# HOUSING NOW

YOUR LINK TO THE HOUSING MARKET

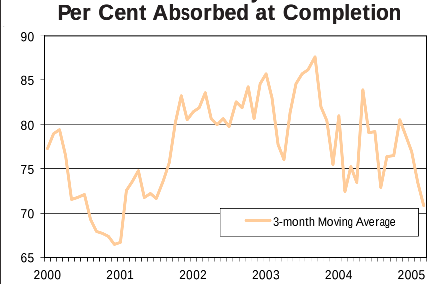
Canada Mortgage and Housing Corporation
www.cmhc.ca

## Multi-family Decline Curtails New Home Construction

For the second month in succession, a decline in multi-family construction pulled total housing starts downward in the Calgary Census Metropolitan Area (CMA). In March, work began on 992 housing units of all types, representing a 17 per cent decline from March 2004. Through the first three months of 2005, total housing starts in the Calgary CMA stand at 2,911 units, down 11 per cent from the first quarter of last year.

Following an impressive 14 per cent gain in February, local builders started work on 667 single-family units in March, up three per cent from production one year earlier. Matching March of 2002, this represents the strongest March performance for single-family builders in the Calgary CMA in seven years. March's activity brings the year-to-date total to 1,779 single-family units, less than two per cent behind the pace set last year. Builders have been reporting exceptional sales over the last few months, so it is likely single-family starts will move ahead of 2004's pace in the next few months. March's single-family building permits support this hypothesis, as the 735 permits within city limits in March are the highest monthly total since August of 2002. To the end of March, single-family building permits within city limits are up by almost 10 per cent.

**Multi-Family Units**
**Per Cent Absorbed at Completion**




Source: CMHC

At 407 units, March recorded a seven-year low for single-family completions. After three months, year-to-date completions are lagging 2004 by 15 per cent, as the extreme cold temperatures earlier in the year have slowed production. As a result of low completions, single-family absorptions were also low in March, totaling 417 units. While this figure appears suppressed, it should not pose concern for the marketplace as the absorptions total surpassed completions. Consequently, single-family inventories declined by 10 units in March. At 728 units, the number of complete and unabsorbed singles is five per cent lower than March 2004. The decline can be attributed to spec units, which at 279 in March, are 14 per cent lower than the previous year.

Following a year-over-year decline of 41 per cent in February, multi-family construction in March recorded a drop of the same magnitude. Multi-family starts, which include semi-detached, row, and apartment units, totalled 325 units in March, down from 548 in the corresponding month in 2004. March's starts bring the year-to-date total to 1,132 units, 22 per cent lower than the first quarter of 2004. The decline in construction could be in response to concerns over rising inventories. More likely, it represents a brief lull in activity as there are enough projects in the pipeline to fuel an acceleration of the multi-family market in the months ahead. Though multi-family building permits in the first quarter of 2005 are down 57 per cent, the market has yet to start all of the 6,249 permit approvals in 2004.

Contrary to what occurred in 2004, rows are the only multi-family units to record an increase in starts to-date. After declining 27 per cent in 2004, row-unit construction had reported a 36 per cent year-over-year

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**CALGARY**
**MARCH 2005**

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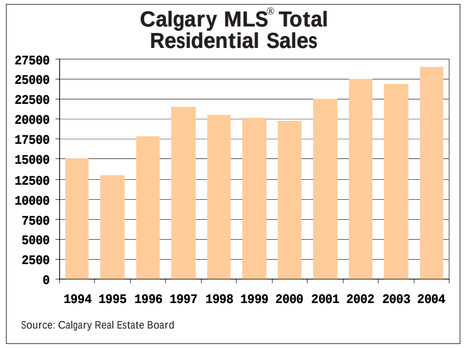
gain after the first quarter. Semi-detached and apartment units enjoyed gains of 15 and 29 per cent, respectively, in 2004. However, after the first three months of 2005, semi-detached construction has slipped 17 per cent while apartment starts have dropped by a 34 per cent margin.

