



The fourth quarter of 2017 provided further firming of the real estate market, and further confirming improving consumer confidence as number of units sold increased by 138 units over the same period last year. The total sales in 2017 were 1,347 units more than total sales in 2016, though significantly lower than the sales at the height of the oil boom in 2014 which saw 2,314 units sold above units sold in 2017. However, some of the increase in sales in 2017 can be attributed to the introduction of the new mortgage stress tests, which lending institutions have started administering in January of 2018, prompting home buyers who had been deferring purchase to engage in purchases prior to the enactment of the new mortgage rules. The stress test requires that mortgage lending institutions attempt to qualify home buyers above the lending rate by 2 percentage points.

**What We Know**

**Demographics**

In 2016, the city of Calgary lost 6,527 persons to net migration and rebounded with 974 persons in net migration following 2017. The city of Calgary showed a growth in population from 0.35 per cent in 2016 to 0.93 per cent in 2017. As more job opportunities become available in Calgary with lowering unemployment rate, we do expect that more people will be coming to Calgary than leaving. This will help bring down the apartment vacancy rates and likewise single-family vacancy rates, and subsequently creating upward pressures on home prices given the current available stock.

**Labour Market Activity**

In 2009, employment growth in Calgary Economic Region was -0.54 per cent and persistent into 2010 at -1.13 per cent before rebounding to positive territory and averaging 3.24 per cent growth between 2011 and 2014. In 2015, employment growth was 2.6 per cent, however, by 2016 employment growth had succumb to economic contraction falling by -2.08 per cent. Employment growth quarter after quarter in 2017 has provided signs of recovery, however, we are yet to see gains in real wage growth. The unemployment rate in the Calgary Economic Region continued to fall quarter after quarter from 9.23 per cent in the first quarter to 7.6 per cent in the fourth quarter of 2017. As the significant slack in labor market tightens, we can be assured of stronger nominal wage growth, however, real positive wage growth<sup>1</sup> drives the demand for housing.

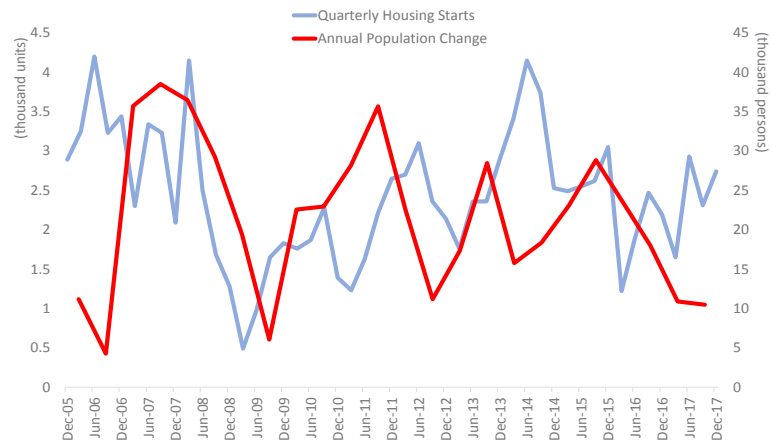
**Real Estate Market**

**Calgary Census Metropolitan Area (CCMA)**

Total of housing starts in 2017 was 11,132 units, 1,347 units above total housing starts in 2016. The last quarter of 2017 saw 2,738 housing starts compared to 2,347 housing starts in the same quarter of 2016, while average house prices appreciated by 0.27 per cent in

**City of Calgary: Housing Starts and Population Change**

(Dec. 2005 - Dec. 2017)

