alberta due to its relatively diverse economy**
- **2016 brought negative growth for the City and negative growth for Alberta and the Edmonton CMA**
- **A serious recession scenario for Edmonton required low oil prices to persist leading to provincial budget cuts**

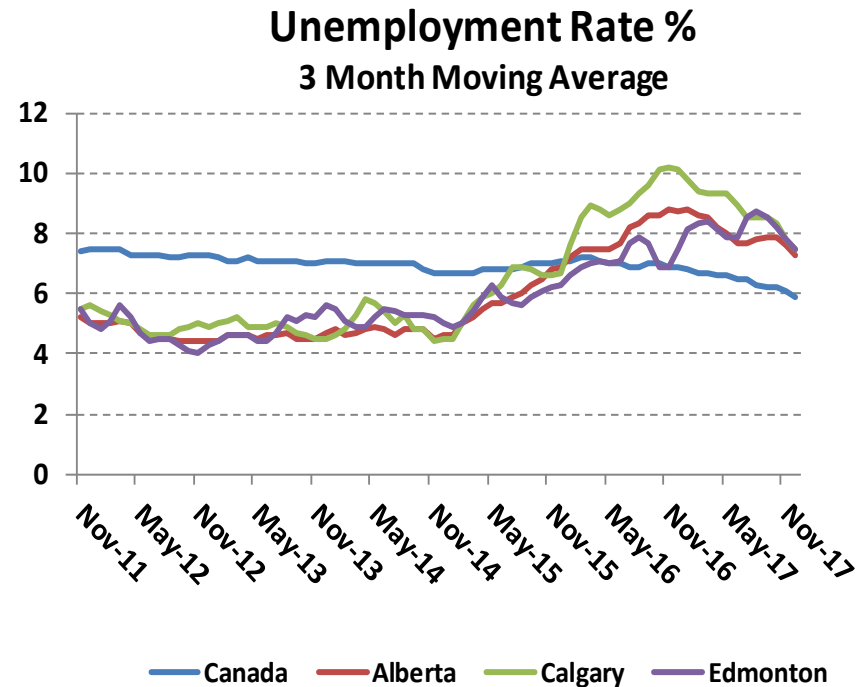
% Real GDP Growth



Source: IMF, City of Edmonton, Statistics Canada

Unemployment Moving Lower

- Higher unemployment in Edmonton is driven largely by labour force growth.
- A recent shift away from part-time job gains may support consumer spending over the next 12 to 18 months
- Unemployment in the Edmonton region will drift down slowly from the 7.5% range in the early months of 2018.



Source: Statistics Canada

Change in Employment

July 2014 to December 2017

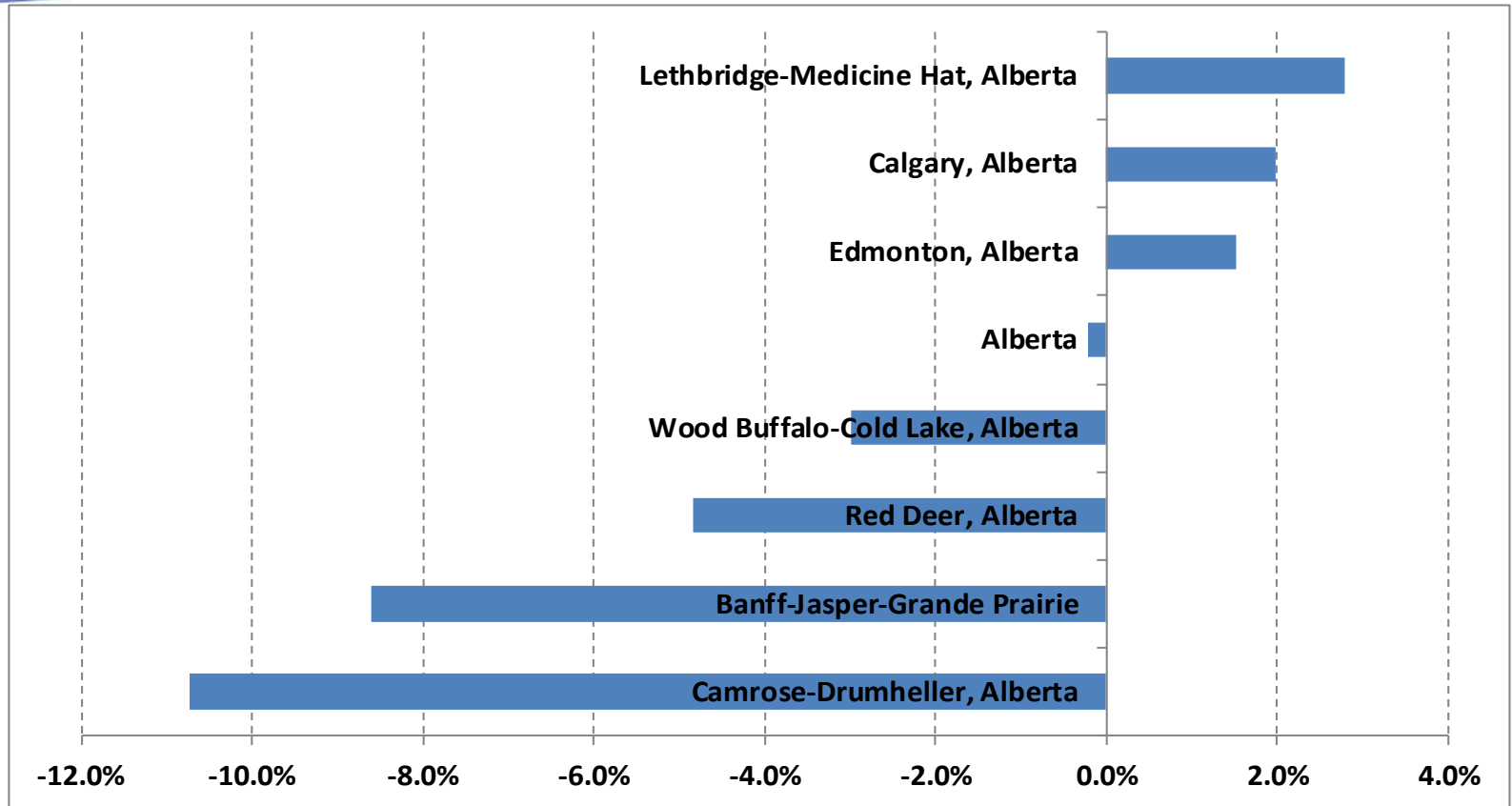
Three month moving average

Job Gains		Job Losses	
Alberta (-4,800)			
Education	42,400	Primary	-29,700
Health Care	28,900	Construction	-19,700
Trade	16,800	Manufacturing	-18,700
Logistics	15,500	Prof. Services	-15,300
Edmonton Region (11,700)			
Education	21,200	Manufacturing	-16,300
Health Care	15,100	Primary	-9,300
Construction	11,000	Accom. and Food	-7,300
FIRE	6,000	Prof. Services	-6,800

Change in Employment

July 2014 to December 2017

Three month moving average

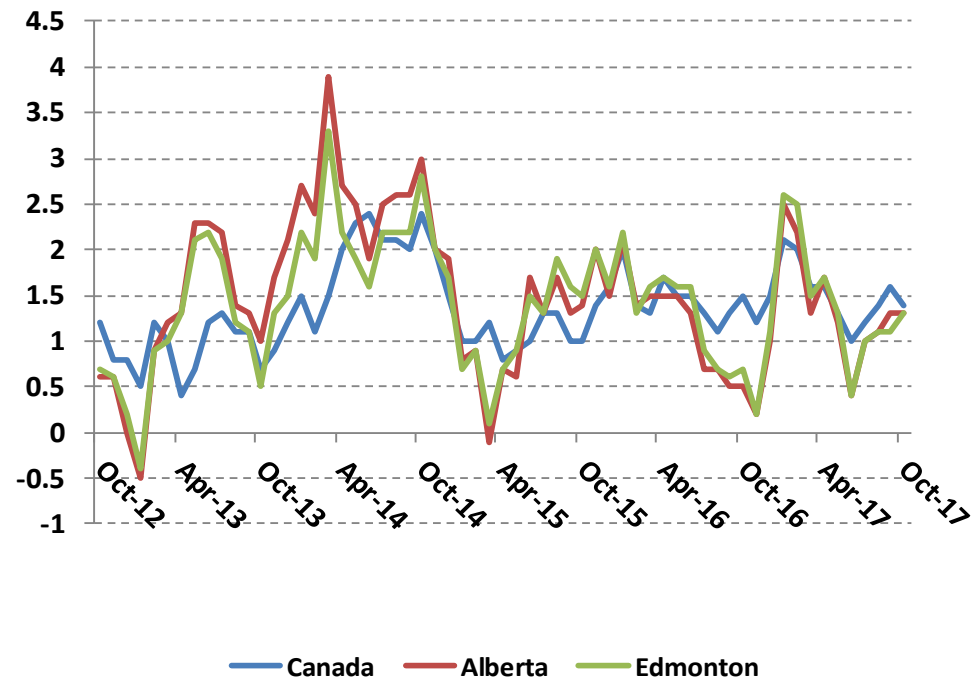


Source: Statistics Canada

Consumer Inflation Moderating

- The region's year-over-year inflation rate slowed sharply in 2016 and then began to accelerate
- Energy prices have been a key driver of inflation with natural gas and gasoline highly volatile
- Forecast is for inflation to hold at the gradually move up to the 2% range for the remainder of 2017
- Low inflation will boost real incomes for Edmonton residents as average weekly wages are rising again

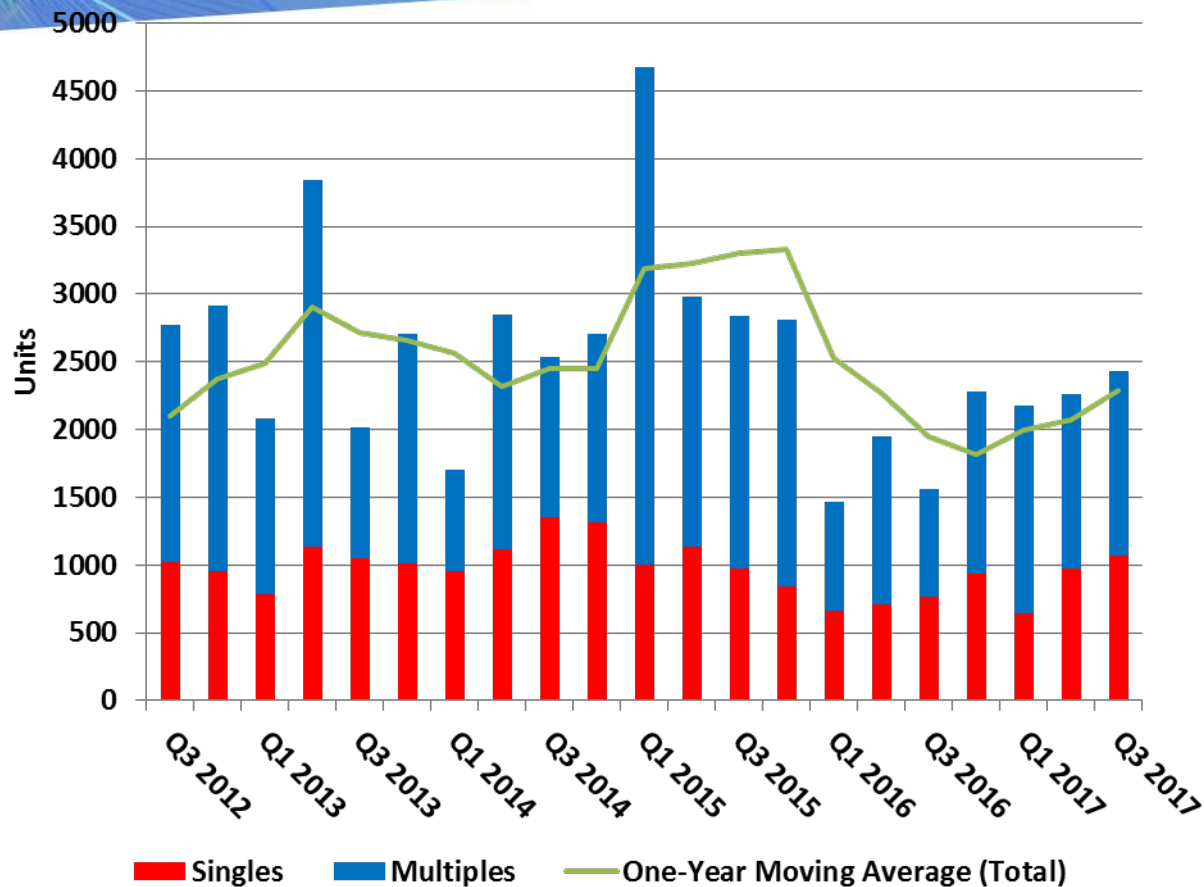
Year-over-Year % Change in CPI



Source: Statistics Canada

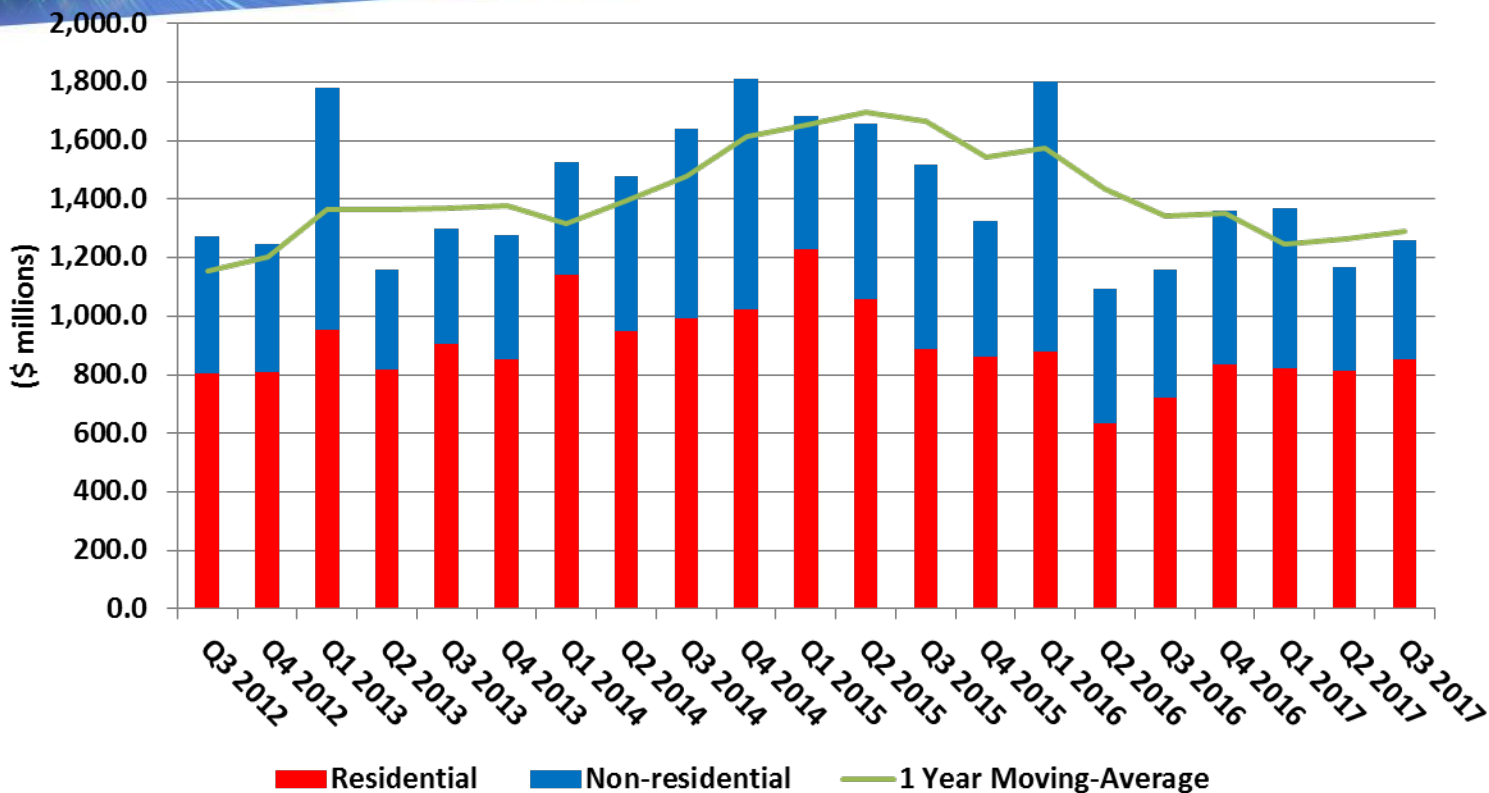
Housing Starts

City of Edmonton



Source: CMHC

Edmonton CMA Building Permits

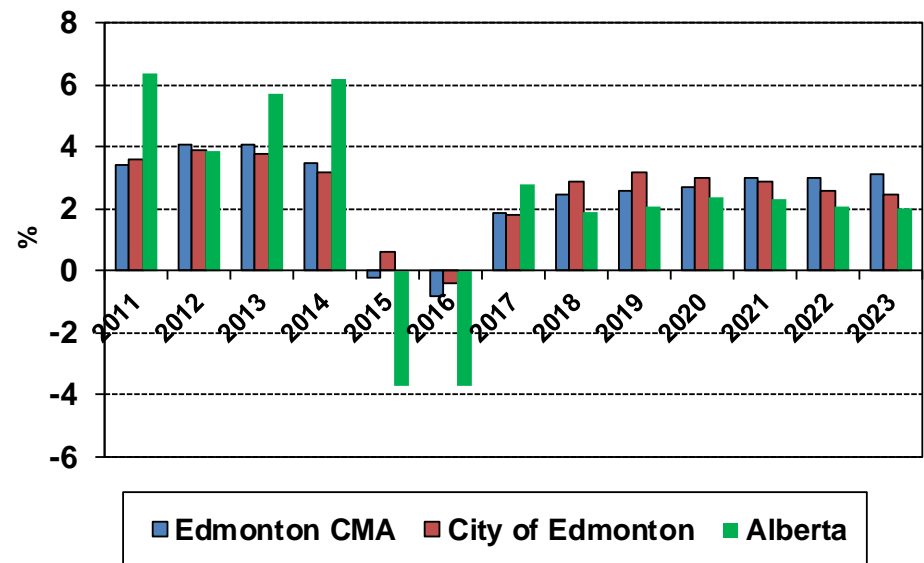


Source: Statistics Canada

Growth Moderates in the Longer Term

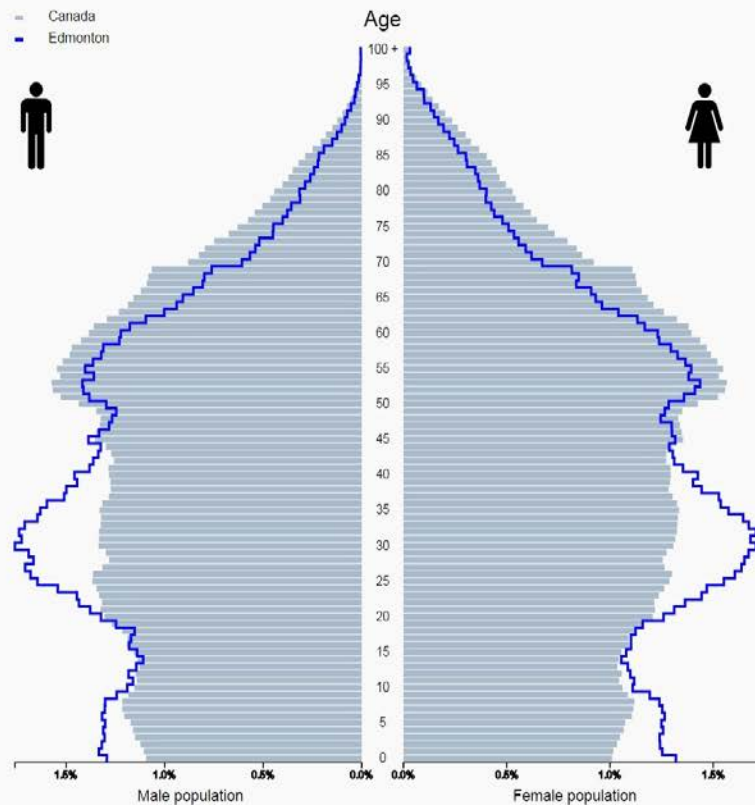
Real GDP Growth

- The City experienced a sharp slow down in mid 2016.
- City and region makes a gradual recovery to faster growth in 2017 while the province lags.
- Continuing in-migration allows the City and the region to grow more rapidly than Alberta and Canada in the final years of the outlook.



Source: City of Edmonton, C4SE

Edmonton's Demographic Advantage



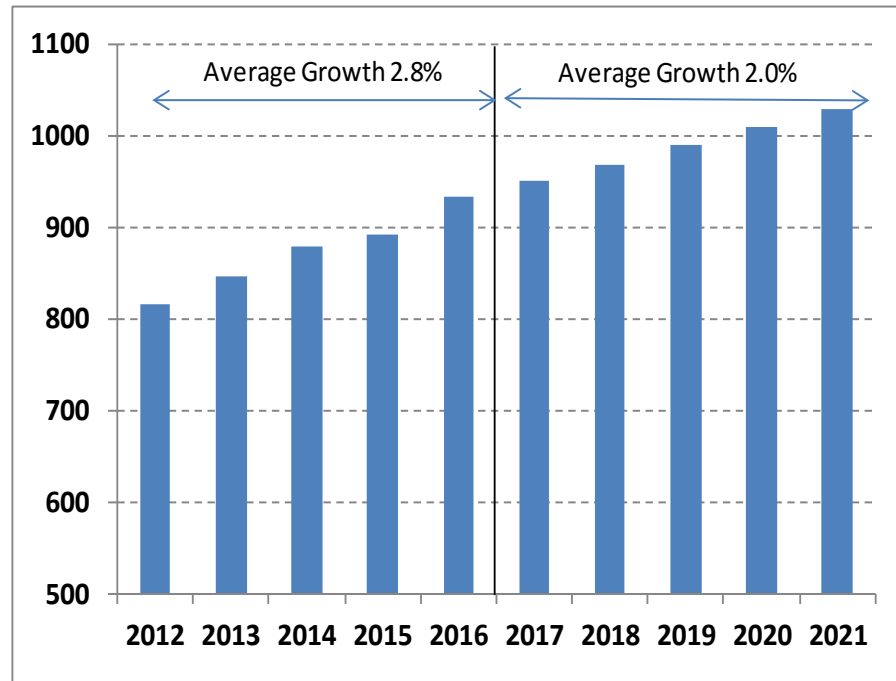
Average Age
Canada 41.0
Alberta 37.8
City of Edmonton 37.7

Source: Statistics Canada

Population Growth Slows

- Population growth will continue but at a slower pace.
- Natural growth, international migration and intra-provincial migration support an expanding population.
- Higher levels of unemployment than typical of past years will discourage inter-provincial migration and slow the overall growth rate.

Population (000) – City of Edmonton



Source: Statistics Canada, City of Edmonton



Risks to the Edmonton Outlook

Downside

Oil prices fall through 2018 and 2019 causing severe slump in energy investment and government spending

Consumer confidence falters with concerns growing over housing, debt rising interest rates and inflation

Conclusion of a number of major construction projects leads to further contraction in the building sector

Stricter controls on carbon emissions and opposition to energy investments constrain longer term growth

Upside

U.S. recovery gains additional momentum with proposed tax cuts and infrastructure spending

Canadian economy likely to perform better than currently forecast

OPEC and other major oil producers agree on and enforce additional production cuts

Euro Zone and Emerging Market countries succeed in stimulating more rapid growth



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Edmonton's economy**

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Upcoming events

ESNA.CA



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2018 Challenges and Opportunities: From Oil to OSFI

January 10, 2018

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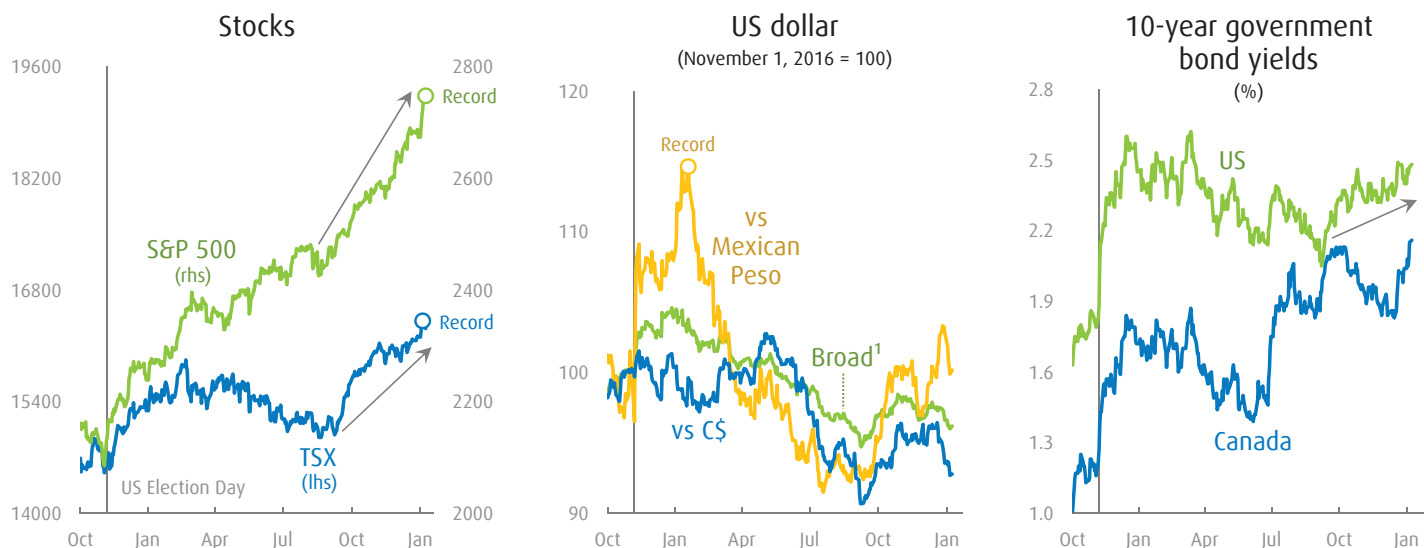
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Trump Trade 2.0

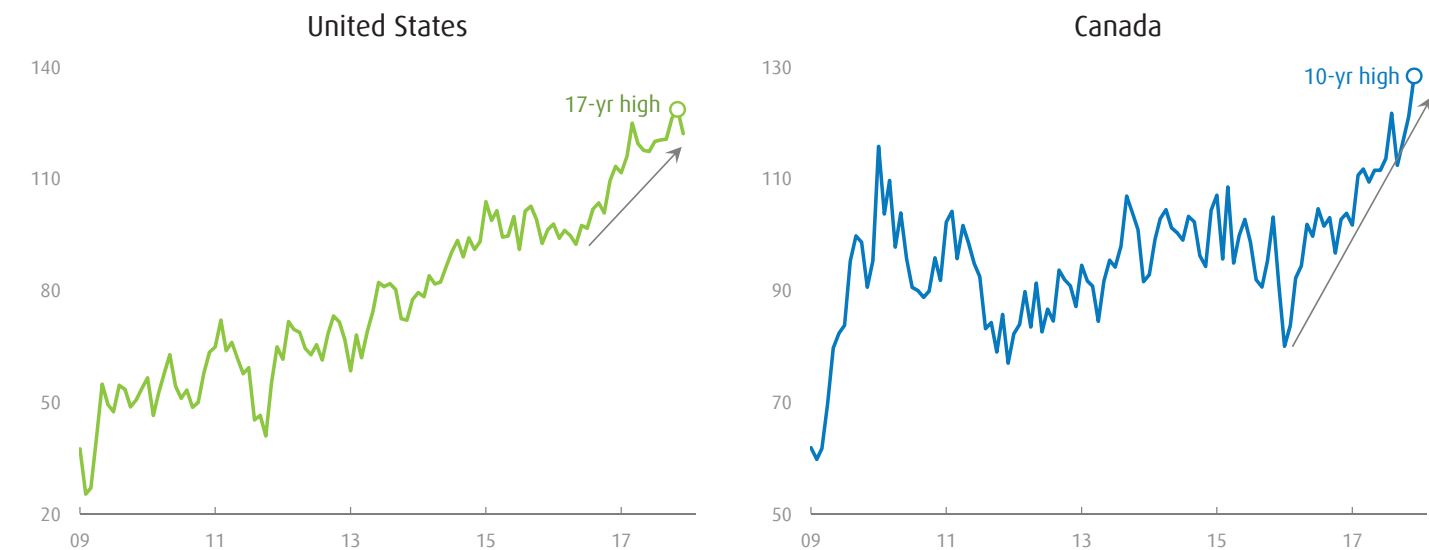
2016–18 (% : as of January 8, 2018)



¹ Broad trade-weighted dollar

Consumer confidence stays strong

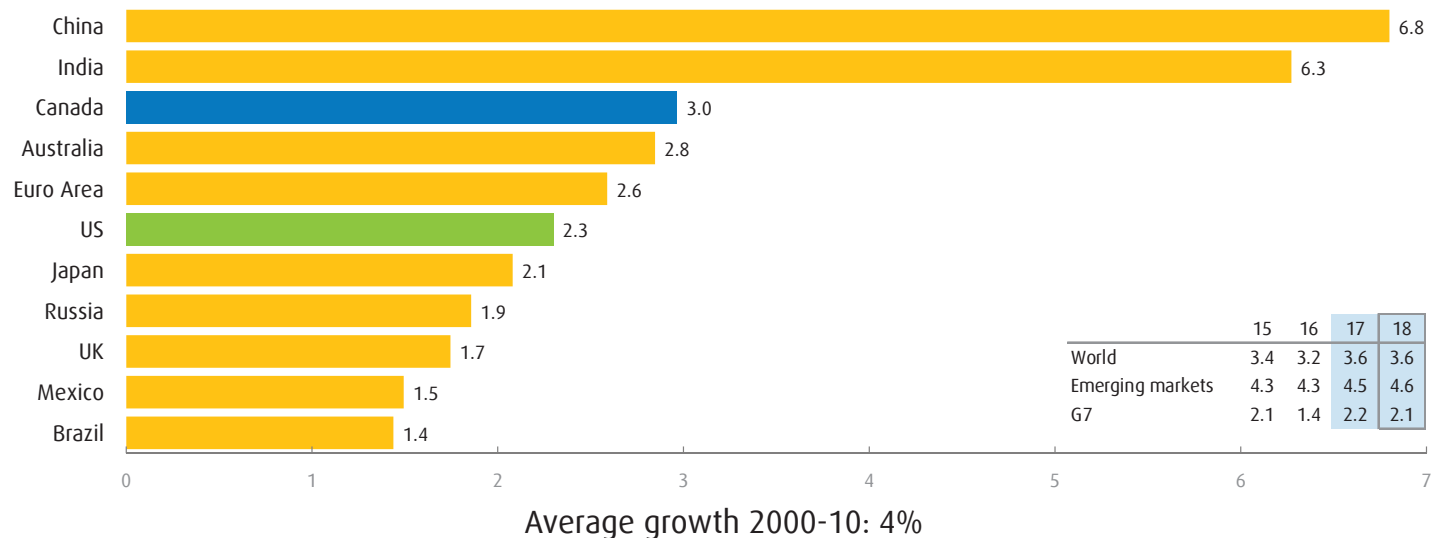
Consumer confidence index – Conference Board



Global growth: Synchronized at last

2017:Q3 (y/y % chng)

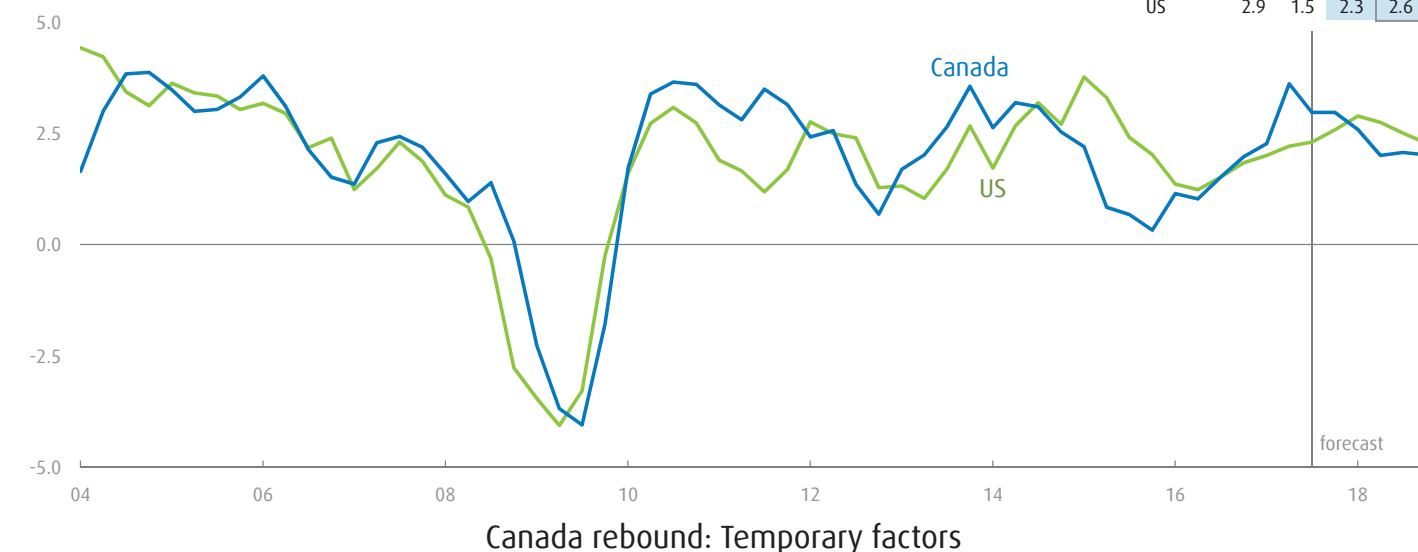
Real GDP



North American growth: Canada comeback, US steady

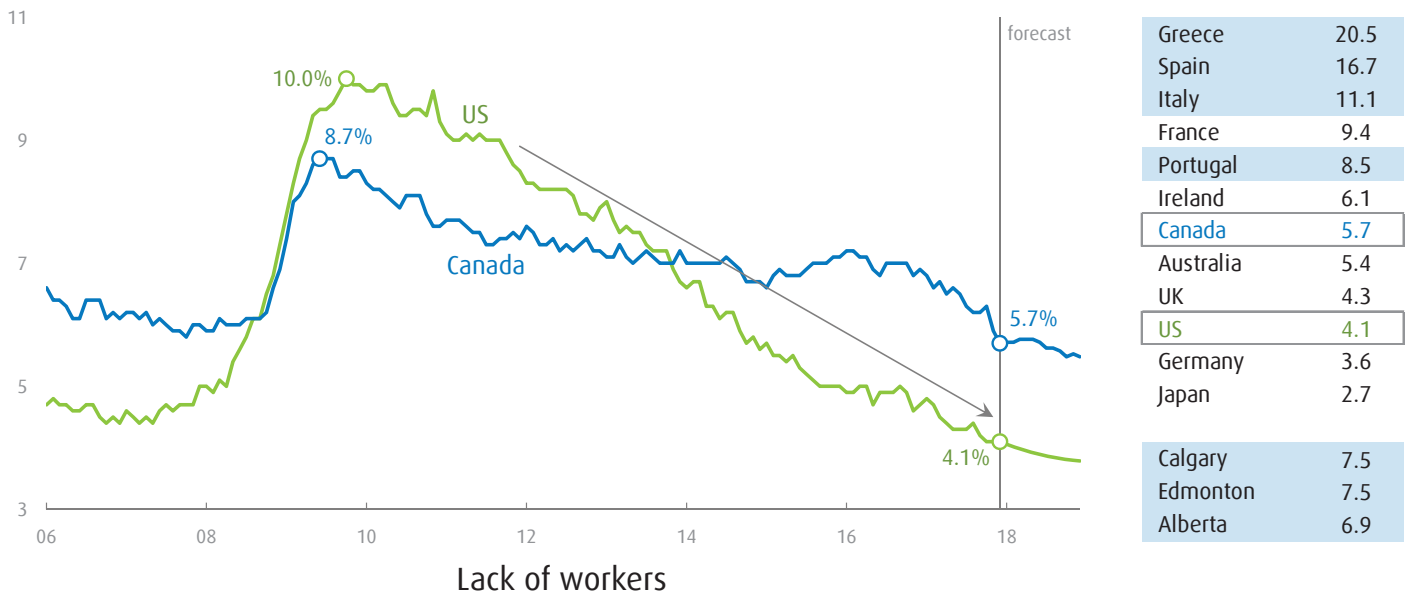
(y/y % chng)

Real GDP



Jobless rates: US still falling... Canada improving rapidly

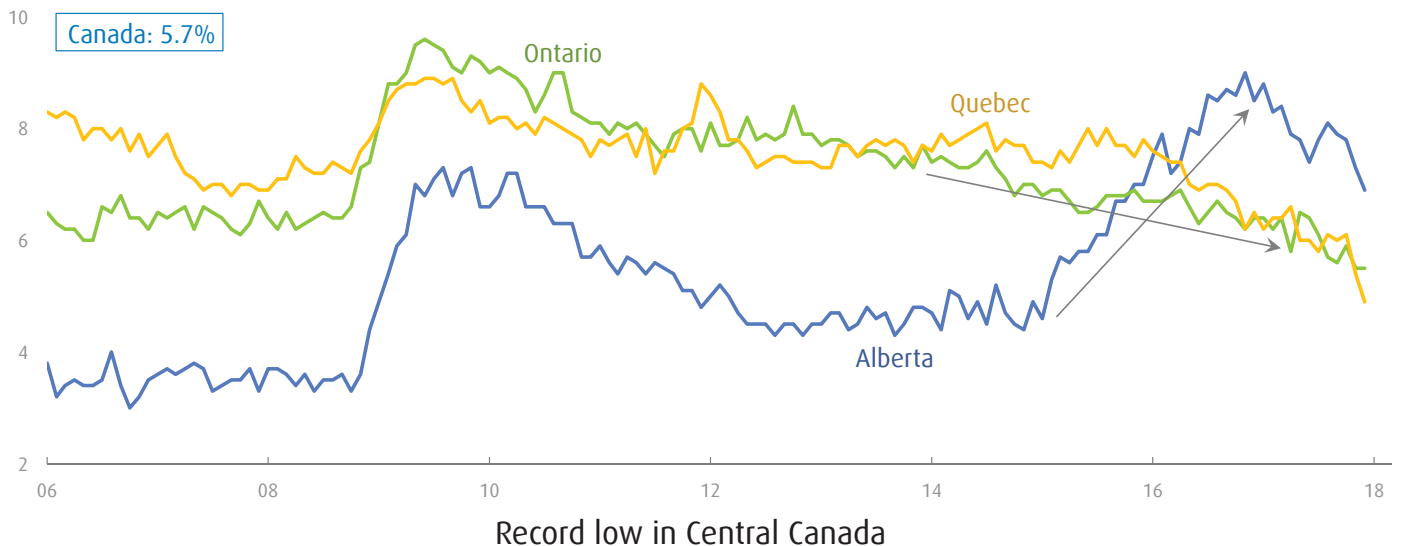
Unemployment rate (percent)



Regional jobless rates: Trading places

Canada (percent)

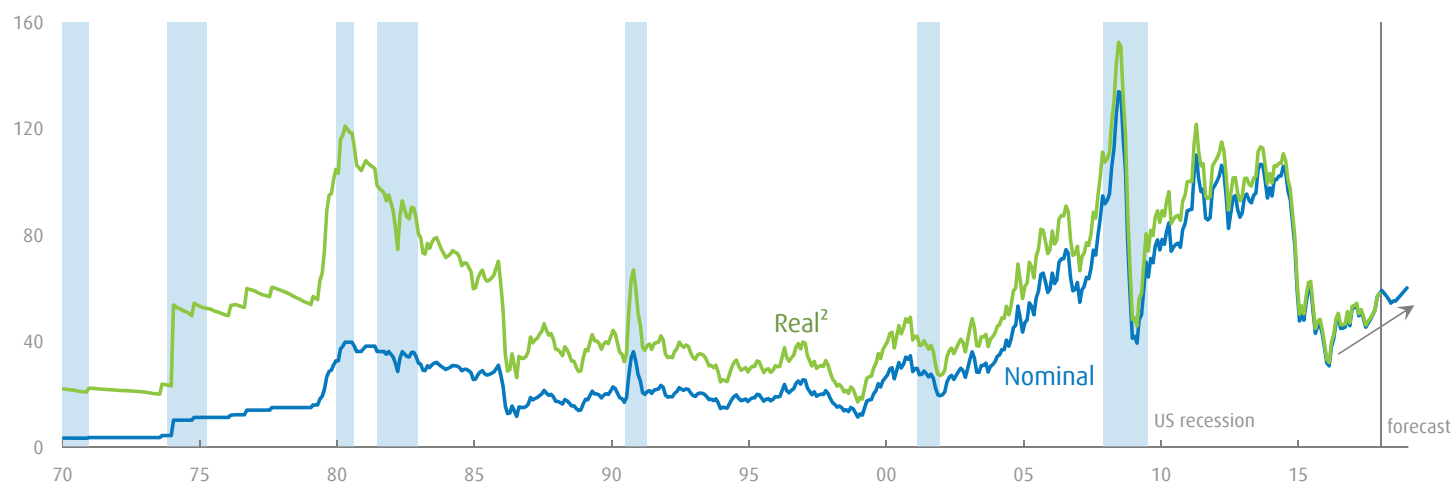
Unemployment rate



Oil prices' slow return to 'normal'

(US\$/bbl)

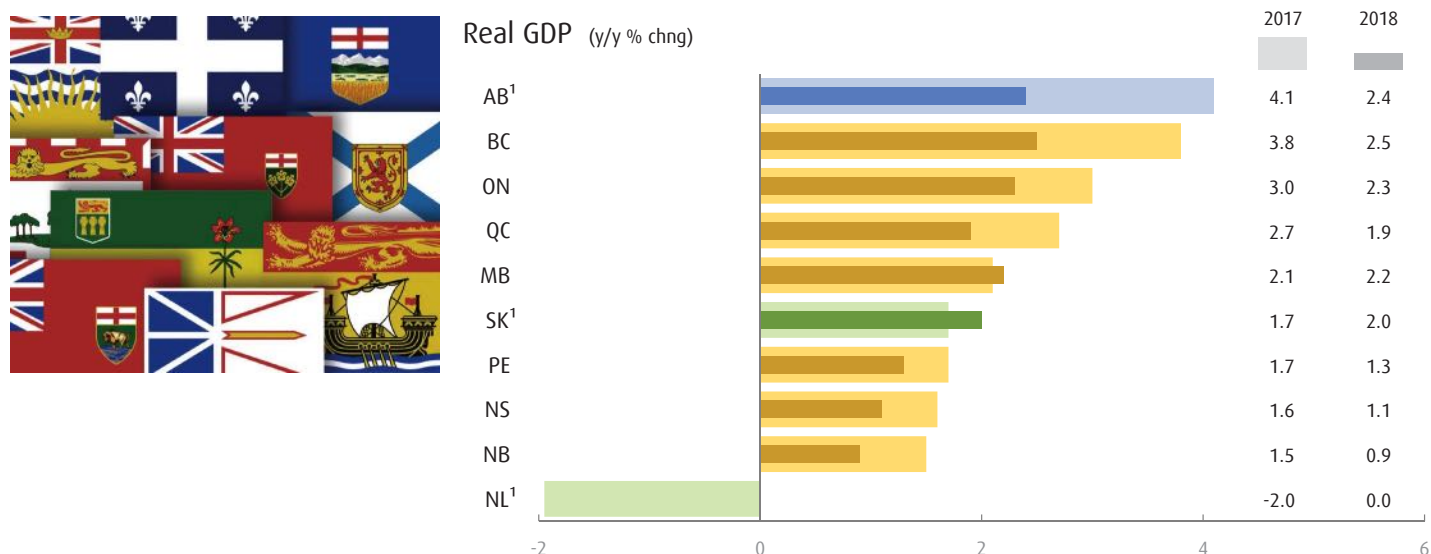
Crude oil price¹



¹ West Texas Intermediate ² December 2017 US dollars

Regional outlook: New leader

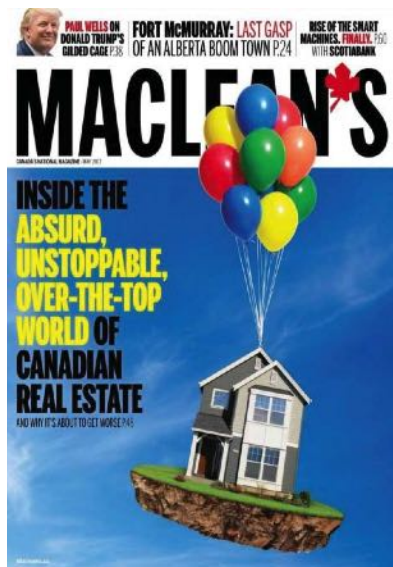
Canada



¹ Oil producers: Alberta, Saskatchewan, Newfoundland and Labrador

Housing: Bubble Trouble?

