Housing market risks ease in Canada

Odds of a steep, nation-wide downturn are low: Tentative signs of stabilization and recovery have emerged in several soft markets, reducing already-low odds of a steep and widespread housing downturn over the next 12 months in Canada.

Positive developments in many local markets: Improving demand-supply conditions are beginning to stem price declines in the Prairies (including Calgary) but not in Vancouver yet. Toronto is on a recovery path with prices now rising modestly. Montreal (and Ottawa) still looks solid, exhibiting a mostly positive risk/vulnerability profile.

Interest rates pose less of a risk: Longer-term rates have fallen markedly since the start of this year as financial markets anticipate central banks in the US and Canada will cut their policy rates. A more benign interest rate outlook tempers associated risks across the country—especially in high-priced Vancouver and Toronto.

Adjustment to housing policy actions is progressing: Though progress is uneven across the country. BC markets contend with several layers of policy tightening from the provincial and municipal governments. Longer term, these more stringent mortgage and housing policy rules will reduce risks.

Affordability remains a key issue in major markets: The high cost of homeownership in Vancouver, Toronto and, increasingly, Montreal are a top vulnerability for Canada’s major markets.

Healthy labour markets provide solid support in most markets: Job market conditions are improving in Calgary where the unemployment rate continues to decline.

Oil sector uncertainty weighs on confidence in the Prairies: Crude oil transportation issues ultimately pose a risk to housing markets in these regions.

Strong condo construction isn’t a sign of overbuilding: Elevated levels of apartment construction in Vancouver, Toronto and Montreal raise some potential longer-term absorption issues. There’s little risk near term, however, as unsold inventories are currently low.

Largest four markets

Toronto — The market is now recovering gradually. Demand-supply conditions are balanced. Economic and demographic fundamentals are strong. Near-record condo construction isn’t a threat as there are few signs of overbuilding. Overstretched affordability remains a significant issue and top vulnerability.

Montreal — Still boasts a generally positive risk/vulnerability profile. A strong economy and rising foreign involvement fuel buyer interest. Demand-supply conditions are tight and prices are accelerating moderately. An erosion of affordability and booming rental apartment construction warrant close monitoring.

Vancouver — Multiple layers of policy actions have cooled the market down significantly. Property values are declining and likely to continue to do so near term. There are tentative signs that activity has reached a cyclical bottom. More balanced demand-supply conditions should eventually stabilize prices. Despite recent improvement, affordability is at a crisis level and the biggest source of vulnerability. High condo construction levels are unlikely to flood the market.

Calgary — Early indications of a recovery have emerged: home sales picked up in recent months and prices have declined at a slower rate. Uncertainty in the energy sector continues to affect buyer confidence although a gradually improving job market should help eventually. High condo inventories remain an issue.

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Background

*Canadian Housing Health Check* provides RBC Economics’ assessment of key indicators of Canada’s housing market that are deemed to offer early warning of potential imbalances. This monitoring exercise is one of the tools used regularly by RBC Economics to follow developments in this important sector of the Canadian economy. The report focuses on indicators that have been closely correlated (leading or coincident) with housing downturns and significant home price declines during housing cycles in the past three decades or so. While we believe that housing affordability and the sales-to-new listings ratio (and months’ inventory) are the best indicators of market stress and price pressure, respectively, no single indicator provides perfect and accurate early warning signals of impending trouble. Accordingly, *Canadian Housing Health Check* emphasizes a ‘dashboard’ approach to convey the point that trouble in the housing market can arise from many directions and that it is imperative to monitor the situation broadly. This approach is complemented by a detailed review of individual indicators that includes a graphical depiction of the current situation within a historical context and a brief discussion of the rationale of our assessment.

About the graphics and risk ‘zone’ system

The dashboard graphics display the current values of the indicators (dark blue bar) within zones that we consider safe (green), concerning (yellow) or dangerous (red). The width of each graphics represents the range of values posted by the indicator during the past 30 years (or period of time available). The far left corresponds to the safest measure ever recorded and the far right, to the most extreme imbalance reached historically. For most indicators, the left corresponds to low values but for some (sales-to-new listings ratio and net immigration) to high values.

