

# Housing Review

Jillian Kohut, Associate Economist | Estella Scruggs, Corporate Research Analyst

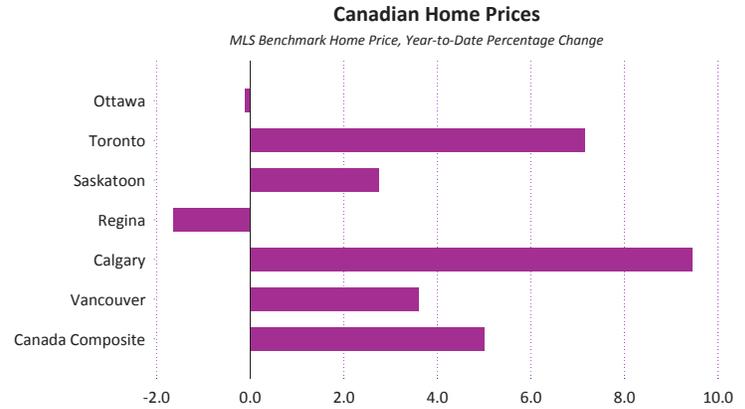
June 26, 2014

## Real estate market conditions remained tight in May.

**In May annual home price inflation hit a post-recession high of 10.1 per cent.** The MLS benchmark home price for Calgary rose to \$443,500 last month, hitting a new all-time high. Price increases for multi-family homes continued to outpace those for single-family dwellings. The apartment benchmark price has soared 11.7 per cent year-to-date, while the price for single-family homes has climbed 9.0 per cent.

**Resale activity has been positively frenzied this year.** In May resale activity was up 18.0 per cent year-over-year as 3,832 units exchanged hands. Even so, the sales-to-listing ratio remained stable at 0.67 in the month as a deluge of new listings came on to the market. This served to prevent the market from tightening even further. In the coming months there remains a high probability that Calgary's real estate market will continue to heat up. Statistics Canada updated its population estimates for Alberta this month, and indicated that population growth in the province continued to run at nearly triple the national rate during the first half of the year. It's reasonable to assume that a good chunk of newcomers have settled in Calgary, which means that demand for housing will remain elevated.

**Affordability conditions have deteriorated slightly.** In spite of continually low mortgage rates, rising home prices and lacklustre wage growth have put a dent in the affordability of the real estate market. Average weekly wages dipped 0.5 per



Sources: CREA, Corporate Economics



Sources: CREA, Corporate Economics

### Calgary's Housing Market - May 2014

	May-14	Apr-14	Mar-14	May-13	Annual Change (%)	YTD	2013
Building Permits (Units)	1,403	874	714	1,190	17.9	1,004	1,150
Single-family (Units)	465	413	430	476	-2.3	404	409
Housing Starts (Units)	757	1,238	1,219	716	5.7	1,082	782
Single-family (Units)	442	459	316	411	7.5	392	391
MLS Benchmark Home Price (\$000s)	443.5	436.9	431.1	402.7	10.1	431	404
Single-family (\$000s)	486.5	478.8	472.8	443.1	9.8	472.6	443.4
Apartment (\$000s)	293.9	290.2	285.9	262.6	11.9	286.3	265.3
Resales (Units)	3,832	3,348	3,170	3,247	18.0	2,903	2,496
Sales:Listings Ratio (Dimensionless)	0.67	0.67	0.72	0.66		0.66	0.73
5-Year Mortgage Rate (%)	4.79	4.79	4.99	5.14		5.01	5.24
Average Weekly Wage Rate (\$)	1,093.24	1,098.73	1,093.45	1,107.29	-1.3	1090.09	1101.35

Source: Statistics Canada, CREA, CMHC, Corporate Economics, June 2014



# Housing Review

Jillian Kohut, Associate Economist | Estella Scruggs, Corporate Research Analyst

June 26, 2014

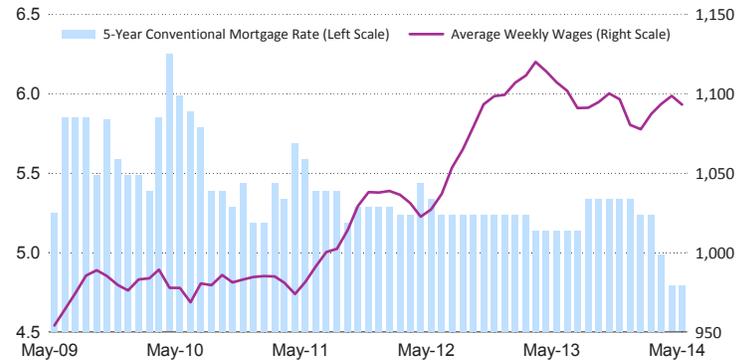
cent month-over-month in May, and receded 1.3 per cent from the same time last year. In spite of these developments, Calgary remains highly affordable in comparison with other major Canadian cities such as Toronto and Vancouver. This implies that recent gains in property prices are sustainable rather than indicative of any bubble.

