

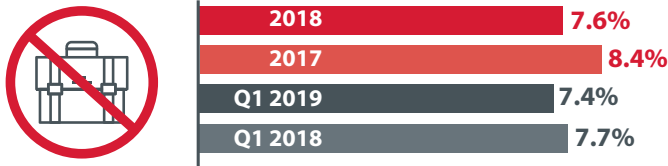


Market conditions are improving:

In the Calgary Economic Region, the unemployment rate averaged 7.6 per cent in 2018. The unemployment rate improved from 2017 when it was 0.8 percentage points higher (Chart 1).

Chart 1. Unemployment Rate Comparison

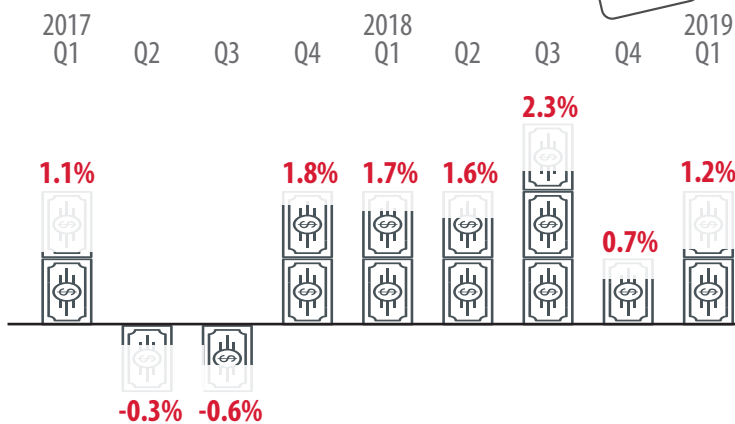
Calgary Economic Region



Wage growth also improved from 2017. Real wage growth was negative (-1.6 per cent) in 2017. For 2018, the nominal and real growth rate for weekly wages was 1.6 and 0.9 per cent, respectively. The combination of stronger wage growth and a lower unemployment rate was not sufficient to absorb most of the available housing inventory, which led to house price depreciation in 2018 (Chart 2).

Chart 2. Average Weekly Wage Growth

Calgary Census Metropolitan Area



At the start of 2019, both indicators continue to improve. In the first quarter, the unemployment rate dropped further to 7.4 per cent. The nominal and real weekly wages grew by 1.6 and 0.1 per cent from Q4 2018. The pace of improvement in Q1 2019 is gradual and is expected to translate into continuous improvement in housing demand.

Market activity is mixed:

Planned Residential Investment Spending: City of Calgary

Planned residential investment (measured using building permit data) increased from \$2.3 billion in 2017 to \$2.9 billion

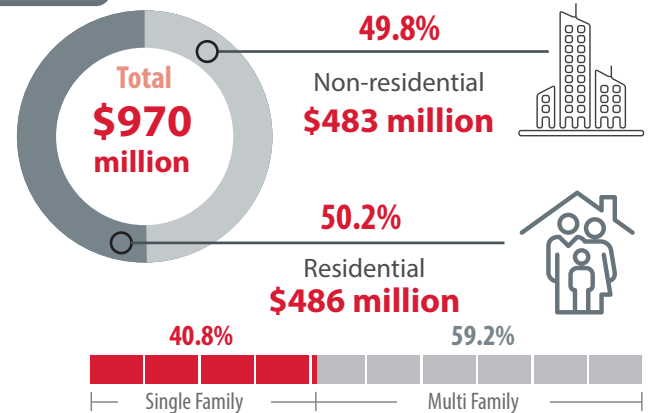
in 2018. The share of single-family home investments fell from 53 per cent in 2017 to 37 per cent in 2018. The shift in investment spending away from single-family units in 2018 was affected by reduced household affordability following the January 2017 change in mortgage rules through a more stringent stress test. Total investment in single-family dwellings in the first quarter of the year has been on a steady decline in recent years. It fell from \$304 million in Q1 2017 to \$257 million in Q1 2018. In Q1 2019, it fell even further to \$198 million. Residential investment as a share of total investment dropped ten percentage points from 64 per cent in 2017 to 54 per cent in 2018. Single-family investment as a share of total residential investment increased to 41 per cent in Q1 2019 up from 38 per cent in Q1 2018 but down from 61 per cent in Q1 2017 (Chart 3).