The yellow and red zones appearing in dashboard graphics and individual indicator charts generally were determined by analyzing past housing downturns and constitute our estimations of thresholds above (or, in some cases, below) which market imbalances and significant home price declines occurred at the national level in Canada. The yellow zone comprises a range of values that, historically, have been mostly associated with imbalances but not always with housing downturns (i.e. sustained price declines). In other words, these values give somewhat ambiguous and sometimes ‘false’ signals. The red zone, however, comprises values that represent imbalances much more clearly and of larger magnitude. An indicator in the red zone should be considered a source of worry. The farther to the right in the red zone in the dashboard graphics are the values, the more extreme is the imbalance, the more intense is the stress exerted on the market and, ultimately, the more severe the potential correction.

The specific rules at the national level are as follows:

- **RBC Affordability Measure for the aggregate of all housing types**: yellow threshold = 41.5% (0.3 standard deviations above the long-term mean); and red at 45.1% (1.0 standard deviations above the mean).

- **Sales-to-new listings ratio**: yellow threshold = 0.40; and red = 0.35.

- **Months of inventory**: yellow threshold = 7.0; red = 8.5.

- **Rental vacancy rate**: yellow threshold = 3.2% (long-term mean); and red = 3.7% (0.5 standard deviations above the mean).

- **Real 5-year bond yield relative to trailing 12-month average**: yellow threshold = 1.0 percentage point (1 standard deviation above the mean); red = 2.0 percentage points (2 standard deviations).

- **Unemployment rate relative to trailing 12-month average**: yellow threshold = 0.41 percentage points (0.6 standard deviation above the mean); red = 0.9 percentage points (1.5 standard deviations).

- **Net immigration per 1,000 population**: yellow threshold = 6.5 (0.5 standard deviations above the mean); red = 5.0 (0.4 standard deviations below the mean).

- **Completed and unoccupied units per 1,000 population, singles and semis**: yellow threshold = 0.29 (0.3 standard deviations above the mean); red = 0.36 (1.3 standard deviation above the mean).

- **Completed and unoccupied units per 1,000 population, multiples**: yellow threshold = 0.36 (the mean); red = 0.47 (0.9 standard deviation above the mean).

- **Housing under construction per 1,000 population, singles**: yellow threshold = 2.11 (0.5 standard deviations from the mean); red = 2.33 (1 standard deviation from the mean).

- **Housing under construction per 1,000 population, multiples**: yellow threshold = 3.93 (0.5 standard deviations from the mean); red = 4.58 (1 standard deviation from the mean).

The areas shaded in grey in the indicator charts correspond to housing downturns – i.e., periods during which home prices (as defined as average prices of homes sold on the MLS system) fell by more than 5% from monthly peak to trough. It is important to note that the precise timing of these downturns can vary depending on the home price measure used. The grey shaded areas, therefore, should be seen as broad guidelines.
CANADA

Affordability

RBC affordability measure – aggregate

Near-term: negative
Medium-term: negative

Existing home market balance

Sales-to-new listings ratio

Near-term: neutral
Medium-term: neutral

Months of inventory

Near-term: neutral
Medium-term: neutral

Rental vacancy rate

Near-term: positive
Medium-term: positive

Demand fundamentals

Change in real 5-Year bond yields

Near-term: positive
Medium-term: positive

Change in the unemployment rate

Near-term: positive
Medium-term: positive

Net immigration rate

Near-term: positive
Medium-term: positive

Supply fundamentals

Completed and unsold units per capita – singles and semis

Near-term: neutral
Medium-term: neutral

Completed and unsold units per capita – multiples

Near-term: positive
Medium-term: positive

Housing under construction per capita – singles

Near-term: positive
Medium-term: positive

Housing under construction per capita – multiples

Near-term: neutral
Medium-term: neutral
Poor affordability is a significant source of vulnerability for Canada’s housing market despite some improvement since the fall.

RBC’s aggregate housing affordability measure fell (slightly) for two straight quarters to 51.4% in Q1 2019. The historically high level still suggests the presence of significantly greater-than-average market stress for buyers in Canada. That being said, affordability pressure is concentrated in Vancouver and Toronto where conditions remain quite extreme. The situation is not alarming in other markets.

Demand-supply conditions are balanced overall. The odds of an imminent nation-wide price collapse are very low.

The sales-to-new listings ratio has settled into the range consistent with balanced market conditions after climbing into seller’s market territory in 2016. This rebalancing was largely engineered by policy-makers. The introduction of Ontario’s Fair Housing Plan in April 2017, the mortgage stress test and new market-cooling measures announced in the 2018 BC budget cooled resales significantly. Rising interest rates last year also played a role.

The for-sale inventory is well within historical norms and consistent with continued modest price increases.

The rental market is tight overall in Canada and does not pose a threat to the home purchase market.

