



HOUSING DEMAND

Key Takeaways

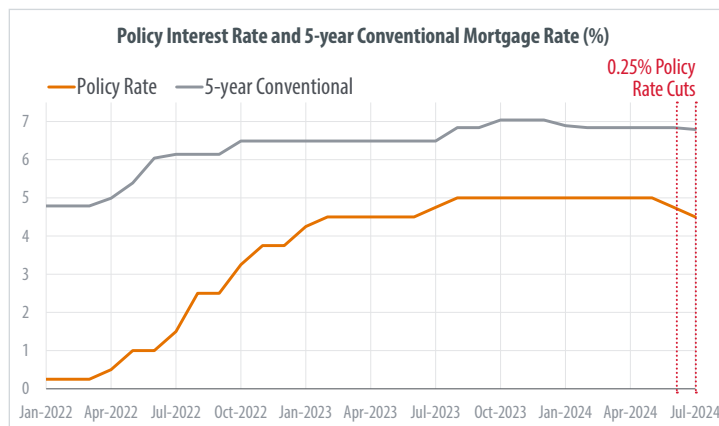
- The working-age population in the Calgary Economic Region is estimated to have grown by 5.1 per cent from Q2 2023 to Q2 2024, sustaining strong housing demand.
- Falling mortgage rates, as the rate cut cycle begins, could further stimulate housing market activity.
- Tightening immigration policies and cooling labour market conditions in Calgary may help to moderate demand in the housing market.

	Q2 2023	Q1 2024	Q2 2024	YoY Change
Mortgage Rate (5-year Conventional) Chartered Banks	6.5%	6.9%	6.8%	+0.4 percentage points
Population Change* (working age population)	1,434,900	1,489,900	1,508,500	+73,600 people
Job Growth*	966,000	971,200	997,000	+31,000 jobs
Unemployment Rate*	5.8%	7.0%	8.1%	+2.3 percentage points
Labour Income** (average weekly all-industry wage rate)	\$1,351	\$1,382	\$1,440	+\$88

* Calgary Economic Region (CER)
** Calgary Census Metropolitan Area (CMA)

Interest Rates

The Bank of Canada decided to cut its target policy rate by 0.25 per cent in both the June and July meetings consecutively, reducing the rate to 4.5 per cent. The interest rate is expected to decrease further as inflation moderates and approaches the neutral rate of 2.25 to 3.25 per cent. According to the latest projection in the Bank of Canada's July Monetary Policy Report¹, the annual inflation rate is estimated to be 2.6 per cent in 2024. The conventional five-year fixed mortgage rate offered by chartered banks fell by 0.5 per cent



in July 2024 compared to June 2024. This reduction in mortgage costs is expected to boost housing demand. A 0.5 per cent drop in the mortgage rate translates to about \$15 less in monthly mortgage carrying costs on a typical 25-year mortgage with a 20 per cent down payment on a benchmark-priced house (app. \$600,000)

Population Change

According to the latest Statistics Canada data from the Labour Force Survey, between Q2 2023 and Q2 2024, the working-age population (those aged 15 and older) in Calgary's Economic Region (CER) is estimated to have grown by 5.1 per cent to 1,508,500. This is the highest growth rate since 2002. During Q2 2024, the CER's working-age population exceeded 1.5 million for the first time on record. Compared to Q1 2024, the working-age population grew by 1.3 per cent. Year-over-year growth has been accelerating since Q4 2021. This rapid population growth supports the housing market's demand, maintaining a seller's market in Calgary.

Employment

Employment in the Calgary Economic Region expanded by 3.1 per cent to 997,000, up from 966,000 in Q1 2023. While this employment growth was higher than the 2.3 per cent recorded in Q2 2023, it represents a considerable decline from the 6 per cent recorded in Q1 2024, indicating cooling labour market conditions in Calgary. Full-time employment dropped by 900 or 0.11 per cent, marking the first year-over-year (YoY) decline in full-time employment since 2020 amidst the pandemic. This means that all employment growth can be attributed to part-time employment, which grew by 31,900 or 20.2 per cent, the highest growth rate for Q2 since Q2 2021. The labour force reached 1,084,900, an increase of 59,600 or 5.8 per cent, the highest growth level and rate since 2006. Softening labour conditions could weigh on housing demand as the labour market cannot generate a sufficient labour base that can afford housing.

