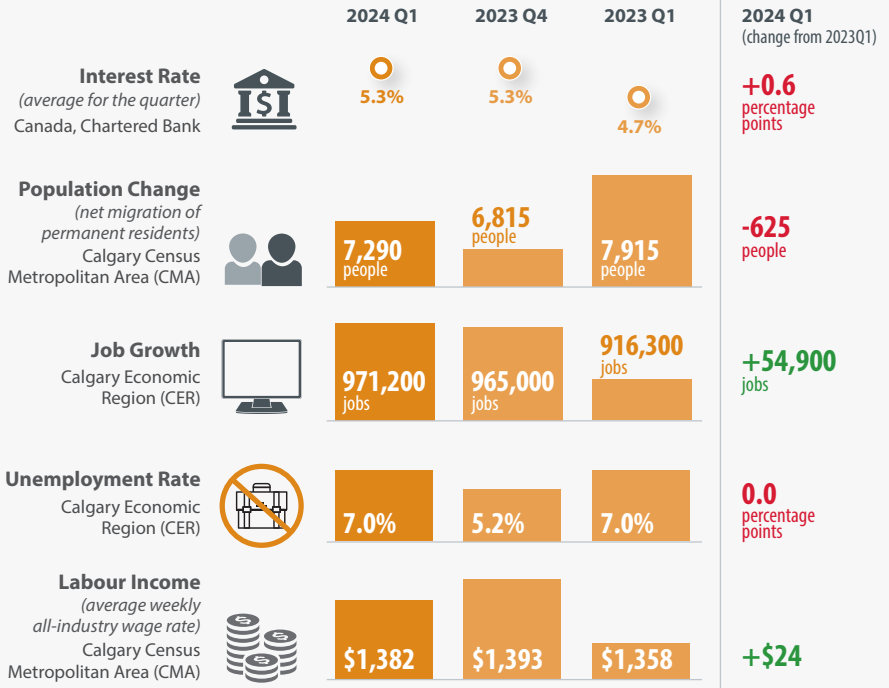


Housing Demand - Key Takeaways:



- ▶ Robust population growth in Calgary CMA, the highest annual increase among major CMAs according to the latest Statistics Canada's data, drives housing demand.
- ▶ Solid labour market conditions, highlighted by the highest Q1 employment growth since 2006, continue to bolster housing demand, despite the dampening effect of slower wage growth.
- ▶ Recent federal initiatives, including changes to amortization periods and incentives for first-time home buyers, are expected to stimulate further demand in the housing market.



ISI Interest Rates

The Bank of Canada decided to hold its policy interest rate at 5.0 per cent, the highest rate since 2001 in the first two meetings that took place in the 2024 Q1 (January and March 2024). The conventional mortgage rate has thus stayed elevated at around 6.8 per cent, leading to increased mortgage carrying costs. The market expectation is that the Bank of Canada may cut rates in June and July, potentially fueling housing demands further.

Employment

Employment in the Calgary Economic Region has expanded by 6.0 per cent to 971,200, up from 916,300 in 2023 Q1. This represents the fastest Q1 growth rate since 2006. Full-time employment grew by 27,900 or 3.8 per cent, while part-time employment increased by 27,000 or 15.7 per cent. The labour force reached 1,044,400, an increase of 59,400 or 6.0 per cent. These high population growth rates, supported by solid labour conditions, further translate into stronger housing demand.

Labour Income

Average weekly earnings in the Calgary Metropolitan Area (CMA) have increased by 1.7 per cent to \$1,382, up from \$1,358 from 2023 Q1 to 2024 Q1. This represents a significant slowdown in wage growth compared to last year, when the growth rate was 4.4 per cent. As labour market tightness eases, wage growth has subsided. Against the backdrop of rising mortgage rates and housing prices (refer to page 3), the proportion of households in need of affordable housing options has likely expanded. The city defines housing needs as situations where a household earns 65 per cent or less of the median income and spends 30 per cent or more of it on shelter¹.

