Wood Buffalo Update

WINTER 2011

Government
of Alberta

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About this Report

The purpose of this report is to provide information about the economic conditions in Wood Buffalo, which includes Fort McMurray as well as the surrounding region.

This report contains information about changes to the economy, oil and natural gas prices and a look at the education industry. There is also labour market information, an analysis of Job Bank postings, the latest data for housing starts and the resale housing market.

The Spring/Summer 2010 report contained information on the construction industry, and analysis of the labour and housing markets in the region.

Reports are posted quarterly at www.woodbuffalo.net.

Economic Activity

The Regional Municipality of Wood Buffalo (RMWB) has been experiencing sustained economic growth over the last 10 years as a result of abundant oil sands deposits in the region.

The 2010 Municipal Census results show the total population in the region has increased on average by 7.4 per cent annually over the last 10 years and reached 104,338 in 2010. This pace of growth was a direct response to increased investment in oil sands by major oil companies. While population growth has slowed in the last two years (1.0 per cent average annual growth between 2008 and 2010) as a result of the economic downturn and lower energy prices, faster growth is expected to resume as the global economy recovers from the downturn and new oil sands projects continue to come on stream in the region.

The improved outlook for crude oil production was also evident in Canadian Association of Petroleum Producers (CAPP) June 2010 Crude Oil, Forecasts, Markets and Pipelines report. CAPP conducts a survey of oil sands producers in the region at the beginning of each year regarding their expectations for capital spending and production to form its annual Canadian crude oil forecasts. “The signs of increased oil sands activity are evident everywhere, from employment numbers to hiring expectations,” says Dianne Farkouh, Operations Manager at the Oil Sands Developers Group (OSDG).

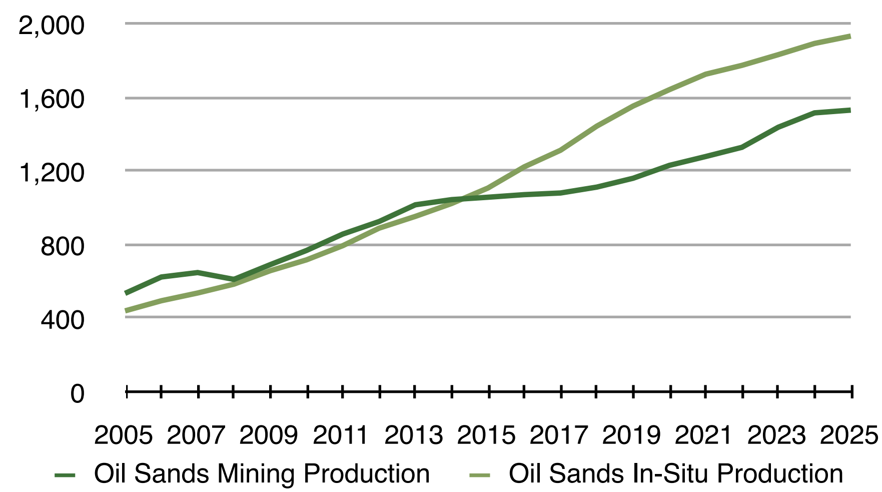
While this latest forecast was similar to last year’s CAPP forecast for 2009 to 2012, the current forecast shows a higher production outlook over the long term. The CAPP forecast report states that: “The economic climate has recovered somewhat at the time of this year’s forecast.. In the first quarter of 2010, WTI oil prices have increased to the US $70-85 per barrel range, a range in which oil sands projects currently become economic. In response, several companies are now actively developing phases of their projects that had previously been placed on hold.”

Oil sands production is expected to grow from 1.3 million barrels per day (bpd) in 2009 to 3.5 million bpd in 2025. As of 2009, more than half of the total oil sands production is being extracted by surface mining methods. However, in-situ production is expected to surpass mining production by 2016.

OIL AND GAS PRICES

West Texas Intermediate (WTI) is a type of crude oil widely used as the benchmark for oil pricing. Since the trend in WTI oil price provides insight into other crude oil prices, it is an important factor for oil sands companies in their decision-making process. (See Figure 2.)

Figure 1: Oil Sands Bitumen Production Forecast (Thousands of barrels per day)

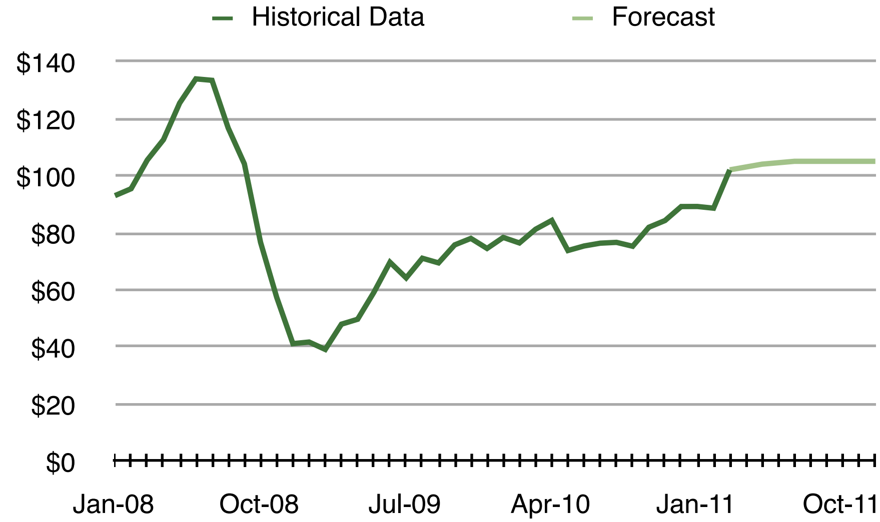


The price of West Texas Intermediate crude oil averaged $85 U.S. per barrel in the final quarter of 2010, up 12 per cent from an average of $76 U.S. per barrel in the previous quarter. On an annual basis, the price of WTI crude oil averaged $79 U.S. per barrel in 2010, up approximately 30 per cent from an average of $62 U.S. per barrel in 2009.

