**CANADIAN HOUSING HEALTH CHECK**

February 2020

**Largest four markets**

**Toronto** — Housing demand has fully recovered, demand-supply conditions have tightened considerably and prices are rising faster. The biggest issue now is a lack of supply. Labour market and demographic fundamentals provide solid demand support. Near-record condo construction isn’t a threat as there are few signs of overbuilding. Overstretched affordability remains a significant issue and top vulnerability.

**Montreal** — A strong economy and accelerating population growth continue to sustain solid market momentum. Demand-supply conditions are very tight and prices are on an accelerating path. An earlier erosion of affordability has stabilized but booming rental apartment construction warrants close monitoring.

**Vancouver** — Housing demand has largely recovered with the effect of earlier policy actions fading. Housing supply has tightened. Property values will soon rise above year-ago levels. Despite recent improvement, affordability is at a crisis level and the biggest source of vulnerability. High condo construction levels are unlikely to flood the market.

**Calgary** — The market recovery is uneven and progress stalled in the late stages of 2019. Yet demand and supply are in better balance, and prices are gradually stabilizing. Stronger population growth bodes well for housing demand to pick up in the period ahead. For the time being, energy sector uncertainty continues to weigh on buyer confidence. High condo inventories remain an issue.

**Housing downturn risks fade but for how long?**

**Growing housing demand lowers odds of a price drop nation-wide:** Strong population growth, generally solid labour markets and low interest rates are more likely to drive prices higher over the next 12 months in Canada.

**Most local markets are heating up:** Demand-supply conditions have tightened considerably in previously-soft markets, including Vancouver and Toronto. Price pressure is now rising rapidly in Toronto and has begun to intensify in Vancouver. Hot markets like Montreal and Ottawa see accelerating price gains. Conditions are gradually returning to balance in Calgary and Edmonton.

**Coronavirus poses a new risk:** Frenzied financial market reaction to the coronavirus outbreak and heightened global economic uncertainty could spook buyers who may move to the sidelines temporarily.

**Interest rate risk is muted:** Lower longer-term rates now act as a tailwind to the market. Our benign interest rate outlook tempers earlier risks of a significant headwind — especially in high-priced Vancouver and Toronto.

**Housing policy is about to loosen very slightly:** The upcoming adoption of a market-based qualifying rate for the insured mortgage stress test is likely to help slightly more borrowers qualify for a mortgage and for modestly higher loans.

**Healthy labour markets and strong population growth provide solid support:** Weak spots in the Prairies are tentatively—though unevenly—turning around.

**Oil sector uncertainty weighs on buyer confidence in the Prairies:** Crude oil transportation issues ultimately pose a risk to housing markets in these regions.

**Poor affordability remains a major issue in major markets:** The high cost of homeownership in Vancouver, Toronto and, to a (much) lesser extent, Montreal are a top vulnerability for Canada’s major markets.

**Strong condo construction isn’t a sign of overbuilding:** Elevated levels of apartment construction in Vancouver, Toronto and Montreal raise some potential longer-term absorption issues. There’s little risk near term, however, as unsold inventories are currently low.

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**Housing risk monitoring dashboard**

<table>
<thead>
<tr>
<th></th>
<th>Canada</th>
<th>Vancouver</th>
<th>Calgary</th>
<th>Toronto</th>
<th>Montreal</th>
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<td>⭗️</td>
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<tr>
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<tr>
<td>Homes under construction - singles</td>
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<td>⭗️</td>
<td>⭗️</td>
<td>⭗️</td>
<td>⭗️</td>
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<tr>
<td>Homes under construction - multiples</td>
<td>⭗️</td>
<td>⭗️</td>
<td>⭗️</td>
<td>⭗️</td>
<td>⭗️</td>
</tr>
</tbody>
</table>

- **Significantly outside historical norms and posing much higher risk than usual**
- **Modestly outside historical norms and posing moderately higher risk than usual**
- **Within historical norms or not posing any immediate threat**