Population Change

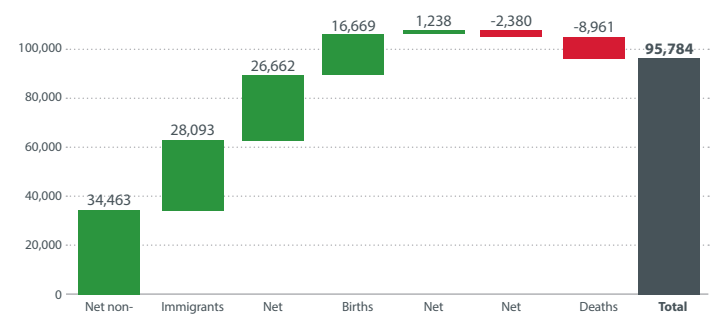
According to the latest Statistics Canada's data², released on May 22, 2024, the Calgary CMA recorded a population increase of 95,784 from July 1, 2022, to July 1, 2023, marking a 6.0 per cent growth—the highest among major CMAs in the nation. Similarly, the City of Calgary's population is estimated to have grown by 86,547, a 6.2 per cent increase. By simply dividing this increase by the average number of persons per dwelling unit³, it is estimated that there is a demand for 33,287 new housing units within the city. However, only 11,787 units were completed during the same timeframe, with nearly half being apartments, which typically accommodate fewer persons per unit. This demand-supply imbalance is expected to keep housing prices elevated.

Key Policy Initiatives

In April 2024, the federal government introduced Canada's Housing Plan, which could boost housing demand from first-time buyers. Key measures include a 30-year amortization for new builds, and higher Home Buyers' Plan withdrawal limits.

Calgary CMA Population Growth by Component July 1, 2022 to July 1, 2023

Source: Statistics Canada Table 17-10-0149-01



¹ <https://www.calgary.ca/content/dam/www/csp/cns/documents/affordable-housing/housing-needs-assessment-2023.pdf>

² Note that Statistics Canada's methodology differs from that of the City's civic census, whose survey period runs from April to April.

³ The average number of persons per dwelling unit is about 2.6, according to both Statistics Canada's 2021 Census and the City's last Civic Census from 2019.

Housing Supply - Key Takeaways:



- ▶ Inventory has reached a historical low as sales continue to outpace new listings, sustaining a seller's market.
- ▶ In 2024 Q1, Calgary saw its highest-ever housing starts and units under construction for Q1, along with the highest completions ever recorded, largely driven by multifamily units.
- ▶ New housing policies from federal, provincial, and municipal levels, including city-wide rezoning, should enhance housing supply and increase the variety of housing options across the city.

New Listings

In 2024 Q1, new listings in the city of Calgary increased by 6.2 per cent to 8,020 listings from 2023 Q1. While there is an upward momentum in listings, the numbers are still below the five-year average of 8,950 listings for Q1. The increase is primarily attributed to a greater number of listings for apartments, row houses, and semi-detached homes, all of which experienced a year-over-year (YoY) growth of over 10 per cent to respond to the demand for more affordable houses. Conversely, listings of detached homes have decreased by 2.5 per cent.

Inventory of Houses for Resale

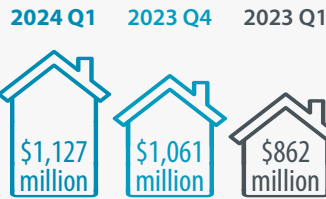
Despite the increase in listings, high housing demand driven by population growth and solid labour conditions has kept the housing market tight, maintaining the seller's market conditions seen in 2023. Total inventory in Calgary fell by 16.5 per cent to 2,347 units compared to 2023 Q1, as sales continued to outpace new listings, as indicated by a high sales-to-new-listing ratio of 80 per cent, up from 71 per cent last year. This is the lowest level of inventory in a decade. The drop in inventory is particularly acute in detached homes (20.0 per cent decline YoY), especially at the lower end of the price spectrum. This shift towards more affordable units is also evident in the row and semi-detached, where in March sales exceeded the numbers of new listings in certain areas of Calgary, further depleting the inventory. This historical level of scarcity of available housing continues to fuel price increases.