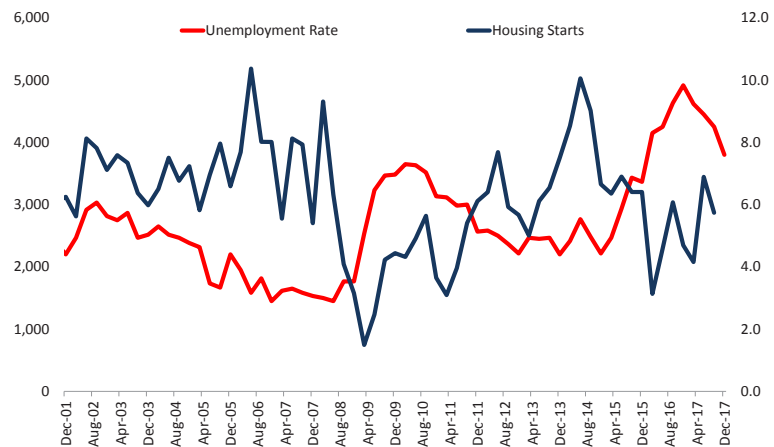


Source: Statistics Canada, Corporate Economics

Author: Corporate Economics

**Unemployment Rate and Housing Starts**

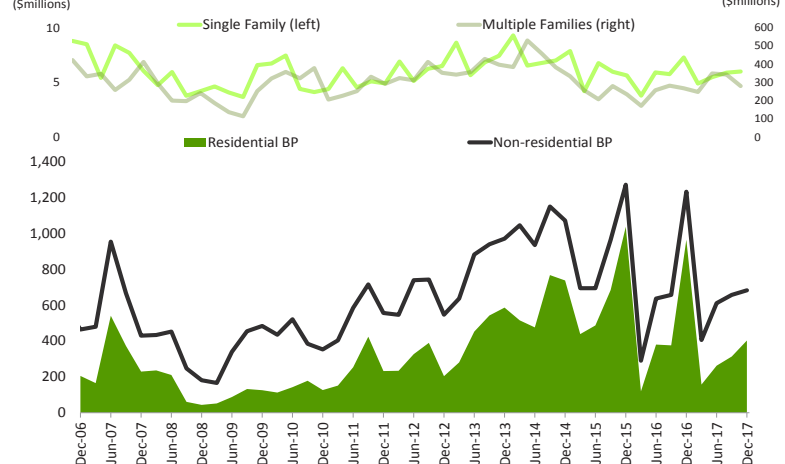
(Dec. 2001 - Dec. 2017)



Source: Statistics Canada, Corporate Economics

Author: Corporate Economics

**Building Permit Values**



Source: The City of Calgary, Corporate Economics

Author: Corporate Economics

<sup>1</sup> The bargaining on wage contracts factors the expected inflation going forward. The Bank of Canada monitors inflation and manages its path changing the base (prime rate) interest rate.



2017 compared to 2.32 per cent in 2016. The weakness in house price appreciation in 2017 was a function of a larger inventory and a recovering labor market. The average quarterly listings in 2017 was 10,976 homes while units sold ranged from 4,887 unit to 7,709 units in a quarter, and averaged 5,967 units in 2017. listings in Calgary CMA was also greater in 2017 than in any previous year prior to 2010 except in 2014 when Calgary had a very tight labor market. The sales-listing ratio in 2014 ranged from 0.66 to 0.79 highlighting a seller's market, thereafter the sales-listings ratio has averaged around 0.55 annually returning to a more balanced market.

**City of Calgary**

The total housing starts in the first three quarters of 2017 totaled 6,883 units compared to 5,589 units in 2016. Total housing starts in 2017 is estimated to come in at 9,544 units compared to a total of 7,777 housing starts in 2016.

**Housing Market Share by Price Range**

In 2008, 18 per cent of home sales in Calgary where homes above 500,000 dollars, and that number rose to 35 per cent of total units sold in 2017. The total inventory of homes above 500,000 dollars rose from 29 per cent to 37 per cent in 2017. However, the inventory of homes above 500,000 dollars reached an average of 47 per cent of all inventory between 2013 and 2015, its highest to date.

