Q2 2020

Calgary & Region

QUARTERLY UPDATE REPORT

creb®

The forecasts included in this document are based on information available as of July 10th, 2020.

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CITY OF CALGARY HOUSING SUMMARY

Price	
Quarterly Benchmark Price	412,000
Year-over-year	-2.32%
Quarter-over-quarter	-0.64%

The second quarter of 2020 marked the first full quarter since COVID-19 began to weigh on the economy.

Calgary housing sales slowed by 35 per cent compared to the previous year. This is better than original expectations, thanks to June figures that were far stronger than initial estimates. The pullback in new listings in the second quarter caused inventories to trend down, preventing a more significant decline in prices.

The second quarter benchmark price trended down compared to the first quarter and eased by 2.3 per cent compared to last year, just slightly above initial forecasted levels.

Unquestionably, COVID-19 will continue to impact the housing market over the next several quarters. However, the extent of the impact may not be as severe as estimates from three months ago. Those original estimates of unemployment levels and job losses have been revised. Job losses and high unemployment rates are still expected, but the magnitude of the decline has eased.

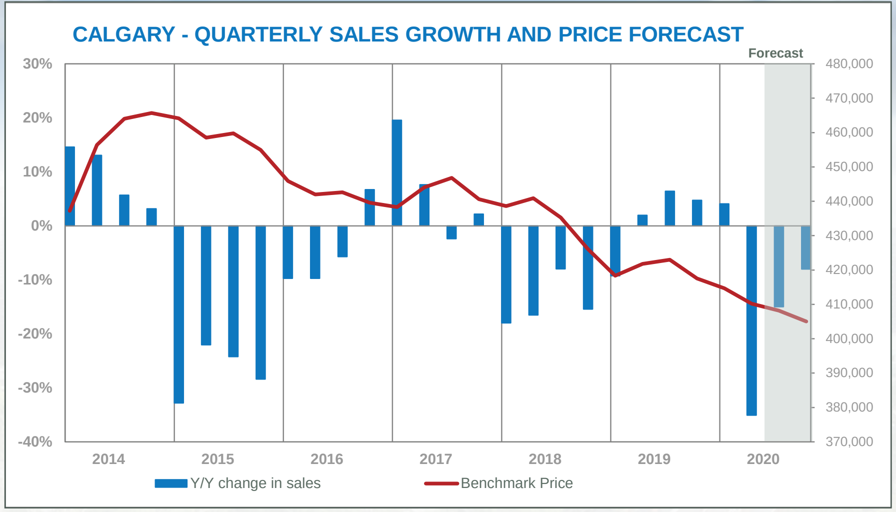
Furthermore, since May, oil prices have improved. This is not enough to change capital spending plans, but with West Texas Intermediate (WTI) prices back in the $40 range, the situation has improved significantly from the low levels recorded in May.

While the situation may look brighter than it did a few months ago, it is also important to note that challenges remain.

Our local economy is still facing record-high unemployment rates, with significant job loss occurring not only in areas associated with the shutdown (e.g., accommodation and food, retail trade) but in our professional, scientific and technical services sector. Some of the jobs in areas impacted by closures will start to return as our economy re-opens, but the challenges weighing on the energy sector will likely have a lingering effect on employment.

Further job losses in the energy sector pose downside risk to housing demand, especially in the upper end of the market.

Recovery for higher-paid positions will likely take longer than recovery in other areas of the economy. This will cause some persistent challenges for the upper end of the housing market, having a greater impact on those higher-priced homes versus product in the lower price ranges.



Overall, we continue to expect citywide benchmark home prices to ease by just under three per cent this year and sales activity will remain weak compared to the already low levels recorded last year.

Despite the wide range of expectations on home prices, we do not expect a stronger price decline in 2020 for several reasons:

- Adjustment in supply. Demand has fallen, but so have new listings and inventory levels. This is preventing significant gains in the months of supply slowing the downward price pressure.
- Support provided by lenders and government is expected to cushion the blow from COVID-19, preventing a more significant price drop this year.

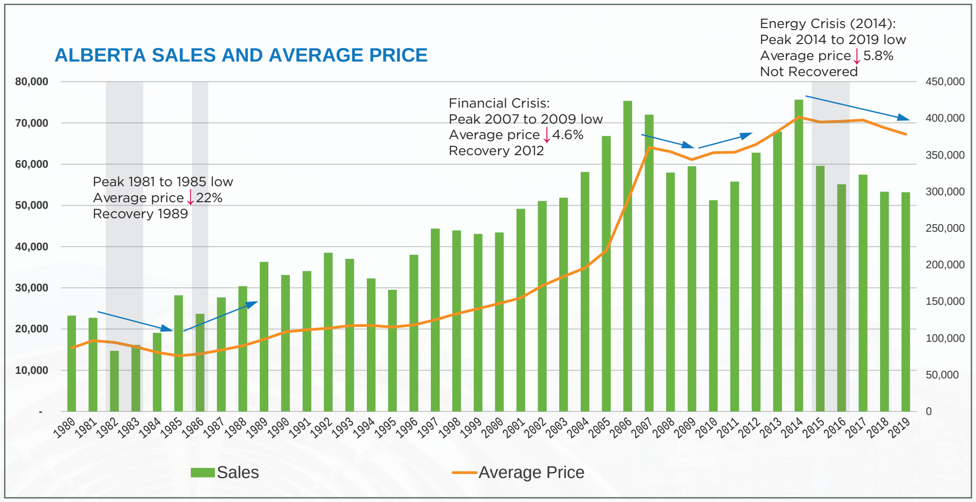
As we move into the second half of this year and into 2021, there remains significant downside risk. If jobs do not return as anticipated and the support from lenders and government ends, we could start to see a faster rise in supply relative to demand. This may cause stronger price declines in the market entering 2021.

COMPARISON OF THE PREVIOUS RECESSIONS

Price changes over previous recessions in Alberta

While COVID-19 is expected to bring on one of the worst recessions in the province's history, we have been through several significant recessions that have impacted our housing market. The most memorable recessions in our provincial history have been the energy crisis in 2014, the financial crisis in 2008 and the recessions of the 1980s that were marked by high interest rates, the oil crash and the National Energy Program.

Throughout each of these periods, home prices eased. The most significant decline occurred in the '80s, when homes prices declined by 22 per cent. However, that decline took four years, with annual price decreases rising in the second and third year of that cycle. It was not until 1989 that prices finally recovered to 1981 levels. During that period, unemployment rates hit double digits and mostly remained there until 1987. We also had double-digit interest rates and more people leaving the province than entering.



While the current situation has prompted a wide range of forecasts regarding the potential impacts, a repeat of the '80s would require several more years of weak labour market conditions, resulting in a rise in foreclosures and persistently weak migration levels.

*source: CREA

ECONOMIC UPDATE

Alberta's economy has struggled for the better part of the past five years, with a two-year recession in 2015-16 followed by another mild economic decline in 2019.

