



## Housing Demand - Key Takeaways:

The higher interest rate environment in 2023 contributed to a housing market slowdown in Calgary. The increase in the cost of borrowing introduced by the Bank of Canada to combat inflation adversely impacted demand for housing. However, there are at least three major indicators, population growth primarily driven by net migration, income growth driven by both employment growth and wage increases, and relative housing affordability (compared to cities like Toronto and Vancouver) that mitigated some of the impact of the elevated borrowing rates on (dampening) housing demand in 2023.

In 2023, the higher cost of borrowing added further upward financial pressure on debt carrying capacity of potential home purchasers and homeowner-mortgage renewals aiding housing affordability challenges and a shift in housing preferences towards cheaper housing structure types. Wage-adjusted for inflation growth also improved in 2023 compared to the previous year aiding household's overall purchasing ability despite a higher mortgage borrowing cost.

|   | 2023                 | 2022                 | 2023<br>(change from 2022)        |
|---|----------------------|----------------------|-----------------------------------|
| <b>Policy Interest Rate</b><br><i>(year-end)</i><br>Bank of Canada  | <br>5.00%            | <br>4.25%            | <br>+0.75<br>percentage<br>points |
| <b>Population Change</b><br><i>(net migration of<br/>                     permanent residents)</i><br>Calgary Census<br>Metropolitan Area (CMA) | <br>27,405<br>people | <br>24,730<br>people | <br>+2,675<br>people              |
| <b>Job Growth</b><br>Calgary Economic<br>Region (CER)   | <br>957,700<br>jobs  | <br>933,900<br>jobs  | <br>+23,800<br>jobs               |
| <b>Unemployment Rate</b><br>Calgary Economic<br>Region (CER)  | <br>6.0%             | <br>6.0%             | <br>No Change<br>(from 2022)      |
| <b>Labour Income</b><br><i>(average weekly<br/>                     all-industry wage rate)</i><br>Calgary Census<br>Metropolitan Area (CMA)    | <br>\$1,366          | <br>\$1,341          | <br>+\$25                         |

## ISI Interest Rates

The last time the five-year conventional mortgage rate was this high was over fifteen years ago in 2008. In 2023, the Bank of Canada hiked the policy rate three more times out of eight standard fixed dates compared to seven times in 2022. The rise in policy rate in 2022 added 4.0 percentage points compared to three-quarters of a percentage point added in 2023. Cumulative policy add-ons contributed to an annual mortgage increase of 6.7 per cent in 2023.

## Population Change

We saw 2,600 more permanent residents move to Calgary in 2023 than observed in 2022. Calgary admitted over 27,400 permanent residents in 2023, the largest ever since we began tracking this indicator in 2015. This strong population component growth also aided in firming the demand for housing. The growth of this population segment puts more pressure on the housing rental market as most are newcomers and require some credit buildup over the year to enable becoming potential home buyers.

## Job Growth

Calgary Census Metropolitan Area labour force grew to over one million persons for the first time in 2023. Annual employment grew at a faster pace of 2.5 per cent than the labour force growth. The growth in employment aided housing demand support and was also partially reflected in the increase in employment in the construction industry.

## Labour Income

The wage-adjusted for inflation improved in 2023 compared to 2022 despite the higher nominal wage growth of 4.2 per cent in 2022 compared to 1.8 per cent seen in 2023. The improved income purchasing ability based on the industrial aggregate weekly wage-adjusted for inflation provided some support for housing demand in Calgary.



## Housing Supply - Key Takeaways:

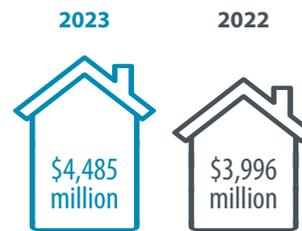
In 2023, the stock of housing inventory tightened further as the pace of housing service needs grew above average, driving it to historical lows. The smooth ebb and flow of housing inventory is perturbed when external or unanticipated pressures evolve, causing either an over-supply or under-supply of housing inventory. Since 2018, housing inventory has consecutively declined, and by more than 55 per cent as of 2023. New home listings add to the stock of inventory and equally saw a decline in 2023. The new home listings provide a reflection of some of the added stock in the housing inventory. Increased new listings generally signal that sellers are optimistic about the housing market and vice versa.

