AGGREGATE FORECASTS

Q3 2019 Update

BILD ALBERTA

HIGHLIGHTS

The following provides forecasts for housing starts, residential unit sales, residential unit price, real gross domestic product and employment growth, for Alberta. Forecasting figures and information were gathered from Canada's big five banks, BuildForce, Bank of Canada, Canadian Real Estate Association (CREA), Canadian Mortgage and Housing Corporation (CMHC) and the Alberta Treasury Board (ATB).

Many forecasters predict housing starts at or above 2018 levels. Given large amounts of unsold houses, declining sales and prices, and year-to-date housing starts data so far, these forecasts could be overly optimistic.

Gross domestic product is forecasted to come in at 0.9% in 2019 - a 1.4% decline compared to 2018. 2020 is expected to bring a rise in GDP, close to levels seen in the past ten years, mostly on the back of oil sales.

Forecasters expect residential unit prices in both 2019 and 2020 to be below 2018's numbers. Although forecasters expect increasing oil sales to drive GDP growth in 2020, it may be some time before this increased economic activity translates into increasing home sales, and subsequent price increases.

Forecasters predict residential unit sales to be higher in both 2019 and 2020 than 2018. These numbers may be optimistic given current year-to-date statistics, which predict 2019's housing starts to be 51,300.

It is important to note the information presented here 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.
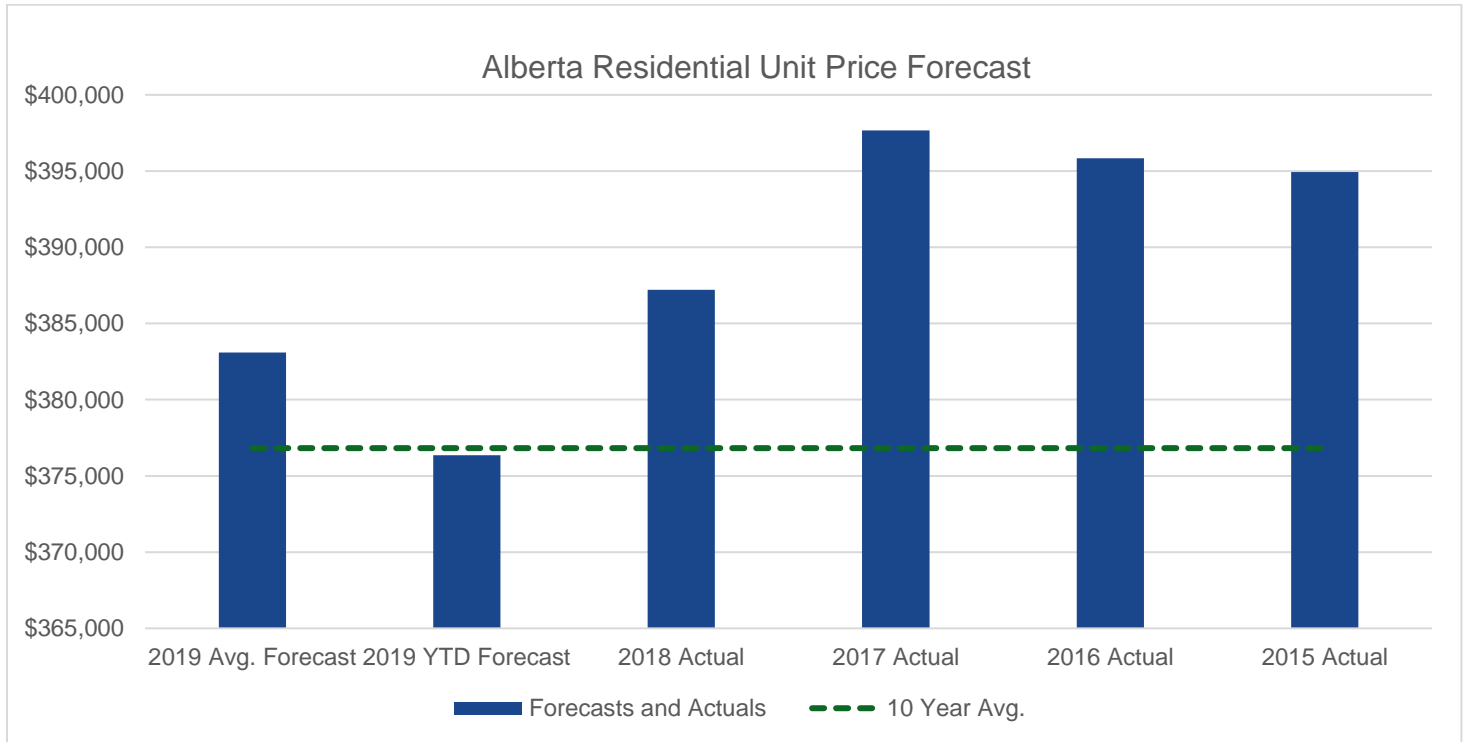
Forecast Overview					
	Residential Unit Price ($)	**Residential Unit Sales**	**Housing Starts**	**Real GDP Growth (%)**	**Employment Growth (%)**
2019 Avg. Forecast	383,106	54,179	25,778	0.9	0.8
2019 YtD Forecast	376,358	51,328	21,833	N/A	N/A
2020 Avg. Forecast	384,792	57,478	27,656	1.9	0.9
2018 Actual	387,200	53,300	24,800	2.3	1.9

