Calgary

Housing Review
Third Quarter 2024

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HOUSING DEMAND

Key Takeaways

- The working-age population in the Calgary Economic Region continues to grow rapidly, maintaining strong housing demand.
- Further interest rate cuts and the introduction of new policy measures could drive increased activity in the housing market.
- Changes to immigration policies and signs of a cooling labour market in Calgary could ease pressure on housing demand.

	Q3 2023	Q2 2024	Q3 2024	YoY Change
Mortgage Rate (5-year Conventional) Chartered Banks	6.7%	6.8%	**6.6%**	**-0.1** percentage points
Population Change* (working age population)	1,454,400	1,508,500	**1,529,400**	**+75,000** people
Job Growth*	983,400	997,000	**1,004,100**	**+20,700** jobs
Unemployment Rate*	6.0%	8.1%	**7.2%**	**+1.2** percentage points
Labour Income** (average weekly all-industry wage rate)	$1,362	$1,440	**$1,462**	**+$100**

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

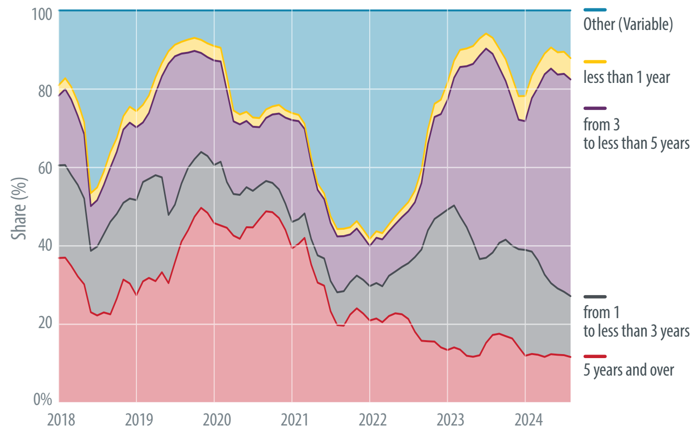
Interest Rates

The Bank of Canada continued lowering its target policy rate by 0.25 per cent in September and by 0.5 per cent in October meetings, bringing the rate to 3.75 per cent. With inflation and economic activities cooling, the Bank is likely to maintain a looser monetary stance, and the target rate is expected to approach the neutral range of 2.25 to 3.25 per cent. According to the October Monetary Policy Report[1], annual inflation is projected to reach 2.5 per cent and 2.2 per cent in 2024 and 2025, respectively. The conventional five-year fixed mortgage rate offered by chartered banks dropped by 0.1 per cent year-over-year (YoY) in September 2024, which translates to approximately $30 less in monthly mortgage payments on a typical 25-year mortgage with a 20 per cent down payment on a benchmark-priced home in Calgary (around $600,000). As mortgage rates decline, the share of variable-rate mortgages, which had reached record lows during interest rate hikes, has been increasing since May 2024 (c.f. Chart 1). Borrowers are also opting for shorter-term fixed-rate mortgages, anticipating further rate reductions, while lenders offer incentives to lock in rates before further declines[2].

Population Change

According to the latest Statistics Canada data from the Labour Force Survey, the working-age population (aged 15 and older) in the Calgary Economic Region (CER) grew by 5.2 per cent YoY between Q3 2023 and Q3 2024, reaching 1,529,400. This YoY growth rate surpasses the previous record set in Q2 2024, marking a continued acceleration in growth since Q4 2021. Notably, the quarter-over-quarter growth rate of 1.4 per cent this quarter is the highest recorded since 2002. This strong population growth continues to fuel housing demand in Calgary's market.

Chart 1: The Share of Different Mortgage Periods to Total Funds Advanced, Canada
Statistics Canada Table: 10-10-0006-01



Employment

In Q3 2024, employment in the CER reached 1,004,100, marking a 2.1 per cent YoY increase. This is the first time CER has recorded total employment exceeding one million. However, employment growth has slowed compared to last year due to a cooling labour market. Full-time employment grew by just 0.88 per cent, the lowest post-pandemic growth for Q3, while part-time employment saw a more substantial rise of 8.0 per cent, reaching 174,000. Despite strong population growth, the labour force grew by 3.5 per cent, as the lowest Q3 participation rate on record offset some of the gains. This decline in participation is attributed to people exiting the labour force, possibly either discouraged by the job market or returning to school amid the cooling labour conditions. These softer labour market conditions could potentially dampen housing demand.

