

# **Edmonton's Economic Outlook**

# Presentation Outline

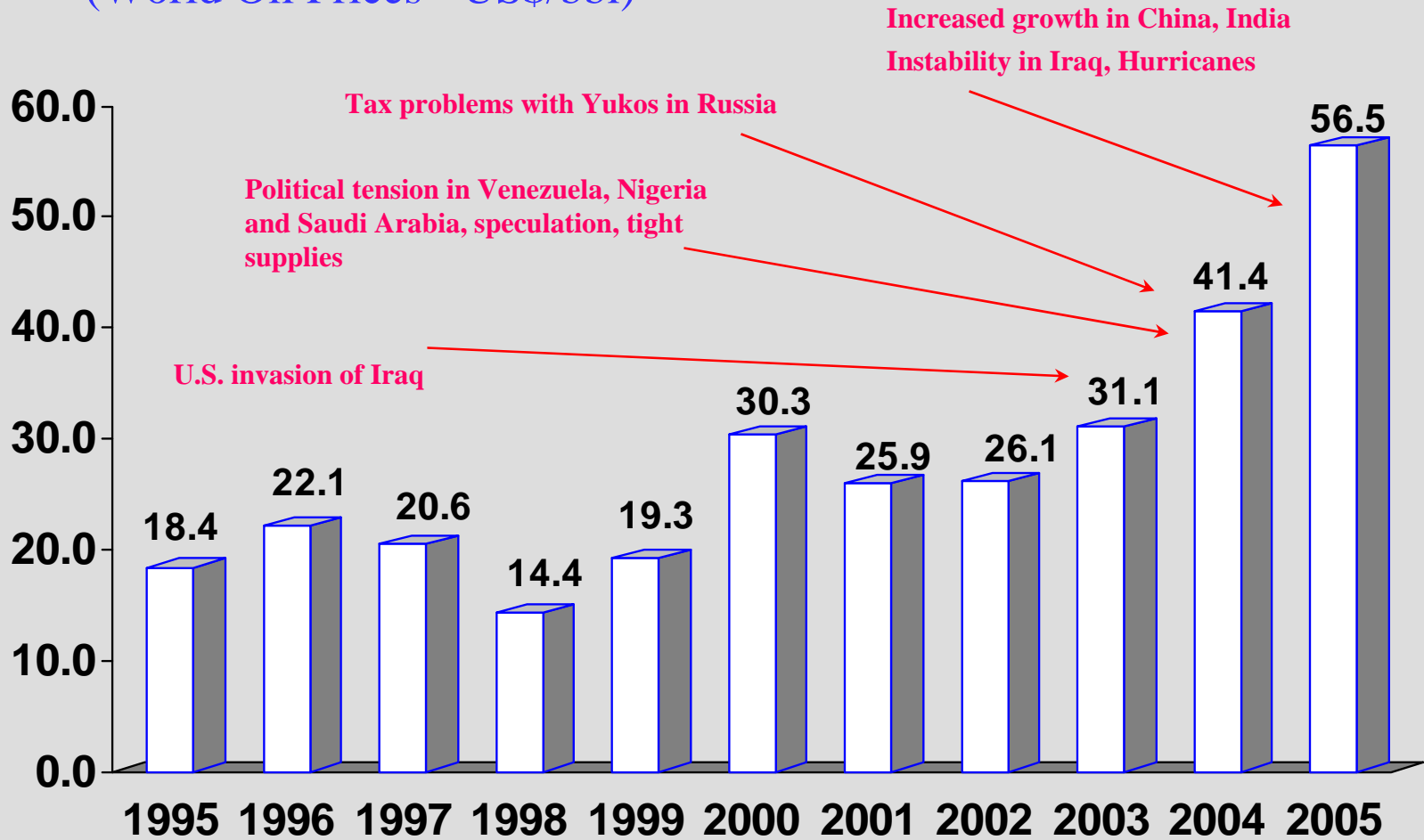
- Recent Economic Trends in Edmonton
- Edmonton's Current Economic Climate
- Economic Outlook
- Risks to the outlook

# Recent Key Economic Drivers for Edmonton

1. High Energy Prices
2. Strong Oil Sands Investment
3. Low Interest Rates
4. Strong Consumer Spending

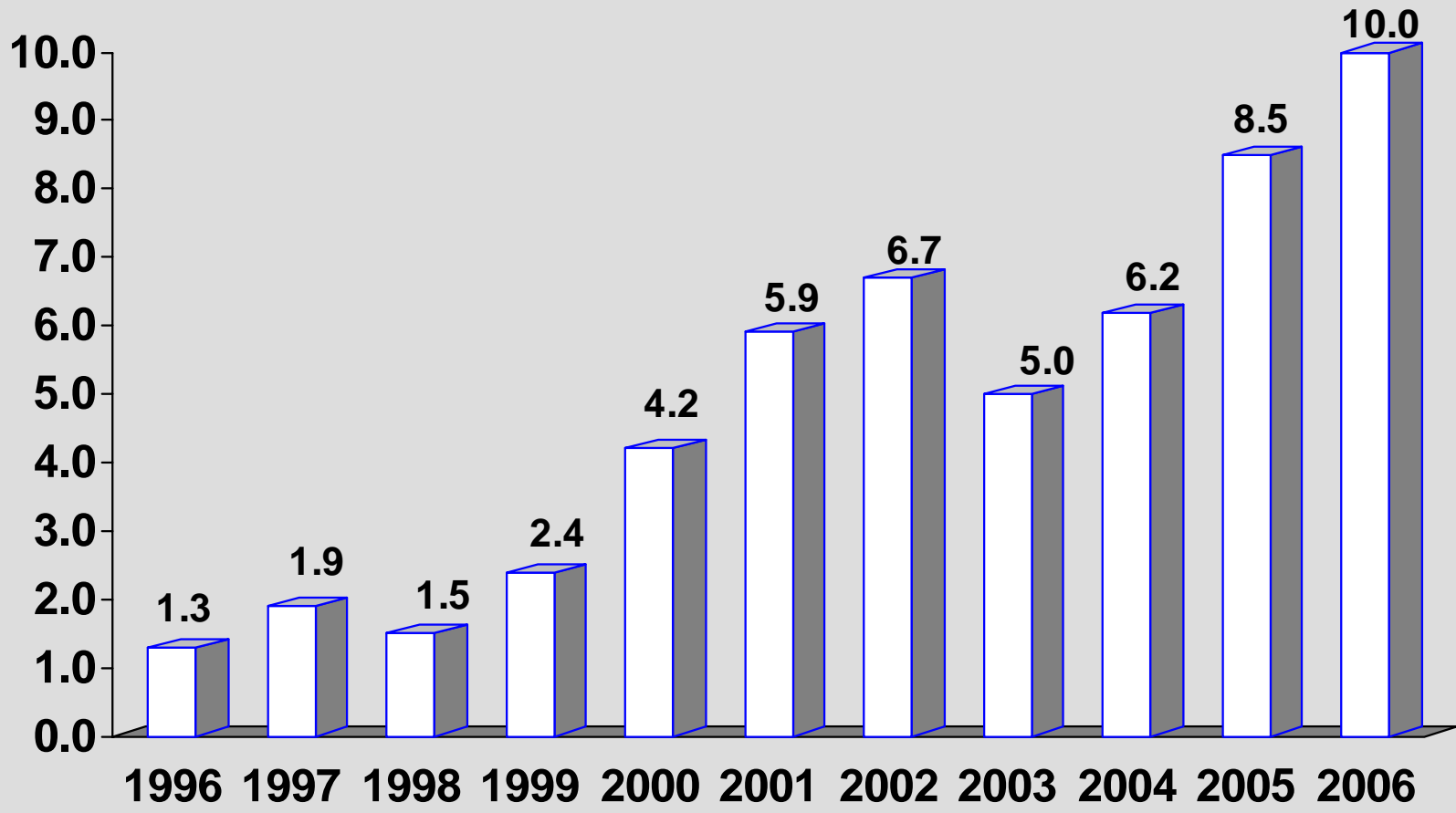
# Key Driver #1: Strong Energy Prices

(World Oil Prices - US\$/bbl)



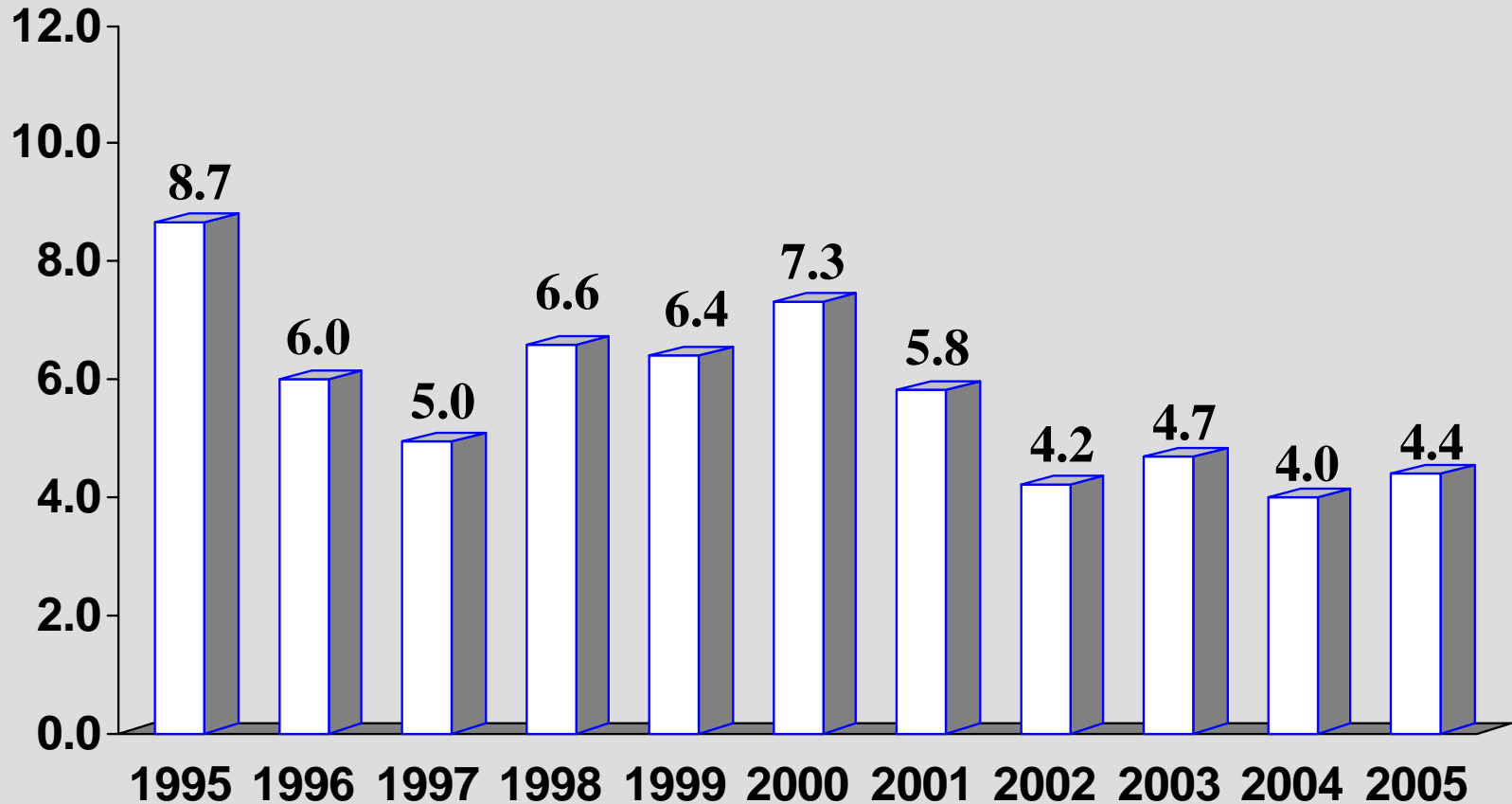
# Key Driver #2: Strong Oil Sands Investment

