



Growing Housing Price-Income Gap Threatens the Alberta Advantage

An all-hands-on-deck focus on increasing supply is the only way out of this crisis



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Affordable housing is a key component of the "Alberta Advantage". But there are disturbing signs that we are losing ground on that front – not least among them the fact that more than 60% of Albertans agree with the statement that "owning a home in Canada is now only for the rich."

Our housing prices are still well short of the stratospheric levels of Toronto and Vancouver. But the numbers show that both Edmonton and Calgary are becoming increasingly unaffordable.

There's also a growing realization that something different is at play this time. What we're seeing isn't a familiar boom-bust impact of energy prices, but the outcome of

a massive imbalance between demand and supply. The data bears this out. Statistics Canada recently reported that Canada's

"A generation of young people driven out of housing markets is creating huge challenges for businesses."

population growth is faster than all other G7 countries, and that Alberta is leading the pack provincially at 4% annual growth.

The Canada Mortgage and Housing Corporation reported earlier this year that the last time housing was affordable was about two decades ago. A generation of young people driven out of housing markets is creating huge challenges for businesses

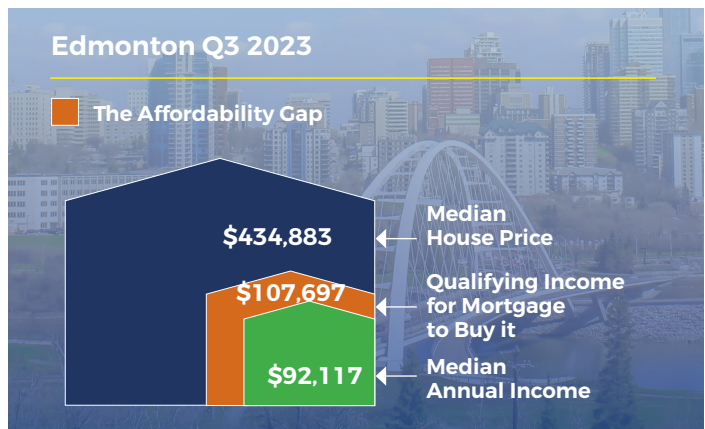
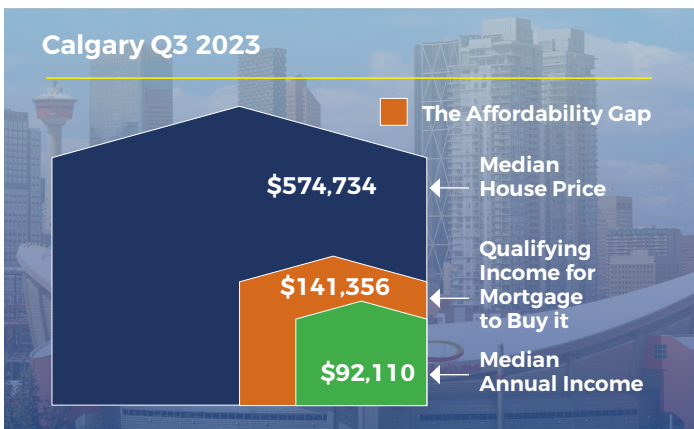
looking to recruit talent and expand, and there are longer term implications if we want to maintain strong, dynamic, and vibrant communities.

The answer lies in a massive increase in the supply of housing. We will only get there if the finger pointing between all levels of government stops and they bring the kind of focus demanded by what is now truly a national crisis.

A few places we should start: shortening the time it takes to approve and permit projects; reducing the fees and charges imposed on new housing; accepting increases in density in major urban centres; better marketing skilled-trades careers; and investing in more training spaces and updated curriculum. We also need to align immigration policy to meet the skills gap in our economy, as currently only 2% of new immigrants pursue a job in construction.

Costs on the Rise in North and South

In an ominous early warning signal, the most recent analysis shows that the income needed to qualify for a mortgage covering the typical price of a house – in both the province's biggest cities – already outstrips typical incomes. For those who do manage to get into the market, it's taking longer to save the required down payment, and mortgage payments are consuming much more of their income.



