

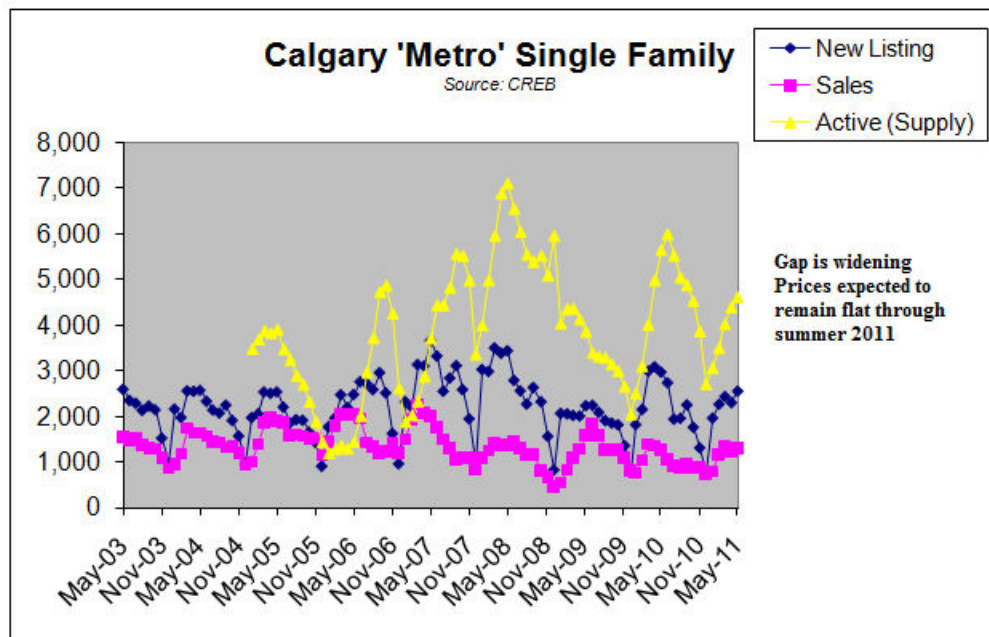


Real Estate and Economic Report – June 2011

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• Calgary Real Estate Market

- Supply has increased in both the single family and condo markets with a 3.5 & 4.2 month supply (absorption rate) respectively
- Single family sales continue to linger below the 10 year average (1,313 units in May 2011), while condo sales have recorded the lowest May sales on record (503 units in May 2011)
- The 'Calgary Metro' graph below is displaying signs of further widening
 - Although the gap between active listings and sales has increased, the space remains smaller than in both May 2007 and May 2008, when price declines were evident 4 months later
 - It is expected that this widening will ease in the coming quarter with the prices remaining overall flat over the next 3 months



- Median single family price in May 2011 was \$423,000, essentially unchanged from both the previous month and the same month last year
- Condominium median price in May 2011 was \$268,500 up 3% from the previous month, and down 4% from this time last year
 - With continued slow sales and elevated inventory in the condo market, further weakening can be anticipated in the coming quarter

- During the past two quarters, the median priced condo has grown to a 37% variance over the median single family priced home
 - 37% is the largest variance since 2005 pre-boom when it was 40% less expensive than a single family median priced home
 - During the peak of 2007, the variance was reduced to just 30%
 - Affordability continues to remain the best in Canada for a single family standard home, and with the greater discount for condominiums, Calgary's real estate market may be experiencing a price plateau from the correction
 - Sales to new listing ratio has dropped to 51% in May 2011 from 53% the previous month, with the sales to active listings ratio at 28% in May 2011 (22% - May, 2010), indicating the market remains flat with little evidence of price appreciation within the next quarter
 - Single family construction starts have noticeably declined year/year during the first 6 months of 2011, helping lower new home supply and bringing the unabsorbed (spec) units below 400 units, 10% lower than this time last year
- **Edmonton Real Estate Market**
 - Single family median price in May 2011 was \$357,000, down 2.5% from May 2010
 - Condominium median price in May 2011 was \$228,000 down 3.3% from May 2010
 - Both new listings and active inventory rose in Edmonton last month, rising the Edmonton supply to 6.7 months
 - Single family sales in Edmonton improved month/month, up 25% to 1,210 units in May 2011
 - Edmonton spec inventory rose again since last report to 2006 unabsorbed units
 - Combined with the 8,160 resale active listings, Edmonton has over 10,000 available homes for less than 2,000 average buyers per month; expect modest price declines in Edmonton of at least 2% over the summer months until inventory can be absorbed
- **Economic Status and Cautions:**
 - On May 31, the Bank of Canada maintained the overnight rate at 1%
 - US home prices remain at crisis lows, unemployment climbed above 9% again, consumer spending continues to wane and growth in their economy has lost momentum in recent weeks
 - Canadian exports will continue to suffer through this pro-longed US recovery compounded by a climbing CDN \$, largely affecting eastern provinces
 - Interest rates can be expected to remain low through the summer months as inflation is subdued by the high \$ and declining exports
 - Oil prices may be pressured downward during the next quarter, but expected to remain at elevated levels as emerging markets and global supply will help offset recent US loss in growth momentum
 - Canadian GDP grew by 3.9% in the 1st calendar quarter of 2011
 - Alberta's employment grew by 8,500 jobs in May 2011, lowering the unemployment rate to 5.4%

- While the 3rd lowest unemployment in the country, behind Saskatchewan (5.0%) and Manitoba (5.3%), Alberta has experienced the fastest growing jobs in the country in the past 12 months and is expected to continue this trend through 2012
 - Calgary Economic Development warns that Calgary will experience a steep labour shortage as the economy improves during the next 24 months
 - Baby-boomers financially able to retire combined with growing production and job growth in the province will require more workers than currently available in the province
 - Above average migration will be required to fill these vacancies over the next number of months
 - Interprovincial migration was forecast to increase 11% by the end of 2011 and a further 14% increase in 2012; however, migration is now expected to exceed these predictions and help reduce both rental vacancy (currently 4.7% in Alberta and 3.4% in Calgary) and absorb available new and resale inventory
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- **Conclusion:**
 - Alberta economic fundamentals are expected to improve despite US slowdowns and corresponding short-term oil price pressures
 - Persistent low interest rates, growing jobs and an influx of migration will help tighten the 'Metro' graph as we enter the second half of 2011 with real estate prices stabilizing in both Calgary and Edmonton in the latter half of 2011

Analysis based on statistics provided by the Calgary Real Estate Board, Canada Housing and Mortgage Corporation and the Bank of Canada. All information is to be regarded as opinions and the writer is in no way liable for any errors this document may contain.

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