(\$Billions)



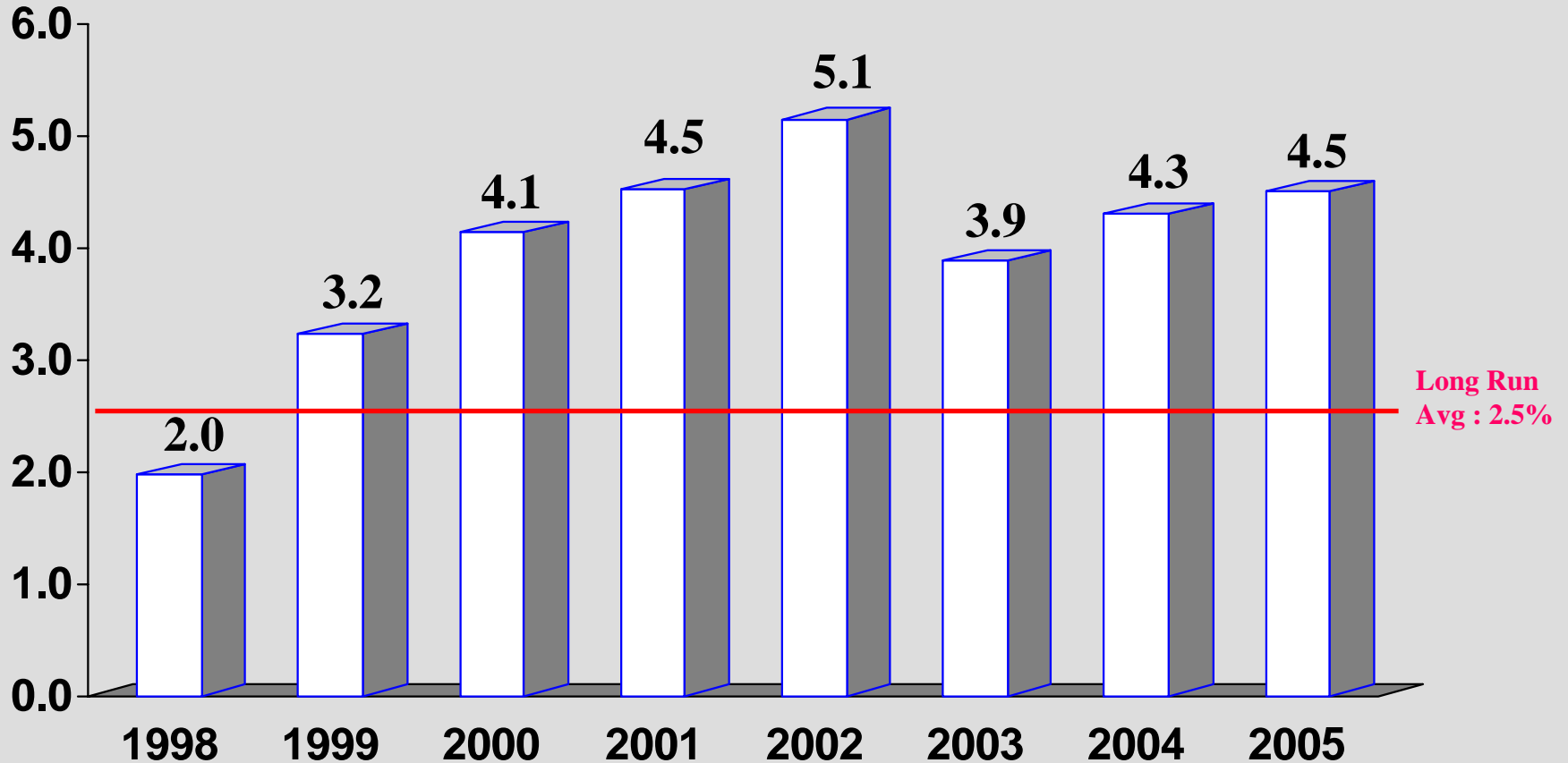
# Key Driver #3: Low Interest Rates

(Prime Lending Rate - percent)



# Key Driver #4: Strong Consumer Spending

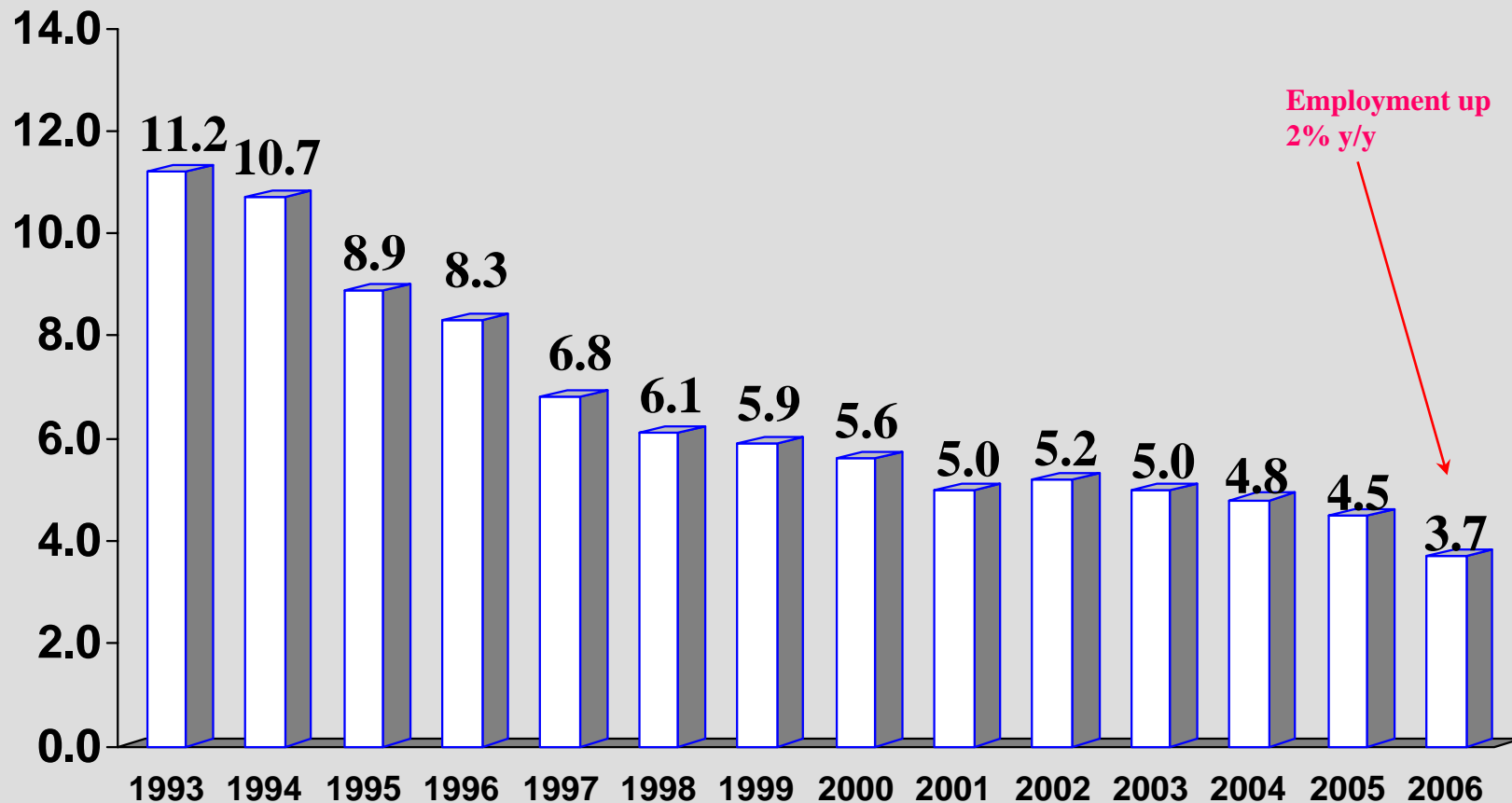
(Annual percent change)



# Edmonton's Labour Market – Unemployment Rate

## Unemployment Rate - Edmonton (C.M.A.)

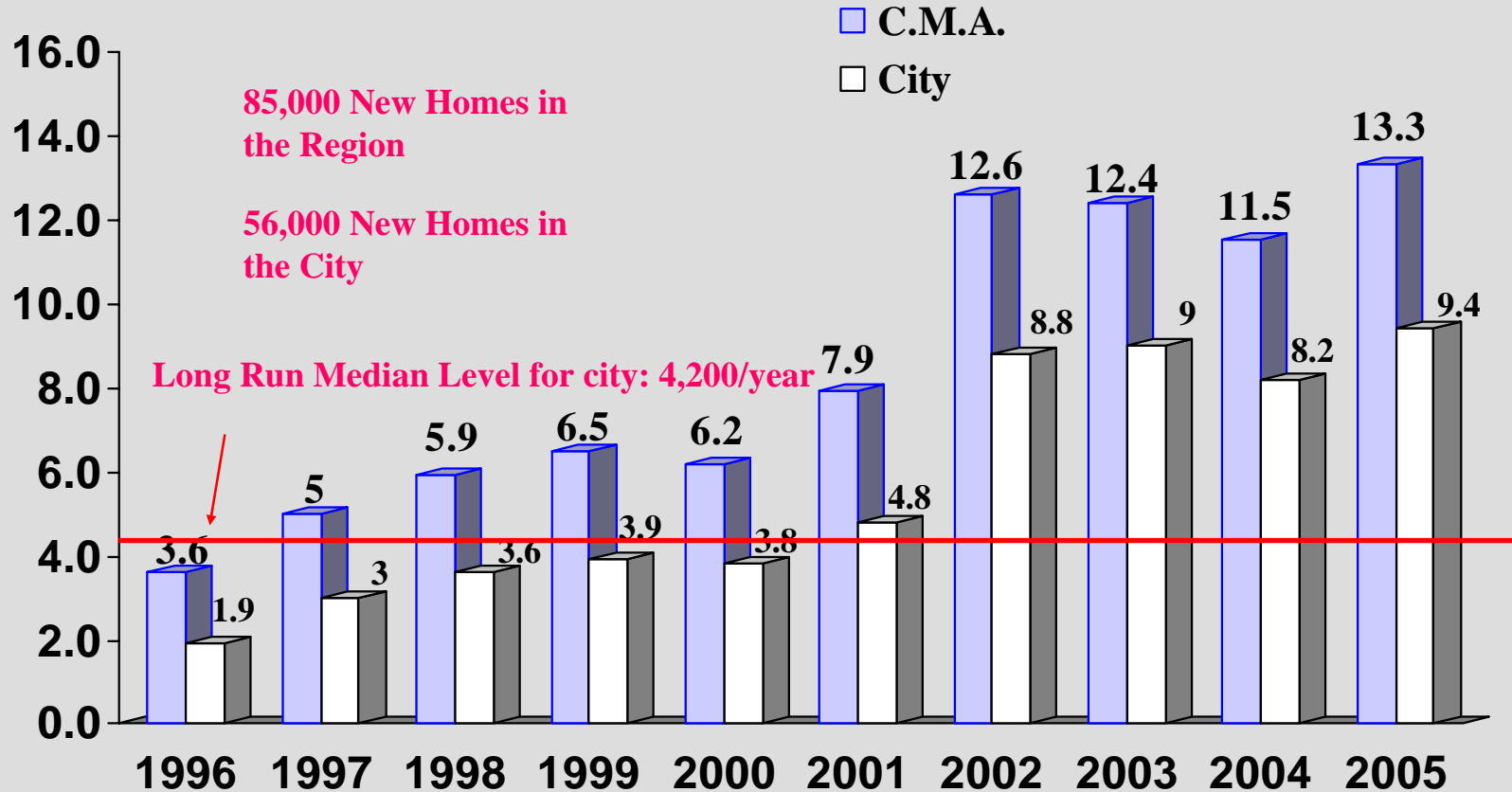
(Percent)