Canada



2017:

"Toronto and surrounding cities are in a housing bubble"

- BMO Economics

2016:

"Party will end in the Toronto and Vancouver housing markets this year"

- Canadian bank

2015:

"Canada is in serious trouble"

- Deutsche Bank 2015

2014:

"Why Canada isn't immune to a US-style housing crash"

- Maclean's

2013:

"Inside the great real estate crash of 2013"

- Maclean's

2012:

"Canada's housing crash begins"

- Canadian Business

2011:

"Canada's housing bubble deemed close to bursting"

- CBC News

2010:

"Canada's housing bubble: An accident waiting to happen"

- CCPA

2009:

"Why Canada's housing bubble will burst"

- The Tyee

2008:

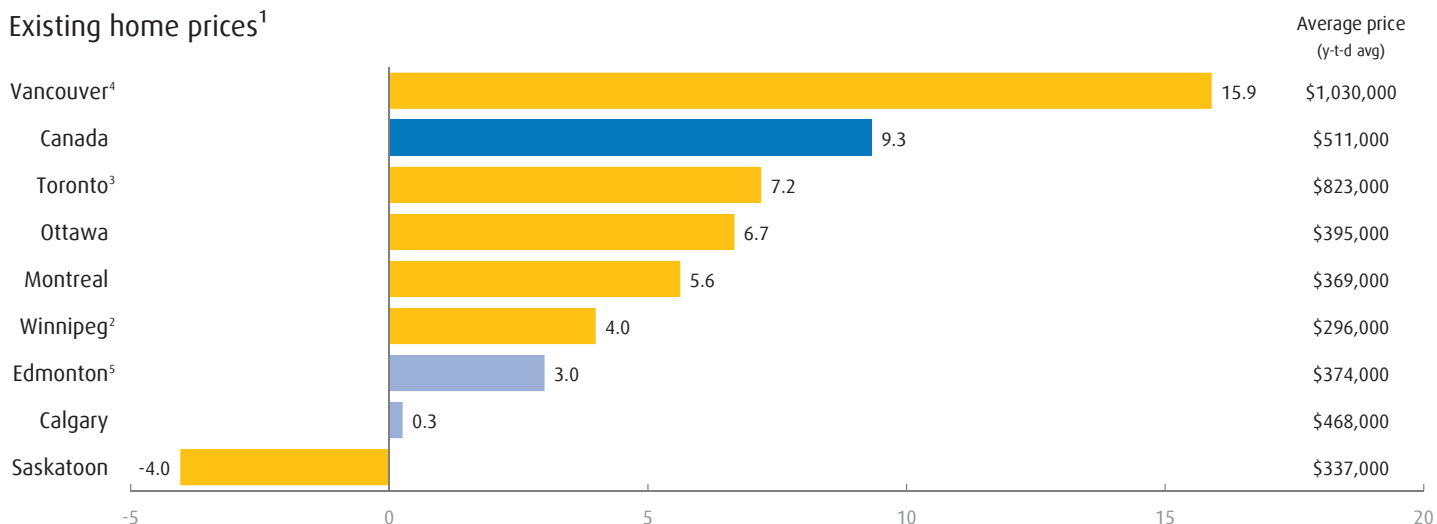
"Canada's housing bubble could soon burst"

- US investment firm

Canadian house prices: Location, location, location

Canada (y/y % chng : nsa : as of November 2017)

Existing home prices¹

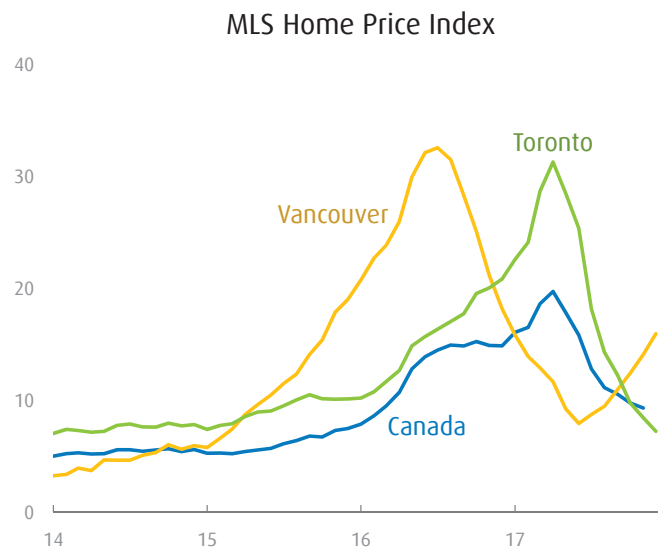
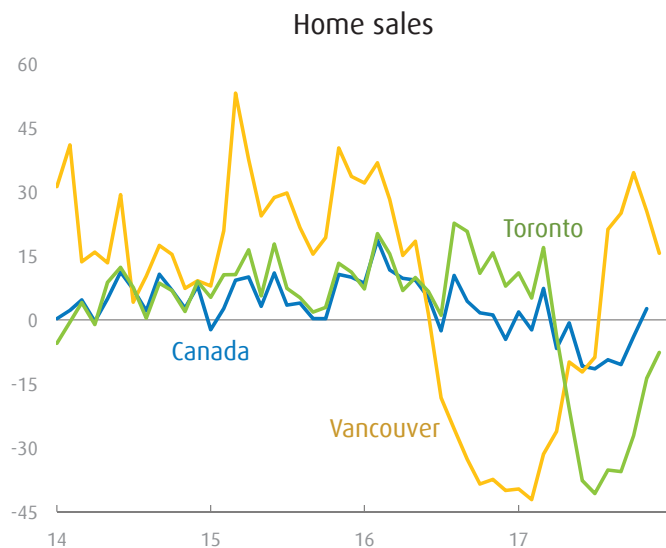


Governments move to cool market: New measures in 2018

¹ HPI composite benchmark where available ² Average price (y-t-d) ³ December 2017 ⁴ December 2017 (HPI rate), November 2017 (average y-t-d price) ⁵ December 2017 (average price : ann avg)

Home sales slide, price appreciation slows

Canada (y/y % chng)



Housing policy changes

Canada



Federal measures:

- Down payment rules
- Qualify at posted rate
- Past amortization changes

Provincial measures:

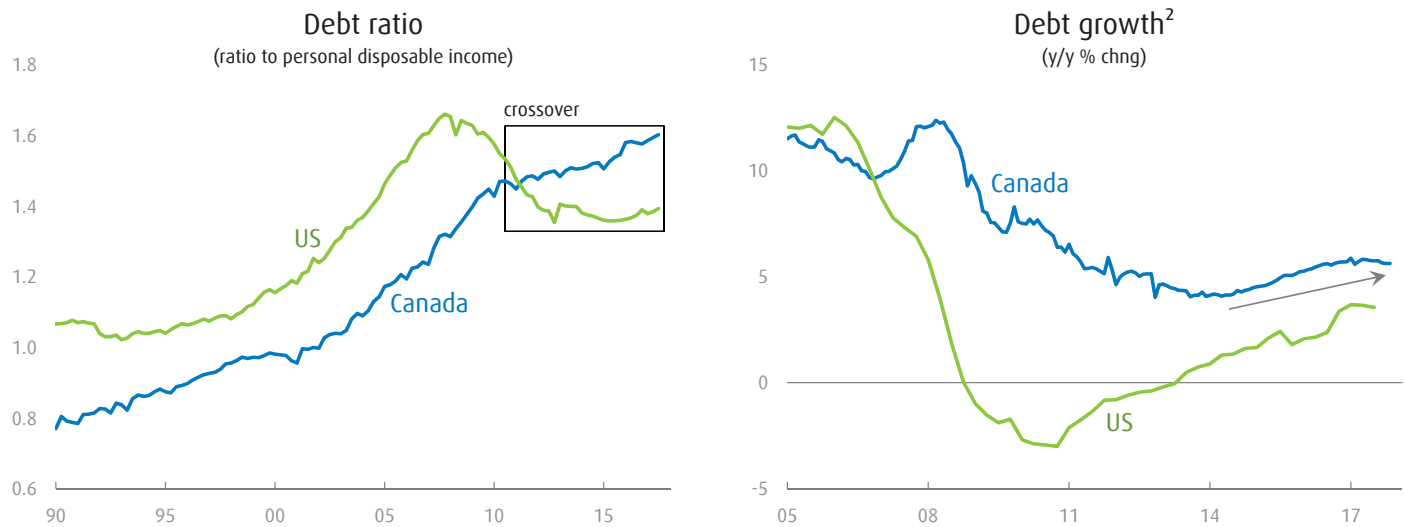
- Tax on nonresident buyers (GVA, GTA)
- Vacancy tax (by city)
- Speculation tax (by city)?

New measure:

- B-20 guidelines (OSFI) targeting uninsured mortgage market

Canadian consumers: “More sensitive to interest rates than in the past”

Households¹



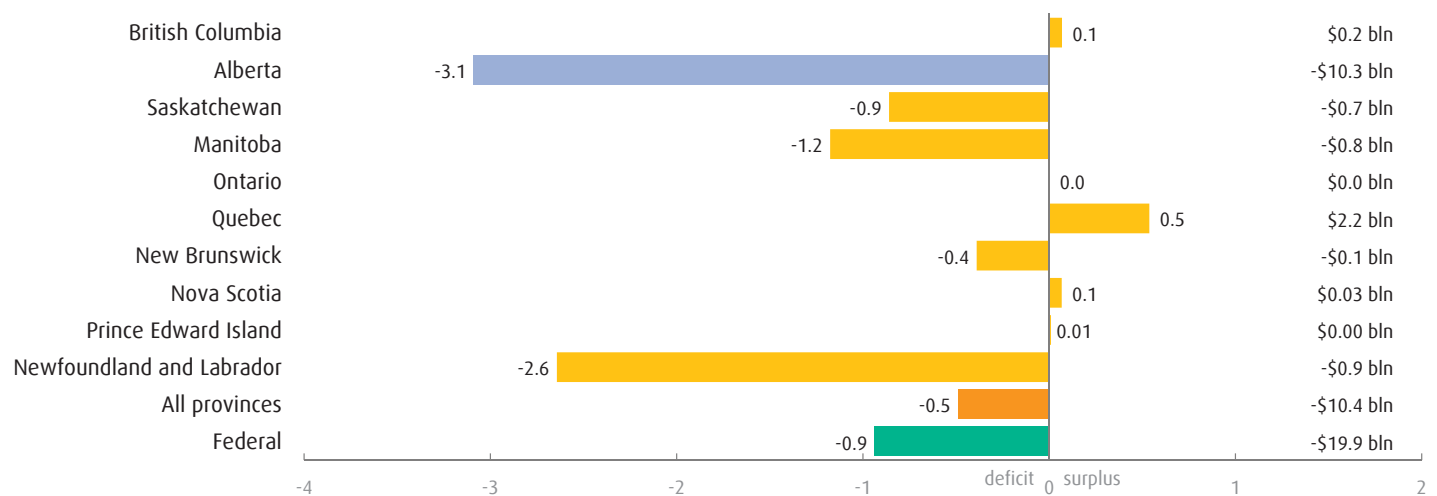
Debt ratio at record highs, more to come

¹ Households, nonprofits and unincorporated businesses ² Consumer credit and residential mortgages only

Provincial deficits: Some progress, some trouble

Canada – FY17/18 (% of GDP)

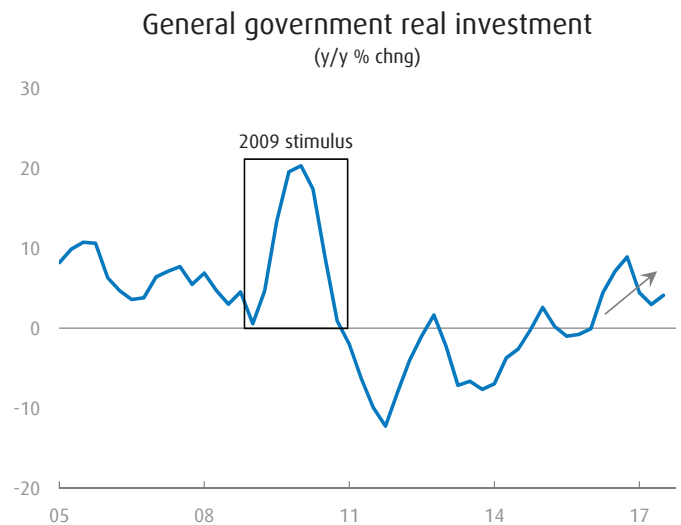
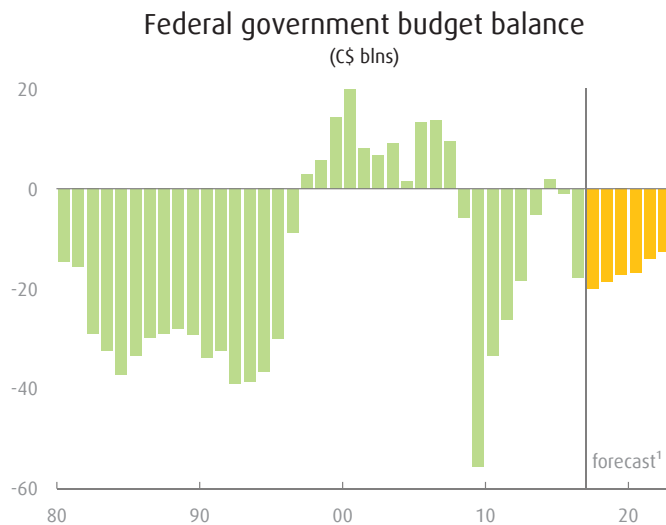
Budget balance



Quebec: Before GF transfers Sources: Federal and provincial budgets/fiscal updates

Still waiting on infrastructure spending

Canada



Sizeable deficits for the foreseeable future

¹ Source: 2017 Fall Fiscal Update

NAFTA termination scenario



The termination of NAFTA would be a net negative for the Canadian economy and a mild negative for the US

Canada would see a net reduction of between 0.7% and 1.0% over a five-year period in real GDP

Canadian dollar could weaken by 5%

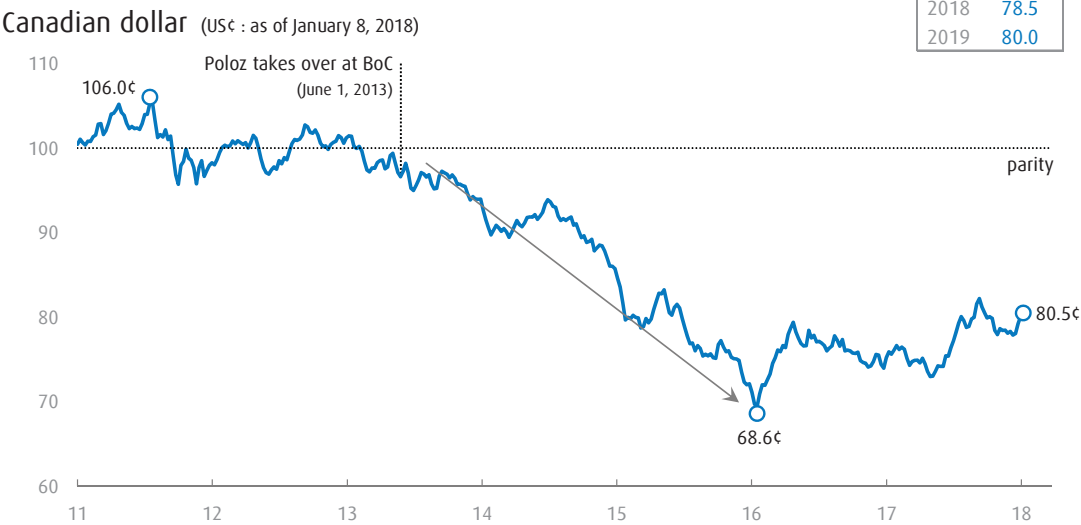
Consumers would be net losers

Consumer prices in Canada would be expected to rise roughly 0.8 ppts, due to the weaker exchange rate and modestly higher tariffs

It is a manageable risk that policymakers, businesses, and markets would adjust to in relatively short order

Canadian dollar: Where next?

Canada

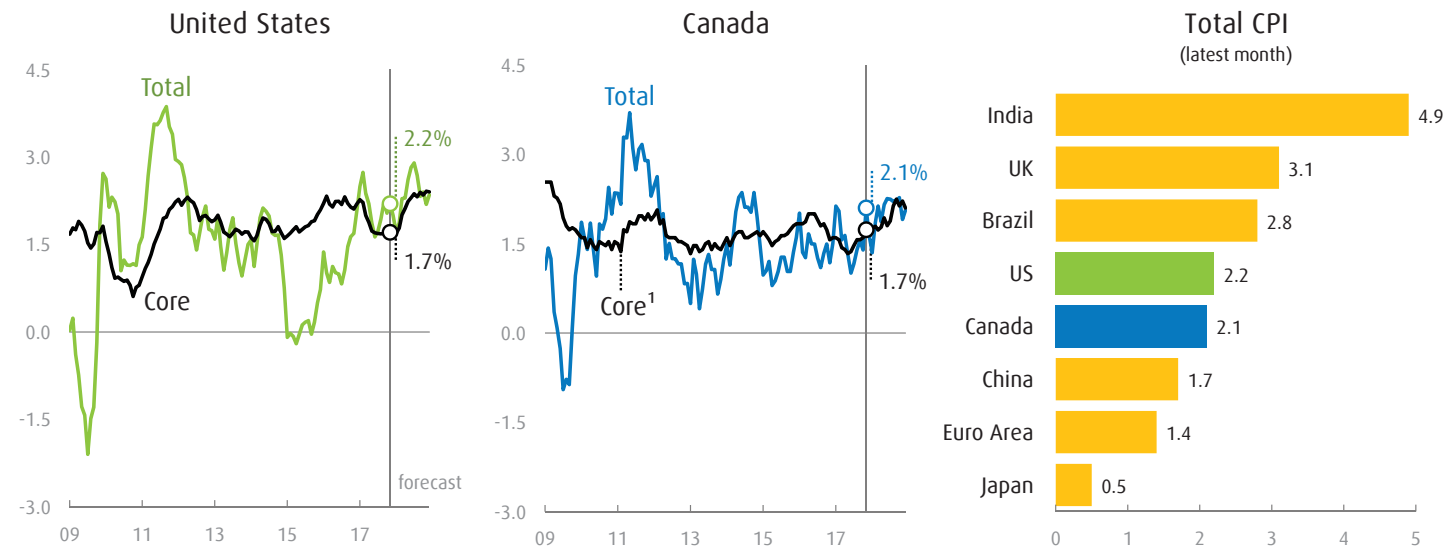


line: weekly averages dots: daily closes forecasts: BMO Economics

Trade uncertainties, housing worries, oil

Inflation stays calm

Consumer price index (y/y % chng)



¹ Average of three new core inflation measures

Inflation and deflation

Consumer price index – Canada (y/y % chng : as of November 2017)

Deflationary

Electricity	-7.8%
Home entertainment equipment	-5.6%
Computer equipment	-4.9%
Toys	-4.1%
Clothing	-1.4%
Fresh fruit	-1.2%
Household appliances	-1.2%
Household furniture	-1.1%
Prescription drugs	-0.7%
Dairy and eggs	-0.5%

Down 25.2% y/y in Ontario

Inflationary

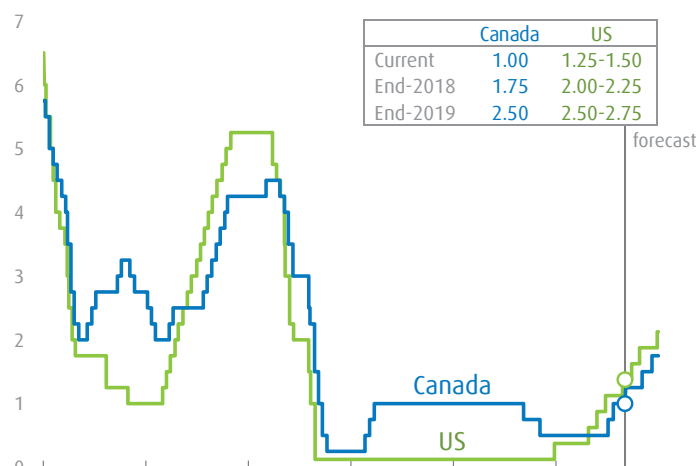
Gasoline	19.6%
Air fares	10.2%
Cigarettes	5.3%
New autos	3.6%
New homes	3.6%
Health care services	3.0%
Tuition fees	3.0%
Property taxes	2.8%
Child care	2.6%
Beer	2.2%

Overall CPI: 2.1%

Interest rates: More rate hikes coming

(% : as of January 8, 2018)

Overnight rate



Bank of Canada hikes

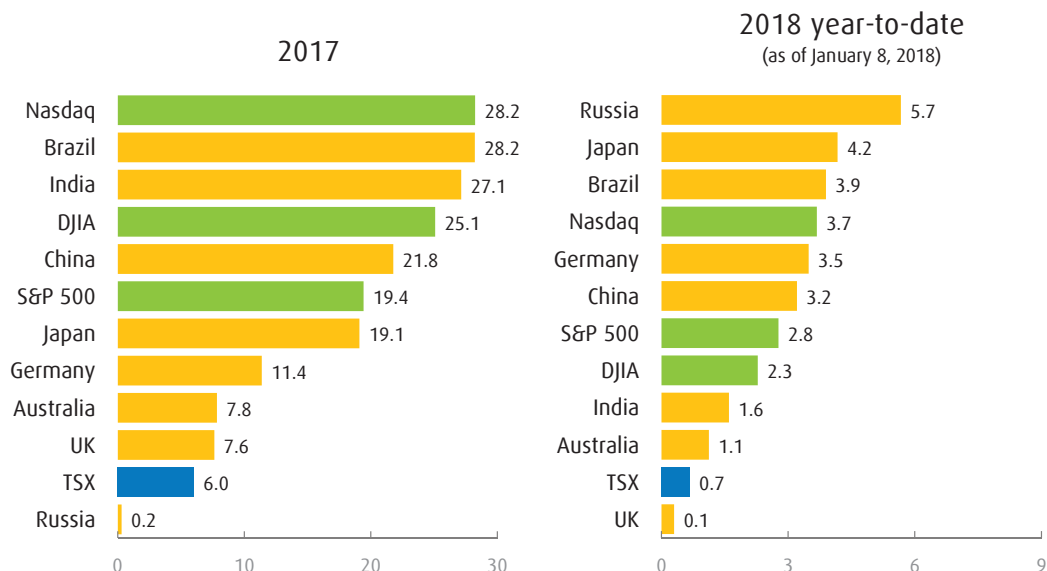
10-year bonds



QE winds down

Global stocks: Banner year, mostly

Equity markets (% chng)



What's ahead for Alberta?

Alberta



Strengths:

- Oil prices lead recovery
- Population growth
- Still-favourable tax burden

Challenges:

- Diversity beyond oil
- Budget deficit
- Saturated commercial real estate



REALTORS® Association of Edmonton

January 10, 2018

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2018 REALTORS® Housing Forecast Seminar

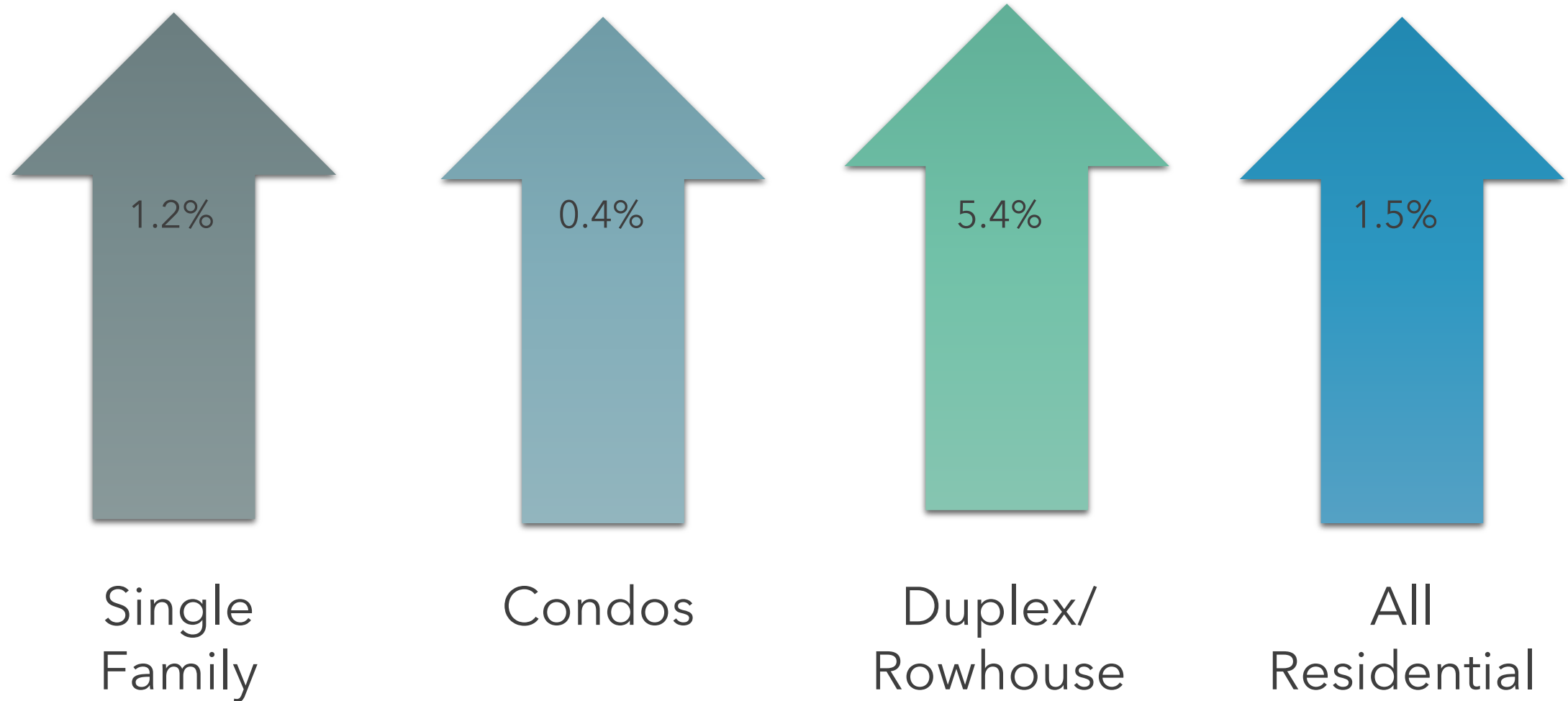
Agenda

- Sales volume – for all building types
- Average and median sales prices
- Inventory levels and composition
- Days on Market
- Affordability
- Surrounding areas
- Recreational Properties

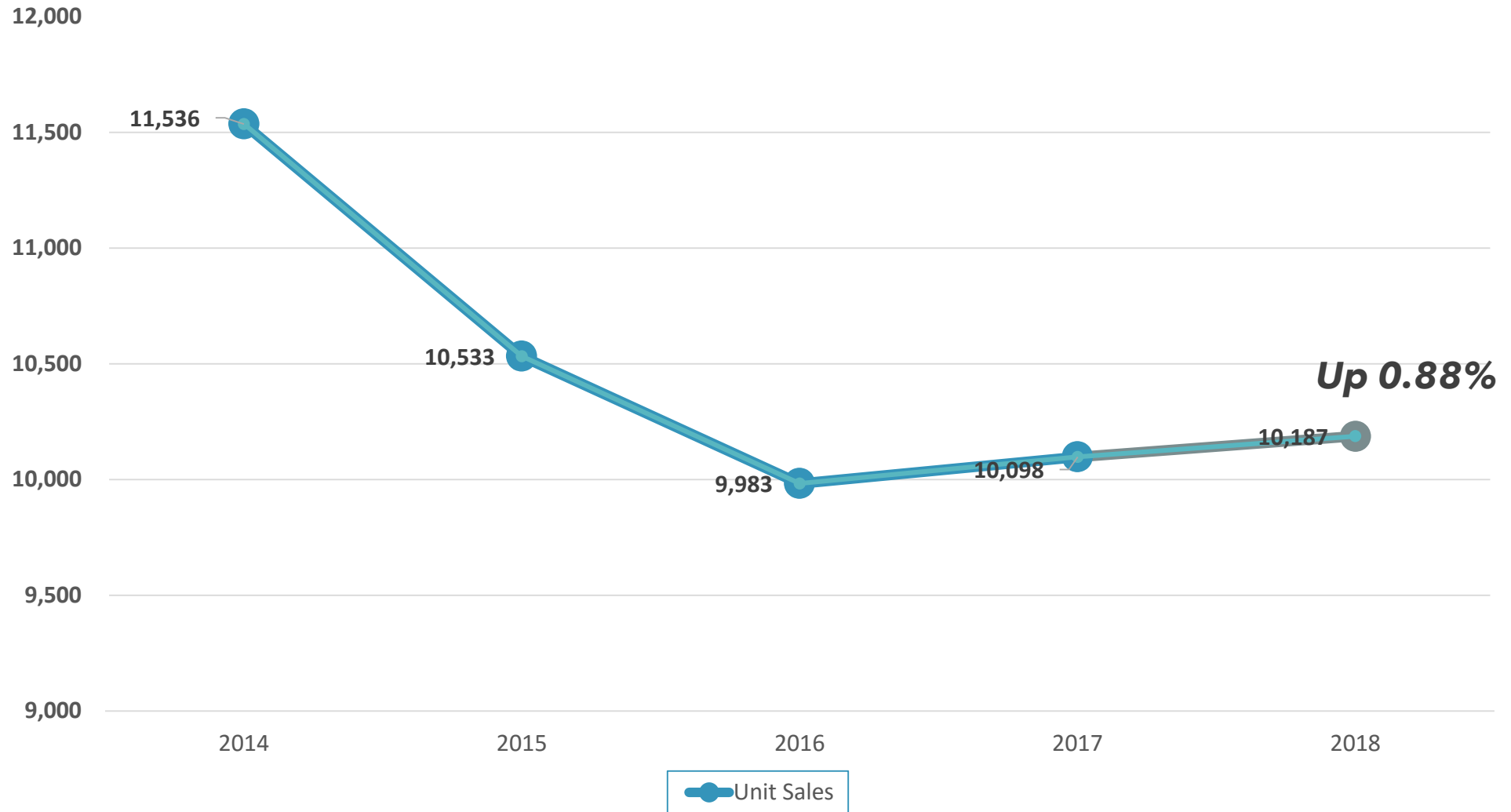
2017 - Year In Review

- Looked similar to 2016
 - Stable prices
 - Higher inventory
 - Dipping sales
- Consumer confidence slowly increased
- Unemployment rate decreased
- Mortgage rate increases

