



Pulse of the city



MARCH 2023 MARKET UPDATE

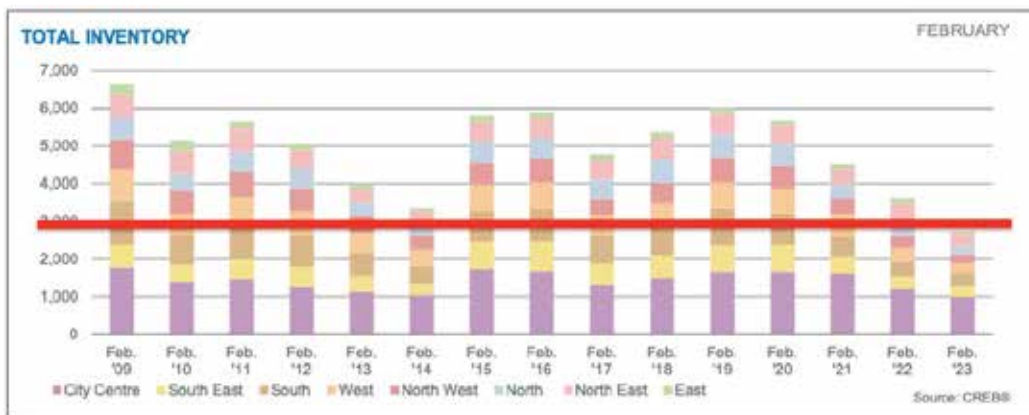
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As Temperatures Rise, Will Calgary's Real Estate Prices Take Another Leap Upward?

Winter isn't done with us yet, but temperatures will soon pick up, and Calgary's housing market will follow suit. In this month's market update, I'll take a close look at what that means for you. We'll go through the usual market analysis to give you a clear idea of where Calgary's real estate sector is and where it's headed—and we'll wrap things up with a look at what it all means for your finances.

Rather than focusing on sales, we'll start off by looking at the single most important factor *underlying* home sales in Calgary: inventory.

As I write this, there are 2,750 homes for sale in Calgary. That might be 2,749 more than you need, but have a look at where local home inventory stands relative to the past 15 years.



The inventory shortage in Calgary is nearly un-precedented:

you'd have to go all the way back to 2006 to find fewer houses on the market.

Looking at it from a different angle, we listed 2,389 new homes in February, 60% fewer than in February 2022.

Last February was pretty generous: we saw a net increase of roughly 1,000 new homes on the market from the month before. This year, that number shrank to about 400. That's an historically low figure, too.

No single segment of the market is responsible for the shortage:

The **Detached** market, Calgary's biggest, saw a 60% drop in new properties to market, putting it 24% behind last year's pace.

New listings of **Semi-Detached Homes** fell by 50%, trailing last year's number by 19%.

Row Homes joined in the fun with a 48% slide in new listings and 39% fewer actively listed homes than a year ago.

Apartments to the rescue, right? Not exactly. New apartment listings have held steady, which is good news for most Calgarians. But without an increase in listings, apartments have done nothing to offset the shortage of other types of homes.

Add it all up—new listings and those that have been active for a while—and there are 19% fewer homes available for purchase in Calgary than there were a year ago.

WHAT ABOUT THE SUBURBS?

If Calgary's new property listings aren't enough to fix our inventory shortage, what about surrounding communities?

Last year, sales demand in Calgary's satellite regions was even higher than what we saw in Calgary proper. Total active inventory fell through the floor and only picked up when we got well into spring.

Things are looking a bit different in 2023. Inventory is up against last year's totals, but not nearly enough to make Greater Calgary a buyer's market.

Which begs a question: **does the entire Calgary region have an inventory problem?**

Well, the answer depends on whether you're buying or selling.

If you're a buyer, then yes. You're up against an inventory shortage. You'll need to be ready when new homes hit the market, and you'll need to be prepared to meet the asking price.

The good news is that we're not on the crest of a wave. You'll be buying into a resilient market with significant future upside.

If you're a seller, you're in the driver's seat. Not that you can name your price without doing a fair bit of research. Higher interest rates have put a cap on what buyers are willing and able to pay. You won't see the sorts of bidding wars you did in years past, but you'll still be dealing with buyers who are prepared to meet fair asking prices, and to meet them quickly.

That's where all that research comes in. With interest rates weighing so heavily in buyers' decision-making, you could price yourself out of the market by setting your asking price even 5% too high. Other sellers are doing their homework, too. Stay reasonable, don't get greedy, and this market will reward you.

FINALLY, A LOOK AT SALES

We typically use year-over-year statistics to take stock of where the market stands. In normal market conditions, that's a good way to identify trends. But our market wasn't normal in 2022. We'll need to step back and consider February sales in a wider historic context to draw any meaningful conclusions.

