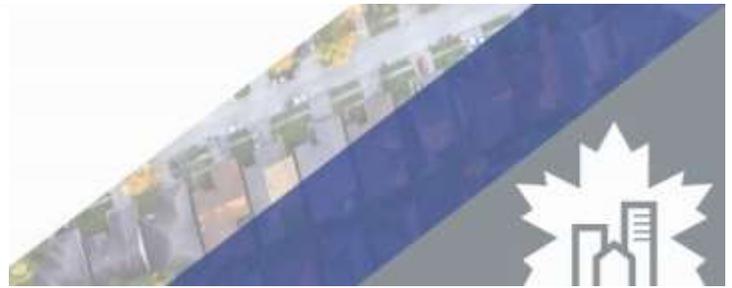## HIGHLIGHTS

This report provides a comparison of aggregate forecasts of housing starts, residential unit sales, real gross domestic product and employment growth, for Alberta. We gathered forecasting figures and information from Canada's big five banks, BuildForce, Bank of Canada, Canadian Real Estate Association (CREA), Conference Board of Canada and Canadian Mortgage and Housing Corporation (CMHC).

Many forecasters predict housing starts at or above 2018 levels. Based on challenges faced in the housing industry related to unabsorbed new housing inventory, these forecasts seem overly optimistic. While some markets in Alberta may stay steady, there are concerns with inventory levels in Calgary, Edmonton and other markets which could reduce the provincial overall housing starts in 2019.

Key factors that will determine the overall number of starts and sales in the year ahead will be the mortgage rules, increased consumer confidence and overall investment in the oil and gas sector. CHBA National has proposed modifications to the mortgage stress test and amortization period (moving back to a 30-year amortization period for first time home buyers) which could reopen the market to potential buyers and help relieve the backlog in supply.
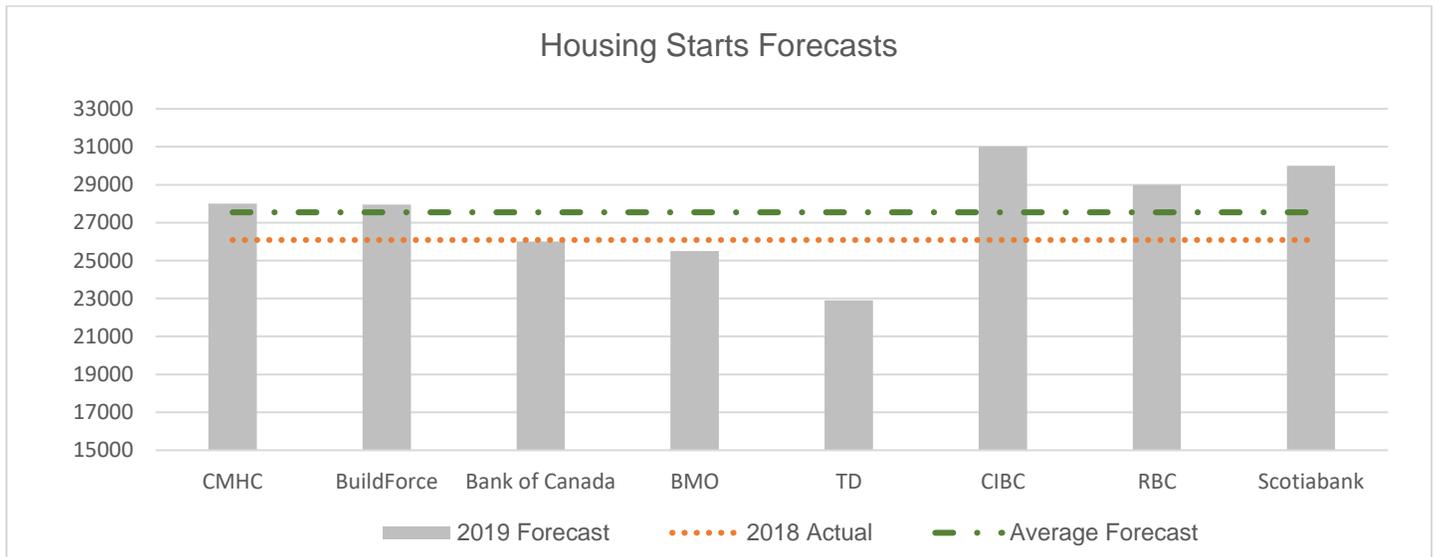
Growth in gross domestic product and employment are also forecasted to decline in 2019 though all institutions predict a strong rebound in 2020 with some predicting GDP growth in Alberta to lead the country.