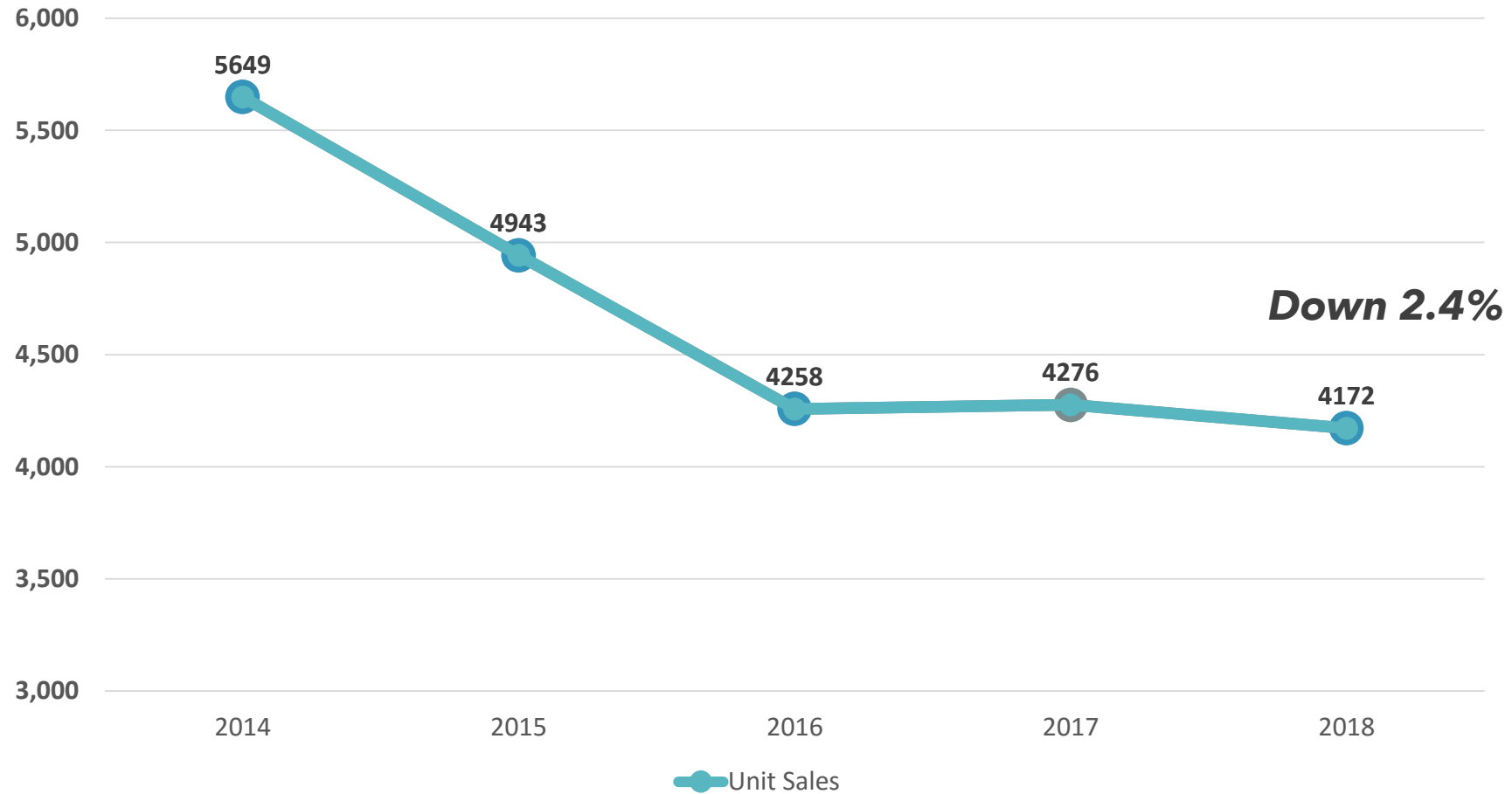
Edmonton CMA Unit Sales Year-Over-Year



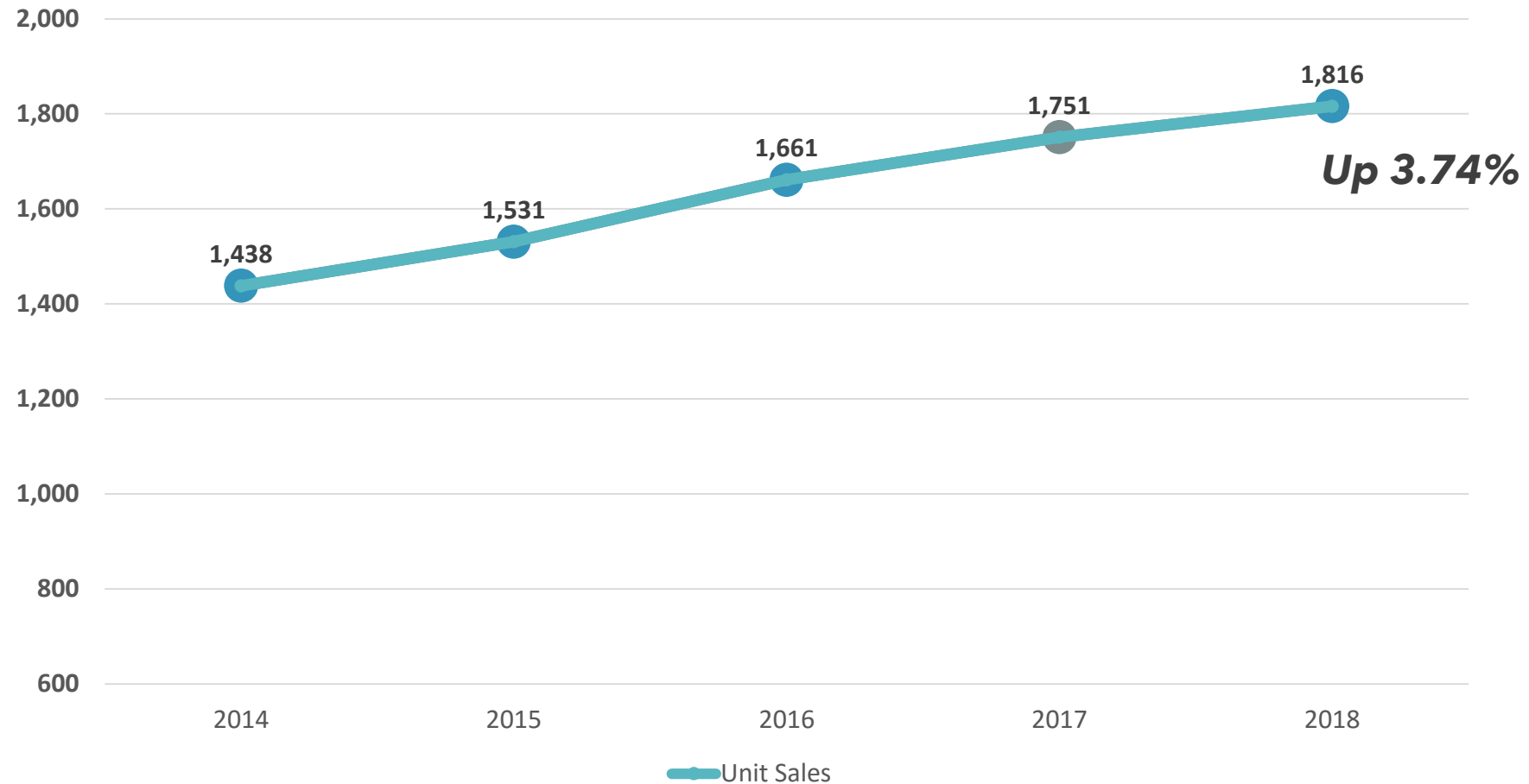
Single Family Sales



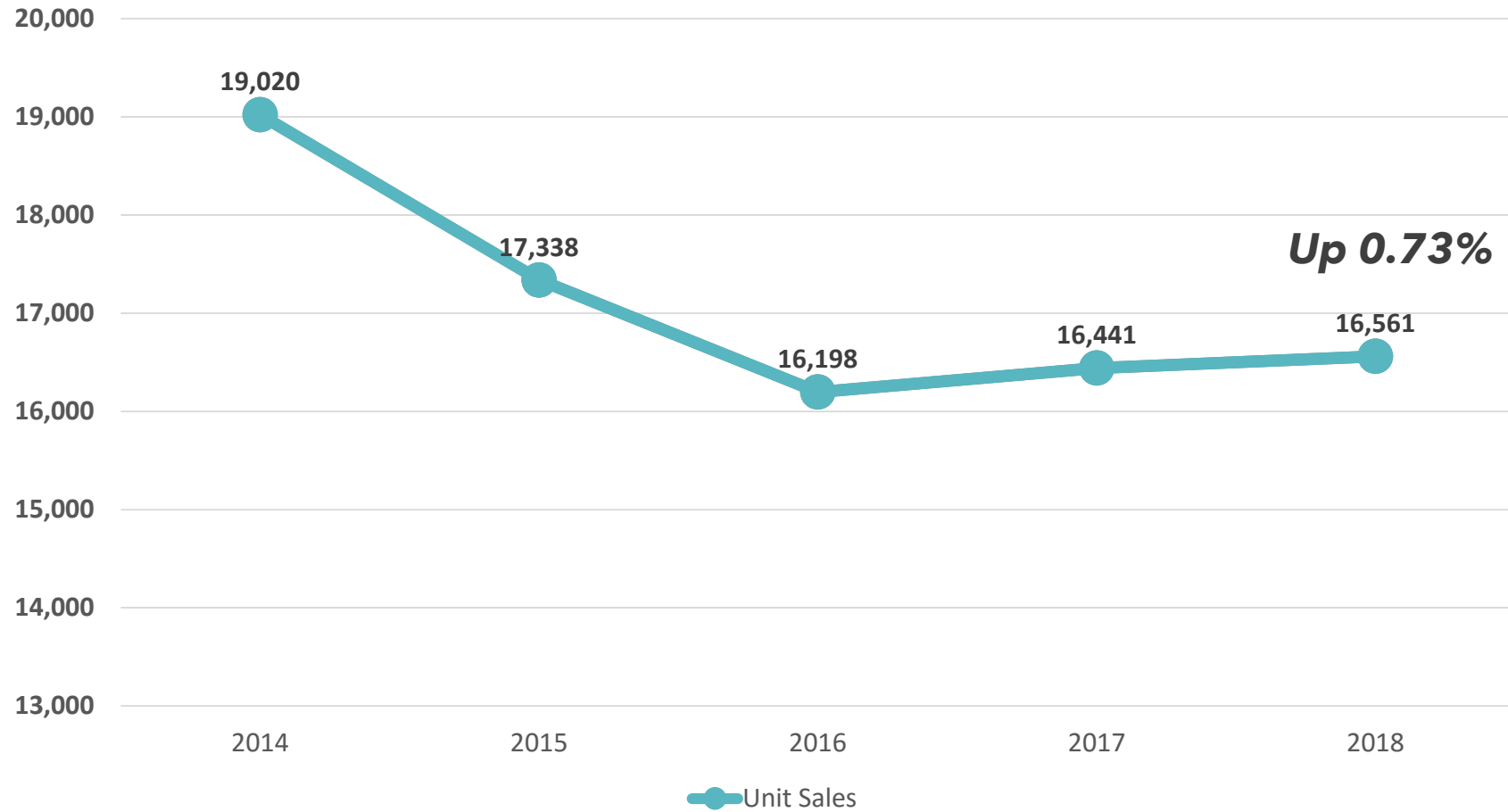
Condo Sales



Duplex/Rowhouse Sales

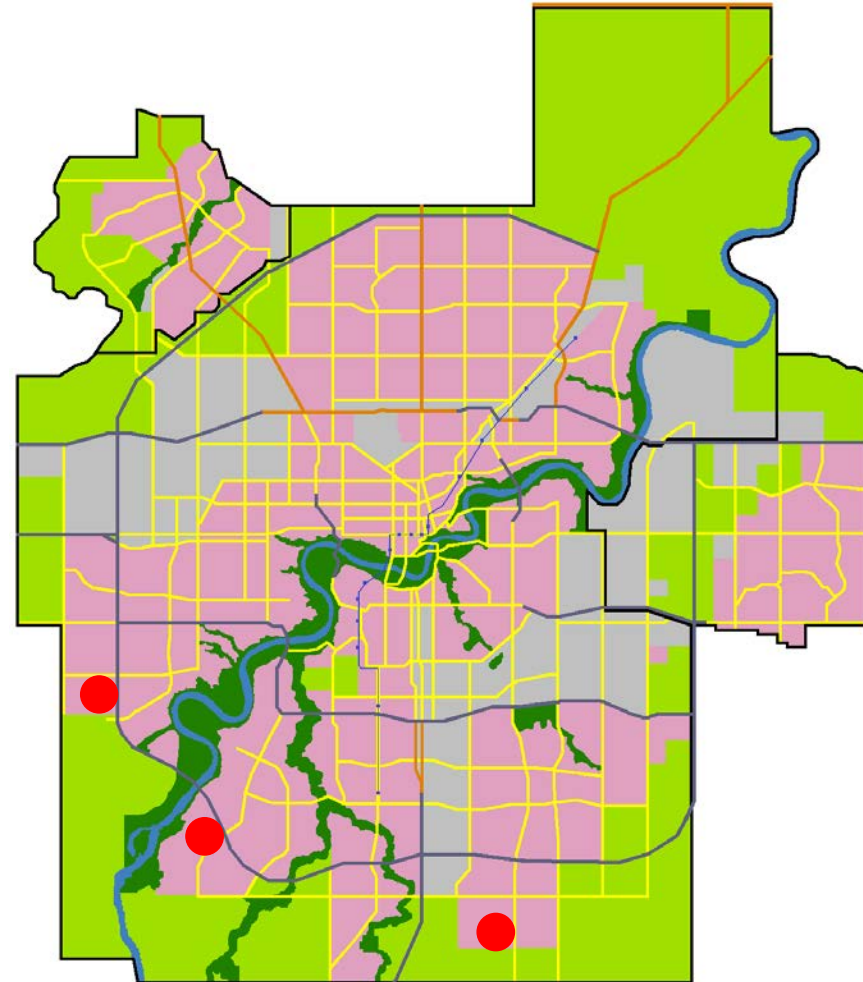


All Residential Sales



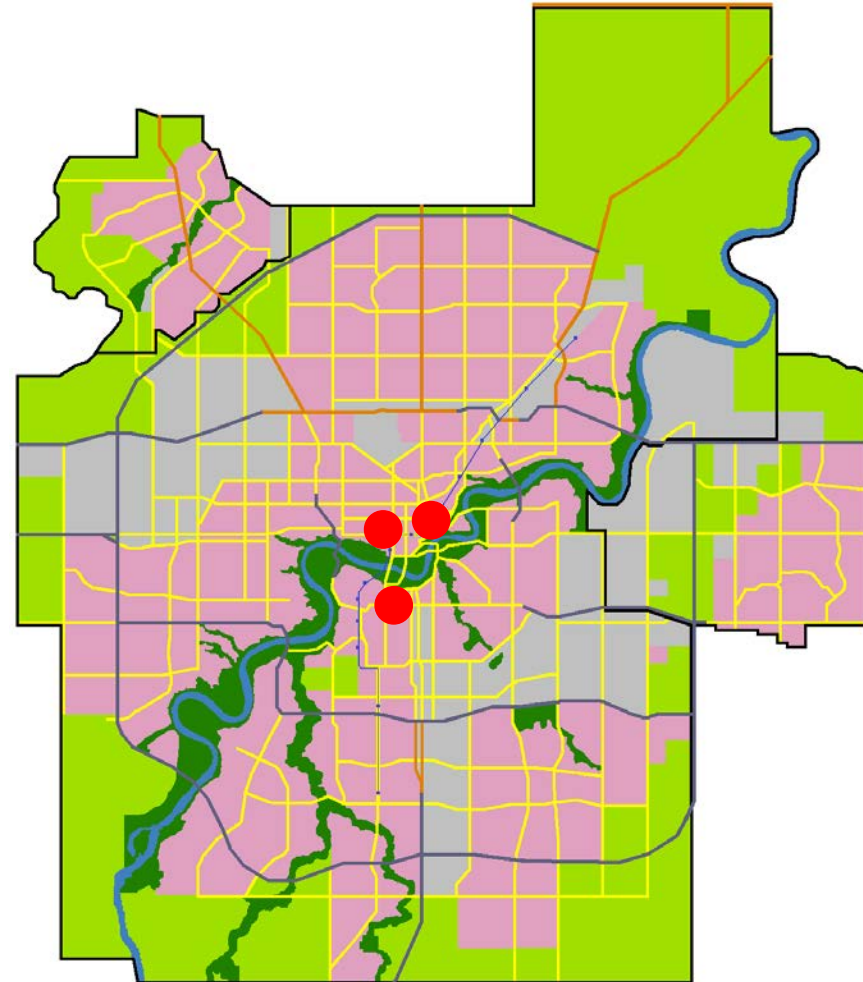
Sales Hot Spots - Single Family

1. Summerside: 149
2. Windermere: 128
3. Westpark (Fort Sask.): 107
4. Chappelle Area: 105



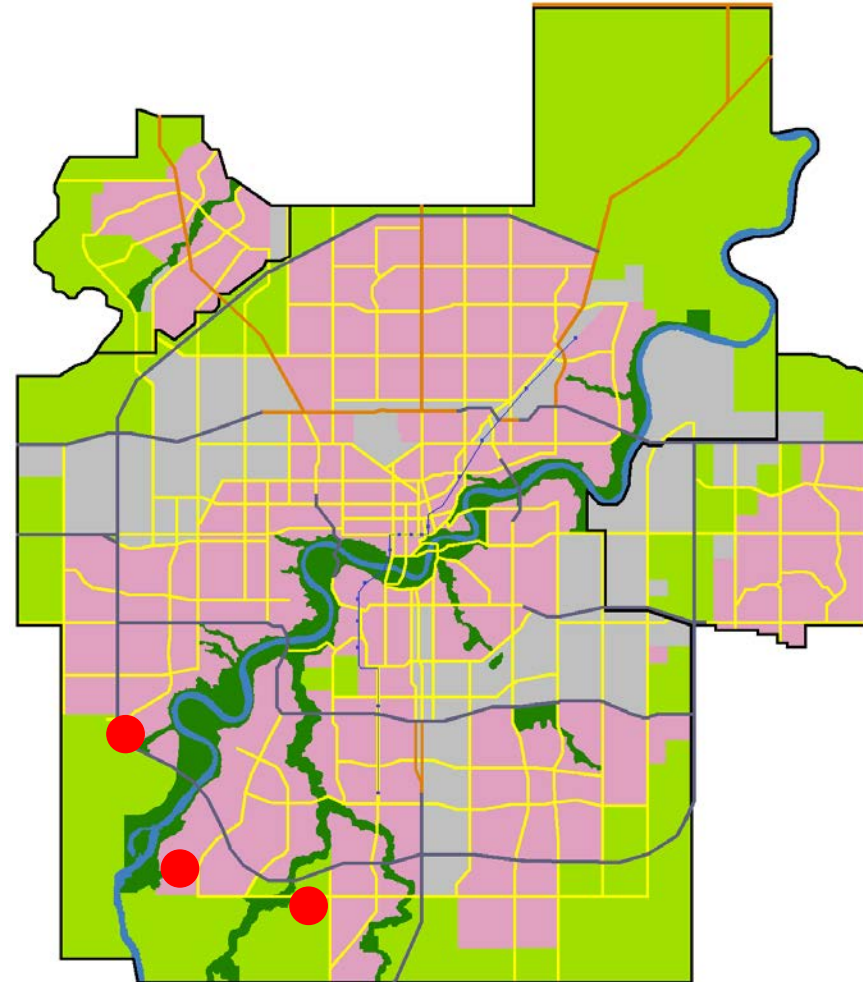
Sales Hot Spots - Condo

1. Oliver: 265
2. Downtown: 213
3. Garneau: 82
4. Rutherford 79



Sales Hot Spots – Duplex/Rowhouse

1. South Fort (Fort Saskatchewan): 103
2. Chappelle Area: 72
3. Windermere: 53
4. Laurel: 48

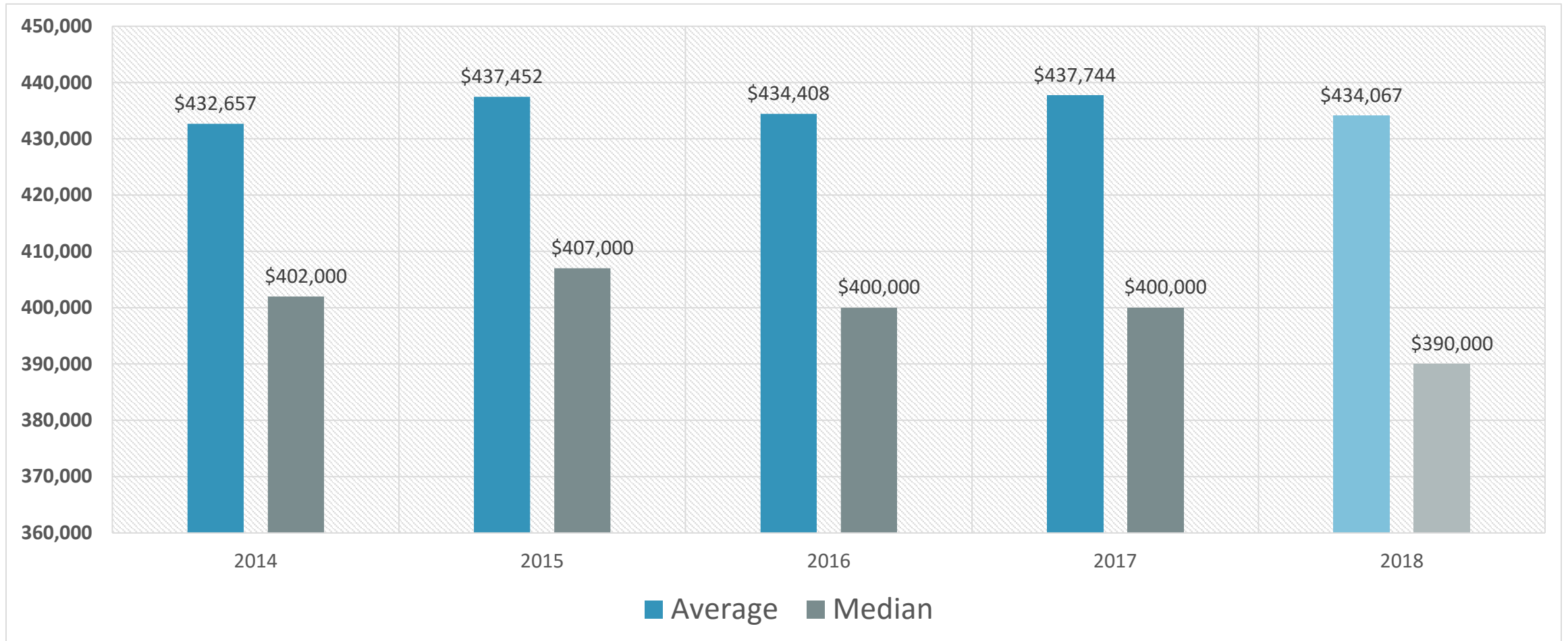


Prices

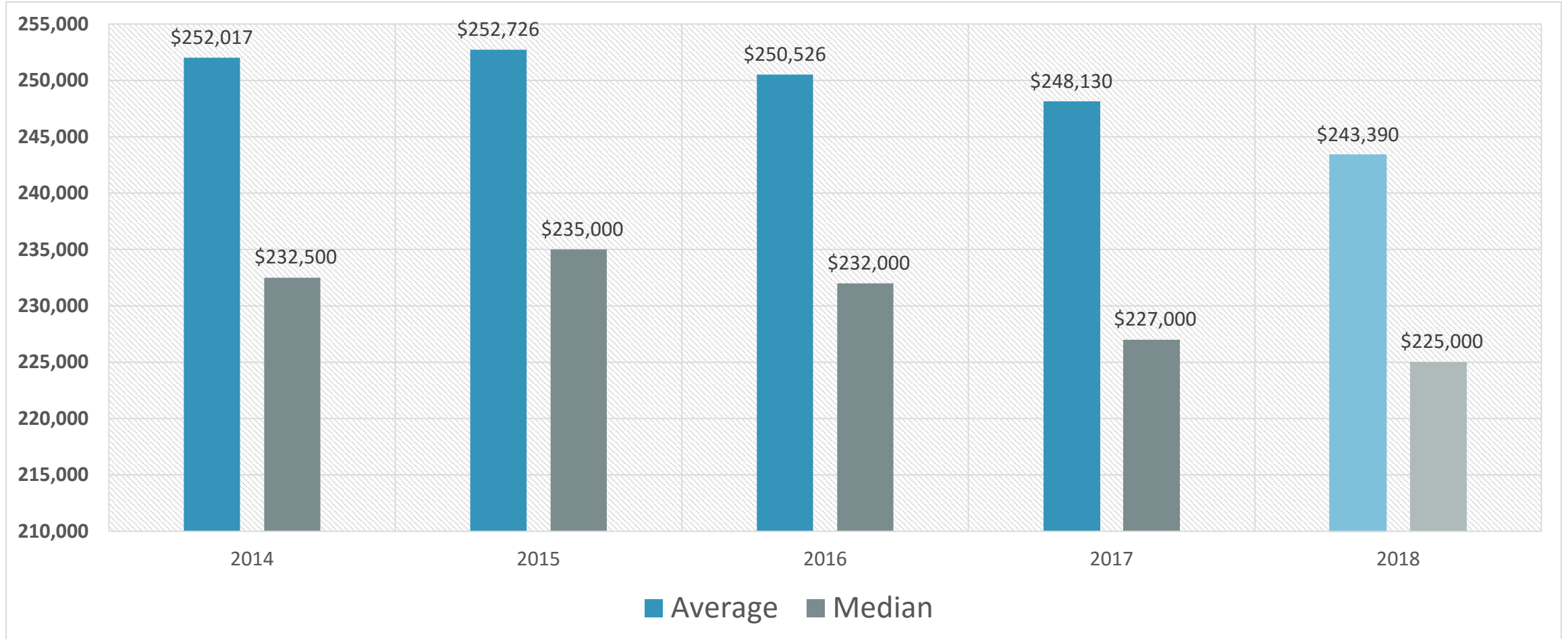
- High inventory and slowing unit sales
- Average prices still remain stable
- Higher priced homes continue to keep average up
- Median price also remained stable



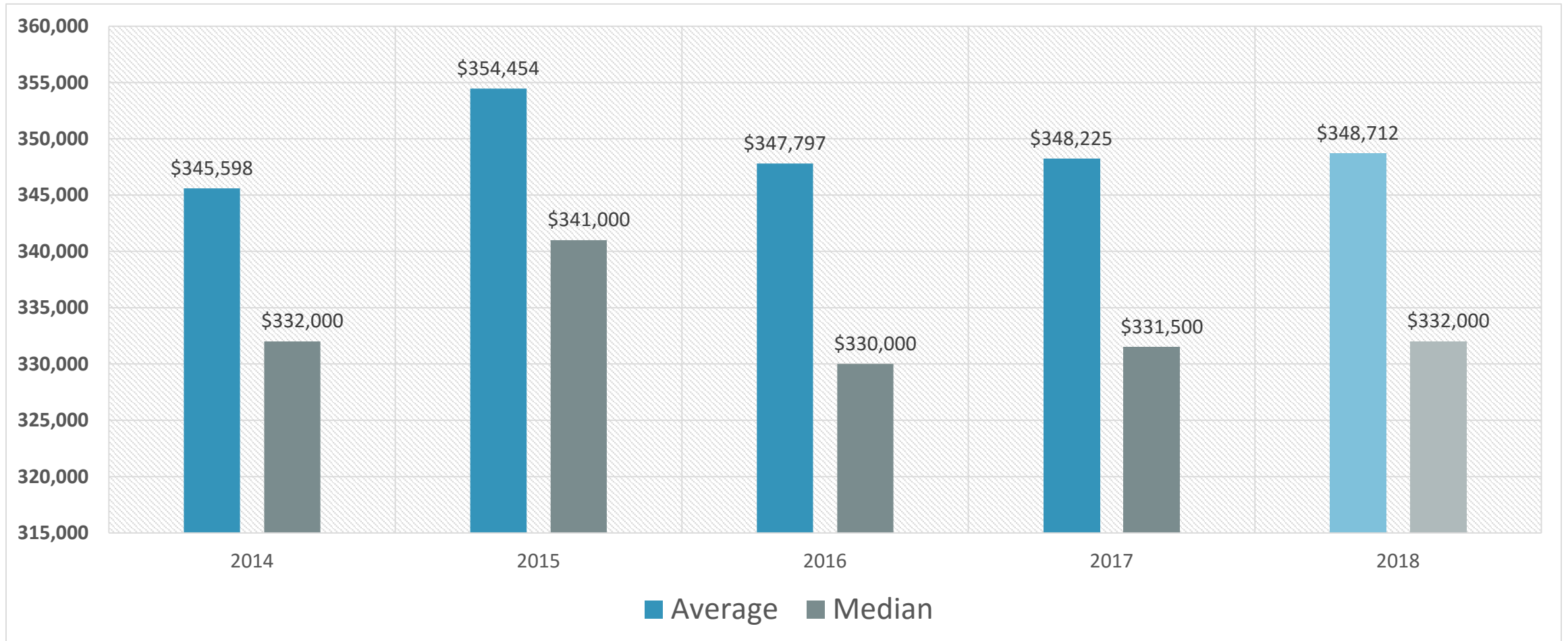
Single Family Prices



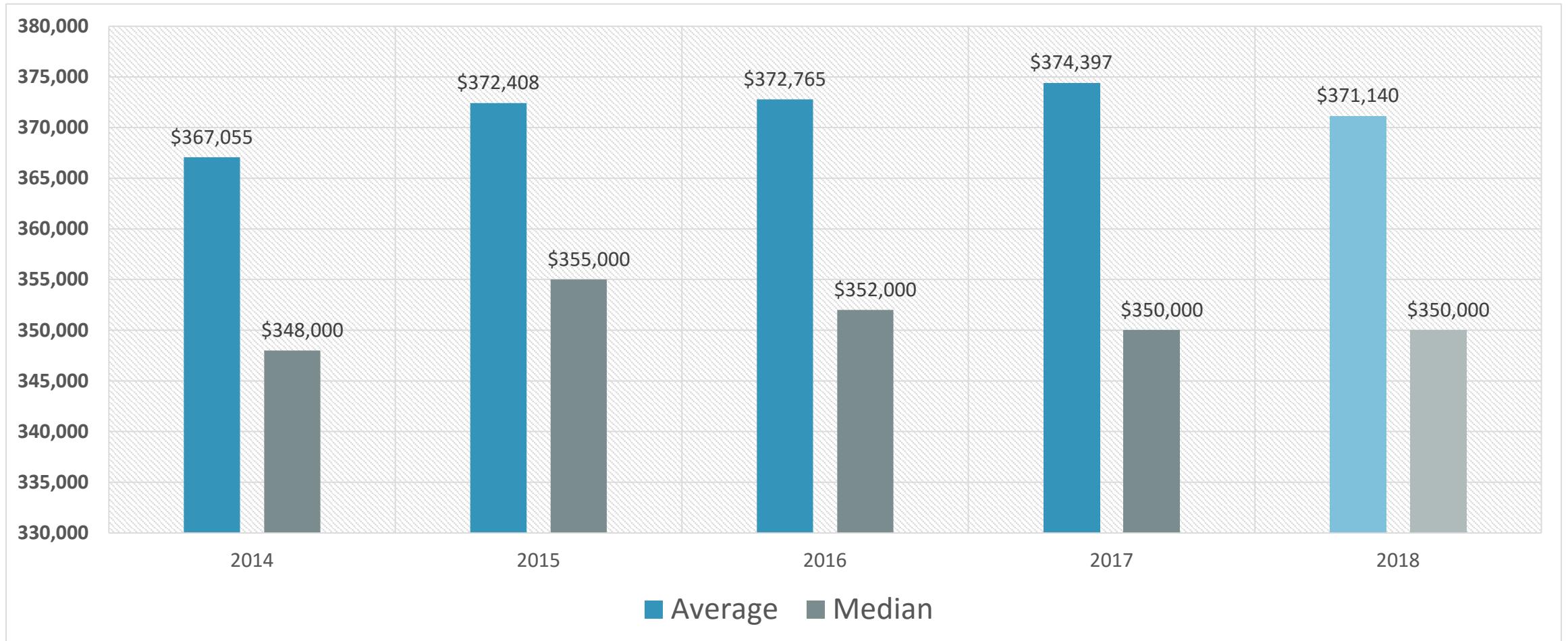
Condo Prices



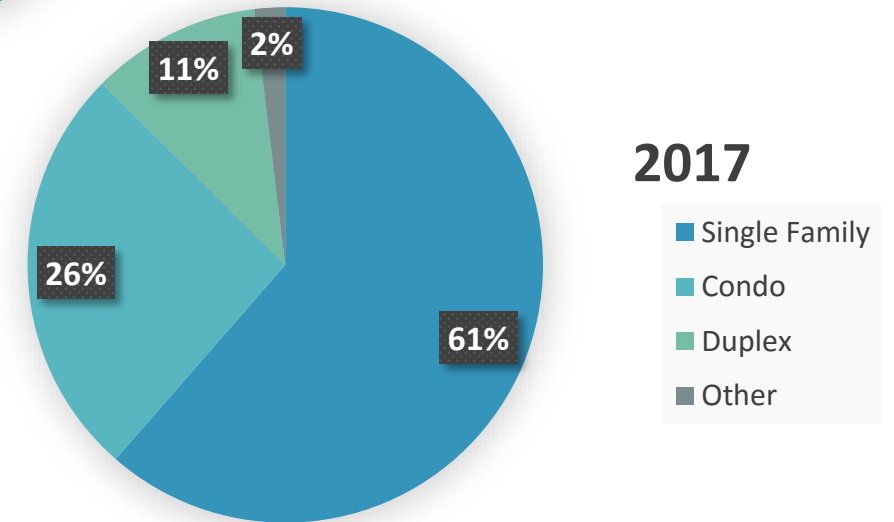
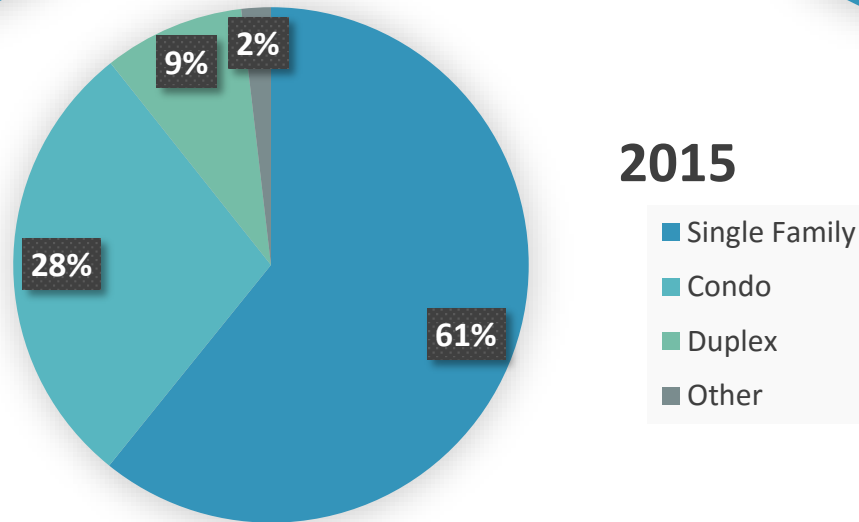
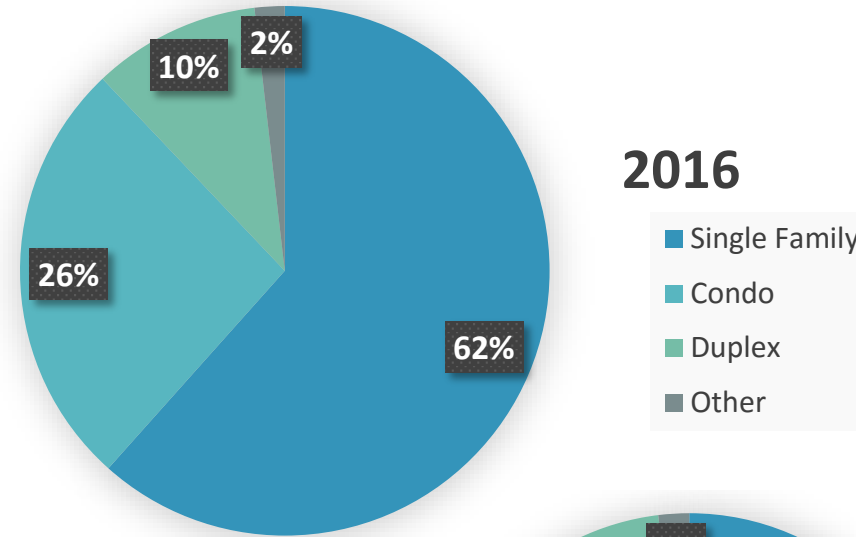
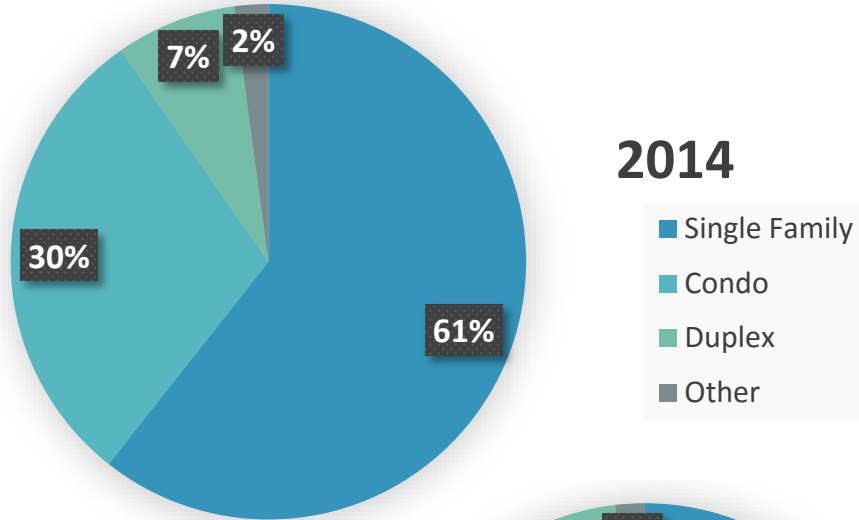
Duplex/Rowhouse Prices



All Residential Prices



Sales



Inventory

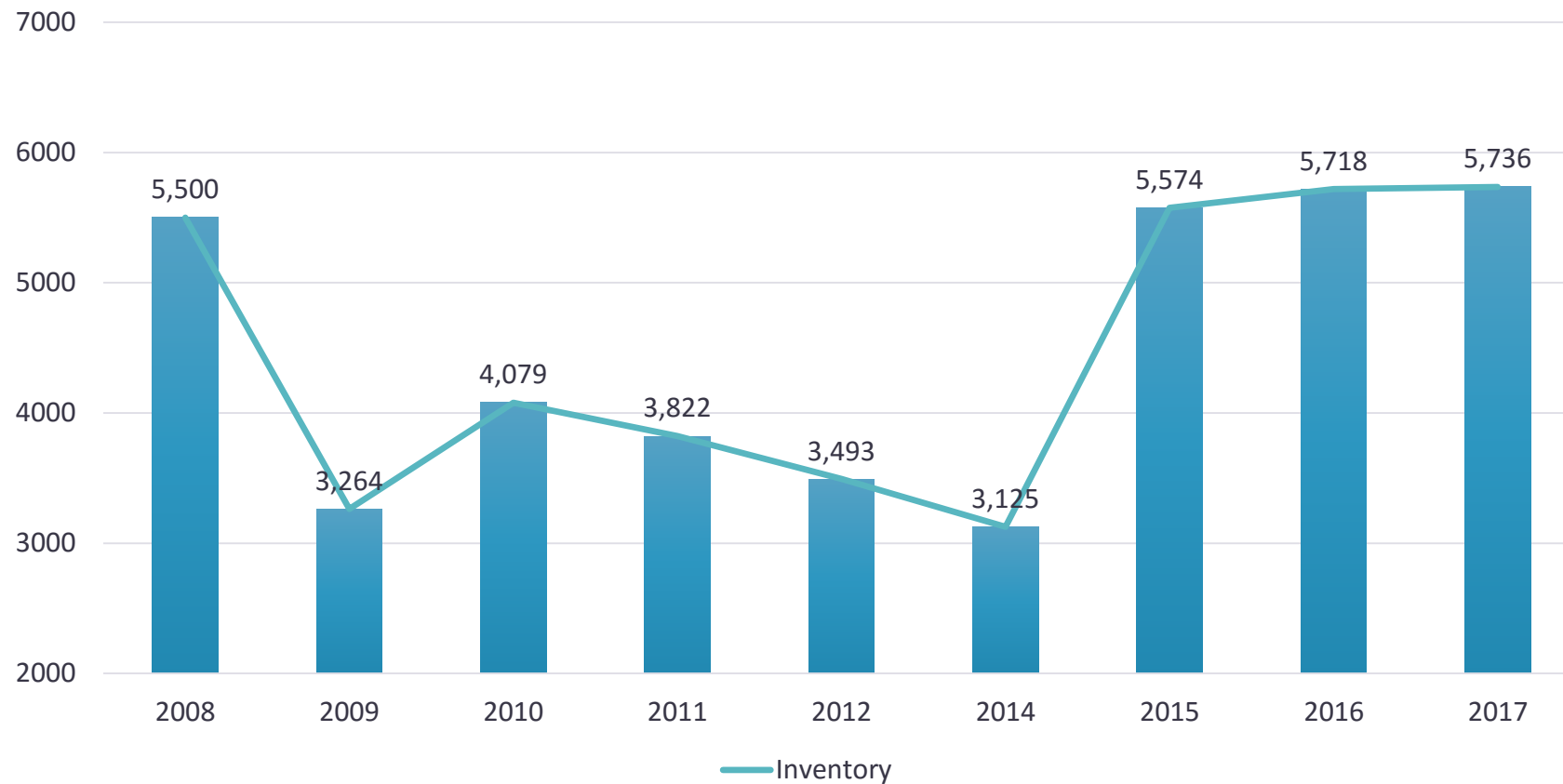
- 1.96% increase in inventory for single family homes next year
- 4.42% increase in condominiums
- 0.68% increase in duplex/rowhouses for 2018

Single Family Inventory vs. Sales

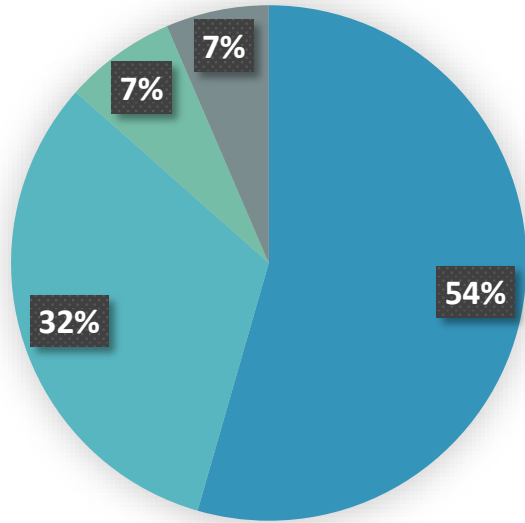
Price Range	%of inventory	% of sales
Under 200k	1.8%	1.4%
200 - 300k	8.9%	11.3%
300 - 400k	27.6%	37.1%
400 - 500k	26.4%	27.6%
500 - 600k	16.2%	11.5%
600 - 700k	6.4%	5.0%
700 - 800k	4.3%	2.6%
800 – 900k	2.5%	1.3%
900 -1 million	1.2%	0.7%
1 million +	4.7%	1.5%

Edmonton CMA

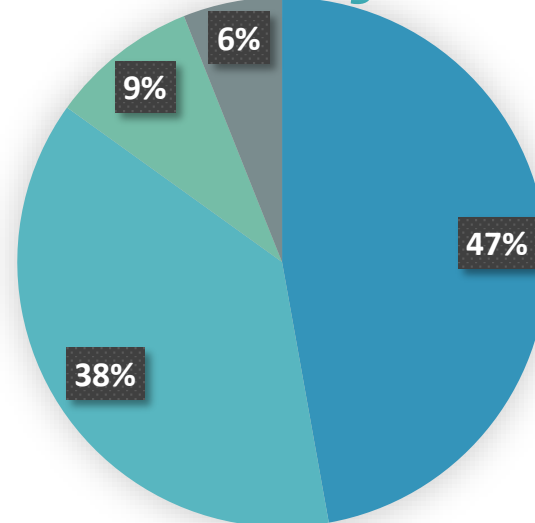
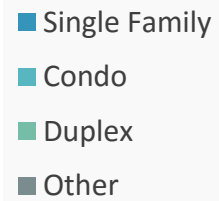
Month End Active Inventory



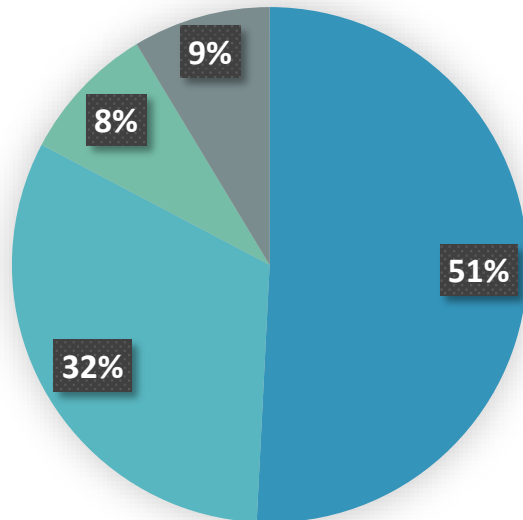
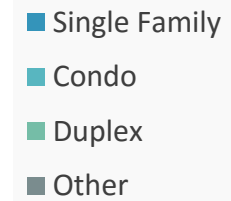
Inventory



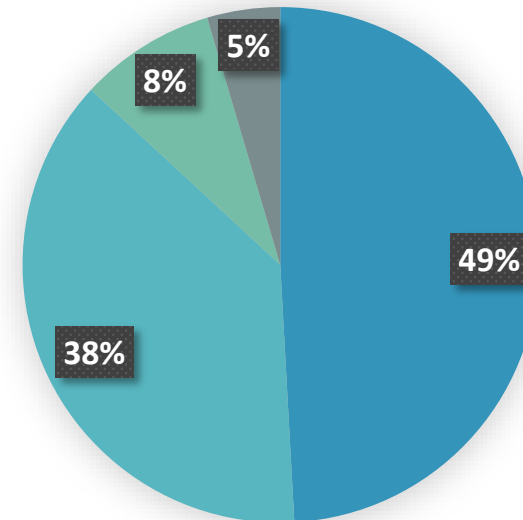
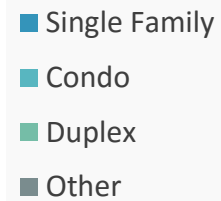
2014