While 2020 was supposed to be different, COVID-19 restrictions and falling oil prices have led many forecasts to call for provincial GDP declines of around eight per cent. Recent moves to re-open the economy and improvements in oil prices suggest the worst is over, but we will continue to face challenges for some time. Recovery is not expected to occur until 2022 at the earliest.

The energy sector faced prices far lower than the initial price shock in 2014, causing many companies to slash capital spending plans. While oil prices have risen from recent lows, investment activity is expected to remain weak moving forward.

The combination of the shutdown in the economy and further layoffs in the energy sector has caused Calgary's unemployment rates to rise to new record highs. While some job loss was recorded prior to COVID-19, the rate of job loss escalated. As of June, more than 120,000 jobs have been lost and unemployment rates currently sit at nearly 16 per cent. This is far worse than the pullbacks recorded throughout the energy crises that started in 2014.

Job losses occurred across almost all industries. Some improvements are expected in the later part of the year as the economy continues to re-open, but current forecasts point to a six per cent contraction in overall employment levels in 2020.

A weak job market and closed borders are expected to weigh on migration figures. The number of new immigrants admitted to Canada declined sharply in March, and with travel restrictions expected to persist, lower in-migration will slow the economic recovery and is expected to cause demand for new housing units to fall.

After the first half of the year, housing starts eased by 16 per cent and new-home inventories remained elevated. While the estimates vary, some forecasters expected starts to fall by more than 40 per cent in 2020.

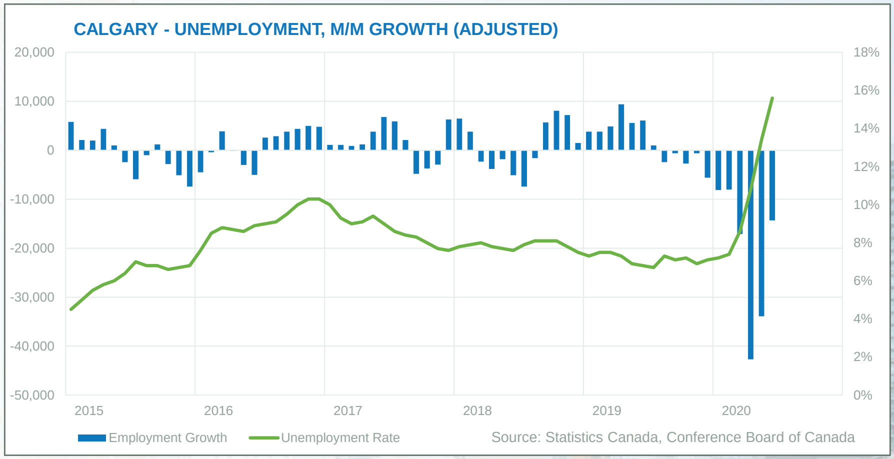
Source: Statistics Canada

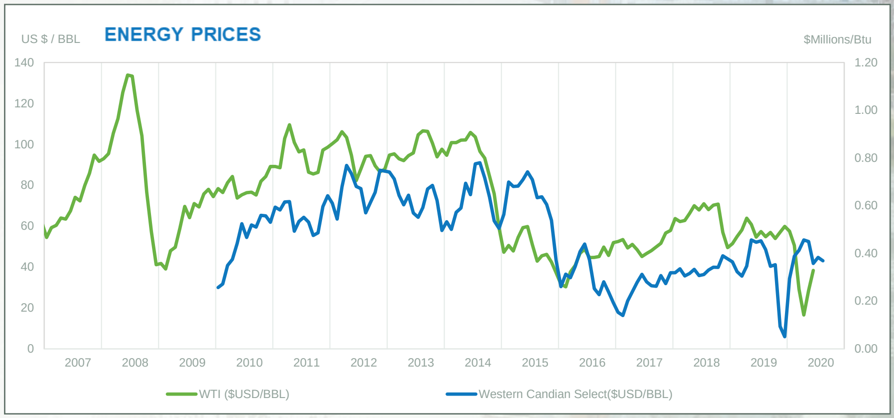
ECONOMIC UPDATE **CONT.**

Rental activity is also expected to struggle, as slower migration levels will reduce the demand for rental product. This, combined with the completion of new rental product that is adding to supply, could cause vacancy rates to rise.

Overall, the economic situation does point to significant challenges over the next several years. However, government spending and the low interest rate environment should help cushion some of the impacts over the near term.

There remains significant uncertainty regarding what a second wave of COVID-19 could look like, when border restrictions will ease, how many companies will survive, and the longer-term impacts of government spending. The impact on home prices will ultimately depend on the how both demand and supply react to the changing economic climate.





*source: CREB® / Source: U.S. Energy Information Administration, Alberta Energy

HOUSING MARKET
DETACHED

Like all sectors, detached sales activity declined in the second quarter compared to last year, resulting in its slowest second quarter for sales activity since 1990.

However, the decline in sales was also met with a sharp pullback in new listings, which fell to the lowest second-quarter level on record. This helped to reduce inventory levels.