Labour Income

The average weekly earnings in the Calgary Census Metropolitan Area (CMA) saw a 7.3 per cent gain YoY, increasing to $1,461.7 from $1,362.1. This wage growth is the highest for Q3 in 12 years, when the growth rate was 8.1 per cent in 2012. Industries like oil and gas, information, real estate saw a significant gain. Given that the inflation rate during the same time span was 2.5 per cent, the real wage growth rate came in at 4.8 per cent. 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

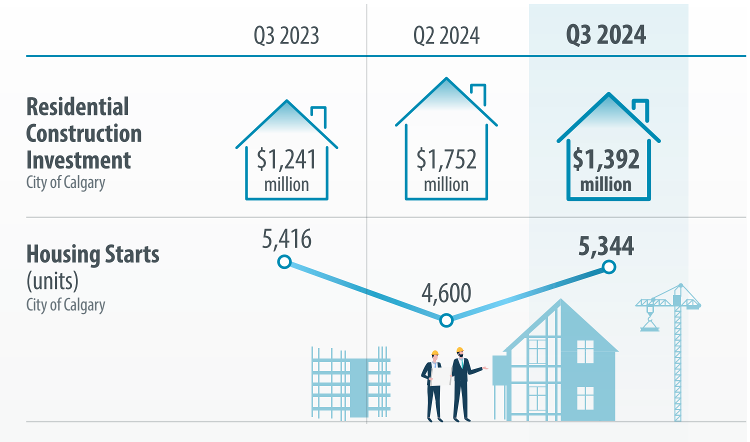
On September 16, 2024, the federal government announced two changes to mortgage insurance. First, the 30-year amortization period will be extended to all first-time homebuyers and all buyers of new builds, previously limited to first-time buyers purchasing new builds only. Second, the price cap for insured mortgages—required for those with a down payment of less than 20 per cent—will increase from $1 million to $1.5 million, reducing down payment requirements. These changes, effective in December, are expected to stimulate housing activity.

[1] https://www.bankofcanada.ca/wp-content/uploads/2024/10/mpr-2024-10-23.pdf
[2] CMHC. (2024). Residential Mortgage Industry Report Fall 2024

HOUSING SUPPLY

Key Takeaways

- Q3 2024 experienced robust growth in building permit values and expected residential units.
- City of Calgary recorded the second-highest housing starts and the highest-ever housing completions in its history for Q3 2024.
- The City's housing initiatives, including conversion programs and secondary suite incentives, are showing positive impacts on housing construction indicators.



Building Permit: Value

According to City's Open Data as of October 2024, the total value of residential building permits submitted in Calgary for Q3 2024 was $1,392 million, marking a 12.2 per cent YoY increase. Despite challenges from high financing costs and skilled labour shortages, the industry showed resilience, capitalizing on rapid demand growth. This quarter recorded the second-highest permit value in Calgary's history. Single-family permit values increased by 7.6 per cent YoY, reaching $531 million, up from $493.6 million, driven by robust growth in the southern part of the city. Although apartment investment grew by 7 per cent, it showed a slowdown, falling below Q2 2024's $718 million—the post-pandemic peak. Most areas saw a decline in apartment investments, except for the northern regions, which benefited from megaproject developments. Townhouses and duplexes both experienced double-digit increases, with townhouse permits up 15.3 per cent and duplex permits rising 12 per cent, largely fueled by growth in the City Centre and eastern regions for townhouses. Notably, the permit value for secondary suites surged by 173.3 per cent YoY, reaching $79.4 million, likely supported by various City's programs to boost construction, with significant growth in the northern parts of Calgary. These developments are expected to improve inventory in the secondary rental market.

Building Permit: Residential Units

In Q3 2024, the total housing units approved through building permits reached 6,319—the second highest figure in the past five years, following last quarter's 7,710. Although apartment permit values increased, the number of apartment units declined by 13.8 per cent YoY to 2,170. This decrease was offset by a strong rise in single-family units, which totaled 1,370. Duplex and row house permits also saw gains, rising by 8.9 per cent and 5.8 per cent to 379 and 619 units, respectively. As noted earlier, secondary suites saw significant growth. For the first time in Calgary's history, more than 1,000 permits were issued for secondary suites within a single quarter, with housing units reaching 1,235—a 155.7 per cent increase YoY.

Housing Starts

According to CMHC, total housing starts for Q3 2024 in the city of Calgary reached 5,344, nearly matching last year's Q3 total of 5,416—the highest on record. Q3 2024 now holds the second-highest quarterly total ever recorded. Apartment starts declined by 11.9 per cent YoY to 2,796 units, evenly split between purpose-built rentals and condos. The share of rental units increased from about one-third last year, reflecting developers' focus on rental properties in response to a tighter rental market and government actions to boost rental development as noted in the latest CMHC's survey[3]. Offsetting the slowdown in apartment construction, single-detached starts rose by 12.7 per cent to 1,393 units, driven by sustained demand for this housing type. Row house starts saw a slight decline to 675 units, yet remained robust, marking the third-highest quarterly total on record. Semi-detached starts experienced a significant surge, jumping 49.1 per cent to 480 units—surpassing the previous record set in Q2 2024 for the city of Calgary. This trend highlights the growing demand for more affordable housing options. Year-to-date cumulative housing starts by the end of Q3 2024 reached 14,298, exceeding 2023's record-setting pace. By area, the Southwest and Fish Creek areas showed particularly strong growth.

