



7 Jaw-Dropping Numbers From Calgary's Real Estate Market

Description

Is Canada's real estate market a bubble?

A number of groups are sounding the alarm. Over the past few months, several organizations — including the IMF, Fitch, and **Morningstar** — have published reports warning about soaring property prices across the country.

Nowhere is a possible bubble more apparent than in Calgary, once one of the hottest real estate markets in Canada. But after posting some huge gains over the past few years, falling oil prices threaten to prick the city's housing industry.

Is the market heading for a crash? I don't feel comfortable calling tops and bottoms in real estate prices, but some of the statistics coming out of the city are worrisome. Here are seven unnerving numbers from Cowtown.

1. 25% drop in existing home sales: According to Thursday numbers from the Canadian Real Estate Association, existing home sales in Calgary fell 24.6% in December from the previous month. That was the biggest drop since October 2008, the month after **Lehman Brothers** went bankrupt and sparked the global financial crisis.

2. 36% increase in new listings: Calgary Real Estate Board data shows January new listings are up 36% compared to the same period a year earlier. There is suddenly 4.3 months' worth of inventory on the market, versus 3.3 in November.

3. 7.8% price drop: More supply and less demand means only one thing — lower prices. According to the Calgary Real Estate Board, the average selling price for a house in the city is running at \$452,600 month-to-date, about 3.8% below the prices we saw this time last year. Condo prices are off a stunning 7.8% month-to-date versus the same period in 2013.

4. 200,000 workers: Calgary real estate is essentially a levered bet on energy prices. One in five Calgary residents are directly employed in the oil industry. The energy sector accounts for a full 22% of the province's gross domestic product.

5. 4.5% cap rate: According to the most recent numbers from Colliers International Canada, residential capitalization rates in Calgary are near a record low 4.5%. These types of nose-bleed valuations have forced smart-money investors like **Boardwalk REIT** ([TSX:BEI.UN](#)) out of the market. That's why the province's largest landlord has been steadily selling properties at huge premiums over the past few years.

6. 49% of buyers: Who's driving up property values? Millennials. According to a report from the Altus Group, first-time home buyers account for roughly half of home purchases. In Calgary, 17.1% of homeowners are under 35, versus 12.1% nationally. That's worrying because this group has never seen a prolonged period of rising interest rates or low oil prices in their adult lifetime.

7. 52% crash: If the energy industry goes into a funk, how far could housing prices decline? For perspective, between 1981 and 1984, Calgary housing prices fell 52% during a previous oil bust. TD is now predicting Alberta home prices will fall more than 10% over the next two years as a weaker job market deters buyers.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)

Category

1. Investing

Date

2025/09/30

Date Created

2015/01/16

Author

rbailieul

default watermark