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## Alberta poised to outperform Canadian housing market in 2023 as population swells

*Across Canada, monthly average housing prices have tumbled, but it's a different story on the Prairies.*

Chris Varcoe • Calgary Herald Published Jan 31, 2023



Homes under construction in the northeast Calgary community of Cornerbrook on Jan. 24. Gavin Young/Postmedia

Interest rates keep rising and Canadian housing prices keep falling, but Alberta and the rest of the Prairies are poised to outperform the nation as stormy market conditions continue to swirl in 2023.

That's the conclusion of a new housing report by TD Economics.

Across Canada, monthly average housing prices have tumbled almost 20 per cent from their peak levels last year as several negative forces have touched down, including a series of interest rate hikes and a slowing economy.

During the same period, housing prices on the Prairies dipped by an average of six per cent.

“Moving forward, the same factors that have been helping to prop up markets in the Prairies over the past year are likely to remain in place,” TD economist Rishi Sondhi said in the report.

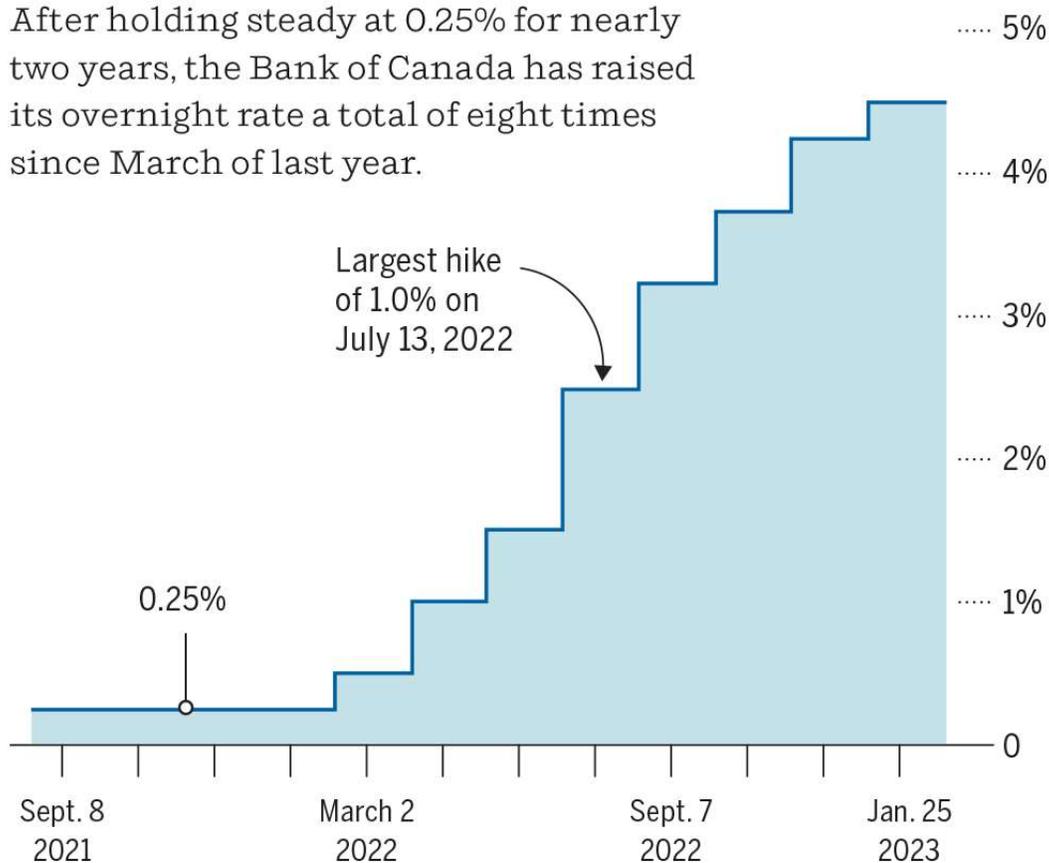
“This relatively resilient demand backdrop should also lead price growth in the Prairies to outperform the rest of Canada moving forward.”

Any resiliency is welcome, given the unpredictable factors rocking the country’s housing market.

