

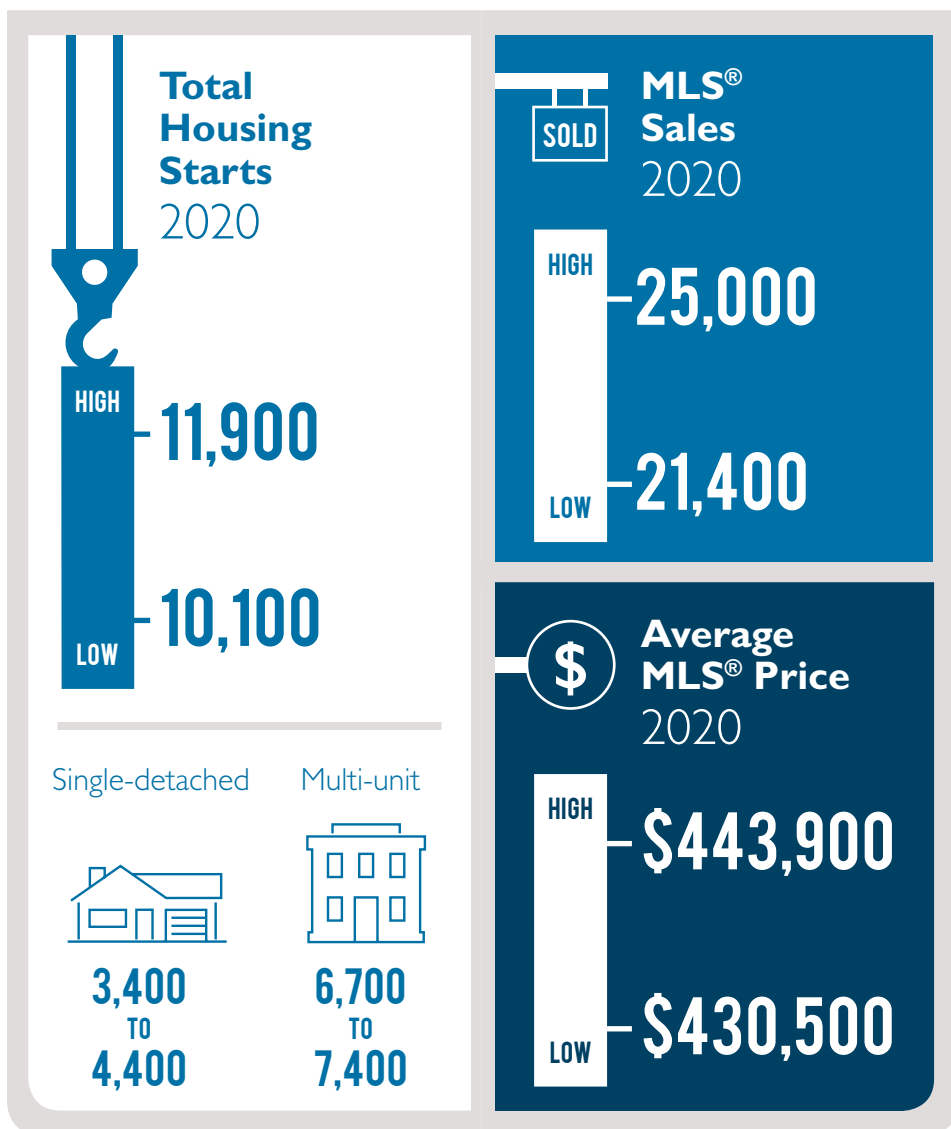
# HOUSING MARKET OUTLOOK

Calgary CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2019<sup>1</sup>



**Housing activity is expected to slow in 2019 and see modest improvements in 2020 and 2021.**

“Housing starts are projected to decline before posting a moderate recovery as market fundamentals improve in 2020-21. Stronger demand in the resale market will support an increase in sales, while house prices will stabilize in 2019 before seeing modest increases over the next two years.”

**Taylor Pardy**  
Senior Analyst, Economics

<sup>1</sup> The forecasts and historical data included in this document reflect information available as of September 12, 2019.