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Background

Canadian Housing Health Check provides RBC Economics’ assessment of key indicators of Canada’s housing market that are deemed to offer early warning of potential imbalances. This monitoring exercise is one of the tools used regularly by RBC Economics to follow developments in this important sector of the Canadian economy. The report focuses on indicators that have been closely correlated (leading or coincident) with housing downturns and significant home price declines during housing cycles in the past three decades or so. While we believe that housing affordability and the sales-to-new listings ratio (and months’ inventory) are the best indicators of market stress and price pressure, respectively, no single indicator provides perfect and accurate early warning signals of impending trouble. Accordingly, Canadian Housing Health Check emphasizes a ‘dashboard’ approach to convey the point that trouble in the housing market can arise from many directions and that it is imperative to monitor the situation broadly. This approach is complemented by a detailed review of individual indicators that includes a graphical depiction of the current situation within a historical context and a brief discussion of the rationale of our assessment.

About the graphics and risk ‘zone’ system

The dashboard graphics display the current values of the indicators (dark blue bar) within zones that we consider safe (green), concerning (yellow) or dangerous (red). The width of each graphics represents the range of values posted by the indicator during the past 30 years (or period of time available). The far left corresponds to the safest measure ever recorded and the far right, to the most extreme imbalance reached historically. For most indicators, the left corresponds to low values but for some (sales-to-new listings ratio and net immigration) to high values.

The yellow and red zones appearing in dashboard graphics and individual indicator charts generally were determined by analyzing past housing downturns and constitute our estimations of thresholds above (or, in some cases, below) which market imbalances and significant home price declines occurred at the national level in Canada. The yellow zone comprises a range of values that, historically, have been mostly associated with imbalances but not always with housing downturns (i.e., sustained price declines). In other words, these values give somewhat ambiguous and sometimes ‘false’ signals. The red zone, however, comprises values that represent imbalances much more clearly and of larger magnitude. An indicator in the red zone should be considered a source of worry. The farther to the right in the red zone in the dashboard graphics are the values, the more extreme is the imbalance, the more intense is the stress exerted on the market and, ultimately, the more severe the potential correction.

The specific rules at the national level are as follows:

- **RBC Affordability Measure for the aggregate of all housing types**: yellow threshold = 41.5% (0.3 standard deviations above the long-term mean); and red at 45.1% (1.0 standard deviations above the mean).
- **Sales-to-new listings ratio**: yellow threshold = 0.40; and red = 0.35.
- **Months of inventory**: yellow threshold = 7.0; red = 8.5.
- **Rental vacancy rate**: yellow threshold = 3.2% (long-term mean); and red = 3.7% (0.5 standard deviations above the mean).
- **Real 5-year bond yield relative to trailing 12-month average**: yellow threshold = 1.0 percentage point (1 standard deviation above the mean); red = 2.0 percentage points (2 standard deviations).
- **Unemployment rate relative to trailing 12-month average**: yellow threshold = 0.41 percentage points (0.6 standard deviation above the mean); red = 0.9 percentage points (1.5 standard deviations).
- **Net immigration per 1,000 population**: yellow threshold = 6.5 (0.5 standard deviations above the mean); red = 5.0 (0.4 standard deviations below the mean).
- **Completed and unoccupied units per 1,000 population, singles and semis**: yellow threshold = 0.29 (0.3 standard deviations above the mean); red = 0.36 (1.3 standard deviation above the mean).
- **Completed and unoccupied units per 1,000 population, multiples**: yellow threshold = 0.36 (the mean); red = 0.47 (0.9 standard deviation above the mean).
- **Housing under construction per 1,000 population, singles**: yellow threshold = 2.11 (0.5 standard deviations from the mean); red = 2.33 (1 standard deviation from the mean).
- **Housing under construction per 1,000 population, multiples**: yellow threshold = 3.93 (0.5 standard deviations from the mean); red = 4.58 (1 standard deviation from the mean).

