

Highlights:



Factors Affecting Housing Affordability and Demand

Unemployment Rate
Calgary Economic Region (CER)



9.6% Q3 2021
9.2% Q2 2021
14.0% Q3 2020

Population Growth
City of Calgary



17,300 persons 2021
20,700 persons 2020
18,400 persons 2019

5-year Mortgage Rate
Canada



3.2% Q3 2021
3.3% Q2 2021
3.6% Q3 2020

House Price/Income Ratio
City of Calgary/Calgary CMA



7.5 Q3 2021
7.8 Q2 2021
7.0 Q3 2020



Resale Market

City of Calgary

FOR SALES

	Q3 2021	Q2 2021	Q3 2020
New Listings	9,029	13,371	8,335
Inventory	6,115	6,594	6,460
Sales	6,628	9,101	5,115
Median Price	\$434,042	\$452,500	\$418,050



New House Market

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

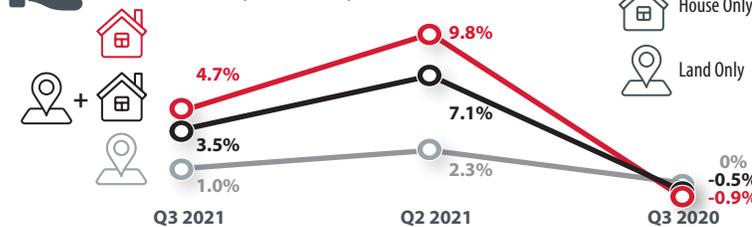
Legend:



House Only



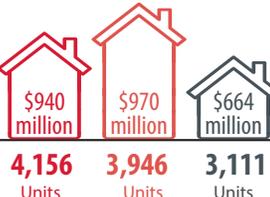
Land Only



Housing Construction and Investment Intention

City of Calgary

Building Permits
Q3 2021 Q2 2021 Q3 2020



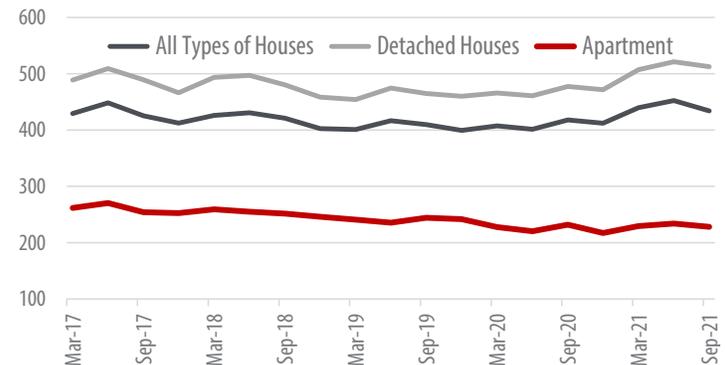
Housing Starts
Q3 2021 Q2 2021 Q3 2020



Existing home sales decelerated in Q3 in the city of Calgary

Prices of existing-home sales in the city of Calgary came down from Q2 peak levels but registered new seasonal highs in Q3 2021 when compared to previous Q3 records. The MLS median price for all resale homes in Calgary was up by 4 per cent from \$418,050 in Q3 2020 to \$434,042 in Q3 2021. The main driver behind this price appreciation was the 7 per cent price inflation in the detached houses, from \$477,500 in Q3 2020 to \$515,500 in Q3 2021 (Chart 1).

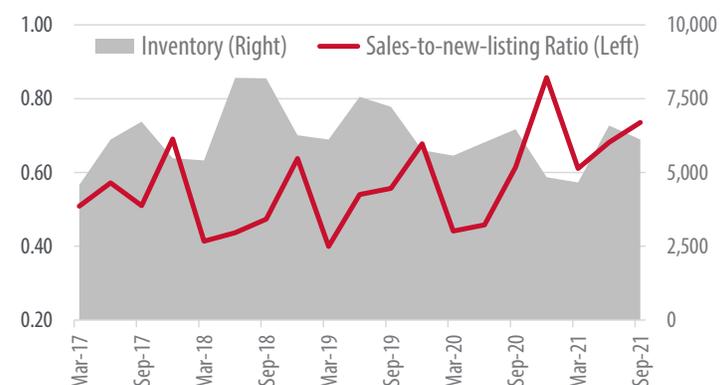
Chart 1. City of Calgary: MLS Resale Housing Market Median Prices
(Q1 2017 - Q3 2021, \$thousands)



Source: Calgary Real Estate Board (CREB), Corporate Economics.