A total of 264 multi-family units were completed in March, a 17 per cent gain over the previous year. Unlike singles, however, multi-family absorptions did not keep pace. A total of 246 units were absorbed in March, the lowest monthly total in almost two years. Market participants can expect a surge in absorptions in the coming months. With the number of units under construction escalating to a 22-year high of 5,931 units in March, the absorption count will escalate as many get completed. Nonetheless, it may be difficult to prevent higher inventories, as the per cent of units absorbed at completion appears to be declining. At only 66 per cent, the percentage of multi-family units absorbed at completion in March was the lowest in 13 months.

## MLS® Sales on Record-Setting Pace

Three months into 2005, it appears that residential sales through the Calgary Real Estate Board (CREB) are on pace for another new record. In the first quarter, the number of residential transactions through CREB totalled 6,810 units, nine per cent above the pace set in 2004. While strong employment growth in the 25 to 44 age group and a recovery in net migration are spurring demand, the overall strength of the market continues to be fuelled by persistently low mortgage rates. Anecdotal evidence also indicates anxious buyers are fuelling demand, as they are rushing to get into the market before mortgage rates rise and prices escalate further. The overall sales figures have also been boosted by the sale



Source: Calgary Real Estate Board

of newly constructed units. To the end of March, single-family sales have totalled 5,007 units, representing an eight per cent gain over the first quarter of 2004. Condominium sales meanwhile, have reported a 13 per cent increase to-date, reaching 1,803 units.

CMHC currently classifies Calgary as a balanced market, though it is quickly moving into sellers' market territory. So far this year, active listings are averaging nine per cent lower than 2004. With sales at record levels, the overall sales-to-active-listings ratio has escalated from 32 per cent in January to 53 per cent in March. As this is only a recent occurrence, it is early to claim that overall market conditions strongly favour the seller. Nonetheless, if such conditions and healthy price growth persists over the coming few months, sellers will be in a stronger position than they have been in the last 24 months.

Year-over-year price growth in the resale market sits at 11 per cent after one quarter, a further indicator of sellers' market conditions. At $179,160, average condominium prices in the first quarter are nine per cent higher than 2004. Single-family prices, meanwhile, are up an impressive 12 per cent during the same period, reaching $268,779. Arguably, overall price growth in the single-family market is being skewed upward by the number of sales in the extreme high price ranges. After three months, the number of single-family sales exceeding $900,000 totalled 48, up considerably from 16 the year previous.

## Calgary Job Creation Off to Slow Start

For 2004, Statistics Canada reported that payrolls expanded by 14,800 positions in the Calgary CMA. This represents a welcome improvement from 2002 and 2003 when only 9,800 and 10,900 new jobs were created, respectively. Unfortunately, this recovery has yet to carry into 2005. According to the Labour Force Survey statistics released by Statistics Canada, the Calgary CMA had 500 fewer people employed in the first quarter of 2005 than it did the year previous. This represents the first year-over-year decline in local employment since 1993.

Intuitively, one would expect such weakness in the employment figures would have a negative impact on current and future housing demand. Closer examination of the data, however, suggests that Calgary's employment picture is more promising than the overall figures indicate. Critical for housing demand is the rate of full-time job growth, as it is an important prerequisite for buying a home. In the first quarter of 2005, full-time employment totalled 487,600 positions in the Calgary CMA, 7,200 more than the previous year. Though this lags the corresponding rate of full-time job creation in 2004, the current rate of full-time growth should quell any concerns of a deteriorating labour market. All of the full-time job growth to-date has occurred at the expense of part-time positions, confirmation of persistent shortages in Calgary's labour market. In the first quarter of 2005, Calgary's unemployment rate averaged 4.4 per cent, 1.2 percentage points lower than the previous year and the lowest rate since the middle of 2001. Undoubtedly, the recent moderation in net migration has necessitated the promotion of part-time employees to full-time positions.