# Edmonton Housing Starts

Edmonton (C.M.A.) and Edmonton (City)

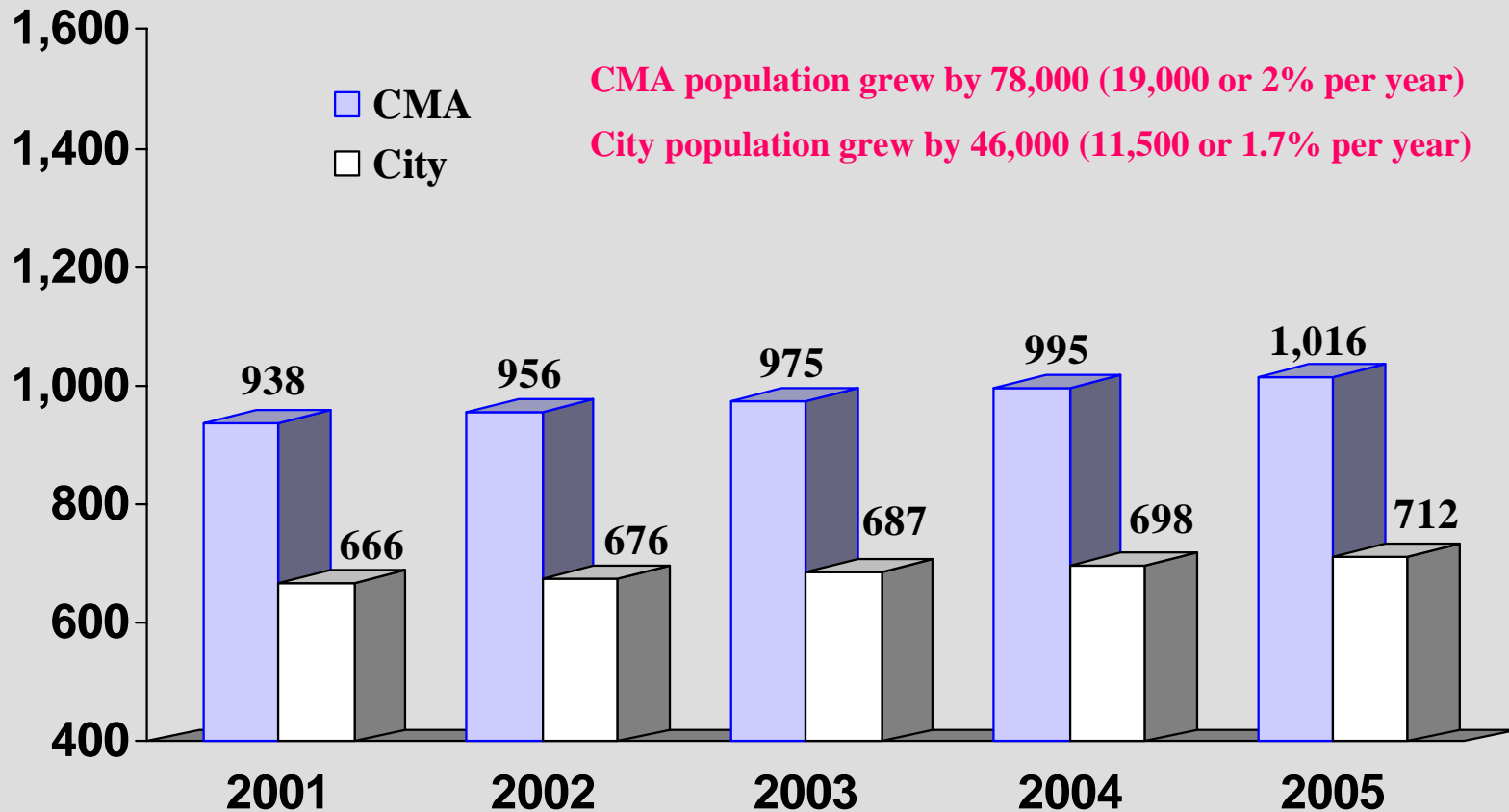
(Thousands)



# Population Growth

## Edmonton (C.M.A.) and Edmonton (City)

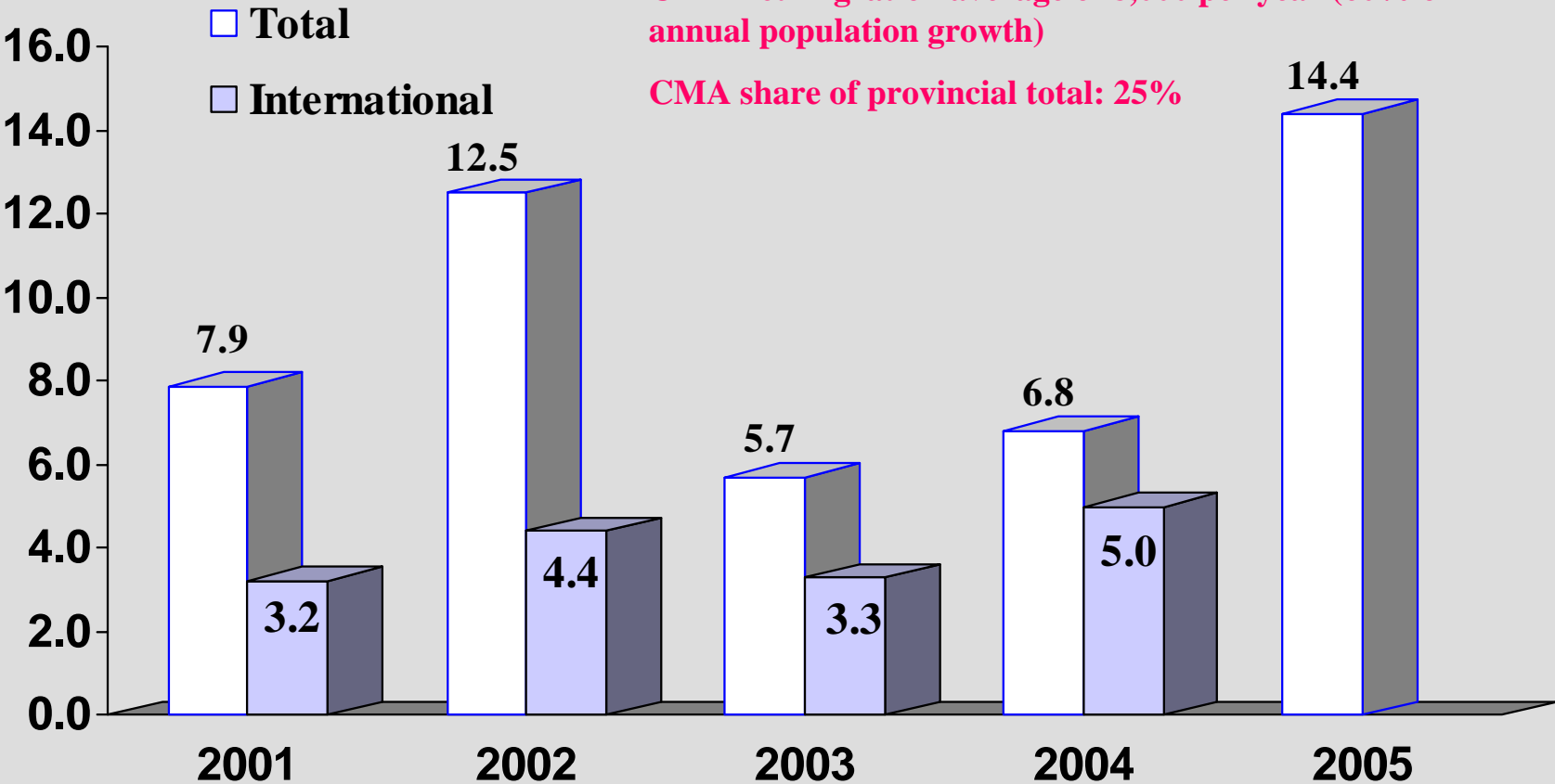
(Thousands)



# Edmonton Net Migration

## Edmonton (C.M.A.)

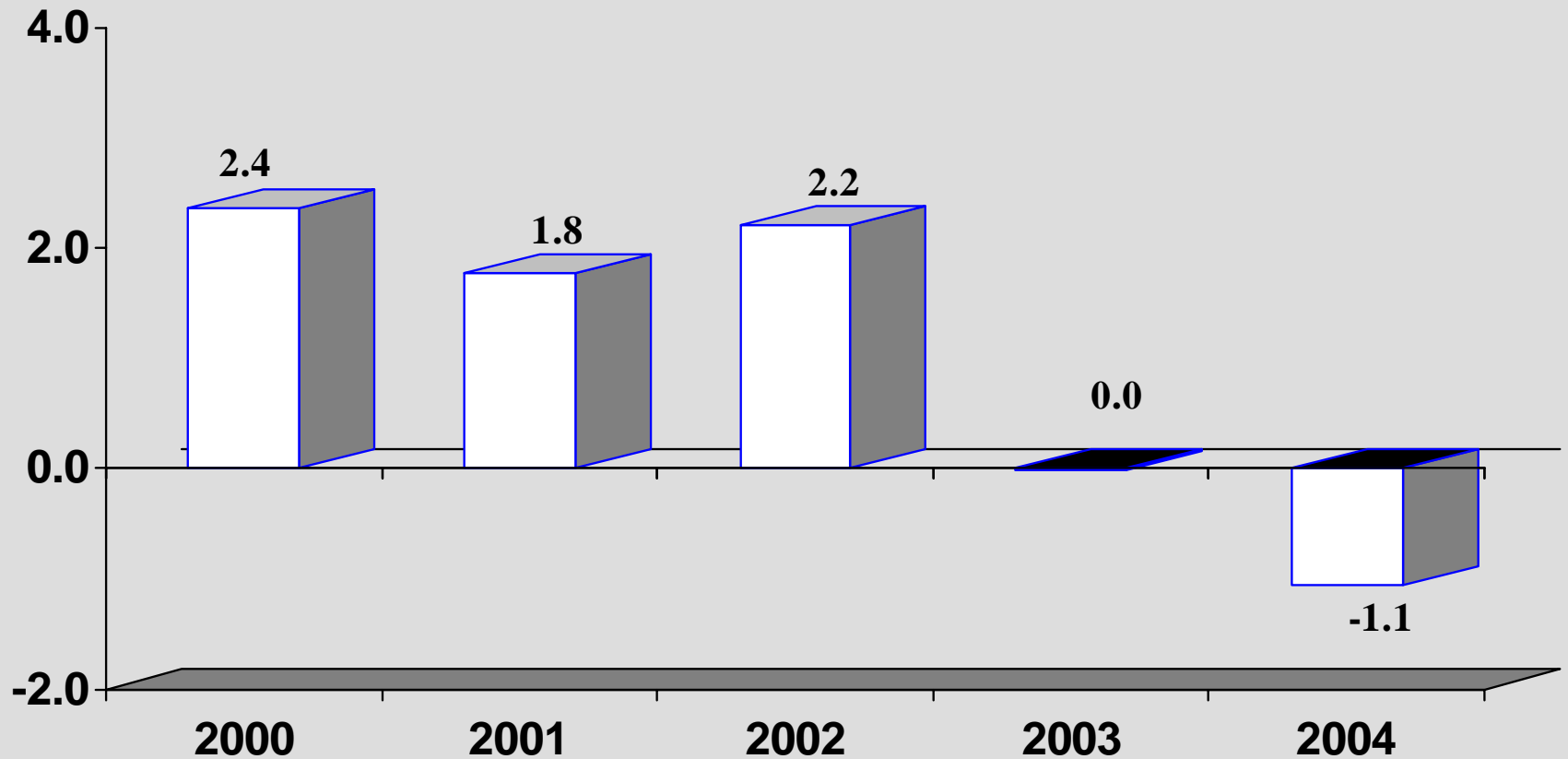
(thousands)



# Edmonton Net Migration with B.C.

Edmonton (C.M.A.)

