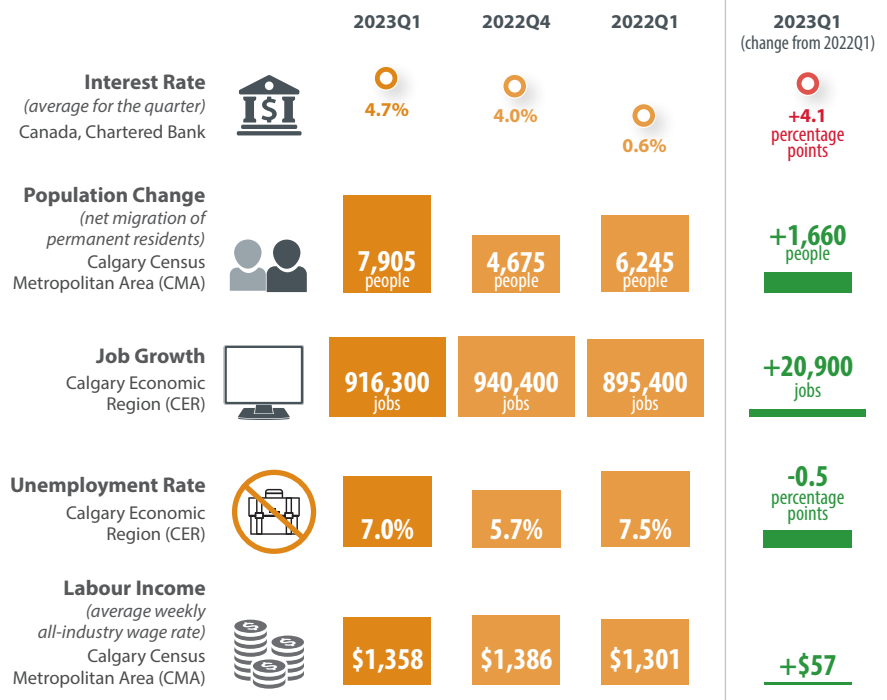




Housing Demand - Key Takeaways:

Demand for housing in 2023Q1 was robust, achieving one of the strongest levels over the last ten years. Demand has remained firm despite the higher cost of borrowing at the start of 2023. Robust demand is due to strong positive net migration, job growth, and nominal wage growth in Calgary. Despite robust demand, a few factors have kept demand growth from attaining even higher levels. First, Calgary's annual inflation-adjusted all-industry aggregate wages in 2023Q1 saw no change relative to 2022Q1, so there was zero real wage growth. Second, year-over-year nominal wage growth was slower than the annual growth of shelter costs in 2023Q1 relative to 2022Q1. Like other goods and services, because of high consumer price inflation, the fast pace of shelter cost increases has restrained housing demand.



Interest Rates

In 2022, persistent inflation caused the Bank of Canada to increase the policy rate by 4.0 percentage points compared to 2021. In 2023Q1, the Bank of Canada added 0.25 percentage points to the overnight policy rate in January 2023. As a result, it impacted the prime lending rate, the benchmark for variable-rate mortgages, pushing it higher and adversely affecting housing affordability.



Population Change

Net migration is a component of population change and is a significant driver of housing demand in Calgary. Net migration into Calgary comprises international, inter-provincial and intra-provincial net migration. Early indications of admissions of permanent residents to Calgary in 2023Q1, which represents international migration, confirm the largest migration in any quarter since 2015. In 2023Q1, 7,905 persons were given permanent resident admissions to Calgary, 1,660 more persons than in the same period a year before. This 2023Q1 growth in population has contributed to robust demand for housing services.



Job Growth

In 2023Q1, employment grew by 2.3 per cent (by 20,900 persons) from 2022Q1, contributing to robust housing demand. It is the fastest average annual pace of growth from the first quarter of

one year to the first quarter of the next over the last decade. The previous record is 10,900, in 2014Q1 from 2013Q1.



Unemployment Rate

In 2023Q1, the average unemployment rate fell to 7.0 per cent from 7.5 per cent in 2022Q1. The 2023Q1 average unemployment rate is the lowest in the first quarter of the year since 2016. The lower unemployment rate is a good thing for the housing market. Many people looking for work are finding jobs, contributing to solid housing demand.



Labour Income

Calgary's average weekly wage income grew 4.4 per cent (to \$1,358) in 2023Q1 from 2022Q1. Wage growth provides strong income support for those looking to buy a house for the first time or to move to a different (and more suitable) house. It also supports the ability of Calgarians to keep up with the rising cost of owned or rented accommodation in a high-interest-rate environment.

Between 2014Q1 and 2023Q1, using the Q1 average weekly all-industry wages, the typical annual change is an increase of \$22.05. Between 2022Q1 and 2023Q1, average weekly wages increased by \$57.30, significantly above the ten-year average, providing strong support for higher housing demand.