The rental vacancy rate in Canada fell to a seven-year low of 2.2% in October 2018 from 2.7% in 2017 and 3.4% in 2016. This is below the long-term average of 3.0%. The decline in the past two years was widespread across the country.
Demand fundamentals

The risk of an interest rate shock eased significantly since the fall thanks to a pullback in longer-term interest rates. It’s now likely that the Bank of Canada will cut its overnight rate sometime early next year.

The earlier rising trend in the five-year Government of Canada bond yield partly reversed since the late stages of 2018 as global investors cut their risk appetite amid increased economic uncertainty. The real yield is now well below its 12-month trailing average, which is positive for the housing market—although the mortgage stress test limits the pass-through to new buyers.

The outlook for interest rates pose little risk to the housing market in the period ahead.

Labour market conditions are positive.

The national unemployment rate is near its lowest level since the mid-1970s and RBC Economics expects it to stay historically low this year and next. The rate has been below its trailing 12-month average over most of the period since May 2016.

Decades-high levels of immigration offer strong support for housing demand.

The rate of net immigration in Canada (measured per 1,000 population) has surged since late-2015.

The rate is likely to remain elevated in light of the federal government boosting its target for new permanent residents from 300K in 2017 to 310K in 2018, and further to 330K in 2019, 340K in 2020 and 350K in 2021.

Supply fundamentals

There are few signs of excess supply of new single-detached units in Canada.

The unsold inventory (measured on a per capita basis) is near its long-run average, although it has picked up somewhat since the middle of 2017.
The inventory of completed but unsold multi-unit dwellings also is low in Canada.

It is near a 10-year low on a per 1,000 population basis.

There's little risk of overbuilding in the single family home segment.

Construction levels are well below historical averages (when measured on a per 1,000 population basis).

On the multiples side, however, record-high levels of apartments under construction in Canada generate some degree of absorption risks over the medium term.

Strong apartment construction should be weighed against solid demand for lower-priced housing options in markets such as Vancouver and Toronto.

Most of the units being built are in the Toronto (31% of total), Vancouver (17%) and Montreal (13%) areas.

The condo building boom over the past two decades in large part reflected structural changes to the market that arose from policy (e.g. rules limiting urban sprawl) and affordability (condo apartments are the more affordable housing type) considerations, and therefore, represents a market share gain against single-family homes.
GREATER TORONTO AREA

Affordability

RBC affordability measure – aggregate

Near-term: negative
Medium-term: negative

Existing home market balance

Sales-to-new listings ratio

Near-term: neutral
Medium-term: positive

Months of inventory – Ontario

Near-term: positive
Medium-term: positive

Rental vacancy rate

Near-term: positive
Medium-term: positive

Demand fundamentals

Change in real 5-Year bond yields

Near-term: positive
Medium-term: positive

Change in the unemployment rate

Near-term: positive
Medium-term: neutral

Population growth

Near-term: positive
Medium-term: positive

Supply fundamentals

Completed and unsold units per capita – singles and semis

Near-term: positive
Medium-term: positive

Completed and unsold units per capita – multiples

Near-term: positive
Medium-term: positive

Housing under construction per capita – singles

Near-term: positive
Medium-term: positive

Housing under construction per capita – multiples

Near-term: neutral
Medium-term: neutral
The GTA market has a severe affordability problem. It’s one of the factors contributing to a sharp cooling of activity since 2017. Most of the affordability pressure is concentrated in the single-family home side of the market; however, some degree of stress is also present in the condo segment.

Demand-supply conditions are balanced overall—though conditions are uneven across neighbourhoods. Ontario’s Fair Housing Plan (April 2017) and OFSI’s updated B-20 guideline (January 2018) led to a sharp re-balancing of demand and supply in the past couple of years, with higher-end market segments bearing the brunt of the adjustments.

Home prices have stabilized for the most part after ceding some ground in 2017 and parts of 2018. Modest gains are expected in the year ahead.

Inventories of homes for sales (active listings) indicate that some degree of market tightness persists provincially. Data available at the provincial level shows that there were 2.5 months’ worth of inventory in Ontario in June 2019, still noticeably lower than the long-run average of 3.6. Separate data from the Toronto Real Estate Board show that the number of months of inventory in the Toronto area was 2.5 in June, down marginally from 2.6 a year earlier.

GTA’s rental market continues to be very tight with the vacancy rate at 1.1% in the fall of 2018—still near a 16-year low. Toronto’s condo boom hasn’t flooded the rental market or cause vacancies to rise materially.