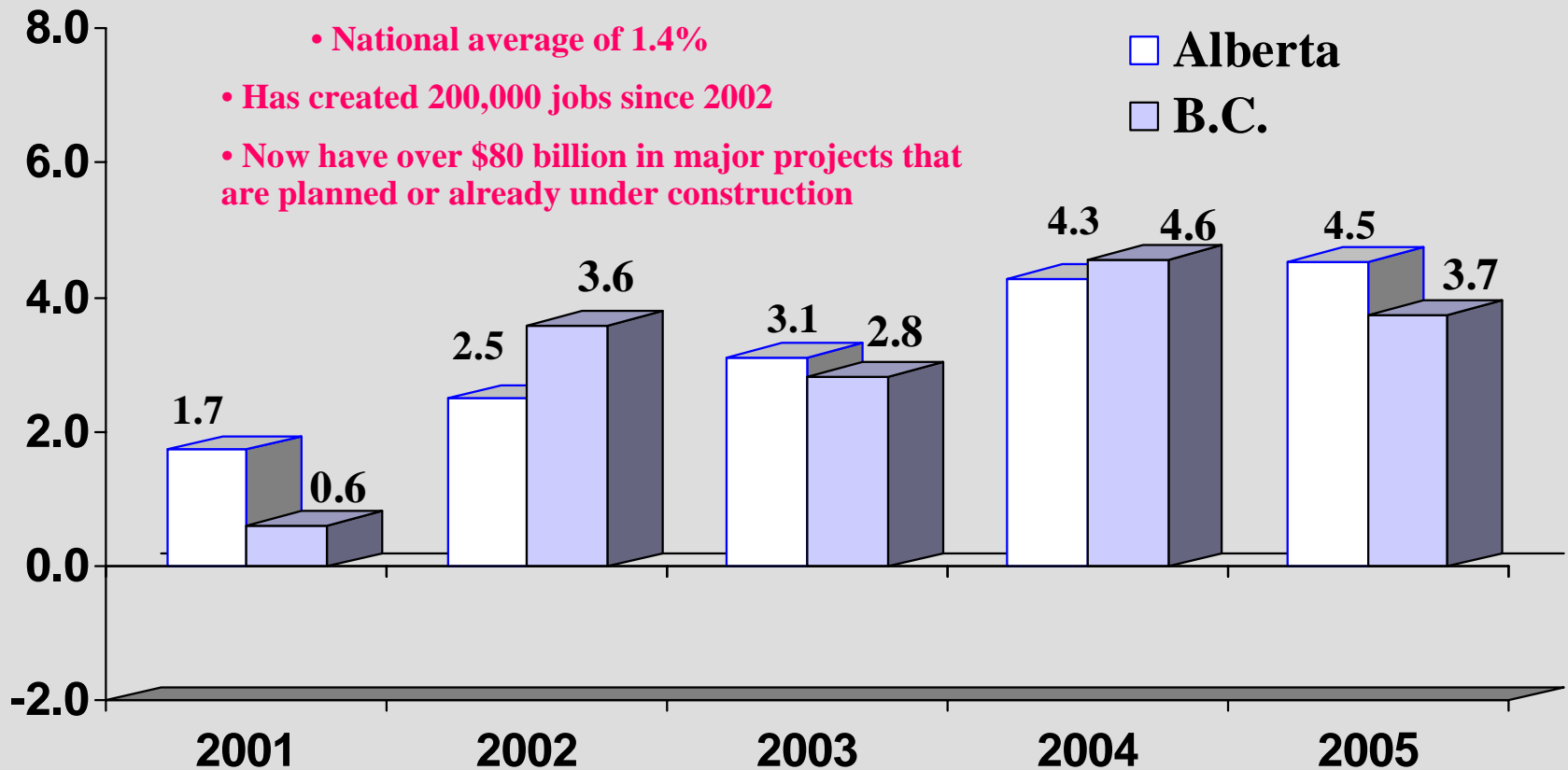
(thousands)



# What's Going on in B.C.?

## Economic Growth Rates

- Strongest employment growth in 2005 at 3.4%
- Alberta 1.5%
- National average of 1.4%
- Has created 200,000 jobs since 2002
- Now have over \$80 billion in major projects that are planned or already under construction



# Edmonton Economic Growth

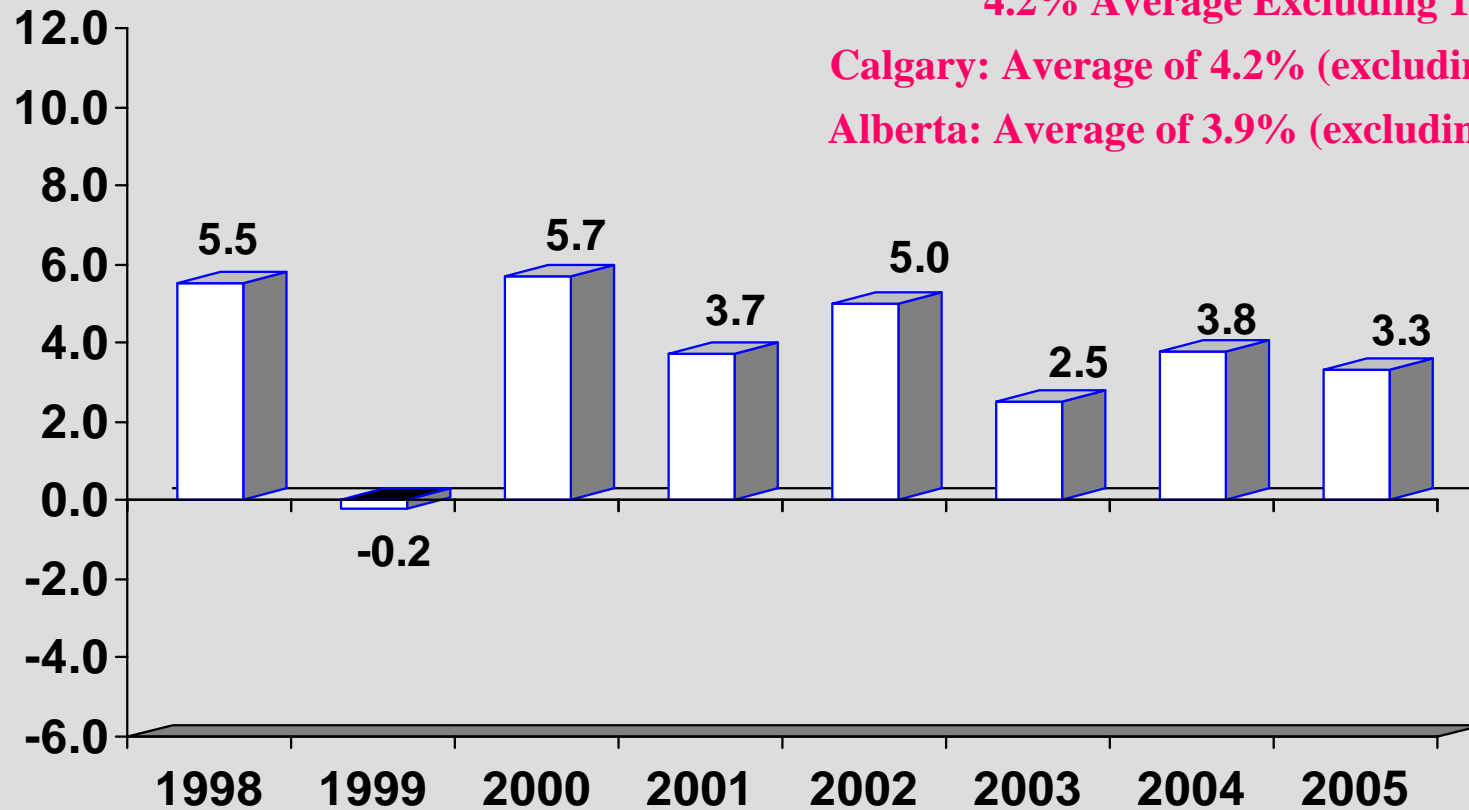
(Percent Change in Real GDP)