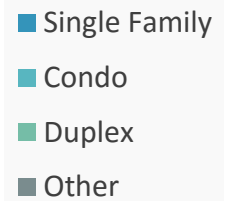
2016



2015

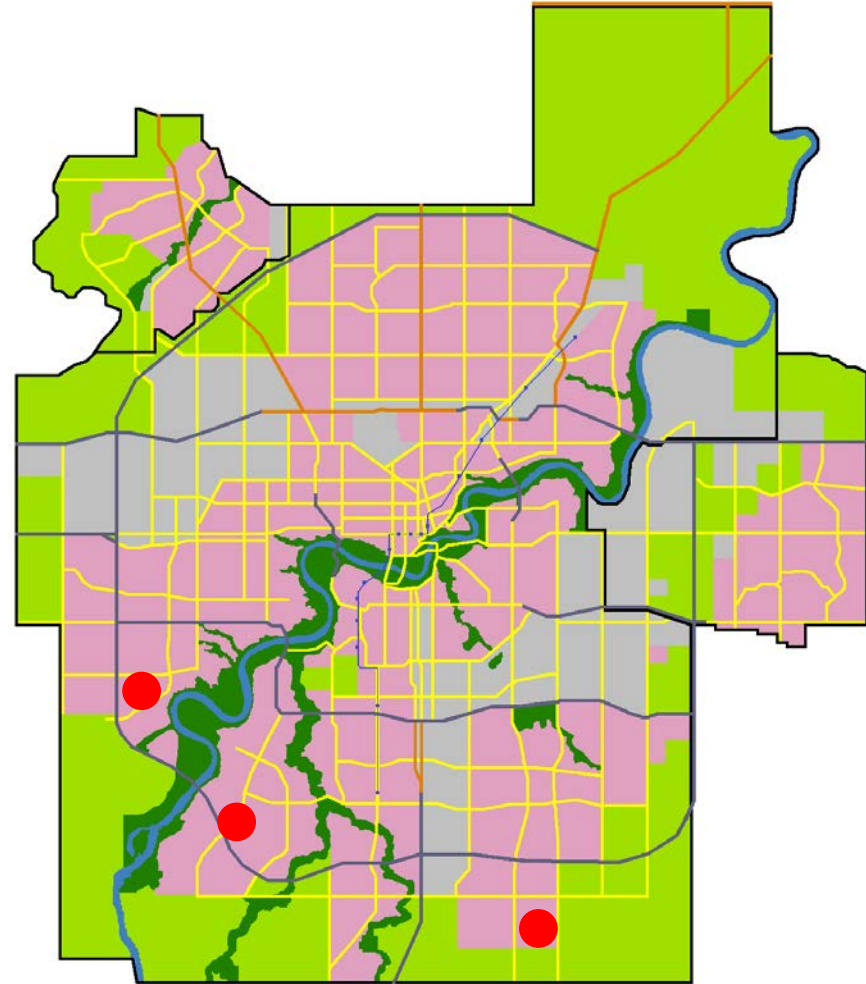


2017



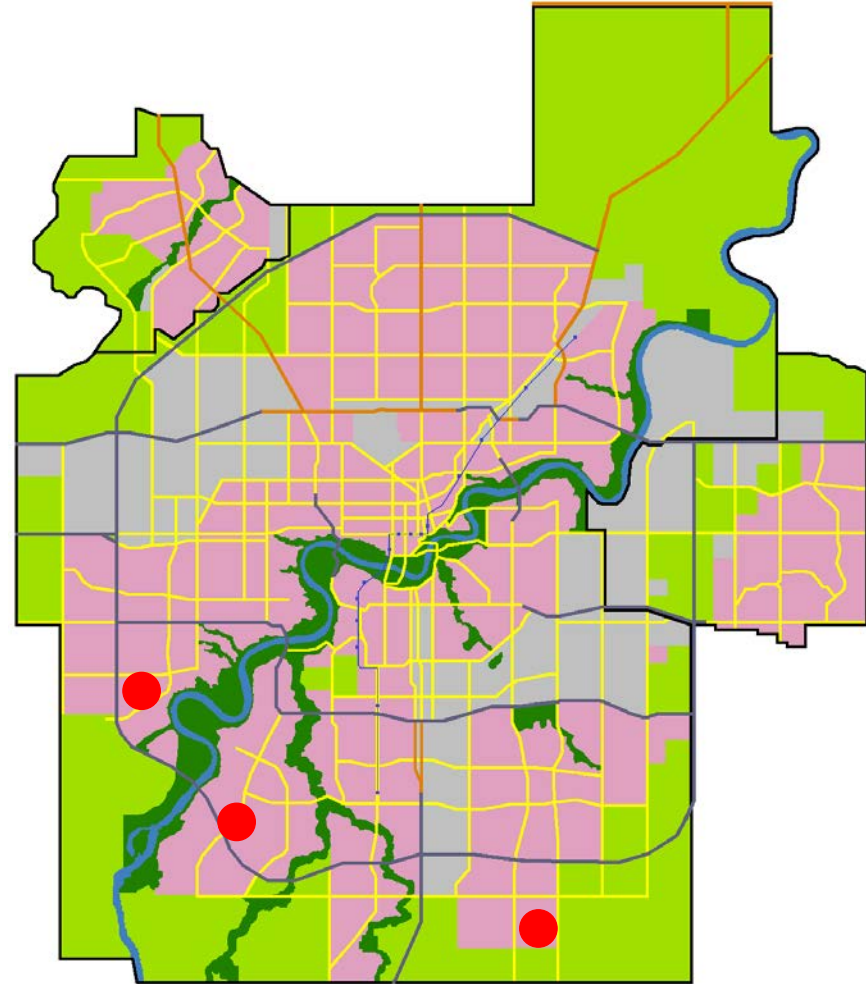
New Listings - Single Family

1. Windermere: 298
2. Summerside: 272
3. Chappelle: 197



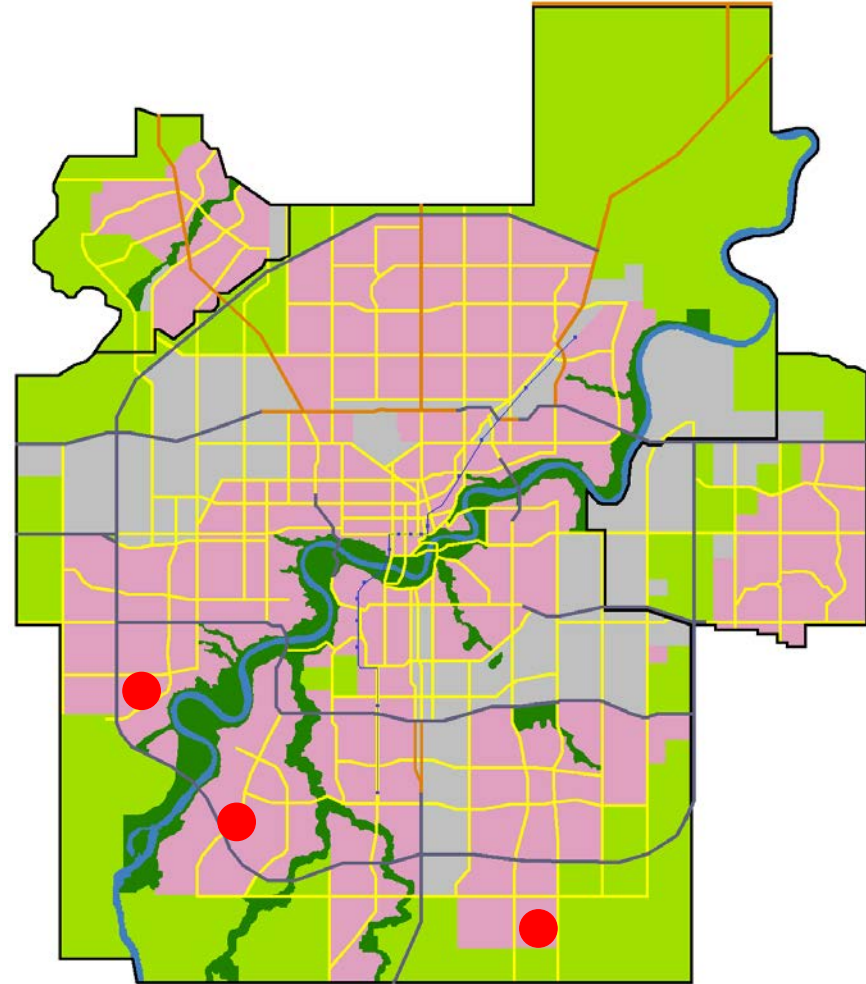
New Listings - Condo

1. Oliver: 657
2. Downtown: 556
3. Strathcona: 223

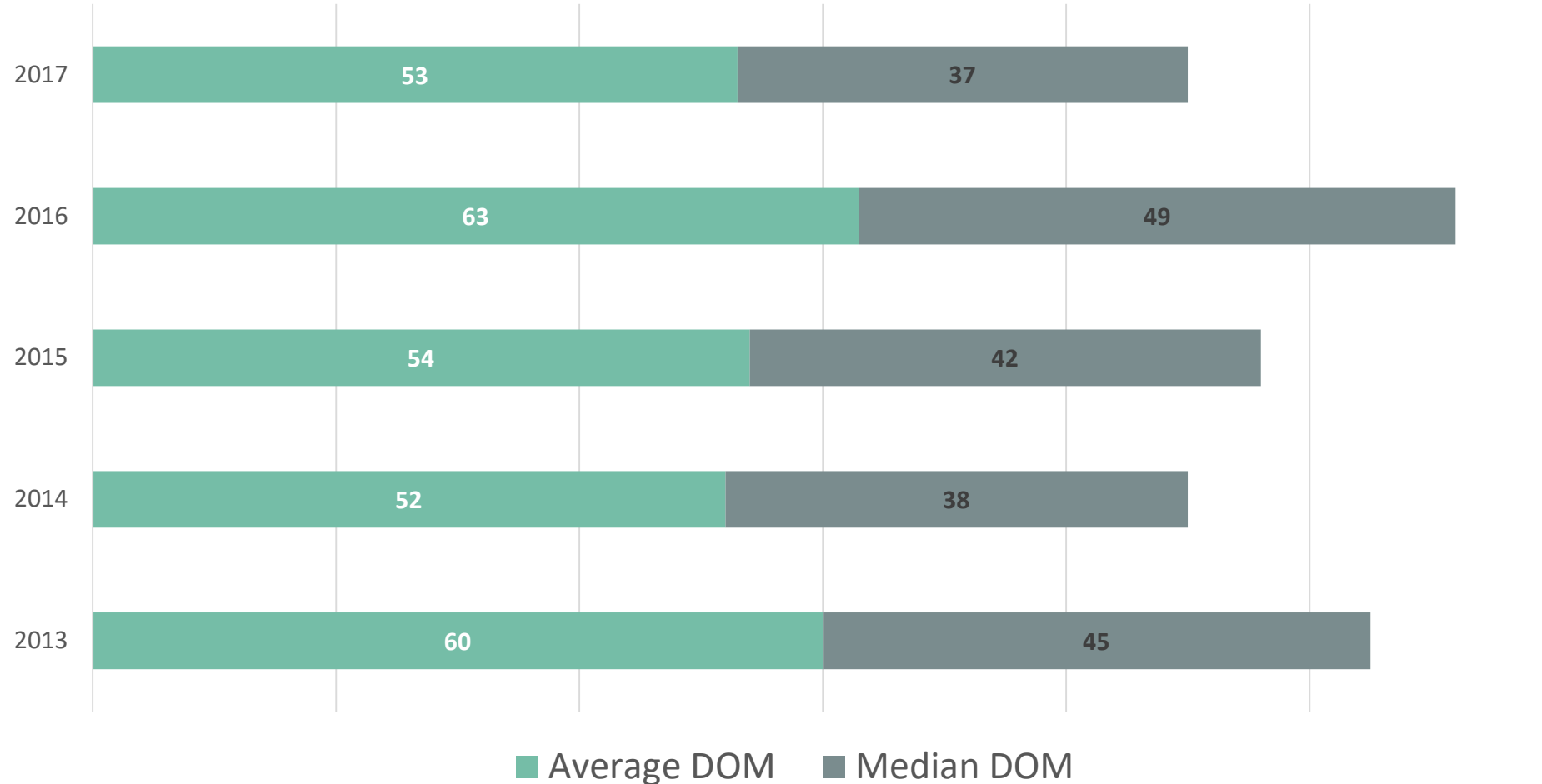


New Listings – Duplex/Rowhouse

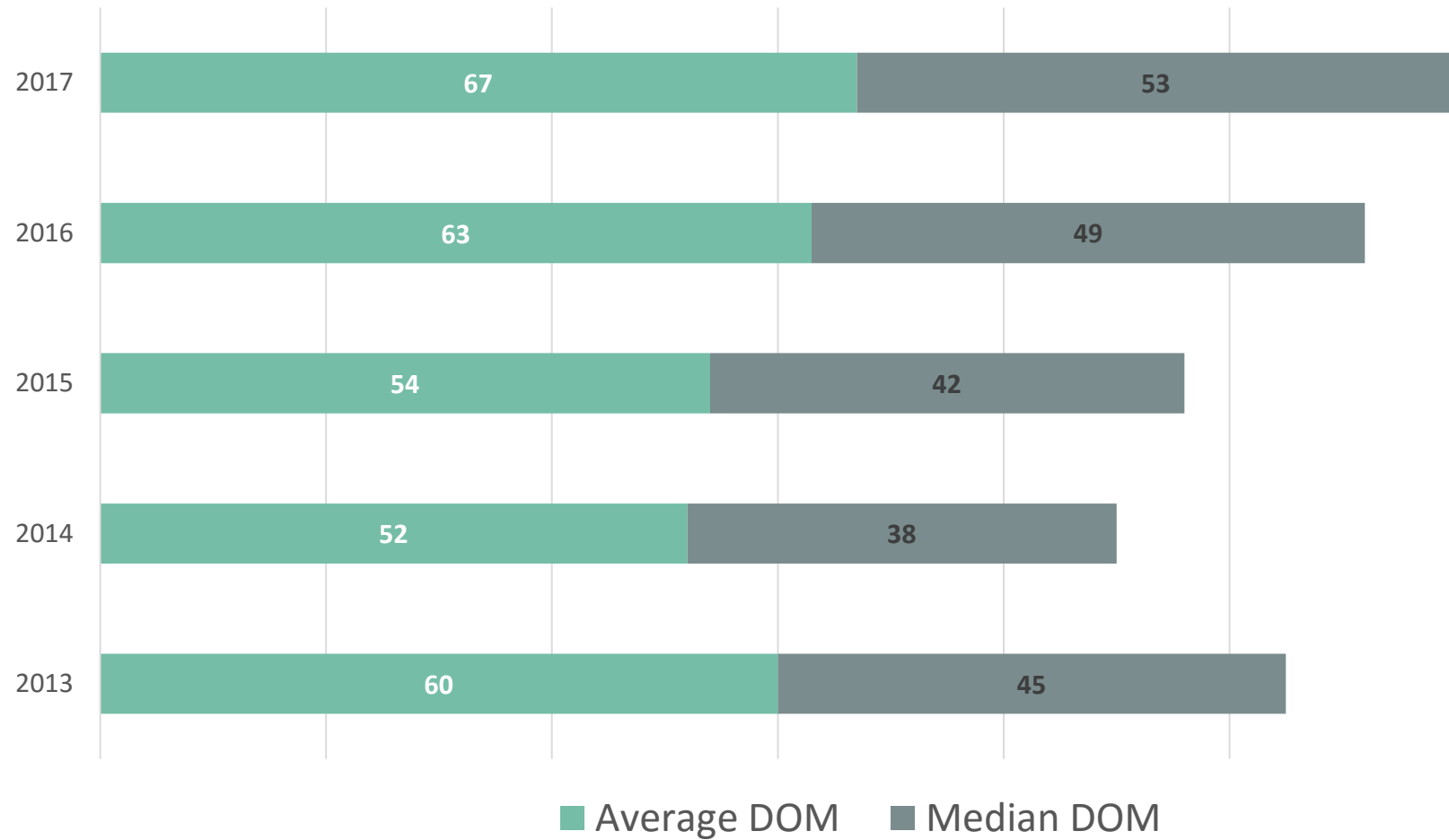
1. South Fort: 142
2. Chappelle Area: 128
3. Windermere: 98



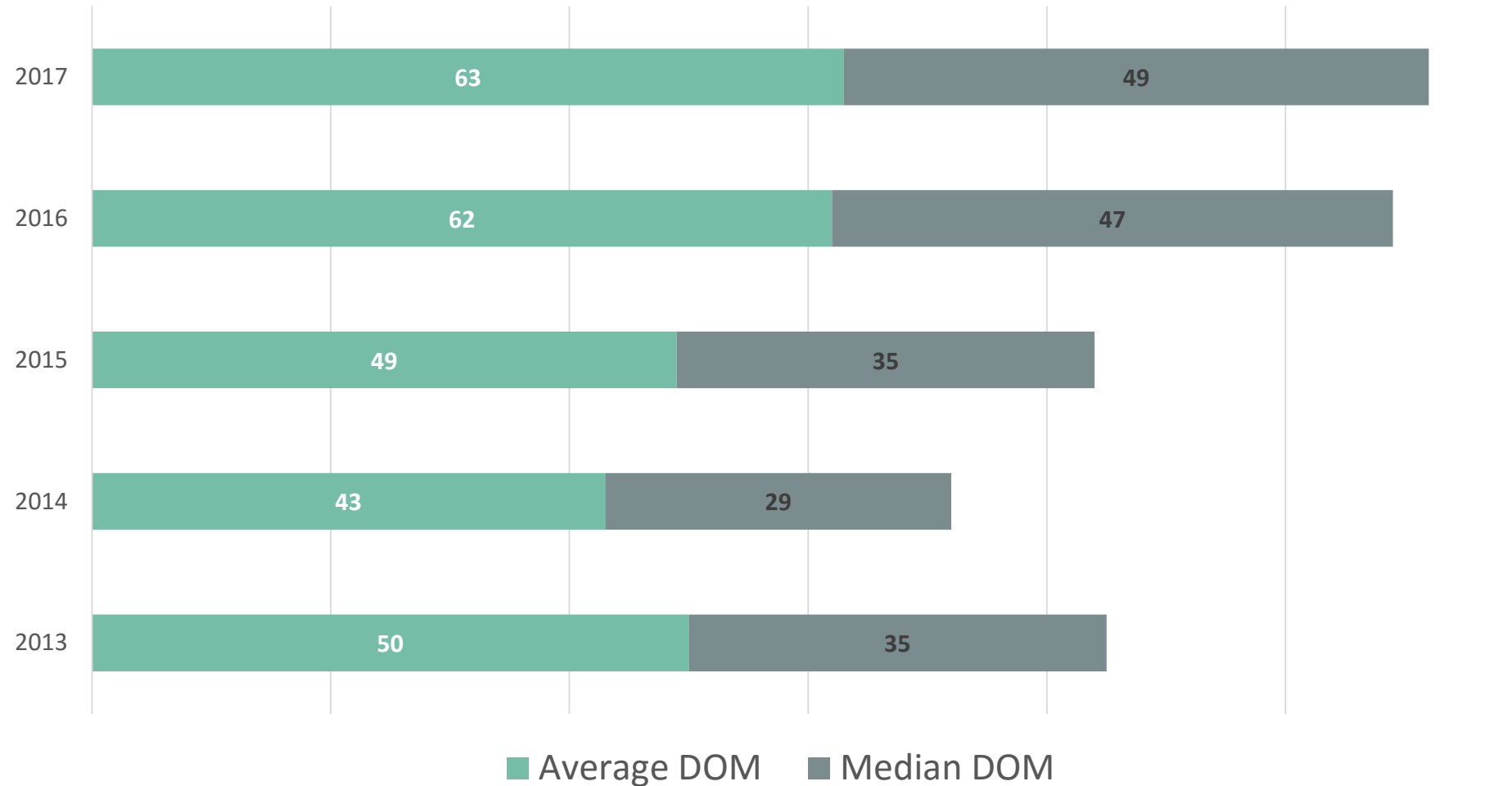
Days on Market - Single Family



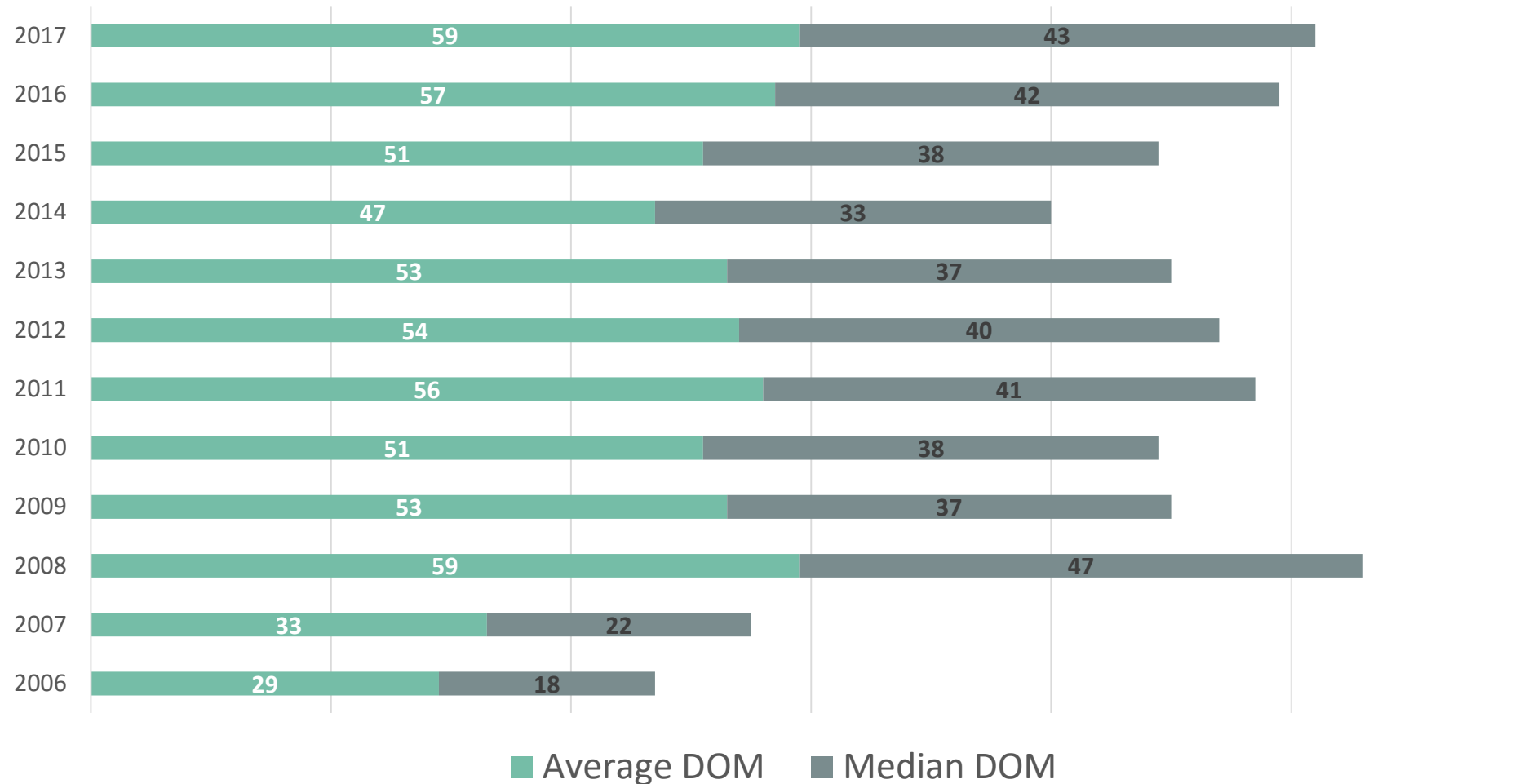
Days on Market - Condo



Days on Market - Duplex/Rowhouse

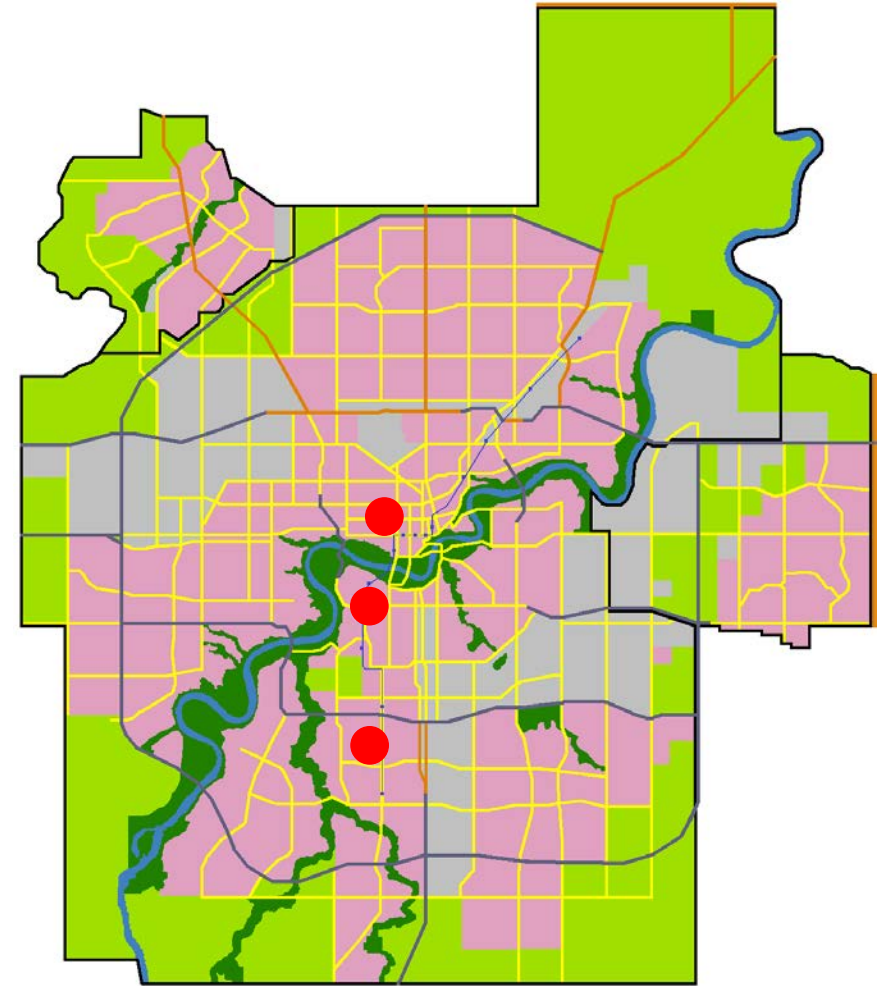


Days on Market - All Residential



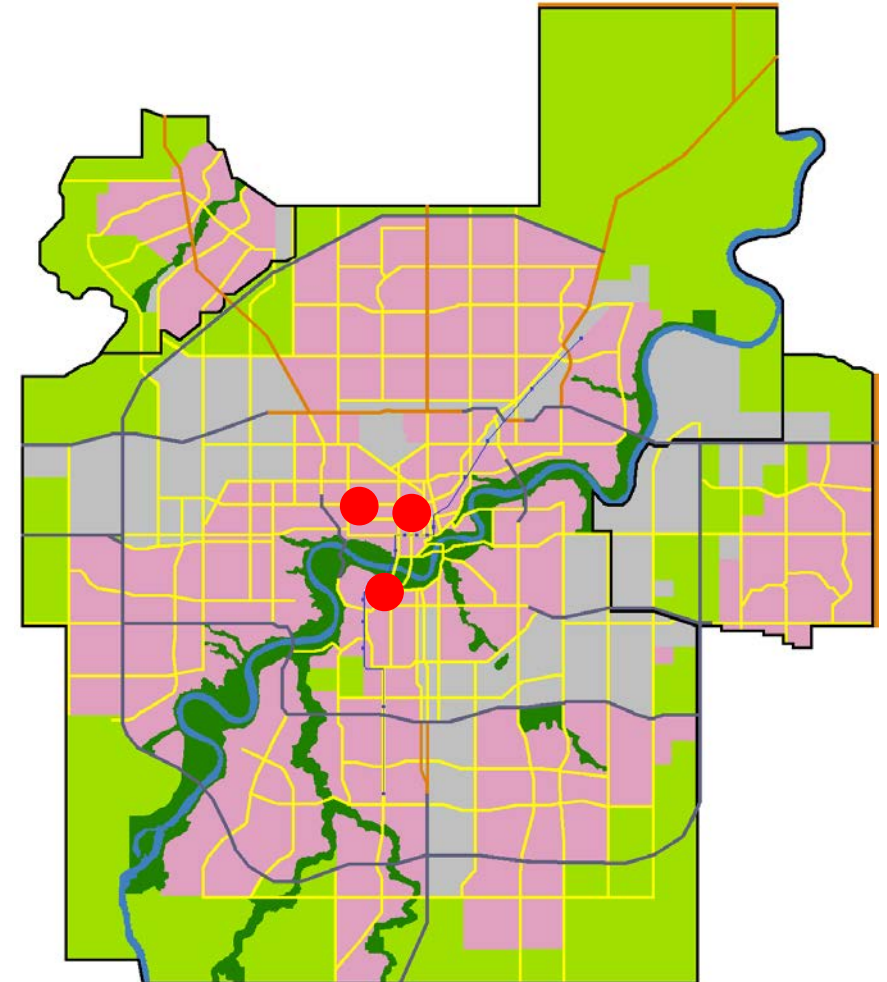
Single Family DOM Hotspots

Community	# of Sales	Average DOM
Greenfield	53	30
McKernan	50	32
Westmount	67	33
Akinsdale (SA)	56	35
Deer Ridge (SA)	89	38



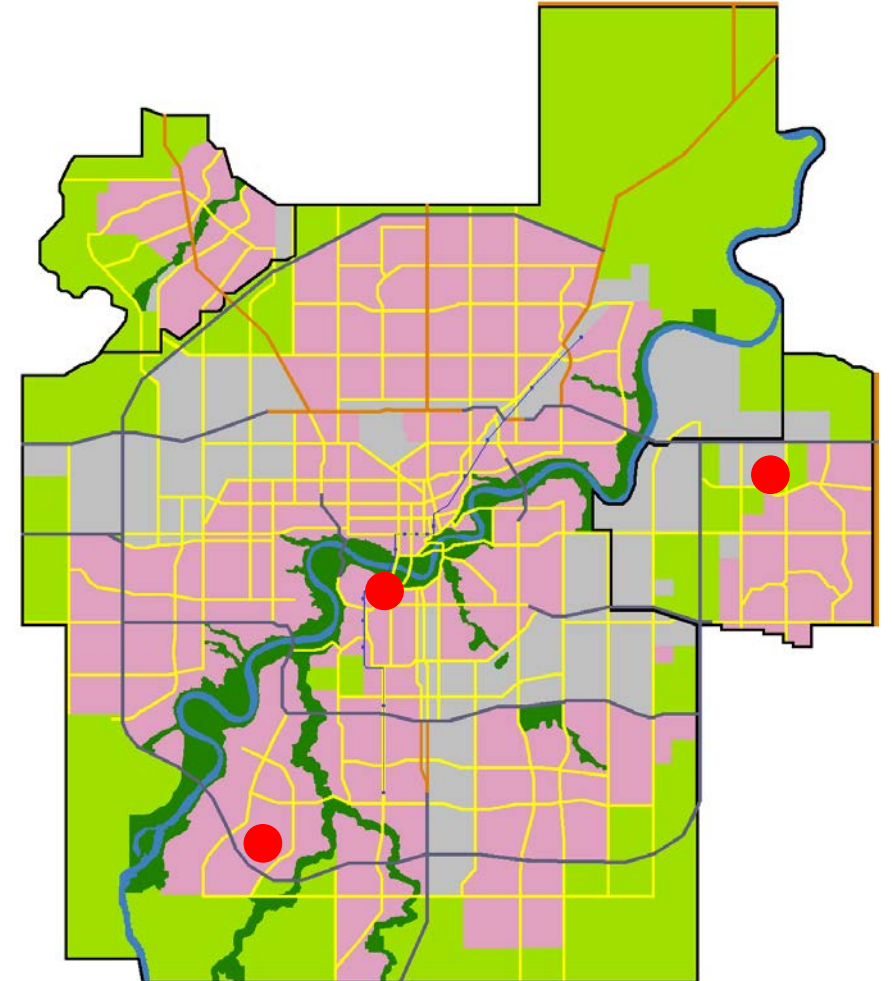
Condo DOM Hotspots

Community	# of Sales	Average DOM
Rundle Heights	32	48
Garneau	82	51
Westmount	57	56
Oliver	265	57
Downtown	213	59



Duplex/Rowhouse DOM Hotspots

Community	# of Sales	Average DOM
Ambleside	19	36
South Terwillegar	19	40
Glenridding Area	20	46
Windermere Area	53	50
Hamptons	45	51



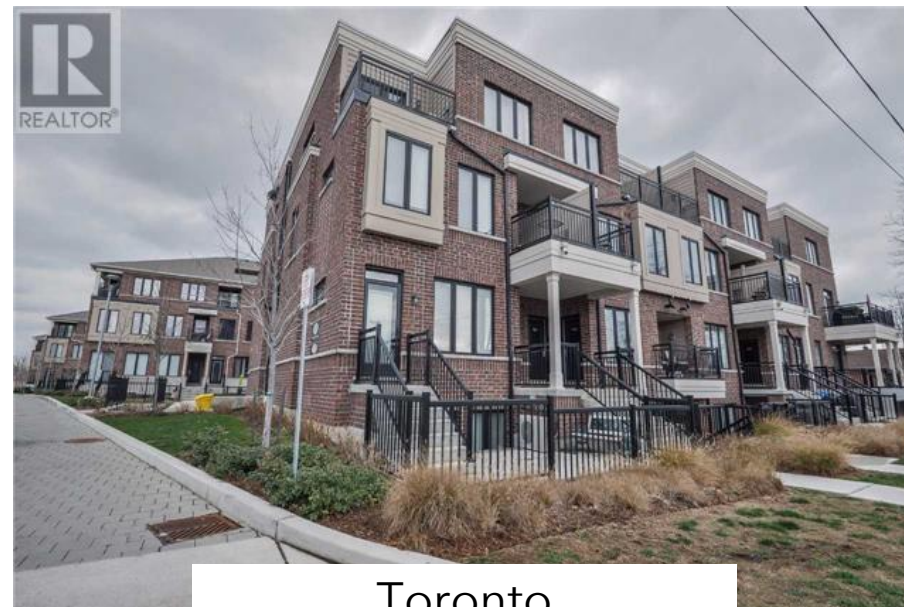
Average All Residential Prices Across Canada

	Canada	\$ 511,011
1	Greater Vancouver	\$ 1,030,475
2	Greater Toronto	\$ 828,838
3	Hamilton-Burlington	\$ 568,853
4	Calgary	\$ 467,807
5	Ottawa	\$ 394,701
6	Edmonton CMA	\$ 374,397
7	Montreal CMA	\$ 369,113
8	Saskatoon	\$ 337,025
9	Regina	\$ 317,171
10	Winnipeg	\$ 296,205
11	Halifax - Dartmouth	\$ 295,542
12	Quebec CMA	\$ 264,325
13	Newfoundland	\$ 252,235
14	Saint John NB	\$ 174,810

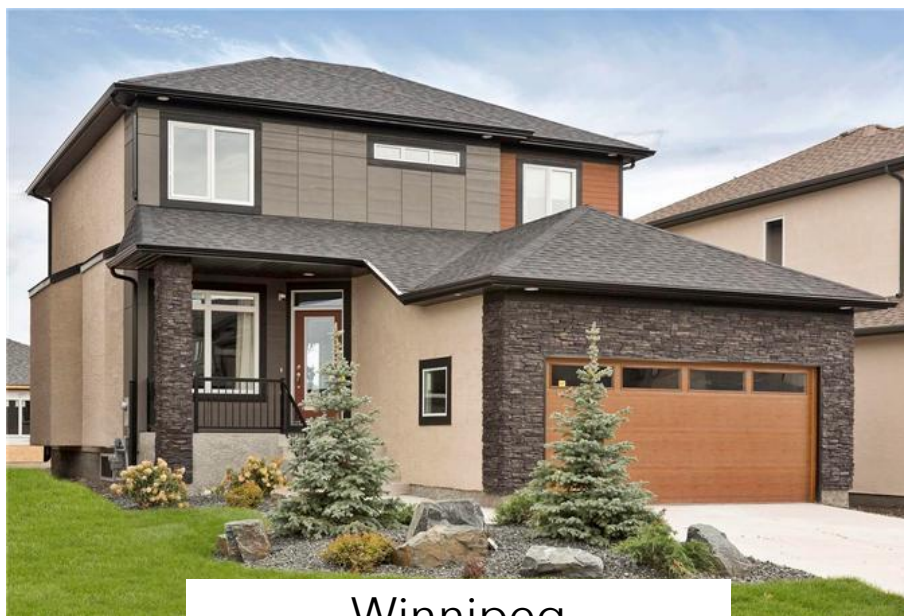




Prince Edward Island



Toronto

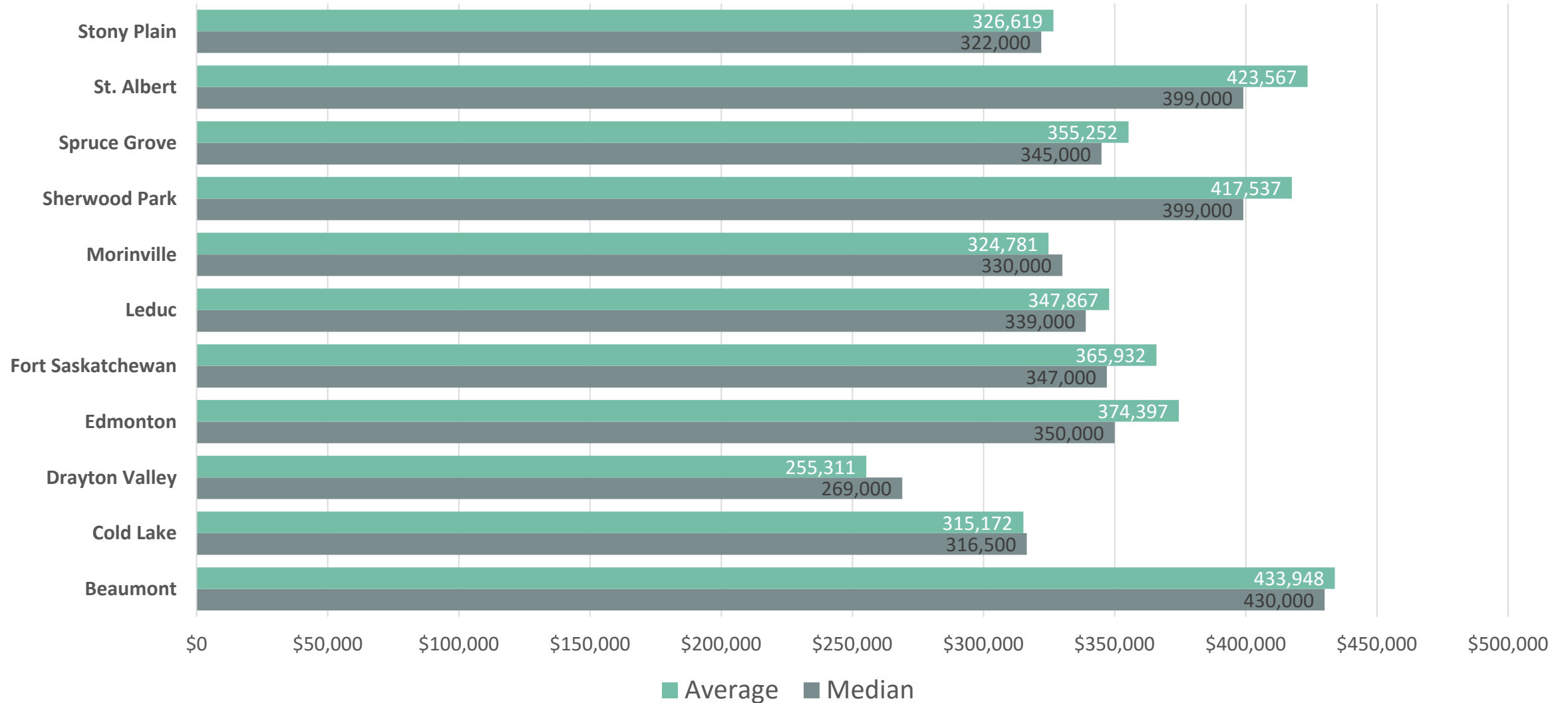


Winnipeg



Vancouver

Other Communities



Recreational Properties

	2017 YTD Total \$	Y/Y % Change	2017 YTD # sold	Y/Y % Change
Acreage with Home	\$510,964,262	3.3%	854	0.1%
Vacant Acreage and Recreational	\$59,004,680	8.6%	216	0.9%
Recreational with Home	\$5,050,512	-5.4%	13	18.2%
Total Rural	\$575,019,484	3.7%	1083	0.5%

Summary

Single Family:

- Unit Sales up 0.88%
- Average Price down 0.84%
- Inventory up 1.96%

Condo:

- Unit Sales down 2.42%
- Average Price down 1.91%
- Inventory up 4.42%

Duplex/Rowhouse:

- Unit Sales up 3.74%
- Average Price up 0.14%
- Inventory up 0.68%

Risks to the 2018 Forecast

- Mortgage rules
- Oil prices
- Employment/migration
- Consumer confidence
- Unforeseen





Edmonton Economic and Housing Outlook

Brent Weimer, Principal, Market Analysis

January 10, 2018

Canada





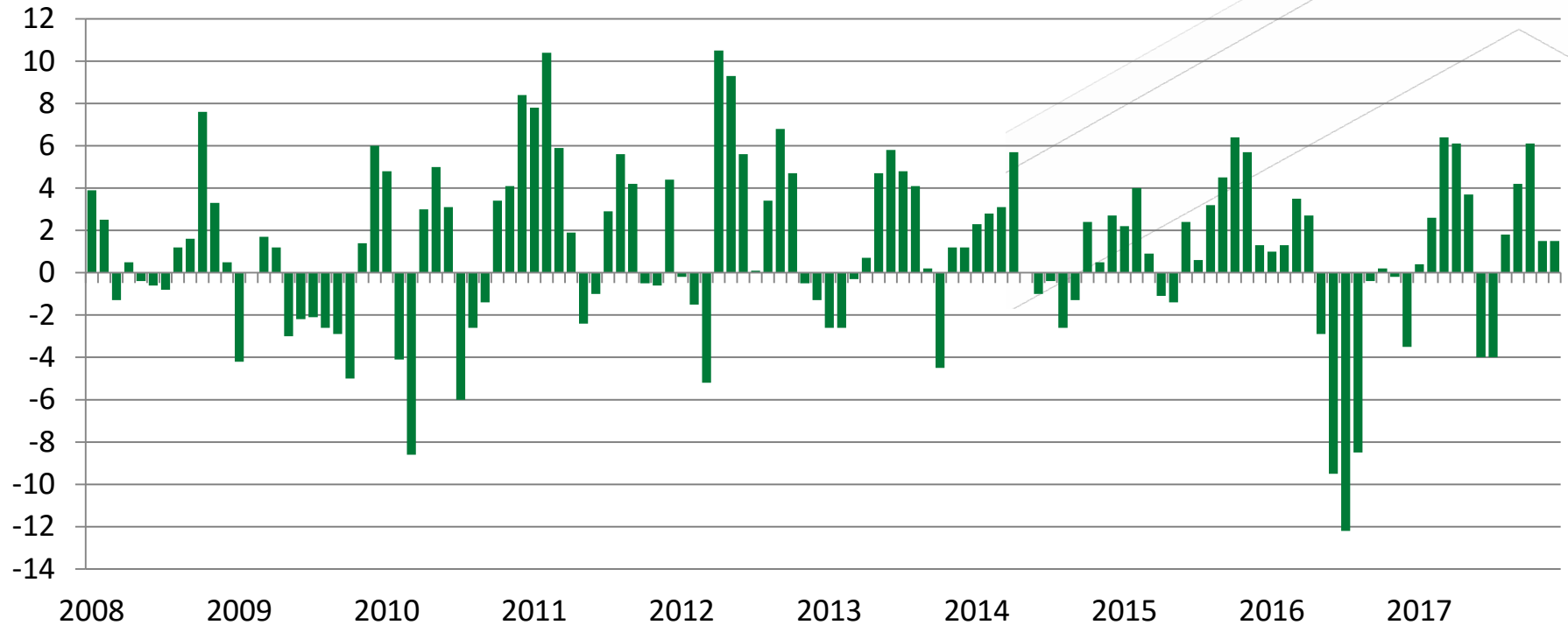
Economic Outlook



Edmonton CMA Employment

Steady job growth throughout most of 2017

mo/mo seasonally adjusted employment growth (000s)