Economic events in the last couple of years have shown how volatile the prices for key energy commodities can be. Over a relatively short time period of six months, the price of WTI declined from a record high of $134 U.S. per barrel in June 2008 to $39 U.S. per barrel in February 2009. However, as of March 2011, WTI crude oil spot price has once again risen to the highest price level since 2008 due to the disruption of oil exports from Libya and other Middle Eastern countries.

The Energy Information Administration (EIA) forecasts that WTI spot prices will average around $92 U.S. per barrel in 2011, $9 higher than in the previous forecast report, and a further small increase in 2012, with WTI price averaging $105 per barrel.

Figure 2: Average Price of West Texas Intermediate Crude Oil (US$/Barrel)



QUICK FACT

There are many reasons for market uncertainty that could push oil prices higher or lower than current expectations. Among the uncertainties are: the continued unrest in producing countries and its potential impact on supply; decisions by key OPEC member countries regarding their production response to the global recovery in oil demand and recent supply losses; the rate of economic recovery, both domestically and globally; fiscal issues facing national and sub-national governments; and China's efforts to address concerns regarding its growth and inflation rates.

LABOUR SHORTAGES

While the price of WTI crude oil is on the rise and oil sands bitumen production is expected to increase, finding qualified workers will still be a challenge for the oil companies and hence might limit economic and population growth in the region. “Finding qualified workers has always been an issue in Wood Buffalo,” says the Oil Sands Developers Group’s Dianne Farkouh. “Looking forward, finding qualified workers—especially in construction and heavy industrial trades—is going to be hard.”

Beth Lau, Oil and Gas Regulatory Advisor at CAPP, says oil sands activity is not yet catching up to the very high activity levels a few years ago, and companies are always learning how to improve operations. “Even if the oil prices are much better now, there are certain limitations on labour availability and things like that, so I think it is still a little bit uncertain what the re-scoping of the projects are. I think everyone is being more cautious when they are trying to make assessments of the market conditions."

The Petroleum Human Resources Council (PHRC) expects oil sands operations to provide the most new employment opportunities compared to other segments of the oil and gas industry over the next decade.

Oil sands employment is forecast to more than double from 2008 levels over the next ten years as approximately 13,000 additional workers will be required to meet the anticipated production growth.

Top five occupations with the largest expansion demand from 2009 to 2010 are identified as:

- *Oil and gas drilling, servicing and related labourers (+3,500)*
- *Oil and gas well drillers, servicers, testers and related workers (+3,500)*
- *Operators (steam and non-steam (+3,500)*
- *Heavy equipment operators (+3,000)*
- *Supervisors, oil and gas drilling and service (+2,500).*

According to the PHRC, the shift in oil production from mining to towards in-situ operations will also have impacts on the type of workers required by oil companies. As production from in-situ operations surpass mining production, more steam-ticketed operators (power engineers) will be required for those projects that use steam in their extraction process. The PHRC expects conventional oil and gas activity is expected to decline over time and not return to the peak levels experienced in 2006.

OIL SANDS DEPOSITS

Alberta Energy defines oil sands as a naturally occurring mixture of sand, clay or other minerals, water and bitumen. Bitumen is a heavy and extremely viscous oil that must be treated before it can be used by refineries to produce usable fuels such as gasoline and diesel. Alberta has the third largest proven crude oil reserves in the world (171.3 billion barrels) after Saudi Arabia and Venezuela. A "proven reserve" means the resource can be recovered using current techniques.

Athabasca, Cold Lake and Peace River oil sands regions, underlying 140,200 square kilometers of land, are the three major oil sands deposits in Alberta. According to the Alberta Energy Resources and Conservation Board (ERCB), these three areas together contain 170 billion barrels of proven reserves. Eighty per cent (135 billion barrels) are considered to be recoverable by in-situ methods, while the remaining 20 per cent (35 billion barrels) are considered to be recoverable by surface mining methods.

Industry in Focus: Education

In the Regional Municipality of Wood Buffalo, there are over 1,600 people employed in education, including over 700 teachers and professors. In addition, there are administrators and other support workers. The education sector not only contributes to direct employment opportunities in the region for professionals and various trades, but also provides local opportunities for career and personal development.

KINDERGARTEN, ELEMENTARY, JR & SR HIGH SCHOOL

There are four school divisions serving Fort McMurray and the Regional Municipality of Wood Buffalo. Fort McMurray Public Schools operates 12 schools in Fort McMurray, including French Immersion and three specialized schools offering alternative and outreach programs. Fort McMurray Catholic Schools serves over 4,300 students in 10 schools. The Northland School Division covers a wide area across northern Alberta including Wood Buffalo, where they operate schools in five communities. Francophone education is also available with the Conseil scolaire Centre-Nord operating the Boréal school in Fort McMurray.

All school divisions are looking for qualified teachers with various specialties. In addition, school divisions are hiring clerical support staff, plumbers, heating technicians, HVAC power engineers and custodial staff.

KEYANO COLLEGE

Keyano College has a long history in Fort McMurray, established in 1965 as the Alberta Vocational Centre. Today Keyano employs 400 staff, including almost 150 instructors, and provides services to over 9,000 credit and non-credit students.

Keyano College offers academic upgrading, certificate and diploma programs and university programs from the main Clearwater campus in Fort McMurray as well as the Suncor Energy Industrial Campus located in the MacKenzie Industrial Park and the newly established Fort Chipewyan campus. There are also four learning centres located in Gregoire Lake, Janvier, Conklin and Fort McKay.

The Suncor Energy Industrial Campus is home to Keyano's heavy industrial program that offers training in several trades and safety occupations relevant to local job opportunities. The campus has over 600 acres of land as well as sophisticated simulators to give students hands-on heavy equipment training. Trades programs continue to be in high demand as oil sands project construction is back on track after the economic downturn in November 2008.

Keyano also helps students find employment while enrolled in school through their Co-operative Education programs, and when school is done through placement services and online job postings.

QUICK FACT

Keyano College launched the Syncrude Aboriginal Trades Preparation program in September 2009:

- This program is offered at the Fort McMurray and Fort Chipewyan campuses and Janvier and Fort McKay learning centres.
- The program focuses on preparing graduates for trades apprenticeship training or other programs geared towards working in the oil sands
- It uses an online learning platform that includes video streaming and video conferencing. Twenty one students completed the program in March 2010.