The areas shaded in grey in the indicator charts correspond to housing downturns – i.e., periods during which home prices (as defined as average prices of homes sold on the MLS system) fell by more than 5% from monthly peak to trough. It is important to note that the precise timing of these downturns can vary depending on the home price measure used. The grey shaded areas, therefore, should be seen as broad guidelines.
CANADA

### Affordability

- **RBC affordability measure - aggregate**
  - Near-term: negative
  - Medium-term: negative

### Existing home market balance

- **Sales-to-new listings ratio**
  - Near-term: positive
  - Medium-term: positive

- **Months of inventory**
  - Near-term: positive
  - Medium-term: positive

- **Rental vacancy rate**
  - Near-term: positive
  - Medium-term: positive

### Demand fundamentals

- **Change in real 5-Year bond yields**
  - Near-term: positive
  - Medium-term: positive

- **Change in the unemployment rate**
  - Near-term: positive
  - Medium-term: positive

- **Net Immigration rate**
  - Near-term: positive
  - Medium-term: positive

### Supply fundamentals

- **Completed and unsold units per capita – singles and semis**
  - Near-term: neutral
  - Medium-term: neutral

- **Completed and unsold units per capita – multiples**
  - Near-term: positive
  - Medium-term: positive

- **Housing under construction per capita – singles**
  - Near-term: positive
  - Medium-term: positive

- **Housing under construction per capita – multiples**
  - Near-term: neutral
  - Medium-term: neutral
Poor affordability remains a main source of vulnerability for Canada’s housing market despite some improvement since the fall of 2018. RBC’s aggregate housing affordability measure fell modestly for four consecutive quarters to 50.7% in Q3 2019. This historically high level still suggests the presence of significantly greater-than-average market stress for buyers in Canada. Affordability pressure is concentrated in Vancouver and Toronto where prices continue to be very high despite coming off their peaks in the past couple of years. The situation is not alarming in other markets.

Demand-supply conditions are tight overall. The odds of an imminent nation-wide price collapse are very low.

The sales-to-new listings ratio has recently risen to a level consistent with a seller’s market, implying growing upward price pressure. Homebuyer demand is no longer being restrained by policy changes made in the last two to three years. Housing demand, in fact, is growing rapidly—fueled by strong population growth, solid labour markets and low interest rates. The biggest issue in several markets is a lack of supply.

Inventories are shrinking—indicating that prices are more likely to continue to increase.

The rental market is tight overall in Canada and does not pose a threat to the home purchase market.

The rental vacancy rate in Canada fell to a 17-year low of 2.0% in October 2019 from 2.2% in 2018 and 2.7% in 2017. This is below the long-term average of 3.0%. The decline in the past three years was widespread across the country.
The risk of an interest rate shock is low. Bond yields have eased so far in 2020. We expect the Bank of Canada to cut its overnight rate by 50 basis points this year.

After rising modestly through the fall, the real 5-year government of Canada yield declined below its 12-month trailing average in January, which is positive for the housing market—although the mortgage stress test limits the pass-through to new buyers.

The outlook for interest rates pose little risk to the housing market at this stage.

Labour market conditions are positive.

The national unemployment rate is near its lowest level since the mid-1970s and RBC Economics expects it to stay historically low this year and next.

Decades-high levels of immigration offer strong support for housing demand.

The rate of net immigration in Canada (measured per 1,000 population) has surged since late-2015.

The rate is likely to remain elevated in light of the federal government boosting its target for new permanent residents from 300K in 2017 to 310K in 2018, and further to 330K in 2019, 340K in 2020 and 350K in 2021.

There are few signs of excess supply of new single-detached units in Canada.

The unsold inventory (measured on a per capita basis) is near its long-run average.
Supply fundamentals

The inventory of completed but unsold multi-unit dwellings also is low in Canada. It remains close to a 10-year low on a per 1,000 population basis.

There's little risk of overbuilding in the single family home segment. Construction levels are well below historical averages (when measured on a per 1,000 population basis).