Source: Statistics Canada

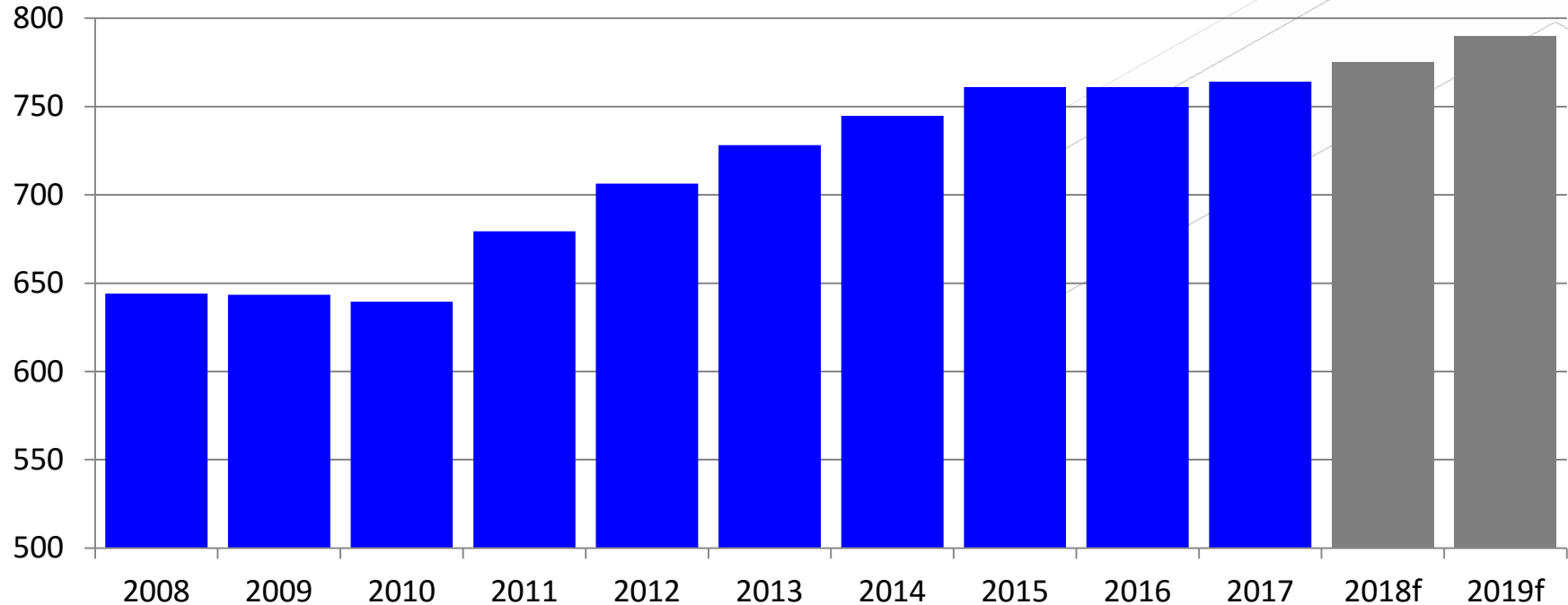
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Edmonton CMA Employment

Employment to move higher in 2018 and 2019

employment (000s)



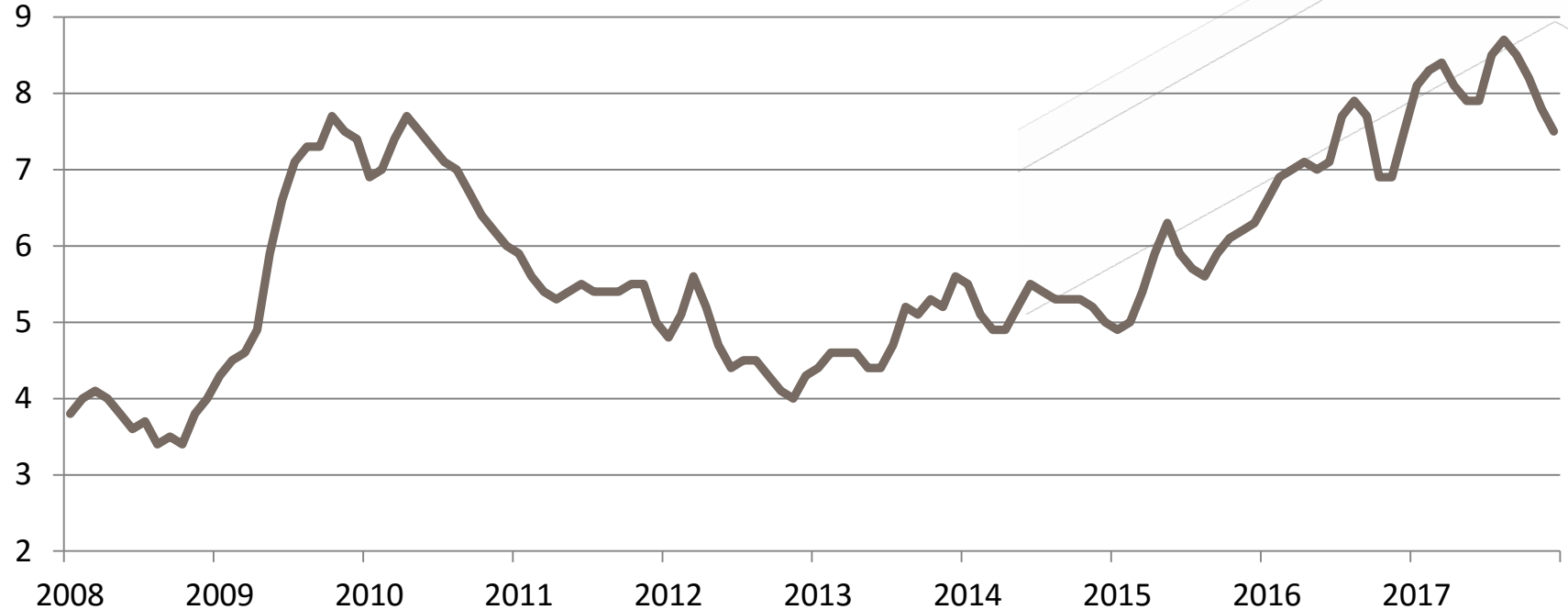
Source: Statistics Canada, CMHC Forecast (f)



Edmonton CMA Unemployment Rate

Unemployment rate moves lower

seasonally adjusted unemployment rate (%)

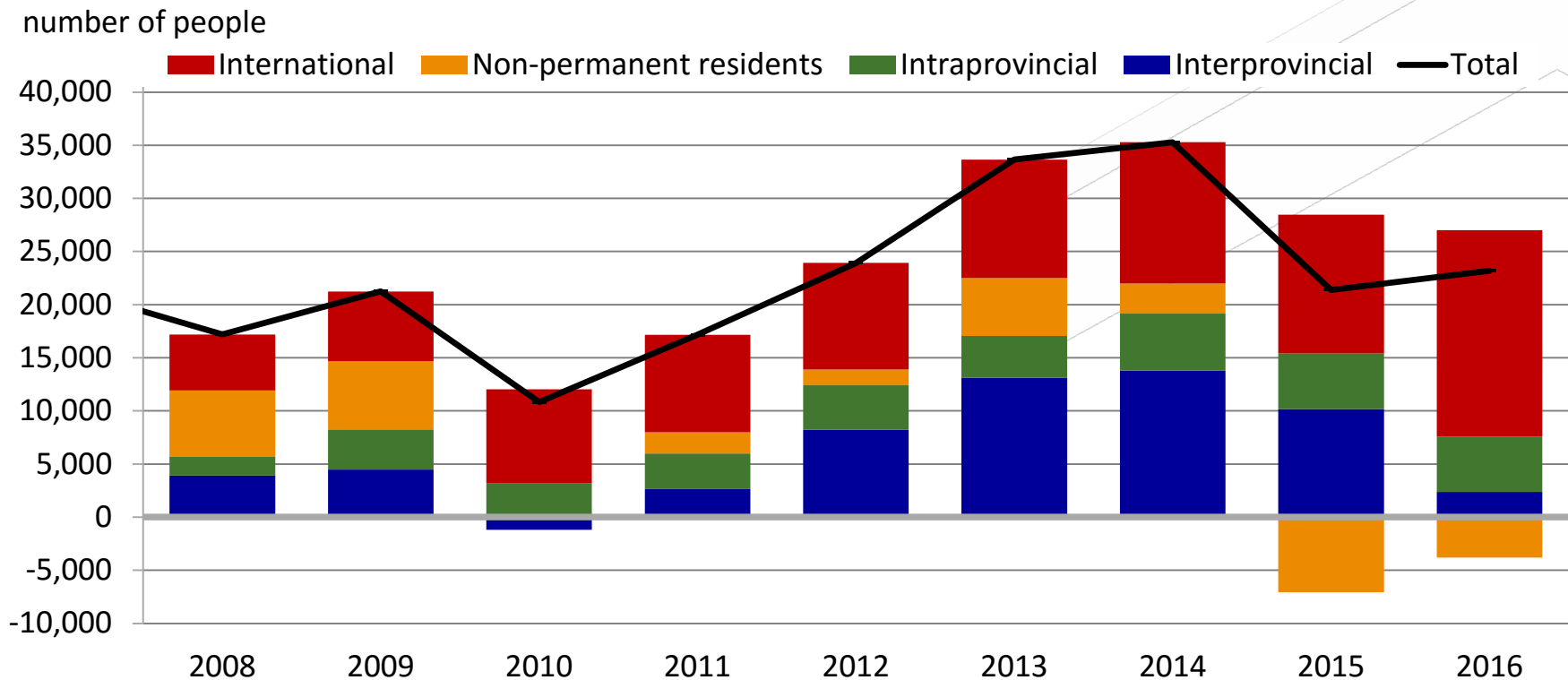


Source: Statistics Canada



Edmonton CMA Net Migration

International migration surges in 2016



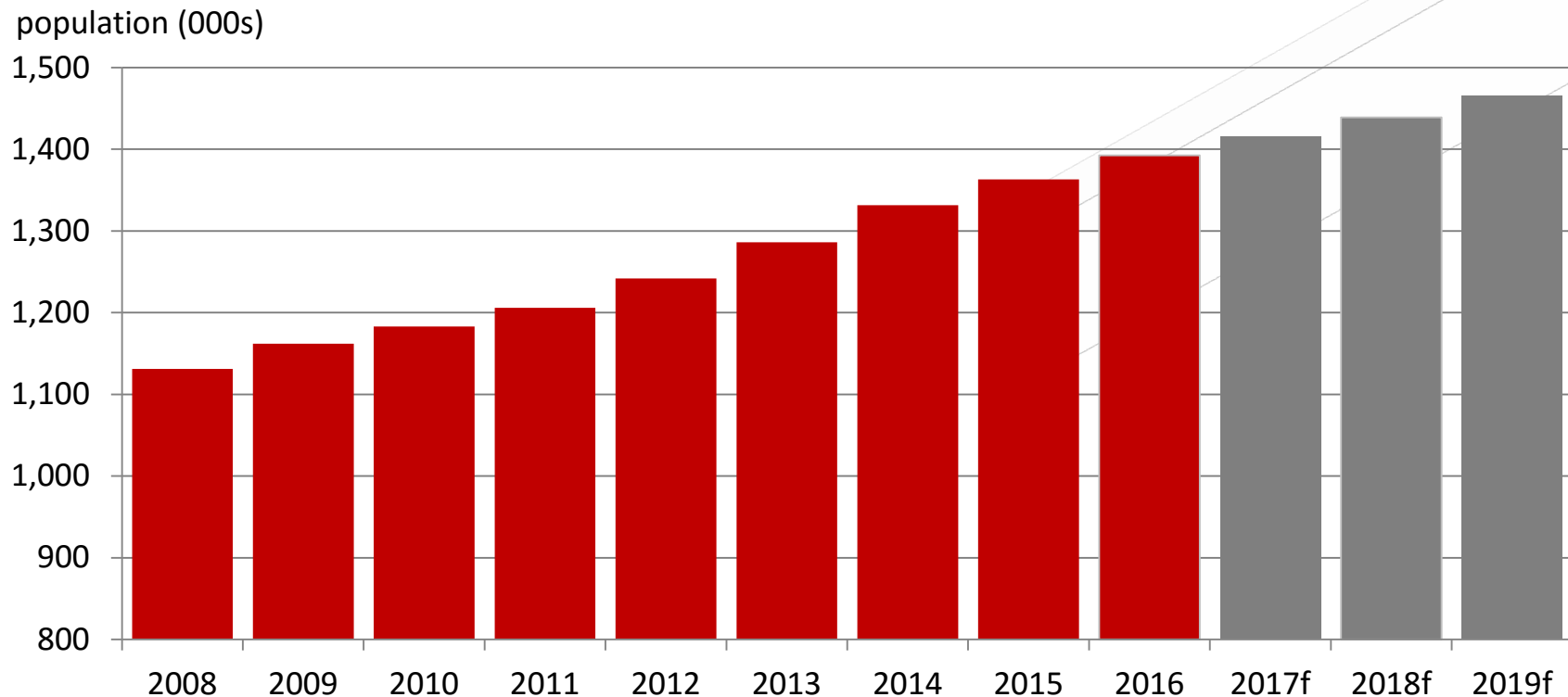
Source: Statistics Canada

CANADA MORTGAGE AND HOUSING CORPORATION



Edmonton CMA Population

Lower migration will slow the pace of population growth

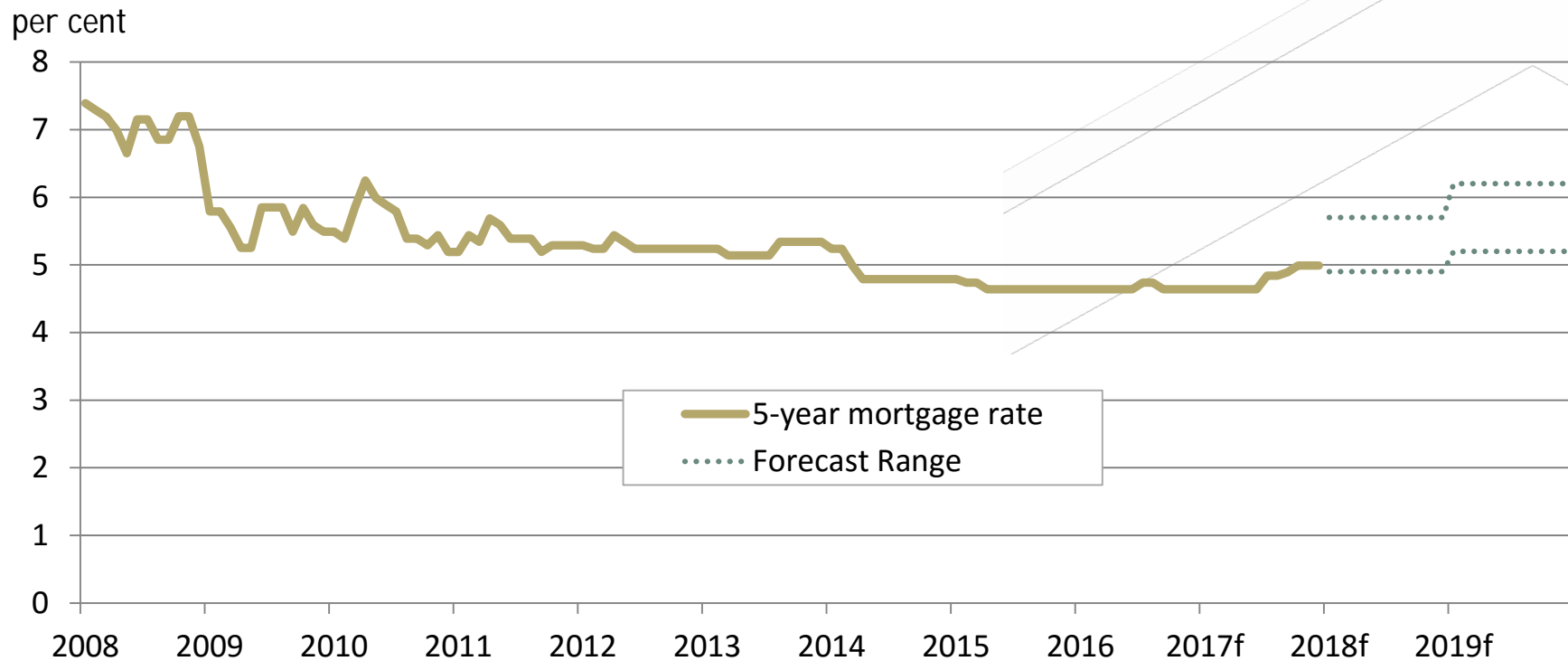


Source: Statistics Canada, July to June, CMHC Forecast (f)



Five-year Mortgage Rate

Modest increases forecast for 2018 and 2019



Source: Bank of Canada, Statistics Canada, CMHC Forecast (f)





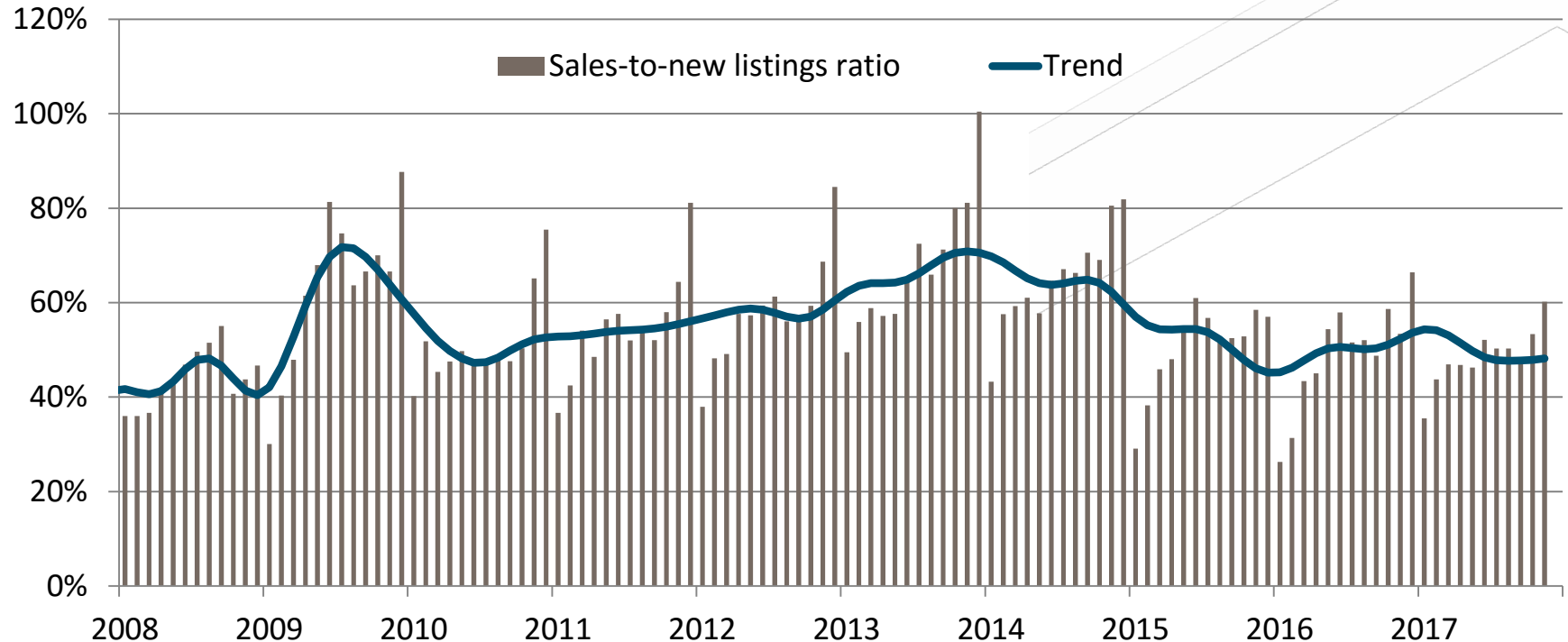
Edmonton's Resale Home Market



MLS[®] Sales-to-New Listings Ratio

Sales-to-new listings still relatively low

per cent



Source: CREA, Trended by CMHC

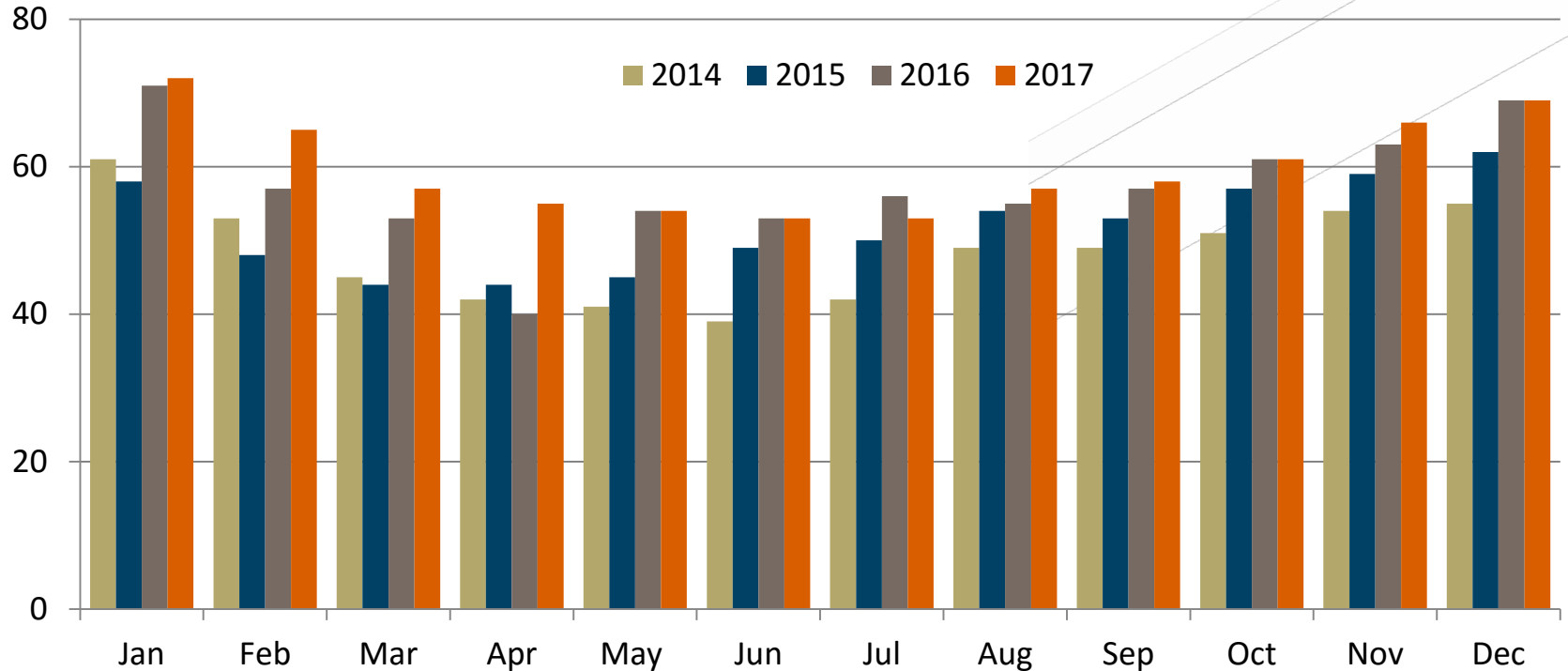
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Edmonton MLS® Days-on-Market

Time on market is elevated

listing period in days



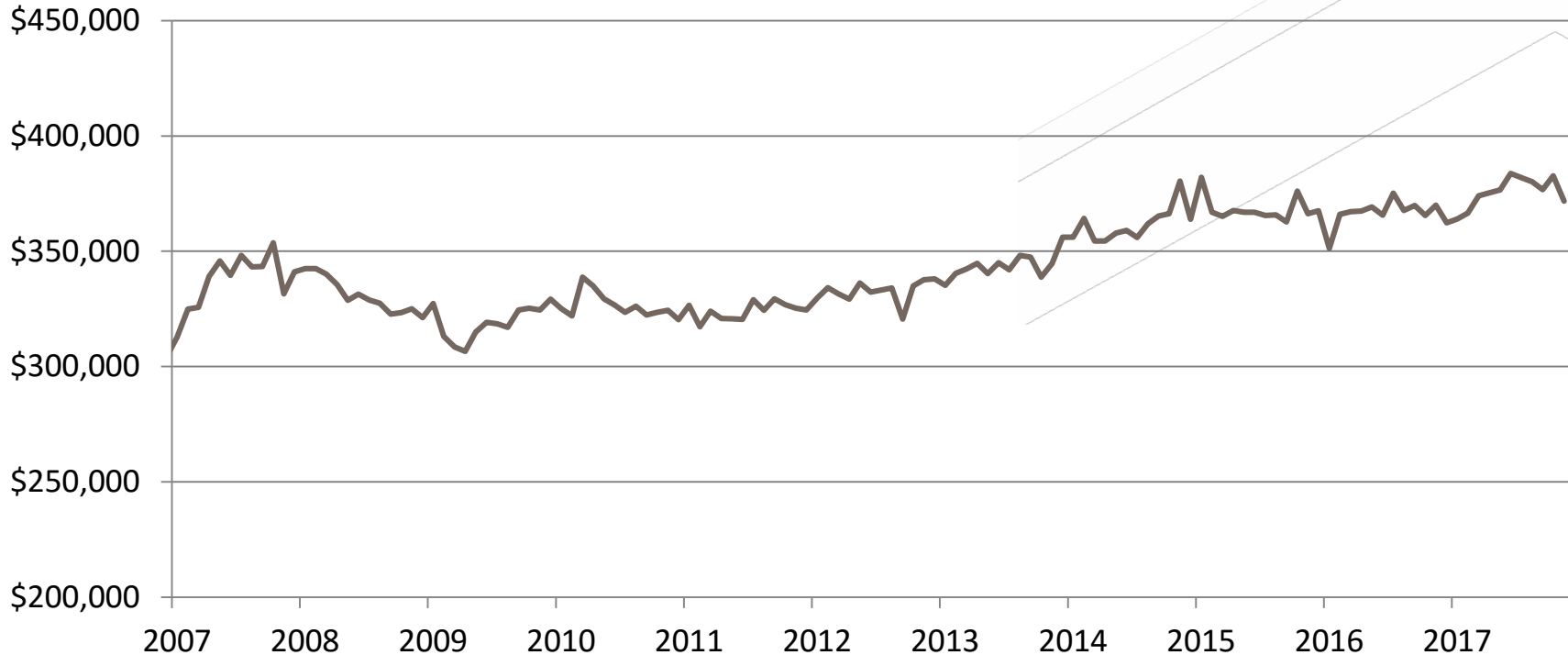
Source: EREB



Edmonton MLS[®] Average Price

Lack of price growth

average monthly price, seasonally adjusted



Source: CREA



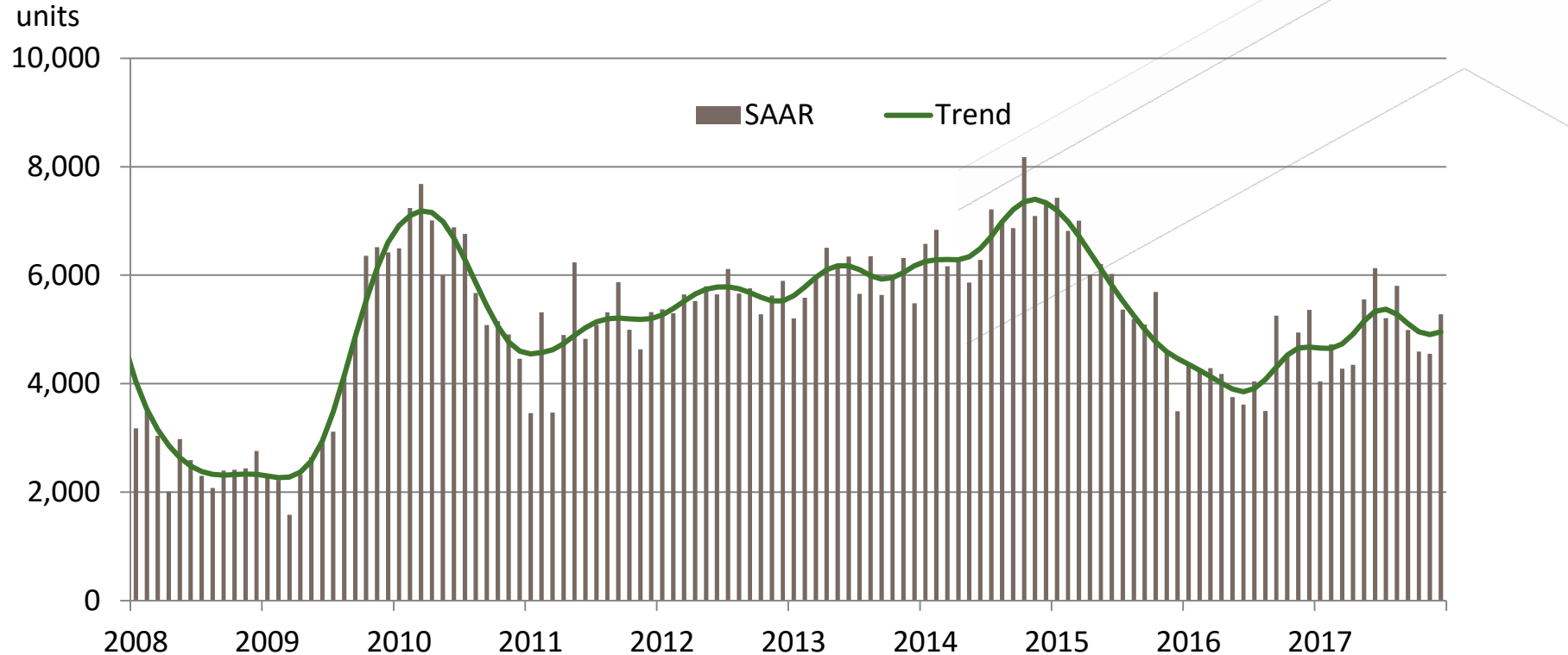


Edmonton's New Single-Detached Market



Edmonton CMA Single-detached Starts

Trend eased slightly in the second half of 2017



Source: CMHC, SAAR (Seasonally Adjusted Annualized Rate)

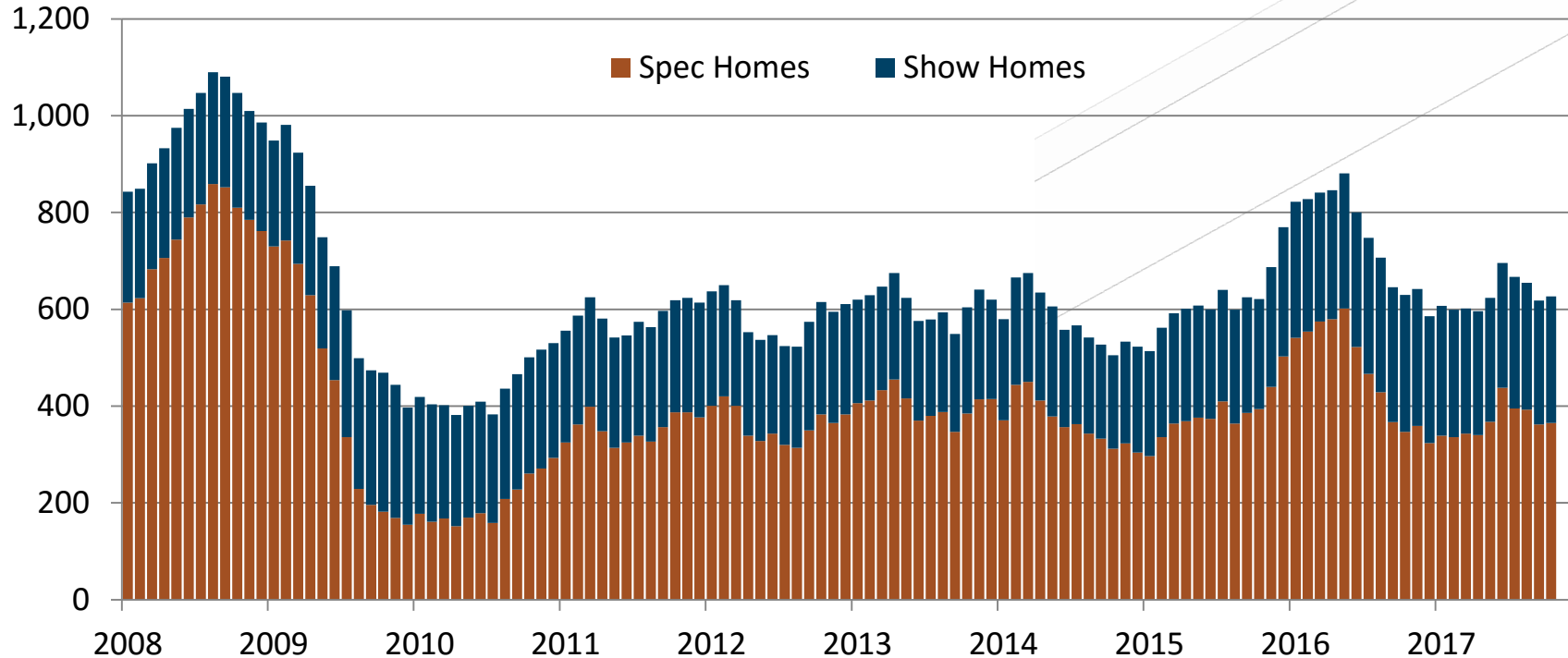
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Edmonton CMA Single-detached Inventory

Inventories peaked in mid-2016

complete and unabsorbed units



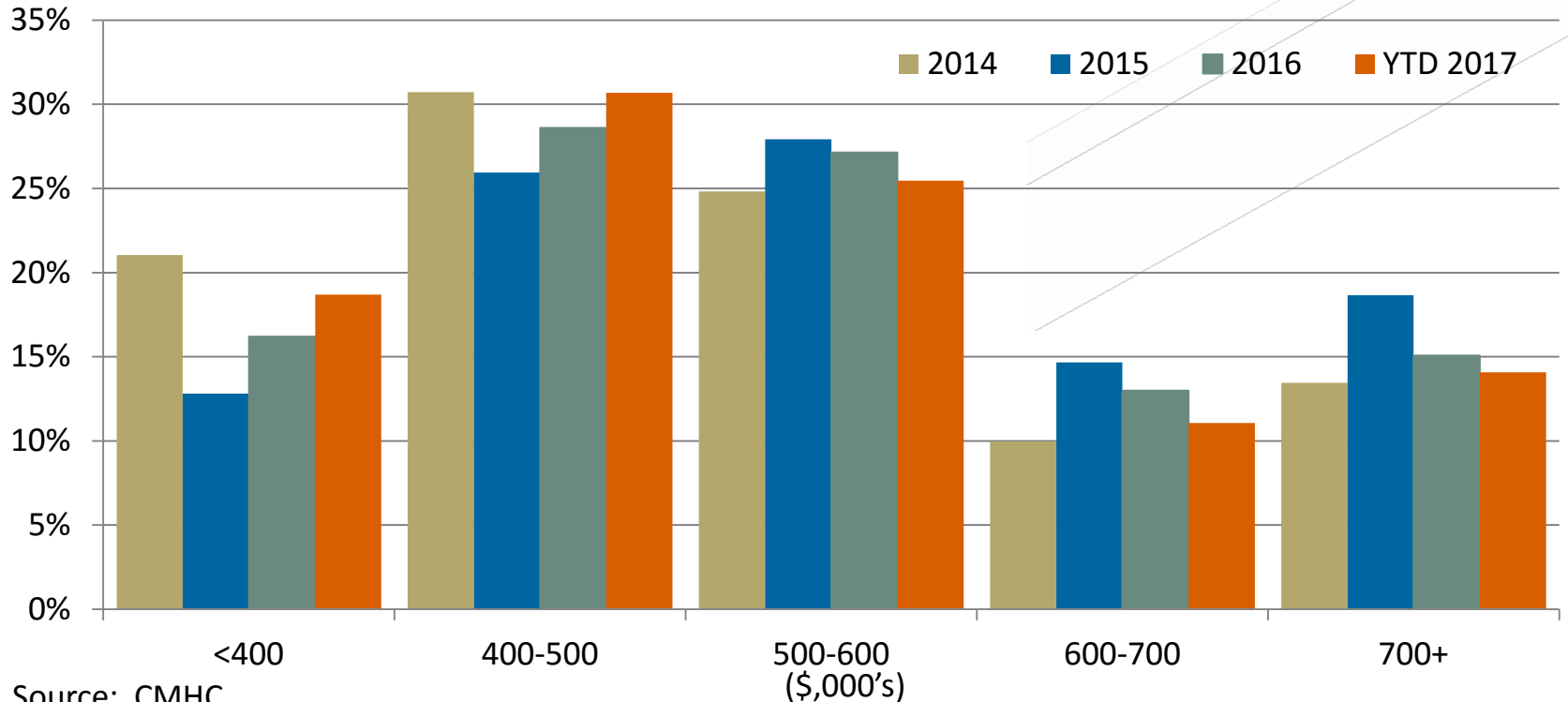
Source: CMHC



Edmonton CMA Absorptions by Price Range

Fewer expensive homes pushed the average price lower

share of sales



Source: CMHC

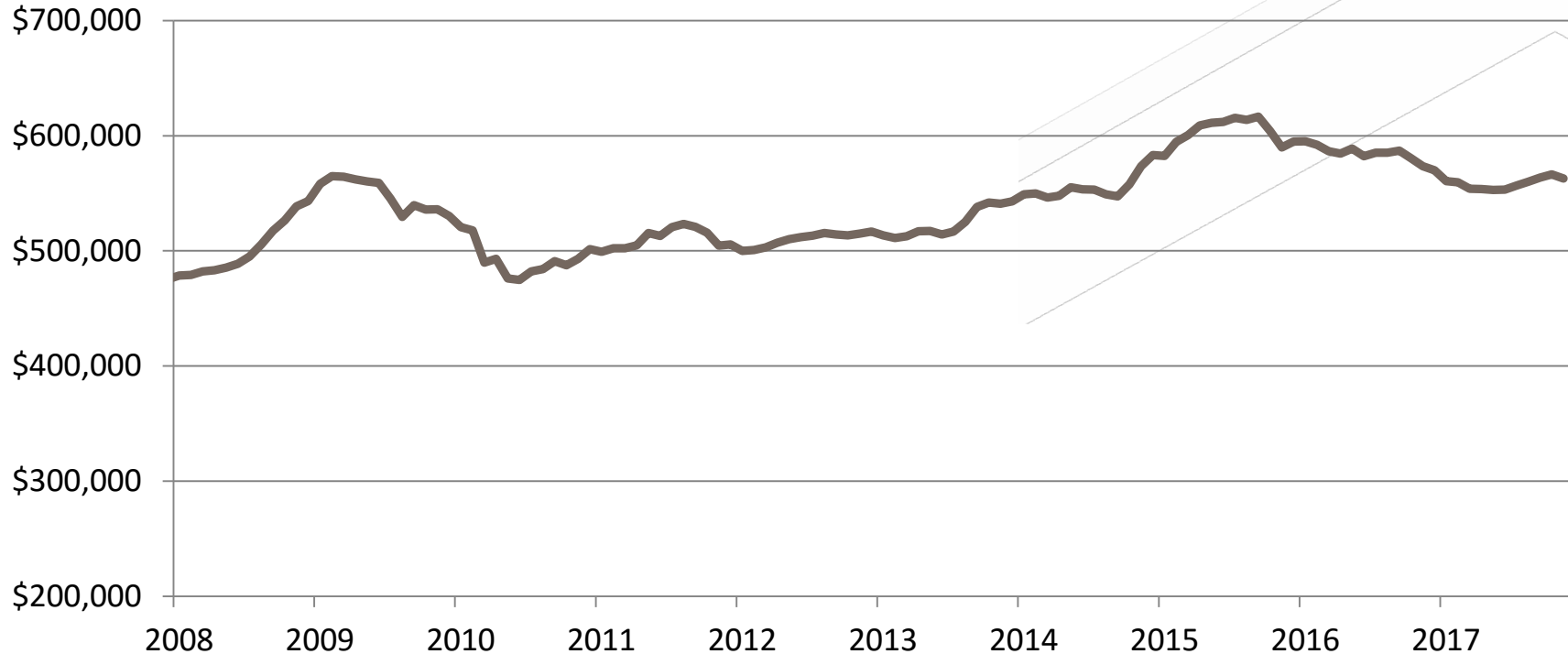
CANADA MORTGAGE AND HOUSING CORPORATION



Edmonton CMA Single-detached Price

Average price trending lower since 2015Q3

absorbed price (6-month moving average)