If you just looked at last year’s figures, you’d think that home sales in Calgary had cratered in February. But here’s what the 10-year chart shows.



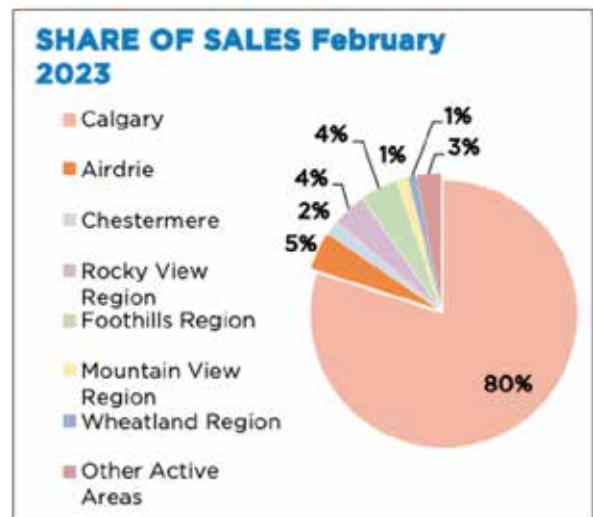
This is a broad overview, not a complete picture of the housing market.

But it does show that demand remains strong throughout the Calgary region.

Things become even more clear when we look at the types of homes that have sold year-over-year. In February 2022, apartments and row homes accounted for 33% of all sales. A year later, that figure was up to 46%, with nearly all of the difference accounted for by a drop in detached-home sales. That’s a massive shift to the lowest-priced properties on Calgary’s market.

Since most of the region’s apartments and many of its row houses are located in Calgary proper, we’ve also seen a shift in sales away from surrounding communities. Calgary’s 80% share of the regional market is as high as I’ve ever seen it.

Now, is this anything to be worried about? Not if you consider the bigger picture. The single-family market remains tight, supporting high valuations across the Calgary region. That trend should continue as more apartments and row houses hit the Calgary market to address continued demand for those types of housing.



WHAT THIS MEANS FOR YOUR MONEY

It’s still early, but the benchmark sales price in Calgary has increased by about \$12,000 across all housing types. That’s a 2.5% year-to-date increase in housing valuation, in a market that some people thought might crash.

We’re still far from the \$546,000 we saw in May 2022, but the market appears to be building significant momentum. I haven’t been worried about the market crashing in 2023, but I’m not predicting a sprint back up to last year’s high, either. I am saying that the Calgary market appears to be fundamentally strong, and a closer look at housing prices supports an optimistic view.

As we saw earlier, the apartment and row-house segments are driving the Calgary market these days. That extends to their price growth.

While the market as a whole is still looking for ways to meet last year's highs, apartments and row houses have already done it, and nothing appears to stand in the way of their growth.

Apartment values are up 11% year-over-year throughout Calgary. In some districts, they've grown by 19%; even the slowest-growing neighbourhoods have seen apartment values rise by 9%. Lately, price growth in Calgary apartments has risen an average of 3% a month.

Row home valuations are rising nearly as rapidly: 9% year-over-year and an average of 2.3% per month.

Prices for detached and semidetached houses have increased much more modestly, both with 2.5% year-over-year gains. This extends across Calgary's neighbouring communities. Airdrie is flat year-over-year, while Cochrane is up 2.5% and Okotoks 3.2%. These were last year's price-growth champions, but it's a new game in 2023.

LOOKING AHEAD

Time to address the question I led off with:

Will Calgary's Real Estate Prices Take A Leap Forward This Spring?

The first two charts we looked at this month have some clues toward an answer.

Valuation is built on a foundation of supply and demand. That's good news for the Calgary market.

We know that an almost historically low number of houses are available for sale. And we know that sales have remained strong, even though they're down from last year's unicorn levels.

Those two numbers alone are enough to tell us that Calgary's real estate market is strong—and built to stay that way for the long haul.

With apartments and row houses continuing to post huge valuation growth, I can easily see our benchmark average sale price rising 10% or so this year, similar to what we saw in 2013 and 2014.

Ready for the best part? Calgary continues to reward sellers while staying fair to buyers. Despite all this growth, Calgary's housing affordability index is the best in Canada, and we'd need to see years and years of enormous price increases to knock us from the top spot.

I'm excited for Calgary's long-term future, and I think you should be, too.

This is just an overview of what's happening this month in the Calgary real estate market. Your own situation is unique. If you'd like to learn how Calgary's market can help you meet your specific goals, give me a call or send me an email and I'd be happy to help.

Until next month, take care!