Q2 BENCHMARK PRICE

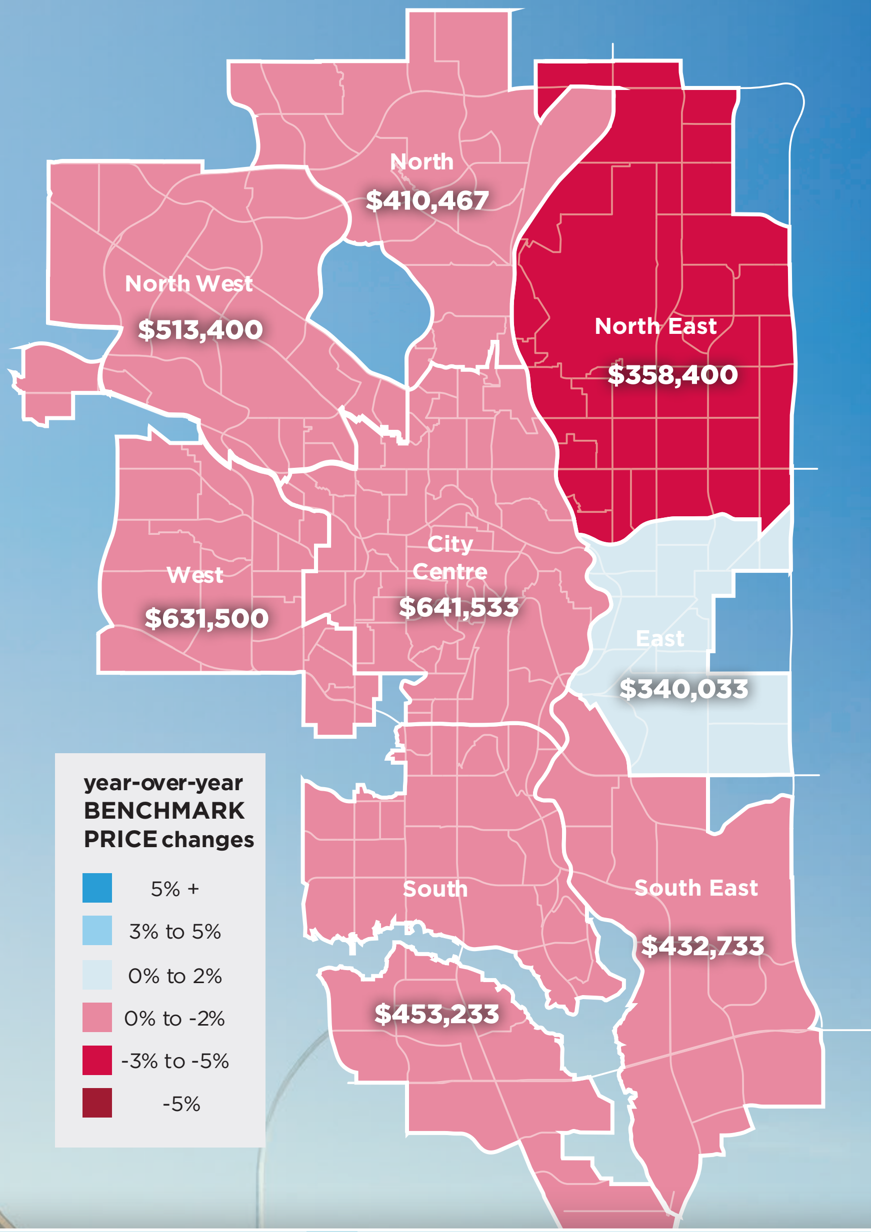
$475,033

-1.60% year over year ↓
-0.27% quarter over quarter ↓

Q2 QUARTERLY MONTHS OF SUPPLY

4.20

16.00% year over year ↑
0.11% quarter over quarter ↑



SALES

Total Q2	2020 Year to Date
2,103 ↓	**3,989** ↓
-34.36% year over year	**-21.71%** year over year

NEW LISTINGS

Total Q2	2020 Year to Date
4,038 ↓	**7,933** ↓
-27.80% year over year	**-19.31%** year over year

INVENTORY

Total Q2	2020 Year to Date
2,946 ↓	**2,793** ↓
-23.86% year over year	**-19.61%** year over year

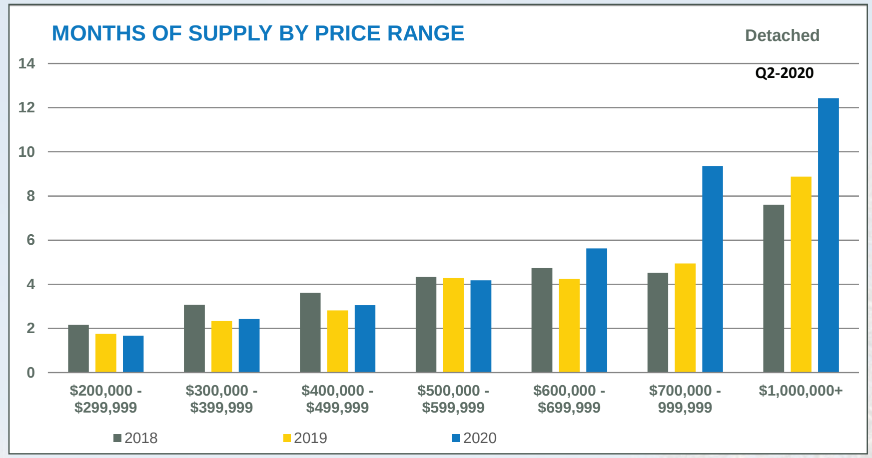
source: CREB®

HOUSING MARKET **DETACHED CONT.**

Lack of confidence in the market, combined with initially high supply levels compared to sales, caused prices to generally trend down in the second quarter compared to the first quarter. As the market was struggling with oversupply prior to COVID-19, prices were already easing, but the pace of year-over-year decline increased from less than one per cent in the first quarter to nearly two per cent in the second quarter.

The average and median prices recorded high year-over-year declines this quarter, which was mostly related to changes in distribution of sales. Detached sales slowed across all prices ranges, but of the sales that were occurring, a greater share of them happened in the lower price ranges.

What was especially interesting was the dynamic viewed in the months of supply between price ranges. For product priced below $600,000, the months of supply remained at or below levels from the previous year and better or comparable to the worst that we have seen over the past five years.



Where there was a significant difference was for product priced over $600,000, where the months of supply rose well above what was recorded over the past five years.

This dynamic suggests price movements in the upper end of the market will likely be far higher than what we are seeing in the lower end. This is also consistent with employment figures, with significant job losses among typically higher-paid professional positions impacting demand in those price ranges.

source: CREB

HOUSING MARKET
SEMI-DETACHED

June saw sales numbers similar to the previous year, but this was not enough to offset slower activity in April and May, as second-quarter sales declined by more than 33 per cent compared to the previous year.

The steepest declines occurred in the City Centre and North West districts, and sales remained similar to last year in the South East district. Slower sales were met with easing new listings and inventory levels, but the decline was not enough to keep pace with reduced demand. As a result, the months of supply remained well above last year's levels.

This segment was struggling with excess supply prior to COVID-19 and has recorded three consecutive quarters where prices trended down, leaving second-quarter prices nearly four per cent lower than last year's levels.

As was the case with the detached sector, there was a significantly higher average- and median-price decline, partially related to distribution shifts. While sales fell in all price ranges, there was a shift toward more affordable semi-detached product. For product priced above $400,000, the months of supply rose to levels higher than what has been recorded over the previous five years.