Housing Supply - Key Takeaways:

The stock of inventory of existing houses available for resale was at its lowest level for the first quarter of any year over the ten years from 2014 to 2023. Specifically, in 2023Q1, the number of existing houses available for resale was 39 per cent below the first-quarter average for 2014Q1 to 2023Q1.

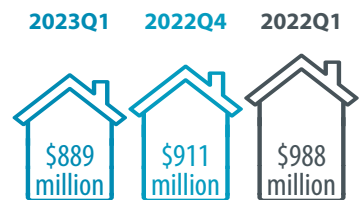
Similarly, for new house listings, the 2023Q1 number of units available for sale was 14 per cent below the first-quarter average for 2014Q1 to 2023Q1. As a result, fewer resale units and new units available for sale have reduced housing choices for consumers and speculators.

There is a sustained shift in the housing supply toward multi-family units and away from single-family units as

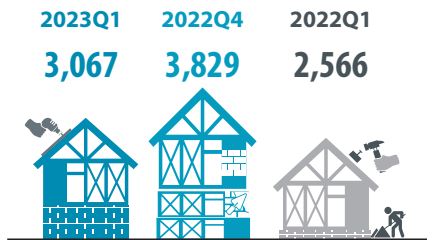
builders respond to changes in consumer preferences. The shift is captured by building investment intentions (building permits) and housing starts, which point to increasing shares for multi-family units.

Housing supply is responding to market forces, with the number of houses under construction in 2023Q1 at its highest level on record. Housing completions should begin to respond soon, with the 2023Q1 level marginally above the ten-year average for the year's first quarter.

Residential Construction Investment
City of Calgary



Housing Starts (units)
City of Calgary



Inventory

In 2023Q1, inventory levels for houses available for resale reached the lowest level in a decade. There were 2,812 houses available for resale. The last time quarterly inventory levels were below 3,000 dwelling units was in 2014Q1 (2,867). The quarterly average between 2014Q1 and 2023Q1 is 5,424 units. The Q1 average over the last decade is 4,641 houses - Q1 inventory levels are typically lower than Q2 and Q3. It is strong evidence of inadequate supply. Higher borrowing costs have contributed as existing homeowners are wary of financing the acquisition of a different house at higher mortgage rates, and high mortgage financing costs deter first-time buyers.



Residential Construction Investment

Permit Values: In 2023Q1, residential construction permit values were at their second highest for Q1 of any year. They were only behind the 2022Q1 permit value, clocking \$888.9 million. Over the last ten years, from 2014Q1 to 2023Q1, the distribution of new permit values has shifted across housing types:

- Single-family (down from 53.5 per cent in 2014Q1 to 41.2 per cent in 2023Q1)
- Apartment (up from 27.6 per cent in 2014Q1 to 44.6 per cent in 2023Q1)
- Townhouse (down from 11.4 per cent in 2014Q1 to 8.5 per cent in 2023Q1)
- Semi-detached (down from 7.5 per cent in 2014Q1 to 5.7 per cent in 2023Q1).



Housing Starts

In 2023Q1, Calgary recorded the largest value of housing starts for the first quarter of any year since 2014 (and the fifth largest Q1 value in recorded history). The distribution was as follows: apartments (1,699 out of 3,067), townhouses (367), single-family (739), and semi-detached (262).



Houses under Construction

The total number of houses under construction in 2023Q1 was the largest on record across any quarter at over 17,200. Over the last four quarters, more than 11,700 apartment units were under construction. The increase in apartments under construction increased multi-family units as a share of units under construction to 84.2 per cent in 2023Q1 (the Q1 average for 2014 to 2023 is 81.8 per cent).



New House Listings

The availability of new house listings fell to 7,557 houses in 2023Q1, a level not seen in Q1 since 2020 when COVID-19 emerged. Before COVID-19, the last time the Q1 level was this low was in 2000 (24 years ago). The reduction in new listings is due to a decline in the availability of new single-family units. The Q1 average for new single-family listings over the last decade was 4,826 compared to 3,627 units in 2023Q1. On the other hand, new apartment listings are strong. The Q1 average for new apartment listings was 1,898 compared to 2,161 units in 2023Q1.

Permit Units: There is evidence of the shift in intentions for new dwelling units toward apartment units via a record-setting Q1 value of 1,670 units in 2023Q1 (the Q1 average for 2014 to 2023 is 797 units).

The share of expected construction of single-family units in Q1 averaged 41.9 per cent between 2014 and 2023, falling to 28.5 per cent in 2023Q1. Similarly, semi-detached houses were below the 10.6 per cent average, reaching 6.8 per cent in 2023Q1. Finally, townhouses were below the 12.9 per cent average, at 10.0 per cent in 2023Q1.