The MLS existing-home sales in Calgary increased by 30 per cent from 5,115 units in Q3 2020 to 6,628 units in Q3 2021. Over the same time, the MLS new listings increased less by 8 per cent, from 8,335 units in Q3 2020 to 9,029 units in Q3 2021. The sales-to-new listing ratio, a measurement for market balances, increased from 0.61 in Q3 2020 to 0.74 in Q3 2021, indicating Calgary's market is now more favourable to the sellers than a year ago.

Chart 2. City of Calgary: MLS Resale Housing Market Balance and Inventory
(Q1 2017 - Q3 2021, [Left] ratio, [Right] units)



Source: Calgary Real Estate Board (CREB), Corporate Economics.

The MLS inventory¹ for all resale homes declined from 6,460 units in Q3 2020 to 6,115 units in Q3 2021 in Calgary. In Q3 2021, the supply inventory for detached houses was 2,792 units, which was lower than the quarterly detached housing sales of 3,976 units. The lower sales inventory reflected a detached housing-submarket condition that tightened even further in Q3 (Chart 2).

Lower housing price appreciations in Calgary supported by sufficient supply

Since 2017, Calgary's home price appreciations have failed to keep up with other Canadian cities, either in the new build or resale market. Based on Statistics Canada's new Residential Property Price Index (RPPI)², Calgary was the only city with house price depreciation among the six selected Canadian Census Metropolitan Areas (CMA)s before the COVID-19 caused recession. However, since then, the selling prices of properties have increased in Calgary, albeit at a slower pace than five out of the six selected cities.

The lower selling price appreciations of new build and resale properties in Calgary indicated that the city had relatively sufficient housing supply compared to other selected cities. In other cities soaring home prices worsened housing affordability. In contrast, Calgary's slower housing price appreciation has made Calgary a more affordable and attractive place to live, which is good news for young people and first-time home buyers.

In the resale market, the RPPI for all residential building types in Calgary appreciated by 5.5 per cent from Q2 2020 to Q2 2021, after a 4.1 per cent depreciation between Q1 2017 and Q1 2020. In comparison, the RPPI index for all six CMAs combined increased by 16 per cent from Q2 2020 to Q2 2021. It had a 13.7 per cent increase between Q1 2017 and Q1 2020.

Before the COVID-19 caused recession, Ottawa-Gatineau (+27%) led the resale property price appreciations, followed by Montreal (+18.9%), Victoria (+17.3%), Toronto (+15.3%), Vancouver (+12.8%), and Calgary at -4.1 per cent.

Since the COVID-19 recession, Ottawa-Gatineau (+25.3%) still ranked the highest in resale property price inflation, followed by Montreal (+20%), Victoria (19.9%), Vancouver (+16.1%), Toronto (15.8%), and Calgary at 5.5 per cent (Chart 3).

In the new residential build market, the RPPI for all housing types in Calgary increased by 7.8 per cent from Q2 2020 to Q2 2021, after a -6.6 per cent decrease between Q1 2017 and Q1 2020. For all six CMAs combined, the RPPI index increased by 7.8 per cent from Q2 2020 to Q2 2021, after a 10.7 per cent increase between Q1 2017 and Q1 2020.

From Q1 2017 to Q1 2020, Ottawa-Gatineau (+21.3%) led the property price appreciation in the new-build market, followed

by Victoria (+15.1%), Toronto (+12.9%), Montreal (+12.3%), Vancouver (+10.6%), and Calgary at -6.6 per cent.

Between Q2 2020 and Q2 2021, Ottawa-Gatineau (+22.4%) again ranked the highest in new build property price inflation, followed by Montreal (+15.1%), Vancouver (+9.2%), Calgary (+7.8%), Victoria (+6%), and Toronto (+4.1%) (Chart 4).