Toronto Real Estate Board statistics show strong condo rental activity rising nearly 15% in Q2/2019 from a year earlier. Solid demand relative to available supply applies intense upward pressure on rent (up 6.7% y/y for a one-bedroom apartment).
Labour market conditions in the GTA are positive for the area’s housing market.

Solid job creation helped reversed a slight increase in Toronto’s unemployment rate earlier this year, which now stands near a decade low.

Demographic fundamentals are very solid in the GTA. They strengthened in the past couple of years with the rate of growth in adult population accelerating to a 15-year high of 2.5% since the late stages of 2018.

A rate below 1.5% would be a source of concern.

There are few indications of overbuilding of single-family homes in the area at present.

Inventories of newly completed and unsold the single-family continue to be historically low despite increasing this spring.

The unsold inventory of newly built condos is virtually bare.

The unabsorbed inventory is close to an all-time low.
GREATER TORONTO AREA

Supply fundamentals

The single-unit dwelling construction pipeline is low and falling.

The number of single-detached units under construction in the GTA has been coming down since the spring of 2017 as builders cut back the pace of new starts following Ontario’s Fair Housing Plan.

The number of multi-unit dwellings under construction is historically high—posing potential absorption risks.

However, this potential is tempered by extremely low inventories and strong demand in the existing condo market.

Market absorption has been very strong in recent years, which indicates that current construction levels are unlikely to be excessive. We see only limited risks of trouble for the condo resale and/or rental markets.
GREATER MONTREAL AREA

Affordability

RBC affordability measure - aggregate
Near-term: neutral
Medium-term: negative

Existing home market balance

Sales-to-new listings ratio
Near-term: positive
Medium-term: positive

Months of inventory - Quebec
Near-term: positive
Medium-term: positive

Rental vacancy rate
Near-term: positive
Medium-term: positive

Demand fundamentals

Change in real 5-Year bond yields
Near-term: positive
Medium-term: positive

Change in the unemployment rate
Near-term: positive
Medium-term: neutral

Population growth
Near-term: positive
Medium-term: positive

Supply fundamentals

Completed and unsold units per capita – singles and semis
Near-term: positive
Medium-term: positive

Completed and unsold units per capita – multiples
Near-term: positive
Medium-term: positive

Housing under construction per capita – singles
Near-term: positive
Medium-term: positive

Housing under construction per capita – multiples
Near-term: neutral
Medium-term: negative

Risk implications

Low
High
Deteriorating affordability is starting to strain Montreal buyers. Ownership costs have risen steadily since early 2015. RBC's aggregate measure most recently was 44.3%, at the threshold indicating higher vulnerability.

Tight demand-supply conditions in the Montreal area suggests that prices will continue to rise solidly in the period ahead. The odds of a sharp decline is very low in the near term.

Home resales were up 8% y/y in the second quarter of 2019. Robust sales activity took place amid steady decline in the number of homes put up for sale each month, which resulted in a significant drop in inventories.

Provincial inventory data provide further evidence of firming market conditions and low risk of an imminent price drop in Montreal.

The number of months’ inventory continues to fall deeper into the ‘low-risk zone’.

Quebec Professional Association of Real Estate Brokers data show that the number of months’ inventory was 4.8 for single-detached homes in June 2019 and 5.4 for condos—both indicating that sellers are in command.

Montreal’s rental market is tight and poses little threat to the ownership market.

The rental vacancy rate fell to a 14-year low of 1.9% in October 2018. The rate is unlikely to remain this low, however, as a wave of new rental supply is on its way. There’s currently a record-high 15,450 purpose-built rental units under construction in the Montreal area.
Montreal’s job market is healthy and offers strong support for the housing market.

The unemployment rate is trending down, reaching 5.5% in June 2019, near the lowest point on records dating back to 1987.

Overall demographic conditions also are positive.

Montreal’s adult population growth has accelerated markedly since mid-2015 to an eight-year high of 1.5% so far in 2019, widely exceeding the long-term average of 1.0%.

There’s no evidence of overbuilding in the single-family market segment.

Newly completed homes remaining unsold are at close to all-time low.

There are no signs of overbuilding on the multi-unit dwelling side either.

Strong market absorption in the past three years cut the unsold inventory to 0.42 units per 1,000 population in June 2019, the lowest level in eight years and well within the low-risk zone.
**GREATER MONTREAL AREA**

**Supply fundamentals**

The risk of overbuilding single-family homes is extremely remote. Current construction levels are historically very low. This has been the case since 2015.

**Housing under construction - singles**

Units per 1,000 population, Montreal, n.s.a.