On the multiples side, however, record-high levels of apartments under construction in Canada generate some potential absorption risks over the medium term. Strong apartment construction should be weighed against solid demand for lower-priced housing options in markets such Vancouver and Toronto.

Most of the units being built are in the Toronto (30% of total), Vancouver (18%) and Montreal (12%) areas.

The condo building boom over the past two decades in large part reflected structural changes to the market that arose from policy (e.g. rules limiting urban sprawl) and affordability (condo apartments are the more affordable housing type) considerations, and therefore, represents a market share gain against single-family homes.
GREATER TORONTO AREA

Affordability

- **RBC affordability measure – aggregate**
  - Near-term: negative
  - Medium-term: negative

Existing home market balance

- **Sales-to-new listings ratio**
  - Near-term: positive
  - Medium-term: positive

- **Months of inventory – Ontario**
  - Near-term: positive
  - Medium-term: positive

- **Rental vacancy rate**
  - Near-term: positive
  - Medium-term: positive

Demand fundamentals

- **Change in real 5-Year bond yields**
  - Near-term: positive
  - Medium-term: positive

- **Change in the unemployment rate**
  - Near-term: positive
  - Medium-term: positive

- **Population growth**
  - Near-term: positive
  - Medium-term: positive

Supply fundamentals

- **Completed and unsold units per capita – singles and semis**
  - Near-term: positive
  - Medium-term: neutral

- **Completed and unsold units per capita – multiples**
  - Near-term: positive
  - Medium-term: positive

- **Housing under construction per capita – singles**
  - Near-term: positive
  - Medium-term: positive

- **Housing under construction per capita – multiples**
  - Near-term: neutral
  - Medium-term: neutral
The GTA market has a severe affordability problem though the situation has stabilized over the past two years. Most of the affordability pressure is concentrated in the single-family home side of the market; however, some degree of stress is also present in the condo segment.

Demand-supply conditions have tightened in recent months. Home resale activity picked up markedly since spring last year. The Toronto-area appears to have adjusted to policy changes (including Ontario’s Fair Housing Plan and OFSI’s updated B-20 guideline).

Home prices are now rising at an accelerating pace. We expect further appreciation in the year ahead.

Inventories of homes for sales (active listings) point to a rising degree of market tightness. Active listings in Ontario fell from 2.9 months’ worth of inventory in February 2019 to 1.9 months in January 2020, well below the long-run average of 3.5. Separate data from the Toronto Region Real Estate Board show that the number of months of inventory in the Toronto area was 2.0 in January, down from 2.7 a year earlier.

GTA’s rental market continues to be very tight despite loosening slightly in 2019. The rental vacancy rate was 1.5% in the fall of 2019, up from 1.1% in 2018. Toronto Region Real Estate Board statistics also show some degree of loosening in the condo rental market. Condo rental listings (up 36% y/y) outgrew leases (up 12%) in Q4/2019. This contributed to a moderation in condo rent increases to 3.1% y/y (for a one-bedroom apartment) from 7.4% a year ago.
Labour market conditions in the GTA are positive for the area’s housing market.
Solid job creation helped lower Toronto’s unemployment rate to the lowest level in decades.

The GTA’s demographic fundamentals are among the strongest in the western world. They strengthened in the past couple of years with the rate of growth in adult population accelerating to a 17-year high of 2.6% most recently.
A rate below 1.5% would be a source of concern.

There are few indications of overbuilding of single-family homes in the area at present.
Despite spiking last summer, inventories of newly completed and unsold single-family homes continue to be historically low.

The unsold inventory of newly built condos is virtually bare.
The unabsorbed inventory is close to an all-time low.
GREATER TORONTO AREA

Supply fundamentals

There are very few single-unit dwellings in the construction pipeline. The number of single-detached units under construction in the GTA has come down significantly since the spring of 2017 as builders cut back the pace of new starts following Ontario’s Fair Housing Plan.

The number of multi-unit dwellings under construction is historically high—posing potential absorption risks. However, this potential is tempered by extremely low inventories and strong demand in the existing condo market.