Chart 3. Residential Resale Property Price Inflation for Selected Canadian CMAs
(Q1 2017 - Q1 2020 vs. Q2 2020 - Q2 2021, percentage change)



Source: Statistics Canada, Corporate Economics.

Chart 4. Residential New Build Property Price Inflation for Selected Canadian CMAs
(Q1 2017 - Q1 2020 vs. Q2 2020 - Q2 2021, percentage change)



Source: Statistics Canada, Corporate Economics.

Calgary's residential building construction challenged by supply disruptions and labour shortages

Residential building construction activity reached multi-year highs so far this year in Calgary, indicated by the city's housing starts, under-construction inventory, and completions.

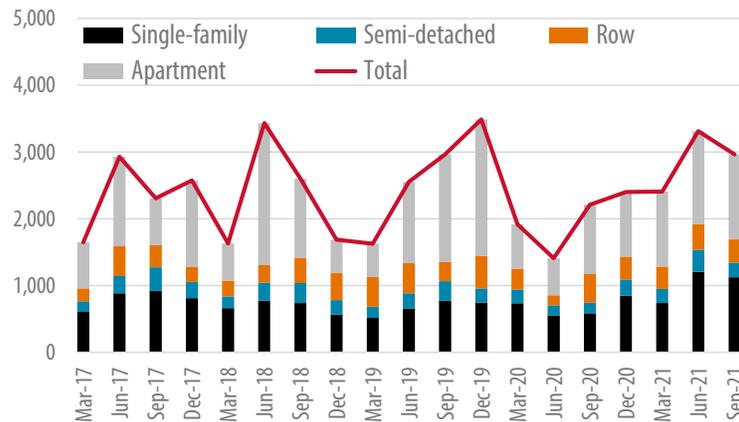
Total housing starts in the city of Calgary reached 2,966 units in Q3 2021, up by 34 per cent from 2,212 units in Q3 2020. Of the total housing starts in Q3, apartment units accounted for the largest share at 1,275 units or 43 per cent, followed by the single-family housing starts of 1,123 units at 38 per cent. Since Q3 2020, single-family housing starts grew by 92 per cent, the highest growth rate among all types of building units, followed by 39 per cent in semi-detached houses and 23 per cent in apartment units (Chart 5).

¹ MLS inventory is the total number of properties currently available for purchase, including old and new listings.

² The residential Property Price Index (RPPI) measures the change over time in the selling price of residential properties, covering both new and resale properties in six selected CMAs of Montréal, Ottawa, Toronto, Calgary, Vancouver, Victoria, and for the composite of these six CMAs.

The faster growth in housing starts in the single-family and semi-detached houses seems to support the claim that home buyers now desire more space to accommodate working from home or online learning during the COVID-19 pandemic. In the meantime, growth in apartment starts is expected to meet the increasing demand for housing from the budget-constrained young or first-time home buyers.

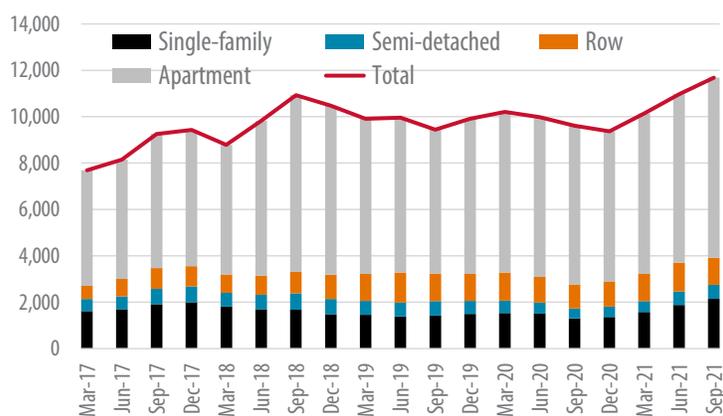
Chart 5. City of Calgary: Housing Starts
(Q1 2017 - Q3 2021, units)



Source: Canada Mortgage and Housing Corporation (CMHC), Corporate Economics.