Q2 BENCHMARK PRICE

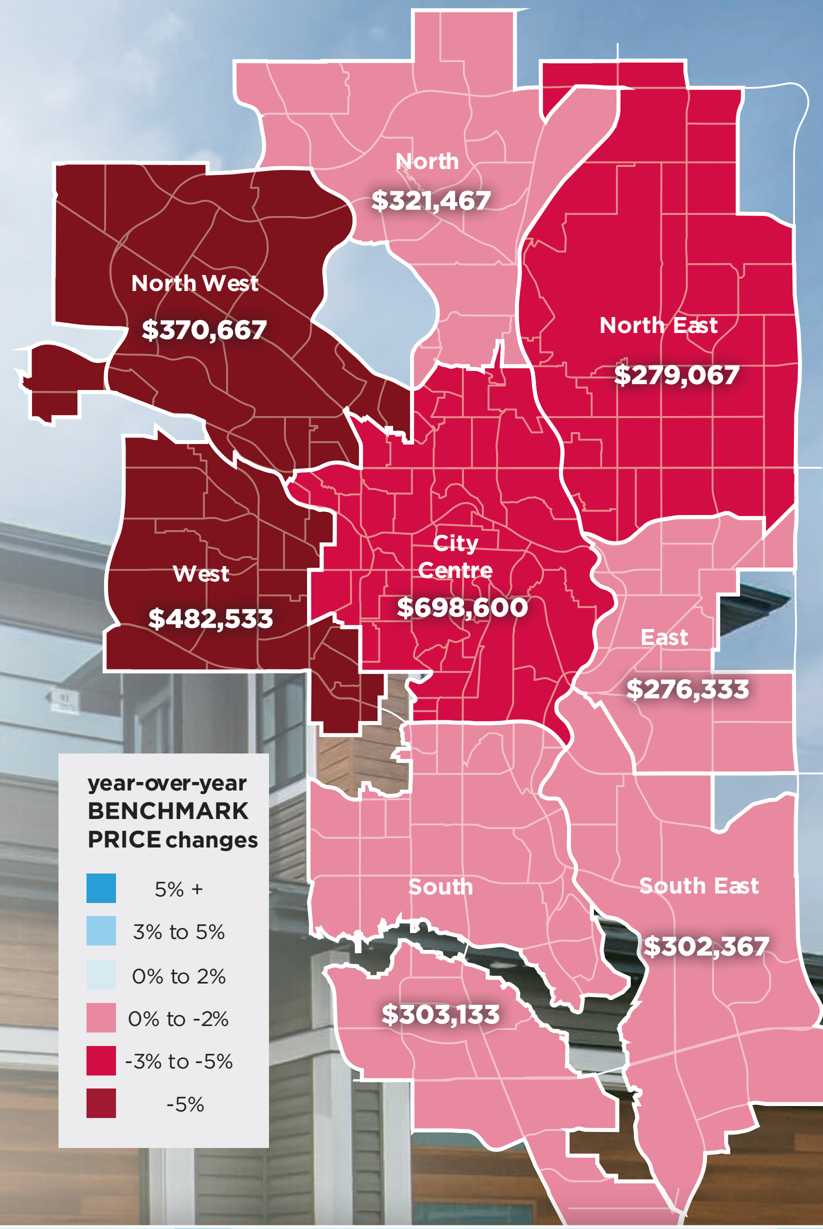
$386,667

-3.81% year over year ↓
-0.35% quarter over quarter ↓

Q2 QUARTERLY MONTHS OF SUPPLY

4.95

20.84% year over year ↑
-6.98% quarter over quarter ↓



	SALES		NEW LISTINGS		INVENTORY	
	Total Q2	2020 Year to Date	Total Q2	2020 Year to Date	Total Q2	2020 Year to Date
	374 ↓	714 ↓	718 ↓	1,463 ↓	618 ↓	611 ↓
	-33.21% year over year	**-20.22%** year over year	**-23.54%** year over year	**-19.31%** year over year	**-19.29%** year over year	**-16.58%** year over year

*source: CREB®

HOUSING MARKET **ROW**

Driven by the affordability of the property type, June sales improved compared to the previous year. However, it was not enough to offset the declines recorded over the previous two months and sales in the quarter remained 28 per cent lower than last year's levels, making for one of the slowest second quarters since the late '90s.

Like many other property types, row product experienced a decline in demand that far outpaced the decline in new listings and inventory levels, causing the months of supply to remain higher than last year's levels.

This has weighed on prices in the second quarter, with row properties seeing higher declines than any other product type. Benchmark prices eased across most districts, but a significant decline in the West district caused second-quarter prices to fall by nearly seven per cent compared to the previous year.

Q2 BENCHMARK PRICE

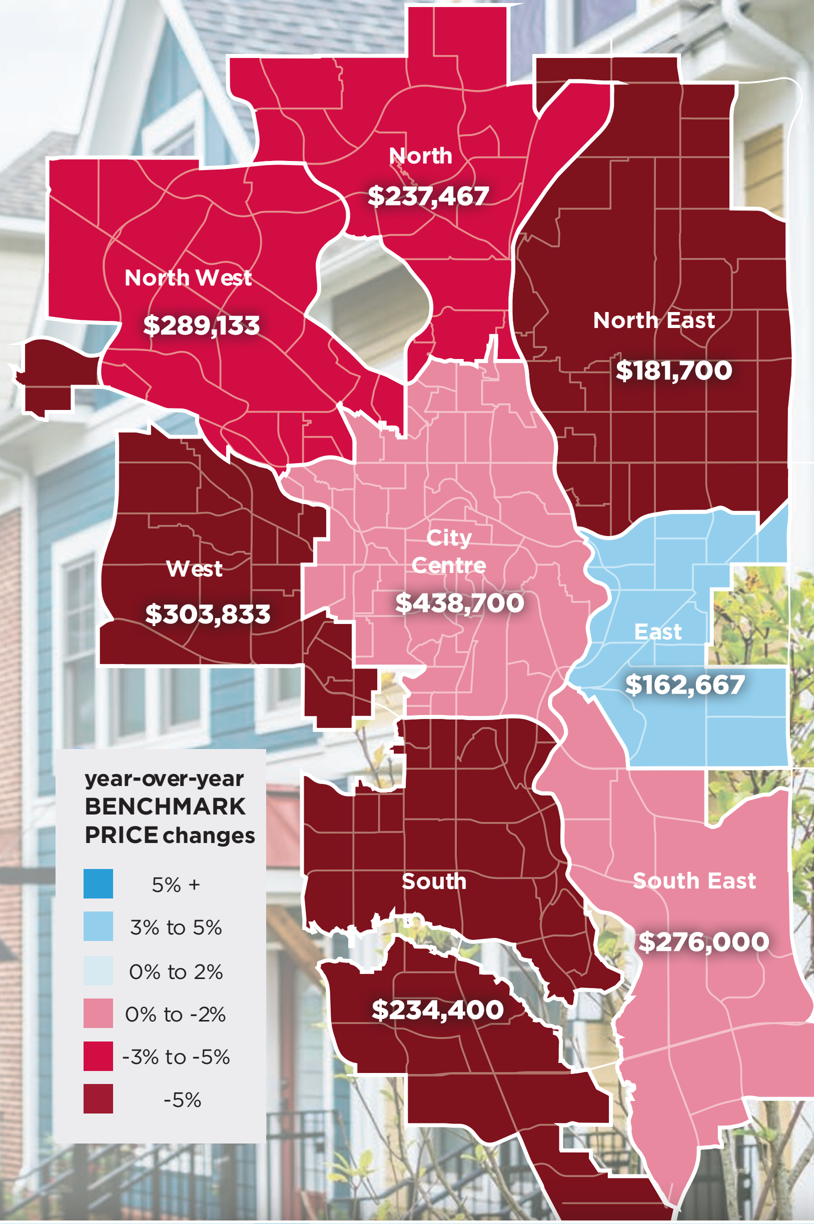
$274,267

-6.95% year over year ↓
-4.27% quarter over quarter ↓

Q2 QUARTERLY MONTHS OF SUPPLY

5.76

14.87% year over year ↑
-0.94% quarter over quarter ↓



SALES		NEW LISTINGS		INVENTORY	
Total Q2	2020 Year to Date	Total Q2	2020 Year to Date	Total Q2	2020 Year to Date
463 ↓	**890** ↓	**1,046** ↓	**2,100** ↓	**888** ↓	**858** ↓
-28.33% year over year	**-15.88%** year over year	**-18.79%** year over year	**-12.13%** year over year	**-17.67%** year over year	**-13.31%** year over year

source: CREB

HOUSING MARKET **APARTMENT**

Sales in the first quarter were finally starting to improve, but COVID-19 weighed heavily on the apartment-condominium sector. Sales in the second quarter eased by 44 per cent, representing the lowest levels since 2000. New listings did ease, but it was not enough to prevent inventories from trending up in the second quarter, although they did remain lower than last year's levels.