Housing Under Construction

In Q3 2024, the total number of residential units under construction was 20,002, remaining largely unchanged from the same period last year. While apartment and row house construction declined by 3.3 per cent and 7.9 per cent, respectively, these decreases were counterbalanced by gains in single detached and semi-detached. Semi-detached continued to rise, increasing by 33.7 per cent to 1,214 units under construction—the highest quarterly number on record for the city of Calgary. As single-detached homes also saw steady growth, duplexes have gained popularity. Areas like Fish Creek, Southeast, and Nose Hill experienced notable increases in semi-detached construction.

Housing Completions

In Q3 2024, a total of 5,196 dwelling units were completed, marking a 61.6 per cent YoY increase and setting a new record for the highest housing completions, surpassing the previous high in Q2 2024. This surge was primarily driven by a sharp rise in apartment completions, which more than doubled to 2,834 units—the second highest figure on record for the city of Calgary, following Q2 2024. The share of apartments in total completions also grew significantly, reaching 54.6 per cent, up from 40.1 per cent a year ago. With one quarter remaining in 2024, cumulative apartment completions have reached 8,707 units, already exceeding the previous annual record set in 2016 (6,338 units), confirming that 2024 will establish a new record high for apartment completions. Of the 8,707 apartment units completed so far, the majority (73.1 per cent) were purpose-built rentals, which is expected to ease recent rent increases in Calgary. Other ground-oriented housing types also saw substantial growth. Single-family completions rose 34.0 per cent to 1,430 units, while semi-detached completions increased by 20 per cent to 400 units—the highest quarterly total ever recorded for Calgary. Row house completions reached 531 units. Areas across the city, including the Southwest, Southeast, Northeast, and Northwest, experienced solid gains in completions.

Key Policy Initiatives

On September 19, 2024, the City re-opened its Downtown Development Incentive program, with which eligible developers can receive up to $75 per square foot to a maximum of $15 million per property for downtown office conversion projects. According to CMHC, as of the end of half year of 2024, there were 486 dwellings units under construction that have been converted within city of Calgary[4].

[3] https://www.cmhc-schl.gc.ca/blog/2024/canadian-rental-developers-report-mixed-market-sentiment-2024

[4] CMHC. (2024). Housing Supply Report Fall 2024

HOUSING MARKET

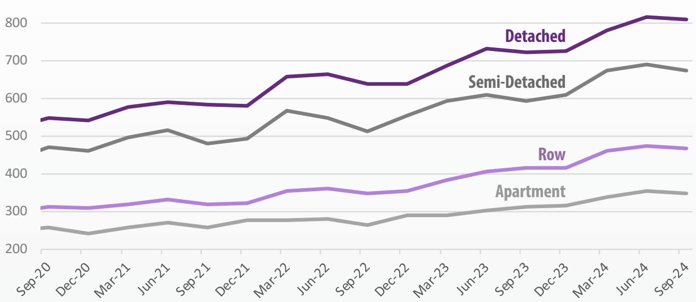
Key Takeaways

- Signs of a cooling housing market are appearing in key indicators, with sales declining and inventory showing improvement amid rising housing prices.
- Benchmark housing prices rose by 6.2 per cent YoY but experienced a quarterly decline for the first time since Q4 2022, reflecting an improvement in the demand-supply imbalance.
- The housing price-to-income ratio increased to 5.55, up from the same period last year, highlighting a continued decline in housing affordability.

	Q3 2023	Q2 2024	Q3 2024	YoY Change
Housing Sales City of Calgary	7,790	8,703	6,561	-1,229 units
Average Resale House Prices City of Calgary	$537,056	$614,840	$612,557	+$75,501

	Q2 2023	Q1 2024	Q2 2024	YoY Change
Housing Price to Income Ratio Composite	5.46	5.39	5.55	+0.09

Average Resale House Prices by Structure Type
City of Calgary (thousands)



New House Listings

In Q3 2024, new listings reached 10,827, a 13.17 per cent increase from the same period last year. Continuing the trend from Q2 2024, the rise in supply of higher-priced detached homes contributed to this increase, suggesting that the price elasticity of supply in Calgary's higher-end housing market segment is relatively elastic. Total listings for detached homes amounted to 5,107, up by 10.6 per cent YoY. Similarly, new listings for apartments increased by 10.8 per cent to 3,037, marking the second-highest quarterly total, following Q2. Elevated prices contributed to slower sales, bringing the sales-to-new-listings ratio down to 50 per cent in September, helping to moderate the seller's market. New listings for semi-detached and row houses also rose, with increases of 13.3 per cent and 25.9 per cent, reaching 861 and 1,822 units, respectively. This influx of new listings is improving inventory levels, easing market tightness.