Table 1A

## STARTS ACTIVITY BY AREA

Calgary CMA - March 2005

| Area | Single 2005 | Single 2004 | Multiple Semi | Multiple Row | Multiple Apt | Total 2005 | Total 2004 | %Chg 2005/2004 |
|---|---|---|---|---|---|---|---|---|
| AIRDRIE | 36 | 35 | 2 | 16 | 0 | 54 | 60 | -10.00 |
| BEISEKER | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ** |
| **CALGARY CITY** | **582** | **551** | **68** | **51** | **180** | **881** | **1054** | **-16.41** |
| CHESTERMERE LAKE | 33 | 37 | 2 | 0 | 0 | 35 | 53 | -33.96 |
| COCHRANE | 4 | 5 | 0 | 0 | 0 | 4 | 5 | -20.00 |
| CROSSFIELD | 0 | 1 | 0 | 0 | 0 | 0 | 1 | ** |
| IRRICANA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ** |
| MD ROCKYVIEW | 12 | 20 | 6 | 0 | 0 | 18 | 24 | -25.00 |
| **TOTAL** | **667** | **649** | **78** | **67** | **180** | **992** | **1197** | **-17.13** |

Table 1B

## STARTS ACTIVITY BY AREA

Calgary CMA - Year to Date 2005

| Area | Single 2005 | Single 2004 | Multiple Semi | Multiple Row | Multiple Apt | Total 2005 | Total 2004 | %Chg 2005/2004 |
|---|---|---|---|---|---|---|---|---|
| AIRDRIE | 88 | 94 | 4 | 40 | 0 | 132 | 152 | -13.16 |
| BEISEKER | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ** |
| **CALGARY CITY** | **1517** | **1552** | **132** | **228** | **691** | **2568** | **2903** | **-11.54** |
| CHESTERMERE LAKE | 77 | 74 | 4 | 13 | 0 | 94 | 102 | -7.84 |
| COCHRANE | 14 | 25 | 0 | 0 | 0 | 14 | 27 | -48.15 |
| CROSSFIELD | 1 | 3 | 0 | 0 | 0 | 1 | 3 | -66.67 |
| IRRICANA | 0 | 0 | 2 | 0 | 0 | 2 | 4 | -50.00 |
| MD ROCKYVIEW | 82 | 56 | 18 | 0 | 0 | 100 | 62 | 61.29 |
| **TOTAL** | **1779** | **1804** | **160** | **281** | **691** | **2911** | **3253** | **-10.51** |

** Indicates a greater than 100 per cent change

HOUSING NOW provides an overview of a survey conducted montly by CMHC.
These surveys deal with Housing Starts, Completions and Absorptions for all CMA's across Canada.

For more information please contact Richard Corriveau at (403) 515-3005

Table 2A

## HOUSING COMPLETIONS BY AREA

Calgary CMA - March 2005

| Area | Single 2005 | Single 2004 | Multiple Semi | Multiple Row | Multiple Apt | Total 2005 | Total 2004 | %Chg 2005/2004 |
|---|---|---|---|---|---|---|---|---|
| AIRDRIE | 28 | 20 | 0 | 6 | 0 | 34 | 28 | 21.43 |
| BEISEKER | 0 | 0 | 0 | 0 | 0 | 0 | 0 | ** |
| **CALGARY CITY** | **326** | **482** | **66** | **83** | **104** | **579** | **691** | **-16.21** |
| CHESTERMERE LAKE | 23 | 19 | 2 | 0 | 0 | 25 | 21 | 19.05 |
| COCHRANE | 14 | 7 | 0 | 3 | 0 | 17 | 7 | ** |
| CROSSFIELD | 0 | 3 | 0 | 0 | 0 | 0 | 5 | ** |
| IRRICANA | 0 | 1 | 0 | 0 | 0 | 0 | 1 | ** |
| MD ROCKYVIEW | 16 | 26 | 0 | 0 | 0 | 16 | 30 | -46.67 |
| **TOTAL** | **407** | **558** | **68** | **92** | **104** | **671** | **783** | **-14.30** |