INDUSTRIAL CONSTRUCTION PROJECTS

Industrial Construction Projects **Wood Buffalo, Winter 2011**	Note: Project and contractor information is from media reports, corporate websites and other public sources. This is **not** a complete list of contracts. Visit woodbuffalo.net for corporate contact information.
Project Overview	**Details and Contractors**
Christina Lake Phase C and D Owner: Cenovus Energy Project type: In-situ Location: South of Fort McMurray, near Conklin Status: Phase 1C and 1D are under construction. Phase 1C construction is being managed by an in-house team (earlier phases are operational).	✦ Cenovus will spend $400 million at Christina Lake in 2011. ✦ Phase C construction is nearing completion and is expected to be complete in 2011. ✦ Phase D construction is well underway and production is expected to start in 2013. ✦ The engineering portion of Phase E and preliminary site clearing for Phase F are expected to begin in 2011. ✦ In addition to new facilities, Enbridge is contracted to build a pipeline.
Christina Lake Phase 2B Owner: Meg Energy Project type: In-situ Location: South of Fort McMurray Status: Phase 1 and 2 are currently operational. Phase 2b has received approval and construction begins in 2011.	✦ Facility construction for Phase 2b is expected in early 2011. ✦ The construction of Phase 2b is expected to cost $1.4 billion and add another 35,000 barrels per day (bpd) to production. ✦ Project startup is expected for 2013.

Industrial Construction Projects Wood Buffalo, Winter 2011	Note: Project and contractor information is from media reports, corporate websites and other public sources. This is **not** a complete list of contracts. Visit woodbuffalo.net for corporate contact information.
Project Overview	**Details and Contractors**
Firebag Phase 3 & 4 Owner: Suncor Energy Project type: In-situ Location: North of Fort McMurray and east of Fort McKay Status: Stage 3 is under construction with first production targeted for Q2 2011. Preliminary work is underway on Firebag Stage 4, with production targeted in late 2012. Earlier phases are currently operational.	✦ Suncor will spend $405 million on Firebag phase 3, and $875 million on Firebag phase 4 in 2011. ✦ Firebag Phase 3 will commence production in Q2 2011. Once Phase 3 is completed all construction is expected to shift to Phase 4. ✦ Flint Energy is a contractor on Stage 3 for module construction. Work is being done in Sherwood Park.
Jackfish 2 Owner: Devon Energy Project type: In-situ Location: South of Conklin Status: Construction of the Jackfish 2 project began in September 2008.	✦ Construction for Jackfish 2 is nearing completion. Steam injection to begin in Q2 2011. ✦ Total construction employment is estimated at 750 workers. ✦ Initial production targeted for 2011.
Kearl Lake Owner: Imperial Oil Project type: Surface mine Location: Northeast of Fort McMurray and Fort McKay Status: The first phase is to be complete by late 2012. Once operating, Kearl will be a camp-based operation with its workforce on a fly-in/fly-out rotation schedule. Imperial is currently reconfiguring the development plan to include a combination of debottlenecking and expansion to reduce the footprint and minimize facility requirements. This will have no implications on the production profile or total resources but capital spending for the first phase of the project will be higher.	✦ Peak construction workforce for Phase 1 will reach about 4,000 by 2011 (as of September 2009 there were 1,000 people working on the project, including 300 construction workers on site. As of June 2010, 2,300 workers were on site). ✦ Major contractors include: Fluor Corporation (engineering, procurement and construction); AMEC (Engineering, procurement and construction management) and K2 Mining (Kiewit/KMC Mining partnership), Valard Construction, Horton CBI (hiring is by Lutech Resources), PCL, Ledcor and Laird Electric. Inter Pipeline Fund and Enbridge Inc. are contracted to build pipelines in connection with the Kearl expansion.

Industrial Construction Projects **Wood Buffalo, Winter 2011**	Note: Project and contractor information is from media reports, corporate websites and other public sources. This is **not** a complete list of contracts. Visit woodbuffalo.net for corporate contact information.
Project Overview	**Details and Contractors**
STP McKay Owner: Southern Pacific Resource Corp. Project type: In-situ Location: North of Fort McMurray Status: Road Construction began in late 2010, and project construction began early winter 2010/2011.	• Regulatory approval for the project was granted in October 2010. Road construction had begun before getting approval while project construction and contractor bidding started soon after regulatory approval. • Southern Pacific Resource Corp has completed the financing agreement for the whole first phase of the STP McKay project.
Sunrise Phase 1 Owner: Husky Energy Project Type: In-situ Location: North of Fort McMurray and east of Fort McKay Status: Project was recently announced. Capital cost for Phase 1 estimated at $2.5 billion. Board of directors sanctioned the project in November 2010.	• Total construction employment for Phases 1-4 is estimated at 3,700. • Husky has awarded contracts for major engineering, procurement and construction.
Surmont Owner: ConocoPhillips Project Type: In-situ Location: South of Fort McMurray, between Anzac and Janvier Status: Phase 1 is currently producing. Phase 2 is currently in the earthworks.	• Earthworks is currently underway for Phase 2, with production expected to start in 2015. • A construction camp is now being built with 1,000 workers expected to be on site at a job. • Workforce is expected to peak at 2,500 before production begins in 2015.
Voyageur South Upgrader Owner: Syncrude Energy Inc. and Total E&P Canada Ltd. Project type: Upgrader Location: North of Fort McMurray Status: Engineering design is currently being updated.	• The project now has Total as an additional investor. Total's Joslyn and the joint Fort Hills project will supply the upgrader project. • The Voyageur upgrader will have a capacity of 200,00 barrels per day. • The construction of the upgrader is estimated at $260 million. • Construction on the project is set to resume in 2011.

Labour Market

Despite a recession and the delay or cancellation of several oilsands construction projects in 2009, tight labour market conditions are still a characteristic of the Wood Buffalo/Cold Lake region. With increased oil prices and bitumen production forecasts for the region, significant activity is expected to continue in Wood Buffalo.

