

Dear Clients,

Many clients in the past year have asked, "Why have prices not dropped"?

In the past two years, the price of oil has been cut in half while Calgary's unemployment rate has nearly doubled.

Wages are down. Consumer spending is down. Real estate sales are down.

And yet, real estate prices have barely moved.

While far fewer homes are changing hands, the average sale price in the city has been \$479,464 so far in 2016. That's a decline of just 0.5 per cent from the average price in 2014, according to Calgary Real Estate Board data.

So what's going on?

Several things, according to analysts. But one factor, in particular, was identified in an internal Finance Department memo obtained by CBC News.

It found the initial impact of Alberta's economic downturn has been blunted because tens of thousands of Canadians who worked in the province but paid taxes in other jurisdictions and didn't engage in local real estate markets have left after being laid off.

Their departure is resulting in a lower number of unemployed in Alberta than would otherwise be the case, minimizing any downward pressure on the housing market (they are likely not Alberta homeowners — although the rental market may be affected).

The departure of these itinerant workers should benefit the Alberta economy by dispersing the negative impacts of the shock to other provinces.

Itinerant worker boom, then bust

Alberta has long been a destination for workers from other provinces, but the Finance Department examination highlights the scale to which their ranks had grown just prior to the crash in oil prices and the degree to which they appear to have been impacted, in particular, by recent layoffs in the fossil fuel industry.

The itinerant workforce is estimated to have surpassed 150,000 people in 2013 — more than double what it was a decade earlier.

An internal Finance Department memo says 'it is likely that between 70,000 and 80,000 of the total population of 154,000 interprovincial workers in Alberta were employed in the



construction and oil and gas sectors and other sectors that support oil and gas production.' (Canadian Press)

Of those, between 70,000 and 80,000 are estimated to have been involved in oil and gas and related sectors, such as construction, that support fossil fuel production.

But in a span of 10 months following the oil crash, roughly 56,000 workers appear to have left Alberta, which the memo attributes largely to itinerant workers going home.

I hope this helps to make some sense of our resilient housing market.

As always, as your Mortgage Specialist, I can provide strategies that can help you save in interest costs and show you how to use the equity in your home to further your financial goals.