HOUSING FORECASTS

Residential Unit Price

Residential unit price averaged $387,200 in 2018. This is a 2.6% decline from 2017, which averaged $397,665. CREA, and TD believe residential unit prices will be lower in 2019, whereas the CMHC believes it will be higher. The consensus forecast for 2019 is $383,106. This would be 1.1% lower than 2018.

Compared to long run averages, both the 2019 and 2020 forecasts are higher. Year-to-date average sale price is $379,300 for 2019, which is 2.8% lower than 2018. Using this 2.8% decline to forecast housing prices for the remainder of 2019 gives us a projection of $376,358 for 2019.
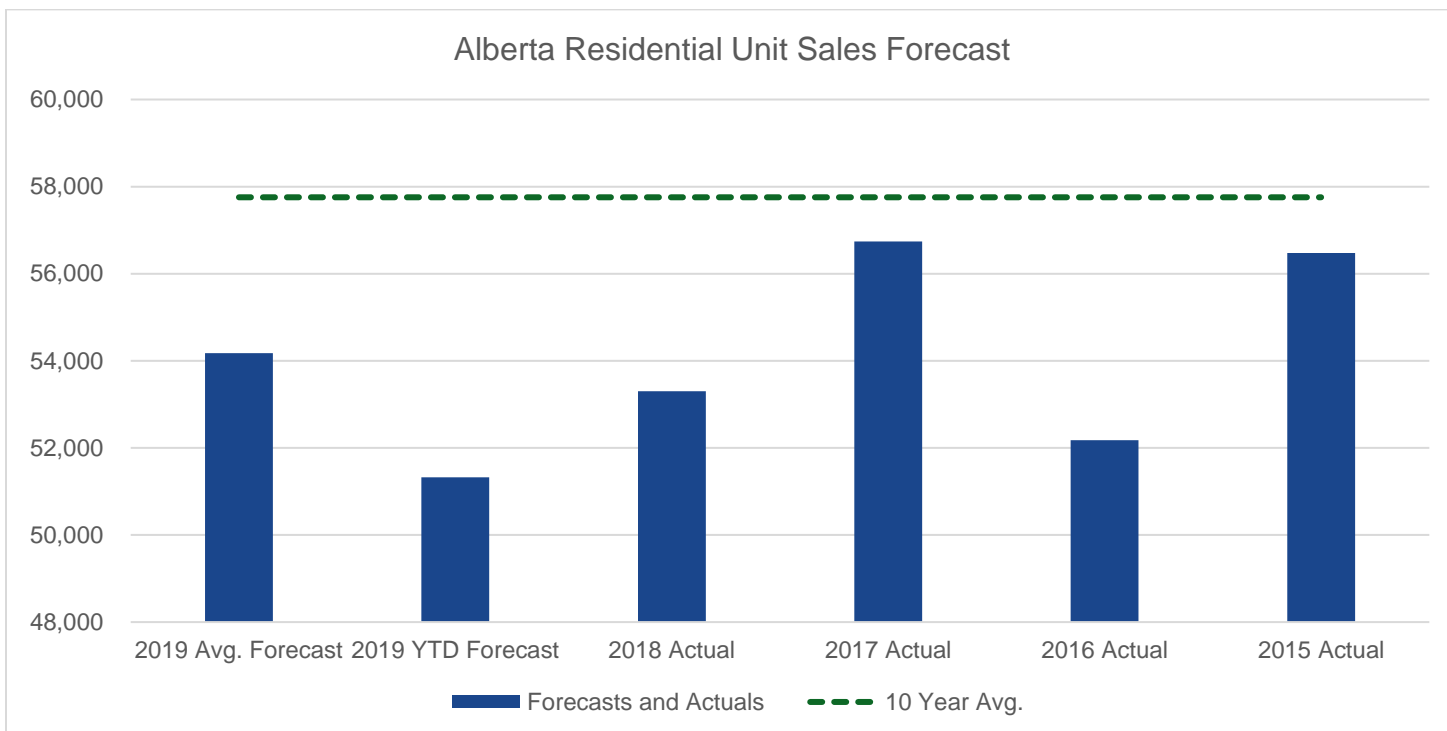
Alberta Residential Unit Price Forecast

