



Pulse of the city

NOVEMBER 2022 MARKET UPDATE

What You Need to Know About the Calgary Market!

Before we dig into October's sales and pricing data, we need to talk about interest rates. Everyone else is, and they're affecting the pace of Calgary's real estate market.

At this point it's starting to look like a nervous tic or a bad habit, but our esteemed Bank of Canada has done it again, ramping up the overnight lending rate by 50 more basis points.

That means that new homebuyers will be missing \$160 or so from their monthly budget. Just like people have been noticing their income trickling away in the form of interest payments for some time now.

Have we seen our last interest rate hike for a while? If not, when does this end?

Some economists will continue to recommend interest rate increases as long as inflation remains a problem. Others think it's time to ease off interest rates and let the economy settle into the new conditions the BoC has helped create.

The only honest answer is that we'll have to wait and see. We'll be right there with you, monitoring the situation and keeping you in the loop.

With that out of the way, let's look at how Calgary's real estate market performed in October.

OCTOBER SALES: NUMBERS AND INSIGHTS

Get ready to fall off your seat in surprise: sales are down. All right, that's no shock to anyone. October sales fell 15% compared to the previous year. A drop like that is enough to make anyone think that the sky is falling. But there's less reason for worry than you might believe.

This year's sales figures are more of a return to normal than a dive off a cliff. Last year, Calgary saw its highest-selling October ever, a blockbuster that pushed 35% higher than long-term averages led us to expect. A bit of a falloff this year was entirely normal.

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These are composite figures: the apartment/row home market diverges considerably from the detached/ semi-detached market.

Detached and semi-detached homes led the way downward in October, declining by roughly 30%. Apartments and row homes continue to surge, to the tune of 20% and 18%, respectively.

That may not be enough to pull October's overall figures into the black, but it continues a strong long-term trend for apartments and row houses. If you're a seller, you'll want to hang on for at least the near future; if you're a buyer, you'd better do your homework. All of which points to strong valuations for some time to come.

Despite all this turmoil, overall month-to-month sales in Calgary have stayed remarkably stable. We typically brace just a little for a seasonal slowdown, but we've seen an almost negligible little sag in October instead of the clear downward trend that sometimes develops this time of year.

The bottom line: people are still buying homes...or at least they want to. Demand remains high.

Times like these reward extra homework and solid advice. Be smart, gather all the information you can, and be sure to work with a real estate advisor you trust while doing any kind of market assessment.

INVENTORY: IT'S DOWN

Sorry to ruin the surprise there, but the inventory picture in Calgary is less complicated than the tale of two sales markets we just discussed. Fewer new listings are coming to market these days, simple as that.

With demand still high and sales remaining steady month over month, the inventory crunch is only becoming more severe. By most measures, in fact, there's never been an October with this little available housing stock in Calgary's history. Inventory has dropped 20% since last October and trails long-term averages by more than 30%.

Although inventory is down across the board, we do see an important pattern in the types of houses up for sale and their rough price range. The more modest the house, the tighter the market.

That's a simple observation, and it makes for a pretty simple graph when we look at the ratio of home sales to new listings. The higher the ratio, the faster the market is moving. A faster pace usually means a tighter market, too.

Overall, Calgary ended October at an 85% ratio, which just about matches its 2022 highs. Just as with sales, detached and semi-detached houses lead the way, and apartments join them at around 83%.

Which means that row houses are driving the ratio up two whole percentage points. That's some heavy lifting, and the sales-to-listings ratio for row homes currently stands at a wild 106%.

That's right: row homes in Calgary are selling quicker than they can be listed.

The white-hot market for row homes in Calgary is a major reason why supply is so low for houses priced between < \$200k and \$399k, and why it trends up from there. Take a look at the nearly smooth curve on this chart:



Let's take a quick look at what's going on here.

Months of Supply is a projection of how long it would take to sell all the homes currently on the market if all listing stopped right this moment.

Two months of supply or less means that we're in a seller's market.

Four months of supply or more means that we're in a balanced moving towards a buyer's market.

The range between two and four months is where preparation and good timing play their biggest roles.

From a bird's-eye view, Calgary's real estate market is simple. But each segment of the market can respond a bit differently—all right, wildly differently—to the same factors. As always, **knowledge is power.**

PRICING: CALGARY IS A ROCK

If you've studied Calgary's real estate market long enough, you know that it's not a boom or bust proposition. Compared to other Canadian markets, say Vancouver or Toronto, Calgary's pricing tends to steady when other cities ride the real estate rollercoaster.

October was no different.

Sales have held steady month over month, and inventory continues to slide. ***Strong demand and weakening supply continue to exert positive pressure on Calgary's home prices.***

No one's becoming an instant billionaire playing the Calgary market, but while other cities are seeing their housing prices plummet, there's no sign of a crash here.

To put real numbers to that observation, we saw a \$3,500 downward sag in our benchmark prices from September to October. Real money, but insignificant compared to the overall price of a home. We are down only 4% or so from last year's peak, when other cities were coping with unsustainably hot real estate markets.

Those other cities are now dealing with a hangover as prices slide hundreds of thousands of dollars each month, in some cases threatening to drop below pre-COVID levels. To put Calgary's market into perspective, we can safely sum things up this way:

- **Other Canadian cities saw tons of speculation, fueled by cheap financing, which grossly exaggerated their real estate pricing.**
- **Calgary built its way back from a pretty glum five years or so to establish a real estate market based on sound fundamentals like simple supply and demand. And it's continuing along the same path.**

This isn't to say that Calgary is immune to economic downturns. If a recession hits Canada, it will hit Calgary, too. But our real estate market makes some of the strongest, most no-nonsense value propositions in all of North America. We didn't chase the easy money when everyone else seemed to, and now we're reaping the rewards. Good for us!

Now, how does all of this affect you?

Simple: if the time is right for you, chances are that you can find a square deal in Calgary. Yes, prices are strong. But they're set to stay that way for the long run, which makes buying a home here less of a gamble than in other cities, and more of an investment.

Your own situation will dictate how you approach Calgary's real estate market, and we can only offer advice that's right for you once we've learned about your goals and how prepared you are to achieve them. But to give you a broad sense:

- ***If you need to buy a home, go for it.***
- ***If you've been planning and saving for a home, this is the time.***
- ***If you need to sell, there's a market of strong buyers out there waiting for your listing.***
- ***If you want to invest in real estate for the long haul, Greater Calgary will do your investment proud.***
- ***If you need to adjust your living situation, this is a good time to upsize or downsize your home.***

In other cities, the real estate market can push you around. Calgary's market might not give you whiplash with its ups and downs, but it can give you something much more important: the confidence to go out and make the best decision for you and your family.

Thank you for reading this month's report. I hope it's helped inform your approach to the Calgary real estate market. If you have further questions or want to know more about how current market trends affect your situation, please get in touch.