Chart 3. Building Permits

City of Calgary

Q1 2019



Housing Starts: City of Calgary and Calgary Census Metropolitan Area (CMA)

The gradual decline in housing starts continues. Total housing units started in the Calgary CMA in 2018 were 10,971 units, while total housing starts in 2017 were 11,534 units. There were 158 fewer single-family starts per quarter in 2018 than in 2017, while total housing starts per quarter were 341 fewer. In the first quarter of 2019, there were 1,822 units of housing starts lower than for the same period in 2017 and 2018.

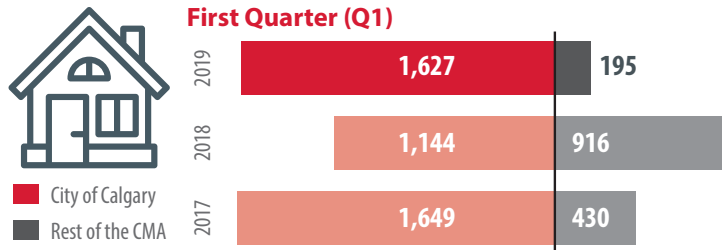
In the City of Calgary, total housing starts also declined to 8,866 units in 2018 from 9,458 units in 2017. The rate of decline was faster for single-family units decreasing from 3,216 units in 2017 to 2,735 units in 2018. Total housing starts was 1,627 units in Q1 2019, which is similar to Q1 2017 and more than in Q1 2018. The shift from single-family to



multi-family units continued at the beginning of 2019. Both the number of units of single-family housing starts and their share of total housing starts in Q1 2019 were lower than for the first quarter of both 2017 and 2018 (*Chart 4*).

Chart 4. Housing Starts (units)

City of Calgary and Calgary Census Metropolitan Area



Sales and Listings: Calgary Census Metropolitan Area (CMA)

There were 20,534 homes sold in 2018, less than 23,869 units in 2017 and total new listings averaged 11,000 units per quarter in 2018. A comparison of the ratio of homes sold to new listings is used to determine the extent to which market activity favours buyers or sellers. Market activity is balanced when the ratio is 50 per cent. There was a seller's market in 2017 with the average sales to new listing ratio at 56 per cent. In 2018, the market transitioned to favour buyers with the ratio declining to 48 per cent. Listings fell to 9,988 in Q1 2019 compared to 10,635 and 10,463 in Q1 2018 and Q1 2017 respectively. Sales in Q1 2019 decreased to 3,969 units compared to the same period in 2018 and 2017. Because the decline in sales is even more rapid than the decline in listings, the ratio declined further to 40 per cent in Q1 2019, indicating that buyer's market conditions persist (*Chart 5*).

Chart 5. Unit Sales (homes)

Calgary Census Metropolitan Area



The average house price was \$463,464 for 2017. It dropped to \$458,093 in 2018. The depreciation in the average house price for 2018 reflects the impact of the change in mortgage rules and slow labour market progress amidst a robust inventory of housing supply. In Q1 2019, average house price was even lower at \$442,307, suggesting house price depreciation could persist (*Chart 6*).

Chart 6. Average House Price

Calgary Census Metropolitan Area

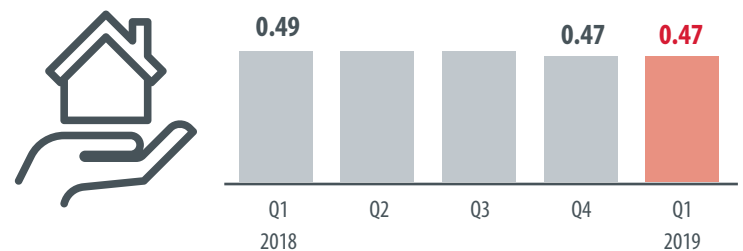
First Quarter (Q1)



Affordability

The slow pace of job creation in the labour market, below one per cent real growth rate for weekly wages, and the mortgage rule policy change that constrained housing activity in 2018 continued to do so into Q1 2019. Growth in the number of jobs often provides an opportunity for first-time buyers, while wage growth encourages a transition to bigger homes. Both job growth and wage growth are insufficient to make a significant impact on the ability to purchase despite house price depreciation in Q1 2019. The net effect was no change in the affordability index compared to the previous quarter (*Chart 7*).

Chart 7. Affordability Index



Next update: September 3, 2019

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