Market absorption has been very strong in recent years, which indicates that current construction levels are unlikely to be excessive. We see only limited risks of trouble for the condo resale and/or rental markets.
## GREATER MONTREAL AREA

### Affordability

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<thead>
<tr>
<th>Measure</th>
<th>Near-term</th>
<th>Medium-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBC affordability measure - aggregate</td>
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### Existing home market balance

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<td>Months of inventory - Quebec</td>
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<tr>
<td>Rental vacancy rate</td>
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### Demand fundamentals

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<td>positive</td>
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<tr>
<td>Change in the unemployment rate</td>
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<td>positive</td>
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<tr>
<td>Population growth</td>
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### Supply fundamentals

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<th>Indicator</th>
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<th>Medium-term</th>
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<tbody>
<tr>
<td>Completed and unsold units per capita - singles and semis</td>
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<td>positive</td>
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<tr>
<td>Completed and unsold units per capita - multiples</td>
<td>positive</td>
<td>positive</td>
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<tr>
<td>Housing under construction per capita - singles</td>
<td>positive</td>
<td>positive</td>
</tr>
<tr>
<td>Housing under construction per capita - multiples</td>
<td>neutral</td>
<td>negative</td>
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</table>
Affordability

Affordability is a strain for some Montreal buyers but not a severe issue.

RBC’s aggregate measure has recently levelled off at 44.4%, just below the threshold indicating higher vulnerability.

Existing home market balance

Extremely tight demand-supply conditions in the Montreal area suggest prices will accelerate in the near term.

Montreal has been one of the stronger markets in Canada in the past couple of years. Robust sales activity took place amid a steady decline in the number of homes put up for sale each month, which resulted in a significant drop in inventories.

Provincial inventory data provide further evidence of firming market conditions and low risk of an imminent price drop in Montreal.

The number of months’ inventory continues to fall deeper into the ‘low-risk zone’.

Quebec Professional Association of Real Estate Brokers data show that the number of months’ inventory was 3.4 for single-detached homes in the Montreal area in December 2019 and 3.1 for condos—both indicating that sellers are in command.

Montreal’s rental market is tight and poses little threat to the ownership market.

The rental vacancy rate fell to a 15-year low of 1.5% in October 2019. The rate is unlikely to remain this low, however, as a wave of new rental supply is on its way. There’s currently a record-high 15,800 purpose-built rental units under construction in the Montreal area.
Greater Montreal Area

Demand fundamentals

Unemployment rate relative to trailing 12-month average

Montreal’s job market is healthy despite easing slightly since fall. It still offers strong support for the housing market.

The area’s unemployment rate is near a generational low.

Overall demographic conditions also are positive.

Montreal’s adult population growth has accelerated markedly since mid-2015 to an eight-year high of 1.5% in 2019, widely exceeding the long-term average of 1.0%.

Supply fundamentals

Completed and unsold units - singles and semis

There’s no evidence of overbuilding in the single-family market segment.

Newly completed homes remaining unsold are at close to an all-time low.

Completed and unsold units - multiples

There are no signs of overbuilding on the multi-unit dwelling side either.

Strong market absorption cut the unsold inventory to an eight-year low—well within the low-risk zone.
GREATER MONTREAL AREA

Supply fundamentals

The risk of overbuilding single-family homes is extremely remote.
Current construction levels are historically very low. This has been the case since 2015.

There is a potential risk of overbuilding multi-unit dwellings, however.
The number of multi-unit dwellings under construction is close to a record high.
This in large part reflects a significant increase in purpose-built rental apartment projects. Condo units under construction also rose since mid-2017 but remain below their peak reached between 2012 and 2014.
Strong construction activity of higher-density housing categories partly reflects a structural shift from single-detached toward multiple-unit forms of housing. This shift is supported by urban development policy and affordability advantage relative to single-family homes.

