



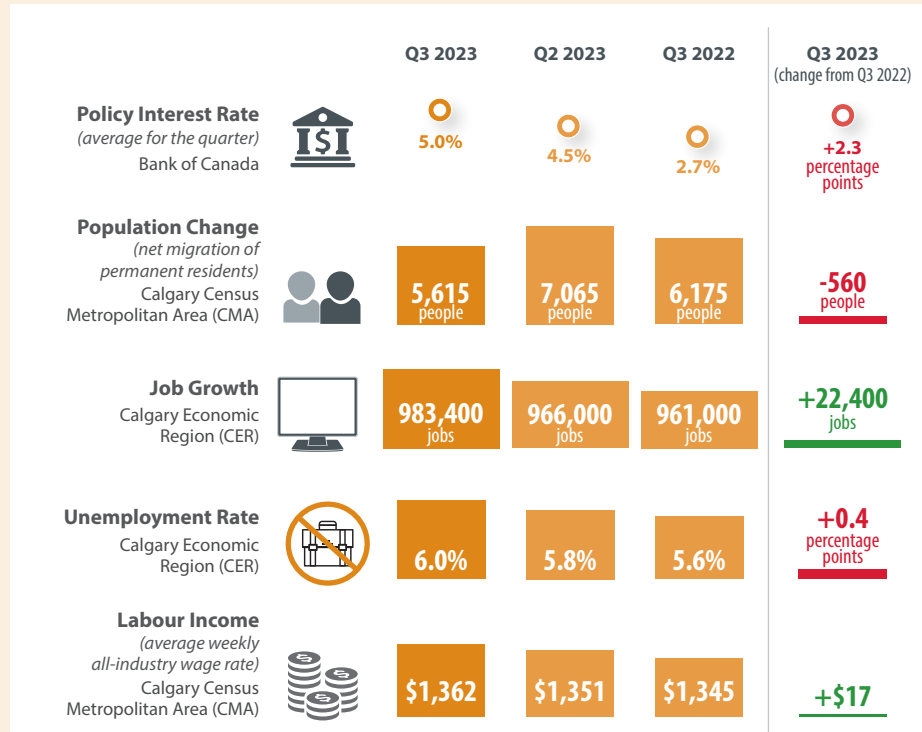
Housing Demand - Key Takeaways:

Housing affordability is an important issue. The City of Calgary has made significant efforts to address this. This report provides a baseline understanding of what the housing market looked like before these efforts began to take effect.

The Calgary housing market continues to exhibit healthy vital market signs in Q3 2023, although the prime business loan rate has increased by 4.75 percentage points since the beginning of 2022. Three factors contributed to the robustness of housing demand so far this year. Firstly, more people moved to Calgary than those who left. Secondly, there has been a sustained increase in economy-wide earnings. And thirdly, Calgary has relative housing affordability compared to similar bigger Canadian cities.

Though the year-to-date data as of October suggests a strong finish in the Calgary housing market in 2023, there are headwinds of housing demand caused by the elevated mortgage rates and tight financial conditions. Many homeowners who are in the process of mortgage renewals or will experience it shortly face significant challenges with

increased monthly payments if amortization periods remain the same. This has caused a shift in housing demand, from homeownership of single-family, semi-detached, or row-housing towards relatively cheaper apartment ownership or home rental options.



Interest Rates

In 2022, the Bank of Canada increased its policy interest rate from 0.25 per cent in January to 4.25 per cent by the end of the year. The first half of 2023 saw further increases of 0.50 percentage points. Another 0.25 percentage points was added again in Q3 2023, pushing the policy rate to 5.0 per cent. This is the minimal cost of borrowing within commercial banks and the central bank in Canada. The overnight policy rate affects the prime lending rate at which banks offer loans and correspondingly impacts mortgage rates. Typically, it takes 18 to 24 months for the central bank's monetary policy actions to work through the economy. The housing market should start to feel the full effects of the rate hikes.

supported the demand for housing, countering some of the effects of recent interest rate hikes. It should be noted that the total number of permanent residency admissions in Q3 slowed down from the same time last year and the first two quarters of this year. If the moderation of population growth continues, then some relief on the pressures on housing services demand could be expected.

cent for the first half of the year. The quarter-over-quarter increase in the unemployment rate was caused by higher labour force growth than employment growth in Q3. The unemployment rate in Calgary is relatively higher than that of the province and other major cities in Canada, which could help mitigate some housing demand pressures.



Job Growth

In Q3 2023, total employment in the Calgary Economic Region grew by 17,400 compared to the previous quarter, and by 22,400 compared to the same time last year. The goods-producing sector has seen solid job gains, especially from the manufacturing and construction industries.



Labour Income

The average weekly all-industry wage increased from \$1,345 in Q3 2022 to \$1,362 in Q3 2023 in Calgary Census Metropolitan Area (CMA). The year-over-year growth of nominal wages has been decelerating, from 4.4 per cent in Q1, 1.3 per cent in Q2, to 1.2 per cent in Q3. The easing signs in the labour market moderated the wage growth. The slowdown in the growth of labour income and economy-wide earnings has contributed to the pull factors of the housing demand.