| | 2019 Avg. Forecast | 2019 YTD Forecast | 2018 Actual | 2017 Actual | 2016 Actual | 2015 Actual |

Legend: Forecasts and Actuals — 10 Year Avg.

Residential Unit Price					
	2008-2018 Avg.	**2018**	**2019 (Q2 Forecast)**	**2019 (Q3 Forecast)**	**2020**
CREA			$376,800	$378,400	$373,700
CMHC			$391,850	$391,850	$396,300
TD	$376,823	$387,200	$374,712	$379,069	$384,376
Average Forecast			**$390,291**	**$383,106**	**$384,792**
YTD Projection			$374,713	$376,358	N/A

Unit Sales

Residential unit sales in 2018 totalled 53,300 units for Alberta. This is a 6.3% decline from 2017, which totaled 56,743 units. CMHC and TD predict a higher volume of sales in 2019, whereas the CREA believes sales will be lower.

In the Q2 2019 aggregate forecast document, the forecasted average for unit sales was 53,657 units. Since then, the forecasters have revised their estimates upwards, to an average sales prediction of 54,179 units, or 1.7% above 2018's numbers. 2020's consensus forecast is even higher, sitting at 57,478. Forecasters believe 2020 will bring a modest economic rebound to the province, and sales will subsequently rise as well.

Both the 2019 and 2020 forecasts sit below the long run average. Year-to-date unit sales are 3.7% lower than 2018. Applying this 3.7% decline to the 2018 numbers provides a projection of 51,328 sales for 2019.
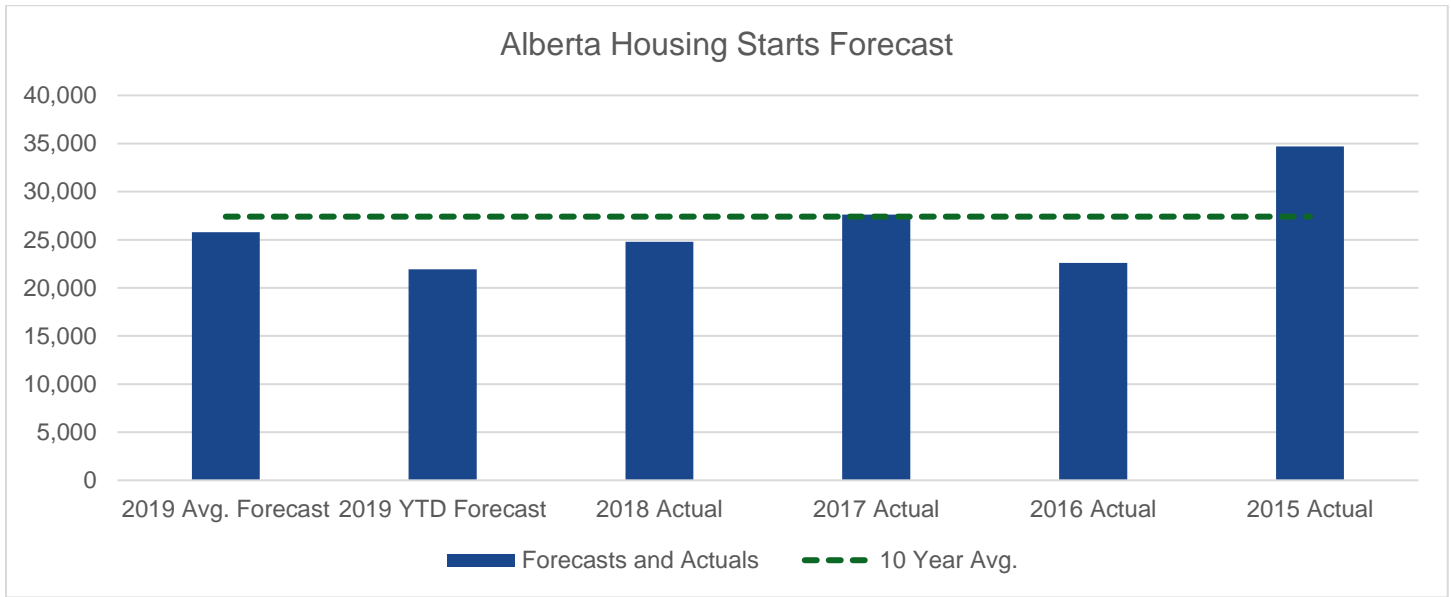

