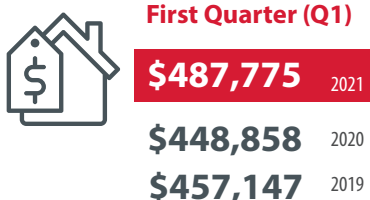




Highlights:

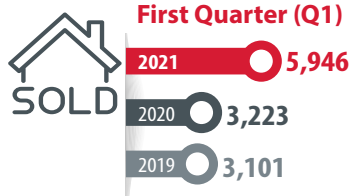
Average Resale House Price

City of Calgary



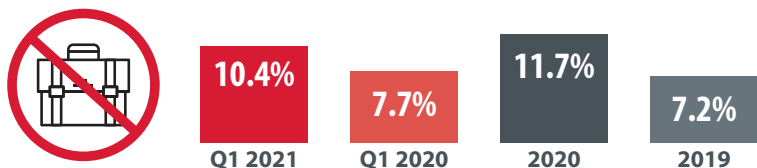
Unit Sales

City of Calgary



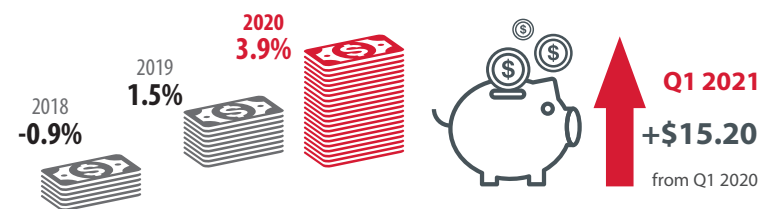
Unemployment Rate Comparison

Calgary Economic Region



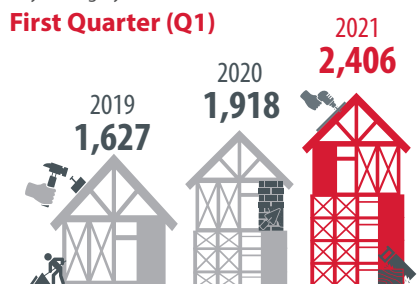
Inflation-adjusted Weekly Wage Growth

Calgary Census Metropolitan Area



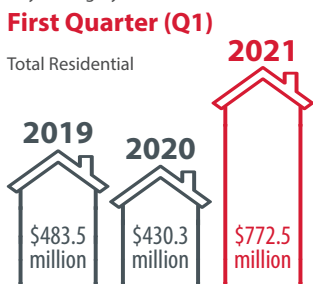
Housing Starts

City of Calgary



Building Permits

City of Calgary



Recent Price Signals in Calgary's Housing Markets

Calgary's residential real estate market seems to have finally turned the corner in 2020 since the oil price crash in late 2014. Prior to 2015 and after the global financial crisis of 2008-2009, the average resale house price increased by \$15,000 or 3.0 per cent per year in the Calgary Census Metropolitan Area (CMA). Since 2015, the average resale house price has fallen by \$1,700 or -0.1 per cent per year. However, it increased by \$8,000 or 1.8 per cent in 2020. The house price inflation in 2020 was due to double-digit house price growth of 11.0 per cent in Q3 from the previous quarter in 2020.

The resale housing prices in Calgary firmed up in Q1 2021, thanks to the low mortgage rates, increased consumer confidence from the availability of various COVID-19 vaccines and the released pent-up demand from easing pandemic-related restrictions.

In the city of Calgary, though resale house prices responded favourably in the second half of 2020, the average resale house price was lower than the 2019 level by \$2,600. The average resale house price in Q1 2021 was \$490,000, an increase of \$28,000 or 6 per cent above the level in 2020. It is worth mentioning that the price movement of detached and semi-detached housing structures is the primary driver of resale house price appreciation in Calgary. The average house price of a detached and semi-detached is between 1.8 to 2.2 times the average apartment price in Calgary.

Housing Demand

Despite the decrease in employment in the Calgary Economic Region (CER) by -5.4 per cent in 2020, primarily driven by the COVID-19 pandemic, the residential real estate market remained resilient. The unemployment rate in the CER remained elevated at 11.7 per cent in 2020, which would have generally corresponded with lower demand for housing and thus depressed housing prices. However, the fiscal response by the three levels of government and the actions of the Bank of Canada to ease the potential economic impacts of a pandemic certainly played a significant role in mitigating the loss of income and housing demand issues.