Inventory of Houses for Resale

The inventory of houses experienced a significant shift, reaching 4,574 units—a 35.2 per cent increase YoY. Slower sales, combined with increased listings, have contributed to replenishing the available housing supply. This is the first time inventory has climbed back above 4,000 units since Q3 2022. Detached houses increased by 23.7 per cent to 2,093 units. Apartments showed the most substantial rise, reaching 1,490 units—a 43.7 per cent increase, with most of these being higher-end units priced at $300,000 or above. Semi-detached homes grew by 27.2 per cent to 338 units, and row houses increased by 25.9 per cent to 1,822 units. Overall, a mismatch between the supplied and demanded price ranges has led to an increase in inventory for all property types. As of September, the months of supply for all property types stand at 2 months—a notable shift from last year when the months of supply for row houses was under one month, contributing to price easing. Despite the overall improvement in inventory, some segments remain tight, particularly row houses and semi-detached homes in the southern areas, where the months of supply are still below one month, maintaining pressure on the market.

Sales

In Q3 2024, sales slowed by 15.8 per cent YoY to 6,561 units, as buyers struggled to find properties within their price ranges. This marks the first YoY decline since Q2 2023, with all property types experiencing declines. While Q3 and Q4 typically see slower activity following a strong Q2 in the Calgary market, sales levels remain above the 10-year Q3 average of 5,596. Detached home sales reached approximately 3,061 units, a 13.24 per cent YoY decrease. Apartment sales saw a more significant drop, falling by 24.9 per cent to 1,764 units—the first annual decline since Q1 2023. Semi-detached sales decreased by 7.4 per cent to 553 units, while row house sales fell by 10.2 per cent to 1,183 units. These slowdowns have contributed to an improved sales-to-listing ratio and months of supply, which are helping to moderate price growth. The primary factor behind this pullback is affordability, with a lack of lower-priced housing options. For example, year-to-date as of September, there were 3,977 sales of detached homes priced below $600,000 in 2023, but this figure has halved to 1,971 in 2024. Similarly, YTD apartment sales under $300,000 dropped from 3,823 to 2,317 units between 2023 to 2024. The Northwest and North areas have particularly seen declines in detached home sales.

Resale House Prices (Benchmark Prices)

In Q3 2024, the benchmark price, representing the price of a typical home across all dwelling types within the city of Calgary, stood at $601,800. While this marks a 6.2 per cent YoY increase, it is a decline from the previous quarter, representing the first quarter-over-quarter decrease since Q4 2022. Price growth deceleration was observed across nearly all property types. The benchmark price for detached homes reached $682,500, a 10.34 per cent increase YoY. Apartments saw a 15.54 per cent rise to $345,933, supported by strong growth in the eastern areas. Semi-detached homes increased by 10.34 per cent to $682,500, while row houses rose by 11.9 per cent to $461,700, largely unchanged from the previous quarter as improved inventory helped to suppress further price growth. Typically more affordable areas experienced higher-than-average growth. The East and Northeast experienced nearly 10 per cent price increases. Specifically, row house prices expanded by 20 per cent in the east, where the months of supply remains around 1. In the East and Northeast areas, apartment benchmark prices rose by almost 20 per cent, reaching $262,000 and $315,400, respectively. This continued shift toward more affordable housing options should continue as overall housing prices rise. Declining mortgage rates, with the Bank of Canada beginning a rate-cutting cycle, will likely drive additional demand in the housing market. As of September, the average and median housing prices stood at $621,943 and $565,000, reflecting YoY increases of 13.35 per cent and 12.17 per cent, respectively.

Housing Price to Income Ratio

Beginning this issue, the Housing Review will track the ratio of the benchmark composite housing price to the estimated median household income. A detailed explanation of the methodology can be found in the 2024 Fall Economic Outlook. As of Q2 2024, the housing price-to-income ratio stood at 5.55, up from 5.46 recorded the same time last year. This indicates that a benchmark-priced home is valued at five times the median household income. Although household incomes have increased, housing prices are rising at a faster pace, surpassing wage growth and exacerbating affordability challenges.

Next Update: January 2025

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.