

CMHC forecasting price growth in Calgary

Canada Mortgage and Housing Corp (CMHC) expects Calgary region home prices to rise over the next two years, albeit at a slower pace than previously forecast.

In an updated outlook, it said the average price locally will rise from \$460,584 last year to \$469,000 in 2015 and \$479,000 in 2016.

CMHC said price growth forecasts are now expected to be in line with inflation.

Given lower sales and the pronounced recent increases in new listings, market conditions in Calgary are expected to rebalance, easing the pressure on prices for 2015 and 2016.

However, sales are expected to fall from 33,615 in 2014 to 32,500 this year and 32,700 in 2016.

The previous quarterly forecast called for higher existing home sales in Calgary through 2016, though with some moderation in the rate of growth due to slightly weaker employment growth and reduced inflows of migrants. Since the 2014 fourth-quarter forecast, the price of oil has moved significantly lower.

Should current prices persist, this could further reduce net migration and employment growth, resulting in weaker than expected demand.

In its annual forecast last month, the Calgary Real Estate Board said overall MLS sales would fall by four per cent while prices would rise by 1.6 per cent.

CMHC expects housing starts in the Calgary region to drop from 17,131 last year to 13,600 in 2015 and to 12,100 in 2016.

Similar to the reasons for a decline in existing home sales, the outlook for reduced starts will be attributed to slower employment growth and lower net migration.

Rising supply levels in the competing existing home market will also contribute to an overall decline in production, largely in the multi-family category.

For Alberta, the forecasted housing starts will decline from 40,590 last year to 36,000 this year and 34,500 in 2016.

MLS sales for the province are expected to dip from 71,773 in 2014 to 71,100 in 2015 and then rise slightly to 71,600 in 2016.