

Economic Commentary

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Key Message:

- Despite recent reports by various news media regarding a softening home market and people moving out of Alberta, economic fundamentals for Edmonton still remain in tact: energy prices remain high and several public and private sector investment initiatives, including over \$50 billion in upgraders, are still expected for the Edmonton area over the next 10 years. As such, current softening in Edmonton's home market and population growth may be short lived. Data on Alberta's population growth and Edmonton's home market over the next couple of months will provide a better determination of the extent of the recent slow down in population growth and Edmonton's housing market.

Background:

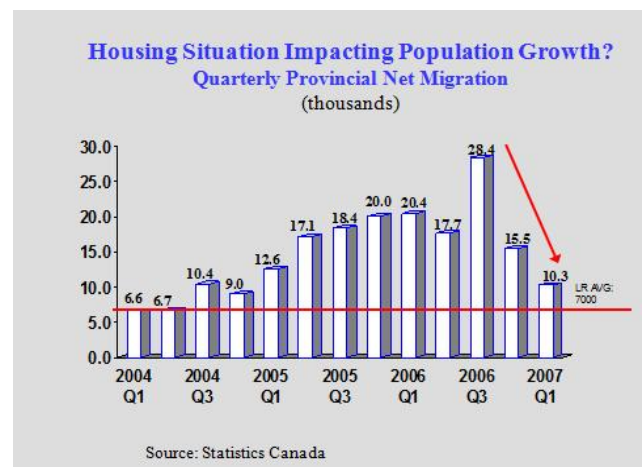
- Recent Rise in Home Prices Impacting Provincial Population Growth?**
Provincial population estimates are showing signs of softening, with Alberta net migration falling from 28,000 people in the third quarter of 2006 to just 10,000 people in the first quarter of this year.
- Slowing Housing Market?**
Active listings on the Edmonton's Multiple Listings Service have increased dramatically over the past few months – from 2,025 units in January to current levels of 8,182 (11,181 including ComFree listings)-an increase of 300%.
- Construction Costs/Consumer Prices Remain High in Edmonton**
The non-residential construction price index is up 18.9% year-over-year in the second quarter, and the consumer price index up 5.3% year-over-year in the month of July.

Implications for the Edmonton Economy:

- Recent slow down in Alberta net migration could put more pressure on our already tight labour markets and keep construction costs high.
- However, potential softening of home selling prices over the coming months could help alleviate the problem, as softer home selling prices would improve home affordability and availability for those seeking employment opportunities in Edmonton from other jurisdictions.

Housing Situation Impacting Population Growth?

- The phenomenal rise in average home selling prices over the past few years, along with plummeting vacancy rates in the rental market, may be taking its toll on population growth in Alberta, as a lack of affordable and available housing is preventing many people from moving to Alberta, despite strong domestic economic conditions.
- According to Statistics Canada, total provincial net migration has fallen dramatically – from 28,000 people in the third quarter of 2006 to just 10,000 people in the first quarter of this year – the lowest level since the fourth quarter of 2004.



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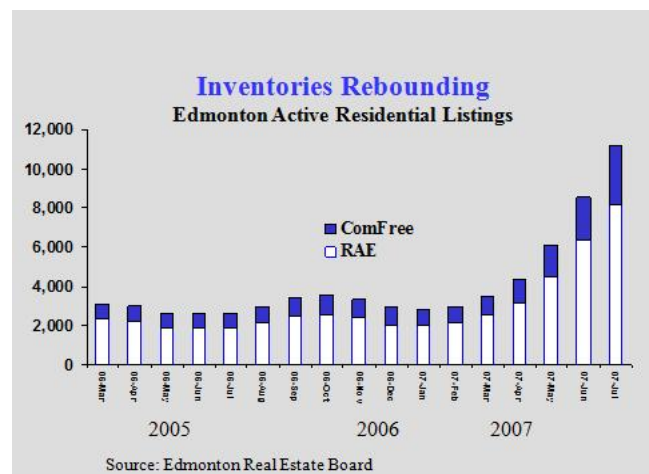
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- Alberta lost more people than what it received from the following provinces during the first quarter:
 - Ontario (-4,729 net migrants)
 - Quebec (-3,032 net migrants)
 - Newfoundland (-1,850 net migrants)
- The drop in net migration may put additional strain on Edmonton's already tight labour market, which has contributed to high construction costs and consumer prices in the Edmonton area over this past year.
- According to Statistics Canada, the Edmonton region non residential construction price index, which measures contractors selling prices for non residential construction projects (excluding infrastructure projects) was up 18.5% year-over-year in the first quarter of this year and up 18.9% in the second quarter, while the consumer price index was up 5.3% year-over-year in July.
- Cost escalations have put a strain on several public and private sector projects in and around the Edmonton region, and without more affordable and available housing, it will be difficult for employers to attract much needed labour from other jurisdictions.

Some Good News for Home Buyers

- According to the Edmonton Real Estate Board, the active number of listings on the Edmonton Multiple Listings Service has increased from 2,025 in January of this year to current levels of 9,185 homes (12,184 including ComFree listings).
- As such, the average number of days to sell a home in Edmonton has jumped from 18 days a year ago to current levels of 30 days
- Inventory numbers are also climbing in Edmonton's new home market. Total housing units under construction increased



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from 12,277 in July 2006 to 14,846 in July of this year (just over half of which are condominiums) – most of which is expected to enter the market over the next 12 months.

- It is expected that this increase in home inventories will soften selling prices in the short run, which could improve home affordability and availability conditions in the Edmonton area. However, High energy prices, strong consumer spending, and over \$50 billion in regional projects over the next 5 to 10 years will keep economic conditions robust and will keep pressure on home availability and affordability conditions over the long term.
- In addition, it is expected that apartment vacancy rates will continue to remain low in the Edmonton area over the foreseeable future in response to a low number of new apartment starts over the past year. This will make it difficult for many people to move to Edmonton to take advantage of strong economic conditions and limit population and employment growth.

This Economic Commentary was put together with the assistance from the staff of the Planning and Development Department. Please contact Paul Tsounis at 496-6070 for further information. A copy of this document can be accessed through the following link: [Home](#) > [City Government](#) > [Departments & Branches](#) > [Corporate Business Planning](#) > **Economic Trends and External Research**