Building Permit: Value

According to data as of May 2024, the total value of residential building permits submitted in Calgary for 2024 Q1 reached \$1.127 billion, up from \$862 million in 2023 Q1. This surge reflects strong demand for housing, which has sustained robust investment intentions despite high financing costs. Specifically, the permit value for detached homes rose by 31.5 per cent to \$458 million from \$348 million in 2023 Q1. The investment in townhouses and semi-detached/duplexes doubled to \$132 million and \$89 million, respectively. The investment in secondary suite also doubled. On the other hand, the permit value for apartments rose only by 12.5 per cent to \$353 million. This stagnation aligns with findings from the latest Canada Mortgage and Housing Corporation (CMHC)'s survey⁴, which indicates that rental developers, lacking pre-construction sales, are struggling to proceed with large projects due to high financing costs.

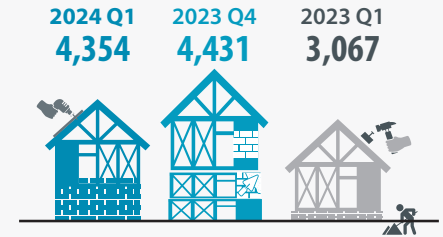
Residential Construction Investment

City of Calgary



Housing Starts (units)

City of Calgary



Building Permit: Residential Units

In 2024 Q1, the total estimated housing units in Calgary amounted to 4,553, reflecting a 15.1 per cent increase from the 3,957 units recorded in 2023 Q1. Single detached units saw a rise of 37.2 per cent, with a 50.0 per cent growth in the South area. The number of residential units in semi-detached/duplexes and secondary suites both doubled to 442 and 593 units, respectively. Notably, secondary suites in the Northwest, Northeast, South, and Southeast areas more than doubled compared to 2023 Q1, totaling 593 citywide. Townhouses experienced a 71.8 per cent increase to 555 units, driven by the growth in the city's South, Southeast, East, and Central parts. Meanwhile, apartment units declined by 25.6 per cent to 1,378 from 1,851, amid an increase in permit value due to the aforementioned challenges.

Housing Starts

In 2024 Q1, Calgary's housing starts surged to 4,354, the highest Q1 total on record, representing a YoY increase of 42.0 per cent. This increase is mainly due to apartments, with starts growing by 38.2 per cent from 1,699 to 2,348 units. Of those 2,348, 1,458 units (62.1 per cent) were condos. This is a considerable change from 2023 Q1, when condos comprised less than 30 per cent of the 1,699 starts, indicating a market trend towards more affordable housing units. Most of these gains in condos occurred in Southwest Calgary, Northwest Calgary, and the Fish Creek area. It should be noted that these start figures may not fully reflect the impact of recent interest rate hikes, as many of these condo developments, which are the lengthiest type of housing development, were likely financed or launched during the lower interest periods of 2021 and 2022.

Housing Under Construction

In 2024 Q1, the total number of residential units under construction reached 20,402, an 18.3% increase from 17,420 and the highest number for Q1 on record. Apartments grew by 23.2 per cent to 14,455, half of which (7,271 units) were condos. Single-detached houses also increased by 13.9 per cent to 3,097. Row and semi-detached saw a slight YoY increase of 2.5 per cent and 1.7 per cent, respectively.

Housing Completions

The number of residential units that were completed totalled 5,022 units, more than doubling from 2,325 recorded in 2023 Q1 and marking the highest number on record. Similar to housing starts, the vast majority of this is driven by apartment completions, which more than tripled from 842 to 2,765 units, of which 2,508 (91 per cent) were purpose-built rentals. As a result, the share of the apartments to total completion has risen to 55.1 per cent from 36.2 per cent, while the single-detached's share has diminished to 23.6 per cent from 42.4 per cent. Row houses also saw a spike in completions from 262 to 746 units, with significant growth in Fish Creek and Southeast areas.

Key Policy Initiatives

The first few months of 2024 saw the introduction of several new housing policies to enhance supply from all orders of government. In April 2024, the Federal government announced Canada's Housing Plan, which includes a new \$6 billion Canada Housing Infrastructure Fund and additional funding for the Housing Accelerator Funds. Alberta government's 2024 budget also expands the Stronger Foundations strategy for affordable housing. At the municipal level, council approved city-wide rezoning on May 14, 2024, one of 98 action items outlined in the Housing Strategy, to facilitate increased construction of various housing options throughout the city. A study from Auckland has shown that upzoned areas experienced more construction activities, with significant gains in multi-family dwelling types⁵.