**3.7% Average Annual Growth**

**4.2% Average Excluding 1999**

**Calgary: Average of 4.2% (excluding 1999)**

**Alberta: Average of 3.9% (excluding 1999)**



# Edmonton's Current Economic Climate

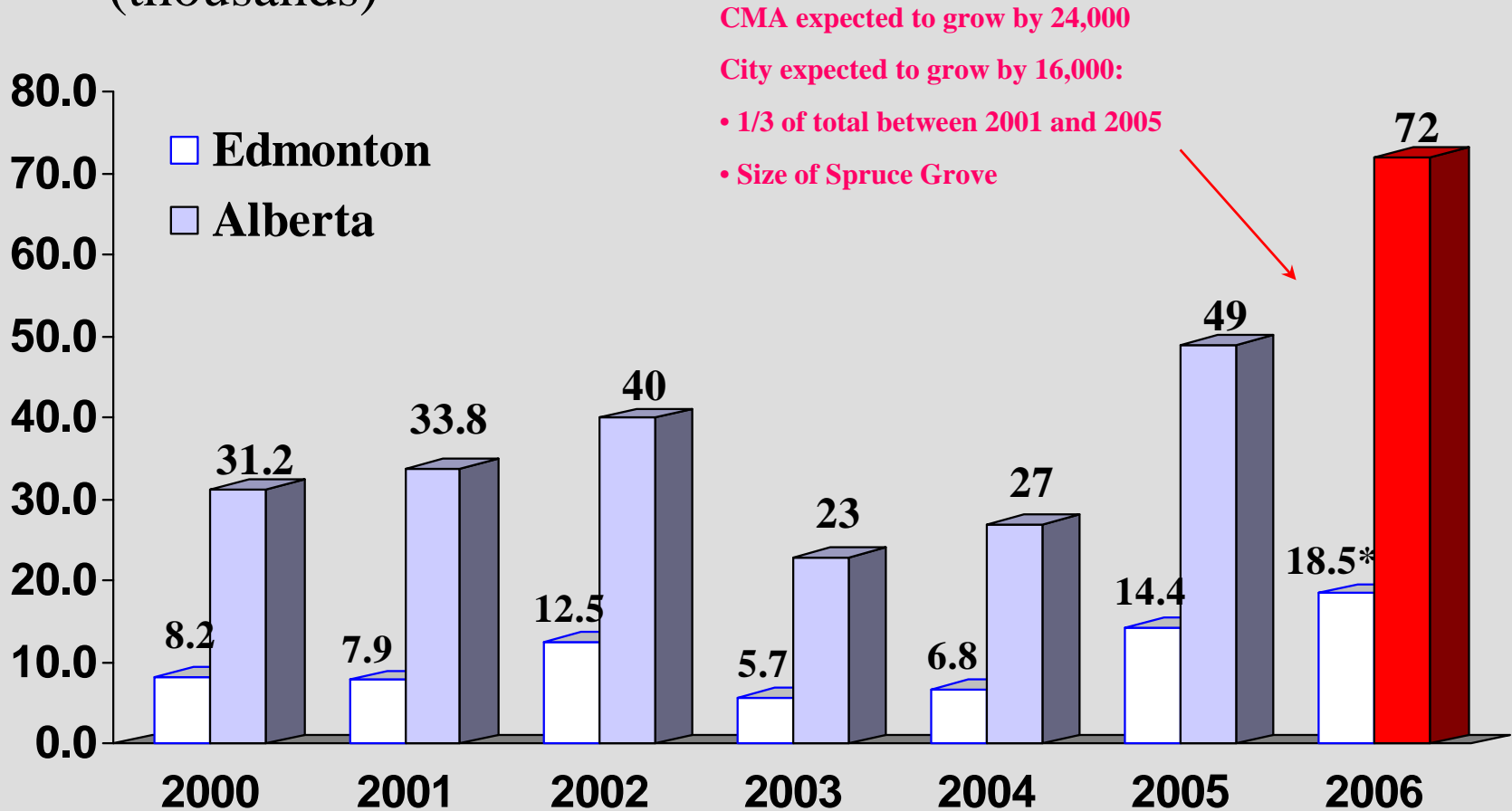
# Unprecedented Numbers in 2006

- New home market (Edmonton CMA):
  - total housing starts up 12.6% in 2006 to 14,970
  - Single family home prices up 30% year-over-year to \$354,000
- Re-sale market:
  - Single family home prices up 52% year-over-year to \$341,000 in October
  - Active number of listings down to 2,000 from 2,900 a year ago (4,100 September 2005)
- Apartment vacancy rate down to 1.2% from 5.3% in 2004 and 4.5% in 2005
- Industrial Market – Vacancy rate down to 1.6% (2<sup>nd</sup> Quarter) from 4.4% in 2004 and 3.2% in 2005
- Unemployment Rate – 4.1% (4.5% a year ago)

# The reason...large population growth!

## Edmonton (C.M.A.) and Alberta

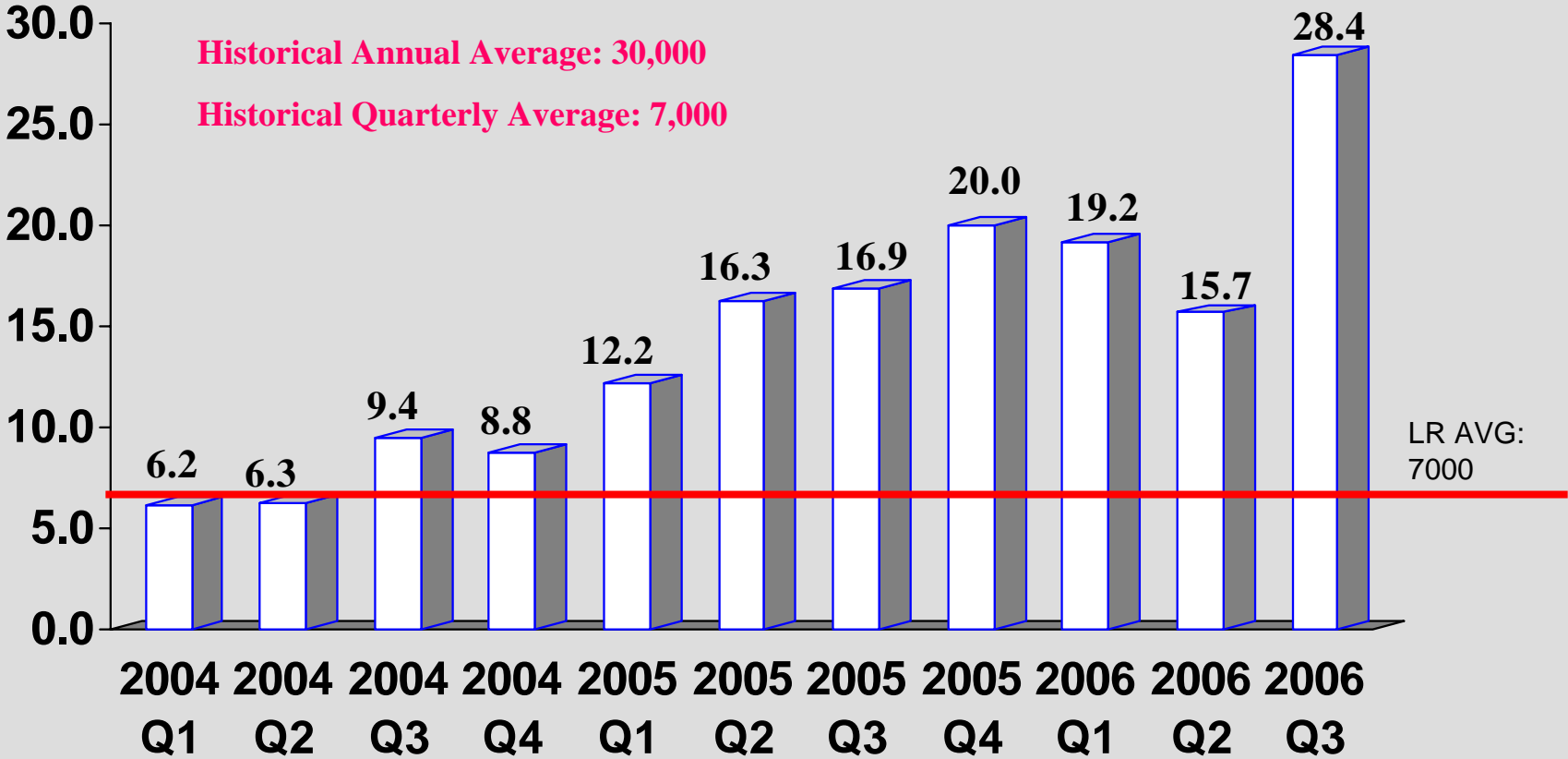
(thousands)



# Alberta Net Migration

## Quarterly

(thousands)



<b>Alberta Average annual migration 2000-04 (000's)</b>			
	<b>In - Migration</b>	<b>Out - Migration</b>	<b>Net Migration</b>
B.C.	25.4	19.0	6.4
Sask	12.4	7.0	5.4
Ontario	12.0	11.0	1.0
Maritimes	8.0	5.6	2.5
Manitoba	5.2	3.1	2.1
Quebec	2.4	1.8	0.6
YT	0.5	0.3	0.2
NWT	1.1	0.8	0.3
NVT	0.1	0.1	0.0
International	20.0	7.0	13.0
<b>Totals</b>	<b>87.1</b>	<b>55.6</b>	<b>31.5</b>

<b>Alberta Average annual migration 2006 (000's)</b>			
	<b>In - Migration</b>	<b>Out - Migration</b>	<b>Net Migration</b>
B.C.	30.2	22.6	7.6
Sask	15.7	7.8	7.9
Ontario	27.8	9.6	18.2
Maritimes	17.8	5.4	12.4
Manitoba	9.0	3.2	5.8
Quebec	5.8	2.1	3.7
YT	0.6	0.3	0.3
NWT	1.8	0.8	1.0
NVT	0.2	0.1	0.1
International	17.2	2.5	14.7
<b>Totals</b>	<b>126.1</b>	<b>54.3</b>	<b>71.8</b>

# Why the Large Jump in Provincial Migration?

- *Strong economic fundamentals (high energy prices and investment) – lots of jobs*
- *High exchange rate bringing people from Ontario*
  - *Averaged 12,000 in-migration between 2000-04*
  - *Averaged 28,000 in-migration in 2005-06*
- *Less people moving out of Alberta*

# Edmonton's Net Migration Outlook

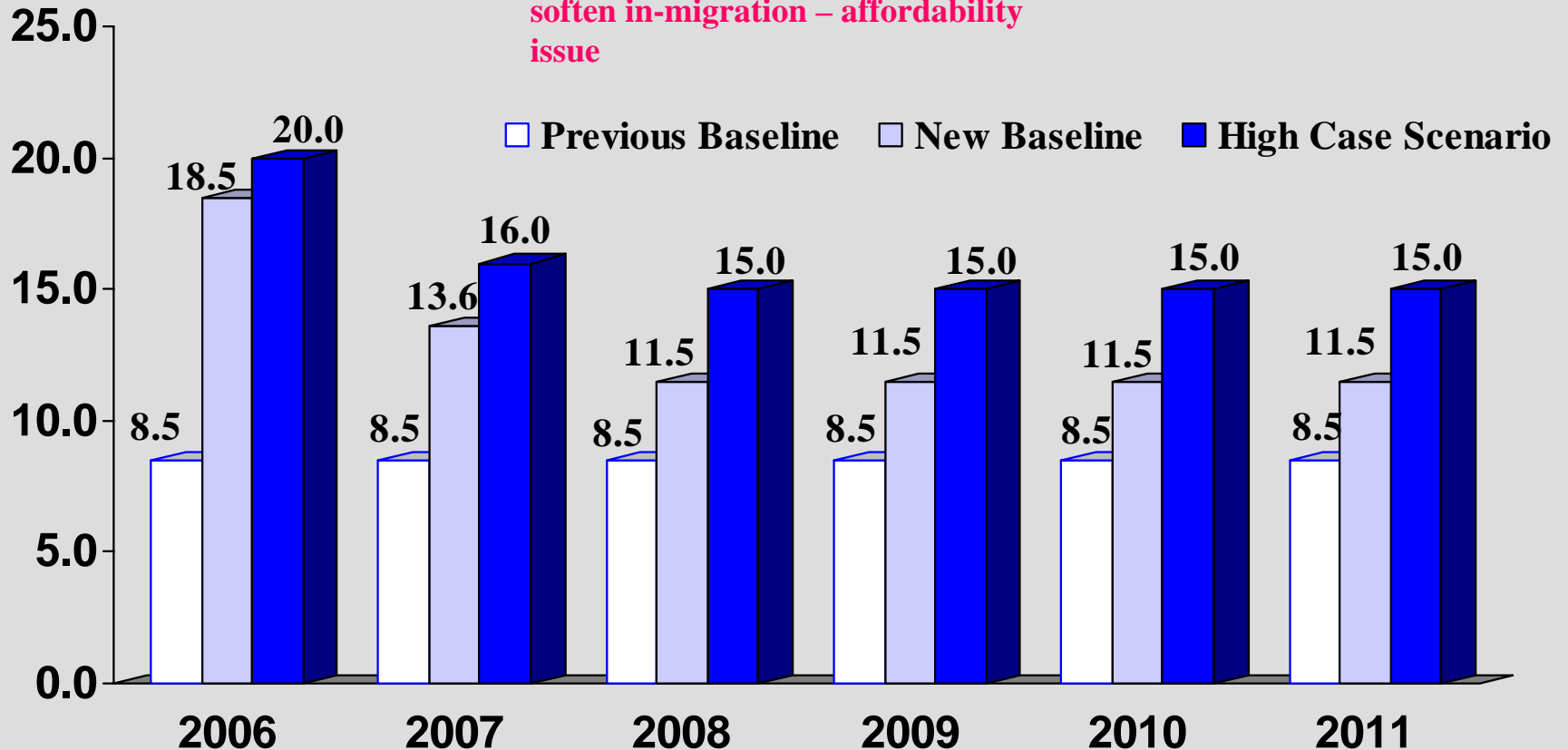
## Edmonton (C.M.A.) Net Migration Population Forecast

