



Pulse of the city

DECEMBER 2022 MARKET UPDATE

Calgary Continues to Pace Canada's Real Estate Market!

Before we dig into this month's Market Update, I'd like to wish you Happy Holidays and all the best to you and your family in the coming year!

We have some exciting new things planned for the community in 2023 and I can't wait to share them with you.

For now, let's take a look at how 2022 is drawing to a close.

The big news for December is that Calgary's not Canada's best-kept secret any longer. While real estate markets across the country have slumped and stumbled their way into December, Calgary's is holding strong. In case that sounds like local pride gone too far, make sure to check out the headlines at the end of this report...

A combination of strong fundamental numbers and steadily increasing migration to Greater Calgary has set us up for a milder-than-usual December and a strong outlook to welcome 2023.

November's real estate data support this view. I won't dwell on them too heavily, since the real story here is what Calgary's resilience means for you over the next few months.

INTEREST RATES RISE, INVENTORY DROPS

Interest rates are up, and on **December 7 the Bank of Canada raised them by another 50 basis points**. There's no way around it: higher interest rates are here for the foreseeable future. The BoC's governors did offer a vague suggestion that rates will begin to come back down to earth a bit toward the end of 2023, but that sort of speculation shouldn't change anyone's plans for the next 12 months or so. Higher interest rates are just something we're all dealing with for now.

Meanwhile, life goes on and real estate continues to change hands. People who move still need homes; people who have saved up for their first homes are still ready to roll. In markets like Vancouver and Toronto, where investment drives a significant percentage of real estate transactions, higher interest rates are having a serious effect on the pace and value of home sales.

Not so in Calgary, which has seen both demand and valuation hold relatively firm over the last year.

While demand remains high, we're seeing our lowest inventory levels since 2005, when Calgary's population was 33% smaller. Not much new housing stock hits the Calgary market in December, so we should continue to see incredibly low inventory levels across all housing segments.

SALES SAG

It's normal for sales to tail off a bit as winter approaches, and this November followed that trend. The same inflationary pressures that have spurred interest rate hikes have eaten away at Canadians' savings, which has cooled the real estate market a bit from last year. Sales across the entire Calgary market are down roughly 20% from last November.

Normally, fewer home sales would mean that people are staying put. Not this year. People are still flocking to Calgary.

THE POPULATION BOOM CONTINUES

Both net migration to Calgary and movement within the Calgary real estate market have shot up to all-time highs. The continued influx of people to Calgary has temporarily changed the face of our real estate market—since they're not buying homes in huge numbers, they're hitting the rental pool, making for the most competitive rental market we've seen in some time.

A competitive market can become an expensive one, and that's exactly what's happened in Calgary as rents surge to new highs. But the rental market likely won't remain overheated for that much longer.

Renters in Calgary include people who simply prefer renting to home ownership, but they also include quite a few future homebuyers who are settling in, getting to know the city, and preparing themselves to make a more informed home purchase.

PUTTING IT ALL TOGETHER

Let's consider the big picture. Interest rates may have peaked. Inventory levels are at historic lows, and demand continues to grow. Each of those factors supports higher home sales prices, and in fact Calgary's benchmark sales price has held firm near its 2022 peak. The Detached market is the only area in which we've seen a significant decline from the YTD high, and Detached homes have only dipped 4% or so from that point. November alone produced a year-over-year price increase of more than 9%.

December's totals are always low, in terms of both sales and homebuilding. This should keep the squeeze on inventory levels and support steady pricing through December. But that could represent the calm before the storm.

WHAT'S NEXT?

It's not my habit to make bold proclamations about the real estate market. But I'm prepared to say this: going into next year. For prices. For sales. This is as slow and low as we'll be for quite some time.

Calgary has built up a good deal of demand for residential real estate, and once this year's renters get themselves situated in the city, they'll look to become buyers in 2023 pushing our price point even higher.

On the supply side, builders in the Calgary area are painfully aware that slowing sales have caused them to leave money on the table in the form of payroll, debt service, and other overhead. Those costs need to be paid in any season, in any economy, and they may already be offsetting the forces that threaten to send home prices upward. Once the market regains its momentum in the new year, demand will pick up and builders will adjust accordingly.

SO, WHAT DOES THIS MEAN FOR YOU?

If you're a homeowner, your equity has held remarkably steady while your counterparts in other cities see their homes' market value erode. You've done well to hold on to your investment, and you could see it climb after the new year.

If you're a homebuyer, especially one who's been renting while looking for the right time to make a purchase, you're seeing the best prices you'll find in Calgary for the next handful of years, at least. If you find a home that's right for you, and you're able to swing a deal that fits your budget, go for it! You've been smart to wait for the right time to buy. Well, this is the right time. And it won't be coming back again anytime soon.

Some months call for a lot of technical analysis. This month, it's all about strategy: reading the market and making plans to take advantage of conditions that won't last much longer.

As always, this report is a broad summary and my take and opinion of the market, not a precise analysis of your current situation, individual satellite markets, property types, or price points. Consider it a starting point for your conversations at home, your analysis of how you fit in with Calgary's real estate market, and most importantly for your consultations with your agent.

Speaking of which, if you'd like to discuss your home ownership goals and how to achieve them, please reach out. We'd love the chance to help make it happen for you.

I'm not sure that I can answer your questions or be of any help without first understanding your needs. So, let's plan a chat so I can better understand your situation and what you're looking to do... because at the end of the day, it's about YOU getting the RESULTS you WANT when you're buying or selling Real Estate.

You can head over to planwithmike.ca or call/text me directly at (403) 809-9386 and let's Schedule a Chat!

Happy Holidays!

HEADLINES I PROMISED

Special report: five top towns for real estate investors in 2023

Job-generating, affordable Calgary tops our annual list

<https://www.westerninvestor.com/british-columbia/special-report-five-top-towns-for-real-estate-investors-in-2023-6034230>

Alberta Housing Prices Are Predicted to Rise in 2023 as more people move to the province

These areas are about to get pricier

<https://www.narcity.com/calgary/alberta-housing-prices-predicted-to-rise-in-2023-more-people-moving-to-province>

Beginning of the end for Canada's housing market downturn? Calgary the exception to the rule

<https://thoughtleadership.rbc.com/beginning-of-the-end-for-canadas-housing-market-downturn/>

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