Unemployment Rate

The unemployment rate in Calgary averaged 6.0 per cent in Q3 2023, higher than the 5.8 per cent in Q2 but lower than the average of 6.4 per



Population Change

In Q3 2023, the net migration of permanent residents to Calgary was 5,615 persons after gaining 14,980 in the first half of the year. Strong population growth in Calgary and Alberta has



Housing Supply - Key Takeaways:

The City of Calgary has made significant efforts to increase housing supply and improve housing affordability for Calgarians. The analysis of housing supply in this report provides a baseline understanding of the housing market before these efforts began to take effect.

In the first three quarters of 2023, the housing inventory of resale in Calgary saw its lowest levels since 2014. The tight housing inventory and the strong need for housing services driven by net migration contributed to the imbalance between housing supply and demand. Increasing new house listings and residential construction investment intentions should help mitigate the tightness in housing supply. Higher housing



Inventory

Housing inventory in Calgary has been the lowest in the first three quarters of 2023 since 2014. Housing inventory for resale in Calgary recorded 3,371 units by the end of Q3 2023, lower than the 4,463 units registered in Q3 2022 and 5,790 units of the 10-year average of the third quarters since 2014. Inventory of houses for resale reflects the stock of housing available for purchase at the end of a defined period. A tighter housing inventory indicates few options for home buyers on the market. This, combined with the strong increase in net migration from both international and interprovincial sources, has contributed to the imbalance between housing supply and demand.



New House Listings

New house listings saw an increase in Q3 2023 to 9,567 listings from 8,520 in Q3 2022, providing some relief to the low inventory levels. Higher new listings indicate an increased desire of more homeowners wishing to sell. New listings of apartments increased significantly, with a year-over-year growth of 33.6 per cent in Q3 2023. This contributed to the shift in the total new listings, with new apartment listings increasing to 29.0 per cent in Q3 2022 from 24.0 per cent a year ago, while single-family new listings decreased from 52.0 per cent to 48.0 per cent within the same period.



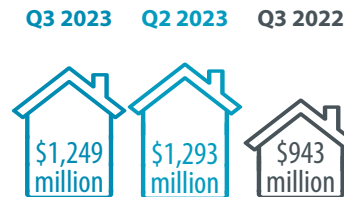
Residential Construction Investment

The estimated building construction values (generally referenced as building permit values) are a measure of building investment intentions. The total new residential building permit values in the city of Calgary were above \$1.2 billion in Q3 2023. The last time when in-

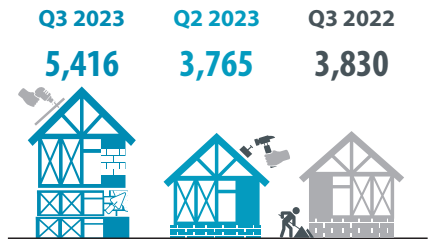
vestment was over \$1.0 billion in the third quarter of the year was in 2014, with over \$1.1 billion (and over 3,800 intended units for construction). Over 5,000 units were slated for construction in Q3 2023, about 1,200 units more than in Q3 2014 and 1,600 units more than last year.

The City of Calgary has taken significant measures to increase housing supply and address the housing affordability issues for Calgarians. For example, The City is partnering with the Government of Canada through its Housing Accelerator Fund to increase the supply of affordable homes over the next three years. Though this newly announced funding is not presently reflected in the Q3 2023 investment intentions, it is expected to add to total housing starts and contribute to the shift in housing types towards multi-family units. Council approved the adjustments to The City's service plans and budgets in the previous week, with key investments to respond to the housing crisis and implement The City's Housing Strategy. The expected increase in housing supply will be very much welcomed and should aid housing affordability and, more importantly, housing accessibility.

Residential Construction Investment
City of Calgary



Housing Starts (units)
City of Calgary



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Housing Starts

The number of total housing starts was 5,416 in Q3 2023, the largest number on record in any quarter since total housing starts were tracked in 1990. Housing starts in the first three quarters of 2023 have exceeded 12,000 units, with more than half being apartment unit types. Builders are responding to the changes in housing preferences resulting from the need for affordability in Calgary. The distribution of housing starts has experienced a significant shift towards apartments between Q3 2022 and Q3 2023:

- Single-family (down from 28.0 per cent in Q3 2022 to 23.0 per cent in Q3 2023)



Houses under Construction

The control valve to the current housing supply pressure is provided by the number of housing units under construction. The number of housing units under construction reflects both previous and current housing starts net of housing already completed. In Q3 2023, the total number of houses under construction was more than 20,000, the highest ever since 1990. The composition of housing types under construction comprised 70.0 per cent of apartments, 15.0 per cent of single-family, 10.0 per cent of townhouses and 5.0 per cent of semi-detached houses. Compared to a year ago, the shares of single and semi-detached houses decreased, while the share of apartments increased.