Source: National Bank of Canada, Housing Affordability Monitor, November 2023

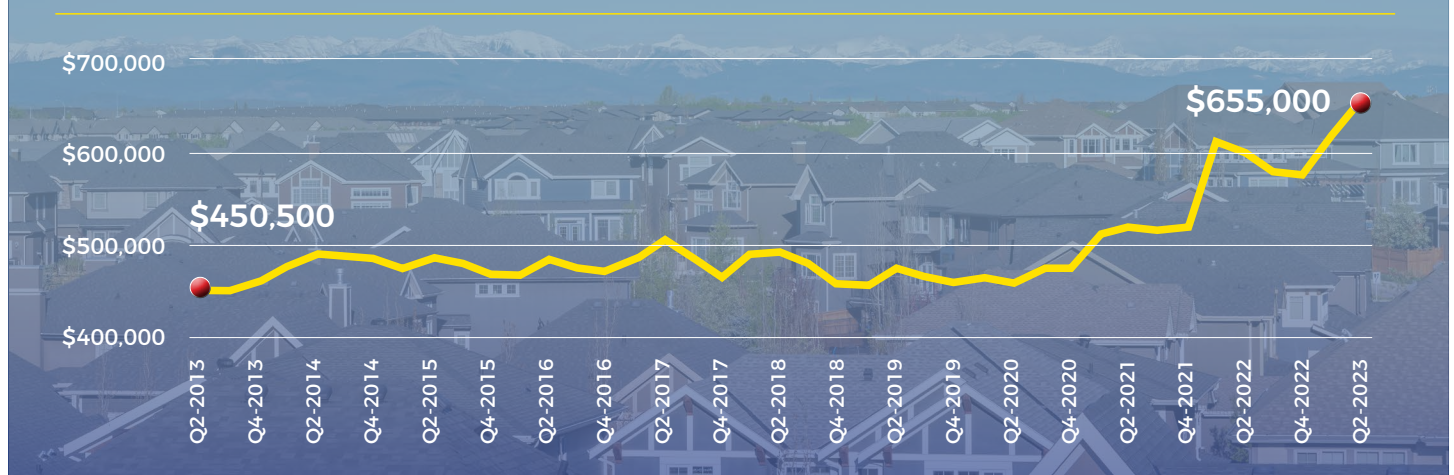
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Affordability Warning Bells are Ringing Loudly

Calgary Housing Prices Hit Liftoff Earlier this Decade

For most of the past 10 years, Calgary home prices stayed within a fairly narrow band – but they started to climb steeply in 2021. In the three years between 2020 and 2023, the median price of a detached home jumped 42%. Adjusting for inflation in that period, the cost of the detached home should have been \$532,600, but in fact was \$655,000.

Median Detached Home Price, Calgary Census Metropolitan Area



Source: Calgary Real Estate Board

Renters are Getting Hit Hard Too

While rents here remain comparatively affordable for the moment, Alberta has just posted the biggest year-over-year increase among the seven largest provinces – well above the 6% and 8% rent increases in neighbouring Saskatchewan and Manitoba respectively. Tighter vacancy rates will put added pressure on rents, and lower-income renters are already priced out of the large majority of units in Calgary and Edmonton.