(X Thousands)

Strong exchange rate to bring people from east

Hot economy will reduce the number of people moving out

Overheating housing market will soften in-migration – affordability issue

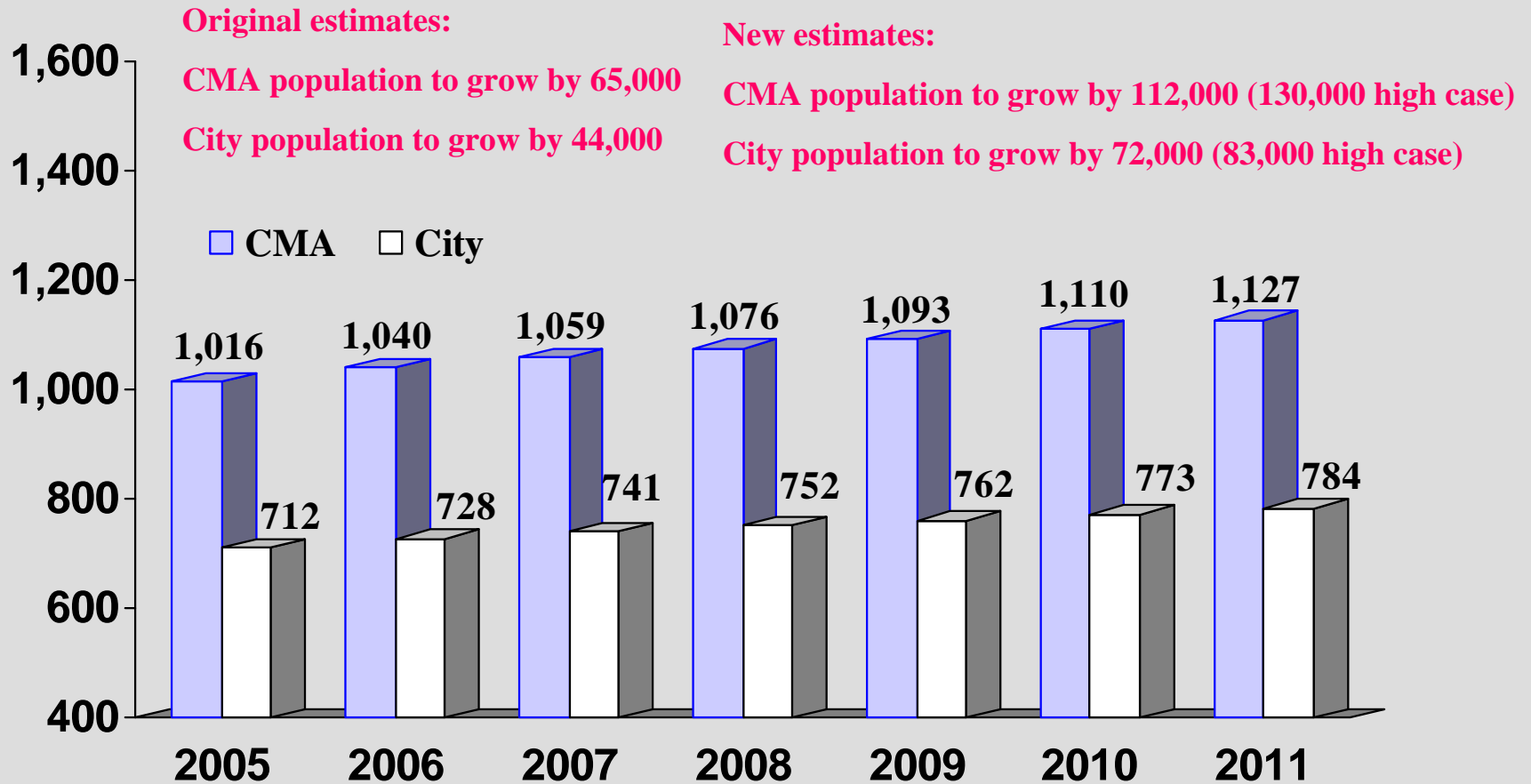


# Edmonton's Total Population Outlook

## “10 years of growth in 5 years”

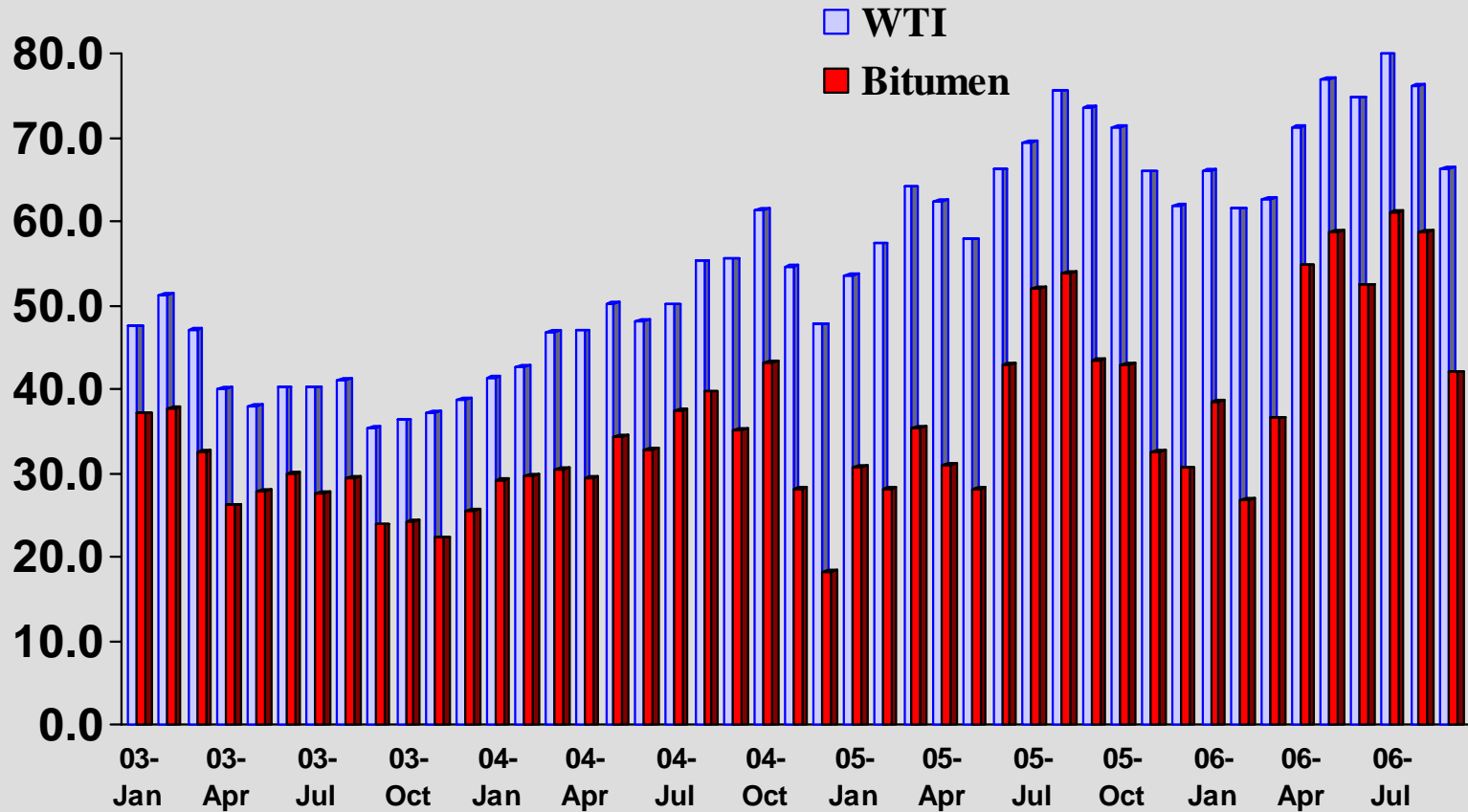
### Edmonton (C.M.A.) and Edmonton (City)

(X Thousand)



# Alberta Oil Price Spreads

World Oil Price (WTI \$/bbl) and Price for Bitumen



# Over \$30 billion in Upgrader Projects in the Edmonton Region

- *\$5 billion upgrader by Fort Hills Energy Corporation in Sturgeon County.*
- *\$5 billion for all three phases of the Northwest Upgrading Inc. bitumen upgrader.*
- *\$5 billion for the Scotford upgrader expansion by Shell Canada.*
- *\$5 billion upgrader by Total Canada Ltd.*
- *\$2.9 billion for all three phases of the 'Alberta Heartland' bitumen upgrader project in Strathcona County by BA Energy Inc.*
- *\$2.8 billion for the 'Northern Lights' upgrader by Synenco Energy.*
- *An upgrader by Petro-Canada (unknown cost estimate at this time).*
- *\$1.6 billion by Petro-Canada Oil to upgrade existing facilities to process bitumen.*

## Other Projects to Have An Impact

- *Over \$3 billion in pipelines*
- *Over \$1 billion in refinery retrofits*
- *Over \$3 billion in institutional projects*
- *Over \$3 billion in infrastructure projects*
- *Over \$2 billion in residential and commercial projects*

# Edmonton's Share of the Pie is Growing

*Total projects in Alberta: \$140 billion*

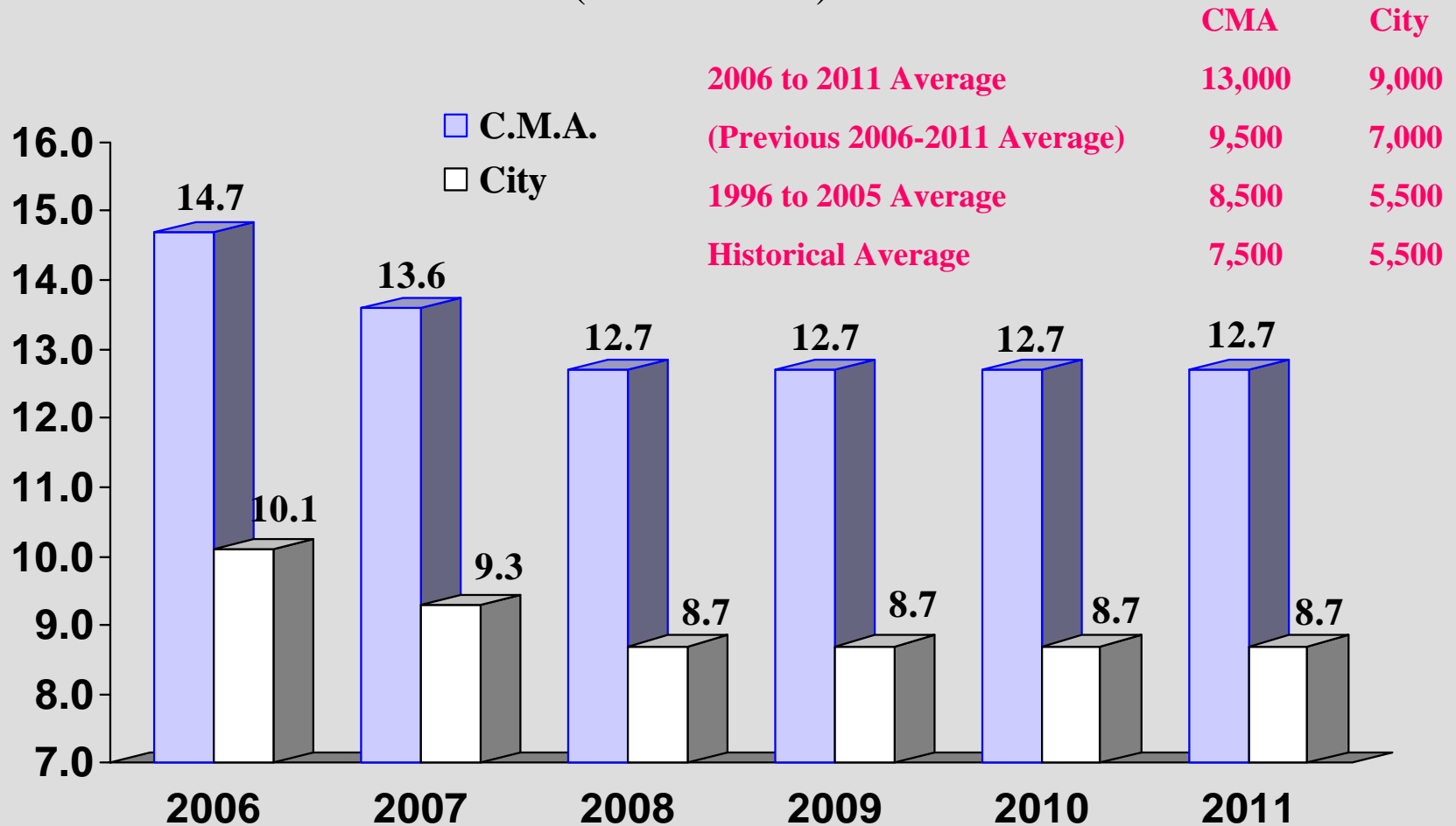
- *Fort McMurray: 42%*
- *Edmonton: 28% (was around 15% in late 2005)*
- *Calgary: 14%*