Employment increased by 3,500 or five per cent year-over-year to 75,400 in 2010. This rate of employment growth was the fastest growth among all economic regions in Alberta. In contrast, provincial employment was almost unchanged from a year ago (2009) and stood at just over two million people in 2010.

The increase in employment was mainly driven by full-time employment gains in the region. Full-time employment increased by 3,700 or six per cent year-over-year in 2010, while part-time employment declined by three per cent over the same period. (See Figure 3).

As many discouraged workers returned to labour market, the labour force also increased five per cent from 2009 to 2010. Over the same period, gains in employment were able to match the increase in labour force, and this resulted in a decline in the unemployment rate for the region. The unemployment rate in Wood Buffalo declined slightly from 5.1 per cent in 2009 to 5.0 per cent in 2010.

With an unemployment rate of five per cent, the Wood Buffalo/Cold Lake region had the second lowest unemployment rate across all economic regions in Alberta, just after Camrose/Drumheller region at 4.8 per cent (see Figure 4). Province-wide, unemployment stood at 6.5 per cent in 2010, down from 6.6 per cent in 2009.

Figure 3: Employment (Full-Time plus Part-Time) Wood Buffalo/Cold Lake Region

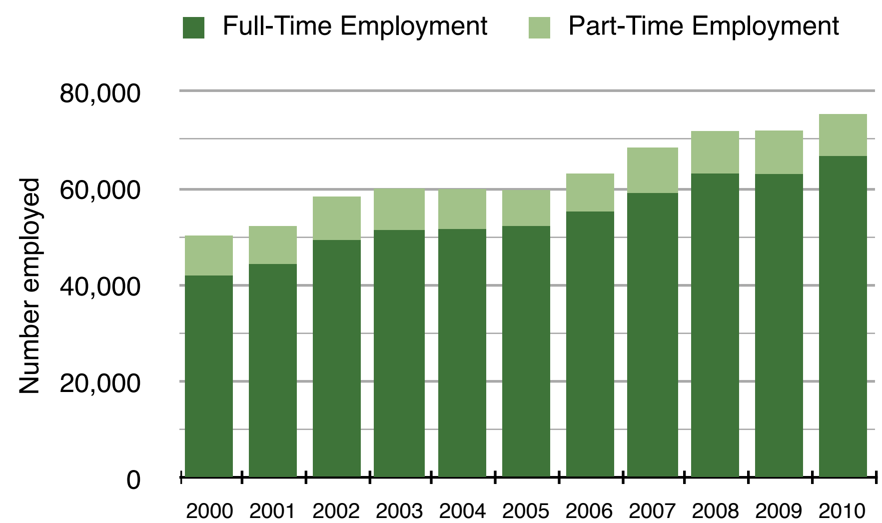
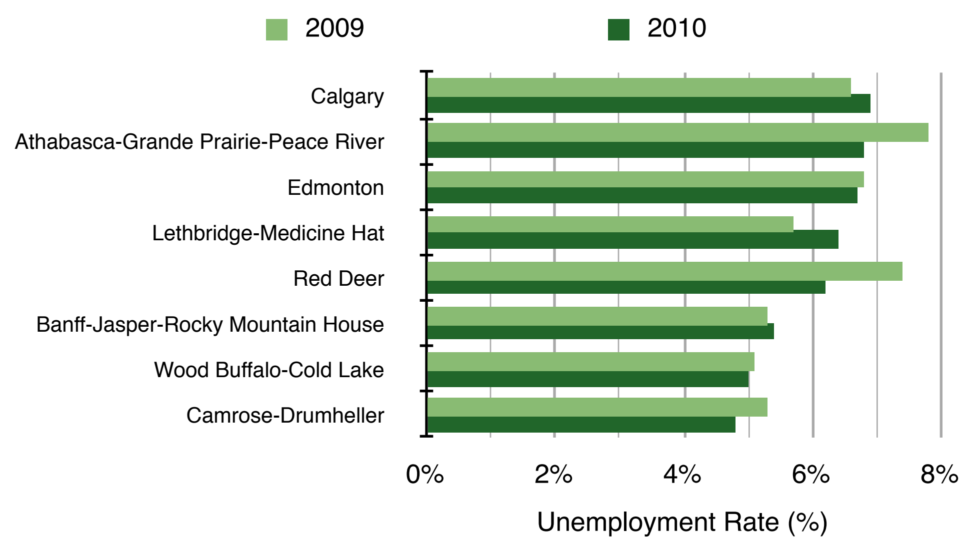


Figure 4: Unemployment Rates, Alberta



EMPLOYMENT INSURANCE BENEFICIARIES

The number of people receiving regular Employment Insurance (EI) benefits in the Wood Buffalo region also declined five per cent from 2009 to 2010. In 2010, 731 people received EI benefits in the region, down from 770 people in 2009, but still high compared to 270 people in 2008. However, it should be noted that as this measure excludes self-employed workers and workers who were unemployed for more than 12 months, it is not a perfect measure of unemployment.

EMPLOYMENT BY INDUSTRY

Due to unique characteristics of the Wood Buffalo/Cold Lake region, the economic downturn impacted different industries in different ways. Production of the services-producing industries (+11 per cent) rebounded from the downturn, while the lingering effects of the downturn is still visible on goods-producing industries, which registered a year-over-year decline of four per cent in 2010.

Employment in the services-producing industries accounted for just over 60 per cent of total employment in the region. By comparison, services sector employment accounted for 73 per cent of Alberta's employment in 2010. With the exception of professional, scientific and technical services industry, every services-producing industry registered positive growth in 2010. The largest annual gains were recorded in finance, insurance, real estate and leasing (+21 per cent), and retail & wholesale trade industries (+15 per cent).

On the goods-producing side, construction remains a steady employer in the region, accounting for 10 per cent of total employment in 2010. Following a decline of 18 per cent in 2009, construction employment rebounded significantly and posted a year-over-year gain of eight per cent in 2010. In contrast, employment in forestry, fishing, mining, quarrying, oil and gas sector declined by six per cent in 2010 (see Figure 5.)