Last week, the Bank of Canada boosted its key interest rate another quarter of a percentage point to 4.5 per cent — its eighth increase since March — and higher borrowing costs are pinching consumers.

## *INTEREST RATE HIKES*

After holding steady at 0.25% for nearly two years, the Bank of Canada has raised its overnight rate a total of eight times since March of last year.



SOURCE: BANK OF CANADA

DARREN FRANCEY / POSTMEDIA

The average sales price for a home in Canada is expected to fall by 10.7 per cent this year, according to TD.

In Alberta, prices will decline 5.6 per cent — averaging about \$418,000 — with Saskatchewan seeing a 6.9-per-cent drop and Manitoba facing a 7.8 per cent decrease. (Only Newfoundland and Labrador will fare better.)

Larger markets that saw home prices skyrocket in recent years are expected to remain under pressure.

Prices are projected to fall by almost 10 per cent in British Columbia and 11.4 per cent in Ontario.

“The housing markets are holding up much better in the Prairies than they are in the rest of Canada,” Sondhi said in an interview.

The report projects total sales in Alberta will drop 20.9 per cent annually this year — above the national decline — “but they’ve fallen from such astronomically high levels (in 2022) that the levels of sales at the moment still remain highly elevated in Alberta,” he added.

The Canadian Real Estate Association recently forecast that housing prices nationally will drop 5.9 per cent this year to \$662,000, while total sales decline 0.5 per cent.

The TD study, and a forecast released last week by the Calgary Real Estate Board (CREB), paint a picture of a slowing market in this province, but it’s not like hitting a speed bump while driving at 120 kilometres per hour.

“I’m not expecting significant declines anywhere, based off what I am seeing,” said Ann Marie-Lurie, chief economist with the Alberta Real Estate Association (AREA).

Alberta’s housing market has several factors weighing in its favour.

The province will lead the country in economic growth as commodity prices remain robust, TD predicts.

A tighter housing market is also at play. The ratio of home sales to new listings in all three Prairie provinces is hovering around 60 per cent, what the bank deems to be approaching “seller’s territory.”

Alberta has another helpful dynamic bolstering demand: a parade of moving vans coming from other places.

Between July and September, Alberta saw the largest net gain from interprovincial migration since 1980, adding more than 19,000 people.