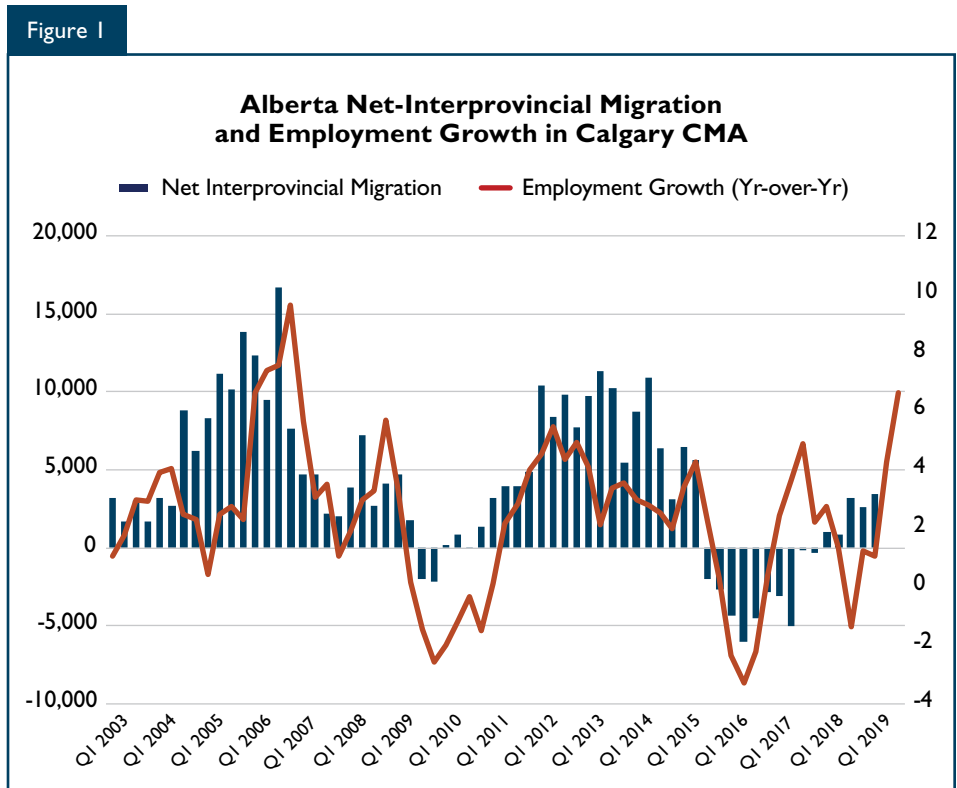
## Highlights

- Stronger in-migration into the Calgary area will fuel housing demand and result in gains in MLS® Sales over the next two years.
- Supported by strong population growth, the pace of new home construction is projected to gain traction in 2020 and 2021 after a slight decline in activity in 2019.
- Rental vacancy rates will trend lower through 2021, while average 2-bedroom rents will increase modestly.

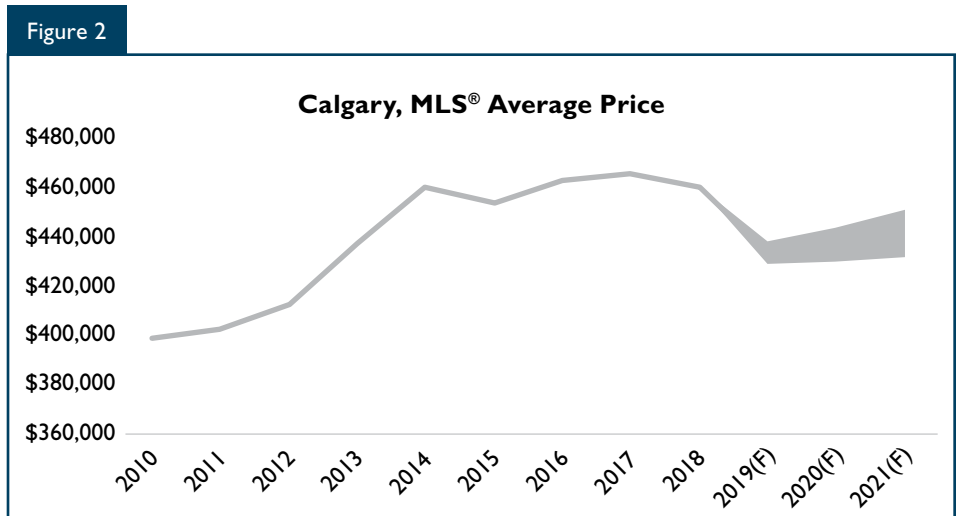
## Employment and Population Growth to Support Sales Activity in 2020-21