⁴ Canadian Rental Housing Construction Survey

⁵ Greenaway-McGrevy, R., & Phillips, P. C. (2023). The impact of upzoning on housing construction in Auckland. *Journal of Urban Economics*, 136, 103555.

Housing Market Summary: Sales and Prices - Key Takeaways:



- ▶ The total sales have increased by 20.3 per cent, driven by apartments, which recorded the highest sales for Q1 on record.
- ▶ Benchmark housing prices have appreciated by 10.9 per cent, reaching 597,600 with steep growth in more affordable houses.
- ▶ The average housing price made a gain of 12.4 per cent due to higher detached home prices.

Sales

In 2024 Q1, Calgary recorded 6,448 property sales, a 20.3 per cent increase from 2023 Q1. This marks the second-highest quarterly sales for Q1 since 2014, with the 10-year high of 9,388 sales recorded in 2022 and the fourth highest since 1990. While all dwelling types saw growth exceeding 10 per cent, apartment sales increased by 30.6 per cent, totalling 1,940 sales—the largest number for Q1 on record. Consequently, the share of apartment sales to total sales expanded to 30.1 per cent from 27.7 per cent in 2023 Q1, while the share of detached homes shrunk to 44.0 per cent from 46.6 per cent. The share of other types of ground-oriented homes (semi-detached and row houses) remained largely unchanged. Given the high market prices of detached homes and high mortgage rates, coupled with the enhanced availability of housing choices enabled by rezoning, the share of detached homes in total sales should continue to decline.

Resale House Prices (Benchmark Prices)

In March 2024, the benchmark price for Calgary, which reflects the price of a typical home, across all dwelling types, was set at \$597,600, marking a YoY gain of 10.9 per cent. By contrast, in March 2024, Calgary's Consumer Price Index and nominal average weekly income rose by 4.2 per cent and 1.7 per cent YoY, respectively, highlighting a stark disparity between the increases in general prices and income, thereby deteriorating housing affordability. As a result of higher housing prices and increased interest rates, the monthly mortgage payment on a typical house in March 2024 has risen by 13.3 per cent to \$3,330 from \$2,909 a year ago.⁶

By dwelling type, row houses and apartments have seen sharp price increases of 19.6 per cent and 17.6 per cent, respectively. These further reflect the shift towards more affordable housing units, which has driven prices upward. The prices of detached and semi-detached homes have appreciated by 13.3 per cent and 12.6 per cent, respectively.⁷

Within the city, the East and Northeast districts, where benchmark prices are typically lower, have experienced steep YoY increases of 24.9 per cent and 17.3 per cent in March 2024. These increases were mainly driven by significant appreciation in the benchmark prices of apartments and row houses, which have risen by more than 30 per cent YoY in these districts.

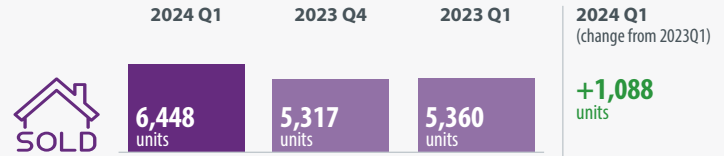
Compared to 2023 Q1, both average and median prices have also risen by 12.4 per cent and 15.3 per cent, respectively. This increase is primarily due to increased sales of houses priced between \$700,000 and \$999,999, which jumped by 80 per cent and were largely composed of detached homes.

⁶ Calculated based on standard mortgages for a benchmark-priced house, with a 25-year amortization period, 20 per cent down payment, and a 5-year fixed mortgage rate. Note this does not include other costs associated with owning a home, such as utilities and insurance.

⁷ Note that the increase in the benchmark price across all dwelling types may not directly correspond to the average increase across all types due to the different weightings assigned to each dwelling type.