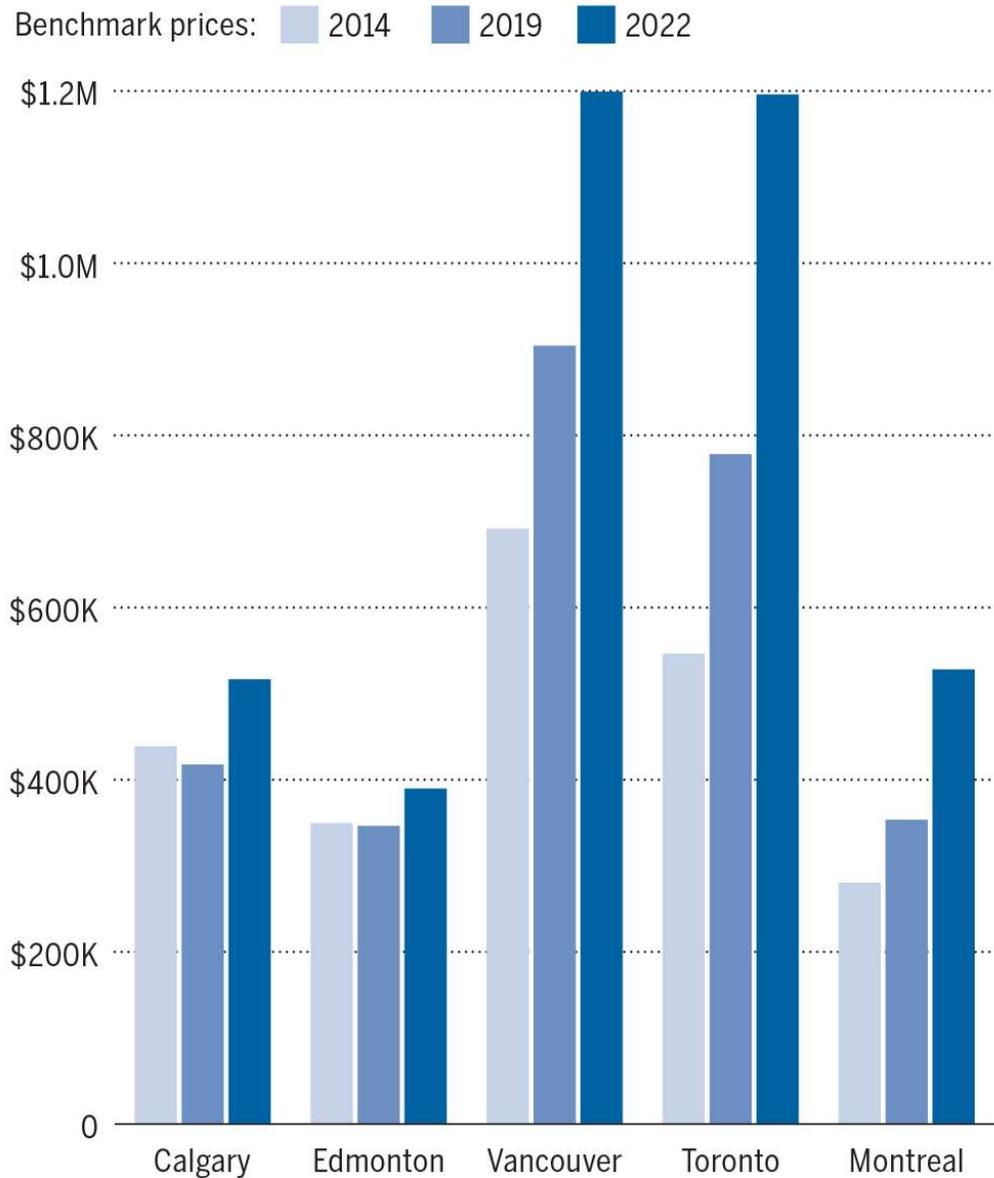
Calgary realtor Len T. Wong said the local market has slowed since the first half of 2022, but recent activity has been strengthened by out-of-province shoppers.

“Calgary’s market is stable and balanced, even this year,” Wong said. “We’re seeing a lot of migration here and we haven’t seen that in a long time.”

The affordability advantage is also playing in Alberta's favour.

## *HOUSE PRICES ACROSS CANADA*

The pandemic and ultra-low lending rates contributed to a housing boom across Canada, especially in Vancouver and Toronto. Growth was far slower in Alberta due to falling energy prices and an economic contraction in 2014.



SOURCE: CREB

DARREN FRANCEY / POSTMEDIA

In Toronto and Vancouver, benchmark housing prices topped \$1.1 million last year, compared with \$518,000 in Calgary last month.

“The buyers coming into our market are looking for affordability, looking for a better lifestyle,” said realtor Jared Chamberlain of Chamberlain Group/Real Broker. “The phone has not stopped ringing from people who are still considering making moves out here.”

Perry Alampay and his wife, Mila, are among the thousands of Ontario residents who have relocated to Alberta in the past several months, leaving Newmarket — where they’d lived since the mid-1990s — to buy a home in Airdrie and retire.

They moved to Alberta in November.

“We started looking for a house and my wife loved it . . . Pricing in Ontario just got ridiculous,” Alampay said Tuesday.

“The value you get here, I would say it’s well worth moving here. And that’s why we’re convincing some of our family who are still in Ontario to come over.”

Across the province, the average home price increased five per cent to \$447,500 through last year, while sales dipped almost two per cent.

The strongest sales activity occurred in Calgary, Red Deer, Grande Prairie and Edmonton, according to AREA.

“I do think we are an outlier, just because of our fundamentals. Stronger commodity prices have generally made our economy better. I think the migration coming into the province is a big factor,” said Lurie.

“That’s a natural offset for some of the impact of the higher rates.”

In 2024, TD expects housing prices in Alberta will increase 3.2 per cent.

“Our forecast would anticipate some near-term softness, but we do expect the market to stabilize and move higher relatively quickly,” added Sondhi.

“We’d expect the market to find a bottom sooner, rather than later.”