Labour Income

The average weekly earnings in the Calgary Metropolitan Area (CMA) have increased by 6.5 per cent year-over-year to \$1,439.7 from \$1,351.3. This wage growth is the highest for Q2 since Q2 2020, when the growth rate was 8.2 per cent. While new employment has stagnated, certain industries such as Oil and Gas, and Finance and Insurance saw strong wage growth. Given that the inflation rate during the same time span was 3.6 per cent, the real wage growth rate came in at 2.9 per cent. In fact, Q2 2024 was the first quarter to see positive real wage growth since Q1 2021. However, wage growth is still below the growth rate in owned accommodation, which is 9.5 per cent, indicating worsening housing affordability.

Key Policy Initiatives

Effective May 1, 2024, changes to the Temporary Foreign Worker Program (TFWP) were implemented, including shorter validity periods and a reduced cap on low-wage temporary workers in certain sectors. The federal government has indicated that further changes to TFWP are underway to tighten the program and "better align streams with labour market needs"¹. These adjustments are expected to moderate population growth, which has recently been driven by TFWs, and could potentially relieve housing demand, especially in rental markets that TFWs typically rely on.

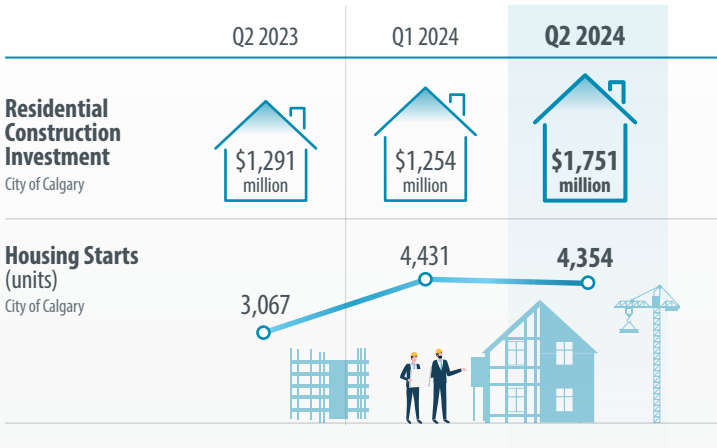
¹ <https://www.bankofcanada.ca/2024/07/mpr-2024-07-24/>

² <https://www.canada.ca/en/immigration-refugees-citizenship/news/2024/03/speaking-notes-for-the-honourable-marc-miller-minister-of-immigration-refugees-and-citizenship-announcement-related-to-temporary-residents.html>

HOUSING SUPPLY

Key Takeaways

- Building permit values and expected residential units saw significant gains in Q2 2024.
- Q2 2024 was another record-breaking quarter for Calgary, with the highest Q2 housing starts, units under construction, and completions, driven primarily by multifamily units.
- Numerous initiatives by the City appear to have boosted secondary suite construction.



Building Permit: Value

According to data as of August 2024, the total value of residential building permits submitted in Calgary for Q2 2024 reached \$1.751 billion, a 35.7 per cent increase from \$1.291 billion in Q2 2023. Despite high financing costs, robust housing demand is spurring investment intentions. Notably, the value of apartment permits amounted to \$718.0 million, surging by a significant 46.2 per cent, the highest permit value for apartments since Q4 2019. The permit value for detached homes rose by 24.5 per cent to \$600.4 million from \$482.3 million in Q2 2023. While investment in townhouses fell by 3 per cent, semi-detached/duplex permits climbed by 78.4 per cent to \$110.9 million. This is the first time the permit value for two-family housing has reached \$100 million within a single quarter, with intensified investment in the southern parts of the city. The permit value for secondary suites also doubled year-over-year, with northern parts of the city experiencing a doubling of permit values. This growth can be attributed to the city's numerous initiatives to facilitate construction (c.f. below).