Figure 5: Employment by Industry, Wood Buffalo/Cold Lake

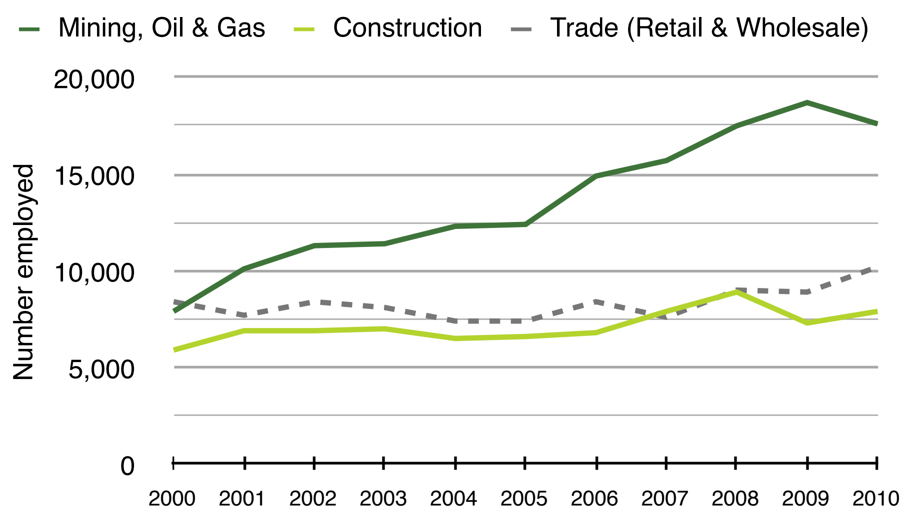
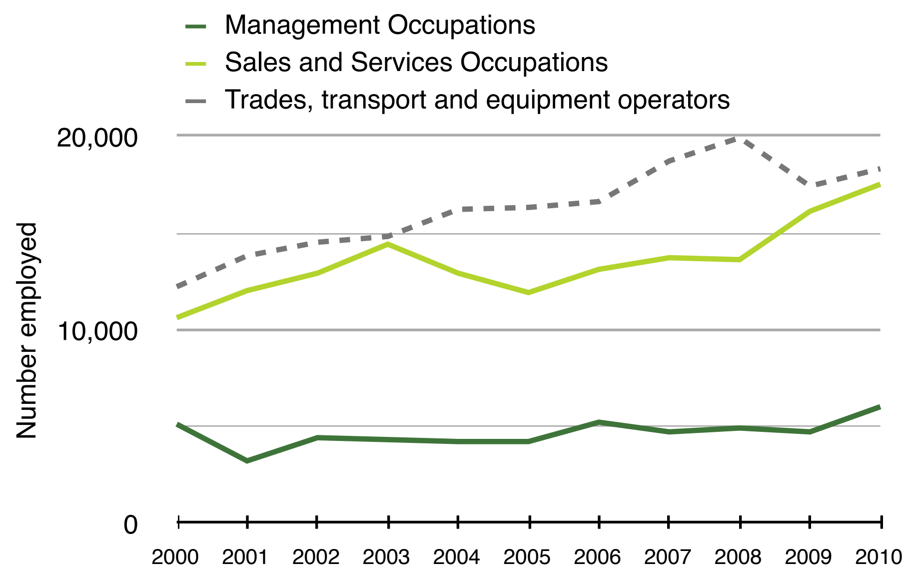


Figure 6: Employment by Occupation, Wood Buffalo/Cold Lake



EMPLOYMENT BY OCCUPATION

Employment was up in six of the 10 major occupation groups in 2010 in the Wood Buffalo/Cold Lake region. The largest gains were registered in occupations unique to processing, manufacturing and utilities (+47 per cent), and in management occupations (+28 per cent). Sales and services occupations and trades, transport and equipment operators and related occupations were the two largest occupation groups in 2010, together accounting for almost half of the total employment in the region.

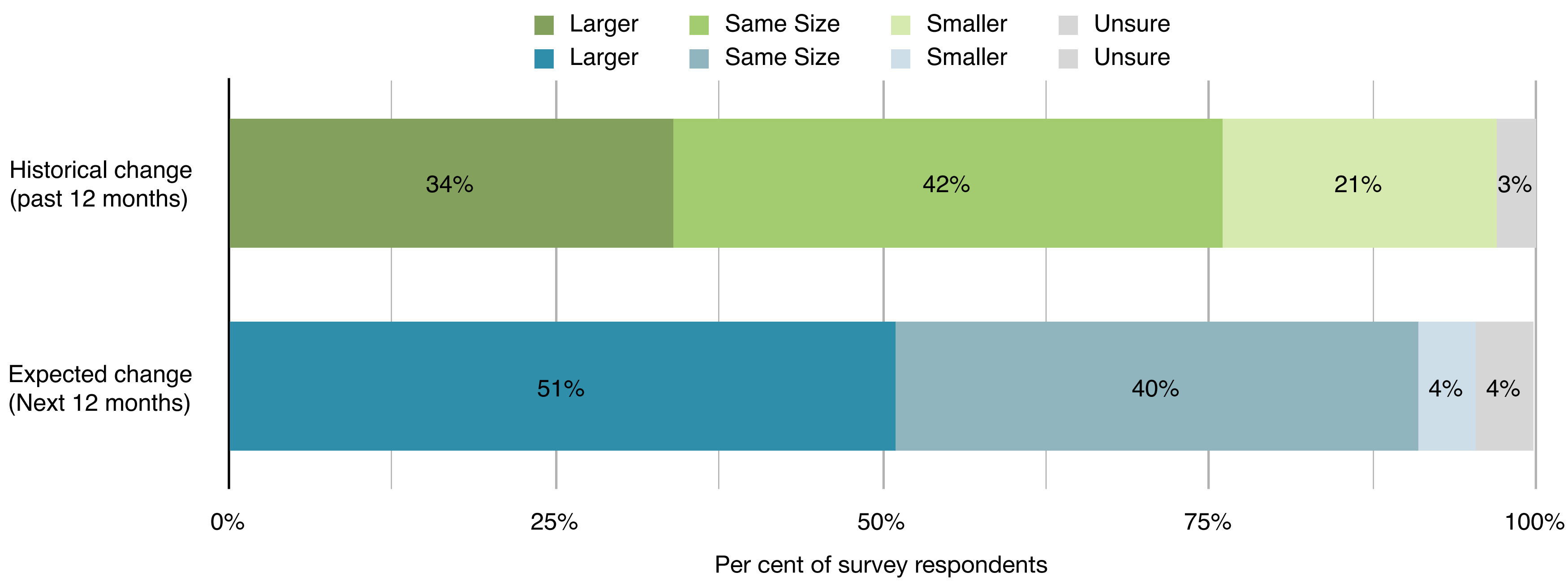
In 2010, employment declined year-over-year in natural and applied sciences and related occupations (-19 per cent), in occupations unique to primary industry (-10 per cent), and in health occupations (-4 per cent) (see Figure 6).