Source: RBC Economics Research, Statistics Canada, Canada Mortgage and Housing Corporation

There is a potential risk of overbuilding multi-unit dwellings, however. The number of multi-unit dwellings under construction is at a record high. This in large part reflects a significant increase in purpose-built rental apartment projects. Condo units under construction also rose since mid-2017 but remain below their peak reached between 2012 and 2014.

Strong construction activity of higher-density housing categories partly reflects a structural shift from single-detached toward multiple-unit forms of housing. This shift is supported by urban development policy and affordability advantage relative to single-family homes.

**Housing under construction - multiples**

Units per 1,000 population, Montreal, n.s.a.

Source: RBC Economics Research, Statistics Canada, Canada Mortgage and Housing Corporation
**GREATER VANCOUVER AREA**

### Affordability

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<th>Medium-term</th>
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<tr>
<td>RBC affordability measure – aggregate</td>
<td>negative</td>
<td>negative</td>
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### Existing home market balance

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<tr>
<td>Sales-to-new listings ratio</td>
<td>negative</td>
<td>neutral</td>
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<tr>
<td>Months of inventory – BC</td>
<td>neutral</td>
<td>neutral</td>
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<tr>
<td>Rental vacancy rate</td>
<td>positive</td>
<td>positive</td>
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### Demand fundamentals

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<tr>
<td>Change in real 5-Year bond yields</td>
<td>positive</td>
<td>positive</td>
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<tr>
<td>Change in the unemployment rate</td>
<td>positive</td>
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<td>Population growth</td>
<td>neutral</td>
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### Supply fundamentals

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<td>Completed and unsold units per capita – singles and semis</td>
<td>neutral</td>
<td>neutral</td>
</tr>
<tr>
<td>Completed and unsold units per capita – multiples</td>
<td>positive</td>
<td>positive</td>
</tr>
<tr>
<td>Housing under construction per capita – singles</td>
<td>neutral</td>
<td>positive</td>
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<tr>
<td>Housing under construction per capita – multiples</td>
<td>neutral</td>
<td>neutral</td>
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Housing affordability is extremely poor and poses a major challenge to Vancouver-area buyers.

Despite some improvement since late-2018, affordability issues are pervasive across market segments—though they are more intense for single-family homes.

Multiple layers of policy changes—including the 15% foreign-buyer tax implemented in August 2016, OSFI’s new stress test and a slew of additional market-cooling measures announced in the 2018 BC budget (including an increase to 20% of the foreign buyer tax)—as well as a rise in interest rates last year caused home resale activity in Vancouver to plummet. Poor affordability will restrain any recovery.

Weak demand-supply conditions have been driving home prices lower and expected to continue to do so in the near term.

Yet the rise in the sales-to-new listings ratio back into balance territory (though barely) in May and June, if sustained, should eventually stabilize prices later on.

The inventory of homes for sale in BC is near a five-year high though it has yet to reach clearly excessive levels.

The number of months’ inventory in the province surged from a low of 2.6 at the end of 2017 to 6.5 in June 2019—above the long-run average of 5.8.

The Real Estate Board of Greater Vancouver also reports a rise in active listings from historically-low in 2016 and 2017. Yet recent levels are still down more than 20% from 2012.

Vancouver’s rental market shows no evidence of any looming surplus that would cause concerns for the home ownership market.

Conditions remain very tight in Vancouver’s rental market.

The area’s rental vacancy rate was 1.0% in October 2018—among the lowest ones in the country—up marginally from 0.9% in October 2017.
GREATER VANCOUVER AREA

Demand fundamentals

Vancouver’s job market is solid.

Employment in the area has been growing rapidly this year, pushing the unemployment rate back down to 4.0% (June 2019). This is close to a decade low and among the lowest across Canada’s larger urban areas.

Population growth has re-accelerated, easing earlier concerns about slowing demographics in Vancouver.

The rate of Vancouver’s adult population growth rebounded to 1.8% y/y in June 2019 from a low 1.3% in late-2017.

Supply fundamentals

Newly completed single- and semi-detached inventories aren’t excessive.

They are roughly in line with the long-run average (on a per capita basis).

Inventories of multi-dwelling units are very low.

Although they aren’t quite as low as they were in mid-2018. That’s because stronger condo completions are now bringing more units to market.
GREATER VANCOUVER AREA

Supply fundamentals

Single-detached homes under construction are coming down closer to normal levels.

