THE STAMPEDE HAS LEFT CALGARY:

WILL IT EVER RETURN?

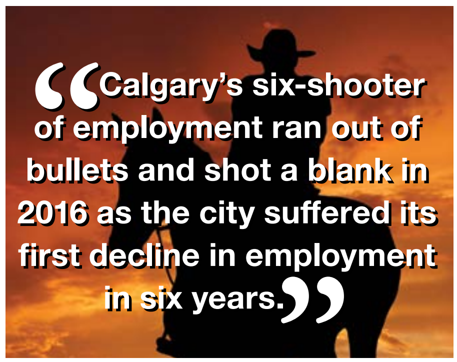
BY RICK HARRIS

The city of Calgary, not that long ago, was the rodeo queen of all of Canada's major cities. Today it is symbolized by an empty oil barrel—and the rodeo has left town.

Calgary's once-deep pockets, which included the highest weekly earnings in Canada, lowest employment rate, lowest vacancy rates, and fastest-growing population because of in-migration, are now empty.

According to the Conference Board of Canada, Calgary's economy tumbled, annual growth rates finding negative territory with declines of 1.9% in 2016 and 2.8% in 2015.

Calgary's six-shooter of employment ran out of bullets and shot a blank in 2016 as the city suffered its first decline in employment in six years. Calgary's unemployment rate grew to 9.4%, the highest levels in 22 years. Calgary was also saddled with a provincial economy that fell by 2.9% in 2016.



Four years ago, Calgary led the way with a red-hot housing market and then, in 2016, according to the Calgary Real Estate Board (CREB), unit sales and prices fell by more than 3%.

With two years of recession under Calgary's belt, is there any hope on the horizon?

Hope for Calgary seems to be "in them thar hills," with job growth and signs of a strengthening economy. Many are keeping a watchful eye.

In January 2017, CREB chief economist Ann-Marie Lurie said, "We need to start having job growth in this city before we can start to see a true shift in the housing market, and that's a risk."

In terms of the most current housing market information and data, the big question for many real estate investors is whether there is an opportunity to grow their investment real estate portfolios in Calgary.

CREB recently released its *2017 Economic Outlook & Regional Housing Market Mid-Year Update*, giving us a little insight into the Calgary real estate market. The report states that sales are expected to grow by 3.3% over last year. CREB tempers this by also saying, "Despite generally improving trends, difficulties continue to exist in the condo-apartment ownership market."

According to CREB's report on "market outlook risk" in the Mid Year Update, there is going to be improved stability in the energy sector, and this could mean job growth. As investment real estate investors, we need to dig a little deeper into this economic news.

Not trying to be a naysayer, but I believe everyone, including the Alberta government, is being a little overly optimistic about oil prices. The government readjusted its budget call on oil to $49 a barrel for the balance of 2017.

With all the calls at the start of 2017 seeing oil heading toward $60 a barrel at the end of 2017, it is responsible of the Alberta government to be more realistic. I can understand why everyone was optimistic about oil prices continuing to push toward $60, because in January 2017 we saw oil at $53.23 a barrel. Since January, however, we have seen oil averaging about $47 a barrel, without much traction to go higher. Even with all the havoc the hurricane caused recently in Texas, oil prices have continued to stay under $50 a barrel.

According to a July 1, 2017, article in the *Calgary Herald*, "Alberta needs access to new markets for its crude oil and natural gas production. Without the confidence that pipelines will be built, significant investment dollars will not be committed to Alberta, especially by foreign players. That's not good for the economy."

New markets are also relevant because of recent insights by Goldman Sachs and what it calls the New Oil Order. Its report *Lower for Longer? The Impact of the New Oil Order* focuses on what Goldman Sachs sees as three key areas: consumers, countries, and the oil and gas industry. There is a feeling that consumers will benefit from lower oil and gas prices, and that there will be a redistribution of wealth to consumer-led countries such as China and India from producer-led countries such as Russia and Venezuela.

Goldman Sachs goes on to say that the oil and gas industry must look for more opportunities in productivity efficiency, cost-efficiency gains, and technological innovations, because we will not see any significant gains in oil prices any time soon.

As Calgarians, Albertans, and Canadians, we are well positioned to deal with the New Oil Order; we just need to create less talk and more action in reaching new markets for our oil and gas products if we want sustained economic growth.

The reality is that the oil and gas industry will continue to grow for at least other generation, but any political inaction will also continue to impact growth. And, according to CREB, the residual impacts of the recession can weigh more heavily on more households than expected.

Right now, I would suggest caution in moving forward if you want to be an investment real estate trailblazer in Calgary. Like all good cowboys and cowgirls, you know when the pastures are not that fertile for your stock, and you round them up and move to safer pastures.

The Stampede will need a few more sun-filled days before it makes a return to Calgary.

Rick Harris, an active real estate investor since 2002, has developed his purchasing strategies and processes specializing in vacation and recreational properties, single-family homes, and condo rentals.