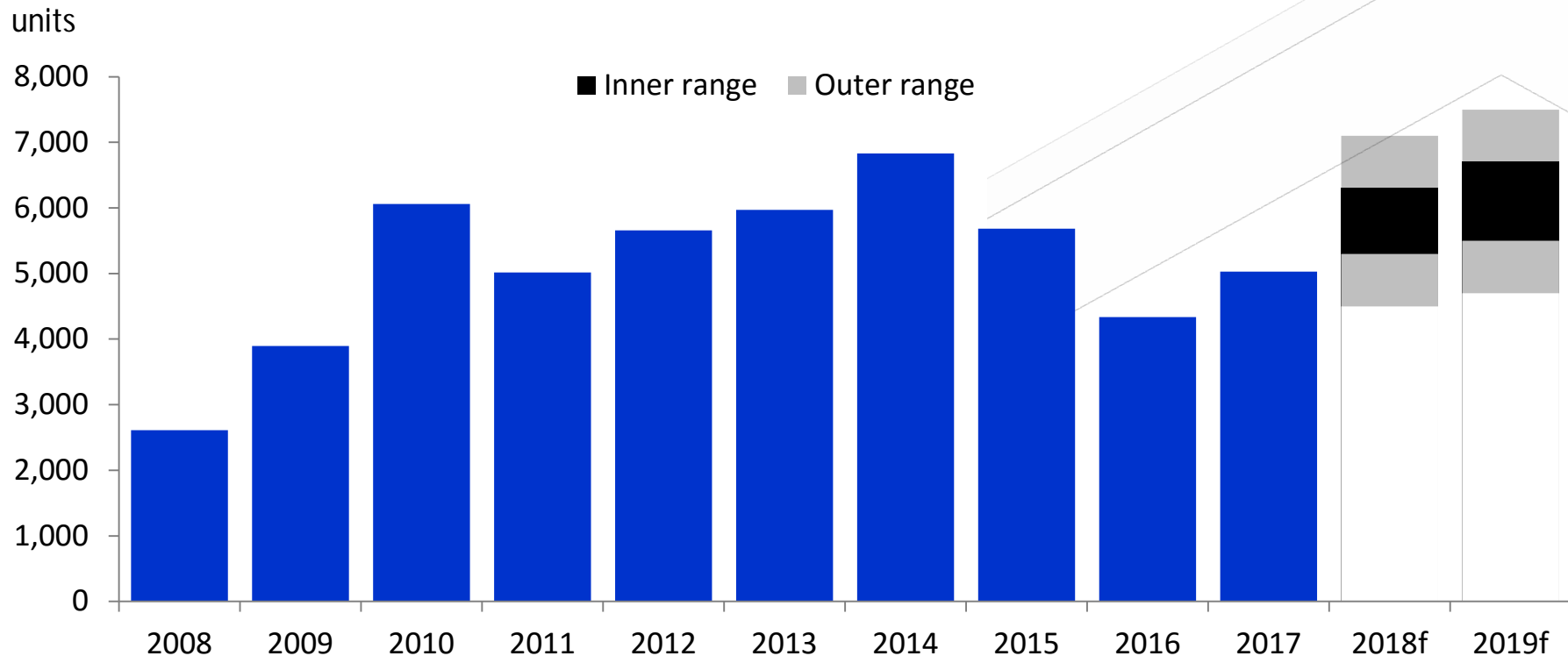


Source: CMHC



Edmonton CMA Single-detached Starts

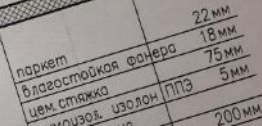
Single-family starts to move higher



Source: CMHC, CMHC Forecast (f)

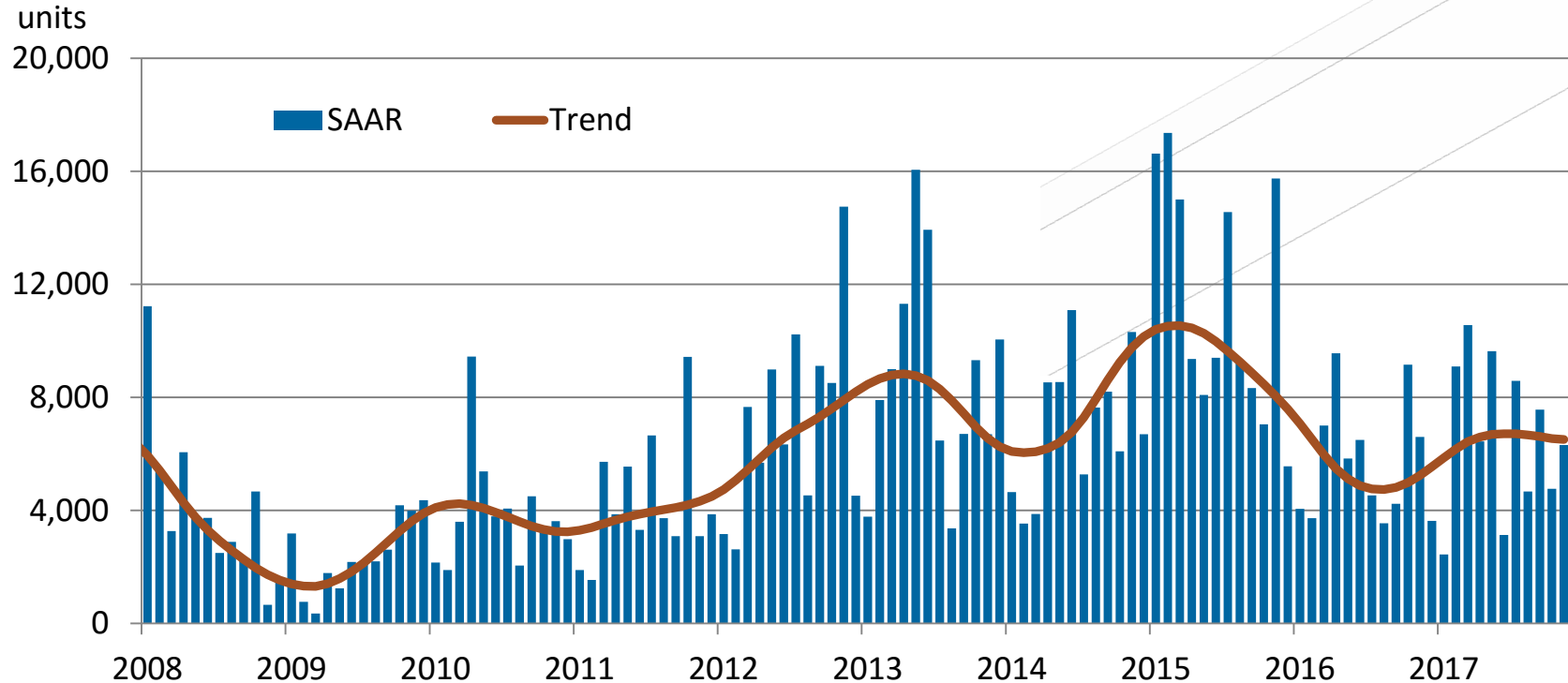
CANADA MORTGAGE AND HOUSING CORPORATION





Edmonton CMA Multi-family Starts

Starts trend has leveled off in 2017

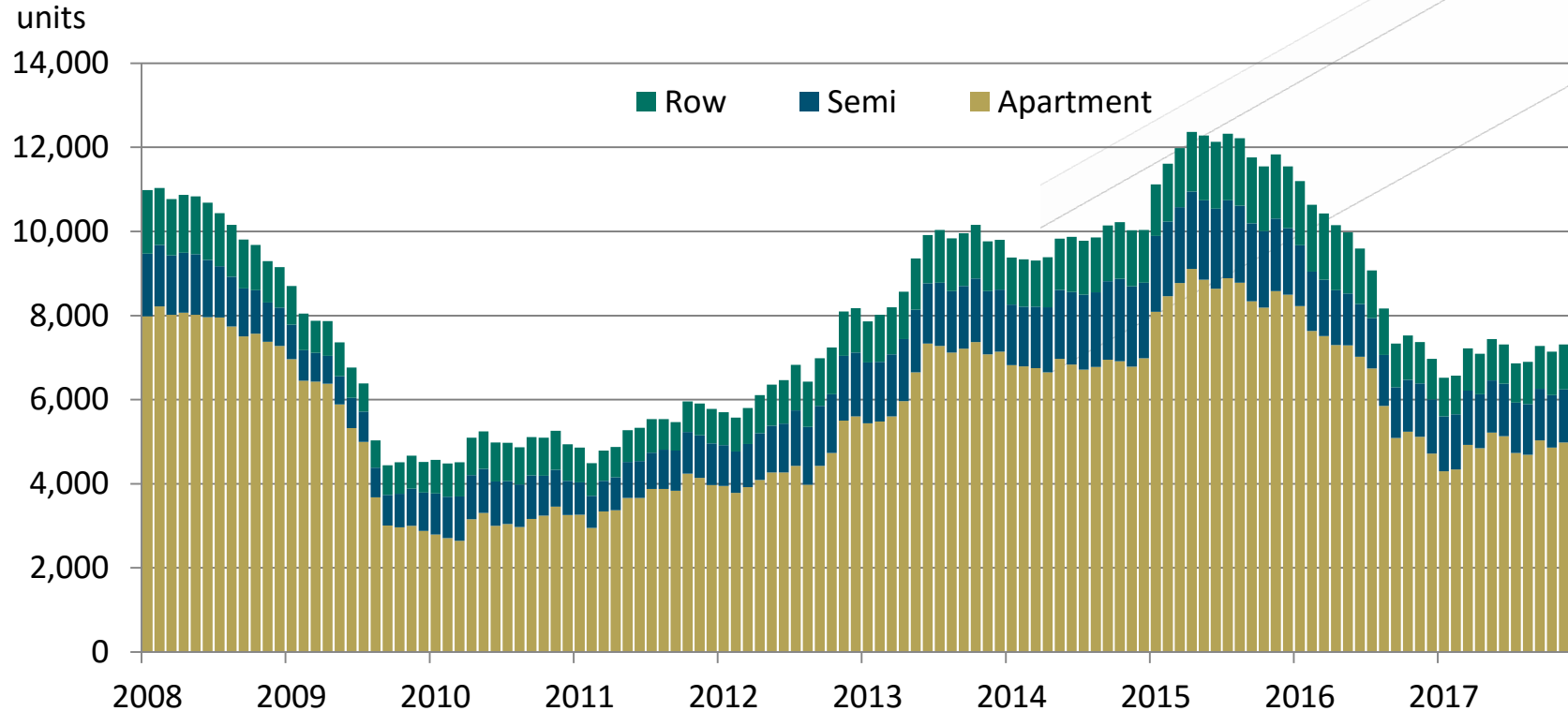


Source: CMHC, SAAR (Seasonally Adjusted Annualized Rate)



Edmonton Multi-family Under Construction

Under construction declining from peak levels

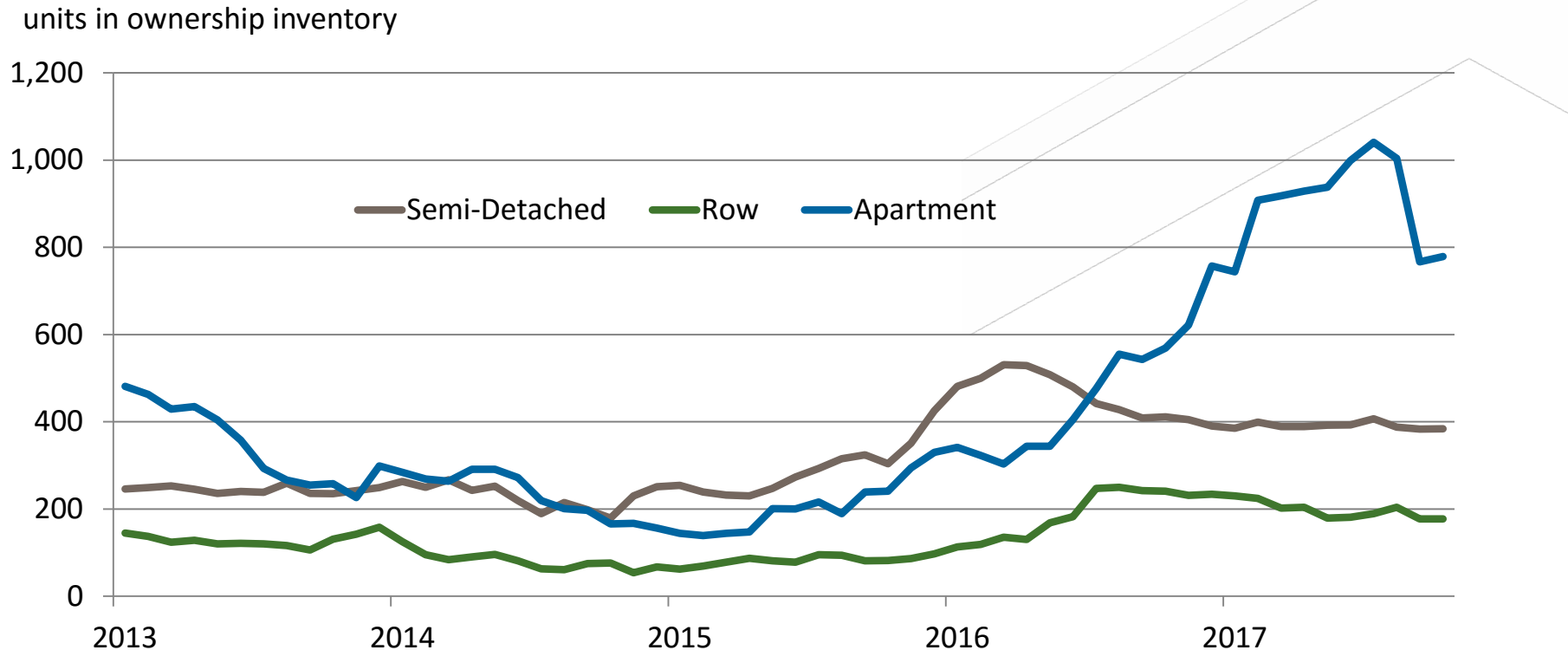


Source: CMHC



Edmonton CMA Multi-family Inventory

Apartment inventory levels move higher in early 2017



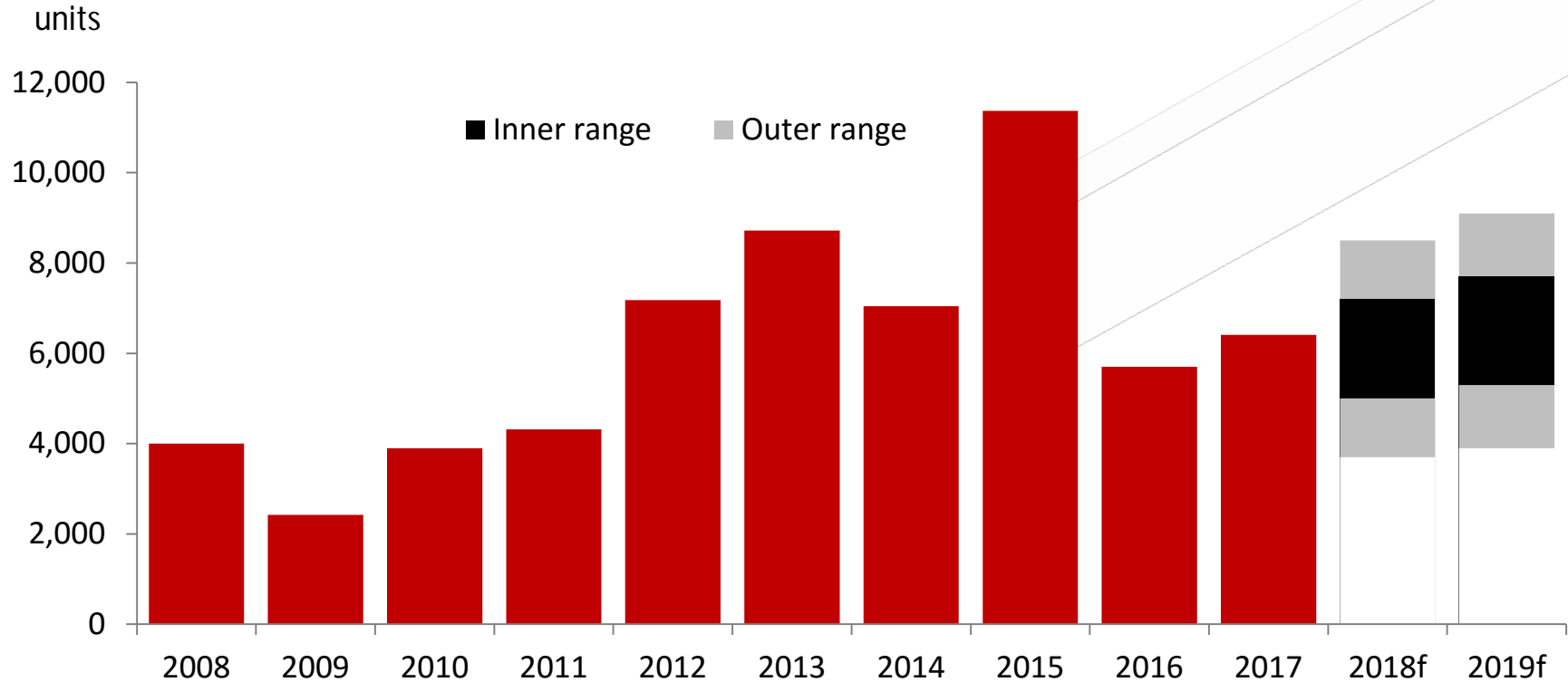
Source: CMHC

CANADA MORTGAGE AND HOUSING CORPORATION



Edmonton CMA Multi-family Starts

Starts to decline to pause in 2018



Source: CMHC, CMHC Forecast (f)

CANADA MORTGAGE AND HOUSING CORPORATION



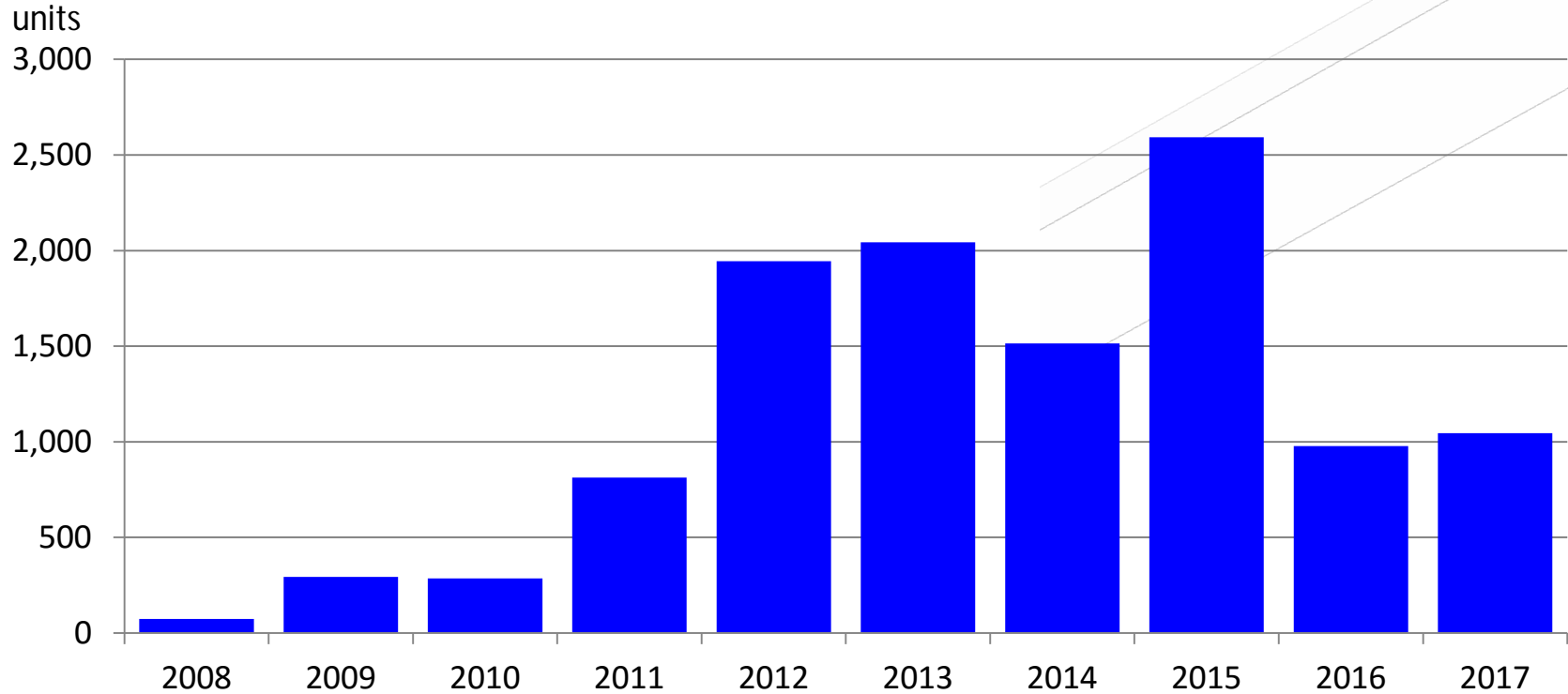


Edmonton's Rental Market



Edmonton CMA Apartment Rental Starts

Rental construction has slowed

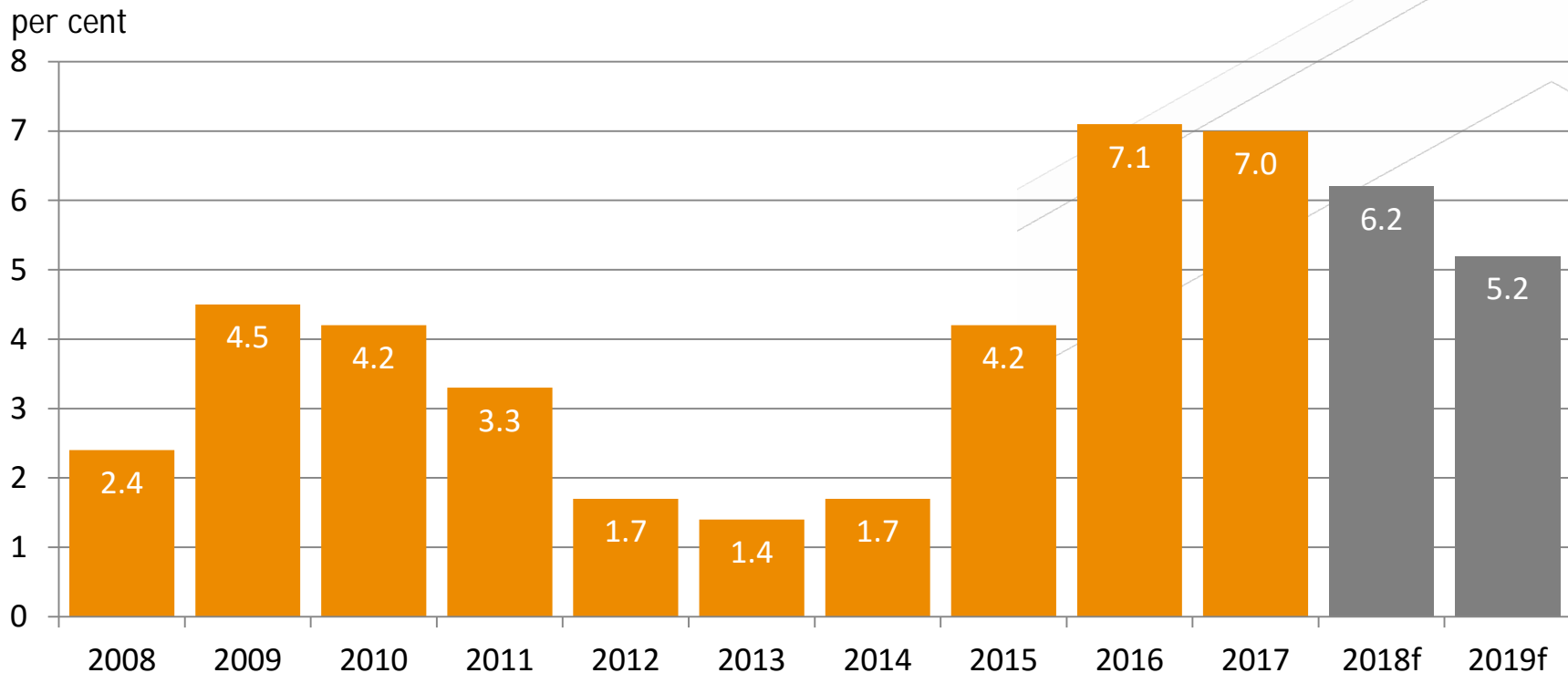


Source: CMHC



Edmonton CMA Apartment Vacancy Rate

Vacancy rate is forecast to decline



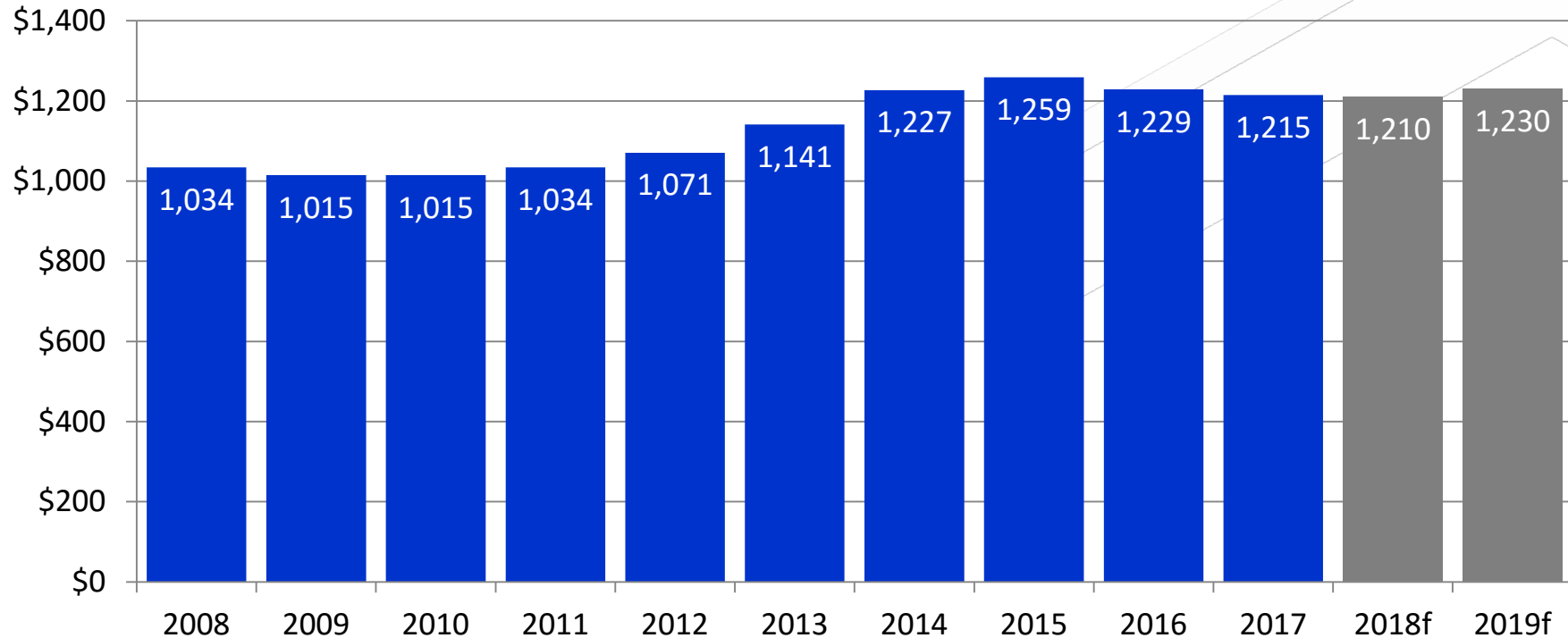
Source: CMHC, October Survey



Edmonton CMA Average Apartment Rent

Average rent moved continued to move down in 2017

average two-bedroom rent



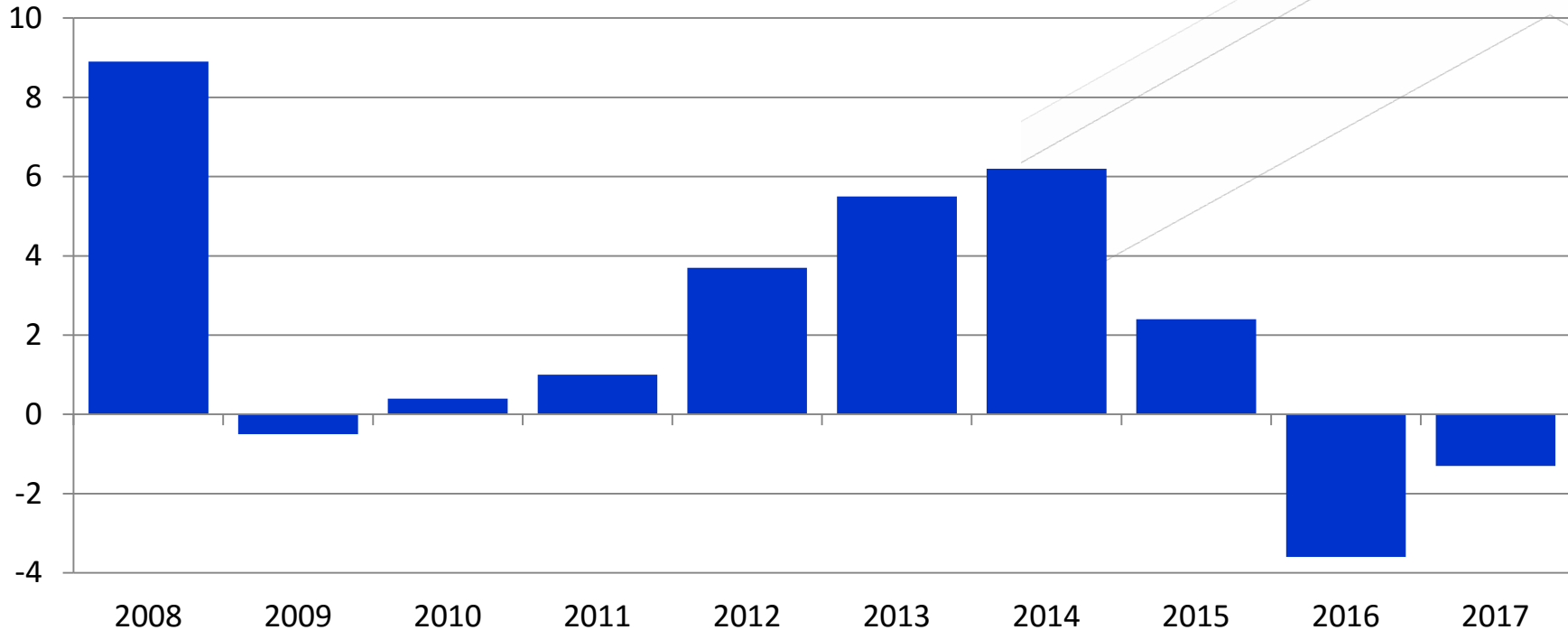
Source: CMHC, CMHC Forecast (f), October Survey



Edmonton Per cent Change of Average Rent

Rent growth has moved down from high pace of 2014

per cent change of fixed-sample average rent



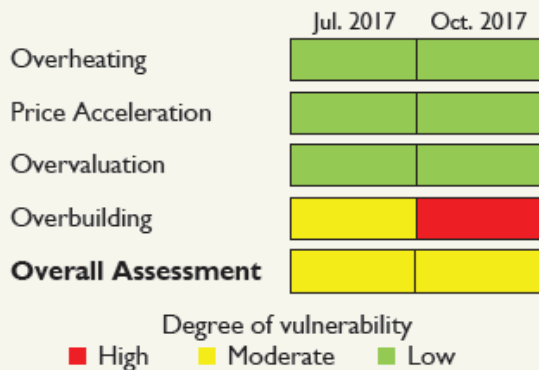
Source: CMHC, October Survey

CANADA MORTGAGE AND HOUSING CORPORATION



CMHC's Housing Market Assessment

Results Overview Edmonton CMA



- Overall, a moderate degree of vulnerability continued to be detected in Edmonton's housing market, unchanged from the previous quarter's assessment¹.
- The inventory of completed and unsold new housing units moved above its threshold level and this, combined with an elevated rental apartment vacancy rate, resulted in high evidence of overbuilding.
- There was low evidence of overheating and price acceleration.
- Evidence of overvaluation remained low as prices remained below threshold levels as determined by economic and demographic fundamentals.



Edmonton Forecast Summary

	2016	2017f range	2018f range	2019f range
New Home Market				
Single-detached Starts	4,335	5,028 ¹	5,300 – 6,300	5,500 - 6,700
Multiple Starts	5,701	6,407 ¹	5,000 - 7,200	5,300 - 7,700
Resale Market*				
MLS® Sales	16,990	18,400 - 19,200	18,700 - 19,500	18,900 - 19,700
MLS® Average Price (\$)	369,365	376,800 - 381,200	382,800 - 387,200	390,700 - 395,300
	2016	2017f	2018f	2019f
Rental Apartment Market				
Vacancy Rate (%)	7.1	7.0 ¹	6.2	5.2
Avg. Two-bedroom Rent (\$)	1,229	1,215 ¹	1,210	1,230
Economic Overview				
Employment	761,100	764,100 ¹	775,300	790,100
Population	1,392,594	1,415,000	1,439,000	1,466,000

Source: CMHC, Statistics Canada, CREA, * Total Residential, CMHC Forecast (f), ¹actual





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Disclaimer

- The information, analyses and opinions contained in this document are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

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THE SCHOOL OF PUBLIC POLICY

Real Estate Market Outlook

Jack M. Mintz

Presentation to Realtor's Association of Edmonton
January 10th 2018

Topics

1. Economic prospects

- Global and North American economic growth
- Interest rates
- World oil prices
- U.S. tax reform implications

2. Canada and Alberta

- Growth
- Demographic trends and migration
- Oil prices

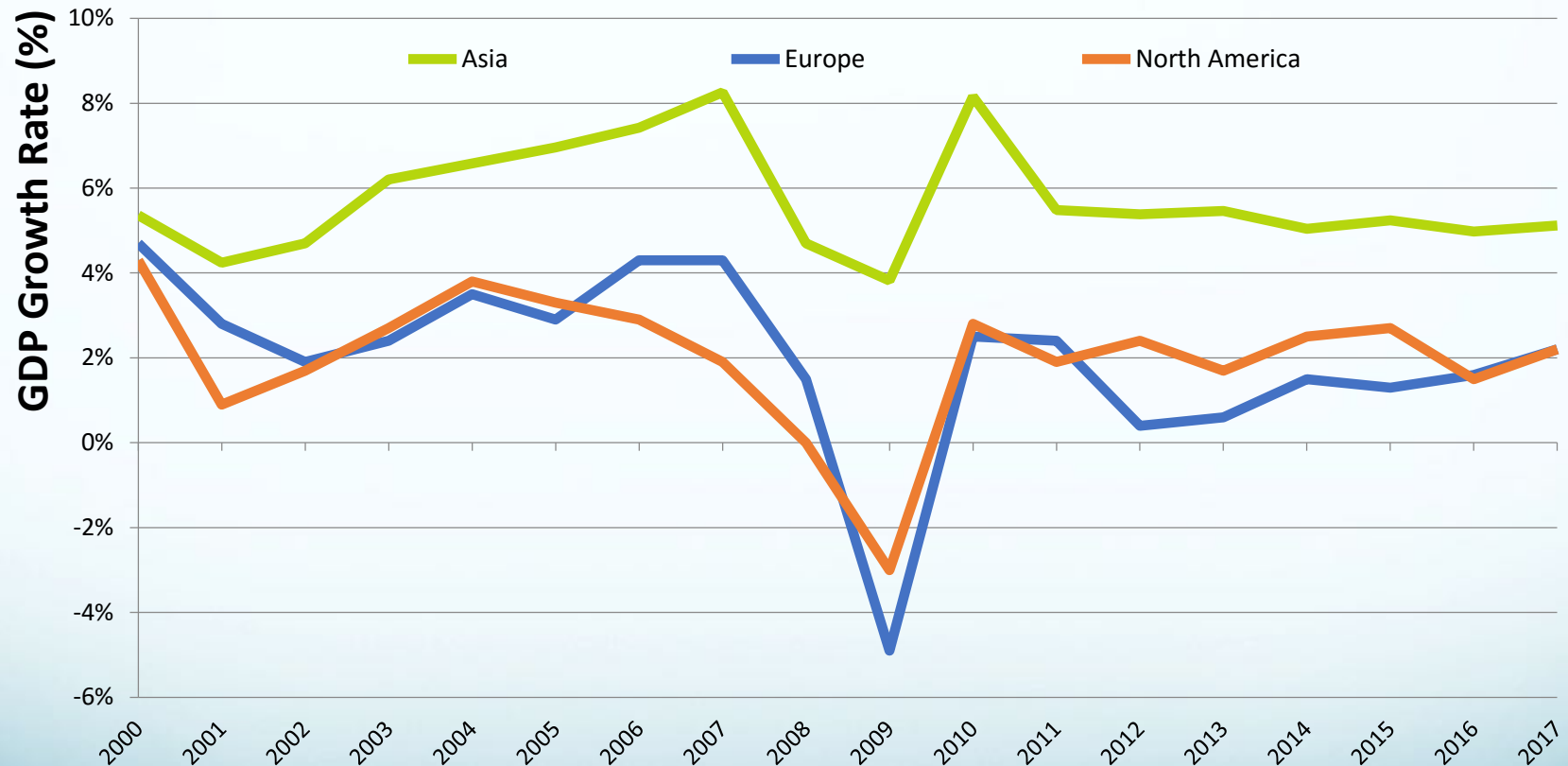
3. Alberta Housing markets

Key factors influencing housing prices

- Economic growth = population growth + productivity growth
 - Income growth
 - Population increase (migration and labour force growth)
 - Unemployment
- Interest rates
- Supply costs for housing
- Zoning regulations
 - Intensification vs expansionist policies
 - Greenbelt policies
 - Infrastructure and low-income housing requirements
- Mortgage lending regulations
- Taxes
 - Property taxation
 - Real estate transfer taxes
 - Development charges
 - Overall levels of taxation

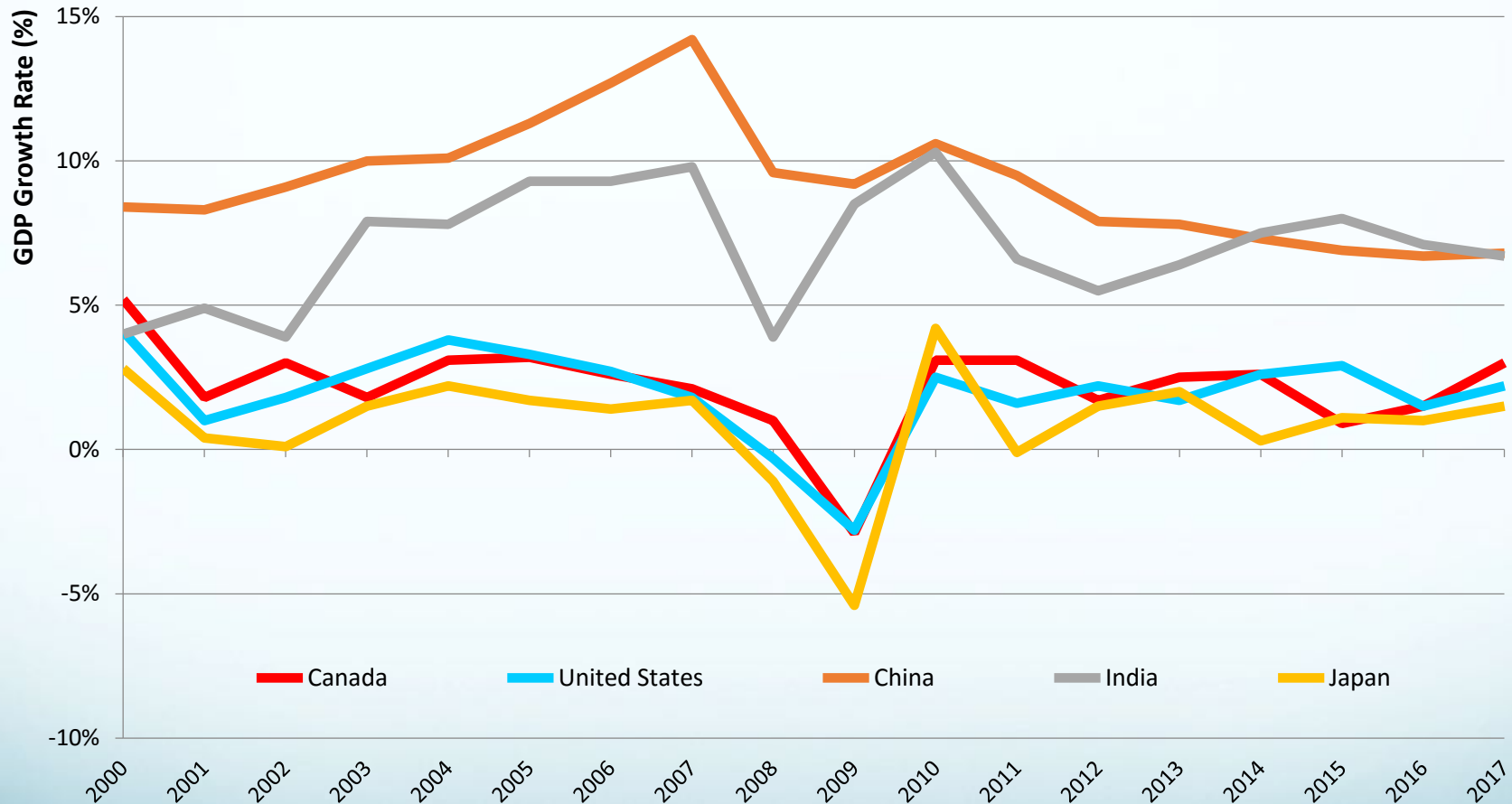
The World Economy

Global Economy: Growth has picked up in all regions of the world – first time in over a decade