It is important to note the information presented are forecasts based on information available to date. The majority of institutions update their forecasts quarterly which BILD Alberta will monitor along with real-time statistics relative to the economy and residential construction industry.
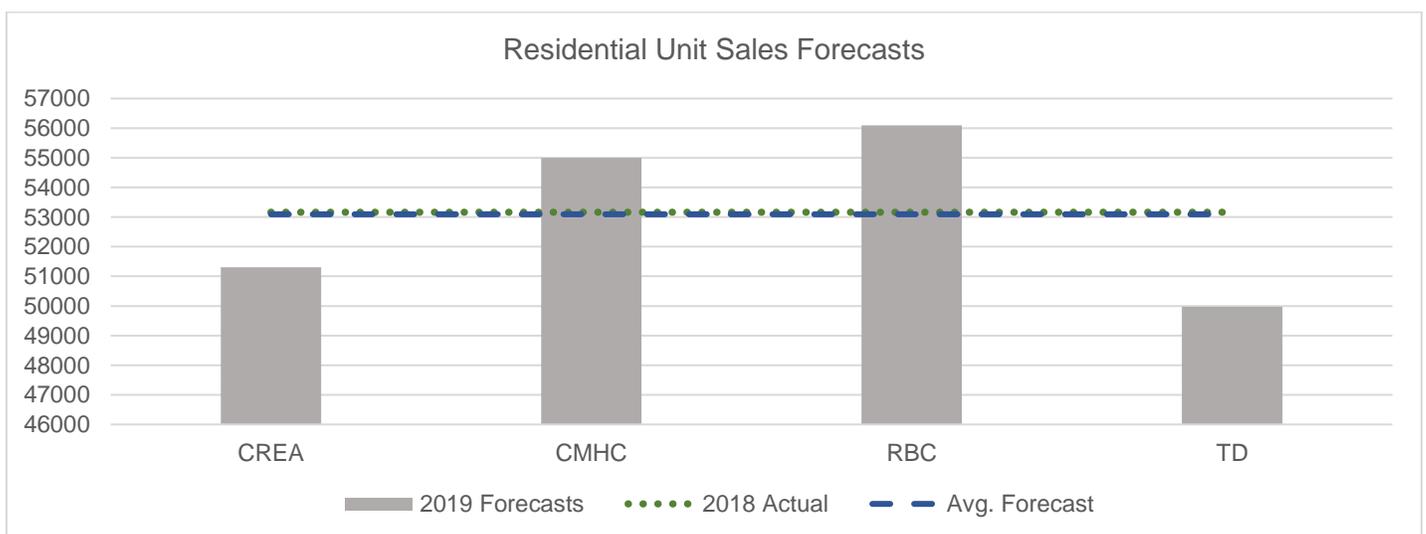
HOUSING FORECASTS

Housing Starts

Total Housing starts in 2018 in Alberta totalled 26,085 units. Except for TD Bank, Bank of Canada, and the Bank of Montreal, all other institutions predict an increase in housing starts in 2019. The average of the aggregate forecasts suggests 27,545 housing starts in 2019, a roughly 6% increase from 2018. Given current inventory levels and recent sales data, the majority of projections seem overly optimistic. Without a substantial shift in consumer confidence and loosening of the mortgage rules, a province-wide reduction in housing starts in 2019 should be anticipated.