*Edmonton's proposed projects will provide permanent impacts*

# Edmonton Housing Starts Outlook

## Edmonton (C.M.A.) and Edmonton (City) Housing Forecast

(X Thousand)



# Edmonton Labour Market Forecast

Edmonton (C.M.A.)

(thousands)



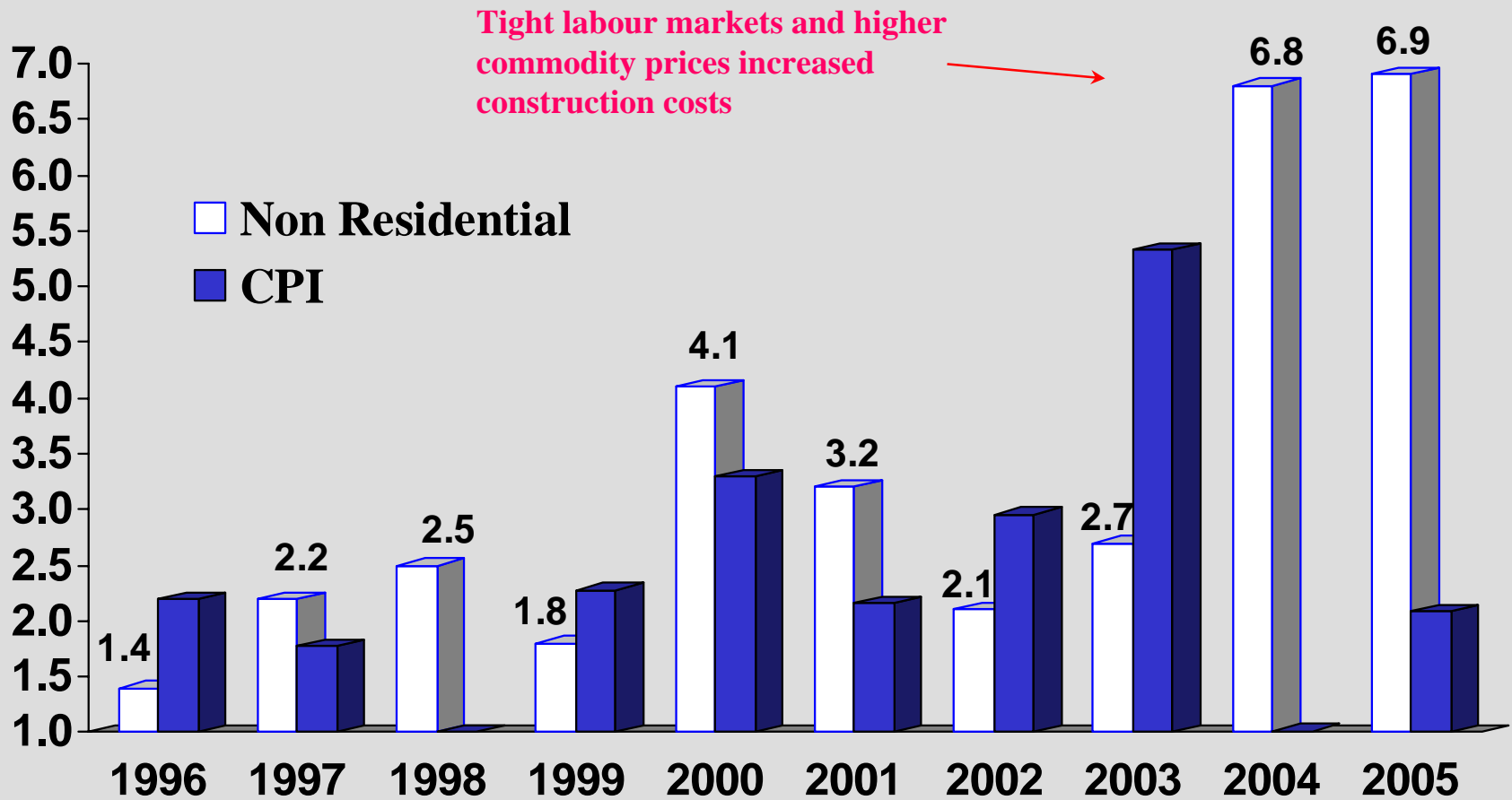
# Economic Outlook Challenges:

## #1. Rising Prices

*Will There be an impact on our construction market and consumer spending?*

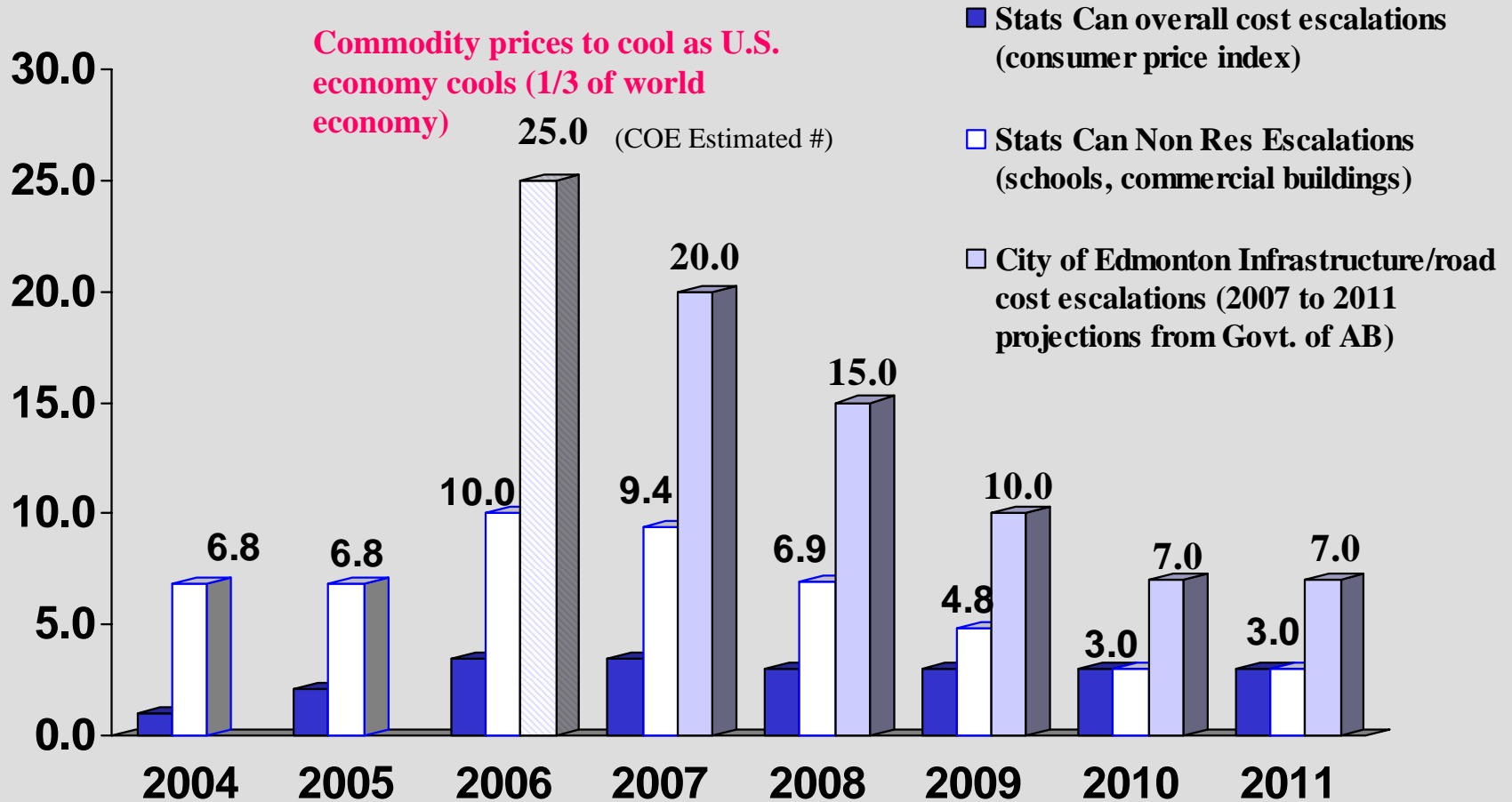
# Edmonton Non-Residential Construction Price Index

(Annual Percentage Change)



# Cost Escalation Comparative Outlook

(Annual Average Percentage Change)



**Cost Escalations for City Infrastructure/Transportation Projects to Persist**

# Economic Outlook Challenges:

## #2. United States Recession

*Will The U.S. tank and take oil down  
with it?*

# U.S. Housing Market is Cooling

- *Between 2003-2005, 50% of all mortgage loans were adjustable rate mortgages*
- *About 1/2 of all consumer spending in U.S. last year from home equity lines of credit*
- *Interest rates on 2 trillion in mortgages will be adjusted next year*

