



Housing Demand - Key Takeaways:

There are at least three crucial drivers of the substantial increase in housing demand experienced in 2022H1. These are significant population growth due to higher international migration, substantial job growth, and a very low unemployment rate that suggests that those looking for work can find it and explore getting a roof over their heads.

However, housing demand has slowed after starting 2022 on a tear. Two crucial contributors are a significant increase in interest rates affecting the cost of mortgages and the inability of wage growth to keep up with the house price growth.

Housing demand has shifted from homeownership to the rental market. Rental vacancy rates are very low and rental rates are surging.

	2022Q2	2022Q1	2021Q2	2022Q2 (change from 2021Q2)
Interest Rate Canada, Chartered Bank	1.4%	0.6%	0.5%	+0.9 percentage points
Population Change (in-migration of permanent residents) Calgary Census Metropolitan Area (CMA)	7,610 people	6,235 people	3,310 people	+4,300 people
Job Growth Calgary Economic Region (CER)	934,400 jobs	890,900 jobs	851,000 jobs	+83,400 jobs
Unemployment Rate Calgary Economic Region (CER)	5.3%	7.6%	9.1%	-3.8 percentage points
Labour Income (average weekly all-industry wage rate) Calgary Census Metropolitan Area (CMA)	\$1,304	\$1,262	\$1,241	+\$63.0

Interest Rates

Interest rates affect the cost of home ownership or rental. Higher interest rates make it more costly, while lower ones make it more affordable. The recent rapid interest rate increases are designed to combat high inflation but negatively affect the local housing market. The Bank of Canada has made substantial efforts to rein in inflation through adjustments to the overnight policy rate with ripple effects on the prime lending rate that is the benchmark for most mortgages. There was a 0.25 percentage point increase in 2022Q1 followed by a 1.0 percentage point increase in 2022Q2, bringing the overnight policy rate to 1.5 per cent at the end of 2022H1. The last time the policy rate was this high was in 2008.

Population Change

The magnitude of local population growth is another important driver of housing demand in Calgary. New Calgarians through natural increase (births minus deaths) is usually steady, unlike net migration, which fluctuates. There has been a recent net migration surge to Calgary, supporting additional housing demand. There were over

6,230 new permanent residents to the Calgary Census Metropolitan Area (CMA) in 2022Q1. That's more than double what was observed in 2021Q1. That's also the most significant increase since 2016Q1. Calgary experienced an above-average population increase in 2022Q1.

Job Growth

Strong job growth increases the number of people seeking a roof over their heads through independent living. Jobs in the Calgary Economic Region grew by 83,400 people between 2021Q2 and 2022Q2, the most significant annual positive growth between quarters on record. In addition, the total number of jobs or employment has increased by 68,000 people in the first half of 2022. It highlights a solid labour market and a potential ability for increased housing demand today and into the future.

Unemployment Rate

A low unemployment rate is a positive signal to housing suppliers that they should be prepared to respond with additional supply. Calgary's unemployment rate

is close to historic lows. The average unemployment rate fell to 5.3 per cent in 2022Q2 from 9.1 per cent in 2021Q2, a decrease of 3.8 percentage points. The last time there was a lower average unemployment rate for the year's second quarter was in 2013. The average unemployment rate for 2022H1 was 6.5 per cent. The last time Calgary had a lower average unemployment rate for the year's first half was in 2015 (5.9 per cent).

Labour Income

First-time home buyers represented one-half of Canadian home purchases between 2014 and 2021H1. As a result, wages and wage growth are essential for determining future housing market activity. Calgary's average weekly all-industry wage rate increased by 5.1 per cent in 2022Q2 from 2021Q2. Ordinarily, that's a significant annual growth rate. However, a high inflation environment means wage growth is not keeping up with shelter cost growth. From June 2021 to June 2022, shelter costs increased 10.2 per cent for Calgary.

