

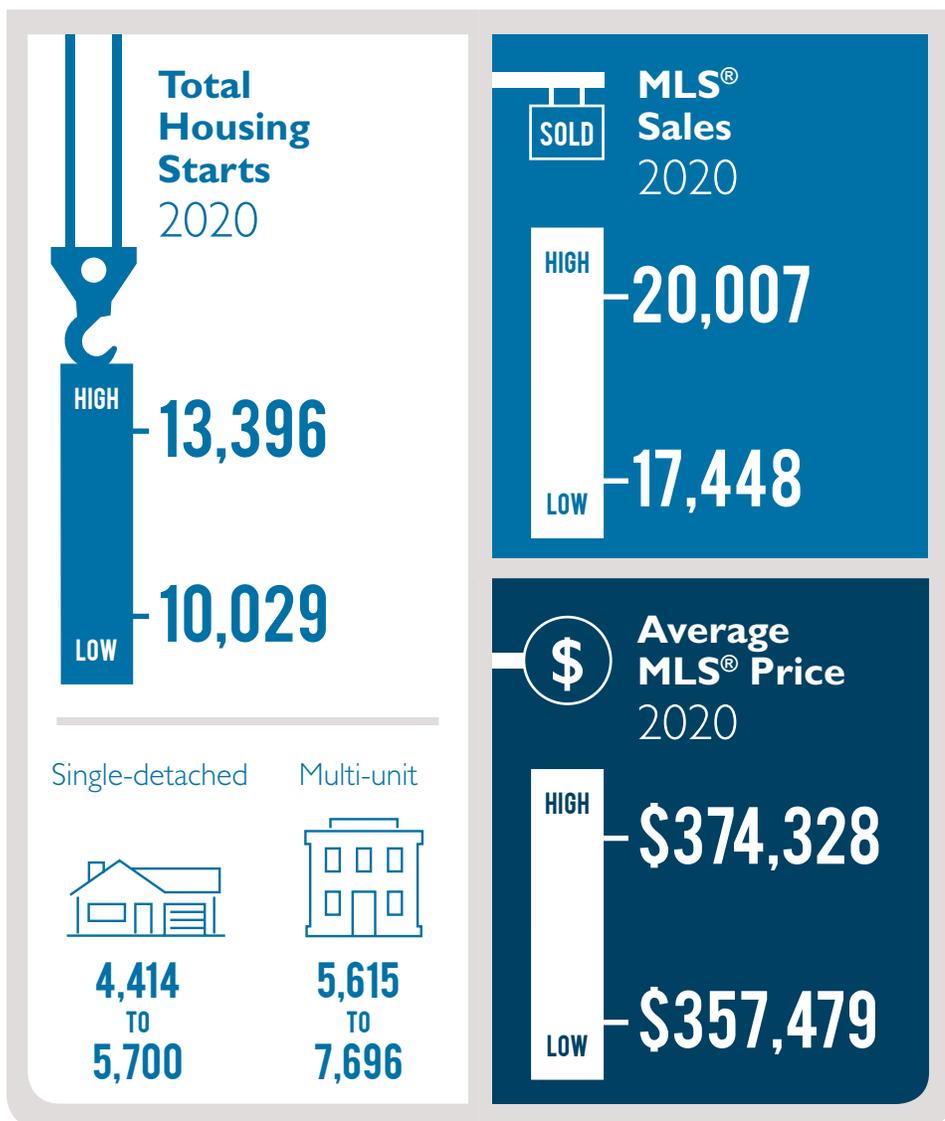
HOUSING MARKET OUTLOOK

Edmonton CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2019¹



Housing market in Edmonton is expected to grow moderately before slowing down over the forecast horizon.

“Housing activities are projected to increase over the short term by 2020 in construction, resale and rental market, before entering into a moderate state in 2021 as resale price and vacancy rate reflect economic outlooks in Edmonton.”

Pershing Sun
Senior Analyst, Economics

¹ The forecasts and historical data included in this document reflect information available as of September 12, 2019.

Highlights

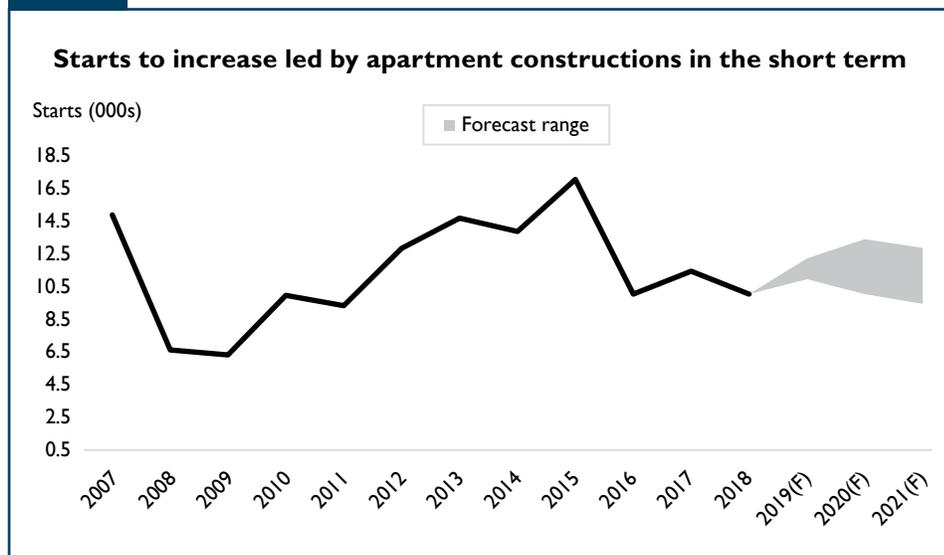
- Apartment starts will increase in 2019, followed by starts in all segments slowing down in the long-term.
- Existing home sales and prices will stabilize in the short term and slow down after 2020.
- Vacancy rate will trend lower before loosening up in 2021 while growth in average rents continues over the next two years.