Demand-side factors, like higher borrowing costs and high net migration, have aided the shift towards apartments as a relatively more affordable product.



Housing Completions

Residential construction activity was up in 2023Q1, with the second-highest number of units completed (2,300 dwelling units) during the first quarter of any year in Calgary. That's well above the average Q1 level of 2,236 units. However, unlike other housing supply data, the share of multi-family units decreased in 2023Q1 to 57.6 per cent (from a ten-year average of 66.6 per cent). That is attributable to high-rise apartments taking more time to complete, so apartment completions often show up in large increments (step functions) in specific quarters throughout the year after high-rise apartment completions.



Housing Market Summary: Sales and Prices - Key Takeaways:

Total sales slowed in 2023Q1 from the highs of 2022Q1, the largest quarter of sales on record. The drop in sales is primarily attributable to a decline in housing supply, leading to fewer choices in the market. Housing demand has remained strong because of strong nominal wage growth, positive net migration, and job growth. That's despite higher interest rates to finance housing acquisitions. Lower supply and strong demand have pushed the benchmark housing price across all home types higher by an average 2.4 per cent in 2023Q1 from 2022Q1. The substantial Q1 increase in net migration to Calgary will put further pressure on housing demand, especially for housing rentals in Calgary. Specifically, a constrained homeownership market will move more people to the rental segment of the housing market and push already elevated rental housing prices even higher. In addition, as borrowing costs remain elevated in 2023, the increased household debt servicing costs will lead to housing affordability challenges in Calgary.

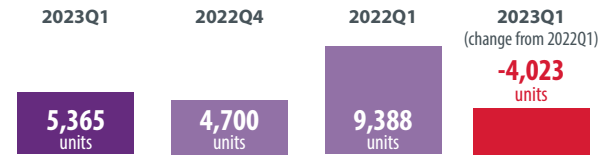
SOLD Sales

Total sales slowed to 5,370 houses in 2023Q1 from the high of 9,388 in 2022Q1, despite substantial increases in wages, jobs, and net migration to Calgary. Single-family sales, at their highest level in 2022Q1, pulled back significantly in 2023Q1. They were also down as a share of total sales, decreasing from 56.6 per cent in 2022Q1 to 46.5 per cent in 2023Q1.

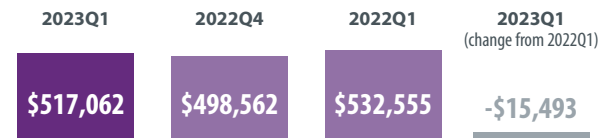
The sale of multi-family units remained strong despite the fall in the total number of units sold in 2023Q1. As a share of total sales, apartments increased to 27.7 per cent (up from 18.0 per cent in 2022Q1) and semi-detached and row houses were flat at 25.7 per cent (unchanged from 25.4 per cent in 2022Q1).

A review of the distribution by housing type would suggest a straight switch from single-family units to apartment units for a market segment. Housing affordability is a primary driver, and with recent evidence that household indebtedness in Canada is higher than in any other G7 country, the movement toward apartment units should persist for some time.

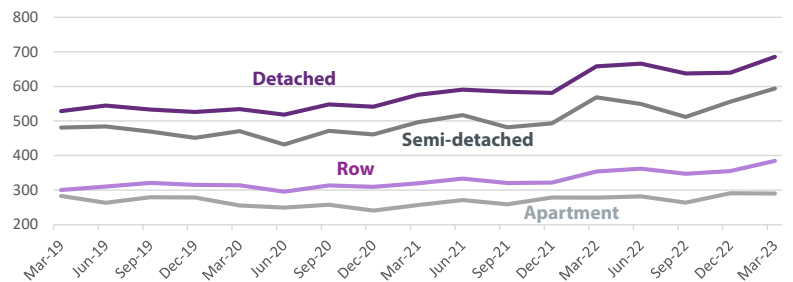
Housing Sales City of Calgary



Average Resale House Prices City of Calgary



Average Resale House Prices by Structure Type City of Calgary (\$thousands)



Average Resale House Prices

The average resale house price across all home types fell to \$517,062 (-2.9 per cent) in 2023Q1 from 2022Q1. That partially offsets the significant price growth from 2021Q1 to 2022Q1 of 9.1 per cent.

The benchmark house price across all home types (representing the price of a house with consistent features tracked over time) increased to \$531,200 (+2.4 per cent) in 2023Q1 from 2022Q1.

The divergence between the average resale price (which declined) and the benchmark house price (which increased) indicates that the demand for housing in Calgary is affected by declining affordability. Specifically, benchmark house price growth was still evident in 2023Q1. However, those in the market to buy houses secured those with fewer features and leaned toward multi-family houses that are cheaper than single-family units.

Next release: August 28, 2023

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), Government of Canada, Statistics Canada, The City of Calgary, Corporate Economics.