
# Q2 2019 Housing Review

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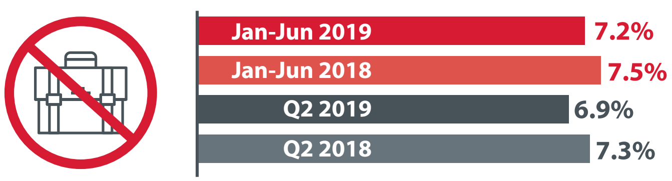
## Market Conditions:

Purchasing power for housing units, as measured by the availability of jobs and growth in earnings, has improved. For the Calgary Economic Region (CER), the January to June 2019 average unemployment rate was 7.2 per cent. The average for the first half of last year was 7.5 per cent.

### Chart 1. Unemployment Rate Comparison

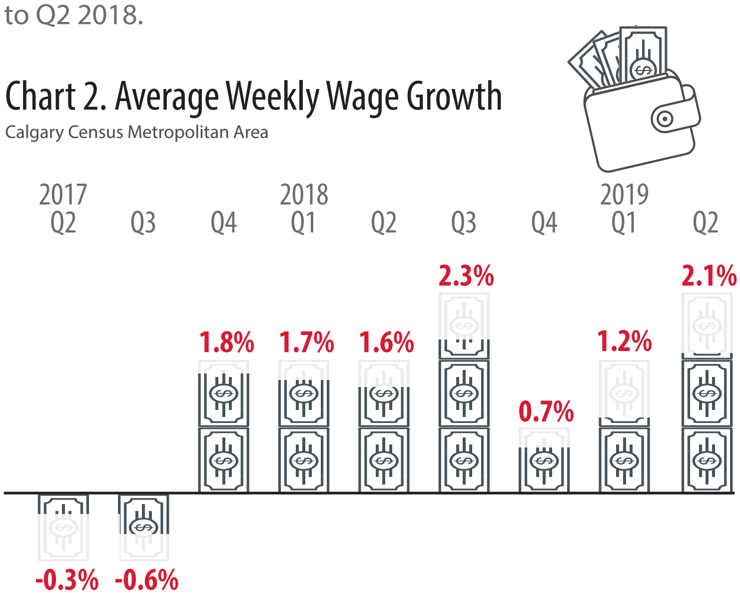
Calgary Economic Region




Nominal weekly wages grew by 2.1 per cent between Q2 2018 and Q2 2019, compared with 1.6 per cent for Q2 2017 to Q2 2018.

### Chart 2. Average Weekly Wage Growth

Calgary Census Metropolitan Area




Stronger wage growth and a lower unemployment rate are positive developments. They have been insufficient for the absorption of housing inventory needed to achieve house price appreciation so far in 2019.

Shorter-term trends also point toward better market conditions and a positive momentum necessary to firm-up regional housing demand. The Q2 2019 unemployment rate dropped to 6.9 per cent. Quarterly nominal weekly wage also grew by 1.7 per cent from the previous quarter.

## Market Activity:

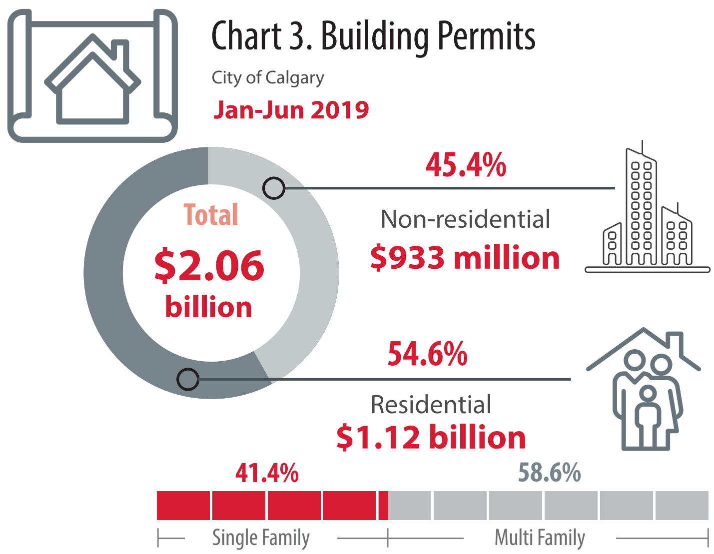
### Planned Residential Investment Spending: *City of Calgary*

At the half-way point of 2019, residential investment in Calgary is lower than the 2018 half-way point but higher than in 2016 and 2017. Specifically, residential investment was $1.1 billion by the end of June 2019. Residential investment for the first half of recent years was $0.9 billion (2016), $1.0 billion (2017), and $1.7 billion (2018). At the half-way point of 2019, residential investment in Calgary is lower than the 2018 half-way point but higher than in 2016 and 2017. Specifically, residential investment was $1.1 billion by the end of June 2019. Residential investment for the first half of recent years was $0.9 billion (2016), $1.0 billion (2017), and $1.7 billion (2018).

### Chart 3. Building Permits

City of Calgary

**Jan-Jun 2019**




Residential home builders generally build based on demand but also add to housing inventory via investment speculation. Investment speculation may explain part of the spike in residential investments for the first half of 2018. A return to the norm of about $1.0 billion for the first half of 2019 could suggest a reduction in speculation. Lower investment due to speculation is a good sign because it decreases housing inventory, limits additions to housing stock, and puts downward pressure on vacancy rates.