Housing Starts Forecasts

Chart showing 2019 Forecast (grey bars), 2018 Actual (orange dotted line ~26,085), and Average Forecast (green dash-dot line ~27,545) for institutions:
- CMHC: ~28,000
- BuildForce: ~28,000
- Bank of Canada: ~26,000
- BMO: ~25,500
- TD: ~23,000
- CIBC: ~31,000
- RBC: ~29,000
- Scotiabank: ~30,000

Legend: 2019 Forecast | 2018 Actual | Average Forecast

Unit Sales

Residential unit sales in 2018 totalled 53,162 units for Alberta. This total was a reduction from 2017 levels of 7.3%. CMHC and the RBC predict a higher volume of sales in 2019, whereas the Canadian Real Estate Association (CREA) and TD bank believe sales will be lower. When compared to 2017, unit sales declined almost every single month in 2018, and the trend has the potential to continue in 2019. The consensus estimate of 53,093 is very close to the 2018 total.

Residential Unit Sales Forecasts

Chart showing 2019 Forecasts (grey bars), 2018 Actual (green dotted line ~53,162), and Avg. Forecast (blue dashed line ~53,093) for institutions:
- CREA: ~51,300
- CMHC: ~55,000
- RBC: ~56,100
- TD: ~50,000

Legend: 2019 Forecasts | 2018 Actual | Avg. Forecast

ECONOMIC FORECASTS

Gross Domestic Product

While GDP is forecasted to grow in 2019 by 1.13%, Alberta is expected to be behind most other provinces in this respect. The 2019 forecast represents a decrease of 1.1% in comparison to 2018, as low oil prices and trouble getting Alberta oil to market weighs on the economy. GDP growth is forecasted to rebound in 2020, with some institutions predicting Alberta will once again lead Canada.

Real GDP Forecasts
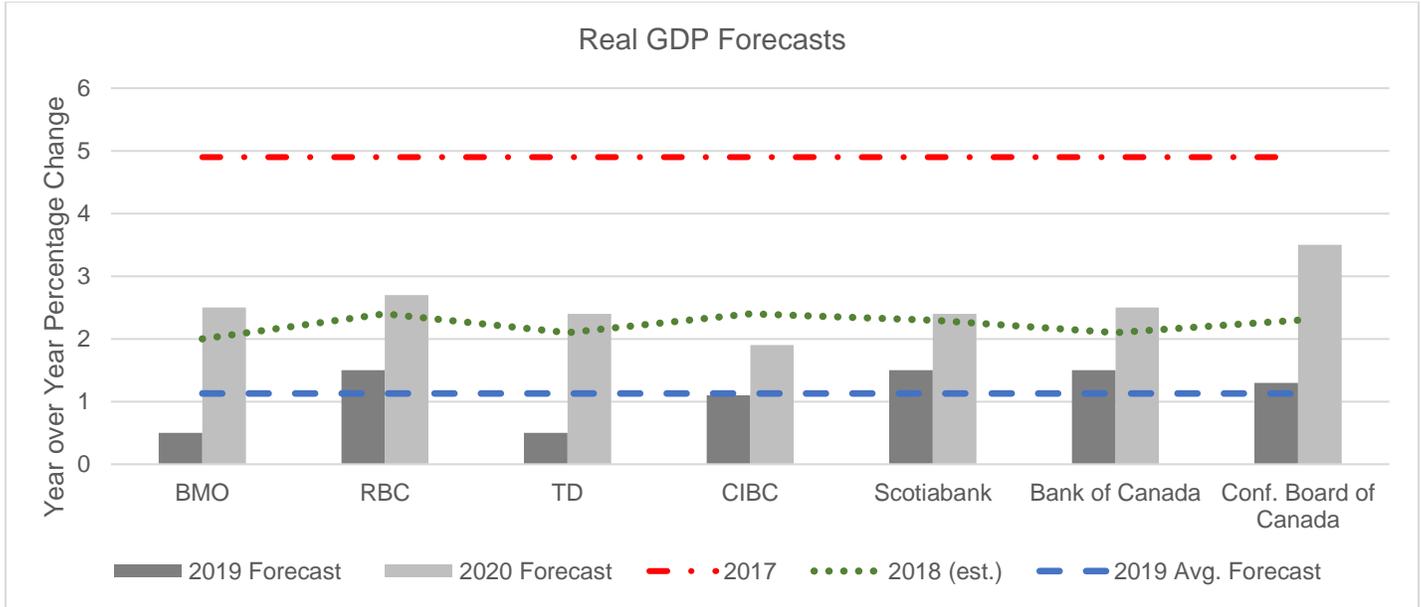
Employment

Aggregate forecasts suggest employment growth in 2019 will decline to a total of 0.9%. This projection represents a substantial 1.0% decline in comparison to 2018. Most forecasters believe 2020 will continue to present challenges in this area with an average forecasted growth of 1.1%.