Source: RBC Economics, Statistics Canada, Canada Mortgage and Housing Corporation
GREATER VANCOUVER AREA

**Affordability**

- **RBC affordability measure – aggregate**
  - Near-term: negative
  - Medium-term: negative

**Existing home market balance**

- **Sales-to-new listings ratio**
  - Near-term: positive
  - Medium-term: positive

- **Months of inventory – BC**
  - Near-term: positive
  - Medium-term: positive

- **Rental vacancy rate**
  - Near-term: positive
  - Medium-term: positive

**Demand fundamentals**

- **Change in real 5-Year bond yields**
  - Near-term: positive
  - Medium-term: positive

- **Change in the unemployment rate**
  - Near-term: positive
  - Medium-term: positive

- **Population growth**
  - Near-term: positive
  - Medium-term: positive

**Supply fundamentals**

- **Completed and unsold units per capita – singles and semis**
  - Near-term: positive
  - Medium-term: positive

- **Completed and unsold units per capita – multiples**
  - Near-term: positive
  - Medium-term: positive

- **Housing under construction per capita – singles**
  - Near-term: positive
  - Medium-term: positive

- **Housing under construction per capita – multiples**
  - Near-term: neutral
  - Medium-term: neutral
GREATER VANCOUVER AREA

**Affordability**

Housing affordability is extremely poor and poses a major challenge to Vancouver-area buyers.

Despite improving since late-2018, affordability issues affect all market segments. Single-family homes are the segment where the strains are the most intense.

While multiple layers of policy actions taken since 2016 addressed earlier overheated conditions, they provided only limited affordability relief to date.

**Existing home market balance**

A material rebound in resale activity since summer helped rebalance demand-supply conditions.

The sales-to-new listings ratio surged to seller’s market territory in recent months. The tightening of conditions so far has slowed the pace of annual price decline in the area though year-over-year increases should emerge soon.

The inventory of homes for sale in BC has been drawn down below-average levels.

The number of months’ inventory in the province fell from 7.0 in March 2019 to 4.8 in January 2020—below the long-run average of 5.8.

According to the Real Estate Board of Greater Vancouver, active listings have plummeted since summer (they were down 20% from a year ago in January) and are now at their lowest level in almost two years.

Vancouver’s rental market shows no evidence of any looming surplus that would cause concerns for the home ownership market.

Conditions remain very tight in Vancouver’s rental market.

The area’s rental vacancy rate was 1.1% in October 2019—among the lowest ones in the country—up marginally from 1.0% in October 2018.
GREATER VANCOUVER AREA

Demand fundamentals

Unemployment rate relative to trailing 12-month average

Percentage points, Vancouver

Vancouver’s job market is solid.

Employment in the area grew very strongly by 3.5% in 2019, which has kept the unemployment rate low (4.5% in January 2020). This is close to a decade low and among the lowest across Canada’s larger urban areas.

Population is growing rapidly and still accelerating.

This puts growing pressure on the Vancouver-area’s housing stock.

Supply fundamentals

Completed and unsold units - singles and semis

Units per 1,000 population, Vancouver, n.s.a.

Newly completed single- and semi-detached inventories aren’t excessive.

They are slightly below the long-run average (on a per capita basis).

Completed and unsold units - multiples

Units per 1,000 population, Vancouver, n.s.a.

Despite rising in 2019, inventories of multi-dwelling units remain very low.

Stronger condo completions have brought more units to market.
GREATER VANCOUVER AREA

Supply fundamentals

Single-detached homes under construction are back to normal levels. A sharp cooling of demand for high-priced properties caused single-detached housing starts to plunge to their lowest level in five years—taking down units under construction in the process.

Record levels of multi-family dwelling construction hint at greater-than-usual risk of market imbalance down the road.