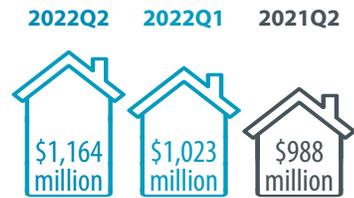


Housing Supply - Key Takeaways:

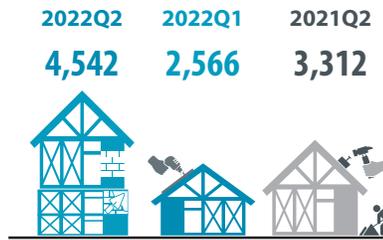
There is a substantial increase in housing supply through the two usual channels—the supply of houses through the resale market and the supply of new housing units. For the resale market, there is a significant increase in the number of existing homes that are turning up for sale, taking Calgary to a record high.

The supply of new housing is motivated by a sharp decline in new housing inventory from 2021H1 to 2022H2. All four indicators of the pace of new housing supply are at historic highs. New investment in residential construction, number of new houses started, number of new houses under construction, and number of new houses completed all point to robust supply response to higher housing demand since 2000.

Residential Construction Investment City of Calgary



Housing Starts (units) City of Calgary



City of Calgary	2022Q2	2021Q1	2021Q2
Housing Under Construction (units)	14,802	13,227	10,989
Housing Completion (units)	3,118	2,276	2,701
Inventory (units)	5,159	3,545	6,596
New Listings (units)	12,939	12,623	13,371

FOR SALES New Home Listings

The number of new listings is an indicator that captures the ability of existing market units to sustain the market's appetite. An unusual increase may reflect the desire of repeat homebuyers and investors to liquidate their current holdings for alternative opportunities, given vibrant market activity. An unusually significant decrease may reflect market malaise. The evidence for Calgary supports vibrant market activity. Specifically, at 13,000 units, the 2022Q2 new home listings exceed 2022Q1 by 300 units but are lower than 2021Q2 listings by 400 homes. The number of new listings of homes in 2022H1 is the largest on record.



Residential Construction Investment

The City of Calgary can access local information about residential construction investment intentions. These investments reflect the expected cost of constructing new units and renovating existing ones. The total value of expected residential investment increased significantly in 2022H1. There's a \$440 million increase relative to 2021H1. Calgary has achieved a record high of \$2.2 billion for the first half of any year, partly due to high inflation that has raised construction costs. Single-family residential construction made up 41 per cent of residential investment in 2022H1, down from 47 per cent in 2021H1.



Houses under Construction

The robust residential construction investment and an increased number of houses started in 2022Q2 have stimulated greater housing construction. With so many records already set for 2022Q2 or 2022H1, there was another with a record surge in the number of houses under construction. With 14,800 houses under construction, Calgary set a record for the highest level of any quarter. The 2022Q2 distribution by housing type was apartments (65 per cent), single family (21 per cent), row houses (9 per cent) and semi-detached (6 per cent).



Inventory

A significant drawdown of new housing inventory would suggest strong housing demand, while an uptick would mean slowing housing demand. For 2022Q2, there is strong evidence of solid housing demand as reflected in housing inventory levels. It calls for a strong supply response. Rapid annual inventory depletion is a sign of a healthy housing market. Excessive annual inventory depletion can create challenges for market balance and prices. Fortunately, Calgary is experiencing rapid annual inventory depletion. The inventory of houses in 2022Q2 was 5,200 homes – 1,400 fewer homes compared to 2021Q2. Similarly, the average 2022H1 inventory of houses was 4,300 homes – 1,300 homes fewer than 2021H1.



Houses Started

There is solid growth in housing starts for Calgary. In 2022Q2, Calgary recorded the most significant number of new houses started for any quarter at 4,500 homes. It brings the 2022H1 total to 7,100 homes. That's the most significant increase in eight years, just behind the 2014 level when crude oil prices were also elevated and exceeded \$100 per barrel. As already noted, a strong labour market and net migration are strong drivers. The 2022Q2 distribution by housing type was in the following order – apartments (54 per cent), single-family (28 per cent), row houses (10 per cent), and semi-detached (7 per cent). There's a shift in the two major categories from 2021Q2 – apartments (42 per cent) and single-family (36 per cent).



Houses Completed

To round out information about the pace of new housing supply, there is also a surge in the number of completions of new housing units. The 3,100 homes completed in 2022Q2 is the highest level of any quarter since 2016Q2. Similarly, the 5,400 homes completed in 2022H1 is the highest level of any half of a year since 2015. The 2022Q2 distribution by housing type was apartments (55 per cent), single family (29 per cent), row houses (10 per cent), and semi-detached (6 per cent). Single-family homes as a share of housing structures that are recently completed exceed the share for those under construction. It means that the share of market-ready single-family and semi-detached homes exceeds the future market expectations.