EMPLOYER SURVEY

In the third quarter of 2010, a survey was conducted of 117 employers that have offices and/or workers in the Regional Municipality of Wood Buffalo (the full report can be accessed at woodbuffalo.net). The companies surveyed employed a total of 15,177 permanent employees at the time of the survey.

Survey respondents were asked if they have experienced any difficulty hiring for certain occupations. Fifty-five per cent of employers surveyed reported having difficulty hiring. This represents a six per cent increase in the number of employers expressing difficulty hiring compared to the results of the same survey in 2009, when 49 per cent reported difficulty hiring. The results suggest that finding qualified workers in Wood Buffalo was harder compared to last year.

Figure 7: Changes in Workforce Size
Historical Change (June 2009 to June 2010) and Expected Change (June 2010 to June 2011)



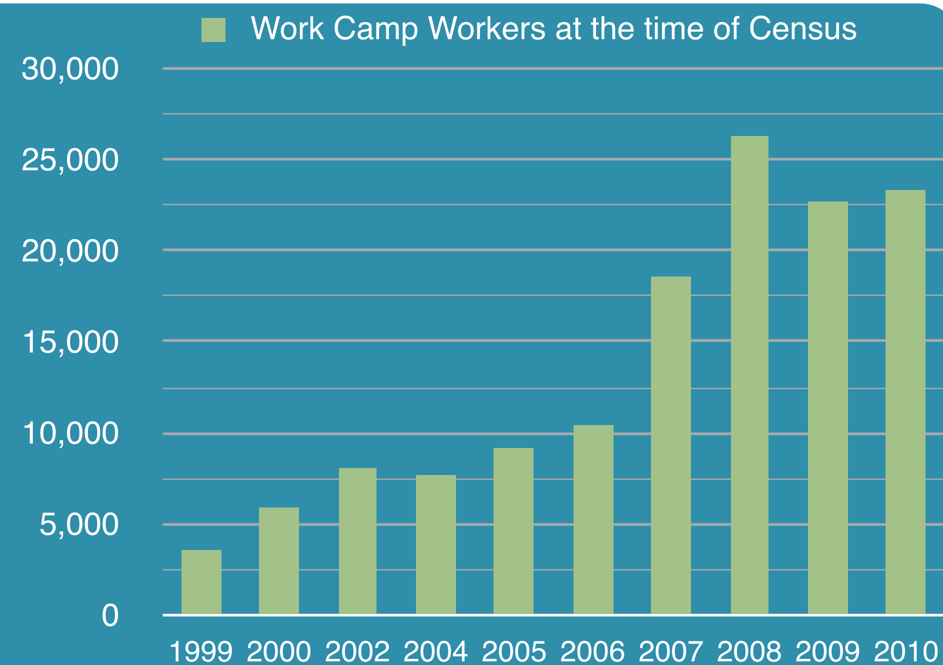
Employers were also asked about changes in their workforce size in the 12 months leading up to the survey and how they expected it to change in the coming year. Respondents indicated that their workforce was generally same size or larger than a year ago. Thirty-four per cent of respondents said they experienced an increase in their workforce size in the 12 months prior to the survey, while 21 per cent indicated a decline over the same period.

Looking forward, businesses in Wood Buffalo seem optimistic about future economic and labour market conditions. Just over half of the respondents expect their workforce to increase in the next year, while 40 per cent expect their workforce to stay the same. Only four per cent of employers surveyed expect their workforce to decrease in the next 12 months. Of the respondents that reported a decrease in their workforce last year, more than half expected their workforce to increase again in the next year.

Employee turnover seemed to be less of a challenge in the region in 2010 compared to 2009. Employers in the region reported a total of 1,777 new hires over the three months before the survey. This was mainly a result of growth, as new hires due to growth accounted for 52 per cent of total hires, while new hires due to employee turnover accounted for 32 per cent. The composition of new hires has changed dramatically from a year ago when turnover accounted for more than half of the new hires over the three months before the 2009 survey. For the first time in four years of surveying, there were a significant number of new hires due to retirements (two per cent).

WORK CAMPS

Work camps, also known as project accommodation, are a type of temporary accommodation for oil sands workers in the rural areas of Wood Buffalo. Work camps can differ in their size and type, and can house from as few as 15 to as many as 2,500 workers. According to the 2010 Regional Municipality of Wood Buffalo Municipal Census, there were 23,325 people residing in work camps in 2010. While there was a decline in the number of work camp workers in 2009 due to the economic downturn, work camp population in Wood Buffalo has increased by 17 per cent annually since the emergence of work camps as a housing option for oil sands workers in about 11 years ago. Due to the temporary nature of work camps, workers residing in work camps are not a part of Statistics Canada's Labour Force Survey (LFS) population and hence are not well captured in the LFS employment data for the region.



Housing Summary

HOUSING STARTS

Housing activity in Wood Buffalo slowed down in the final quarter of 2010, following a short-lived increase recorded in the third quarter of the year. According to the most recent Canada Mortgage and Housing Corporation (CMHC) report, a total of 179 units were started in the fourth quarter of 2010 in Wood Buffalo, which is a decline of 55 per cent from 401 units started during the same period of 2009. Provincial starts also declined 23 per cent year-over-year to 5,039 units in the final quarter of 2010.