The months of supply averaged over nine months in the second quarter, while prices continued to trend down over the previous quarter and sit nearly three per cent below the second quarter of last year. Considering both previous and new declines, citywide benchmark prices have eased by more than 19 per cent from previous highs recorded in 2014.

The apartment condominium is the most affordable product type in the market, but competition from the new-home sector and lower-priced product in the attached market, is impacting demand for resale condominiums.

However, the lowest end of the apartment sector has seen most of the activity. In the second quarter, 40 per cent of apartment-condo sales were for product priced below $200,000. The distribution shift partially explains the significant year-over-year declines in average and median price.

Q2 BENCHMARK PRICE

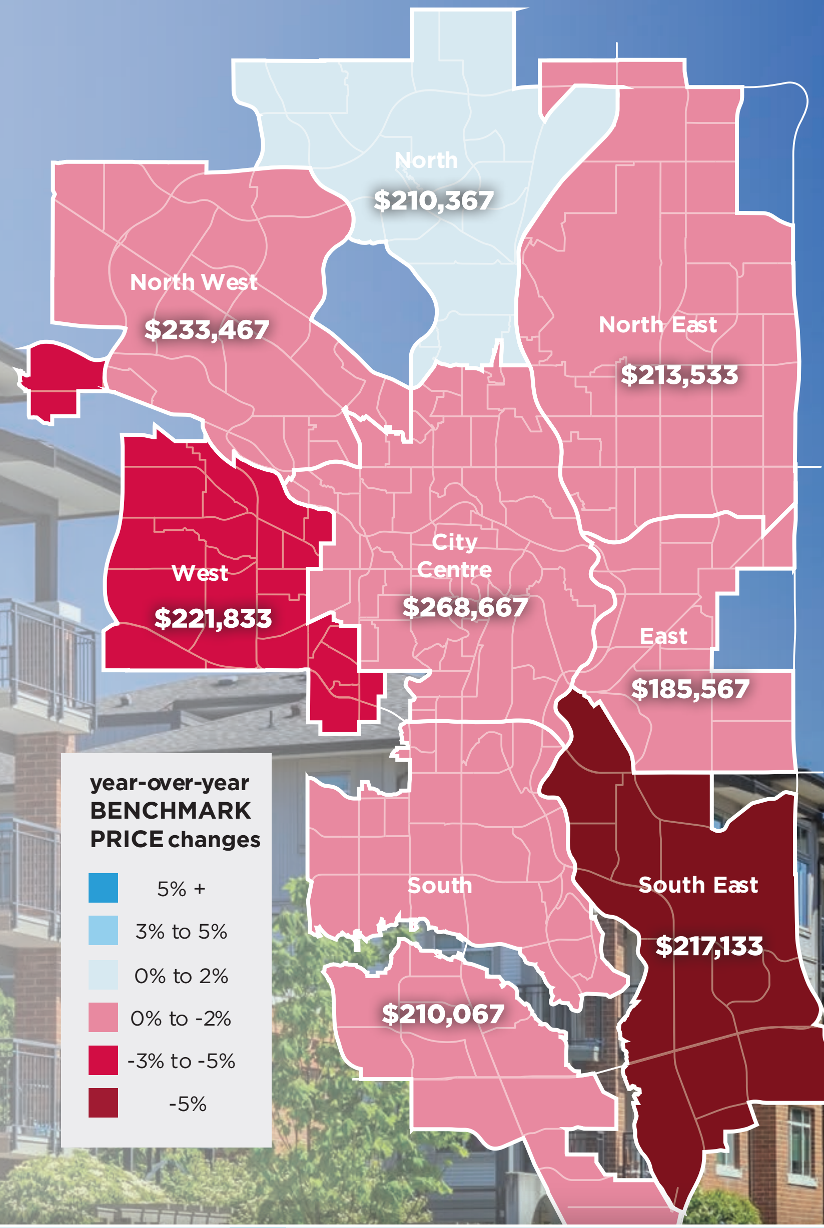
$242,233

-2.96% year over year ↓
-0.87% quarter over quarter ↓

Q2 QUARTERLY MONTHS OF SUPPLY

9.35

54.14% year over year ↑
28.02% quarter over quarter ↑



SALES

Total Q2	2020 Year to Date
458 ↓	**1,032** ↓
-44.42% year over year	**-19.81%** year over year

NEW LISTINGS

Total Q2	2020 Year to Date
1,380 ↓	**2,982** ↓
-25.61% year over year	**-12.22%** year over year

INVENTORY

Total Q2	2020 Year to Date
1,427 ↓	**1,412** ↓
-14.33% year over year	**-5.56%** year over year

*source: CREB®

AIRDRIE

Despite improving activity in June, first-quarter sales slowed by nearly 14 per cent compared to the previous year.

This decline was not as high as what was seen in Calgary, likely due to the more affordable product available in Airdrie. At the same time, the decline in new listings outpaced the decline in demand, causing inventories to fall well below last year's levels and the months of supply to drop below four months. This is the lowest months of supply level recorded since early 2017.

If supply/demand balances remain in this range, it will help limit the downward pressure on prices. Currently, at the end of the second quarter, benchmark prices remain one per cent lower than last year's levels.