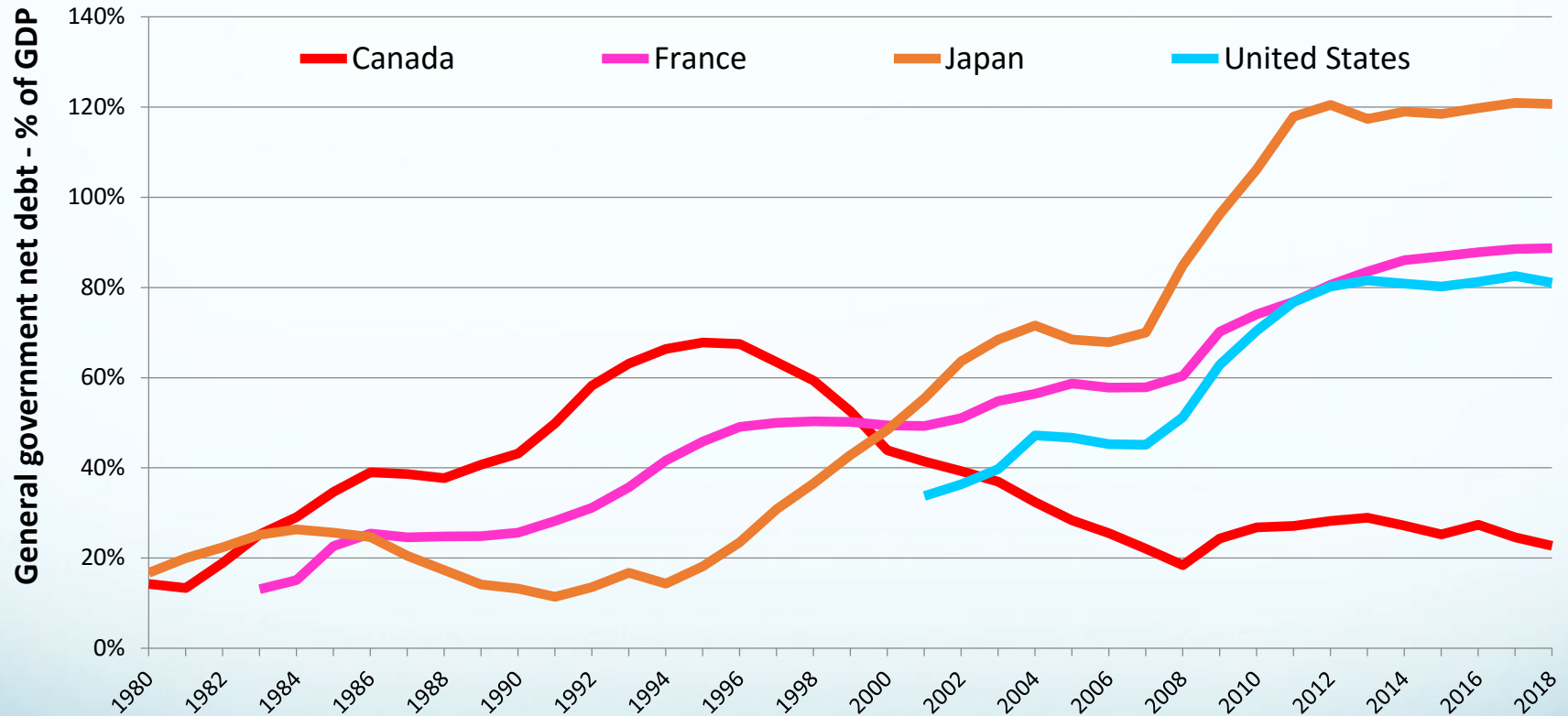
Source: International Monetary Fund

China and India continue to grow faster than North America and Japan – Asian trade will provide opportunities



Source: International Monetary Fund

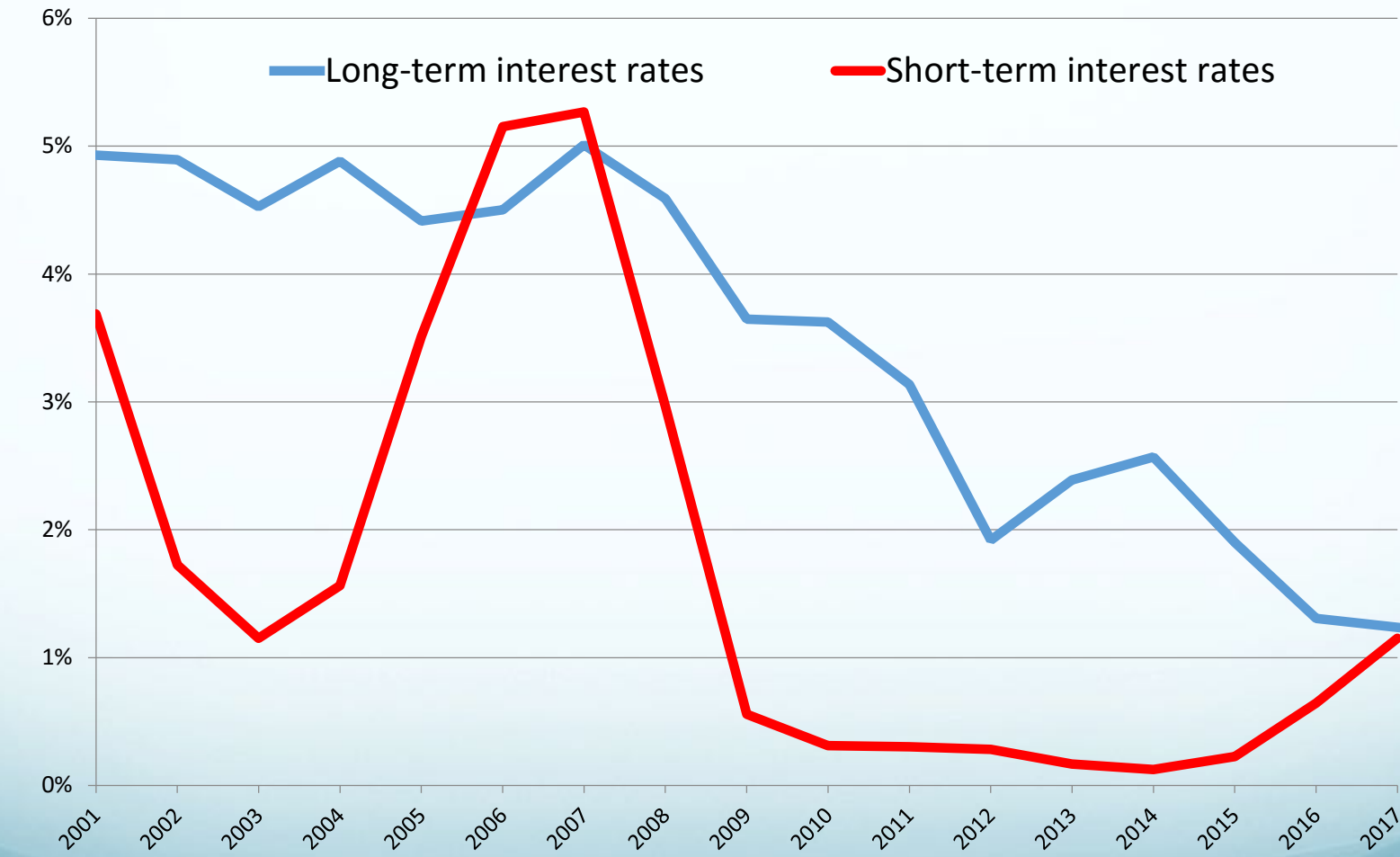
General Government Net Debt Burden rising fast in France, Japan and US.



Source: IMF

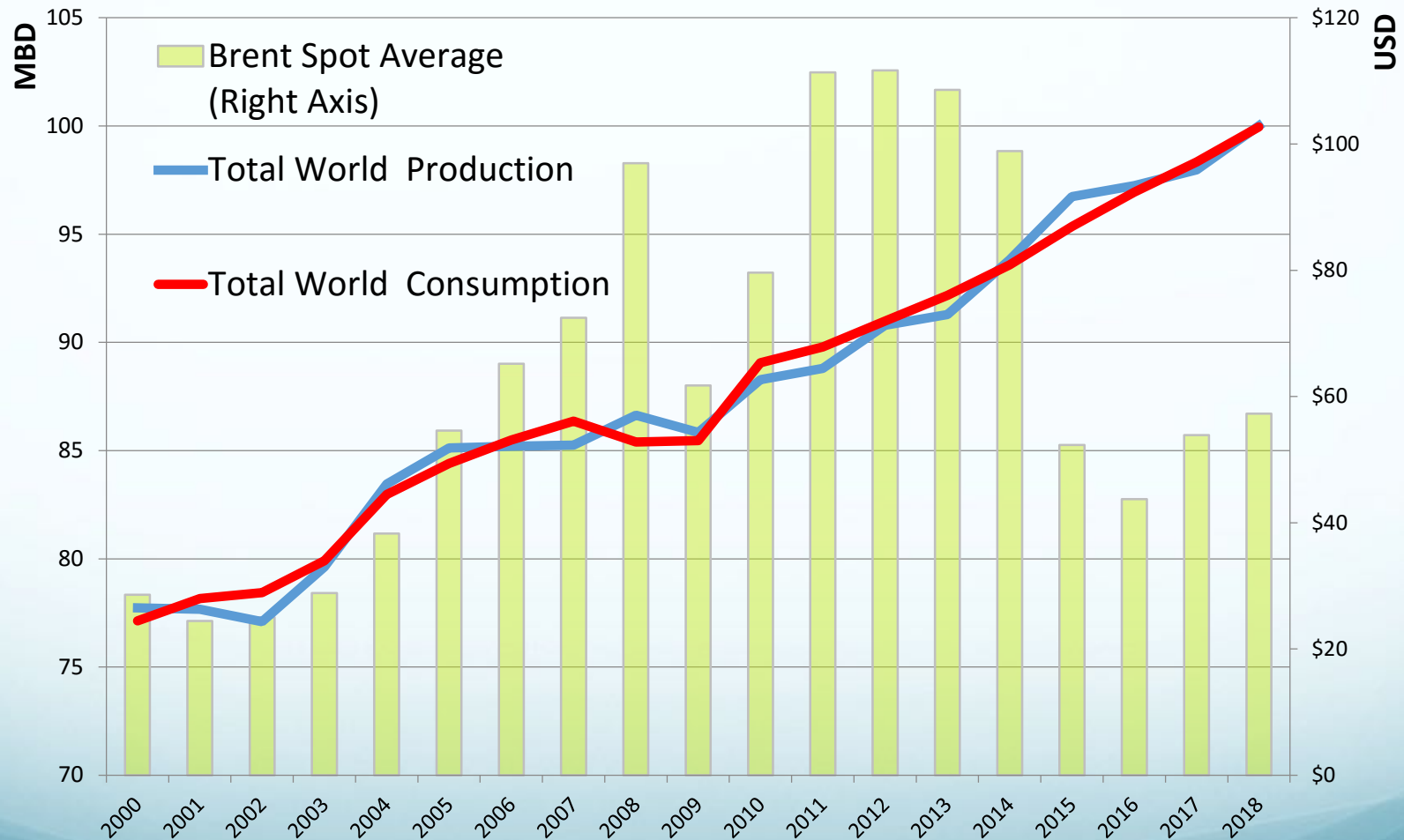
Notes: 1) Available data shown 2) IMF estimates after 2015/16

U.S. long (10 yr govt bond) and short term interest rates: 2001-2017



Source: OECD

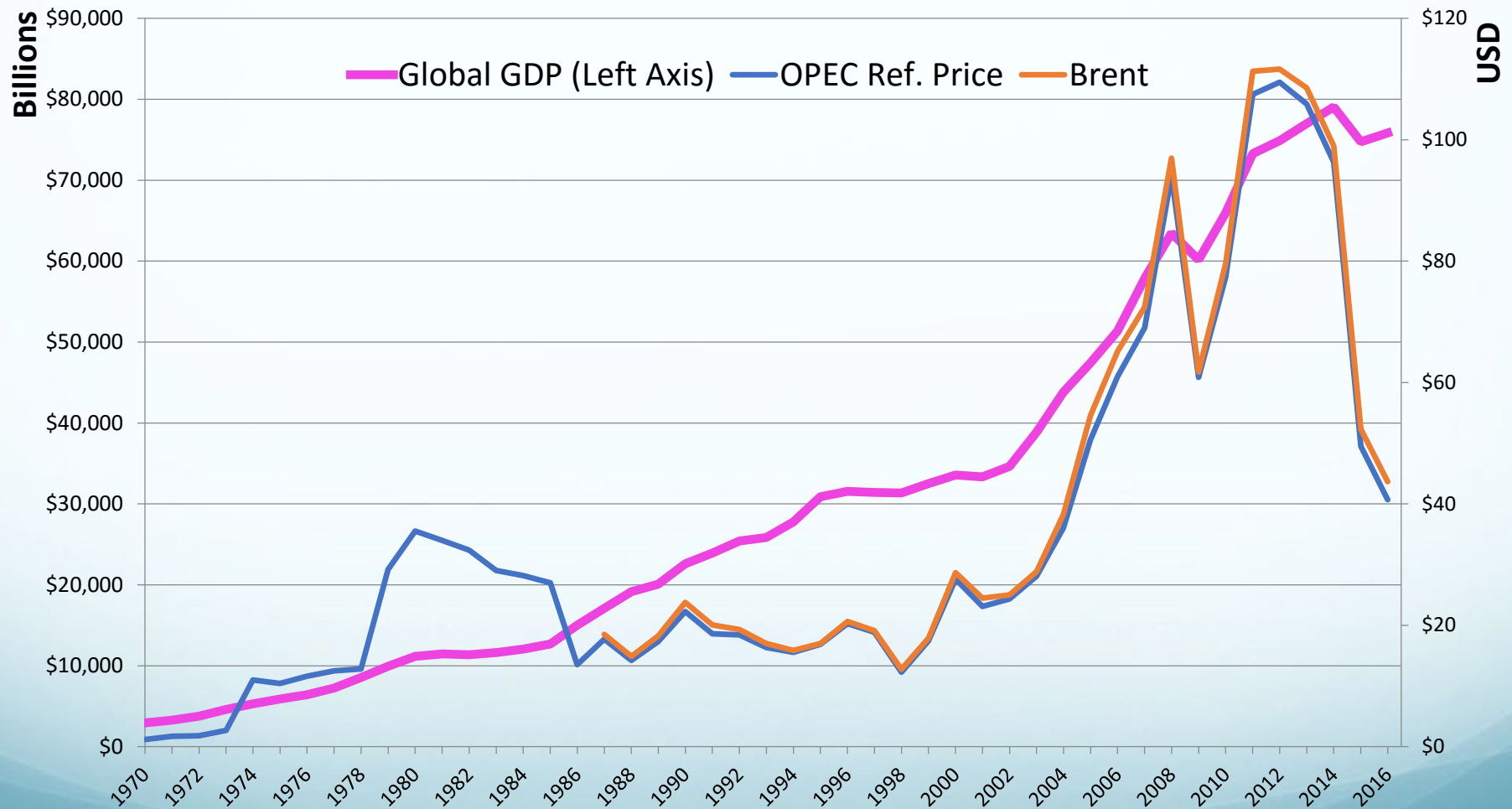
Global Liquids Consumption/Production and Brent Oil Prices: 2000-2018



Source: IEA

Oil price shocks can hurt growth but higher demand can raise oil prices:

Oil Prices and Global GDP Growth, 1970-2016



U.S. tax reform will affect the world

	Personal	Corporate
Tax Rates	7 brackets with federal lower rates (top rate of 37% expiring by 2026)	Corporate rate falls from 35% to 21% as of January 2018
Some key base changes	Standard deduction doubled to \$12k (ind.) and \$24k (joint) Child tax credit of \$2000	Expensing of investments in machinery and capital until 2022 and thereafter phased out over 5 years
	State and local income, property and sales tax deductible up to \$10000 only – important in high tax states like California but not Texas.	New limitations on interest and loss deductions
	Mortgage Deductibility limited to \$750k of debt in principal residence	Dividend exemption

U.S. to become much more tax competitive for investment

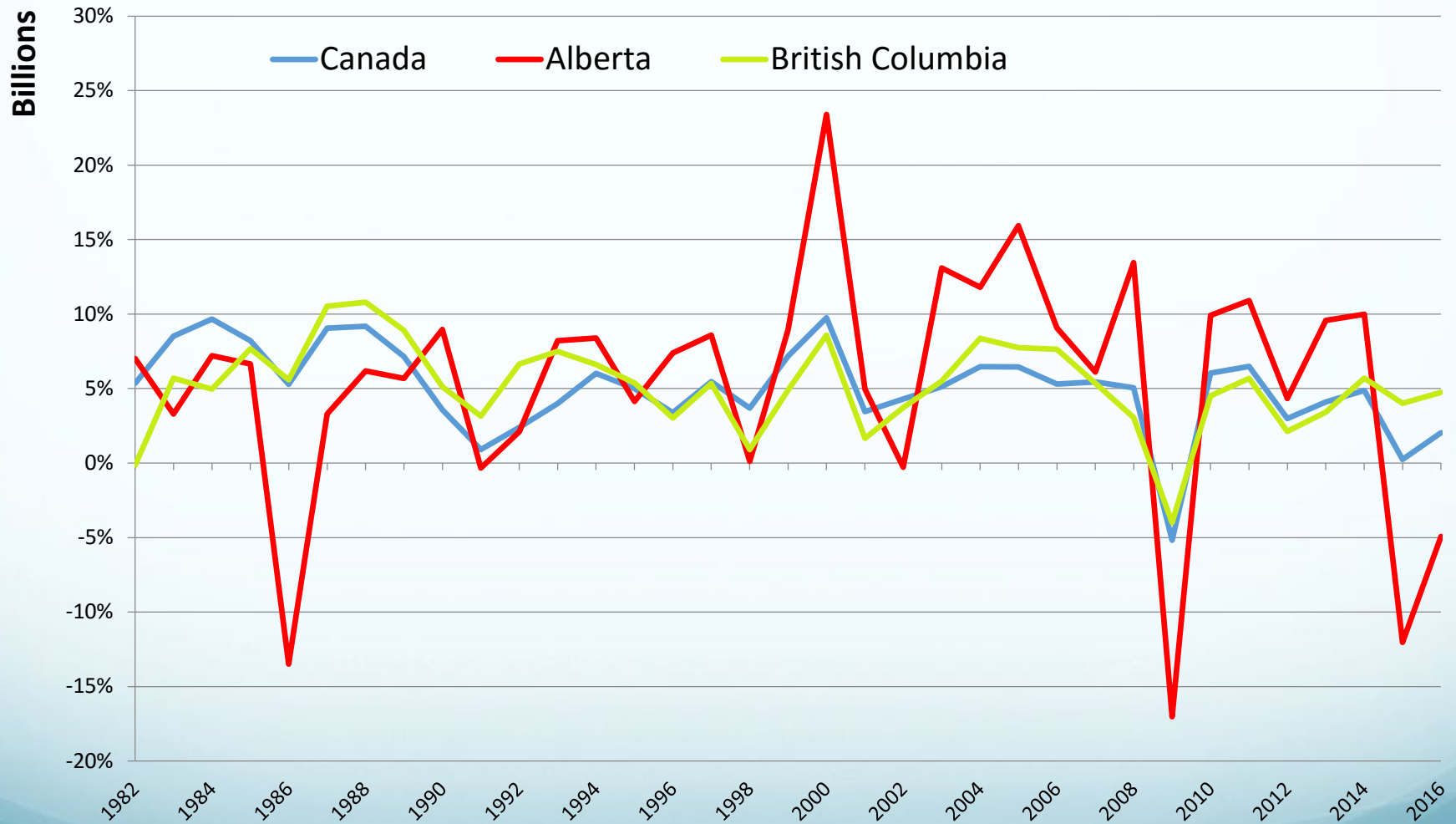
	Effective Tax Rate on New Investment (%) (CIT, sales taxes on capital, capital taxes, transfer taxes)
United States Current	34.6
United States Tax Cuts and Jobs Act	18.8
Canada	20.9
Africa	28.7
Asia-Pacific	26.5
Europe	16.4
Americas	26.1
MENA	17.0

Implications of U.S. Reform

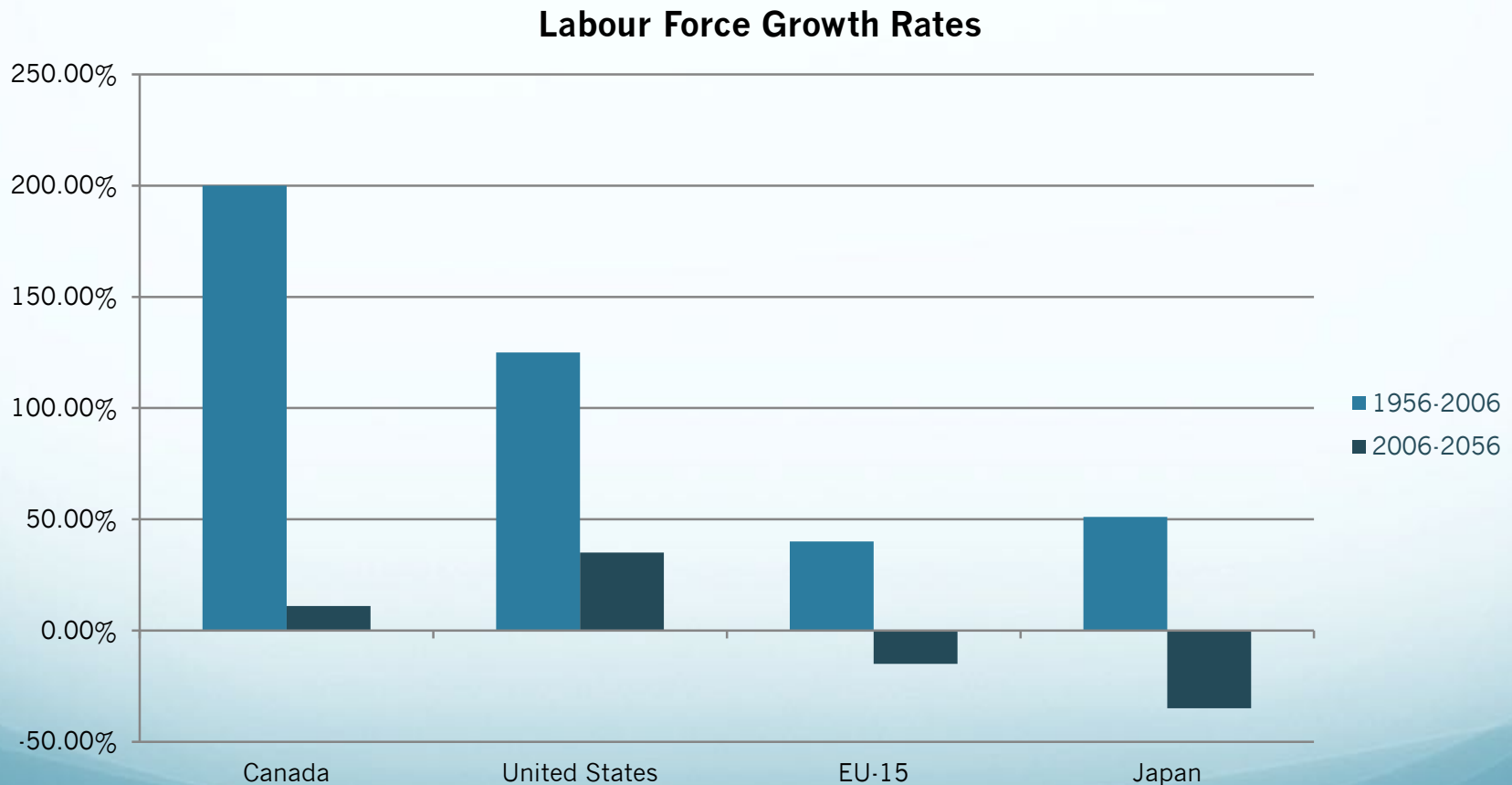
- U.S. tax reform will stimulate consumer and business spending with \$1.5 trillion in income tax cuts especially in next five years.
- Taking into account growth estimated by the Joint Committee on Taxation, debt should rise by \$1 trillion or about 3% of GDP by 2027.
- Will put some pressure on interest rate hikes in the U.S.
- Shift of multinational profits to U.S. estimated as much as \$500 billion could cause the U.S. dollar to appreciate in 2018.

Canadian Trends

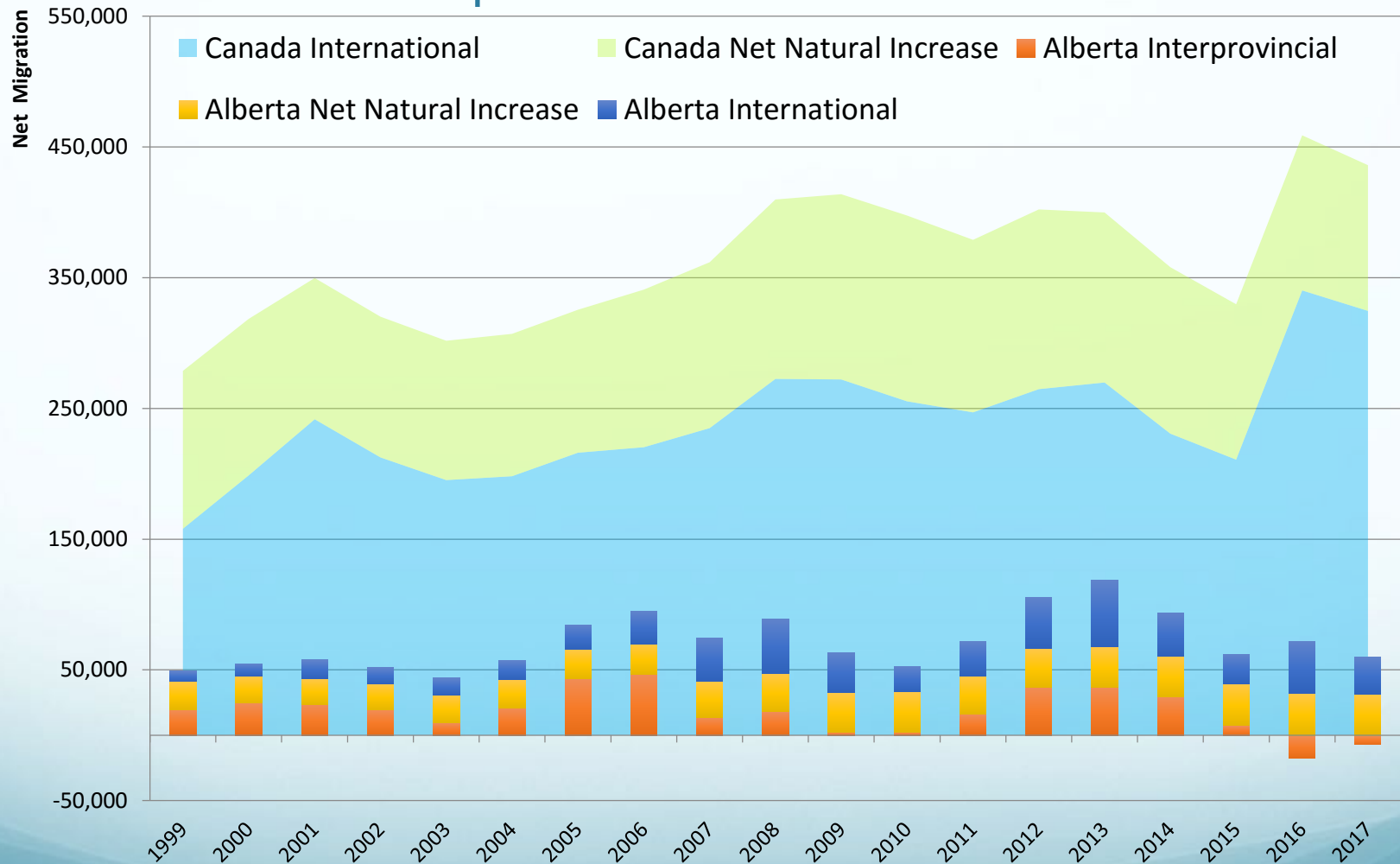
Canadian, BC and Alberta GDP Growth: 1980-2016



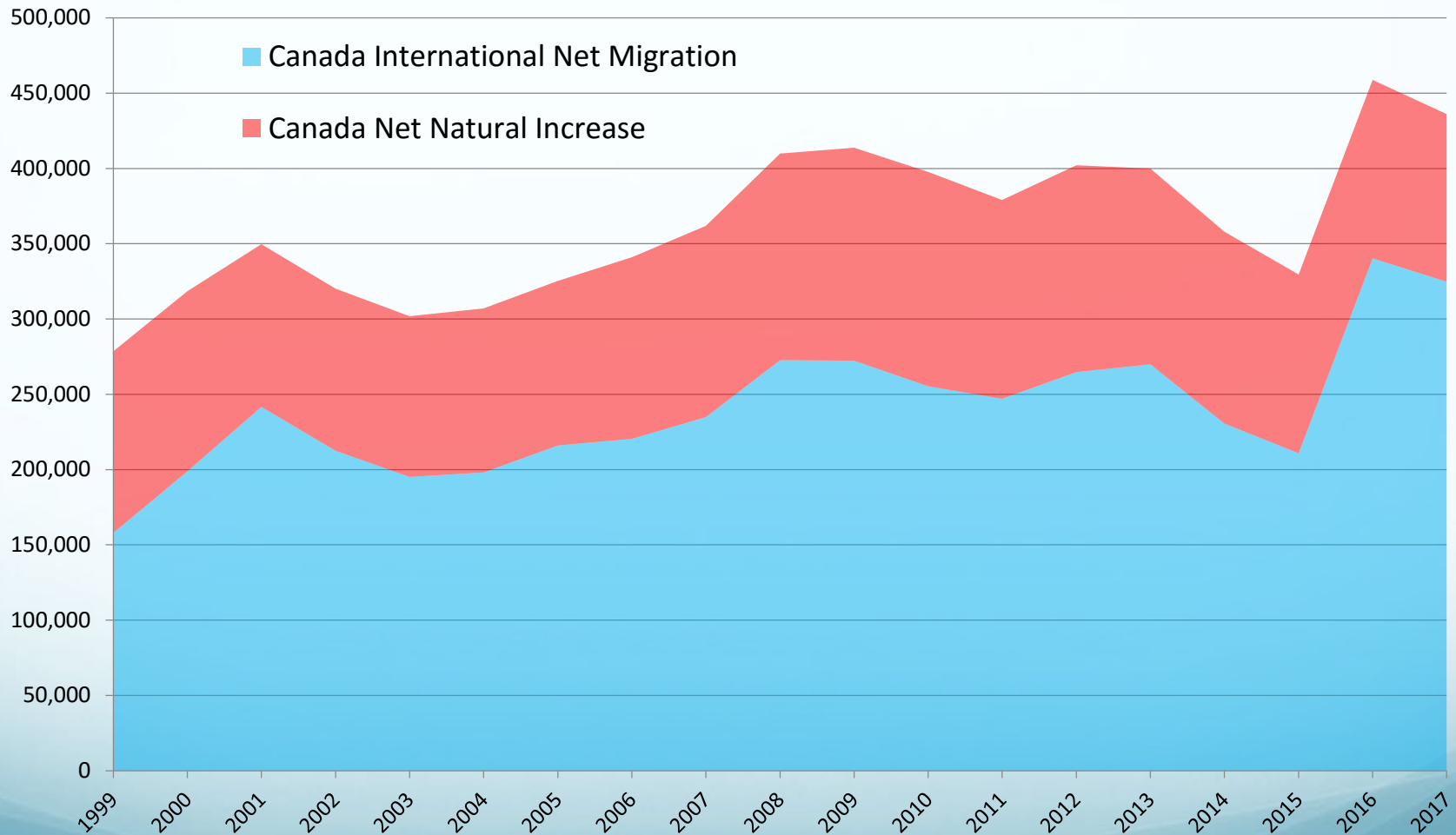
Canada's labour force will not age as quickly as Europe and Japan but slowing down even with migration. US will have a larger share of population in coming years.



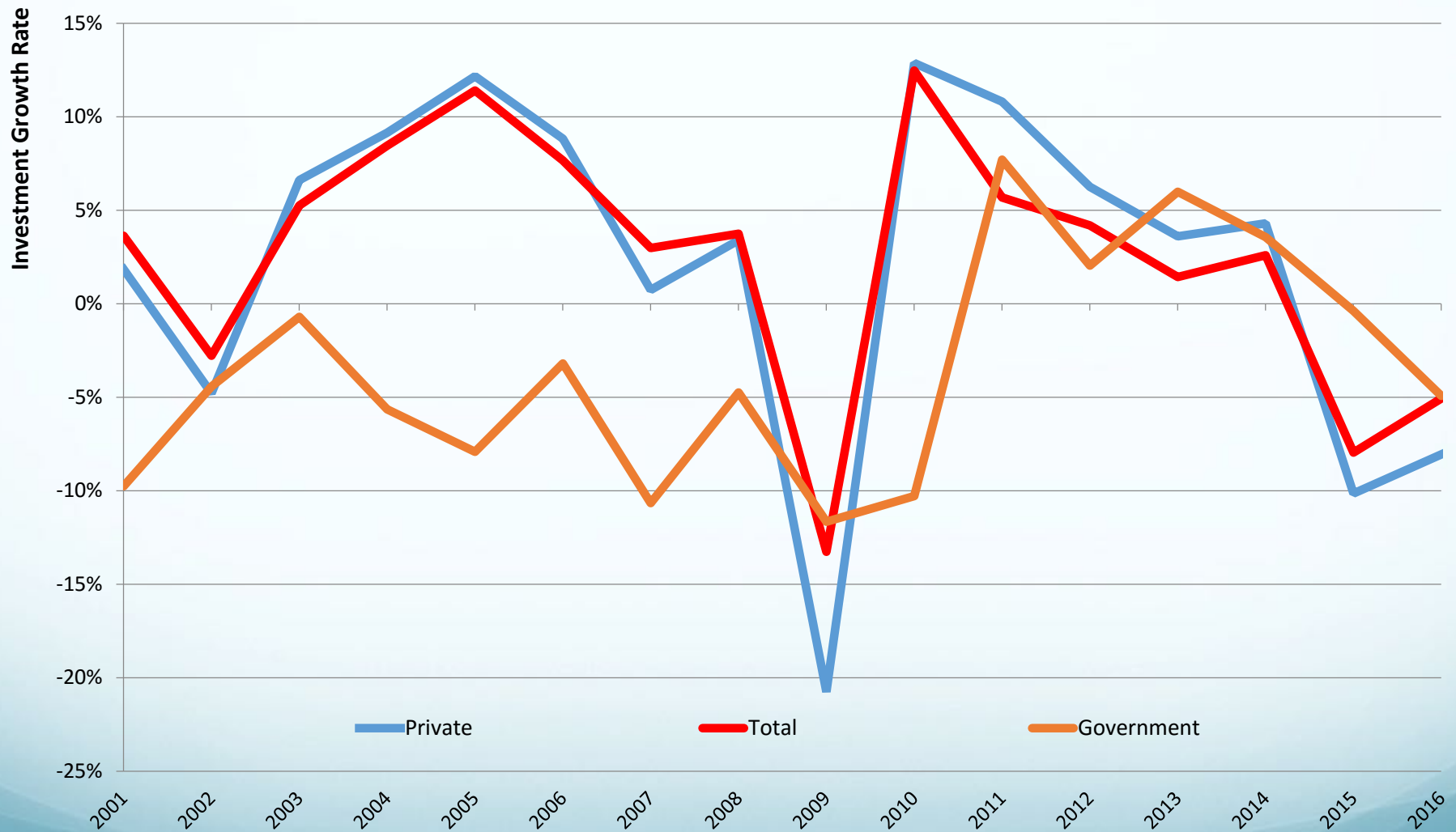
Migration flows now make up four-fifths of Canada's Population Growth: 2000-2017



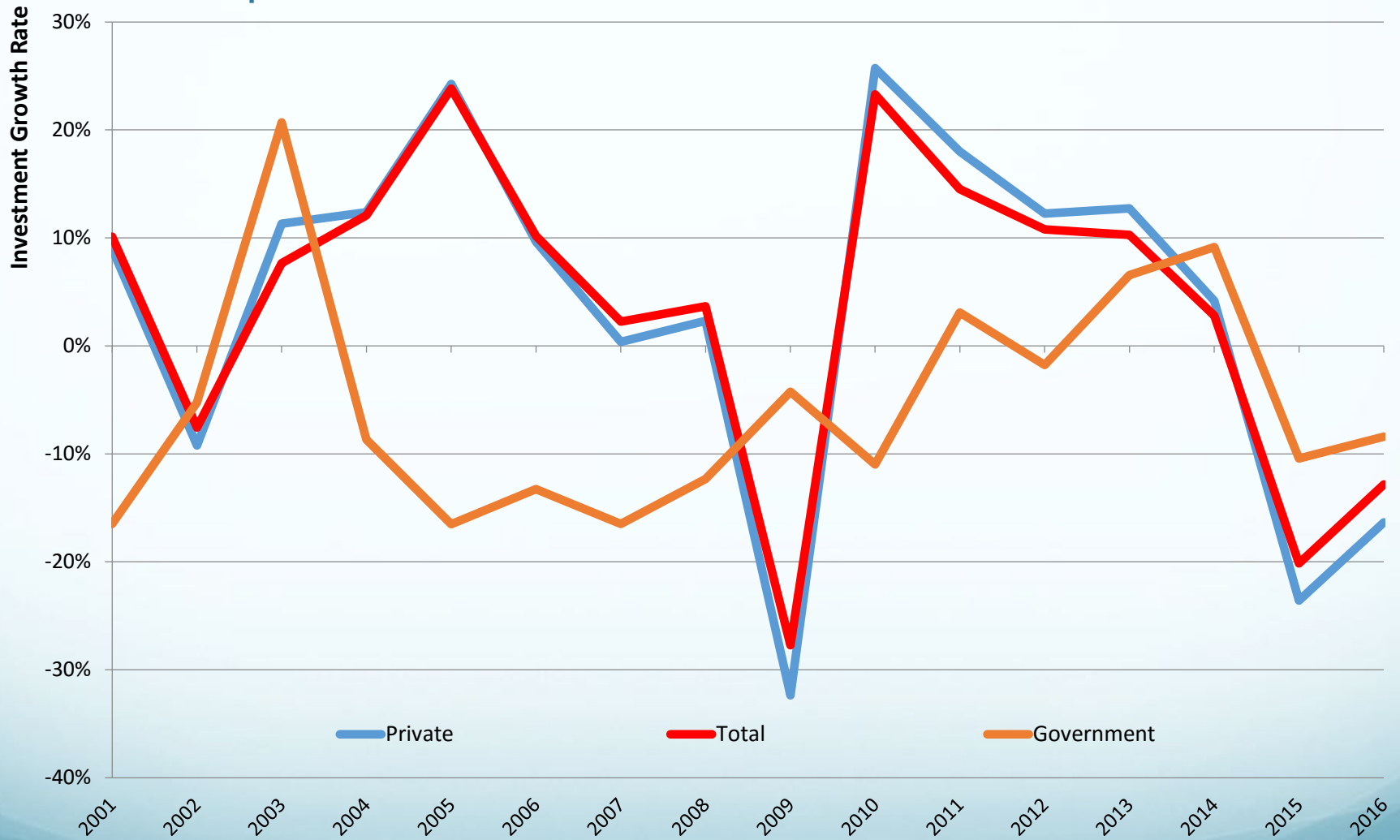
Migration flows now make up four-fifths of Canada's Population Growth: 2000-2017



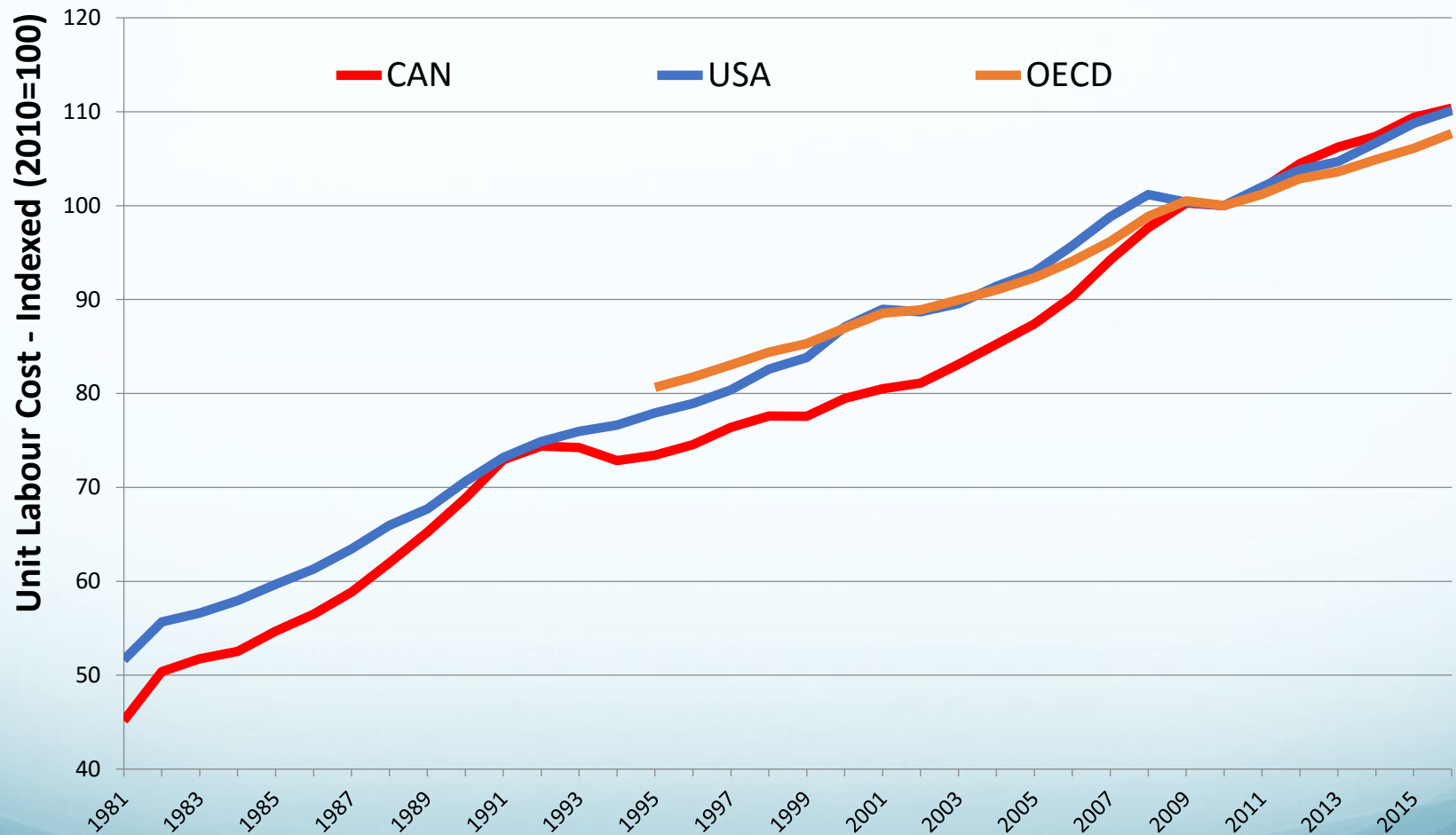
Canadian Non-residential Private and Public Net Growth in Capital Stock is deficient: 2000-2016