Sales of existing homes have remained subdued in the first 8 months of 2019, keeping pace with the same period in 2018, as the market was still feeling the effects of lower oil prices and financial market volatility in the latter half of 2018 and early 2019. Since then the price of oil has increased, labour market conditions have made a strong comeback and population growth has continued to make positive gains, particularly as net-interprovincial migration into Alberta has grown more firmly positive over the past year. Net interprovincial migration into Alberta is correlated with gains in employment in the Calgary area. Given continued gains in employment projected for 2020-21, this positive trend is anticipated to remain (see Figure 1).

Strong employment gains in the first 8 months of 2019 led by gains in the service sector, particularly full-time employment, will be supportive of housing demand in the latter half of 2019 and over the forecast horizon. Overall, we expect these positive shifts in fundamentals in the area to lead to some recovery in MLS® Sales



Note: Employment Growth data last data point is August 2019. Net-interprovincial migration data ends in Q1 2019. Left Axis represents the net number of people migrating to Alberta. Right Axis represents year-over-year growth in employment in the Calgary CMA. Source: Statistics Canada



Source: CREA (F): Forecast

in both 2020 and 2021, with the pace of sales approaching what was seen between 2011 and 2012.

Improving fundamentals and modest improvements in MLS® sales going forward will also support a shift in

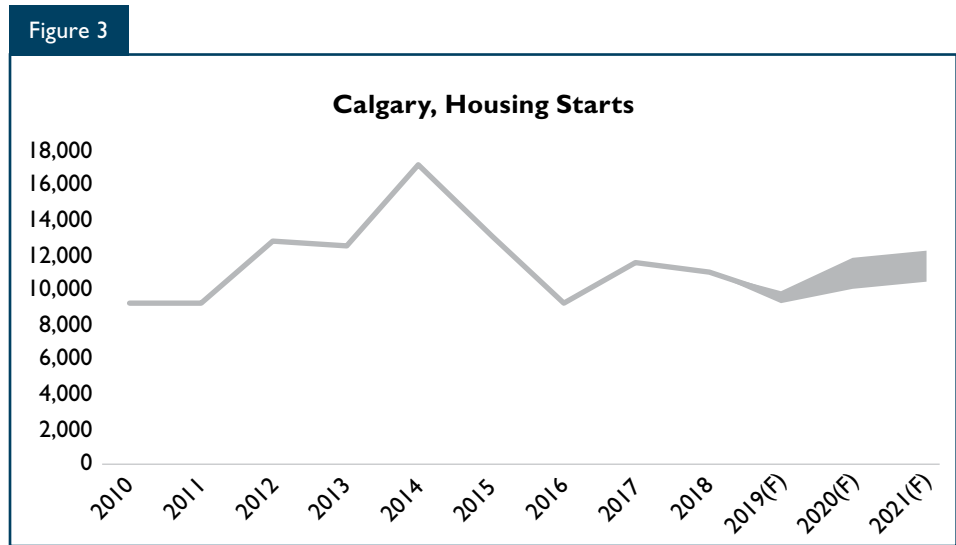
the direction of resale prices. After declining since the latter half of 2018, resale prices are set to stabilize in the latter half of 2019 before seeing modest increases in 2020 and 2021 (see Figure 2). This will largely be

the result of continued declines in available inventory in the existing home market, along with the new home market, as the market shifts slowly from buyers' conditions to more balanced conditions.

## Shifting Fundamentals will Support a Modest Increase in New Construction

While economic and demographic fundamentals are expected to strengthen over the forecast horizon, total housing starts are expected to moderate in 2019 relative to 2018. This is largely a product of the market volatility previously mentioned along with elevated inventories of completed and unsold homes that will need to be absorbed at a faster pace before builders embark on more projects.