Q2 BENCHMARK PRICE

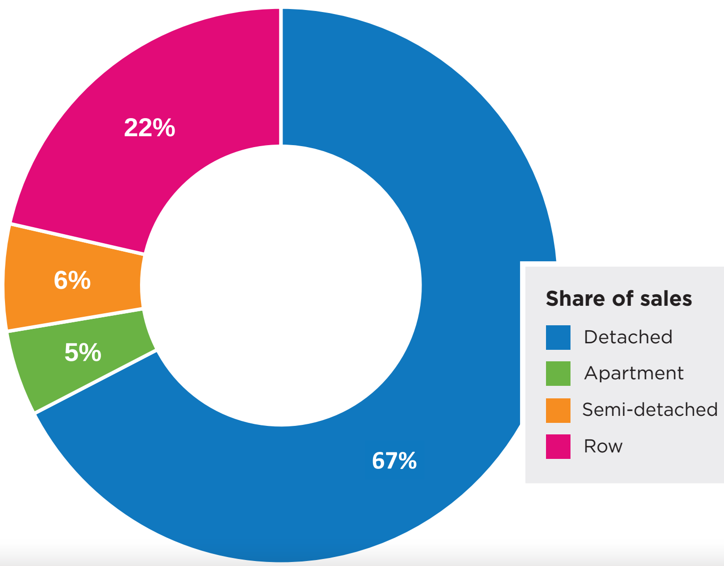
$330,233

-1.08% year over year ▼
0.20% quarter over quarter ▲

Q2 MONTHS OF SUPPLY

3.79

-11.16% year over year ▼
-15.08% quarter over quarter ▼



SALES

Total Q2
322 ▼
-13.67% year over year

2020 Year to Date
582 ▼
-7.77% year over year

NEW LISTINGS

Total Q2
500 ▼
-23.66% year over year

2020 Year to Date
1,029 ▼
-14.89% year over year

INVENTORY

Total Q2
407 ▼
-23.30% year over year

2020 Year to Date
397 ▼
-19.28% year over year

*source: CREB®

COCHRANE

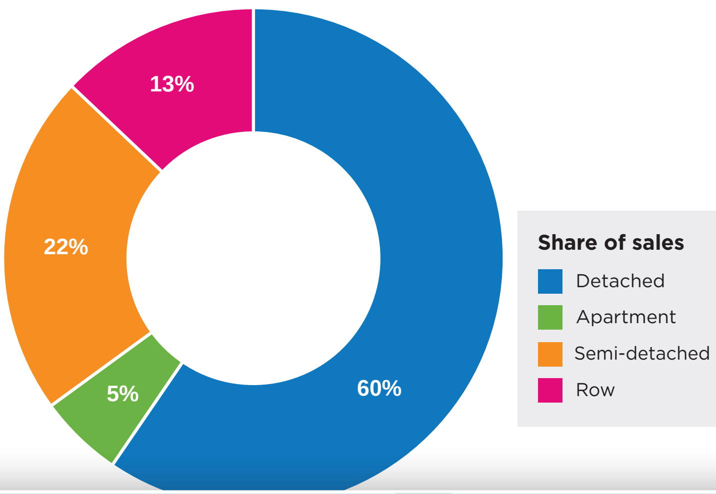
Sales in the town improved in June, but this was not enough to offset earlier declines, as second quarter sales dropped by nearly 19 per cent.

Given the strong sales start in the first quarter, year-to-date sales were only seven per cent lower than last year's figures. New listings in the area were already easing prior to COVID-19, helping push the market toward more balanced conditions.

In the second quarter, the pullback in new listings increased relative to sales, causing inventories to decline compared to last year and the months of supply to fall to just over five months, an improvement over both the first and second quarters of last year.

Prices in Cochrane had been easing prior to COVID-19, as the market was struggling with excess supply. However, the drop in supply helped prevent any further downward price adjustments.

In fact, the pace of price decline eased from nearly three per cent in the first quarter to two per cent in the second quarter. While many economic challenges continue to exist and Cochrane will not be immune to these changes, the adjustment in supply compared to demand has helped prevent more significant adjustments in prices.



Q2 BENCHMARK PRICE

$400,967

-1.97% year over year

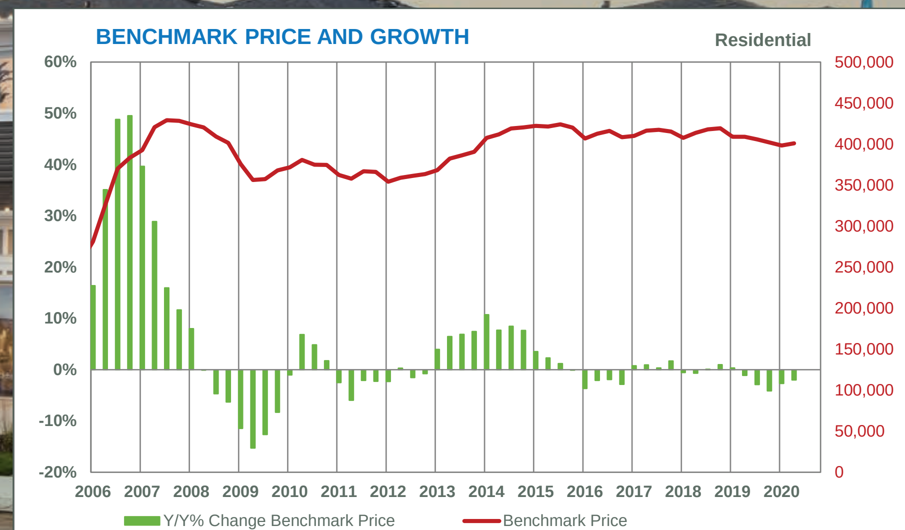
0.70% quarter over quarter

Q2 MONTHS OF SUPPLY

5.23

-1.07% year over year

-6.84% quarter over quarter



SALES

Total Q2

163

-18.91% year over year

2020 Year to Date

294

-6.67% year over year

NEW LISTINGS

Total Q2

284

-16.47% year over year

2020 Year to Date

584

-12.97% year over year

INVENTORY

Total Q2

284

-19.77% year over year

2020 Year to Date

265

-21.98% year over year

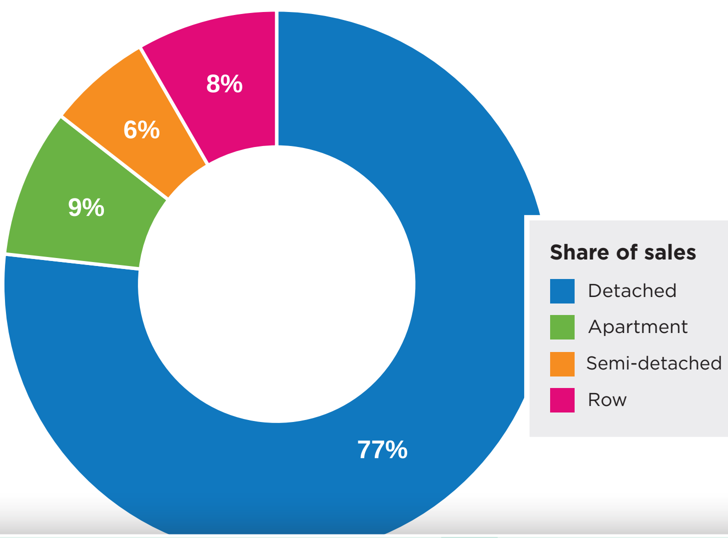
*source: CREB®

OKOTOKS

Sales in Okotoks eased by more than 30 per cent, making it one of the slowest quarters since the early 2000s.

