

### Housing Market in Canadian Census Metropolitan Areas

The housing demand in Canada has shown resiliency in the face of COVID-19 in 2020. New house prices grew by 0.5 per cent in Q1 and decreased by 0.4 per cent in Q2 during the pandemic-induced economic shut-down of non-essential services. The pent-up demand for housing in Q2 pushed up new house prices in Q3 by 1.0 per cent. Toronto, Ottawa, Vancouver and Montreal Census Metropolitan Areas (CMA) all exhibited similar housing market resiliency, with Toronto and Vancouver saw quarter over quarter (Q-o-Q) price increases in Q2. By contrast, Calgary's new house market was still trying to make a comeback since Q1 2015 and then the pandemic hit. In all three-quarters of 2020 new house prices have decreased in Calgary.

In Q1 2020, total employment in the Calgary Economic Region (CER) decreased by 26,000 persons. In Q3 2020, employment recovered by 44,000 as pandemic-induced restrictions were eased. By Q3, total employment in 2020 was down by 59,400, compared to 40,300 gains in 2019 over the same period.

Consumer price index increased by 1 per cent in Q1 and decreased by 0.5 per cent in Q2 before bouncing back to 1 per cent in Q3 as restrictions eased and demand increased. Inflation-adjusted weekly wage (real wage) growth remained positive year over year (Y-o-Y) in the past three quarters in 2020. However, the employment gain in Q3 and real wage growth did not translate to new house price appreciation in Calgary.

The unemployment rate averaged 7.1 per cent in Calgary over the first three quarters of 2019 and increased to 11.5

per cent in Q1-Q3 2020. The higher unemployment rate put downward pressures on housing demand. However, policy actions such as Canada Emergency Response Benefit (CERB) and extended rental and mortgage payments programs limited the immediate pandemic impacts on the market.

### Resale Supply (market listings) in Calgary CMA

The average quarterly new listings in the first three quarters of 2019 was 11,000 units, 1,100 units higher than the average of 9,900 units in Q1-Q3 2020. The average new listings per quarter between 2015-2019 were 11,700 units, 1,800 units higher than the first three quarters' average in 2020.

### Resale House Price Dynamics in Calgary CMA

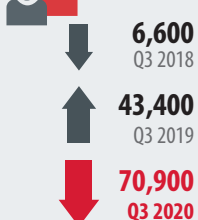
The housing resale market in Calgary has responded more favorably compared to the new housing market. Sales of houses rose from 4,500 units in Q2 to 7,200 units in Q3 2020. The last time we saw a higher increase in sales from Q2 to Q3 was in 1990. The pent-up demand created by the pandemic-induced restrictions was the reason behind it. It remains to be seen whether this momentum continues into the last quarter of this year.

Since 2015, the average resale house price has fallen by 1.5 per cent, from \$451,473 in 2015 to \$444,844 in Q3 2020. But compared to Q2 2020 the resale house price increased by as much as \$45,000, or 11 per cent in Calgary. This came as a surprise, as the most notable historical quarterly average house price change ever observed since 1980. As resale inventory tightens, substitutability wanes between new and resale.

### Housing demand

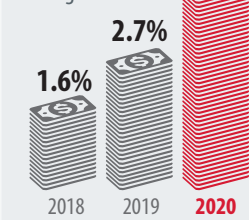
#### Job growth [Q3]

Jobs fell in Q3 2020 relative to Q3 2019 and 2018 in the Calgary Economic Region but had the largest unprecedented gain Q-o-Q in Q3 2020.



#### Wage growth [Q1 to Q3]

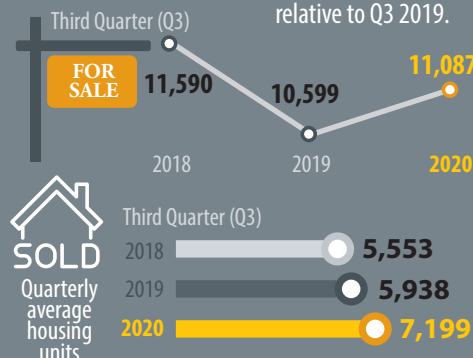
The shift from wage increase below inflation to wage increases above inflation continues to support upward pressure on housing demand.