Employment Growth Forecasts
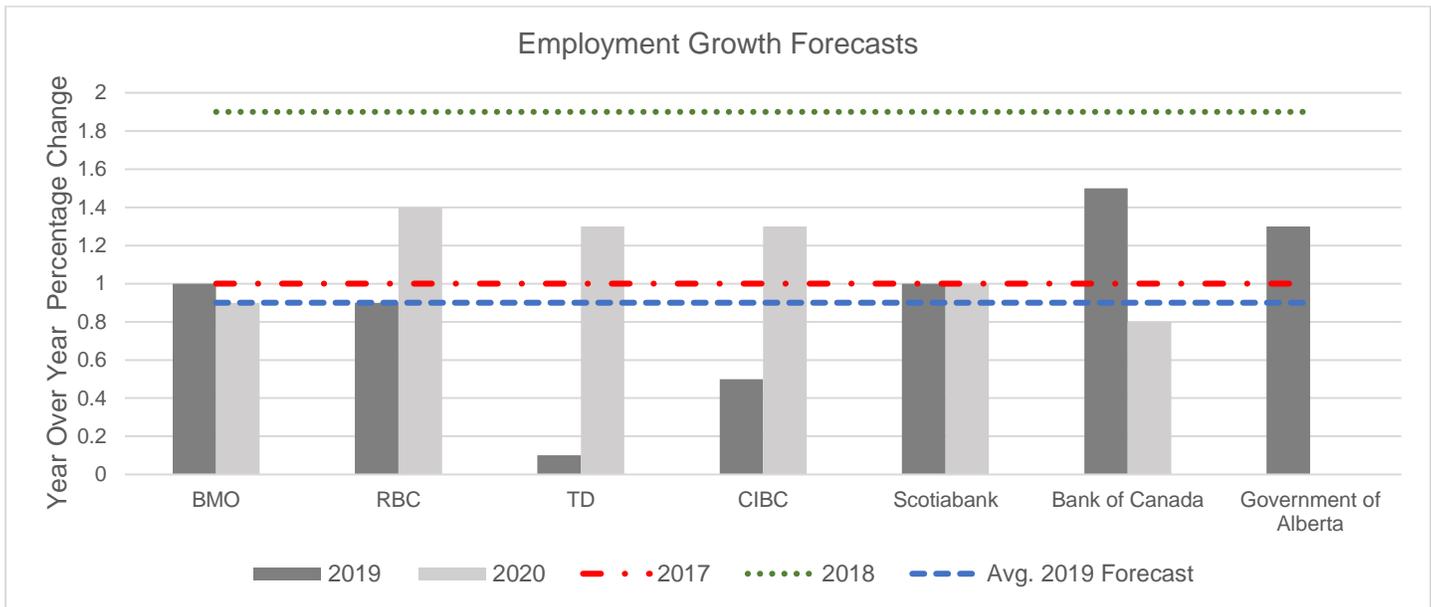
Notes & Sources

Notes

Charts are available in Excel formats upon request. Please contact Benjamin Sturge at BILD Alberta for more information.

Sources

CREA	Quarterly Forecasts
CMHC	Annual Forecasts
BMO	Monthly Forecasts
RBC	Quarterly Forecasts
TD	Quarterly Forecasts
CIBC	Quarterly Forecasts
Scotiabank	Quarterly Forecasts
Bank of Canada	Monthly Forecasts
BuildForce	Forecasts
Government of Alberta	Forecasts
Conference Board of Canada	Quarterly Forecasts