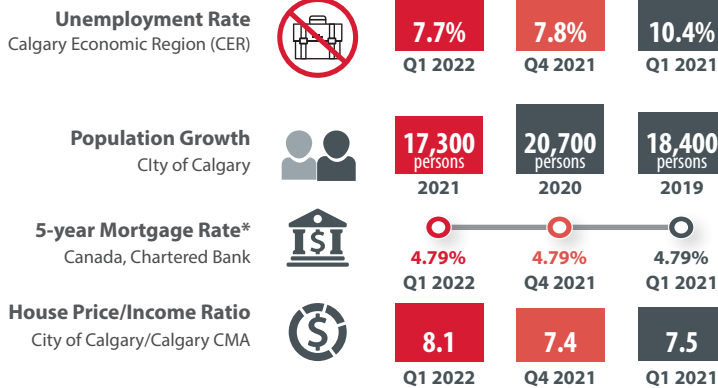




Highlights:

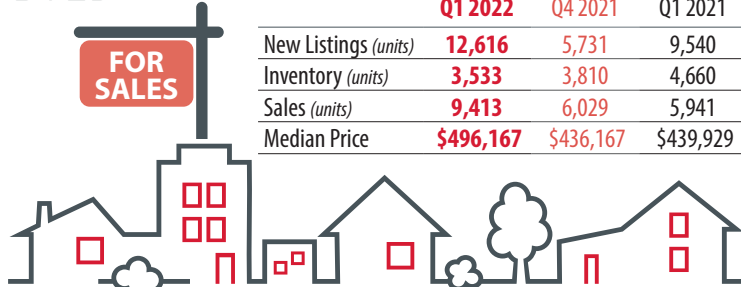


Factors Affecting Housing Affordability and Demand



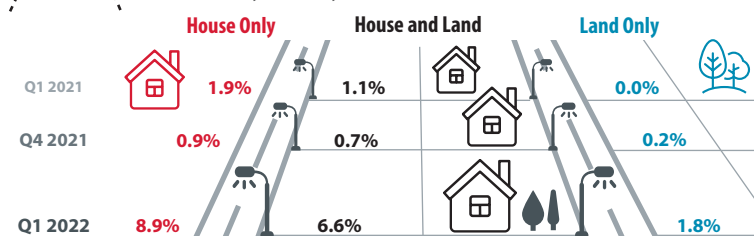
Resale Market

City of Calgary



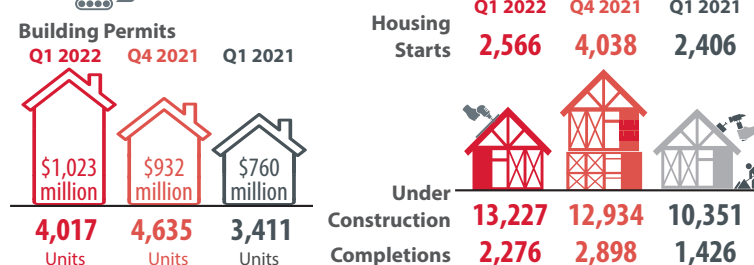
New House Market

Calgary Census Metropolitan Area
Price Inflation (year-over-year %)



Housing Construction and Investment Intention

City of Calgary



Worsening housing affordability due to higher shelter cost inflation

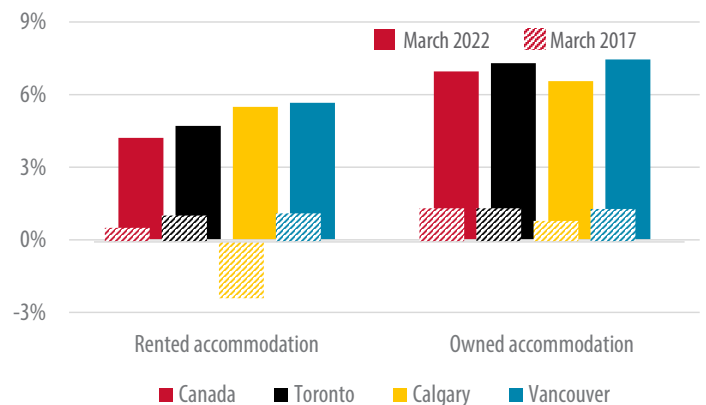
This quarter's housing review focuses exclusively on housing affordability.

Canada's elevated consumer price inflation in recent months has triggered a new round of interest rate hikes by the Bank of Canada, starting March 2022. One of the main drivers behind the decades' high inflation was the acceleration of shelter cost increases since last spring, both in the rented and owned accommodations.

The annual increase in the cost of rented accommodation in Canada was 4.2 per cent in March 2022, up from 0.6 per cent in March 2017. Over the same period, the cost of owned accommodation in Canada was up by 7.0 per cent, compared to 2.6 per cent, respectively. In big cities like Calgary, Toronto and Vancouver, shelter cost escalation has been much higher than the national average over the past five years.