In Q3 2021, there were 11,683 residential building units under construction in Calgary, up by 22 per cent from 9,615 units in Q3 2020. Among the under-construction inventory, 7,764 were apartment units, 2,147 single-detached houses, 1,173 row-house units, and 600 semi-detached houses. Over the past twelve months, the under-construction housing units in Calgary grew fastest in the single-family houses (+64%), followed by the growth in semi-detached houses (+43%) and apartment units (+13%).

Chart 6. City of Calgary: Housing Units Under Construction
(Q1 2017 - Q3 2021, units)



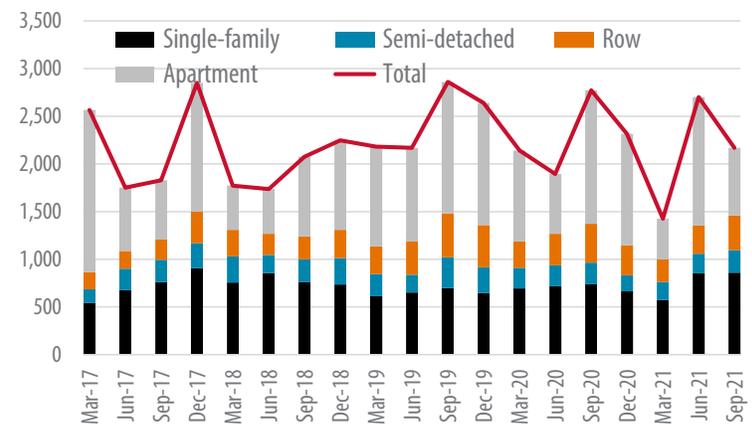
Source: Canada Mortgage and Housing Corporation (CMHC), Corporate Economics.

The significant increase of 22 per cent in the under-construction residential units reflects the higher housing starts that are not being timely completed within current construction capacity. The supply issues this summer and the construction labour shortage have posed some challenges towards the building industry's ability to expand its capacity.

Residential building completions in the city of Calgary totalled 2,169 units in Q3 2021, down by 30 per cent from 2,773 units in Q3 2020. Over the past twelve months, single-family and semi-detached completions increased by 122 units or 14 per cent. However, fewer completions in apartment units resulted in a decline in the total completion. In Q3 2021, only 707 apartment units were completed, down by 50 per cent from 1,402 units in Q3 2020 (Chart 7).

The higher completions in single-family and semi-detached houses showed builders' effort to meet the increasing demand for those types of new properties. However, the lower completions in the apartment might reflect the fact that it takes longer to build apartments and builders' caution in adding more supply to the currently oversupplied apartment market.

Chart 7. City of Calgary: Housing Units Completion
(Q1 2017 - Q3 2021, units)



Source: Canada Mortgage and Housing Corporation (CMHC), Corporate Economics.

Residential investment intention in the city of Calgary still driven by multi-family building units

Total residential building permits in the city of Calgary increased to 4,156 units in Q3 2021, up by 34 per cent from 3,111 units in Q3 2020. Of the total, building permits for single-family houses in Calgary reached 1,108 units in Q3 2021, up by 65 per cent from 672 in Q3 2020. However, single-family building permits accounted for only 27 per cent of the total residential building permits in Calgary. The other 73 per cent were from the apartment units, semi-detached houses, town-house units, and secondary suites (Chart 8).

The fact that apartment building permits remained high in the city of Calgary shows that builders are targeting future young, first-time home buyers by offering the most affordable types of properties.

Chart 8. City of Calgary: Building Permits
(Q1 2017 - Q3 2021, units)



Source: The City of Calgary, Corporate Economics.

Next Update: January 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.

For media inquiry, please contact:

The Media Line at 403.828.2954 or
media.relations@calgary.ca

For the technical questions, please contact:

Chukwudi Osuji, Ph.D
Acting City Economist & Regulatory Lead
chukwudi.osuji@calgary.ca

Ivy Zhang
Senior Corporate Economist
ivy.zhang@calgary.ca

Estella Scruggs
Corporate Research Analyst
estella.scruggs@calgary.ca

Many of our publications are available on the internet at
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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.