**New home building slowed in May, but will likely accelerate going forward.** After hitting 1,238 units in April, housing starts fell to 757 units in May as the highly volatile multi-family segment fell sharply. On the other hand, the single-family component was relatively stable, as construction on 442 new homes got underway. The slowdown in multi-family construction will likely be short lived, however. Building permits were up nearly 18.0 per cent year-over-year in May, mostly due to a surge in construction intentions for multi-family homes. The city issued permits for a total of 1,403 new dwellings, and over 2/3 were dedicated to the multi-family segment. This implies that construction activity is set to pick up markedly in the near-term.

**While recent media reports have suggested that land prices for new homes in Calgary are reaching 'crisis levels' due to public policy measures, the latest New Housing Price Index (NHPI) data does not support these claims.** The NHPI, which does not include prices for condominiums, is a mandatory survey of home builders in Canadian cities detailing the sale price of new dwellings. It is divided into two components; the cost of land, and the house-only price. Although land prices in Calgary are indeed quite high, the bulk of their advance was staged in the years preceding the 2008-2009 recession. Since then, the NHPI's considerable rise has been primarily due to costs for the actual structure rather than land. In the last five years market price estimates for land provided by builders have climbed roughly 8.0 per cent. Meanwhile, house-only prices have soared over 22.0 per cent. This increase has been a function of materials and labour costs, as well as market conditions. Overall the NHPI for Calgary has risen nearly 17.0 per cent since the spring of 2009 when prices hit their recession-low. So far, validation of claims that municipal government policy has dramatically undermined the affordability of new homes has yet to materialize.

*Next update: July 31, 2014*

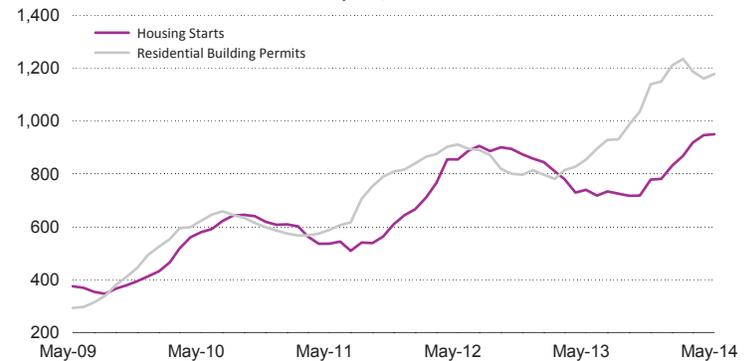
## Housing Affordability Factors



Sources: Statistics Canada, Corporate Economics

## Residential Construction

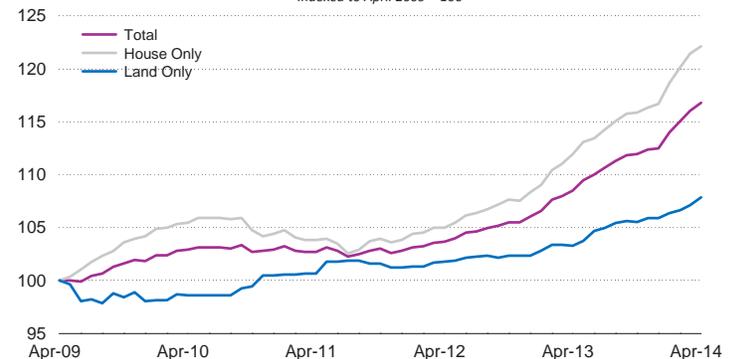
Number of Units, 12 Month Trend



Sources: Statistics Canada, CMHC, Corporate Economics

## New Housing Price Index

Indexed to April 2009 = 100



Sources: Statistics Canada, Corporate Economics