CPI inflation: Rented and owned accommodation in selected CMAs

(March 2022 vs. March 2017, year-over-year inflation, per cent)

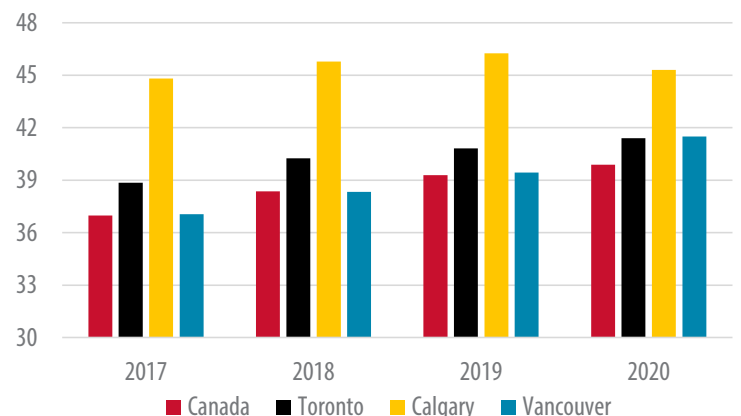


Source: Statistics Canada, Corporate Economics.

Over the same time, the growth in personal income has not kept pace with the shelter cost inflation. Based on the latest tax filing data from Statistics Canada, the median wages, salaries and commissions in Canada was up by 8 per cent between 2017 and 2020.¹ It was up by 12 per cent in Vancouver, 7 per cent in Toronto and 1 per cent in Calgary.

Median wages, salaries and commissions in selected CMAs

(2017-2020, thousands of dollars)



Source: Statistics Canada, Corporate Economics.

Although the income gap between Calgary and each of the other large Canadian cities is narrowing, the median personal income in Calgary is still the highest in the country. Combined with relatively lower rental and home purchasing prices, housing affordability in Calgary is still the best among large Canadian census metropolitan areas (CMAs) with a population of at least one million people.

Housing affordability in the rental market

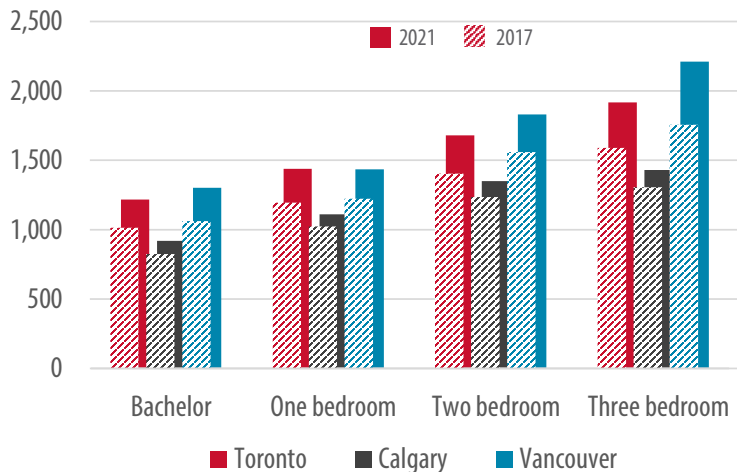
A review of housing demand considers the demand for both rental and owner-occupied housing. Of the three different housing tenures (owned, with or without a mortgage, or rented), renting is the most affordable way of having a principal residence for many people.²

Using evidence from the Canada Mortgage and Housing Corporation (CMHC), average rents for row and apartment structures of three units and over increased dramatically in large Canadian CMAs over the past five years. For example, in 2021, the average rent for bachelor units was \$919 in Calgary, up by 12 per cent from \$824 in 2017. It was \$1,217 in Toronto and \$1,302 in Vancouver, up by 20 per cent and 20 per cent from 2017 levels, respectively.

As of 2021, the average rent for three-bedroom units was \$1,431 in Calgary, \$1,918 in Toronto, and \$2,211 in Vancouver. The five-year accumulated rent inflation was 10 per cent in Calgary, 21 per cent in Toronto, and 26 per cent in Vancouver.

The higher rents in all types of rental units reflected increasing demand for rental housing from Canadians in all different stages of life. Rental housing affordability has worsened over the past five years in Calgary, measured by the rent to income ratio.³ However, Calgary still outperforms the large cities in our comparison group.

Average rents for row and apartment structures of three units and over (2017 vs. 2021, units)



Source: Statistics Canada, Corporate Economics.

Housing affordability in the resale housing market

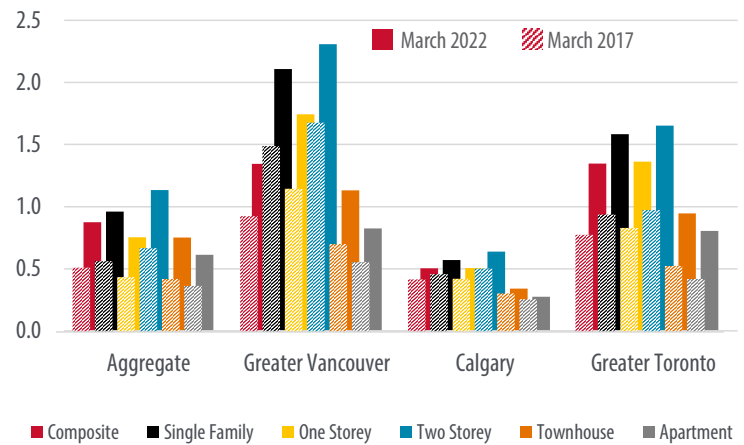
Buying a house in the resale market is another housing demand option. House prices are typically lower in the resale market than in the new home market, given similar locations. Since the spring of 2021, record-low mortgage rates and the pent-up demand from higher household savings have pushed up resale house prices across Canada.

