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This Week...

Housing Markets
Commodity Prices
Earnings and Inflation
Office Space
Employment



Housing Markets By Doug Elliott, Editor

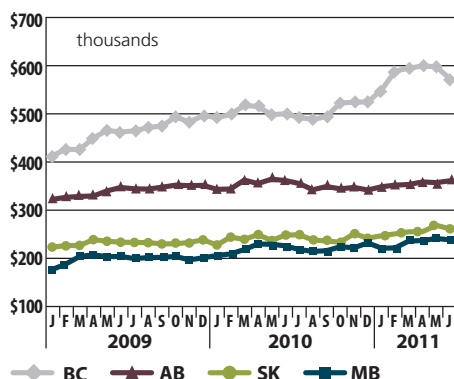
In the second quarter of 2011, homes and condominiums in B.C. were selling at an average price of

\$590,000, up 17% from a year earlier. The market is showing some signs of slowing because of the higher prices. There were 22,900 units that changed hands at this price – 5% fewer than in the second quarter of 2010.

Prices in the other western provinces were much lower and more stable. The average price paid in Alberta, for example, was \$359,000, unchanged from a year ago. The number of units changing hands is up 7%.

Housing prices are much lower and more stable in the prairie provinces than they are in B.C.

Figure 1: Average Selling Price (MLS)



The Saskatchewan market is stronger with prices increasing by 7% to \$262,000 and a 10% increase in sales. The price for houses sold in Manitoba averaged \$238,000, the lowest among the western provinces, and 5% higher than a year ago. Unit sales in Manitoba were down 2% from a year ago.

The patterns for the construction of new housing units are different. Compared with the same period in 2010, new housing construction (starts) in urban centres in Saskatchewan and B.C. have increased in the first seven months of 2011 by 31% and 4% respectively. Starts are down 21% in Alberta and 12% in Manitoba.

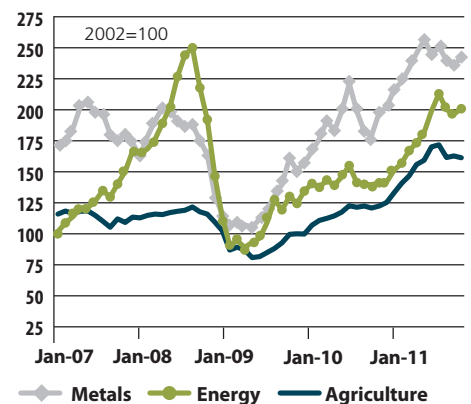
Commodity Prices

The world's attention is on the various stock markets and bond markets as investor confidence fell sharply in August. The TSX composite index from the Toronto Stock Exchange, for example, is 15% below the recent peak in February. In most parts of western Canada, however, commodity prices are a better predictor of future economic activity than the ups and downs in the stock market.

Commodity prices are a better predictor of economic growth in the West than the stock market.

Several commodity price indices are calculated and published by the International Monetary Fund. Three of the ones important to western Canada are shown in Figure 2. The metal and energy indices show a similar pattern with a sharp drop late in 2008 and a subsequent

Figure 2: Commodity Prices (in US\$)

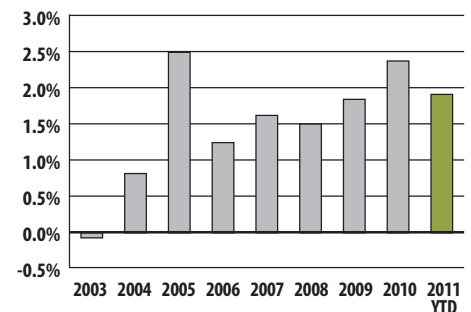


recovery. In spite of the recent drop, prices have a long way to fall before they are near those lows. Agricultural products, on the other hand, are still well above the long-term average.

Earnings and Inflation

Retail sales are increasing strongly in the West after a slump in 2009; growing employment earnings are one of the reasons. Aggregated over the four western provinces and adjusted for

Figure 3: Increase in Average Weekly Earnings, Adjusted for Inflation, Four Western Provinces



inflation, average weekly earnings grew by 2.4% in 2010. This was the seventh consecutive year for real earnings growth.