A sharp cooling of demand for high-priced properties caused single-detached housing starts to plunge to their lowest level in five years—taking down units under construction in the process.

Record levels of multi-family dwelling construction hint at greater-than-usual risk of market imbalance down the road.

However, low inventories and rental vacancy rate, as well as rapid population growth largely mitigate such risk.
CALGARY AREA

Affordability

- **RBC affordability measure - aggregate**
  - Near-term: positive
  - Medium-term: positive

Existing home market balance

- **Sales-to-new listings ratio**
  - Near-term: neutral
  - Medium-term: neutral

- **Months of inventory - Alberta**
  - Near-term: negative
  - Medium-term: neutral

- **Rental vacancy rate**
  - Near-term: negative
  - Medium-term: neutral

Demand fundamentals

- **Change in real 5-Year bond yields**
  - Near-term: positive
  - Medium-term: positive

- **Change in the unemployment rate**
  - Near-term: positive
  - Medium-term: positive

- **Population growth**
  - Near-term: neutral
  - Medium-term: neutral

Supply fundamentals

- **Completed and unsold units per capita - singles and semis**
  - Near-term: neutral
  - Medium-term: neutral

- **Completed and unsold units per capita - multiples**
  - Near-term: negative
  - Medium-term: negative

- **Housing under construction per capita - singles**
  - Near-term: positive
  - Medium-term: positive

- **Housing under construction per capita - multiples**
  - Near-term: neutral
  - Medium-term: neutral
Housing affordability is a generally constructive factor in Calgary. RBC’s affordability measure has been in the ‘safe zone’ for the last eight years, remaining mostly flat since 2015.

The Calgary market faces a number of issues (e.g. energy sector turmoil, weak confidence, relatively high unemployment rate); however, affordability isn’t one of them.

Existing home demand and supply are back in balance as tentative signs of a market turnaround have emerged. Downward price pressure is easing.

Home resales hit a cyclical bottom this winter and have recovered gradually since then.

The sales-to-new listings ratio has been in balanced-market territory all year, after dipping below the threshold marking buyer’s market (0.40) in the spring of 2018. Home prices are expected to stabilize later this year.

Elevated for-sale inventories are diminishing.

The number of months’ inventory in Alberta fell from 7.9 at the start of this year (an eight-year high) to 7.0 in June—still excessive.

Active listings in Calgary dropped sharply this spring, according to the Calgary Real Estate Board. By June, they were down nearly 15% y/y. This unwound significant increases in 2018.

Oversupply of rental units is improving.

The rental vacancy rate dropped materially from 6.3% in 2017 to 3.9% in 2018—though still historically high.

The decline in the vacancy rate relieved some of the downward pressure on rent values that prevailed over the 2015-2017 period. Average rent increased slightly by 1.9% in 2018.
Calgary’s job market is still soft but improving quite rapidly.
Job creation resumed this year after stalling in mid-2018. Employment was up strongly by 5.5% y/y in June while the unemployment rate eased by 0.6 percentage points from a year earlier to 7.0%—still relatively high. Further recovery should slowly bolster confidence.

Net population flows are recovering. Earlier concerns about demographic fundamentals are no longer warranted.
Adult population growth re-accelerated to a healthier rate of 2.3% y/y in June, up from a low of 1.5% in early-2017.

A steady rise in unsold units isn’t pointing to overbuilding in the single-detached segment.
Despite doubling in the past three years, the number of unsold single-detached and semi-detached units is still marginally below the long-run average of 0.74 per 1000 population.
That number is unlikely to rise much further because single-detached home starts weakened noticeably in the past year.

However, there’s strong evidence of a surplus in the multi-unit segment.
The number of unabsorbed units have surged since the spring of 2015 (when Calgary arguably had a supply shortage) to record-high levels throughout most of 2017, 2018 and 2019.
The stock of unsold units was driven higher by sharp increases in condo apartment completions in 2015 and 2016 at a time when demand turned cold. While condo completions declined materially since then, weak demand slowed down market absorption. Tentative signs of a turnaround in the existing home market bodes well for absorption to increase in the period ahead.
CALGARY AREA

Supply fundamentals

Housing under construction - singles
Units per 1,000 population, Calgary, n.s.a.

There are very few single-detached units under construction. This reflects low housing starts levels in the past four years and poses little risk of overbuilding.

Housing under construction - multiples
Units per 1,000 population, Calgary, n.s.a.

Multi-unit dwelling construction poses mild absorption risk. The number of condo units under construction is still high from a historical point of view but has come down since late-2018. More units have been completed than started in the past year.

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