Residential Units Sales					
	2008-2018 Avg.	**2018**	**2019 (Q2 Forecast)**	**2019 (Q3 Forecast)**	**2020**
CREA			52,800	53,500	56,400
CMHC			55,000	55,000	56,000
TD	57,755	53,300	54,526	54,036	60,034
Average Forecast			**53,657**	**54,179**	**57,478**
YTD Projection			52,021	51,328	N/A

Housing Starts

Housing starts for Alberta totalled 24,755 units in 2018. Only BuildForce is predicting housing starts to be lower this year, while the other institutions are predicting starts to be at or above 2018 levels. The average of the forecasts suggests 25,778 housing starts in 2019, a roughly 4.1% increase from 2018. Given current inventory levels and current housing start data, most projections seem overly optimistic.

Most organizations believe 2020's housing starts will be slightly higher than 2019's housing starts, driven by a rising provincial economy. 2020's housing start forecast is marginally above the 10-year average.

Year to date housing starts in 2019 are currently 11.6% lower than 2018. Applying this 11.6% decline to the 2018 total provides a projection of 21,833 housing starts for 2019.
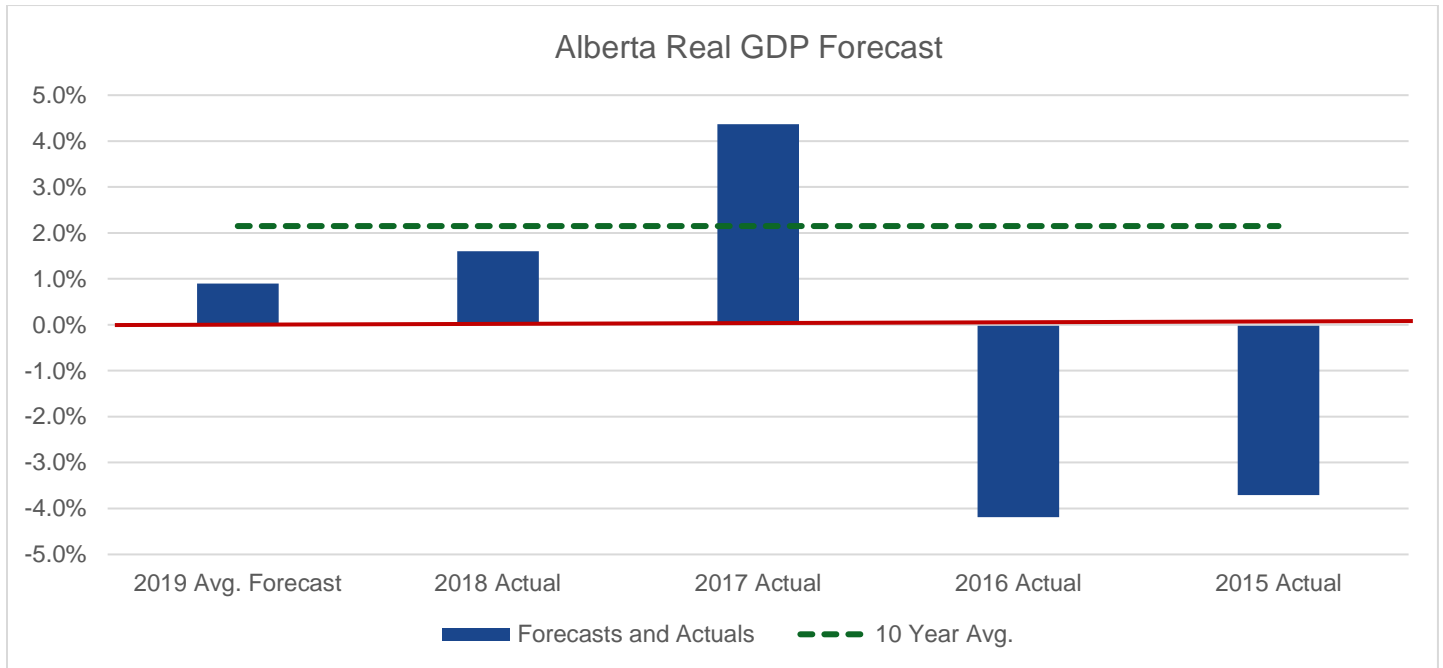