Table 2B

## HOUSING COMPLETIONS BY AREA

Calgary CMA - Year to Date 2005

| Area | Single 2005 | Single 2004 | Multiple Semi | Multiple Row | Multiple Apt | Total 2005 | Total 2004 | %Chg 2005/2004 |
|---|---|---|---|---|---|---|---|---|
| AIRDRIE | 96 | 98 | 4 | 18 | 0 | 118 | 132 | -10.61 |
| BEISEKER | 1 | 0 | 0 | 0 | 0 | 1 | 4 | -75.00 |
| **CALGARY CITY** | **1170** | **1477** | **194** | **201** | **467** | **2032** | **2639** | **-23.00** |
| CHESTERMERE LAKE | 85 | 67 | 8 | 0 | 0 | 93 | 81 | 14.81 |
| COCHRANE | 32 | 18 | 4 | 3 | 0 | 39 | 41 | -4.88 |
| CROSSFIELD | 4 | 4 | 4 | 0 | 0 | 8 | 10 | -20.00 |
| IRRICANA | 1 | 4 | 0 | 4 | 0 | 5 | 4 | 25.00 |
| MD ROCKYVIEW | 92 | 81 | 14 | 0 | 0 | 106 | 101 | 4.95 |
| **TOTAL** | **1481** | **1749** | **228** | **226** | **467** | **2402** | **3012** | **-20.25** |

** Indicates a greater than 100 per cent change

Table 3

## HOUSING ACTIVITY SUMMARY

Calgary CMA

| Activity | Ownership | | | | | Rental | | | | Grand |
|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold | | | Condominium | | Private | | Assisted | | |
| | Single[1] | Semi[1] | Row | Row | Apt | Row | Apt | Row | Apt | Total |
| **Starts** | | | | | | | | | | |
| Current Month | 667 | 78 | 0 | 67 | 180 | 0 | 0 | 0 | 0 | 992 |
| Previous Year | 649 | 74 | 0 | 55 | 191 | 0 | 228 | 0 | 0 | 1,197 |
| Year-To-Date 2005 | 1,779 | 160 | 0 | 281 | 691 | 0 | 0 | 0 | 0 | 2,911 |
| Year-To-Date 2004 | 1,804 | 192 | 0 | 207 | 586 | 0 | 332 | 0 | 132 | 3,253 |
| **Under Construction** | | | | | | | | | | |
| 2005 | 3,760 | 580 | 17 | 677 | 4,193 | 0 | 332 | 0 | 132 | 9,691 |
| 2004 | 3,580 | 574 | 17 | 780 | 2,992 | 0 | 333 | 0 | 132 | 8,408 |
| **Completions** | | | | | | | | | | |
| Current Month | 407 | 68 | 3 | 89 | 104 | 0 | 0 | 0 | 0 | 671 |
| Previous Year | 558 | 38 | 3 | 75 | 109 | 0 | 0 | 0 | 0 | 783 |
| Year-To-Date 2005 | 1,481 | 228 | 3 | 223 | 467 | 0 | 0 | 0 | 0 | 2,402 |
| Year-To-Date 2004 | 1,749 | 174 | 14 | 280 | 555 | 0 | 240 | 0 | 0 | 3,012 |
| **Completed & Not Absorbed** | | | | | | | | | | |
| 2005 | 728 | 233 | 0 | 94 | 237 | 0 | 102 | 0 | 0 | 1,394 |
| 2004 | 763 | 121 | 1 | 107 | 172 | 0 | 220 | 0 | 0 | 1,384 |
| **Total Supply** | | | | | | | | | | |
| 2005 | 4,488 | 813 | 17 | 771 | 4,430 | 0 | 434 | 0 | 132 | 11,085 |
| 2004 | 4,343 | 695 | 18 | 887 | 3,164 | 0 | 553 | 0 | 132 | 9,792 |
| **Absorptions** | | | | | | | | | | |
| Current Month | 417 | 70 | 3 | 92 | 80 | 0 | 4 | 0 | 0 | 666 |
| Previous Year | 526 | 33 | 4 | 72 | 130 | 1 | 19 | 0 | 0 | 785 |
| Year-To-Date 2005 | 1,459 | 188 | 3 | 241 | 408 | 0 | 20 | 0 | 0 | 2,319 |
| Year-To-Date 2004 | 1,705 | 175 | 14 | 279 | 580 | 4 | 93 | 0 | 0 | 2,850 |
| 3-month Average | 486 | 63 | 1 | 80 | 136 | 0 | 7 | 0 | 0 | 773 |
| 12-month Average | 672 | 65 | 2 | 92 | 192 | 0 | 10 | 0 | 0 | 1,033 |

1 May include units intended for condominium.
2 Sum of units under construction, complete and unoccupied.