Building Permit: Residential Units

In Q2 2024, the total residential housing units in Calgary reached 7,701, achieving a 38.7 per cent increase from the 5,552 units recorded a year ago. Of these 7,701 units, apartments composed 3,509, registering a 41.8 per cent increase. Housing units for single-family homes appreciated by 24.6 per cent to 1,540 units, the highest number in five years, with significant growth in the western parts of the city. Housing units for other ground-oriented houses, such as townhouses and two-family houses, saw increases of 7.5 per cent and 78.1 per cent, respectively. Rowhouses soared by 53.16 per cent to 412 units, the highest on record, with growth led by the centre and northwest areas, where the number of units more than quadrupled YoY.

Housing Starts

In Q2 2024, the total housing starts in the city of Calgary reported by Canada Housing and Mortgage Corporation increased by 22.2 per cent or 835 units to 4,600 YoY, the highest number on record for Q2 and second highest quarterly record ever. The surge is led by apartment construction, which increased by 29.3 per cent YoY, partly supported by the initiatives of all government orders to boost apartment construction. Out of total 4,600

starts, the apartment composed of 50.3 per cent or 2,313, of which 1,334 (57.7 per cent) was purpose build rental. The share of apartments total starts edged up higher from 47.5 per cent recorded in Q2 2023. The slowdown in apartment construction seen across the nation due to unfavourable financing conditions has not yet been observed in Calgary³. The semi-detached starts have soared by 68.9 per cent to 446, the highest number on record for the city of Calgary. Areas with typically lower-benchmark prices such as Fish Creek, Southeast, and Northeast saw significant gains with doubling starts. These trends above indicate the market's effort to satisfy growing demand for more affordable types of dwellings.

Housing Under Construction

In Q2 2024, the total number of residential units under construction was 19,922, up by 11.5 per cent from 17,869 recorded in Q2 2023, but down by 2.4 per cent from 20,402 in Q1 2024. This is the highest number of dwelling units under construction for Q2. While the share of each dwelling type to the total is essentially unchanged, the share of semi-detached houses has expanded. Semi-detached houses under construction increased by 23.6 per cent year-over-year to 1,140, marking the highest number on record and the first time to reach 1,000 units. This trend is likely to continue, supported by recent city-wide rezoning efforts allowing for more semi-detached houses in previously single-family zones.

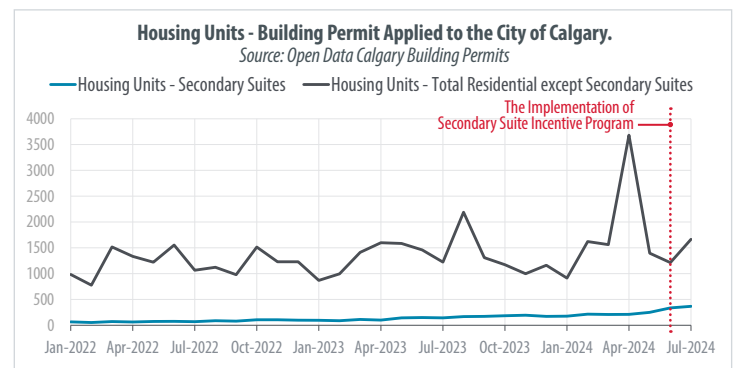
Housing Completions

The number of housing completions in the city of Calgary in Q2 2024 was 5,040, marking a 60.0 per cent increase from the 3,276 recorded a year ago. This is the highest completion figure for the city on record. The spike is primarily attributed to apartment completions, which more than doubled to 3,108 units. This is the first time Calgary has seen over 3,000 units completed in a single quarter. Combined with 2,765 units from Q1 2024, the total apartment completions in the first half of 2024 have already exceeded the totals observed for the entire years of 2023 (5,219 units) and 2022 (5,801 units). Apartment completions in 2024 are expected to reach the all-time high of 6,338 observed in 2016. Of the 3,108 completed units, 61.4 per cent (or 1,907 units) were rental units, up from 48.6 per cent a year ago. This is expected to alleviate some pressure on the rental market in Calgary. Areas such as Downtown, Beltline, and Chinook have seen an uptick in both rental and condo completions.