However, the pullback in new listings was also significant enough to cause inventories to trend down in the second quarter, remaining over 30 per cent lower than last year's levels. While this helped push down the months of supply from the elevated levels recorded over the past two quarters, levels remain comparable to last year, which is impacting prices.

Benchmark prices trended down for the third consecutive quarter and currently sit nearly four per cent lower than last year's levels. However, the decline in detached prices has been slightly slower. While they have continued to trend down from the past three quarters, they currently sit three per cent lower than last year's levels and seven per cent lower than previous highs.



Q2 BENCHMARK PRICE

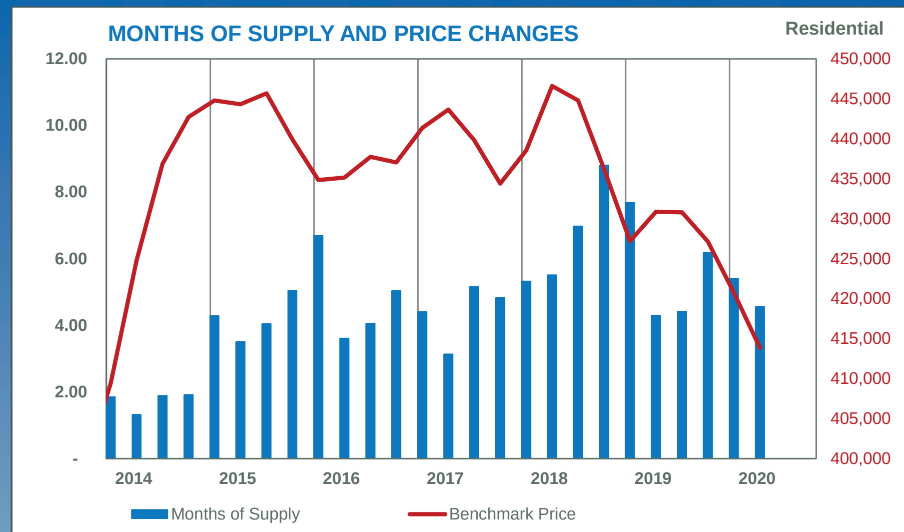
$413,833

-3.95% year over year ↓
-1.64% quarter over quarter ↓

Q2 MONTHS OF SUPPLY

4.56

6.04% year over year ↑
-15.69% quarter over quarter ↓



SALES

Total Q2
122 ↓
-31.46% year over year

2020 Year to Date
228 ↓
-14.29% year over year

NEW LISTINGS

Total Q2
213 ↓
-25.26% year over year

2020 Year to Date
445 ↓
-13.76% year over year

INVENTORY

Total Q2
185 ↓
-27.32% year over year

2020 Year to Date
188 ↓
-21.65% year over year

*source: CREB®

CHESTERMERE

Unlike other regions, Chestermere's strong first quarter was enough to offset pullback in the second quarter and year-to-date sales were slightly higher than last year's levels.

However, last year, Chestermere recorded some of the weakest sales levels seen over the past five years. Overall, year-to-date sales remain nearly 16 per cent lower than the five-year average.

The growth in sales was met with a pullback in new listings, resulting in a significant reduction in inventory levels and helping reduce the amount of oversupply in the market. Despite the shift to more balanced conditions, persistent oversupply continues to weigh on benchmark prices, which have trended down for three consecutive quarters and currently sit at three per cent lower than last year's levels.

Q2 BENCHMARK PRICE

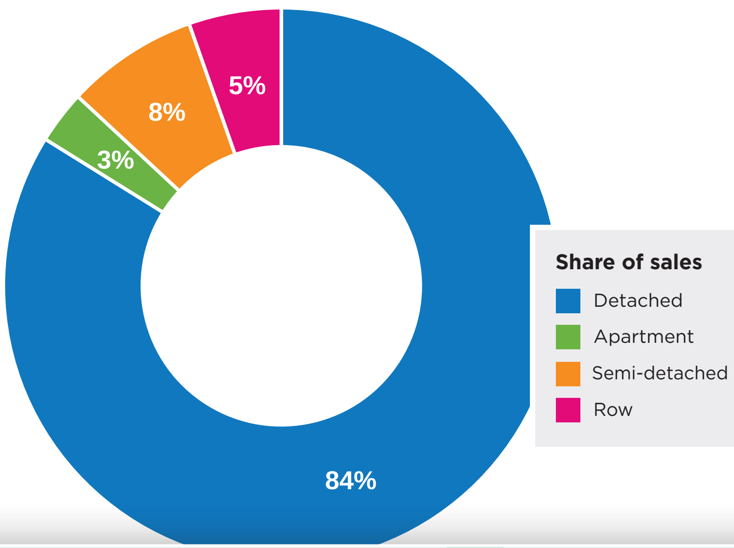
$471,200

-3.02% year over year ↓
-1.13% quarter over quarter ↓

Q2 MONTHS OF SUPPLY

5.69

-31.35% year over year ↓
-11.98% quarter over quarter ↓



SALES

Total Q2: **67** ↓ — **-9.46%** year over year

2020 Year to Date: **130** ↑ — **4.84%** year over year

NEW LISTINGS

Total Q2: **143** ↓ — **-32.23%** year over year

2020 Year to Date: **282** ↓ — **-23.78%** year over year

INVENTORY

Total Q2: **127** ↓ — **-37.85%** year over year

2020 Year to Date: **131** ↓ — **-25.45%** year over year

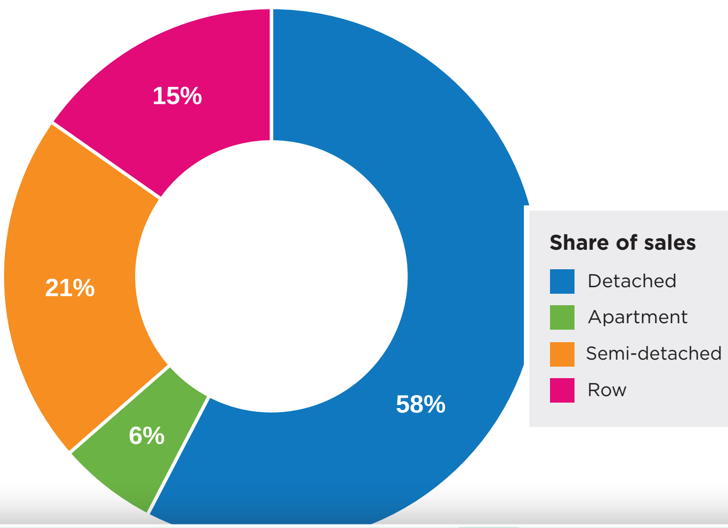
*source: CREB®

HIGH RIVER

Due to a significant drop in detached sales, second-quarter activity in High River slowed, causing year-to-date figures to decline by nine per cent.