Housing Completions

In Q3 2023, over 3,200 housing units were completed, lower than the 3,600 units completed in Q3 2022. The greater the composition of housing apartments under construction, the longer construction periods for completion, as apartment structures generally require longer time to finish than most other housing types. Out of the total housing completions in Q3 2023, the largest share increase was the townhouse, which more than doubled from 7.0 per cent to 16.0 per cent, while semi-detached completions rose from 8.0 per cent to 10.0 per cent from Q3 2022, respectively.



Housing Market Summary: Sales and Prices - Key Takeaways:

Housing sales have been strong so far this year, with multi-family housing types accounting for more than half of the total sales, while the share of single-family sales dropped from more than 60 per cent two years ago to 45 per cent in Q3 2023. Amid the elevated interest rate environment, home buyers are settling for affordability and shifting to multi-family housing options that are relatively cheaper.

Higher borrowing costs, elevated household debt burden, and depletion of savings accumulated during the COVID-19 pandemic should put downward pressure on housing sales. However, strong net migration, growth in economy-wide earnings and the shift in housing preference towards multi-family are expected to provide support to the housing market. House price appreciation is expected to remain solid across all housing types in 2023, supported by strong housing demand and constrained supply.



Housing sales registered over 7,800 units in Calgary in Q3 2023, over 1,500 units higher than Q3 2022. The year-to-date sales from January to October 2023 were the second largest on record, only slightly lower than the same period in 2022.

More than 4,200 units of multi-family houses (including semi-detached, row-housing, and apartments) were sold in Q3 2023, accounting for 55 per cent of total housing sales. The share of single-family housing sales continued to decrease to 45 per cent in Q3 2023, from 50 per cent a year ago and 60 per cent in Q3 2021. As the Bank of Canada's monetary tightening policies work through the economy, home buyers are looking for affordability options amid the elevated interest rate environment. It is reflected in the shift in sales from single-family houses towards relatively cheaper multi-family housing types. The shift in the distribution of housing sales by type is reflected below:

- Single-family (down from 50.0 per cent in Q3 2022 to 45.0 per cent in Q3 2023)
- Semi-detached (unchanged from 8.0 per cent in Q3 2022)
- Townhouse (down from 18.0 per cent in Q3 2022 to 17.0 per cent in Q3 2023)
- Apartment (up from 24.0 per cent in Q3 2022 to 30.0 per cent in Q3 2023)

Housing Sales City of Calgary



Q3 2023

7,802
units

Q2 2023

8,943
units

Q3 2022

6,275
units

Q3 2023
(change from Q3 2022)

+1,527
units

Average Resale House Prices City of Calgary



Q3 2023

\$537,221

Q2 2023

\$551,045

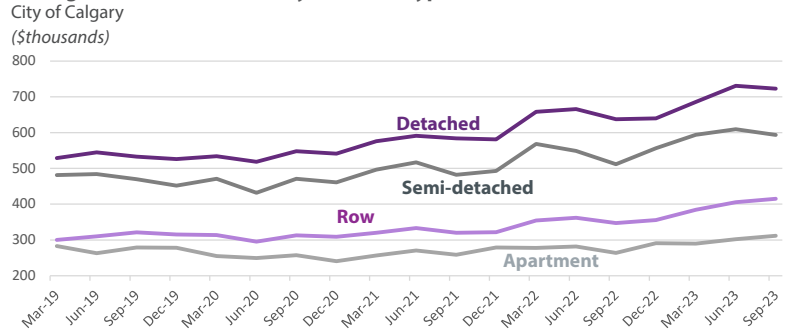
Q3 2022

\$491,497

Q3 2023
(change from Q3 2022)

+\$45,723

Average Resale House Prices by Structure Type City of Calgary



Average Resale House Prices

The average resale prices across all housing types in Calgary appreciated 9.3 per cent between Q2 2022 and Q3 2023. The average resale house price was over \$537,000 in Q3 2023, with single-family houses leading the highest average resale price at over \$722,000. The average resale price for a semi-detached house was over \$593,000, while a townhouse and an apartment came in at over \$415,000 and \$311,000, respectively, in Q3 2023. The strength in resale house prices is supported by a strong housing demand due to population growth and constrained housing supply.

The house price appreciation across housing types was uneven. The single-family house price appreciated the slowest, while the townhouse appreciated the fastest, followed by apartment. This is unsurprising, given that housing affordability has been significantly impacted due to higher borrowing rates and tighter financial conditions.

It should be noted that the year-over-year price increases of each specific housing type may exceed the average resale price increase. It is due to the shift of distribution of sales. Compared to the same time last year, a higher share of apartments was sold in Q3 2023, while the shares of other housing types reduced accordingly. The changing 'basket' of sales of different housing types resulted in a relatively lower average resale price increase for all housing types than the price hikes for specific housing types.

Next release: February 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.

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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.