Single-family completions stood at 1,164, an increase of 155 units from Q2 2023, with gains in the Southeast and Fish Creek areas. The share of apartments in the total completions was 61.7 per cent, up from 45.2 per cent. Conversely, the share of single-family completions was 23.1 per cent, the second-lowest on record.

Key Policy Initiatives

In June 2024, the City introduced the Secondary Suite Incentive, one of the actions outlined in its Housing Strategy. This new program provides qualifying homeowners with up to \$10,000 to cover construction costs for developing a secondary suite. Coupled with the extended Secondary Suites Amnesty Program, these initiatives appear to have incentivized increased applications for secondary suites. According to data as of August, there were 336 applications for secondary suites in July and 368 in June, up from 251 applications in May.

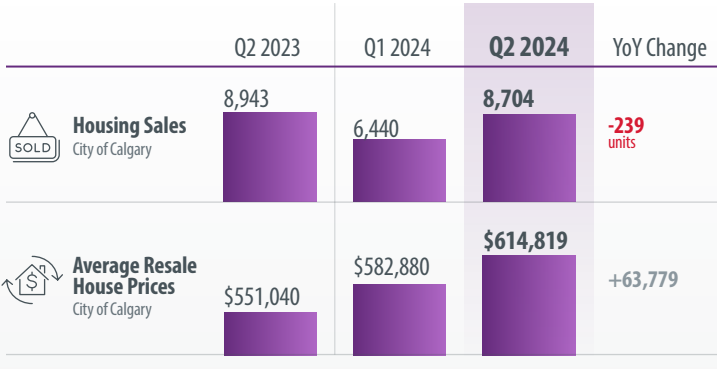


³ CMHC (2024) Housing Supply Report

HOUSING MARKET

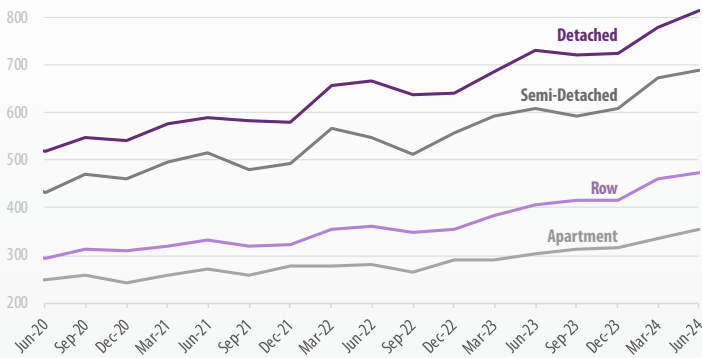
Key Takeaways

- Inventory saw a modest improvement for the first time in three years as some buyers were priced out of the strong housing market.
- Total sales dipped due to the scarcity of relatively affordable housing, offset by gains in apartment sales, which hit a 10-year high.
- Benchmark housing prices appreciated by 8.5 per cent year-over-year, reaching \$604,266—the first time the benchmark price has exceeded \$600,000 in Calgary, driven primarily by increases in more affordable housing segments.