Despite the pullback, overall activity remains slightly lower than average activity over the past five years. The decline in sales was also met with easing new listings, supporting some reductions in inventory levels.

While the months of supply has trended down over the past two quarters, this has not been enough to prevent further price adjustments. Benchmark prices in the town have been mostly trending down since 2015 and overall prices remain over 11 per cent lower than previous highs.



Q2 BENCHMARK PRICE

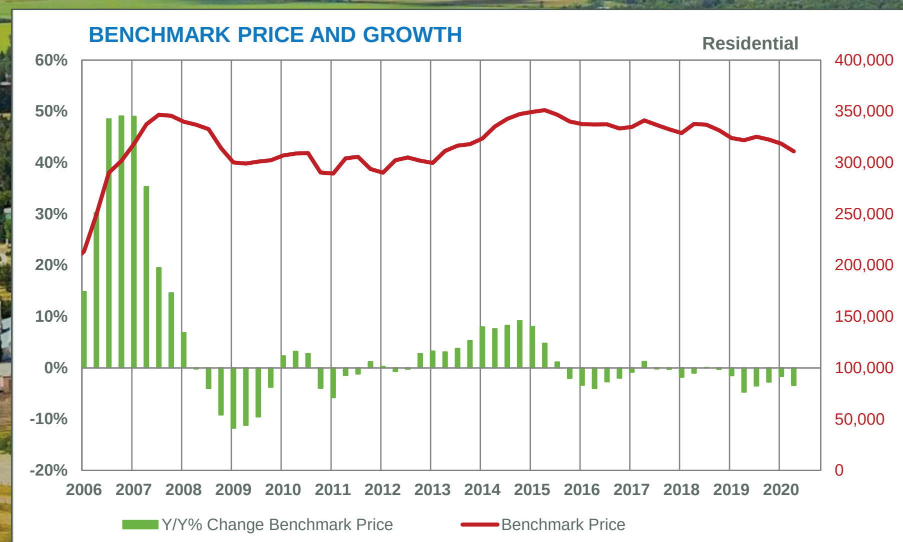
$310,933

-3.41% year over year ↓
-2.35% quarter over quarter ↓

Q2 MONTHS OF SUPPLY

4.47

0.46% year over year ↑
-20.40% quarter over quarter ↓



SALES

Total Q2	2020 Year to Date
66 ↓	**118** ↓
-25.84% year over year	**-9.23%** year over year

NEW LISTINGS

Total Q2	2020 Year to Date
90 ↓	**181** ↓
-32.84% year over year	**-24.90%** year over year

INVENTORY

Total Q2	2020 Year to Date
98 ↓	**98** ↓
-25.51% year over year	**-19.15%** year over year

*source: CREB®

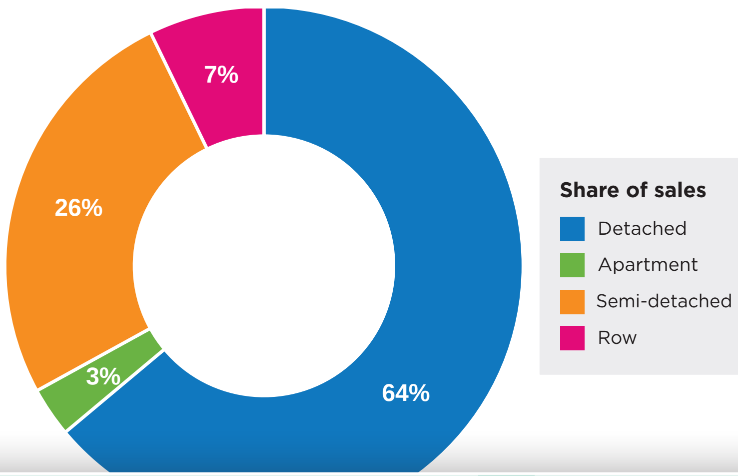
STRATHMORE

Despite some pickup in June, second quarter sales dropped by nearly 30 per cent compared to the already weak levels recorded last year.

While first-quarter sales were strong, it was not enough to offset the second-quarter decline and year-to-date sales eased over last year's levels, leaving Strathmore with its slowest sales since 2000. However, the decline in demand was more than offset by the steep drop in new listings, reducing inventory levels.

The decline in supply relative to demand helped prevent any significant quarterly movements in the months of supply. Levels remain higher than what is typically seen in the area. Some of this is a result of rising oversupply in the apartment and attached sectors of the market, as the detached sector did see a notable decline in the amount of oversupply in the market.

The improvements on the detached side of the market are supporting modest improvements in prices. However, it was not enough to offset declines occurring from higher-density products and overall year-to-date benchmark prices remained flat compared to last year.



Q2 BENCHMARK PRICE

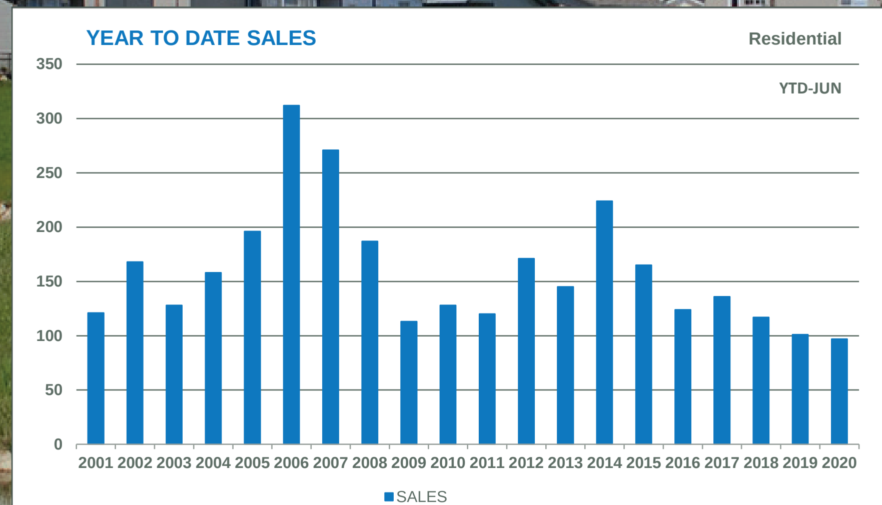
$325,733

0.30% year over year ▲
3.11% quarter over quarter ▲

Q2 MONTHS OF SUPPLY

8.16

10.23% year over year ▲
-3.49% quarter over quarter ▼



SALES

Total Q2
49 ▼
-28.99% year over year

2020 Year to Date
97 ▼
-3.96% year over year

NEW LISTINGS

Total Q2
79 ▼
-42.75% year over year

2020 Year to Date
204 ▼
-26.88% year over year

INVENTORY

Total Q2
133 ▼
-21.72% year over year

2020 Year to Date
134 ▼
-14.26% year over year

*source: CREB®

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