

Some Positive Stats on the Calgary Real Estate Market

The recent oil price decline has put the brakes on the hot housing market in the Calgary region, but during the last five major oil price declines, new home prices only fell in just two of those instances.

The semi-annual Market Manuscript, released on Monday, said completed and unsold housing units fell to their lowest level in more than 25 years in the Calgary census metropolitan area in 2014, with just one unsold condominium.

In October, Calgary was ranked as the top real estate market to watch for 2015. That optimism has faded, with many housing experts now calling for balanced market conditions in the metropolitan area. Demand clearly exceeded supply in the late stages of 2014 in Calgary. The cooling effect on homebuyer demand that is expected in 2015 will contribute to a re-balancing of the demand-supply equation for the first half of the year. It is expected that Calgary will move from a seller's market to a more balanced market.

In three of the last five major oil price declines, new house prices in Calgary didn't decline, let alone crash.

Analyst Ben Myers, the author of the report, said he was surprised by the data, adding that Calgary's housing market is historically fairly resilient when it comes to economic downturns.

"Certainly from everything that I read, the analysts tend to think that Calgary is a lot more diversified than it ever has been before," said Myers. "It's a much bigger census metropolitan area and there's other things going on than just the oil industry."

"Right now, everyone's in that 'we're not sure what's going on period so we're just going to hold off. We're not going to make this huge decision in our lives until we kind of figure out what's happening'. It looks like oil prices have stabilized a bit. They're not really going up but they're not really going down anymore. The slide has kind of stopped."

The report said the World Bank has identified five other major episodes where oil prices dropped by 30 per cent or more over a six-month period besides the current one.

"These declines coincided with other global events: an increase in supply of oil and change in OPEC policy (1985-86); U.S. recessions (1990-91 and 2001); the Asian crisis (1997-98); and the global financial crisis (2007-09). New house prices (in Calgary) only declined in the 1991 and 2009 situations," said the report.

It said new house prices in the City of Calgary increased 12.5 per cent in 2014, with condominium apartment prices jumping 28.9 per cent, adding that absorption rates should remain strong in 2015, as a significant portion of the new home product is pre-sold.

"Household formation figures indicate there is minimal risk of oversupply in Calgary over the next year," said the report.

It said absorptions were just short of a record high in Calgary in 2014 at 12,740, while completed and unabsorbed supply fell to just 451 units at the end of December, marking a 25-year low. There was only one completed and unabsorbed apartment at the end of 2014, down from 600 units in 2010.

Between February 1986 and December 1986, oil prices were down 49 per cent year-over-year on average. During that same period, new house prices in Calgary increased eight per cent annually on average, said the report.

Between August 1991 to January 1992, oil prices were down 29 per cent on average, new house prices were down two per cent on average.

Between September 1997 to February 1999, oil prices declined 27 per cent on average, new house prices increased seven per cent on average.

Between June 2001 to March 2002, oil prices declined 24 per cent on average, new house prices increased three per cent on average.

Between November 2008 to September 2009, oil prices declined 50 per cent on average and new house prices declined seven per cent on average.

“The biggest new house price decline occurred during the last ‘episode’ in 2008/2009, when Calgary and the world were in the midst of the global economic meltdown,” said the report. “During this crisis period, credit was totally cut off, the U.S. was in terrible financial shape, and Calgary was already on a downward spiral following bubble-like conditions in their housing market in 2007.”