However, low inventories, a tight rental market and rapidly growing population largely mitigate such risk.
CALGARY AREA

Affordability

- **RBC affordability measure – aggregate**
  - Near-term: positive
  - Medium-term: positive

Existing home market balance

- **Sales-to-new listings ratio**
  - Near-term: neutral
  - Medium-term: neutral

- **Months of inventory – Alberta**
  - Near-term: neutral
  - Medium-term: neutral

- **Rental vacancy rate**
  - Near-term: negative
  - Medium-term: neutral

Demand fundamentals

- **Change in real 5-Year bond yields**
  - Near-term: positive
  - Medium-term: positive

- **Change in the unemployment rate**
  - Near-term: positive
  - Medium-term: positive

- **Population growth**
  - Near-term: neutral
  - Medium-term: positive

Supply fundamentals

- **Completed and unsold units per capita – singles and semis**
  - Near-term: neutral
  - Medium-term: neutral

- **Completed and unsold units per capita – multiples**
  - Near-term: negative
  - Medium-term: negative

- **Housing under construction per capita – singles**
  - Near-term: positive
  - Medium-term: positive

- **Housing under construction per capita – multiples**
  - Near-term: neutral
  - Medium-term: neutral
Affordability

Housing affordability is a generally constructive factor in Calgary. RBC’s affordability measure has been in the ‘safe zone’ for the last eight years, remaining mostly flat since 2015.

The Calgary market faces a number of issues (e.g. energy sector turmoil, weak confidence, relatively high unemployment rate); however, affordability isn’t one of them.

Existing home market balance

Existing home demand and supply are back in balance. Downward price pressure is easing gradually.

New listings fell to a 16-year low in 2019. Home resales grew modestly over the first half of the year but stalled thereafter.

The resulting rise in the sales-to-new listings ratio bodes well for home prices to stabilize in the period ahead.

For-sale inventories have diminished but remain somewhat elevated.

The number of months’ inventory in Alberta fell from 7.9 at the start of 2019 (an eight-year high) to 6.9 in January 2020—still a little excessive.

Active listings in Calgary were down 8% y/y in January, according to the Calgary Real Estate Board. Declines last year unwound significant increases in 2018.

Rental units are still in (mild) oversupply.

The rental vacancy rate dropped materially from 6.3% in 2017 to 3.9% in both 2018 and 2019—though still historically high.

The decline in the vacancy rate in the past couple of years relieved some of the downward pressure on rent values that prevailed over the 2015-2017 period. Average rent increased by 1.9% in 2018 and 2.9% in 2019.
**CALGARY AREA**

### Demand fundamentals

**Unemployment rate relative to trailing 12-month average**

Percentage points, Calgary

Calgary's job market is still soft but recovered marginally in the past year. Labour market trends continue to improve though progress has disappointed lately. Employment gains recorded earlier in 2019 were partly reversed in the latter half of the year, while the area’s jobless rate appears to have stalled at slightly above 7%—a high level historically and relative to other Canadian markets.

**Net population flows have strengthen and no longer pose a concern.**

Adult population growth re-accelerated to a healthier rate of 2.5% y/y in January, up from a low of 1.5% in early-2017.

### Supply fundamentals

**Completed and unsold units - singles and semis**

Units per 1,000 population, Calgary, n.s.a.

A three-year rise in unsold single-detached and semi-detached units isn’t yet pointing to overbuilding.

Despite doubling over that period, the number of unsold units is still close to the long-run average of 0.74 per 1000 population.

That number is unlikely to rise much further because single-detached home starts weakened noticeably in 2019.

**Completed and unsold units - multiples**

Units per 1,000 population, Calgary, n.s.a.

However, there’s continuing evidence of a surplus in the multi-unit segment.

The number of unabsorbed units is still excessive despite coming down in the past year.

The earlier rise was driven by sharp increases in condo apartment completions in 2015 and 2016 at a time when demand turned cold. While condo completions declined materially since then, weak demand slowed down market absorption.

The gradual turnaround in the existing home market bodes well for absorption to increase in the period ahead.
CALGARY AREA

Supply fundamentals

There are very few single-detached units under construction.
This reflects low housing starts levels in the past four years and poses little risk of overbuilding.

Multi-unit dwelling construction poses mild absorption risk.
The number of apartments under construction is still high from a historical point of view but has come down since late-2018. More units have been completed than started in the past year.