The residential building construction permits provide a measure of expected building construction investments in Calgary. In 2023, residential building construction permit value was its largest recorded since collection of this data. The expected construction investments aid in the supply of housing stock. More residential building construction investment across a continuum of housing types had been signaled in 2023 in Calgary by the Canadian government, the

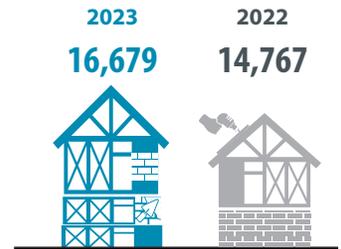
Alberta government and the City of Calgary municipal government based on their various Ten-Year Housing Strategy's to deal with affordable housing and others.

The rental apartment/row housing annual vacancy rate decreased in October 2023 to approximately half of the vacancy rate experienced in October 2022. The low apartment vacancy rate provides further line of evidence that housing services were significantly constrained in 2023 as a desire for rental space shore up. The last time rental vacancy was this low was in 2014, when net migration into the city of Calgary recorded its largest ever. In 2023, net migration into the city of Calgary finally exceeded the 2014 level with at least 5,000 more persons (an equivalent upper bound of approximately 2,000 housing starts) than in 2014.

**Residential Construction Investment**  
City of Calgary



**Housing Starts (units)**  
City of Calgary



## Inventory

Housing inventory decreased in December 2023 to 2,164 houses, the tightest on record. The five-year average prior to COVID was 4,300 houses in inventory. Since 2021, the average inventory shrunk to 2,300 houses and housing inventory has tightened consecutively for the last five years. This tightness in inventory has contributed to fewer housing options in the housing market.

## New House Listings

The new home listings also fell 12.6 per cent in 2023 from 38,885 homes listed in 2022. The higher interest rate environment compelled some willing home sellers to stay put despite the tight inventory and growing need for housing services.

## Residential Construction Investment

The residential construction permit value is used as a measure of expected residential building investments in the city of Calgary. 2023 registered \$4.4 billion the largest investment recorded for residential construction. The number of homes to be constructed in 2023 based on the 2023 expected investments was over 16,600. The distribution of investment across housing types in 2023 is highlighted below.

- Apartment (down from 39.0 per cent in 2022 to 38.0 per cent in 2023)

While the higher borrowing cost environment discouraged residential construction investment, the strong population growth and the tightness in inventory encouraged investment and outweighed adverse investment impacts.

We expect to see in 2024, various affordable housing investment initiatives across The City, Alberta government and the Canadian government bear fruit, aiding the stock and structure types of housing supply in Calgary.

## Housing Starts

In 2023, total housing starts recorded the largest number of over 16,600 homes. Despite the significant expected additions to stock, housing supply could not maintain pace with housing services needed and consequently subduing/constraining available housing stock.

- Single-family (down from 28.0 per cent in 2022 to 27.0 per cent in 2023)
- Two-family (down from 8.0 per cent in 2022 to 7.0 per cent in 2023).
- Townhouse (up from 12.0 per cent in 2022 to 14.0 per cent in 2023)
- Apartment (up from 51.0 per cent in 2022 to 53.0 per cent in 2023)

The change in housing preferences is evident in the response of builders as signaled by the shift in the share of apartment starts in 2023. Prior to 2020, the five-year average share of apartments was 48.0 per cent of total starts.

## Housing under Construction

The total houses under construction reached a historical high of over 21,000 homes in December of 2023. The average annual difference between 2022 was over 3,900 more homes under construction in 2023. The response to strong population growth in the city is reflected in the residential construction activity experienced in 2023. We expect to see similar residential construction growth into 2024 as the housing strategy programs by the three levels of government take effect. The expectation that the Bank of Canada will engage in policy rate reduction in 2024 should fuel further housing construction activity.

## Housing Completions

The city saw over 12,400 homes completed in 2023, the highest on record. Prior to 2020, the average five-year number of completions was over 9,700 homes, a 27.8 per cent increase in 2023. The distribution of completions by housing type is highlighted below.

- Single-family (up from 31.0 per cent in 2022 to 34.0 per cent in 2023)
- Two-family (up from 8.0 per cent in 2022 to 9.0 per cent in 2023).
- Townhouse (up from 11.0 per cent in 2022 to 15.0 per cent in 2023)
- Apartment (down from 50.0 per cent in 2022 to 42.0 per cent in 2023)

Despite the growth in housing completions the pace of growth of housing demand has far exceeded supply thus constraining housing inventory to historical lows.



## Housing Market Summary: Sales and Prices - Key Takeaways:

The housing market tightened in 2023 as high borrowing costs and higher debt burden levels restrained home buyers from full engagement in home acquisitions. Despite encouraging population growth, improvement in wage-adjusted for inflation and employment growth that supported housing purchasing, the higher borrowing cost environment mitigated the full positive impacts on housing demand. The higher borrowing cost has driven the share of sold single-family homes lower at the expense of affordability, driving sales of apartments higher.