Pent-Up Demand Supported by an Improving Labour Market

Seventy-eight per cent of total employment in the CER was in the services-producing sector, including food and accommodation, retail and wholesale trade, real estate, finance, and insurance, education, health and social services. This sector was hit the hardest by the COVID-19 pandemic due to the contact-intensive nature of occupations in those industries.

The average wage difference between the goods- and services-producing sectors was \$29,000 before inflation-adjustment (nominal wage) and \$20,000 after adjusting for inflation (real wage) in 2020. Nominal weekly wage rate increased by 5.1 per cent in 2020, compared to 3.0 per cent in 2019, and 1.5 per cent in 2018. In Q1 2021, the nominal wage increased by 0.7 per cent but the real wage rate increased by 0.1 per cent from the previous quarter.

The total employment in the CER increased by 10,900 in Q1 2021, after falling by 23,00 compared to Q4 2020. The labour market is expected to regain its lost ground in 2021 as more of the population gets vaccinated and COVID-19 related pandemic restrictions ease. The CER unemployment rate fell to 10.4 per cent in Q1 2021, from the annual average of 11.7 per cent in 2020.

The total houses sold in the city of Calgary increased by 1,600 units in Q1 2021 from 4,400 units in Q4 2020, evidence of pent-up demand unwinding after a challenging labour market in 2020.

Housing Supply

The new listings of resale homes in the city of Calgary increased from 2,400 units per month in 2020 to 3,200 units per month in Q1 2021. The last time we saw this level of listings was in 2014 when the Calgary economy was firing on all cylinders. The resale house price in the city of Calgary appreciated in the second half of 2020, providing a substantial incentive for potential sellers to list their homes on the market. However, the increased demand so far has outpaced the increased supply in Calgary's market.

In 2019, the resale housing market was balanced. It was neither a buyers nor seller's market as the ratio of sales-to-listings averaged 50 per cent. In 2020, the sales-to-listings ratio increased to 60 per cent, indicating a shift to a seller's market. The momentum towards a seller's market persists in Q1 2021 as the sales-to-listings ratio remains at 60 per cent.

Residential Construction Investment in the City of Calgary

In 2020, residential building permit value decreased to \$2.3 billion from \$3.1 billion a year ago. The super low mortgage rates coupled with residential house price appreciation pushed up residential investment in Calgary, with the city's residential building permit value up by \$800 million in Q1 2021. The last time investment intention was higher in Q1 was in 2014.

There has been a solid start to residential investment intention in 2021. The oversupply of apartments in the Calgary

market contributed to a slowdown in apartment construction investment in 2021. As a result, the share of single-family to total residential building permit values increased in Q1 2021 to 46 per cent, from 42 per cent in 2020 and 32 per cent in 2019.

As the labour market strengthens, firming up housing demand, the expectation of house price appreciation is generally an excellent signal to residential construction investment. However, we should note that the cost of residential construction materials has been edging upwards, including residential construction wages, as both upward pressures from pent-up demand, low-interest rates, and supply constraints continue.

The number of homes started in 2020 decreased to 8,000 units from 11,000 units in 2019. In 2018, total housing starts were lower at 9,000 units. The number of house starts was 1,600 units in Q1 2018 and Q1 2019, increasing to 1,900 units in Q1 2020. The share of single-family to total housing starts increased to 34 per cent in 2020 from 25 per cent in 2019.

In Calgary CMA, housing starts in Q1 2021 reached 2,800 units, higher than the level in Q4 2020 and in every other Q1 since 2016. Total housing starts in 2020 decreased to 9,000 units from 12,000 units in 2019, due to the pandemic driven public health restrictions. The share of single-family to total housing starts increased to 34 per cent in 2020 from 28 per cent in 2019. The single-family housing starts were 1,000 units in Q1 2021, accounting for 36 per cent of the total.

It is expected that the unemployment rate in Calgary will decline in 2021 as total investment responds to improved business and consumer sentiments, lower cost of borrowing and access to COVID-19 vaccines. All observations point to a seller's market in Calgary.

Next update: July 2021

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Sources: Statistics Canada, CMHC, CREA, CREB, The City of Calgary, Corporate Economics