Over the next two years, improving fundamentals are projected to lead to modest increases in new construction as the inventory of unsold homes is drawn down (see Figure 3). In the single-detached segment, new construction is anticipated to pick up modestly over the next two years as stronger population growth and demographics support new household formation. The multi-unit segment is also expected to see increases in new construction in order to support demand for lower-priced housing options in favourable locations, particularly as available rental options



Source: CMHC  
(F): Forecast

begin to become less abundant. In this regard, there has already been a pickup in demand for multi-unit housing in the latter half of 2019 in both the resale and new home markets as these represent more affordable options for first-time buyers.

## Vacancy Rate to Moderate on Improving Fundamentals

Following two consecutive years of declines, the apartment vacancy rate is expected to move lower in 2019 as stronger population growth takes hold and outpaces new construction of rental units. Improving labour market conditions and the subsequent effect it has in attracting labour from other provinces is highly correlated to

movements in the apartment vacancy rate in Calgary. As we anticipate net-interprovincial migration into Calgary to remain fairly strongly positive over the next two years, driven by improvements in the labour market, the vacancy rate is projected to continue to trend lower over the 2020-21 period despite modest increases in new rental supply.

After three years of zero or negative growth, the average 2-bedroom rents in Calgary stabilized and saw a modest increase in CMHC's October 2018 Rental Market Survey. Given improving fundamentals, the average 2-bedroom rent is projected to see another modest increase in 2019 as well as over the next two years as market conditions improve and the vacancy rate declines.

To access regional and CMA housing market outlook reports, click on the following link: <https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/housing-market-outlook-highlights>

Forecast Summary Calgary CMA Fall 2019									
	2016	2017	2018	2019(F)		2020(F)		2021(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
<b>New Home Market</b>									
<b>Starts:</b>									
Single-Detached	3,489	4,423	3,791	3,200	3,500	3,400	4,400	3,600	4,900
Multiples	5,756	7,111	7,180	6,100	6,400	6,700	7,400	6,900	7,500
Starts - Total	9,245	11,534	10,971	9,300	9,900	10,100	11,900	10,500	12,300
<b>Resale Market</b>									
MLS® Sales	22,522	23,869	20,534	20,700	21,500	21,400	25,000	21,600	25,800
MLS® Average Price(\$)	463,047	466,259	460,619	429,200	438,800	430,500	443,900	431,800	451,600
<b>Economic Overview</b>									
Mortgage Rate(5 year)(%)	4.66	4.78	5.27	5.00	5.60	5.40	6.20	5.50	6.50

	2016	2017	2018	2019(F)	2020(F)	2021(F)
<b>Rental Market</b>						
October Vacancy Rate (%)	7.0	6.3	3.9	3.6	3.2	2.8
Two-bedroom Average Rent (October)(\$)	1,258	1,247	1,272	1,300	1,340	1,380
<b>Economic Overview</b>						
Population	1,438,282	1,459,358	1,486,050	1,521,500	1,560,900	1,597,300
Annual Employment Level	803,400	829,700	837,500	875,000	900,000	915,000

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 12th September 2019. (L)= Low end of range. (H)= High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey - Market Absorption Survey - Rental Market Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2019-2021).

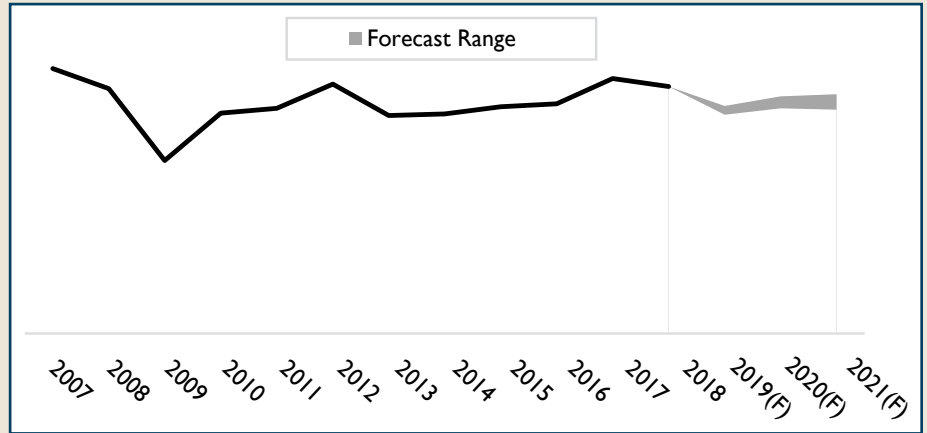
## Methodology for forecast ranges

This edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. However, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available.