Housing Starts					
	2008-2018 Avg.	**2018**	**2019 (Q2 Forecast)**	**2019 (Q3 Forecast)**	**2020**
CMHC			28,000	28,000	28,800
BMO			25,200	25,100	30,000
RBC			24,400	25,800	29,000
TD			23,400	26,700	26,900
CIBC			31,000	25,000	26,000
Scotiabank	27,400	24,755	26,000	26,000	30,000
Bank of Can.			25,500	24,900	26,000
BuildForce			24,600	24,600	27,000
ATB			25,900	25,900	25,200
Average Forecast			**26,013**	**25,778**	**27,656**
YTD Projection			19,500	21,833	N/A

ECONOMIC FORECASTS
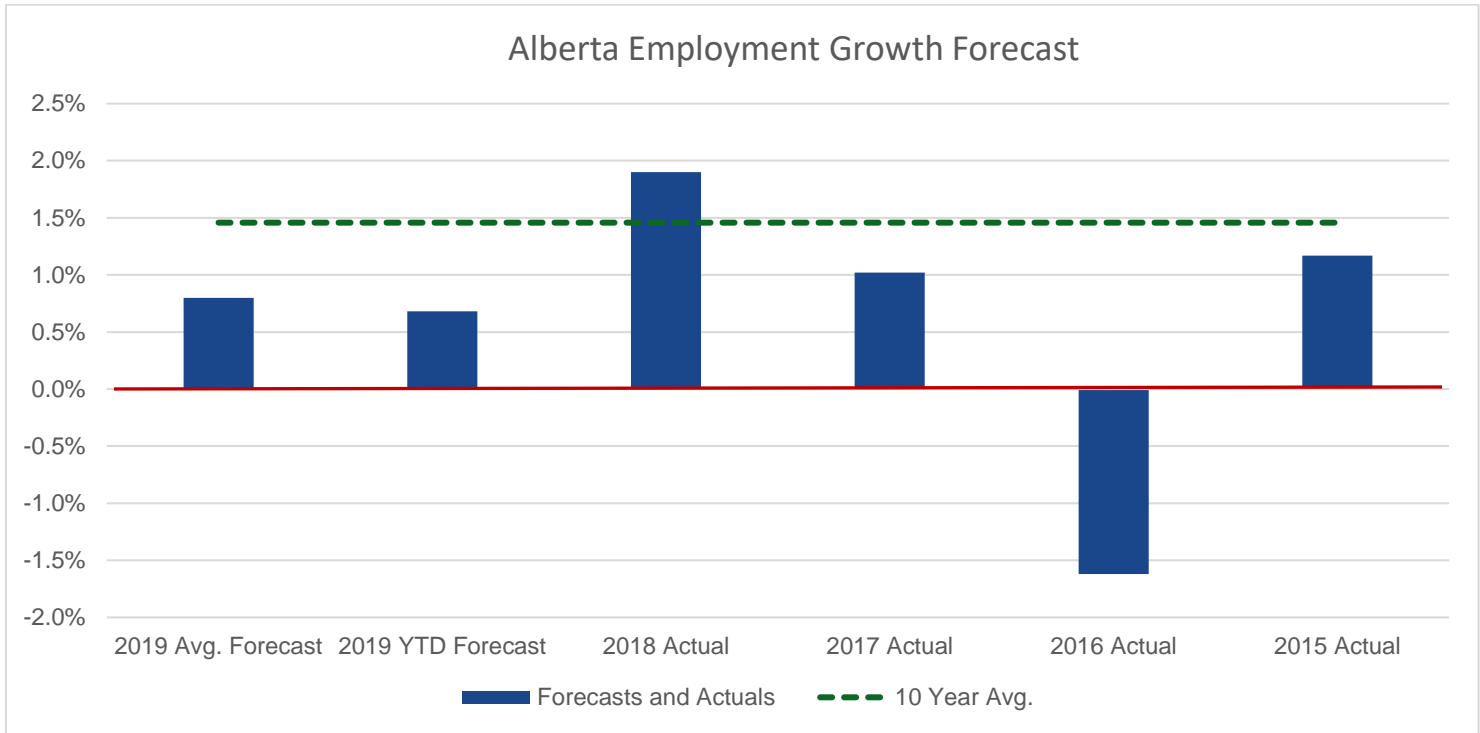
Gross Domestic Product