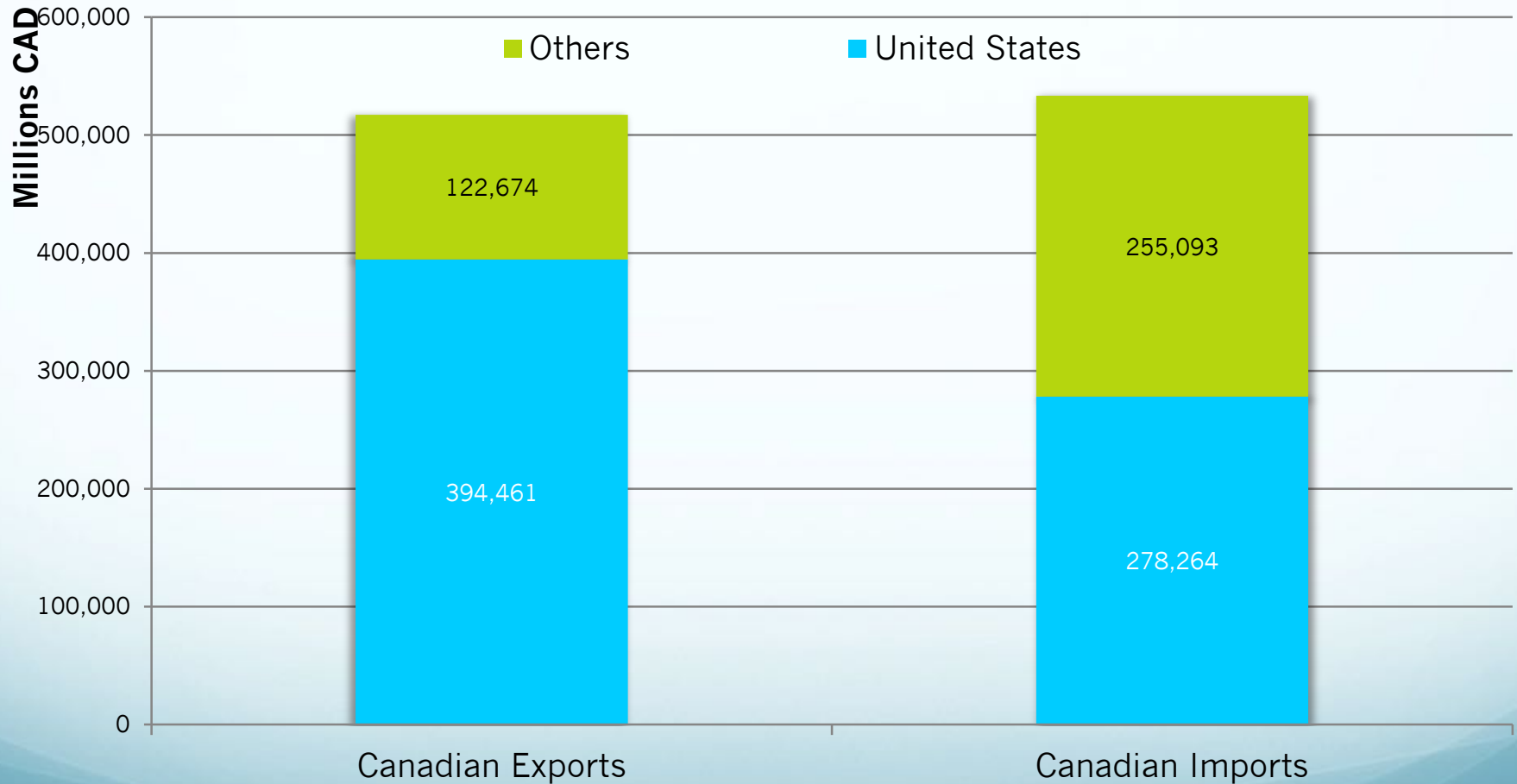
Non-residential Private and Public Growth in Capital Stock for Alberta: 2000-2016



Canada increasingly uncompetitive with higher unit labour cost (\$U.S. dollars) – spells trouble for competitiveness

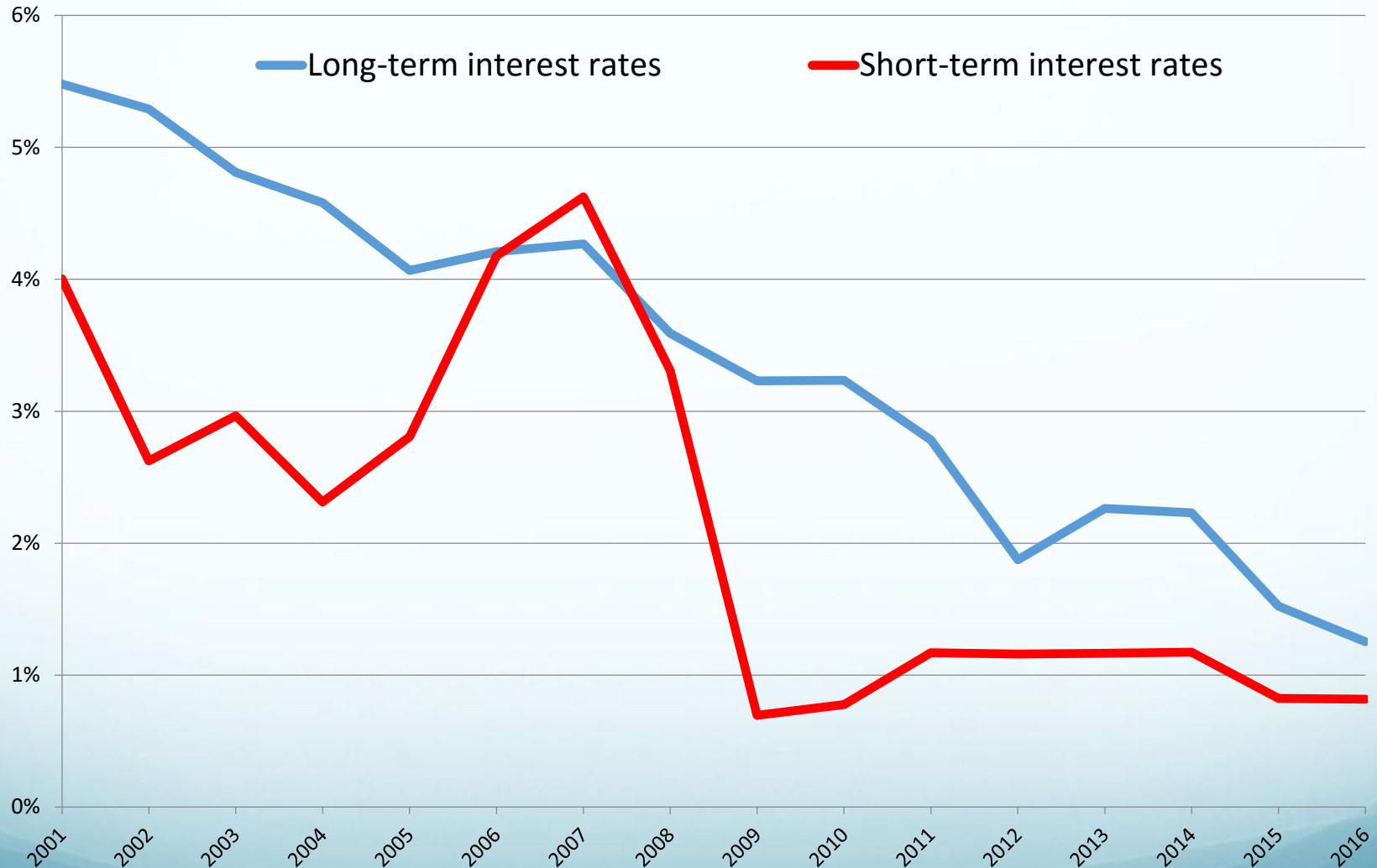


Canadian 2016 two-way trade with U.S. is 75% of our total trade – NAFTA is critical to growth outlook

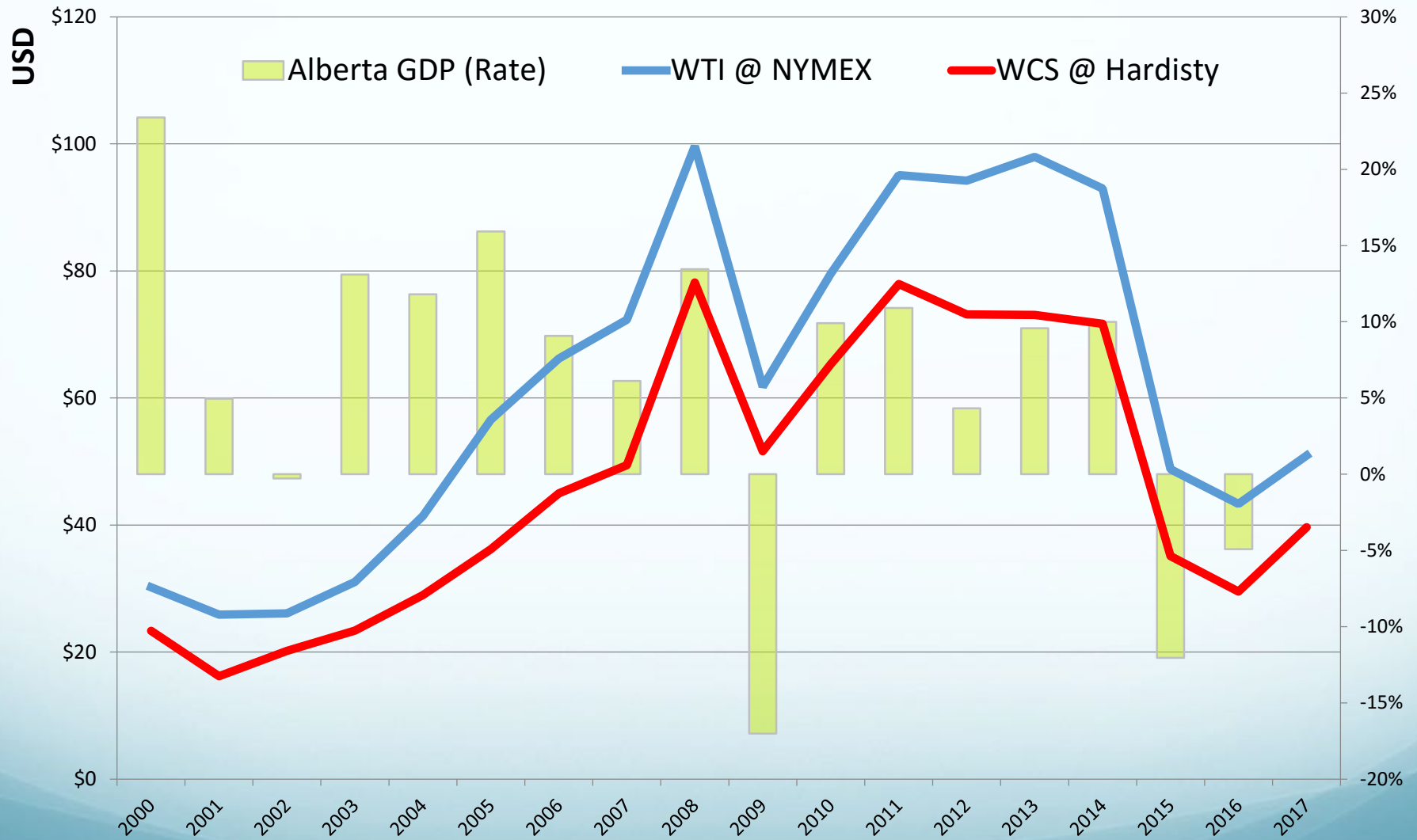


Source: Industry Canada, Trade Data Online

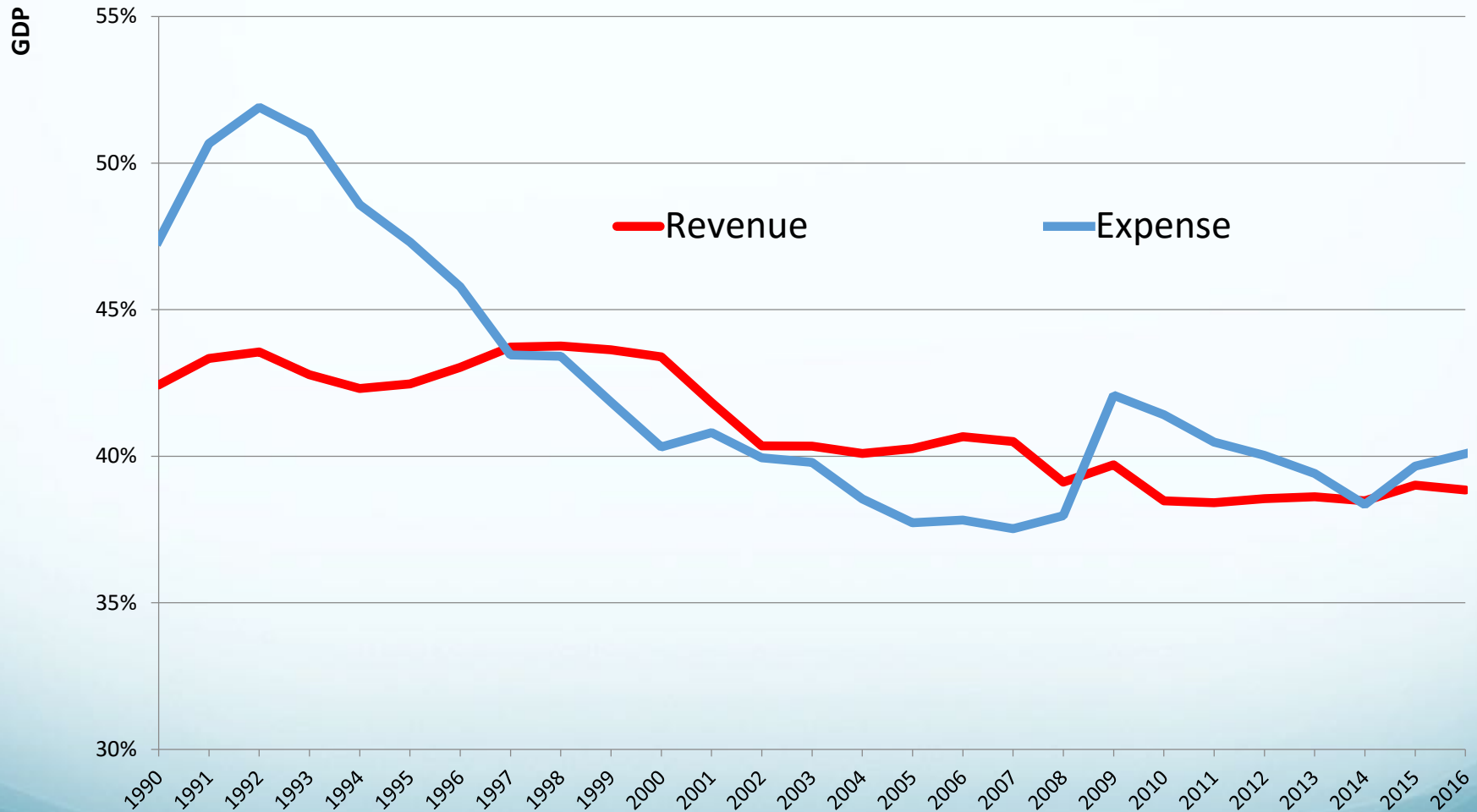
Short and long term interest rates: Canada 2005-2016



WTI and Western Canadian Select Oil Prices and Spread correlated with Alberta GDP Growth: 2000-2017



Canada governments spending and revenues 1990–2016 current fiscal deficit of 3 percent. Pressure for more taxation?



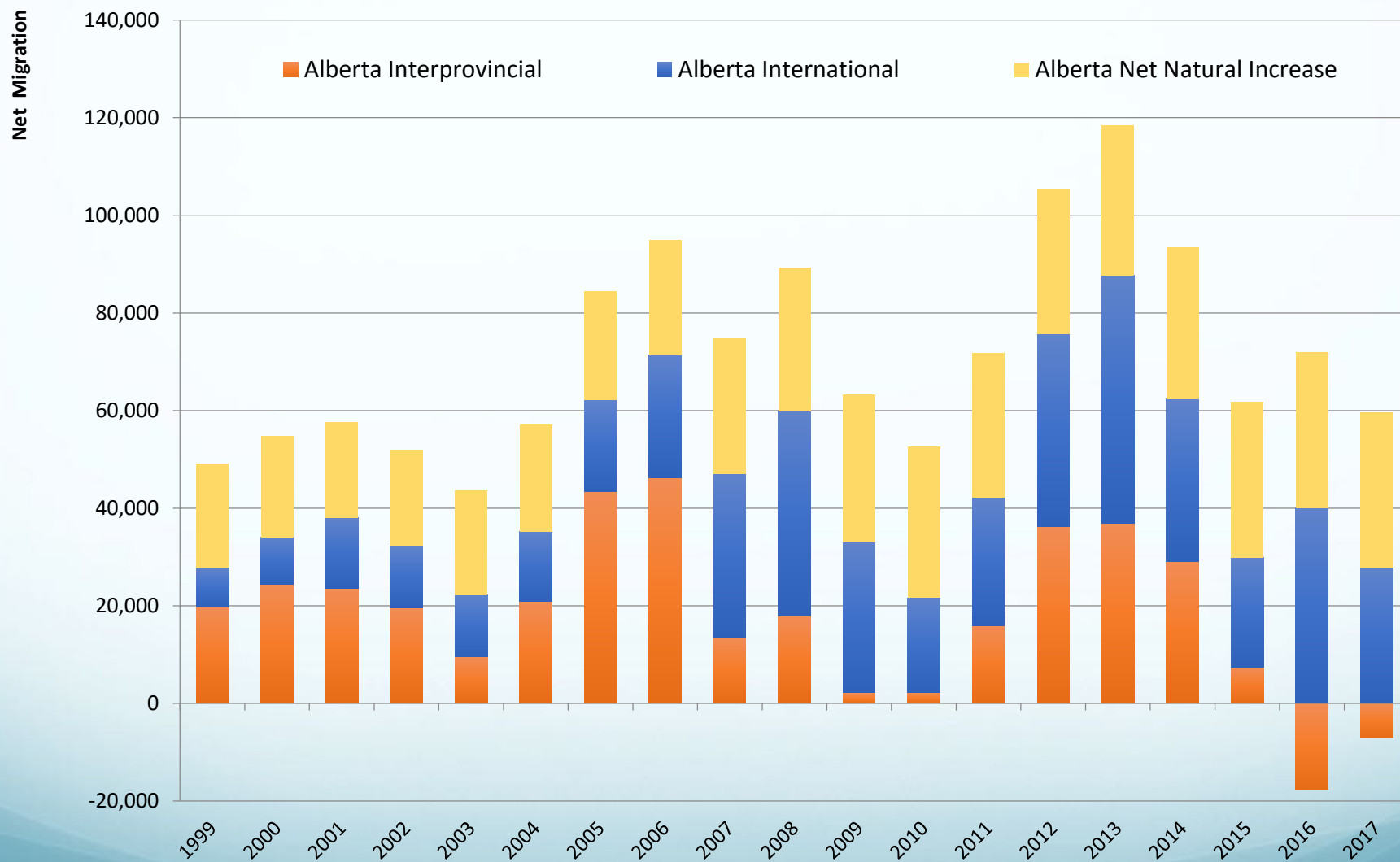
Alberta Deficits Risky and Unsustainable

	Alberta forecast 2017 (\$ Billion)	Deficits under Federal 2017 forecast (\$ Billion)	Deficits using Future Prices (end of June forecasts) (\$ Billion)
2017-18	-10.3	-10.7	-12.7
2018-19	-9.7	-9.8	-13.1
2019-20	-7.2	-11.0	-13.1
Total	-27.2	-31.5	-38.9

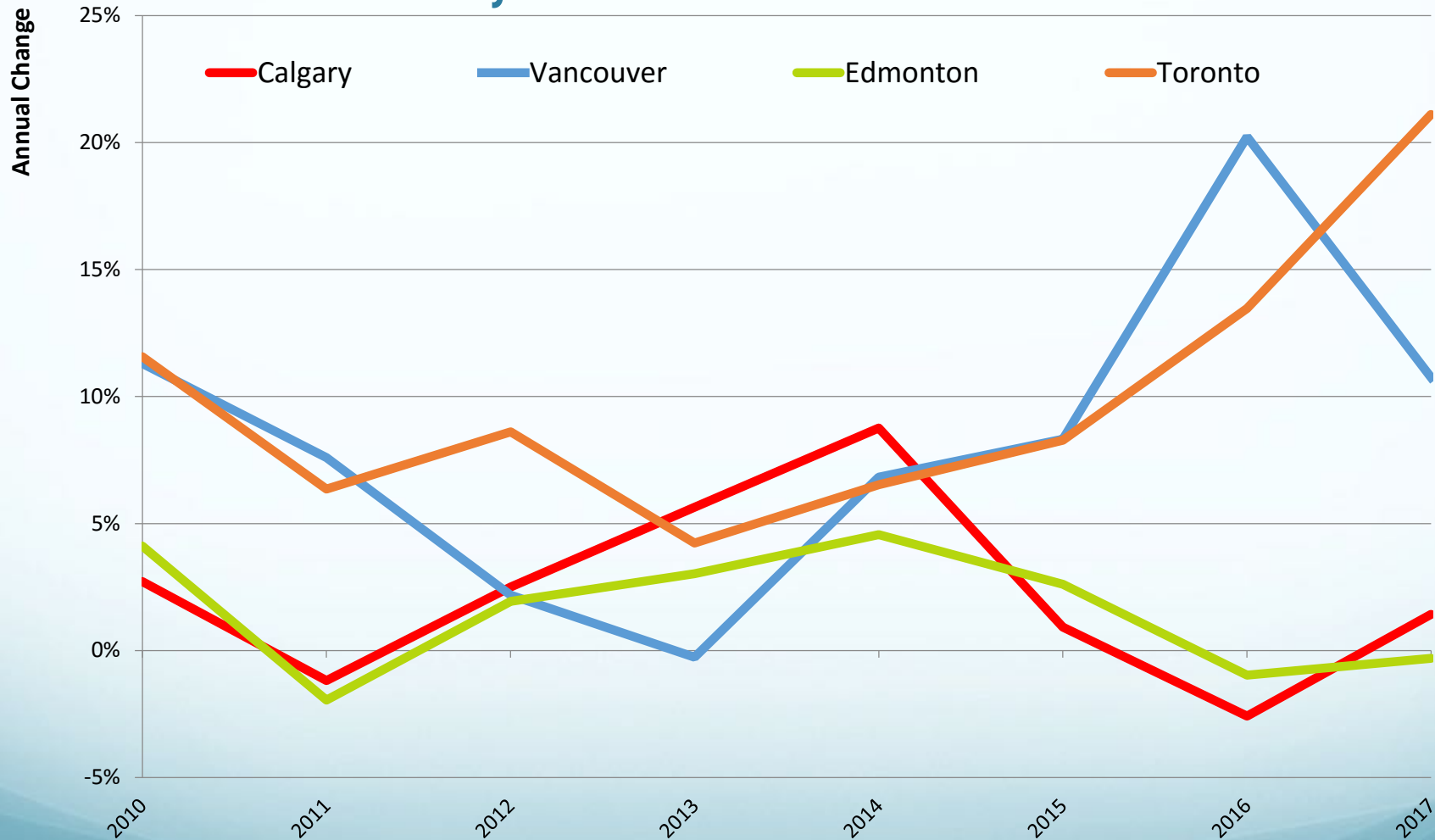
Source: Janice McKinnon and Jack Mintz, School of Public Policy, University of Calgary

Housing Markets

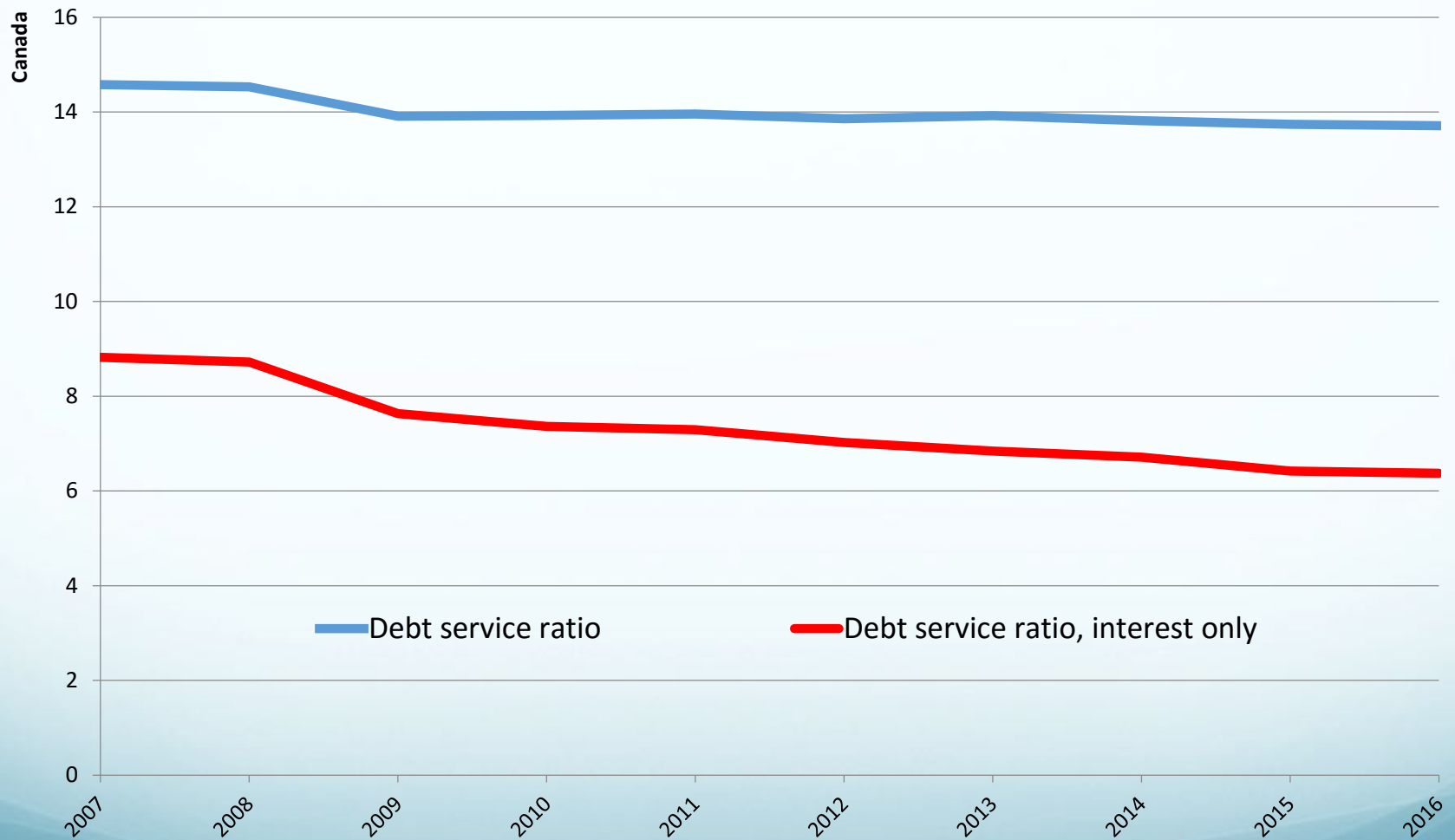
Population Growth, International and Interprovincial Net Migration: Alberta 2000-2017



Percentage Change in Housing Prices for Major Cities: 2013-17

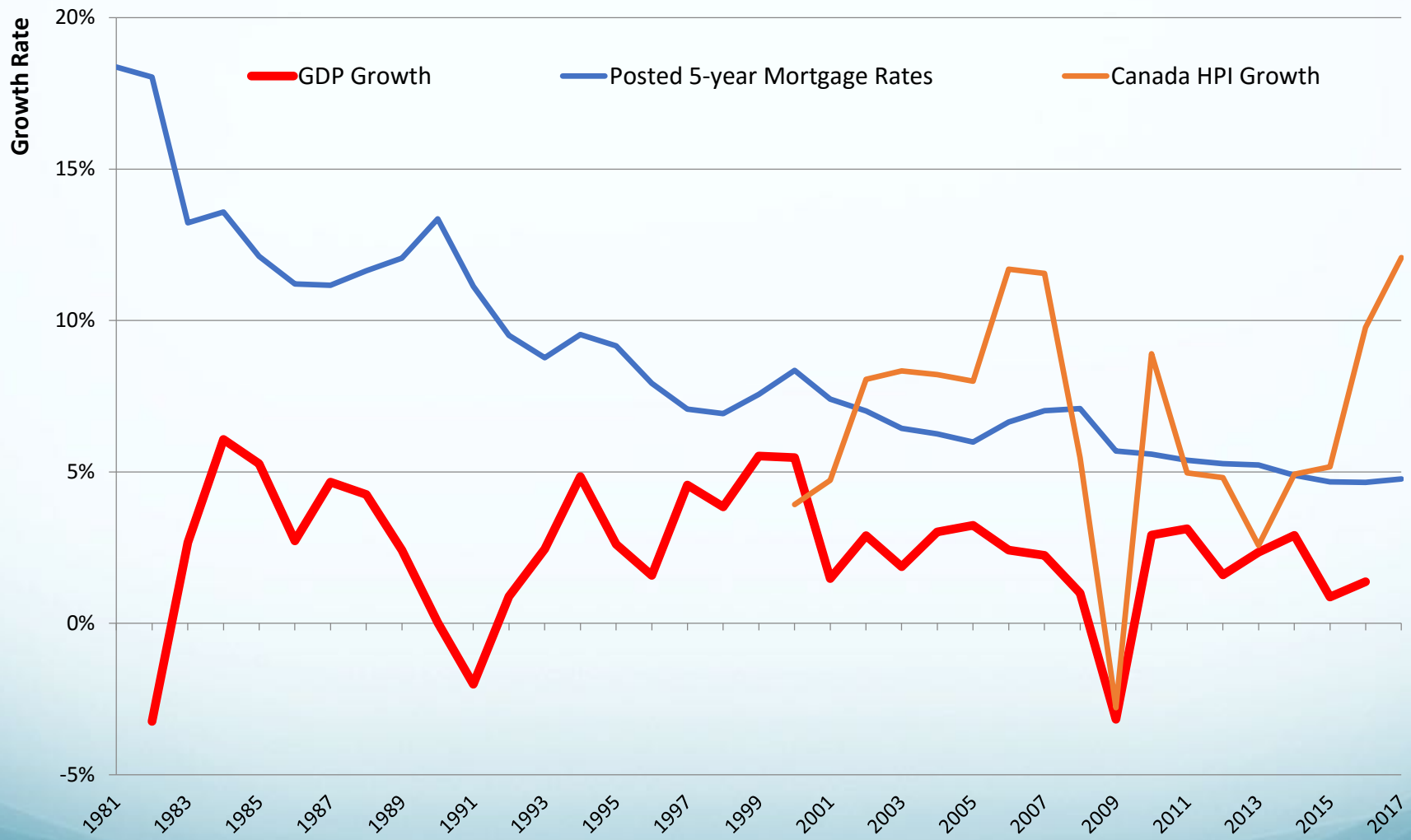


Household Debt Service Costs to Disposable Income: Canada : 2007 to 2016



Source: StatCan

Mortgage rate decline clearly related to higher housing prices – less correlation with GDP except in recession: Canada 1980-2017



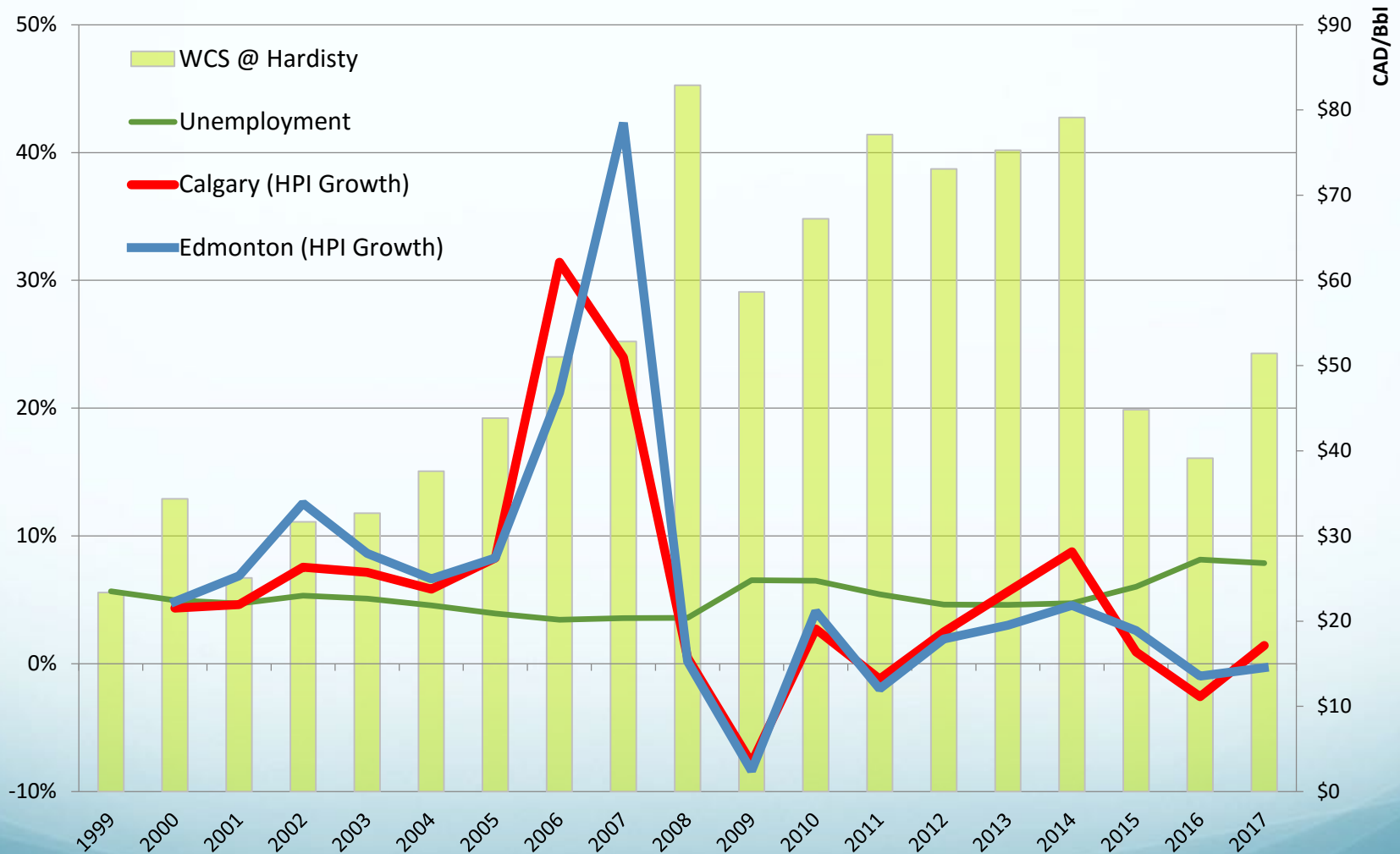
Source: Teranet–National Bank, StatCan, Rate Hub

www.policyschool.ca

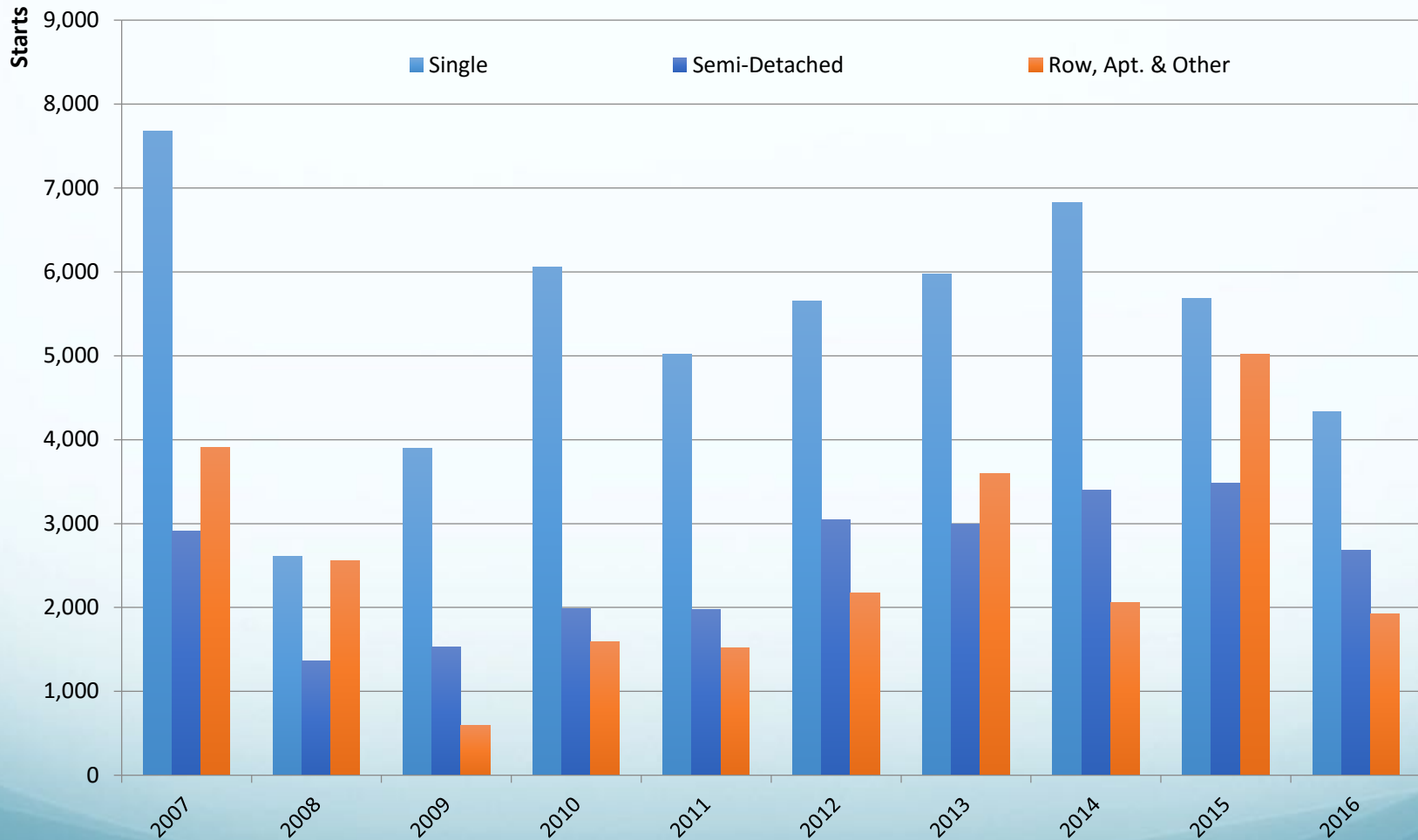
2018-01-11

31

Housing Prices and Unemployment: Edmonton more stable than Calgary since 2011: 1985-2017



New Homes Construction by Type: Edmonton 2007-2017



Regulations affecting housing

- Zoning laws;
 - Expansionist vs intensification strategies
 - Edmonton has been more expansionist in approach compared to Toronto and Vancouver (and recently Calgary)
 - Greenbelts in Vancouver and GTA has reduced land supply
 - Development and low-income housing regulatory costs.
- Mortgage Origination:
 - New rules January 1, 2018 on non-CMCH insured mortgages will require higher down payments. Stress test based on greater of Bank of Canada 5 year rate (4.99%) or contractual rate plus 2 points.
- Rent controls
 - Abolition of rent controls have improved rental supply
 - Ontario re-introduction of broad rent controls will be worth watching
- Urban development approvals
 - Canada ranks less well in registering property (43rd), getting electricity (108th) and dealing with construction permits (57th) among 186 countries (World Bank)

Taxation Choices

- Property tax (about 50% of Edmonton revenues):
 - Discriminates against non-residential and multi-residential. Mill rates in 2017 are:
 - Residential: 8.5087
 - Multi-residential: 9.4097
 - Non-resident: 20.7587
- User fees and sales (about 25% of Edmonton revenues):
 - Strong basis for linking benefits to costs of providing public services especially for roads.
- Land Transfer Tax:
 - Minimal in Alberta
 - Next to corporate income tax, worst tax to have with large economic cost and difficult to administer for commercial property
- Local income tax:
 - Tightening of principal residence exemption under income tax – information reporting.
- Local sales tax: With GST/HST would not be sensible to have at the municipal level – best to keep it provincial.
- Vacancy and foreign purchase taxes:
 - Foreign purchase tax adopted in Vancouver and Toronto. One time impact on prices.
 - Vacancy tax: being considered in Toronto – impact not fully understood in terms of supply

Key Points

- Economy is doing better supporting housing markets.
- Interest rates will increase in 2018 but unlikely to imperil housing markets.
- Key issues to watch out for are regulations and new taxes.