High inventories to stabilize starts in Edmonton after short-term growth led by apartment absorptions

Edmonton's housing starts are projected to grow moderately in the next year before slowing down in 2021. The slow-down will be partially led by the current elevated completed and unabsorbed inventory, which accounted for approximately half of the inventory in Alberta.

The majority of the inventory in Edmonton is single-detached units. As of August 2019, there were 1,174 unsold single-detached homes, which made up 40% of total inventory in Edmonton. Apartment inventories, however, had been largely absorbed and trending downwards though out 2018. This relatively active apartment market helped direct developers and builders' attention to focus on apartment construction, as reflected through the upticks in apartment starts and construction levels in the first two quarters of 2019. However, unlike 2018, demand has not caught up with the heightened level of supply since the beginning of 2019, as inventory started to increase after

Figure 1



Source: CMHC
(F): Forecast

reaching the trough at year-end 2018. This poses potential risks of pushing inventory higher if they are not absorbed in a timely manner.

The active apartment sector in 2018, along with a slowly recovering job market and population growth, will contribute to a short-term projection of increased housing starts in Edmonton for 2019.

New supply, combined with existing inventories, are expected to deter further construction activities as demand takes time to adjust to supply in 2021.

Resale market to stabilize while prices trend lower

MLS[®] sales in Edmonton are projected to be slightly higher in 2019 compared to 2018, as a lagged reaction to the declining average MLS[®] price that reached a trough in the beginning of 2019. As price stabilizes between 2019 and 2020, sales are expected to regain momentum in the longer term. With the economy slowly recovering from the past recession, both part-

time and full-time jobs saw net additions in 2018 but experienced a loss in the first eight months of 2019. Correspondingly, Edmonton's unemployment rate remained lower than the provincial level at 6.5% in 2018, before slowly trending upwards in early 2019, reaching 7.9% as of Aug 2019. These economic fundamentals partially contributed to the decline of sales-to-new-listing ratio² (SNLR) in Edmonton to 38% in mid-2018, the lowest level since 2008. In 2019, the SNLR averaged 48% for the first two quarters, indicative of buyers' market conditions.

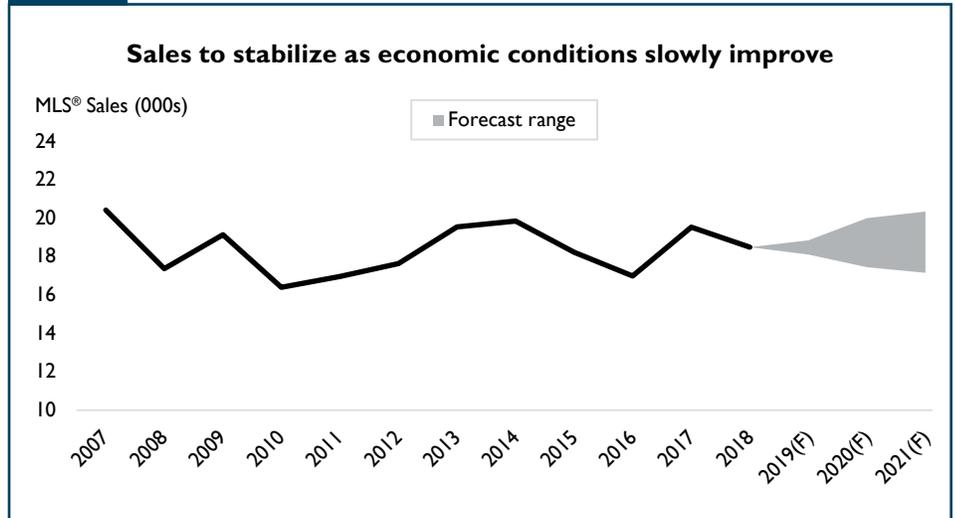
Vacancy rates to gradually trend lower

The purpose-built rental market in Edmonton is projected to tighten up over the next two years. Vacancy rates will continue to trend lower in the next year before increasing in 2021. As a result, landlords will react with lagged rent increases over the forecast horizon. Rental demand will be supported by the economic

² CREA seasonally adjusted

recovery in 2018, which helped to regain net-migration, largely driven by migrants moving to Edmonton from other Canadian provinces. In addition, the growth of both part-time and full-time jobs in 2018 have supported growing demand for rental homes in Edmonton. On the supply side, the number of purpose-built rental units have been steadily increasing since 2012. In addition, recent rental construction in 2019 will expand total supply in 2020 and later, therefore easing the rental market in Edmonton in the long term.

