

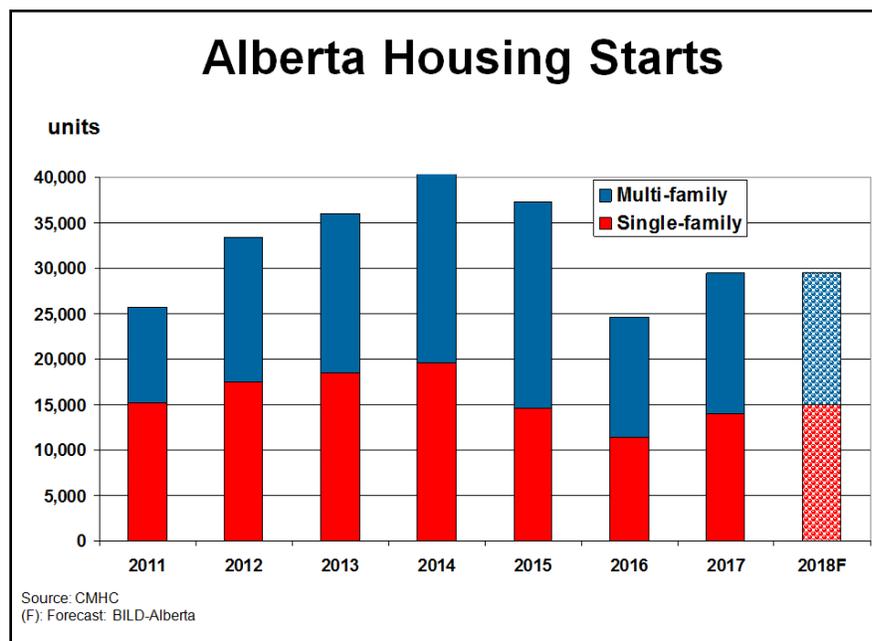


Alberta’s home builders and developers remain cautious on the outlook for 2018

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Following a sizable rebound in new housing starts in 2017, Alberta’s home builders and land developers are calling for little change in construction levels in 2018. While a growing Alberta economy will result in rising household formation this year, high inventories, rising mortgage rates and tougher qualifying rules are expected to soften the recovery in construction activity.

A sample of BILD Alberta members were polled in January on their expectations for housing starts in 2018. The consensus forecast calls for total housing starts across the province to edge upward this year by 0.2% from 2017 levels to 29,500 units. New home building activity in 2018 is expected to be well below the five-year average of nearly 33,500 total units started between 2013 and 2017.



Single-detached starts this year are projected to reach 15,000 units across the province, representing a 7.5% increase from 2017. These gains will be offset by a 6.4% decline in Alberta’s multi-family segment to 14,500 units. New condominium apartment inventory levels in both Calgary and Edmonton remained elevated by historic standards at year-end and this should restrain new apartment starts in the first half of the year. The resale condominium apartment markets in both cities also continue to favour buyers and prices remain under pressure. Rental rates in investor-owned

condominiums have also been softening due to high vacancy rates. Market conditions are should become more balanced in the second half of the year, helping to firm-up prices.

Along with the forecast numbers, BILD Alberta members who responded to the annual survey were asked for any comments on the factors influencing their outlook. When considering business prospects in the coming year, members were encouraged by the recent improvements in job creation, consumer sentiment and population growth associated with rising net migration from other provinces. Concerns were raised by some members about the impacts on affordability associated with both rising interest rates and new more-stringent mortgage rules that came into force on January 1, 2018. Others sited misgivings about rising fees, taxes and levies, as well as upward pressure on labour and material costs.

Housing starts in the Ft. McMurray area surged last year to the highest level since 2007 in an effort to replace homes destroyed by the May 2016 wildfires. Some builder members noted that the impact of this reconstruction effort is expected to wind down in the months ahead as the Wood Buffalo region returns to the activity levels seen prior to the fire damage.

BILD Alberta Member Survey Forecast (Feb. 2018)						
ALBERTA HOUSING STARTS - All Areas (urban & rural)						
	Single-		Multi-			
	Detached		Family*		Total	
	Units	% chng	Units	% chng	Units	% chng
2014	19,563	6.1%	21,027	19.6%	40,590	12.7%
2015	14,557	-25.6%	22,725	8.1%	37,282	-8.1%
2016	11,421	-21.5%	13,112	-42.3%	24,533	-34.2%
2017	13,951	22.2%	15,486	18.1%	29,437	20.0%
2018F	15,000	7.5%	14,500	-6.4%	29,500	0.2%

* Multi-family = semi, row + apartment