

Dear Clients.

Calgary apartment condominiums poised to see strong year as affordability becomes market driver.

Condominiums could have another strong year in 2023 as affordability is likely to drive buyer demand.

Any products with the lower price point will be in high demand as the stress- test is starting to hurt buyers purchase power.

While lower priced single-family homes will always be popular, low inventories for the most popular housing type in Calgary, paired with high demand, will ensure modestly priced single-family homes remain scarce.

In turn, condominiums with more inventory and the lowest average price should see among their best years in recent history.

Condos came from about eight months of inventory a couple of years ago and have seen some really good gains in the market, but they're still below price levels from 2008 and 2014 and remain a very good deal for buyers and investors.

Of course, sales for condominiums are not expected to exceed last year, but no segment is expected to fare as well either, according to the Calgary Real Estate Board's recent 2023 forecast. It predicts total sales for all housing types will be 25,920, down about 13 per cent from a record high of 29,672 in 2022.

Single-family home sales are expected to see the largest decline — about -16 per cent — while still accounting for half of all activity.

In contrast, condominium apartment sales will fare better, expected to be down about seven per cent by this year's end with 5,786 sales.



One reason for continued strength in 2023 for condos — the only segment to show rising year-over-year sales growth in December — is interest rates are expected to remain above four per cent, as noted in the forecast.

With higher interest rates and higher prices, it gets a lot harder for buyers to qualify for larger mortgages HOWEVER, **the forecast notes Calgary's economy is forecast to grow** by more than three per cent in 2023 — among the best in Canada — with employment declining from more than six per cent in 2022 to about 5.8 per cent.

Although migration to Calgary is forecast to drop from more than 40,000 last year to nearly 25,000, it is still expected to be much higher than 2021.

In turn, inter-provincial and international newcomers will continue to drive housing demand, and these buyers often look to apartment condos and other less costly options first.

In contrast, single-family homes showed more growth last year with the benchmark increasing 12 per cent to \$566,075.

In general, regardless of housing type, Calgary is among the most affordably priced major cities. By comparison, benchmark prices for all segments combined in Vancouver and Toronto were nearly \$1.2 million at the end of 2022, the forecast shows.

Yet condominiums currently are not the only segment seeing demand due to affordability challenges in the city, the part of the market that is actually hottest right now in Calgary are townhouses and duplexes under \$500,000,

Single-family detached homes priced less than \$600,000 are equally tight.

Condominium apartments, however, had just over two months of supply at January's start, offering the best combination of affordability and inventory.

It will be interested to see how the spring market shapes up. Please do not hesitate to ask me any questions anytime.

Sincerely,