Figure 2



Source: CMHC
(F): Forecast

To access regional and CMA housing market outlook reports, click on the following link: <https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/housing-market-outlook-highlights>

Forecast Summary Edmonton CMA Fall 2019									
	2016	2017	2018	2019(F)		2020(F)		2021(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	4,335	5,028	4,814	3,986	4,398	4,414	5,700	4,173	5,481
Multiples	5,701	6,407	5,224	6,960	7,815	5,615	7,696	5,262	7,388
Starts - Total	10,036	11,435	10,038	10,946	12,213	10,029	13,396	9,435	12,869
Resale Market									
MLS® Sales	19,432	19,529	18,494	18,110	18,856	17,448	20,007	17,160	20,350
MLS® Average Price(\$)	378,587	380,095	374,741	364,053	365,781	362,623	373,982	357,479	374,328
Economic Overview									
Mortgage Rate(5 year)(%)	4.66	4.78	5.27	5.00	5.60	5.40	6.20	5.50	6.50

	2016	2017	2018	2019(F)	2020(F)	2021(F)
Rental Market						
October Vacancy Rate (%)	7.1	7.0	5.3	3.9	3.4	4.3
Two-bedroom Average Rent (October)(\$)	1,229	1,215	1,246	1,281	1,309	1,357
Economic Overview						
Population	1,364,285	1,391,154	1,420,916	1,442,940	1,465,450	1,489,630
Annual Employment Level	761,100	764,100	783,300	795,300	794,300	801,600

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

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

The forecasts (F) included in this document are based on information available as of 12th September 2019. (L)= Low end of range. (H)= High end of range.

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

Source: CMHC (Starts and Completions Survey - Market Absorption Survey - Rental Market Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2019-2021).

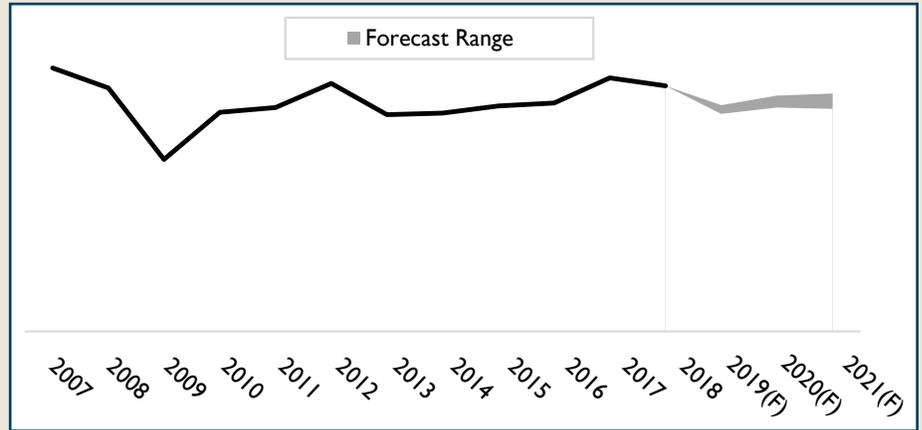
Methodology for forecast ranges

This edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. However, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available.

The range provides a relatively precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. The range is based on the coefficient of variation* of historical data and on past

forecast accuracy. It provides precision and direction for forecasts of housing variables,

given a specific set of assumptions for the market conditions and underlying economic fundamentals.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly [Starts and Completions Survey](#). Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Dwelling Types

Single-Detached Start:

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Intended Market

Freehold Start:

Refers to the commencement of construction of a residence where the owner owns the dwelling and lot outright.

Condominium (including Strata-Titled) Start:

Refers to the commencement of construction of an individual dwelling which is privately owned, but where the building and/or the land are collectively owned by all dwelling unit owners. A condominium is a form of ownership rather than a type of house.

Rental Start:

Refers to the commencement of construction of a dwelling constructed for rental purposes regardless of who finances the structure.

Average and Median Single Detached Home Prices:

Are estimated using CMHC's [Market Absorption Survey](#), which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October **Rental Market Survey** (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:

The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:

The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate.

Source: Statistics Canada's Labour Force Survey.

Net Migration:

Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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- Housing Now Tables
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- Housing Market Outlook, Highlight Reports – Northern Housing
- Housing Market Outlook, Canada and Major Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Seniors' Housing Reports
- Mortgage and Consumer Credit Trends Report

DATA TABLES AVAILABLE ONLINE

- Funding and Securitization Data
- Household Characteristics
- Housing Market Data
- Housing Market Indicators
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