The latest data from the Canadian Real Estate Association (CREA) shows that benchmark prices for all dwelling types (composite) appreciated by 68 per cent in all cities monitored, from \$520,900 in March 2017 to \$874,100 in March 2022. As of March 2022, Calgary had the lowest

benchmark prices in all housing categories compared to Greater Vancouver and Greater Toronto.

For example, the benchmark price for single-family houses in March 2022 was \$570,600 in Calgary, compared to \$1,582,900 in Greater Toronto and \$2,108,600 in Greater Vancouver. The benchmark price for apartment units was \$274,200 in Calgary, compared to \$805,100 in Greater Toronto and \$825,000 in Greater Vancouver.

CREA benchmark prices by type (Seasonally Adjusted) (March 2017 vs. March 2022, millions of dollars)



Source: CREA, Corporate Economics.

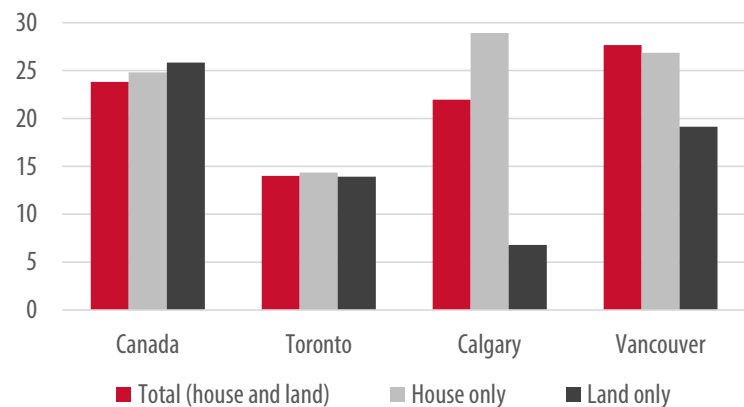
Housing affordability in the new home market

Building investment intention has been high in all large Canadian cities for more than a year in response to the price signals from the new home markets.

The latest data shows that between March 2017 and March 2021, the new housing price index in Canada increased by 24 per cent for house and land. It was 27 per cent for house only, and 15 per cent for land only. Over the past five years, the accumulated new housing price inflation was 22 per cent in Calgary, compared to 14 per cent in Toronto and 28 per cent in Vancouver.

New housing price inflation in Calgary was driven mainly by the 29 per cent inflation in house prices. For Toronto, equally high inflation in house and land prices was the driver. Like Calgary, Vancouver experienced high house price inflation at 27 per cent.

New housing price inflation in selected CMAs (March 2017 to March 2022, accumulated inflation, per cent)



Source: Statistics Canada, Corporate Economics.

Next release: July 2022

Notes:

- * 5-year Mortgage Rate data reported in this report is changed from the Canada Mortgage and Housing Corporation (CMHC) conventional mortgage lending rate (V733833) to the Chartered bank - conventional mortgage (V80691335).
- 1 Statistics Canada: Wages, salaries and commissions of tax filers aged 15 years and over.
- 2 Housing tenure is identified according to whether a principal residence is owned, with or without a mortgage, or rented. While rental costs for a tenant may be fully or partially subsidized, such a distinction is not identified for this category.
- 3 A rule of thumb measurement of rental or owner-occupied housing affordability is the rent (or house price) to income ratio. When the ratio is increasing, the affordability is declining. Otherwise, the affordability is increasing.
- 4 List of the markets monitored in the CREA benchmark price data: *Vancouver Island, Victoria, Lower Mainland, Greater Vancouver, Fraser Valley, Chilliwack and District, Kamloops and District, Interior BC, Calgary, Edmonton, Saskatchewan, Regina, Saskatoon, Winnipeg, Bancroft and Area, Barrie and District, Brantford Region, Cambridge, Grey Bruce Owen Sound, Guelph and District, Hamilton Burlington, Huron Perth, Kawartha Lakes, Kingston and Area, Kitchener Waterloo, Lakelands, London St Thomas, Mississauga, Niagara Region, North Bay, Northumberland Hills, Oakville Milton, Ottawa, Peterborough and Kawarthas, Quinte and District, Rideau St Lawrence, Simcoe and District, Tillsonburg District, Greater Toronto, Windsor Essex, Woodstock Ingersoll, Montreal CMA, Quebec CMA, Fredericton, Greater Moncton, Saint John NB, New Brunswick, Halifax Dartmouth, Nova Scotia, Prince Edward Island, St Johns NL, Newfoundland and Labrador*

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:

Bank of Canada, Calgary Real Estate Board (CREB), Canadian Real Estate Association (CREA), Canada Mortgage and Housing Corporation (CMHC), Statistics Canada, The City of Calgary, Corporate Economics.