### Supply (market listings)

#### Listings and sales [Q3]

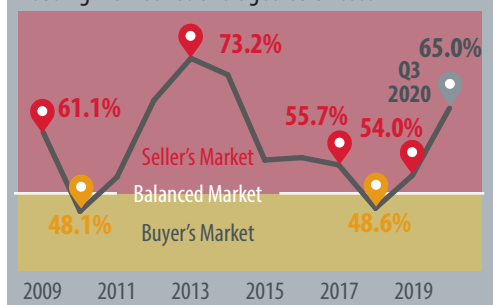
The quarterly average supply of houses available for purchase increased. Actual sales also increased relative to Q3 2019.



### Balanced market

#### Average sales-to-listings ratio [Q3]

It has moved from 48.6 per cent in 2018 to 54.0 per cent in 2019. The local housing market experienced a balanced market in 2019. In 2020 Q1 to Q3, the housing market has averaged balanced.



The sales-to-listings ratio equal to 0.5 implies a balanced real estate market. Since 2019, the Calgary and region real estate market has remained a balanced market with an unchanged sale-to-listing ratio of 0.53 Q3 2020.

### Residential Housing Investment and a Shift Towards Multi-Family

Residential investment in the City of Calgary increased by \$1.7 billion in Q3 2020 compared to \$1.9 billion over the same period in 2019. The total single-family investment dropped from \$720 million in Q3 2019 to \$680 million in Q3 2020. In Q3 2020, there were 1,600 less housing starts compared to Q3 2019, of which only 5 per cent was single-family houses.

The share of single-family to total housing starts rose from 39 per cent in Q3 2019 to 41 per cent in Q3 2020, however, the long-term trend is that there has been a shift from single-family to multi-family as household preference appears to have changed due to affordability. The average share of single-family decreased from 64 per cent per year in Q1 2014 to 31 per cent per year since Q1 2015.

In the Calgary CMA, total housing starts decreased from 8,000 in Q3 2019 to 6,500 units in Q3 2020. In Q3 2020, there were 1500 less housing starts compared to Q3 2019, of which only 7 per cent was single-family houses.

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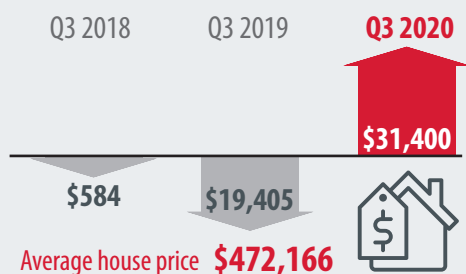
Sources:

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

### Larger resale house price appreciation

#### Change in the average house price [Q3]

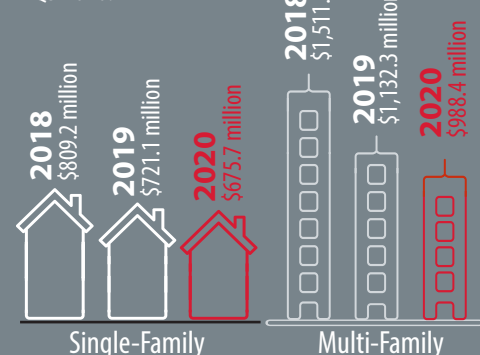
The average house price in Calgary CMA had declined in 2018 and 2019, bringing the current average house price below the average during the 2015-2016 recession. In Q3 2020 average house price appreciated relative to 2019.



### Uptick in share of single-family investment

#### Building permit values [Q1 to Q3]

The share of single-family investments was 42 per cent in Q3 2020.



### Lower single-family housing starts

#### Single-family housing starts [Q1 to Q3]

Single-family housing starts in the city of Calgary registered a decrease over 2019 and 2018. Shares of single-family to total housing starts remained higher than 2019 and 2018.