Average Listed Rent, November 2023*

Alberta

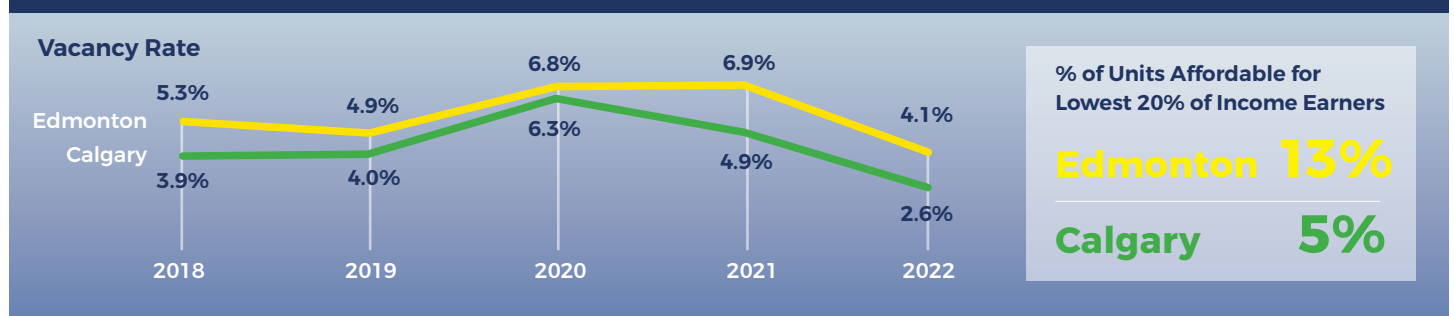
\$1,686 - 16% Increase ↑

National Average

\$1,937 - 10% Increase ↑

* Apartment and condo listings, total across all unit sizes. Source: <https://rentals.ca/national-rent-report>, accessed November 16, 2023

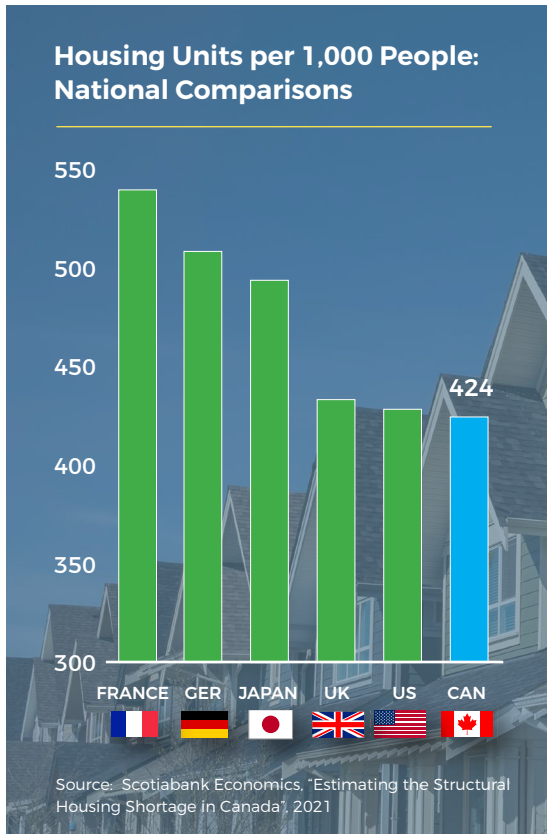
Vacancy Rates and Availability of Lower-Cost Units



Source: Alberta Government, Regional Dashboard, accessed November 2, 2023; CMHC Rental Market Report, January 2023. (This information is reproduced and distributed on an "as is" basis with the permission of CMHC.)

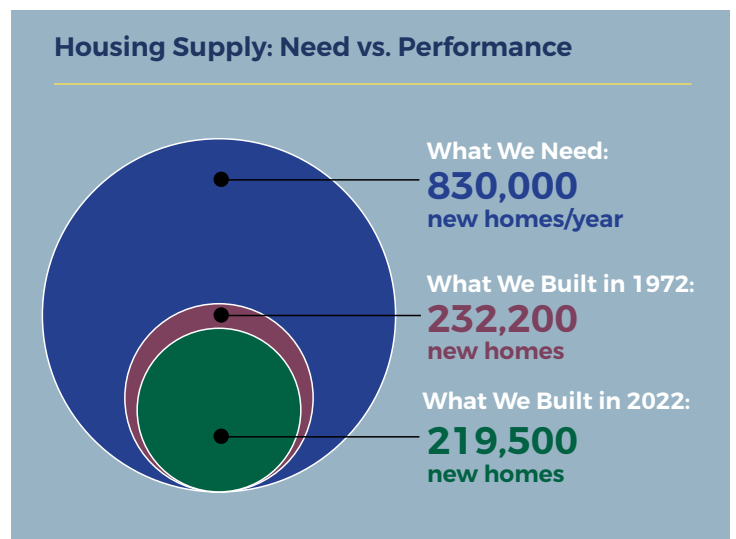
Decades of Under Investing in Housing is Hurting

