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Want to buy a house in Calgary? You're not alone. Why the city's booming despite high interest rates

More people looking at fewer homes on the market in Calgary means higher prices



[Anis Heydari](#) | | Aug 02, 2023



Nadine Faule, a Calgary real estate agent who specializes in people relocating to the city, welcomes people to a property in Calgary's Woodbine neighbourhood where nine offers were placed on the home before the open house even began. (Anis Heydari/CBC)

As interest rates climbed in Canada over the last year, so have mortgage payments. As a result, house prices in many markets have started to slow their steep ascent. The one major exception? Calgary.

The latest numbers from the Calgary Real Estate Board confirm it, with the average home price in Calgary at \$539,461, up nearly 10 per cent compared to last year.

"I'm just surprised about the strength that we've continued to have in Calgary," said Ann-Marie Lurie, chief economist for the Calgary Real Estate Board, which called its July 2023 sales numbers the strongest reported, with a "record-setting pace."

In part, economists like Lurie pin the strength of the Calgary market on comparative pricing compared to other cities. Even as interest rates increase, the cost difference remains stark.

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With its population booming, new housing in short supply and prices cheaper than bigger markets, Calgary's hot real estate market is bucking the cooling trend seen nearly everywhere else.

Numbers from the Teranet-National Bank House Price Index back this up. For example, while prices in Toronto or Vancouver have dropped from their peak in spring 2022, they still remain relatively higher than Calgary.

Escalating mortgage costs may not discourage those coming from markets such as Toronto, with detached homes that often cost more than \$1 million. According to Lurie, those buyers are "less sensitive to those higher interest rates" when they view similar homes in Calgary with prices that are typically hundreds of thousands of dollars lower.

The 'gold rush'

For Nadine Faule, a realtor who specializes in helping clients relocate to Calgary from other parts of Canada and the world, the current market is "like the gold rush" for people struggling to afford homes in more expensive markets.

"Everybody wants to come to Calgary and we just don't have enough houses," said Faule, who spoke to CBC News from an open house showing in Calgary's Woodbine neighbourhood where nine offers were placed on the home before the open house even began.



Faule said Calgary properties like the one at her open house are 'like the gold rush' for people struggling to afford homes in more expensive markets. (Anis Heydari/CBC)

"We have such a lack of properties," she said.

Faule told CBC News she typically needs to advise buyers that while Calgary prices may be lower than other Canadian cities, the market is fast-moving, with sellers in the "driver's seat" in the current climate.

It's a vibe felt not just by real estate agents, but also by Calgarians looking to buy.

"We thought it was gonna be way easier," said Alejandro Decker, who stopped by Faule's open house on a summer weekend. Over the last month, he's been looking to buy a home for his family of four.

"We find that we don't have choices," he said. "It's very frustrating."



Alejandro Decker has been looking to purchase a home in Calgary for more than a month — but finds a lack of supply to be a problem. (Anis Heydari/CBC)

And it's not just locals. Newcomers arriving in Calgary are definitely a factor in higher prices and tight supply, say housing market watchers.

"Let's not forget the population surge that is still ongoing," said Stéfane Marion, chief economist with the National Bank of Canada, who pointed out that new construction of housing — otherwise known as "housing starts" — are not keeping pace with the number of people migrating to Calgary.

“Calgary is going to have an affordability issue in the not too distant future.”

- Stéfane Marion, National Bank of Canada

Marion pointed out that a low level of housing starts contributes to a lack of supply in the Calgary market, and as more people move to the city, the demand for housing goes up.

More demand and a lack of supply almost always lead to higher prices, which helps explain part of why prices have kept rising in Calgary despite higher interest rates over the past few months.

"If it weren't for higher interest rates, I think the market would have been even hotter than it is right now," said Marion.



Stéphane Marion, chief economist with National Bank of Canada, warns that there aren't enough houses being built in Calgary to match the number of people migrating to the city. (Anis Heydari/CBC)

Why Calgary and not elsewhere?

Alberta attracted more people from other provinces compared to anywhere else in Canada in the first three months of 2023, but real estate market numbers for the summer of 2023 don't seem to indicate price increases at the same level as Calgary's so far.

While numbers around population shifts are less frequently updated than real estate sales numbers, the Calgary Real Estate Board's Lurie says more migrants and newcomers are heading for Calgary rather than Edmonton.

She also pointed out that the Edmonton market had a higher inventory — or more properties available — over the past few months, which eased pressures on supply, leading to a cooler real estate market.

Affordability issues could loom

With population increases expected and low housing market inventory, the lack of affordability seen in markets like Toronto or Vancouver could be transferring to the Calgary region.

"Calgary is going to have an affordability issue in the not too distant future," said the National Bank's Marion.

"Higher interest rates, with the population increase, has led to a lack of apartments, a lack of supply, plus a very big increase in terms of rent inflation," he said.

"That has translated into people moving to Calgary from greater Vancouver and greater Toronto, that's undeniable."

However, economists also point out that Alberta remains relatively affordable compared to other Canadian regions.



Rishi Sondhi, an economist with TD Bank, points out that housing prices in Alberta were falling prior to the pandemic. (Anis Heydari/CBC)

"You've got to remember that before the pandemic, prices were falling. So you're really just kind of playing catch up to some extent," said Rishi Sondhi, an economist with TD Bank.

"Yes, affordability is deteriorating in Alberta, but from a historical perspective, it's still quite decent," he said.