All-structure types of resale housing price growth slowed as some households reevaluated their ability to purchase and the availability of housing choices. The resale house price growth across all-structure types decelerated by more than half of price appreciation in 2022. However, the house price growth changes have been uneven across the different housing types. Apartment structures experienced the largest house price growth acceleration, followed by townhouses, while single and two-family structures experienced house price growth deceleration as the flight of homebuyers towards affordability intensified demand for apartments and townhouses.

Apartment annual rents increased into the double-digits while apartment vacancy rates tightened further to 2014 apartment

vacancy rate levels, that year, net migration hit a record level never seen until 2023. The increased pace of household demand for housing services relative to housing supply has caused apartment vacancies to decrease and correspondingly, apartment rents have risen double-digits.

### Housing Sales City of Calgary



2023

27,416  
units

2022

29,659  
units

2023  
(change from 2022)

-2,243  
units

### Average Resale House Prices City of Calgary



2023

\$539,313

2022

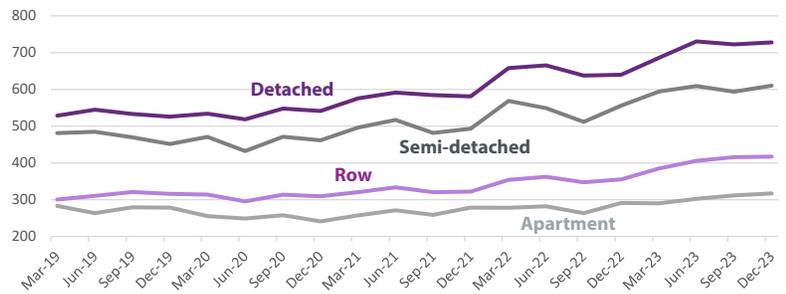
\$516,834

2023  
(change from 2022)

+\$22,479

### Average Resale House Prices by Structure Type City of Calgary

(\$thousands)



**Sales** Total sales slowed in 2023 to 27,416 homes on the back of high borrowing cost. The higher borrowing cost was a deterrent for some households to take on more debt. The slowdown in sales was also camouflaged by the shift in the housing-type distribution. The higher cost of borrowing drove households towards affordability, causing a shift in housing distribution types from single-family to apartments. Prior to the pandemic 2020, the five-year average share of single-family was at 62.0 per cent now down to 50.0 per cent over the last two years. The share of apartments rose from the five-year average of 16.0 per cent prior to the pandemic to 25.0 per cent over the last two years.

#### Sales housing distribution by type:

- Single-family (down from 53.0 per cent in 2022 to 46.0 per cent in 2023)
- Two-family (unchanged from 8.0 per cent in 2022).
- Townhouse (remained unchanged from 17.0 per cent in 2022)

- Apartment (up from 21.0 per cent in 2022 to 29.0 per cent in 2023)



#### Resale House Prices (Benchmark Prices)

The deceleration of all-structure type resale house price growth continued into 2023 on the heels of higher borrowing costs, dropping to 5.8 per cent. Due to low housing inventory, strong population growth, employment and real-wage growth, house price growth across structures was uneven. Despite all-structure type resale price growth deceleration, apartment price growth saw significant acceleration growing by more than double (13.5 per cent) of the 2022 apartment price growth of 6.3 per cent. The culprit driving apartment price growth appreciation was housing affordability, which marginally impacted town housing price growth appreciation to 13.6 per cent from 13.5 per cent in 2022.

Both single and two-family homes saw a deceleration in average house price growth from 2022 to single-digit growth appreciation.

The rental apartment annual vacancy rate in Calgary decreased from 2.6 per cent in October 2022 to 1.4 per cent in October 2023, providing further support for housing substitutability towards affordability. The acceleration in apartment resale price growth was evidenced by the annual increase observed in the cost of apartment rentals which saw 17.2 per cent increase in Calgary between October 2022 and 2023 same period.

In 2024, we do expect residential building construction investment to strengthen and improve the pace of housing supply and distribution of housing supply by types. The pace of population growth, employment growth and improved wage-adjusted inflation had accelerated demand for housing services in 2023. We do expect the pent-up housing demand to persist into 2024 until housing inventory and by types improve significantly. The expectation of a relatively lower borrowing environment in 2024 will need for the housing supply-side to significantly pick up pace to also manage housing demand growth caused by rate reductions.



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## 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.