The range provides a relatively precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. The range is based on the coefficient of variation\* of historical data and on past

forecast accuracy. It provides precision and direction for forecasts of housing variables,

given a specific set of assumptions for the market conditions and underlying economic fundamentals.



\* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

## DEFINITIONS AND METHODOLOGY

### **New Home Market**

Historical home starts numbers are collected through CMHC's monthly [Starts and Completions Survey](#). Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

### **Dwelling Types**

#### **Single-Detached Start:**

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

#### **Semi-Detached Start:**

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

#### **Row (or Townhouse) Start:**

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

#### **Apartment and other Starts:**

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

### **Intended Market**

#### **Freehold Start:**

Refers to the commencement of construction of a residence where the owner owns the dwelling and lot outright.

#### **Condominium (including Strata-Titled) Start:**

Refers to the commencement of construction of an individual dwelling which is privately owned, but where the building and/or the land are collectively owned by all dwelling unit owners. A condominium is a form of ownership rather than a type of house.

#### **Rental Start:**

Refers to the commencement of construction of a dwelling constructed for rental purposes regardless of who finances the structure.

#### **Average and Median Single Detached Home Prices:**

Are estimated using CMHC's [Market Absorption Survey](#), which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

#### **New Home Price Indexes:**

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

## Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

### MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

### MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

## Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October **Rental Market Survey** (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

### Vacancy Rate:

The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

### Two Bedroom Rent:

The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

## Economic Overview

**Labour Force** variables include the Annual Employment Level, Employment Growth, Unemployment Rate.

Source: Statistics Canada's Labour Force Survey.

### Net Migration:

Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

## CMHC HELPS CANADIANS MEET THEIR HOUSING NEEDS

Canada Mortgage and Housing Corporation (CMHC) has been helping Canadians meet their housing needs for more than 70 years. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer unbiased housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at [www.cmhc.ca](http://www.cmhc.ca) or follow us on [Twitter](#), [LinkedIn](#), [Facebook](#), [Instagram](#) and [YouTube](#).

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.  
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

©2019 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of this CMHC publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or the entire content of, this CMHC publication, please send a Copyright request to the Housing Knowledge Centre at [Housing\\_Knowledge\\_Centre@cmhc.ca](mailto:Housing_Knowledge_Centre@cmhc.ca). Please provide the following information: Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.



# Housing market intelligence you can count on

## PUBLICATIONS AND REPORTS AVAILABLE ONLINE

*Local, regional and national analysis and data on current market conditions and future trends.*

- Housing Information Monthly
- Housing Market Assessment
- Housing Market Insight
- Housing Now Tables
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Northern Housing
- Housing Market Outlook, Canada and Major Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Seniors' Housing Reports
- Mortgage and Consumer Credit Trends Report

## DATA TABLES AVAILABLE ONLINE

- Funding and Securitization Data
- Household Characteristics
- Housing Market Data
- Housing Market Indicators
- Mortgage and Debt Data
- Rental Market Data

## HOUSING MARKET INFORMATION PORTAL

*The housing data you want,  
the way you want it.*

- ✓ Information in one central location
- ✓ Desktop and mobile friendly
- ✓ Neighbourhood-level data

[cmhc.ca/hmiportal](http://cmhc.ca/hmiportal)

## SUBSCRIBE NOW

*Get email notifications when  
CMHC publications are released  
or updated. Sign up for a free  
myCMHC account for enhanced  
site access, including one-click  
subscriptions to the reports  
and tables that matter to you.*

**Get your myCMHC  
account today!**

**Get the market intelligence you need today!**

Find all the latest trends, research and insights at [cmhc.ca/housingmarketinformation](http://cmhc.ca/housingmarketinformation)

## Housing Observer

Featuring quick reads and videos on...

- Analysis and data
- Timely insights
- Updates to housing conditions, trends and much more!

Subscribe today to stay in the know!

[www.cmhc.ca/observer](http://www.cmhc.ca/observer)