Overall, housing starts in Wood Buffalo totaled 769 units in 2010, 30 per cent lower compared to 1,088 units started in 2009. The weaker housing activity was mainly a result of fewer multi-family starts, which includes semi-detached, row and apartment construction. Multi-family starts in Wood Buffalo declined 67 per cent from 614 units in 2009 to 202 units in 2010. In contrast, single-detached starts increased from 474 units in 2009 to 567 units in 2010, a gain of 20 per cent.

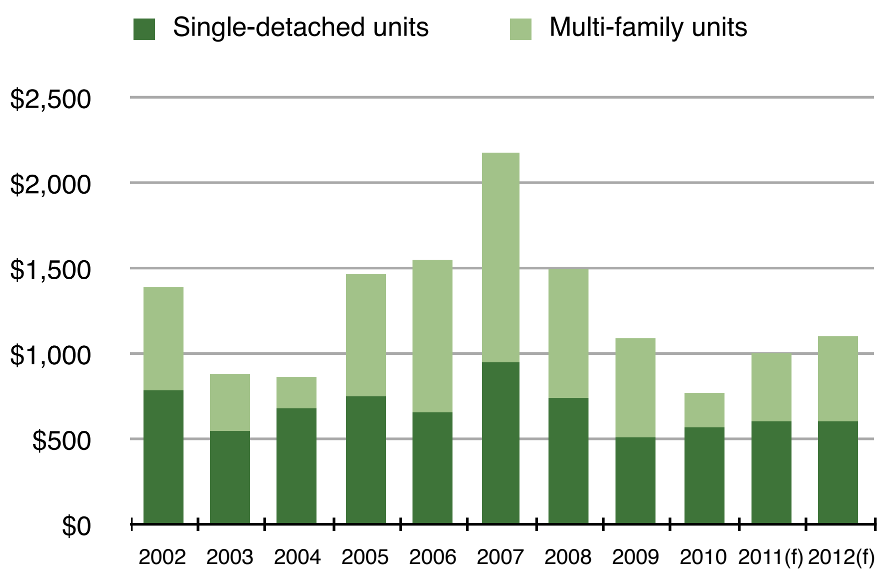
QUICK FACT

Housing affordability is often measured by comparing housing costs to a household's income. The share of before-tax household income spent on shelter costs, also known as Shelter Cost-to-Income Ratio (STIR), is a leading indicator of housing affordability. Research to date suggests a benchmark of 30 per cent for the STIR as the upper limit of affordable housing. A recent report from the Regional Municipality of Wood Buffalo estimates the average annual income needed to afford a 2-bedroom apartment in Fort McMurray without spending more than 30 per cent of before-tax income as $75,160.

Housing starts in Alberta overall rebounded from the low levels seen in 2009 and posted an increase of 34 per cent year-over-year to 27,088 starts in 2010. This increase was supported by the gains in both multi-family (+55 per cent) and single-detached (+24 per cent) starts. According to CMHC, 2010 was characterized by increased housing activity in the first half of the year as more buyers returned to the market, and slower activity in the second half of the year due to increased inventory and more competition from the resale market.

As stated in the CMHC's "*Looking Forward: Alberta's Housing Markets"* report, higher demand supported by a brighter economic outlook for Wood Buffalo region will contribute to growth in single-detached starts in 2011. Single-detached starts in the region are expected to total 600 units in 2011, an increase of 5.8 per cent from the 2010 level. Looking into 2012, single-detached starts are forecast to show no change and stay at their 2011 level.

Figure 8: Wood Buffalo Housing Starts



Multi-family starts in Wood Buffalo are expected to rebound significantly and double year-over-year to 400 units in 2011, following the lowest level of multi-family production since 2004 in 2010. Multi-family starts are then expected to increase by a further 25 per cent to 500 starts in 2012.

All in all, new home construction in Wood Buffalo is expected to post an annual gain of 30 per cent in 2011 as 1,000 units are expected to break ground in the year. With more balanced economic conditions anticipated in 2012, total housing starts are expected to increase by a further 10 per cent to 1,100 units.

DEVELOPMENT PERMITS INCREASE IN 2010

Unlike housing starts, building permits emerged from the downward trend and posted a year-over-year increase during the first 11 months of 2010. From January to November, a total of 1,850 development permits were issued in Wood Buffalo, 18.4 per cent higher compared to the same period of 2009 (see Figure 8). Residential permits accounted for more than 75 per cent of the total permits issued in the first 11 months of this year, while there was a slight decline in the number of commercial permits issued over the same period.

As construction growth usually picks up at the beginning of a business cycle, both housing starts and building permits are considered leading indicators for future economic activity. Thus, the increase in development permits suggests an increase in housing starts in Wood Buffalo next year. This is in line with the CMHC's forecast for an overall increase in 2011.

RESALE MARKET PICKING UP

Although existing home sales are a lagging economic indicator, the degree to which actual number of sales —and selling prices— meet expected sales provides useful information. Generally, existing home sales that are above expectations signal that the economy might be overheating, which in turn will result in higher inflation and interest rates.

The number of existing home sales in Wood Buffalo, as measured by the Multiple Listing Service (MLS), increased 5.8 per cent from 1,766 sales in 2009 to 1,868 sales in 2010. Wood Buffalo was the only major urban center in Alberta that posted an annual increase in prices in 2010. According to the CHMC, buyers' market conditions in most of the major centres in Alberta slowed resale transactions in the second half of 2010, and this is expected to linger into the first quarter of 2011 as well. MLS sales in Alberta declined 14 per cent year-over-year in 2010, with Red Deer (-17 per cent) and Calgary (-15.6 per cent) posting the largest declines.