The transition away from single-family dwellings continues. For every quarter from 2015 to 2019, the average share of total residential building investment attributable to single-family units was 40 per cent. It is much lower than the 62 per cent average for 2000 to 2014. As a result, there is a movement toward multi-family units. The shift is partly due to new mortgage rules effective January 2017. The more stringent stress test accompanying the rule change effectively raised mortgage down payment requirements. The average price for multi-family dwellings is lower than single-family, making affordability a vital driver of the shift toward multi-family units.

The transition away from single-family dwellings may also be intensifying. Total investment in single-family units decreased from a quarterly average of $304 million in 2017 to $256 million in 2018 and further to $232 million in the first half of 2019.

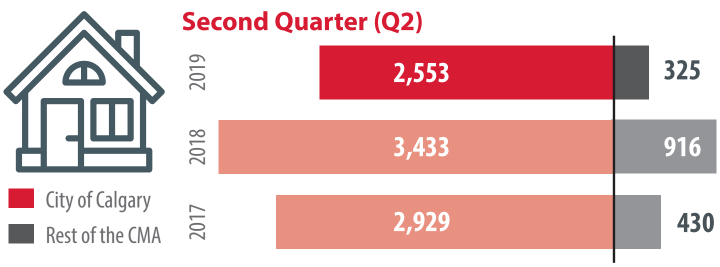
## Housing Starts: *City of Calgary and Calgary Census Metropolitan Area (CMA)*

Housing starts are declining because investment levels are steady at a time when construction inflation is increasing. For the Calgary Census Metropolitan Area (CMA), the quarterly average housing units started declined from 2,900 units (2017) to 2,700 units (2018) and further to 2,400 units per quarter for the first half of 2019.

The city of Calgary faces a similar situation. The average quarterly housing starts fell from 2,400 units (2017) to 2,200 units (2018), and further to 2,100 units (first half of 2019). Single-family units as a share of total starts fell from 34 per cent (2017) to 31 per cent (2018) and further to 28 per cent (first half of 2019).

### Chart 4. Housing Starts (units)

City of Calgary and Calgary Census Metropolitan Area




## Sales and Listings: *Calgary Census Metropolitan Area (CMA)*

The improvement in local purchasing power for 2019 relative to 2018 has transmitted to more sales. The average number of units sold each quarter increased from 5,100 in 2018 to 5,300 for the first half of 2019. Nevertheless, sales are lower than the average of 6,000 units sold each quarter of 2017 and are not expected to reach the same heights for the rest of 2019.

### Chart 5. Unit Sales (homes)

Calgary Census Metropolitan Area

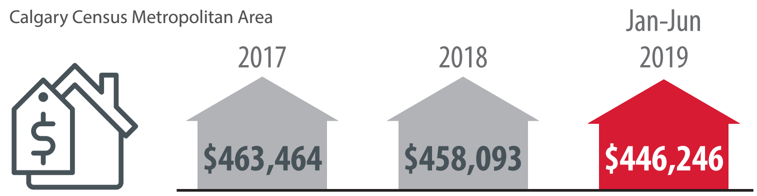

The more significant response to better market conditions is in the increase to home listings. Calgary is on track to record more houses listed in 2019 compared to 2018 and 2017. In 2017 and 2018 there were 11,000 listings per quarter compared to 11,200 per quarter in 2019.

The ratio of the number of home sales to housing units listed for sale tracks the degree to which the market favours buyers, sellers or neither. Generally, a 50 per cent value indicates a balanced market. In 2017, the sale to new listings ratio was 56 per cent (seller's market) and decreased to 49 per cent (buyers' market) in 2018. For the first half of 2019, the sales-listing ratio is now at 47 per cent, indicating that a buyer's market persists.

Although the average house price is higher for Q2 2019 ($450,184) than it was in Q1 2019 ($442,308), the half-year average ($446,246) is much lower than the 2018 full year average ($458,093). The expectation for the year-end average for 2019 is that Calgary would record a second straight year of house price depreciation. There will be implications for future market supply.

### Chart 6. Average House Price

Calgary Census Metropolitan Area



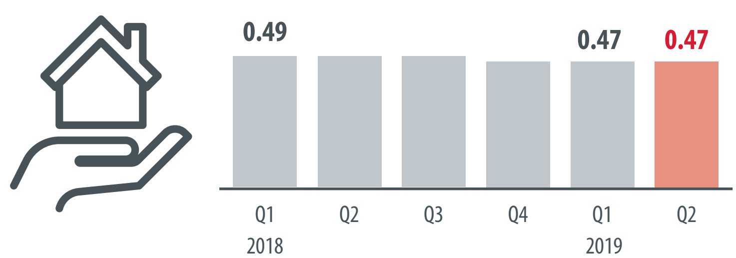

## Affordability

For the first half of 2019, housing affordability has improved in Calgary. The two major contributors are:

- Continued house price depreciation.
- Positive weekly real wage growth.

At the close of the year, housing affordability is expected to be better in 2019 than it was in 2018. Even if job gains in the first half of 2019 get repeated in the second half, it is not expected to lead to house price appreciation relative to 2018. As well, wage growth is expected to occur as economic growth continues.

### Chart 7. Affordability Index

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