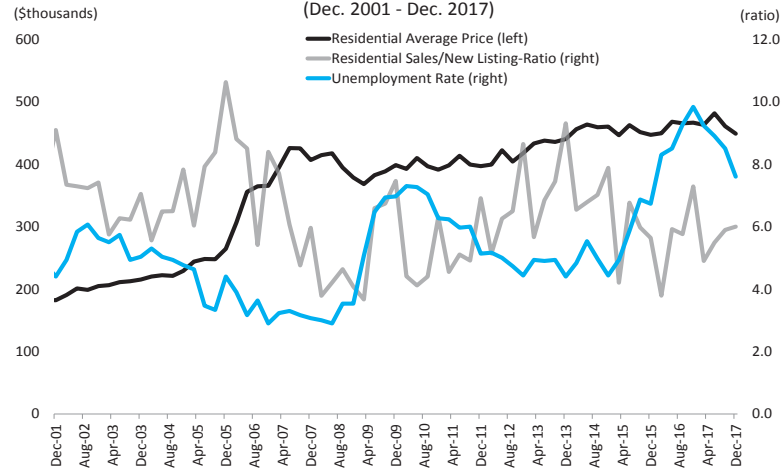
**Residential Permit Values**

Single family housing permits fell from 343.6 million dollars in the third quarter to 280.1 million dollars in the fourth quarter of 2017, while multifamily housing permits increased from 314 million dollars to 402.9 million dollars. A total increase in residential permit values of 25.3 million dollars in the last quarter of 2017. The total permit value in 2017 was 1.2 billion dollars for single-family and 1.1 billion dollars for multifamily, bringing the total intended residential investment in the city of Calgary to 2.4 billion dollars for 2017. Due to building code rule changes in Alberta taking effect in 2015 and in 2016, there was a push to get residential building permits in earlier and this drove residential permit values to 2.8 billion dollars in 2016 and 3.6 billion dollars in 2015. However, in terms of permit values adjusted for inflation, the inflation adjusted residential permit value of 1.6 billion dollars in 2017 remained lower than inflation adjusted residential investments in Calgary prior to 2010. The advanced investmen in 2015 and 2016 due to building code changes in Alberta are a clear reason for the significant under-investment in 2017 compared to the last seven years.

**Affordability Index**

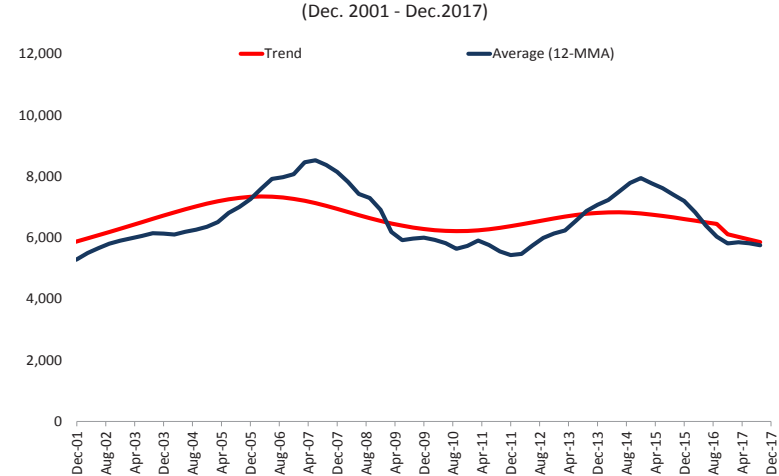
The affordability index edged downward from 0.48 in the third quarter to 0.47 in the last quarter of 2017. The affordability index remained relatively flat averaging 0.48 in 2017 similar to the average affordability index in 2016 and 2015. As real wage growth stalls and population growth remains positive all else equal, homebuilders, sooner than later will be faced with a greater push to building affordable housing given the rising demand. This may

**Unemployment Rate and Residential Price**



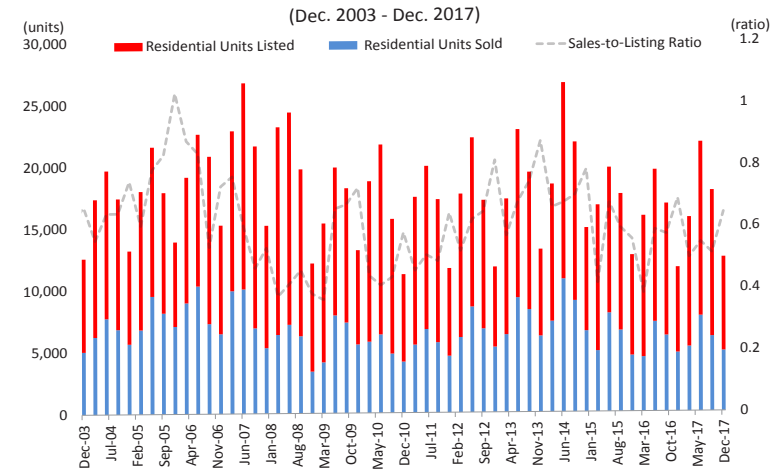
Source: Statistics Canada, Canadian Real Estate Association, Corporate Economics Author: Corporate Economics