The problem isn't just that housing demand is accelerating along with population and economic growth, it's also that we have too little housing to begin with. Alberta is among the provinces with the fewest housing units per 1,000 people. Just to reach the low bar of the average in other provinces, Alberta would need nearly 140,000 additional housing units - or the equivalent of building more than three times the number of homes that are currently in Red Deer. Multiple recent assessments confirm that across Canada we need to vastly step up the pace of home building.



Canada's Housing Supply Gap

RBC calculates that by 2030, Canada will need 5.8 million new homes, with accelerating demand driven by both the affordability crisis and an immigration boom. That's about 830,000 more houses per year - yet current levels of new supply are at only a little more than one-quarter of that and have dropped in recent decades.



Sources: RBC, "High Rise, Low Carbon", May 2023; and CMHC Table: 34-10-0135-01 (formerly CANSIM 027-0008)

The Solutions are Out There

While some governments are trying in vain to suppress housing demand through taxation, sustained improvement in affordability can only be achieved with more supply – particularly given the significant housing supply deficit that already exists in Alberta.

The ALBERTA CONSTRUCTION MONITOR is an ICBA Alberta publication providing ahead-of-the-curve information and statistics on the Alberta construction industry and issues relevant to it.

ICBA Alberta advocates for fairness, opportunity, and free enterprise; and supports the success of open shop contractors and ICBA Alberta members by delivering services that enhance the competitiveness of their businesses.

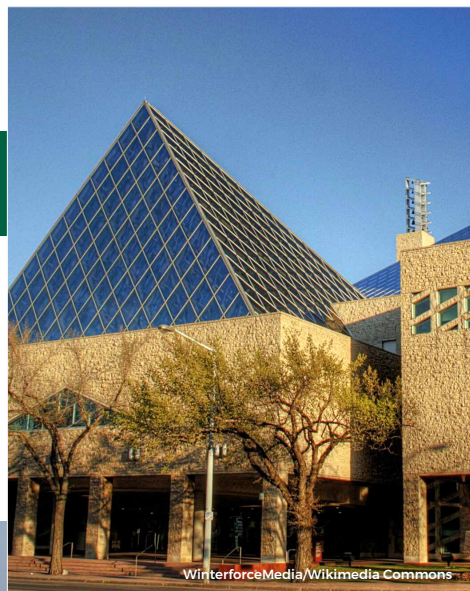
Lower Fees, Faster Approvals

In some Canadian cities, the average **cost of charges levied by municipal governments on new development can add hundreds of thousands of dollars** to the cost of a new housing unit, and delays in permitting hike prices up even more. Alberta municipalities perform comparatively well on these measures, but there's always room for improvement.



Make the Best Use of the Land Base

With growing populations, we need to optimize the use of available urban land, in part through well-designed densification. Edmonton's **newly approved Zoning Bylaw Renewal Initiative** is an example of efforts to better create new housing supply in a growing metropolitan area.



Help Build the Required Workforce and Capacities

The construction industry stands ready to deliver more supply, but needs strong public **investment in skills training**, an **immigration policy** aligned with economic needs (including the need for more trades workers), and a greater focus on deploying **new innovations that will increase productivity and reduce costs**.

“When demand is strong and increasing, combined with insufficient and unresponsive supply, **you end up with a housing affordability crisis**. Housing experts, economists and advocates can all agree on this. It's no longer a question of whether we need to increase supply but rather **how it can be increased**.”

– CMHC Deputy Chief Economist Aled ab Iorwerth

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