Economic Outlook Challenges:  
#3. Continued Overheating of the  
Housing Market

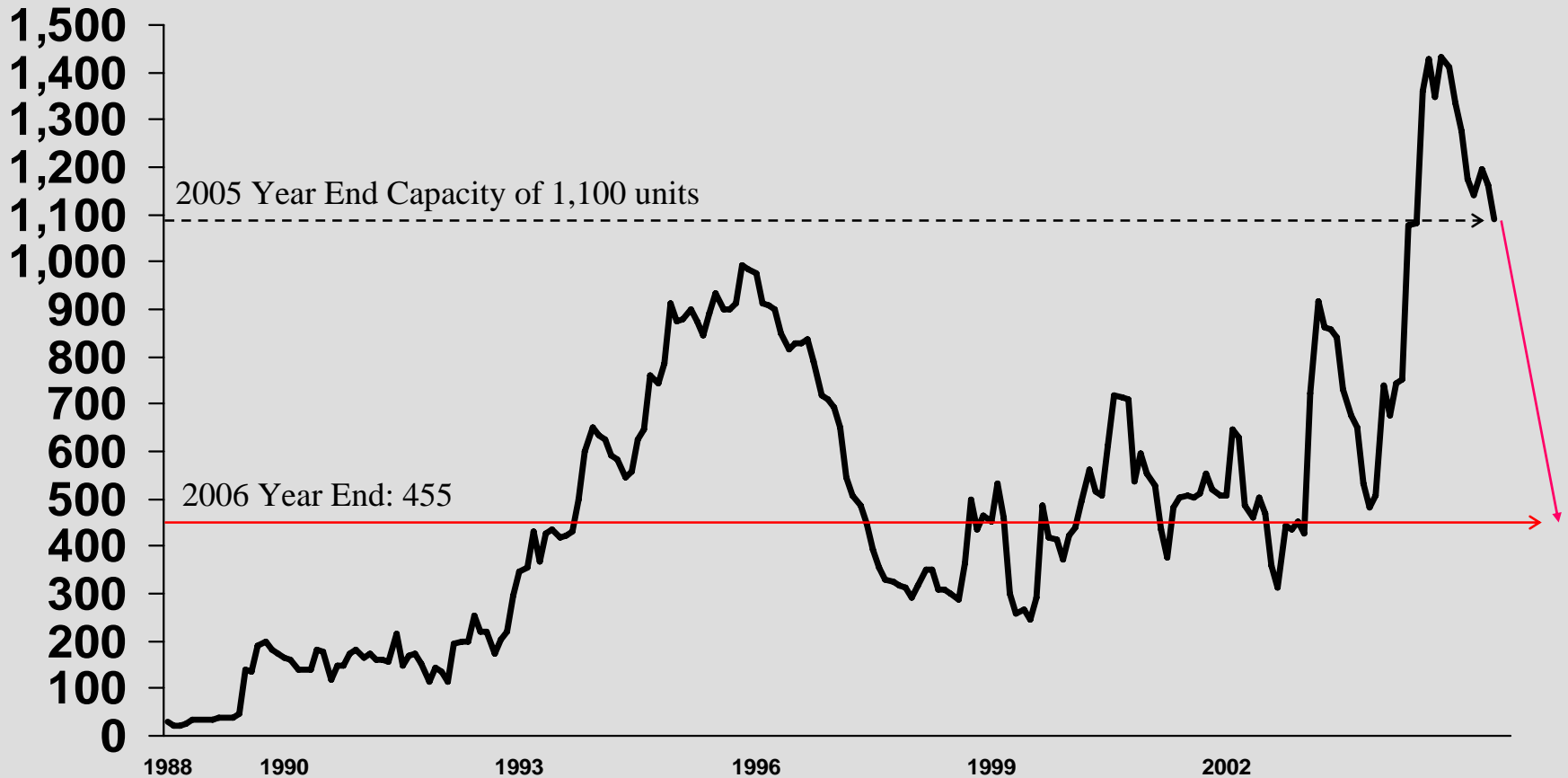
*Lack of available and affordable homes to  
impact population/net migration growth?*

Economic Outlook Challenges:  
#4. Has Our Economy Already Hit  
Capacity?

*What about the \$30 billion in upgraders?*

*Is our current economy reacting to future or current  
demand?*

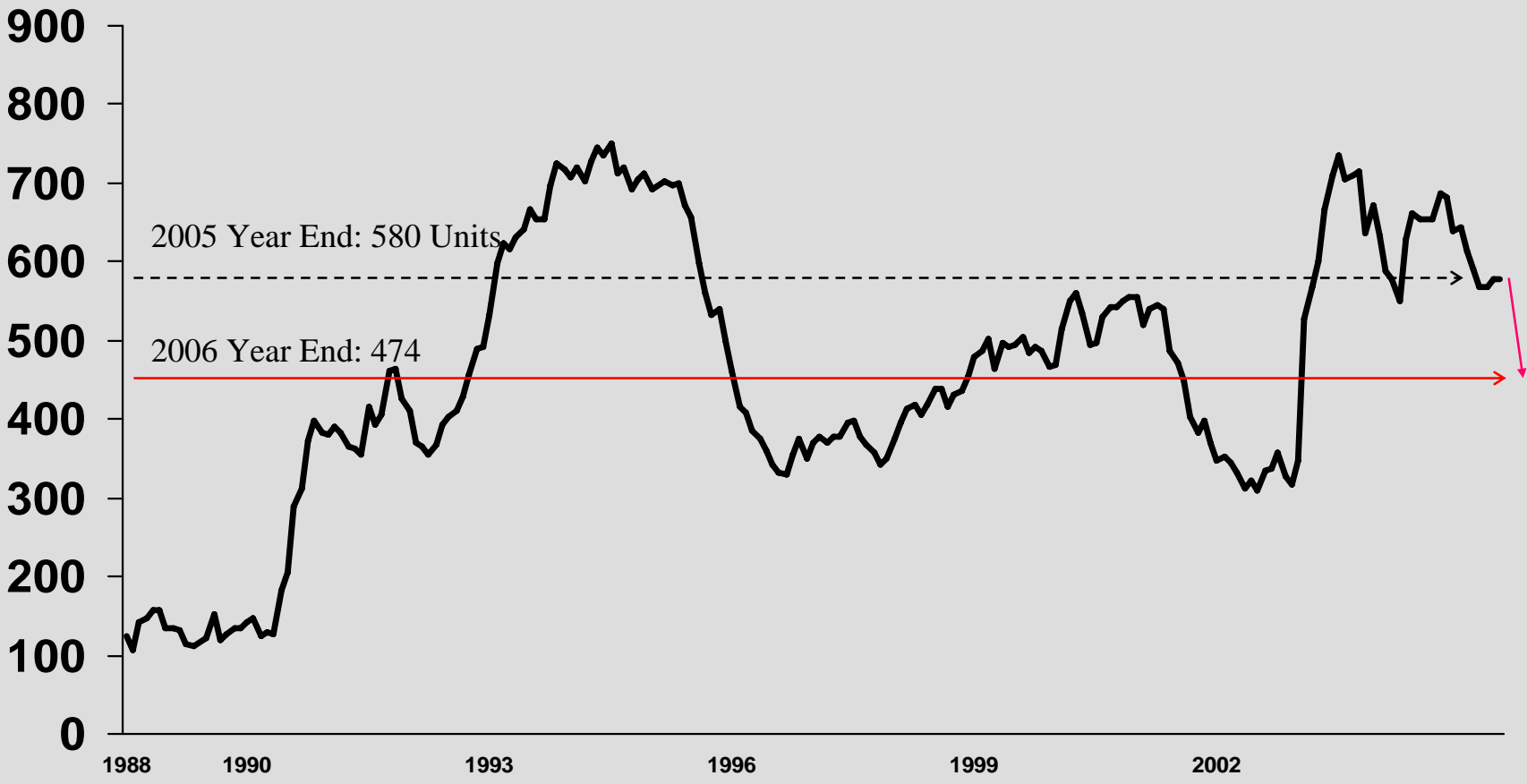
# Completed and Unoccupied New Multiple Family Housing Units Edmonton CMA



Source: Canada Mortgage and Housing Corporation

# Completed and Unoccupied New Single Family Housing Units

## Edmonton CMA

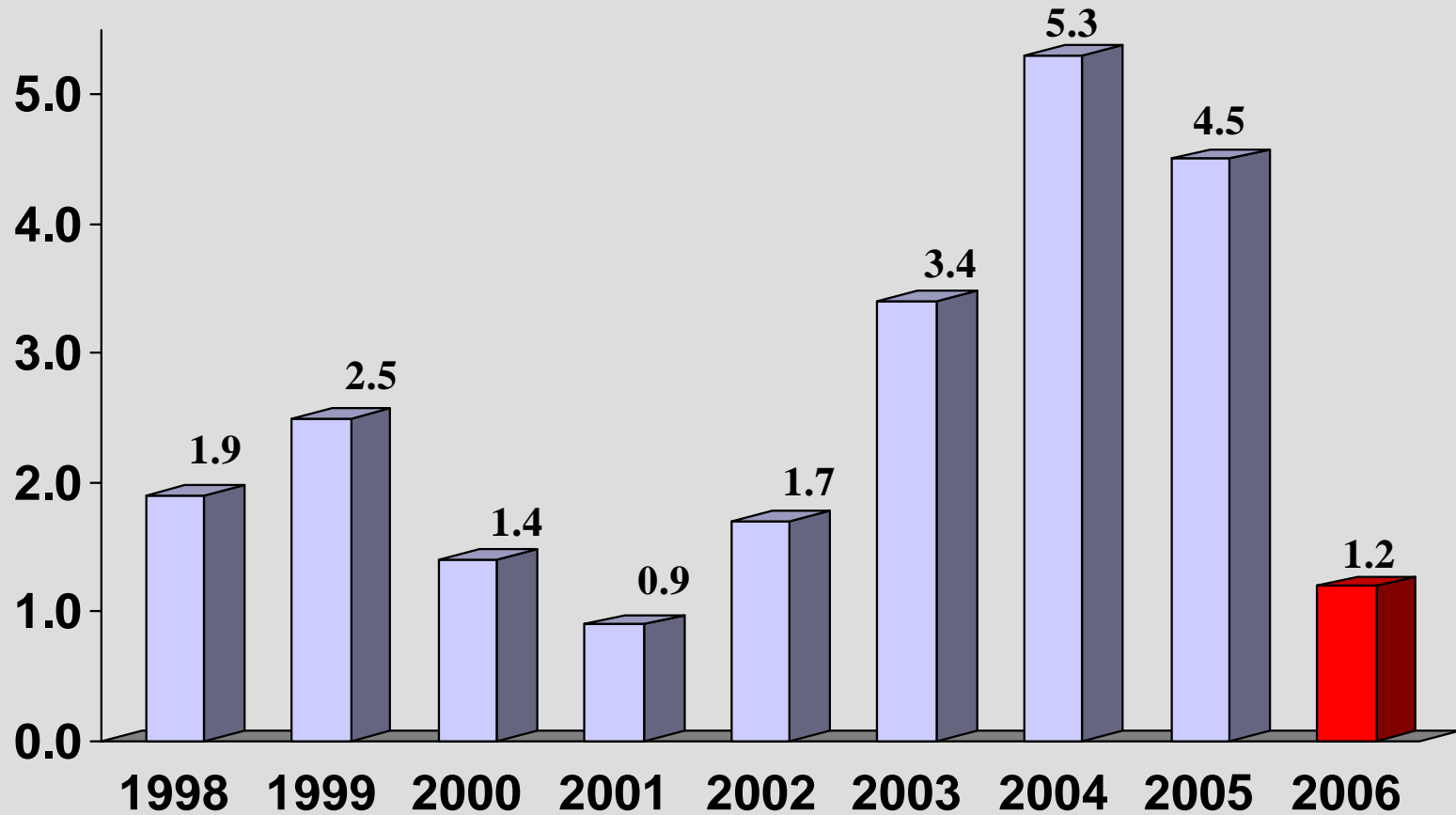


Source: Canada Mortgage and Housing Corporation

# Vacancy Rate

Edmonton (City)

(Percent)



# Upside Risks to the Outlook:

1. *Stronger U.S. economy – double edged sword:*
  - *Stronger growth – strong demand for energy*
  - *Weaker growth – more skilled workers for Alberta – increase in net migration*
  - *Stronger growth – weaker dollar – less people from eastern Canada (drop in net migration)*
2. *Softening Housing Market*
3. *Balance between residential/non residential land use planning*
4. *Regional Cooperation*

# Edmonton Economic Growth

(Percent Change in Real GDP)