**Residential Sales**



Source: Canadian Real Estate Association, Corporate Economics Author: Corporate Economics

**Residential Units: Sold and Listed**



Source: Canadian Real Estate Association, Corporate Economics Author: Corporate Economics



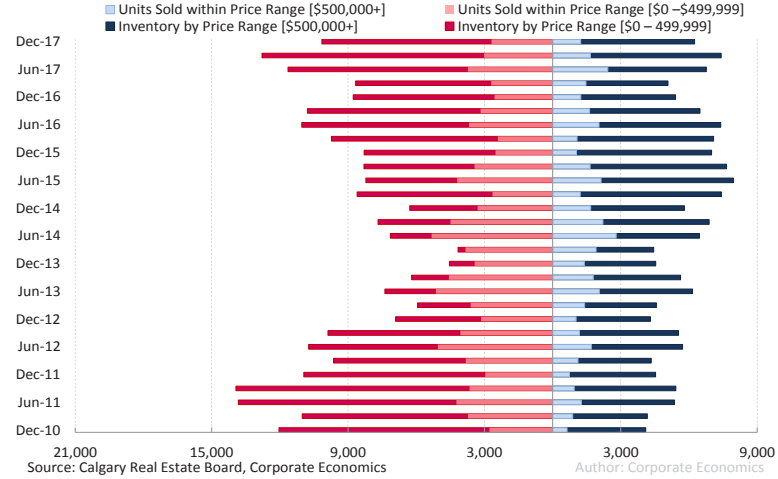
cause homebuilders to utilize less square footage of land space or potentially lower quality housing materials to build. However, any of the above options would on average slow the overall pace of average house price appreciation in Calgary as many potential homebuyers opt for affordability.

**Conclusion**

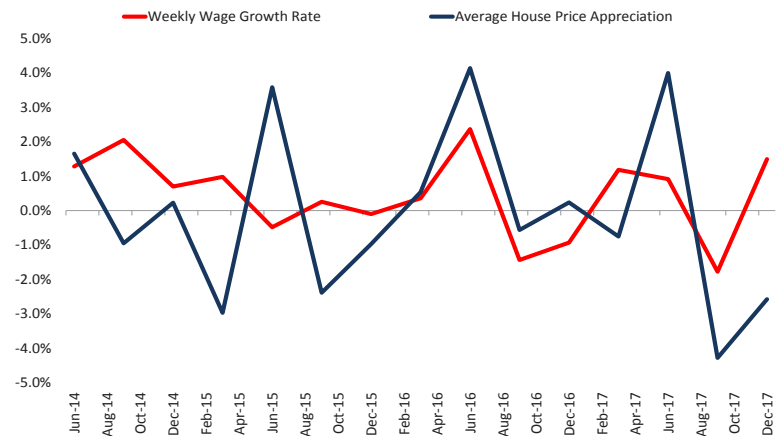
The change in mortgage rules which took effect January 2018 will reduce the overall demand for housing, all else constant. What will be very interesting to see is how the supply side responds to the new mortgage rules going forward. Will we see tighter spaces for new housing units? Will the style of new housing structures change? As the existing inventory of homes are slowly absorbed, will the new stock of housing be of equal quality or better? What remains to be seen is whether the foreign buyer tax instituted in Ontario and British Columbia will translate to some increase in housing demand in Alberta from potential speculators. Though, to adequately answer this question some data on number of ownership of housing by foreigners in Toronto and Vancouver real estate market is essential.

The housing market in Calgary is expected, however, to get some significant boost from the rebounding labor market. As the unemployment rate of Calgary Economic Region relative to Canada continues to decrease we can expect to see continued influx of persons into Calgary, as workers come looking for jobs and thus firming up housing demand in 2018. Welcome to 2018!