Earnings are still growing more quickly than the rate of inflation in the early part of 2011 although at a slower rate of growth (see Figure 3). In the first five months of 2011, average weekly earnings have grown by:

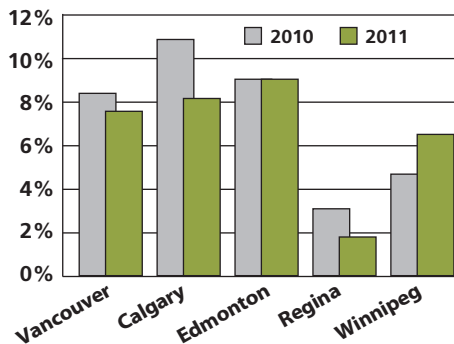
- 0.7% in B.C.;
- 1.1% in Manitoba;
- 1.6% in Saskatchewan; and
- 3.3% in Alberta.

Office Space

Avison Young, a real estate firm, tracks vacancy rates for office space in large urban markets. Their most recent report covers the second quarter of 2011.

With the exception of Regina where vacancy rates of 2% are abnormally low, the figures show that there is a reasonable supply of office space available in western Canadian cities. Vacancy rates are increasing in Manitoba and falling or stable in the other metropolitan areas.

Figure 4: Office Vacancy Rates, Second Quarter



Employment

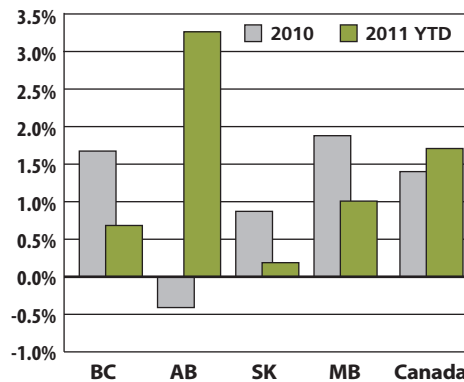
In July, employment in Alberta was up 3.7% compared with July 2010 to lead the West in overall employment growth and bring the year-to-date increase for the province to 3.2%. As shown in Figure 5, the increases in the other western provinces are much less impressive.

With the weaker labour markets, summer jobs for students were generally harder to come by this year. Among 15 to 24 year-olds who were intending to return to school in the fall, the proportion who were working in July was 52.5% this summer compared with 53.1% last year and levels near 61% a few years ago (see Figure 6).

The student employment rate was the highest in Saskatchewan (61.3%) and the lowest in B.C. (45.6%) with Alberta and Manitoba between these

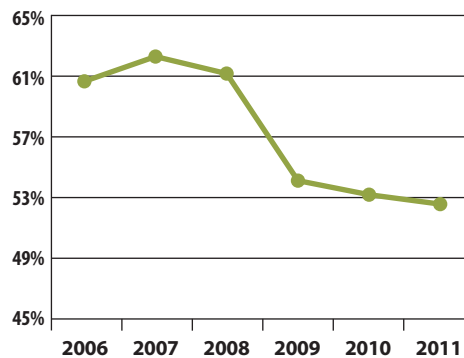
two extremes with employment rates of 56.4% and 57.6% respectively.

Figure 5: Employment Growth, 2010 and 2011 YTD



With a weaker labour market, students were having trouble finding jobs this summer.

Figure 6: July Employment Rate Among Returning Students, 15 to 24 Years



Upcoming Releases

In the next two weeks Statistics Canada will be releasing data describing:

- June retail sales on August 23;
- July estimates of crop production on August 24; and
- June weekly earnings on August 25.

Sources:

The figures are adapted from the following sources:

Housing Markets: CMHC "Housing Now" available at www.cmhc-schl.gc.ca

Commodity Prices: Indices available at www.indexmundi.com

Earnings and Inflation: Statistics Canada CANSIM Table 281-0026, 281-0026, and 326-0020

Office Space: Avison Young Office Market Report available at www.avisonyoung.com

Employment: Statistics Canada CANSIM Tables 282-0006 and 282-0001

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