GDP is forecasted to grow in 2019 by 0.9%, however Alberta is expected to be behind most other provinces in this respect. The 2019 forecast represents a decrease of 1.4% in comparison to 2018, as Alberta continues to struggle with its nearly half decade long economic downturn. GDP growth is forecasted to rebound in 2020, as forecasters are expecting that revenues from Alberta's oil sales will increase as the Trans Mountain Pipeline gets up and running.

Alberta Real GDP Forecast

Real GDP Growth (y/y %)					
	2008-2018 Avg.	**2018**	**2019 (Q2 Forecast)**	**2019 (Q3 Forecast)**	**2020**
BMO			1.3	1.3	1.9
RBC			0.6	0.6	1.9
TD			0.5	0.7	1.7
CIBC	2.2	2.3	0.9	0.6	1.8
Scotiabank			0.7	0.5	2.5
ATB			1.4	1.4	1.7
Bank of Canada			1.2	1.3	1.9
Average Forecast			**1.1**	**0.9**	**1.9**

Employment

Forecasts for unemployment have declined marginally from our Q2 2019 Aggregate Forecast document. Aggregate forecasts suggest employment growth in 2019 will increase a total of 0.8%. This projection represents a substantial 1.1% decline in comparison to 2018. Most forecasters believe 2020 will continue to present challenges in this area with an average forecasted growth of 0.9%. Year-to-date employment has grown by about 0.68% this year.

Alberta Employment Growth Forecast

Employment Growth (y/y %)					
	2008-2018 Avg.	**2018**	**2019 (Q2 Forecast)**	**2019 (Q3 Forecast)**	**2020**
BMO			0.4	0.8	1.1
RBC			0.9	0.5	0.7
TD			0.6	0.5	0.9
CIBC			0.5	0.8	0.6
Scotiabank	1.5	1.9	1.1	0.8	1.0
Bank of Canada			1.1	1.0	0.8
ATB			1.0	1.0	1.0
Average Forecast			**0.9**	**0.8**	**0.9**
YTD Projection			0.8	0.7	N/A

Notes & Sources

Notes

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

Data on housing starts was taken from the CMHC's online housing portal. Data on residential unit sales and price was taken from the CREA. Data on employment and real GDP growth was taken from Statistics Canada (Tables 36-10-0402-01, 4-10-0023-01, 14-10-0287-03).

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
ATB	Forecasts
Government of Alberta	Forecasts