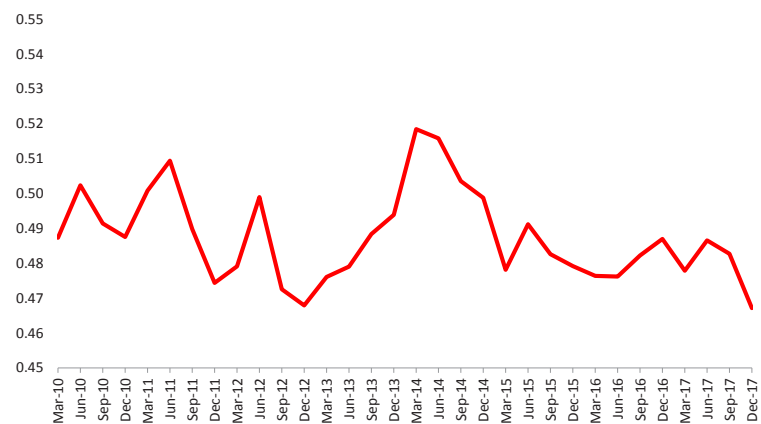
**City of Calgary: Residential Inventory and Sales by Price Range**  
(units; Dec. 2010 - Dec. 2017)



**Weekly Wage Growth and House Price Appreciation**  
(Q/Q per cent change; Jun. 2014 - Dec. 2017)

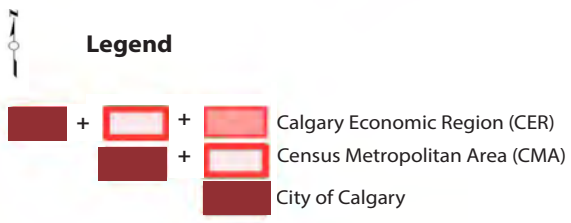
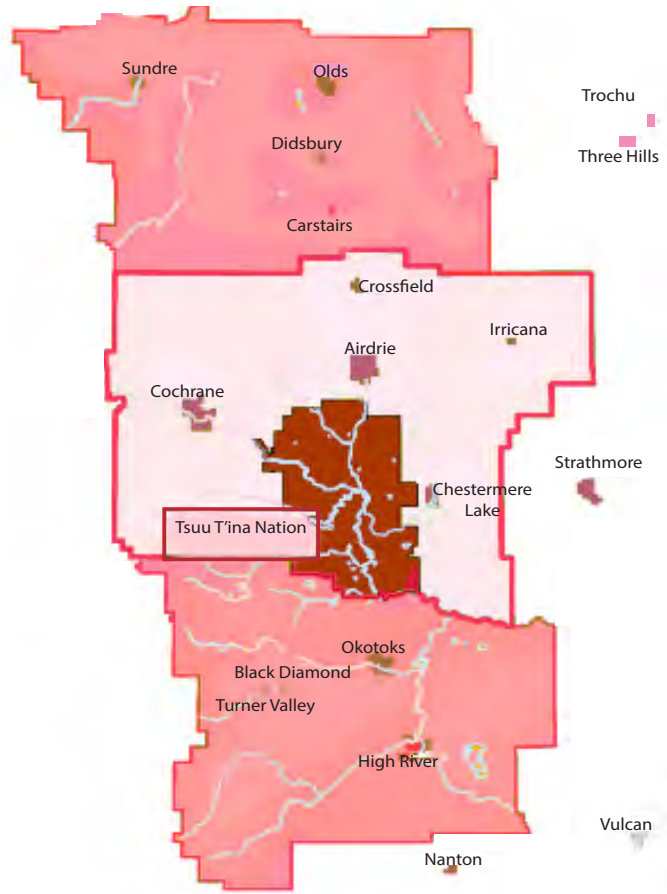


**Affordability (Costs-to-Wage Rate)**  
(Mar. 2010 - Dec. 2017)





## Calgary Economic Region Map



### Who We Are

Corporate Economics provides services in four areas: forecasting, information provision, policy analysis and consulting. We also monitor the current economic trends which allows us to develop unique insights on how external events are impacting the local economy and the Municipal government. We are experienced at researching different economic topics and have developed reliable methods of forecasting and analysis.

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Sources: Statistics Canada, CMHC, CREA, City of Calgary, Corporate Economics