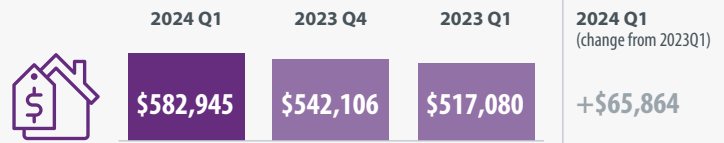
Housing Sales

City of Calgary



Average Resale House Prices

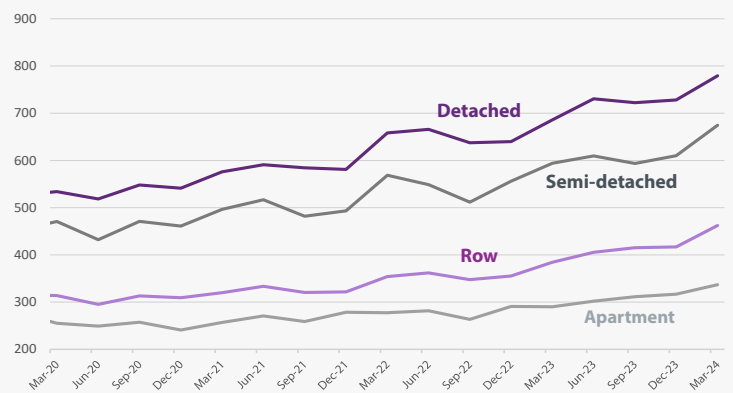
City of Calgary



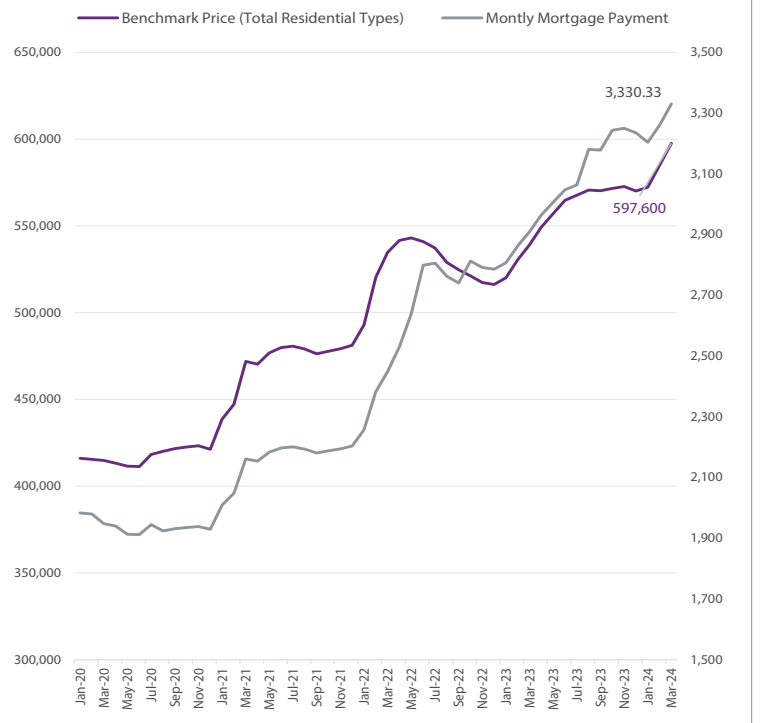
Average Resale House Prices by Structure Type

City of Calgary

(\$thousands)



Benchmark Price and Corresponding Monthly Mortgage Payment, City of Calgary⁶, Jan 2020 - Mar 2024



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:

Stanley Kongnetiman

Manager, Corporate Economics & Regulatory Affairs
stanley.kongnetiman@calgary.ca

Hotaka Kobori

Associate Economist
hotaka.kobori@calgary.ca

Mark Angelo Uy

Corporate Research Analyst
muy@calgary.ca

Many of our publications are available on the internet at

www.calgary.ca/economy

The City of Calgary provides this information in good faith. However, the aforementioned organization makes no representation, warranty or condition, statutory express or implied, takes no responsibility for any errors and omissions which may contained herein and accepts no liability for any loss arising from any use or reliance on this report.

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.

Next release: August 27, 2024