Average Resale House Prices by Structure Type

City of Calgary (thousands)



New House Listings

In Q2 2024, new home listings in the City of Calgary rose by 8.4 per cent to 11,626 houses compared to Q2 2023. The market saw a notable increase in detached houses, particularly in higher price ranges, contributing to a 4.8 per cent increase in detached listings, totaling 5,475—the highest number since Q2 2022. This marks a significant improvement from a year ago when listings fell by 24.5 per cent. Other dwelling types, such as apartments, semi-detached houses, and rowhouses, also saw increases of 12.1 per cent, 12.6 per cent, and 11.2 per cent, respectively. Similar to the detached market, most of the gains in apartment listings occurred in relatively higher price ranges, leading to limited options for more affordable condos for buyers. The sale-to-new-listing ratio has decreased to 75 per cent from 84 per cent a year ago, indicating a slight easing in market tightness.

Inventory of Houses for Resale

The inventory of houses remained steady at 3,305 units, unchanged YoY. Despite the increase in new listings, strong housing demand—driven by population growth and solid labour market conditions—absorbed much of the additional supply. For the first time in three years, inventory levels did not decline year-over-year, yet the market continues to favour sellers with a low 1.4 months of supply. While most housing types experienced a year-over-year decline in inventory, rowhouses saw a 2.7 per cent increase in supply. This rise in inventory is primarily due to a significant pullback in sales, particularly in higher price ranges, allowing for some restocking. Nonetheless, the market for affordable housing remains tight. Overall, these trends do not signal a cooling housing market but rather reflect that price levels have adjusted to a point where fewer buyers can participate.

Sales

During Q2 2024, there were 8,704 property sales within the city of Calgary, slightly down from 8,943 recorded in Q2 2023, but still well above the 10-year average of 6,793 for Q2. The scarcity of available houses is hampering property sales. For example, detached sales have declined by 7.6 per cent compared to Q2 2023, with a salient depletion of houses in the lower price range. Year-to-date, there were about 4,250 sales in 2022 for detached houses priced below \$700,000, but this number has dropped by 9.3 per cent to 3,856 in 2024. Semi-detached and rowhouse sales have also seen a slight decline, with a 0.5 per cent drop. Rowhouses experienced a modest 1.5 per cent increase. On the other hand, apartment sales gained by 3.1 per cent, as demand for more affordable housing types remains strong amidst high mortgage rates and housing prices. Year-to-date, apartment sales have reached 4,461, the highest record in 10 years. Consequently, the share of apartment sales to the total has climbed to 29 per cent, up from 27 per cent recorded the previous year.

By region, the City Centre district recorded its highest sales in 10 years, mainly driven by strong apartment sales. This surge is attributed to densification efforts around downtown, which has seen a rapid population increase. This trend is expected to continue as the City advances its rezoning and office conversion programs.

Resale House Prices (Benchmark Prices)

In Q2 2024, the benchmark price, representing the price of a typical home across all dwelling types within the city of Calgary, reached \$604,266, marking an 8.5 per cent year-over-year increase. This is the first time in history that the benchmark price has exceeded \$600,000 for Calgary. Consequently, the monthly mortgage payment on a typical house has risen by 12.0 per cent, from \$3,005.76 to \$3,367.48 year-over-year. By dwelling type, apartments and rowhouses experienced the sharpest increases, with benchmark prices rising by 17.5 per cent and 17.9 per cent, respectively, reaching \$344,700 and \$460,700. The price appreciation for these relatively affordable housing types has been accelerating, particularly in traditionally lower-benchmark areas. For instance, in June 2024, the North East and East districts saw significant increases of 14.2 per cent and 17.7 per cent, respectively. This growth is largely attributed to sharp rises in the benchmark prices for apartments and rowhouses, with nearly 30 per cent growth rates in these segments, supported by relatively lower baseline prices. Single-detached and semi-detached homes saw increases of approximately 12.8 per cent. Especially, semi-detached homes are in high demand in the South East and East, where sales are outpacing new listings and the months of supply are below 1.0. As a result, demand has shifted toward apartments and rowhouses, driving up their prices. This substitution effect, combined with high mortgage rates and rental prices, has been driving up prices in these segments. This strong price growth trend in relatively more affordable housing will likely continue as solid population growth will likely provide floor to benchmark prices in the foreseeable future.

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, Statistics Canada, CMHC, CREB, Corporate Economics.