Housing Market Summary: Sales and Prices - Key Takeaways:

The overarching state of the Calgary housing market is that it got off to an impressive start at the beginning of 2022 but has now started to slow in the transition from 2022H1 to 2022H2.

Calgary had two back-to-back quarters of record-breaking home sales in 2022Q1 and 2022Q2. But looking ahead, there is an expectation that market sales will decelerate in 2022H2.

Calgary also has record high resale prices for all four categories of structure types – single-family, semi-detached, apartments and row houses.

Housing Sales City of Calgary



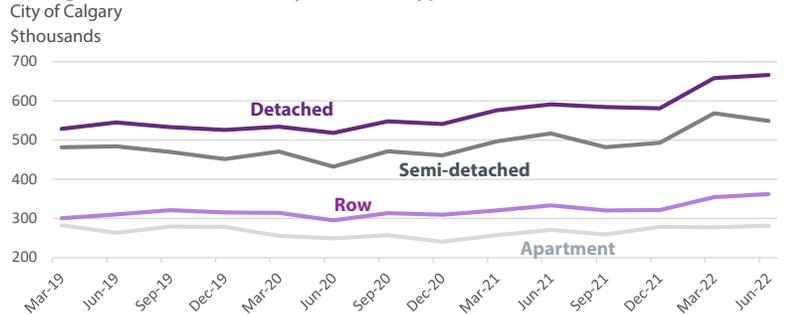
2022Q2	2022Q1	2021Q2	2022Q2 (change from 2021Q2)
9,303 units	9,391 units	9,099 units	+204 units

Average Resale House Prices City of Calgary



2022Q2	2022Q1	2021Q2	2022Q2 (change from 2021Q2)
\$523,400	\$532,600	\$504,400	+\$19,000

Average Resale House Prices by Structure Type City of Calgary



Housing Sales

Calgary had two back-to-back quarters of record-breaking home sales in 2022Q1 and 2022Q2. Sales in 2022Q2 came in at 9,300 homes. The total sales in 2022H1 were over 18,700 homes. That's 3,700 more units sold than in 2021H1. From a housing demand perspective, the increased number of home sales was backed by robust population, jobs and income growth. The expectations of rising interest rates later in the year may also have led to front-ended demand. From a housing supply perspective, housing providers have responded with a surge in new home construction as existing inventory gets drawn down.

Looking ahead, there is an expectation that market sales would decelerate after getting off to a tear in 2022H1. An early sign of this is the 2.6 per cent decrease in home sales for July 2022. A moderation in activity for 2022H2 is not necessarily a bad outcome if it allows

the housing supply to catch up with the significantly high housing demand that has emerged in recent quarters. It would mean slower sales for the rest of 2022.

Average Resale House Prices

Average resale house prices are elevated in 2022. In 2022Q2, the average resale house price grew 3.8 per cent (or \$19,000) from 2021Q2. After a significant surge through 2022Q1, prices have decreased slightly. The average resale house price across all structure types fell 1.7 per cent (or \$9,600) to \$523,000 in 2022Q2 from 2022Q1. The average resale house price by structure type from the least affordable to the most affordable is single family, semi-detached, row housing and then apartment structures.

The annual average price growth rate for 2021Q2 to 2022Q2 has been uneven across structure types. Single-family detached

structures recorded the fastest pace of price growth at 12.7 per cent. These structures have become significantly more expensive. Apartments experienced the slowest rate of price growth at 4.0 per cent. It is a significant driver of the shift away from single-family units to apartment units covered earlier in this report. The average price growth for semi-detached homes was 6.2 per cent, which is just below row houses at 8.6 per cent.

There are now new average resale house prices for these four housing structure types. Detached single-family houses average \$666,000 in 2022Q2. That's ahead of semi-detached houses at \$549,000. The average resale price for a row house was \$362,000. Apartments are the most affordable units averaging \$282,000.



Q2 2022

Housing Review

Next release: October 2022

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.