



# Pulse of the city

AUGUST 2023 MARKET UPDATE

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## Calgary's Real Estate Boom: Unveiling the Future of the Red-Hot Market

The summer weather isn't the only thing that's blazing hot in Calgary; the real estate market is also on fire. With interest rates rising and housing affordability becoming a pressing concern, many are wondering how long this red-hot market will last. In this update, we'll go into Calgary's performance in July, explore the outlook for the remainder of the year, and even touch on the broader Canadian landscape.

**Buckle up as I take you through the highs and the challenges of Calgary's real estate market.**

### July's Record-Setting Market

In July, Calgary's real estate market continued to break records, with the most sales and highest prices ever seen. While this may sound like the same old story, there's something unique about this month's performance. The average price of a property in Calgary reached \$567,000, a significant 6% increase from the previous year, and total sales exceeded 2,600 properties.

### The Real Story: Lack of Inventory

However, the real story lies in the scarcity of available properties. Compared to the previous year, the inventory has decreased by nearly 35%, leading to a 'Months of Supply' metric of 1.3. In simpler terms, there is just over five weeks of inventory, placing the market firmly in "sellers' market" territory. As a result, it's highly unlikely that this situation will change anytime soon.

### Price Segmentation

Taking a closer look at the specific categories tracked by the Calgary Real Estate Board, we find detached homes averaging \$690,000, apartment condos at \$306,000, semi-detached properties around \$617,000, and row townhouses at \$400,000. All these segments have witnessed price increases of about 10% compared to last year.

### Challenges and Choices for Buyers

While a hot market is often seen as beneficial for the industry, it presents several challenges for buyers. The limited inventory and rapid sales make it tough to find and move into a new property seamlessly. For those contemplating a move, it's essential to consider whether to wait for a potential market cooldown or make a quick decision.

## The Role of Immigration

Understanding what drives this super-hot market not only in Calgary but also across the country is crucial. A significant factor contributing to housing demand is Canada's robust immigration policy, which welcomed over one million new immigrants in 2022. With population growth of 2.7%, Canada ranks among the top 20 countries globally in terms of overall growth. The consistent inflow of new residents is a key driver of demand and, in turn, price increases.

## Government Policies and Housing Demand



Sean Fraser arrives for a cabinet swearing-in ceremony at Rideau Hall in Ottawa. PHOTO BY JUSTIN TANG/THE CANADIAN PRESS

As we examine the future of the market, it's vital to pay attention to government policies and their impact on housing demand. A recent cabinet shuffle appointed a new housing minister, Sean Fraser, who previously served as Immigration minister. With a history of overseeing a significant influx of immigrants, Fraser's focus on housing affordability is noteworthy.

## The Unlikely Housing Reform

Curbing immigration to ease the housing crunch might seem like an obvious solution, but it's unlikely to happen. The federal government remains committed to maintaining the flow of newcomers into Canada. Consequently, demand is set to remain strong, and prices are expected to continue increasing, as the construction industry struggles to keep pace with the population growth.

## Record-high population growth in the year 2022

Canada's population was estimated at 39,566,248 on January 1, 2023, after a record population growth of 1,050,110 people from January 1, 2022, to January 1, 2023.

## The Immigration Factor: A Double-Edged Sword

It's no secret that immigration plays a significant role in shaping the real estate landscape. With more people moving into the country, the demand for housing surges, leading to higher prices. On the one hand, this is excellent news for the development industry, as it creates a robust market ripe with opportunities. However, the flip side of the coin is the pressure it puts on the supply of housing.

The new housing minister's dilemma is a classic case of balancing conflicting interests. Slowing down immigration might alleviate the demand pressure, providing a breathing space for the development industry to catch up and stabilize price growth. But it's a tough ask for the minister, who doesn't want

to risk appearing unsupportive of newcomers and their aspirations for a better life in Canada.

## A United Front for Housing Reform

Addressing the housing crunch requires a concerted effort from all levels of government—federal, provincial, and municipal. Achieving consensus among these entities can be a difficult task, given their distinct electoral cycles and varying priorities. Historically, Canada has not undertaken a fully united approach to housing reform, making it challenging to implement comprehensive solutions.

## A Graphical Insight: The Immigration-Housing Nexus

To understand the correlation between immigration and housing demand, let's look at a graph



compiled from data available on the Statistics Canada website and the Canadian Real Estate Association. The graph reveals that recent housing demand has surged alongside a significant increase in immigration. While this reflects a healthy market, it also reinforces the challenges of meeting this growing demand with consistent housing supply from the construction industry, inevitably leading to escalating prices.

## Embracing Change for a Flourishing Market

As Calgary's real estate market thrives, we must embrace change and adapt to the evolving demands. Immigration can undoubtedly be a driving force behind the market's success, but it also necessitates careful planning and cooperation. By fostering a united front for housing reform and finding innovative solutions, we can ensure that Calgary continues to be an attractive and vibrant destination for both newcomers and established residents, fostering a thriving real estate market for years to come.

## Interest Rates and Affordability

Interest rates play a critical role in determining the affordability of homes. Despite recent increases by the Bank of Canada, the current 5% rate has not deterred buyers. Given the favorable market conditions, homeownership remains a sound financial investment. However, some experts believe that interest rates may decrease in the future, benefiting those with variable-rate mortgages.

## Competitive Advantage for Calgary

Despite the challenges posed by low inventory and rising prices, Calgary offers a competitive advantage compared to larger cities like Vancouver and Toronto. With average sales prices less than half of these metropolitan areas, Calgary remains an attractive destination for people and businesses alike.

As we conclude this update on Calgary's real estate market, it's evident that the boom shows no signs of slowing down. The city's property market continues to set records, with demand remaining high and inventory at an all-time low. Government policies, including sustained immigration levels, will play a significant role in shaping the market's future. While challenges exist for buyers, Calgary's competitive advantage and potential future interest rate decreases bode well for the continuation of this hot market in the coming months.

As we look ahead, it's essential for buyers, sellers and investors to stay informed and make well-informed decisions. 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!