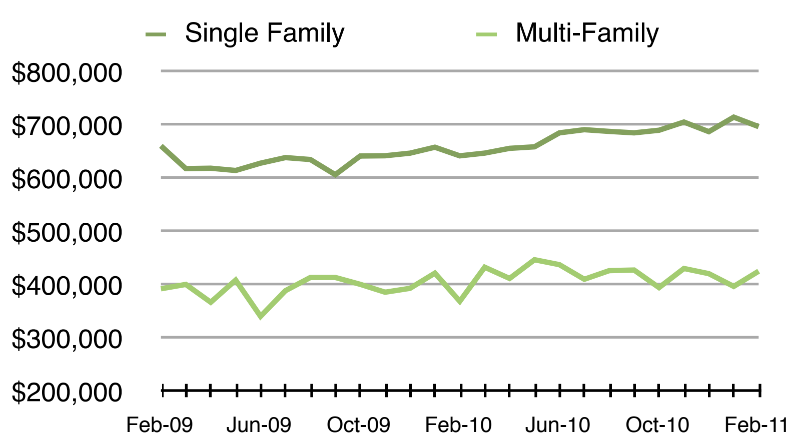
While the resale markets in most of Alberta's major centres are expected to be impacted by the buyers' market conditions in the early parts of 2011, a higher level of migration and low mortgage rates are expected to lift the resale market in 2011.

MLS sales in Wood Buffalo are expected to increase 8.4 per cent year-over-year to 2,025 sales in 2011, and by a further 10 per cent to 2,225 sales in 2012. With this level of resale activity, Wood Buffalo is expected to post the largest annual gains among Alberta's major centres over the next two years. Provincial MLS sales are also expected to increase 1.4 per cent in 2011 and 3.6 per cent in 2012.

CMHC expects that average MLS sale price in Wood Buffalo will experience month-to-month gains throughout 2011 as resale activity picks up. The average MLS sale price in Wood Buffalo is expected to increase by five per cent over the next two years and reach $589,000 in 2011 and $620,000 in 2012.

According to data from the Fort McMurray Real Estate Board, both single and multi-family average monthly housing prices increased in 2010 in Wood Buffalo with reaching the levels that are close to the record highs set in 2008.

Figure 10: Average Monthly Housing Prices
Fort McMurray, November 2008 to November 2010



The average monthly price of a single-family house in Wood Buffalo was $676,074 in 2010, while that of a multi-family house was $419,602. As of February 2011, average prices of a single and multi-family houses are higher compared to the average price in February 2010.

RENTAL HOUSING AVAILABILITY

Traditionally, renting has provided a more affordable housing option than home ownership in terms of the cost per month. Low vacancy rates indicate it will be difficult to find a rental home. Therefore, a decrease in rental vacancy rates indicates that affordable housing will be harder to find overall. (Rental vacancy rates are defined as the percentage of all apartment units that are vacant and available to rent.)

The results of the CMHC's Fall Rental Market Survey indicate the first year-over-year decline in private apartment vacancy rates in Wood Buffalo after three consecutive years of increases. The vacancy rate in Wood Buffalo was 5.5 per cent in October 2010, down from 9.9 per cent in October 2009. Across Alberta, vacancy rates ranged from 0.9 per cent in Sylvan Lake to 11.6 per cent in Lacombe in October 2010.

However, the results of the Regional Municipality of Wood Buffalo's (RMWB) fall rental market survey painted a different picture of apartment vacancy rates for the region. According to the RMWB's fall rental market survey report, the vacancy rate in Wood Buffalo reached 9.2 per cent in October 2010, up from 5 per cent in October 2009. This was also up from the vacancy rate of 7.5 per cent in June 2010.

According to the CHMC, despite the recent decline, the vacancy rates in some markets across the province are still high compared to historical rates, thus keeping average rental rates from rising above last year's rates. In October 2010, the average two-bedroom rent was $2,210 per month in Wood Buffalo, the highest among province's urban centres. Unlike other urban centres in Alberta, this was an increase of $54 from the previous year. The

Figure 11: Fort McMurray Apartment Vacancy Rates

	Type of Dwelling Unit					
Date	Data Source	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom +	Total All Units
Fall 2008	CHMC	0.0%	0.4%	0.6%	0.0%	0.5%
	RMWB					0.1%
Spring 2009	CHMC	4.8%	5.3%	7.7%	8.2%	6.9%
	RMWB					3.0%
Fall 2009	CHMC	7.3%	7.6%	11.3%	7.3%	9.9%
	RMWB					5.0%
Spring 2010	CHMC	12.5%	14.4%	13.3%	7.3%	13.2%
	RMWB					7.5%
Fall 2010	CHMC	0.0%	4.8%	6.2%	1.7%	5.5%
	RMWB					9.2%

lowest average two-bedroom rent in October 2010 was registered in Medicine Hat at $691 per month.

As in the case of vacancy rates, the RMWB fall rental market survey results showed a different story from the CMHC report on the average two-bedroom rents in Wood Buffalo. In October 2010, the average rent for a two-bedroom unit in Wood Buffalo was $1,879 according to the RMWB rental market survey. This represents a decline of $271 from October 2009.

One possible explanation for the different trends reported by the CHMC versus the RMWB rental market survey results could be the different pool of units surveyed for each report. In either case, housing is still expensive in Wood Buffalo. The lowest rent listed by the RMWB in October 2010 was $1,492 for a bachelor suite. The average annual income needed to afford a bachelor unit in Wood Buffalo is estimated at $59,680.

Source Notes:

Figure 1: Canadian Association of Petroleum Producers, *Crude Oil Forecast, Markets & Pipelines*, June 2010.
Figure 2: economagic.com/em-cgi/data.exe/var/west-texas-crude-long
Figure 3: Statistics Canada, Labour Force Survey for Wood Buffalo / Cold Lake Economic Region
Figure 4: Statistics Canada, Labour Force Survey for Wood Buffalo / Cold Lake Economic Region
Figure 5: Statistics Canada, Labour Force Survey for Wood Buffalo / Cold Lake Economic Region
Figure 6: Statistics Canada, Labour Force Survey for Wood Buffalo / Cold Lake Economic Region
Figure 7: Wood Buffalo Needs and Shortages Survey
Figure 8: Canada Mortgage and Housing Corporation
Figure 9: Regional Municipality of Wood Buffalo
Figure 10: Fort McMurray Real Estate Board
Figure 11: Canada Mortgage and Housing Corporation and Regional Municipality of Wood Buffalo