

Chasing affordability: The return of interprovincial migration to Alberta

Mark Parsons, Chief Economist

Summary

Why are so many people moving to Alberta from other provinces? In this paper, we venture to find out. What's striking about the latest surge in interprovincial migration is that it's not following the usual pattern: an energy-related boom that leads to tight labour markets, luring workers from the rest of the country. Yes, Alberta is churning out jobs faster than the rest of Canada, but there's something else going on. We find that relative housing affordability is playing an outsized role in the current wave of migration to Alberta. We offer clues that point us in the 'chasing affordability' direction. We expect migration from the rest of Canada to continue, but at a slower rate. With the housing affordability gap narrowing, labour market factors will once again play a more important role.

Introduction

Alberta's population growth has exploded, with more than 202,000 people added to the province last year.* That translates into a 4.4% gain, higher than any other province and far exceeding the national increase of 3.2%.

The main reason for this nation-leading growth is that people are moving to Alberta from the rest of Canada.** By itself, interprovincial migration added 55,100 residents to Alberta last year, a sharp reversal of the more modest outflows between late 2015 and early 2021. No other province has recorded an annual increase of that size since comparable data became available in 1972.

Alberta is no stranger to net gains from interprovincial migration. In 19 of the last 25 years, more people have moved to Alberta from other provinces and territories than the other way around. But the latest migration wave looks a bit different.

In this paper, we argue that relative housing affordability has taken on an outsized role. A number of findings point us in that direction:

- Affordability is the top issue facing Canadians.
- The gap between housing affordability ratios in Alberta and the rest of Canada has widened.

- Migrants to Alberta have moved primarily from B.C. and Ontario, which are higher-priced housing markets.

- Migration has also shifted into Atlantic Canada, where housing is also less expensive.

- The rise of remote workers allows for greater detachment between place of work and residency. Alberta has a large share of remote workers reporting to an employer in other provinces.

Interprovincial migration is a relative game. Housing affordability has slipped in Alberta more recently, particularly in Calgary. But the province's starting point heading into the last two years of rising interest rates and high inflation was relatively strong.

We see interprovincial migration slowing below 2023's record pace as the affordability gap narrows. Labour market conditions will take on a more important role.

However, relatively strong economic prospects, including a faster rate of job growth, are expected to keep Alberta in its usual position of being a net recipient of interprovincial migrants.

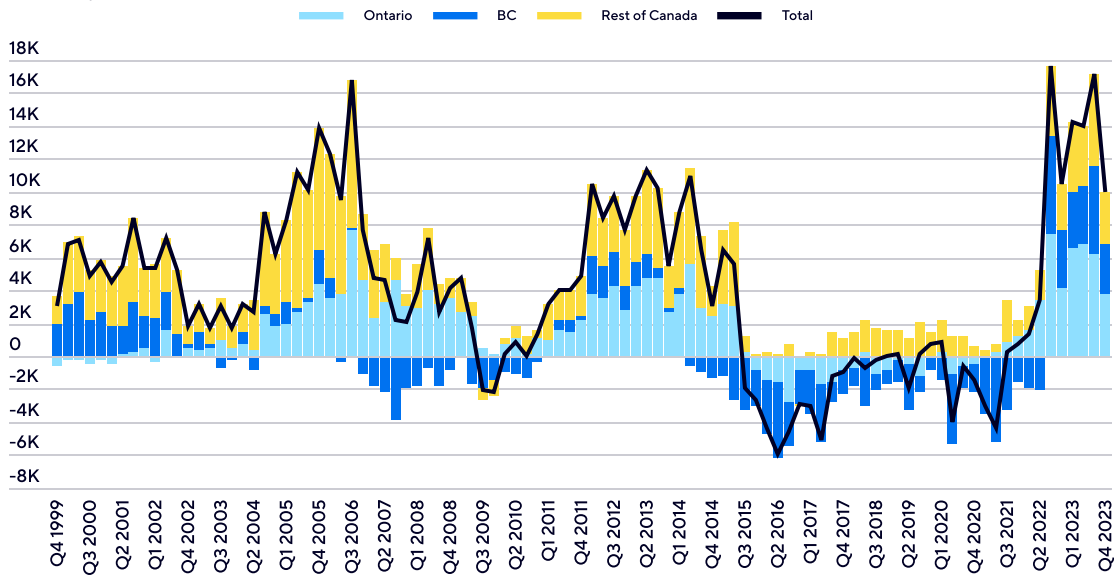
*All references in this section are to the calendar year (January 1 to December 31).

**Natural increase (births minus deaths) plays a minor role. While [Alberta is now only one of five provinces that are actually growing without migration](#), natural increase only contributed 8% to last year's population gain.

Net interprovincial migration to Alberta by source

ATB Economics

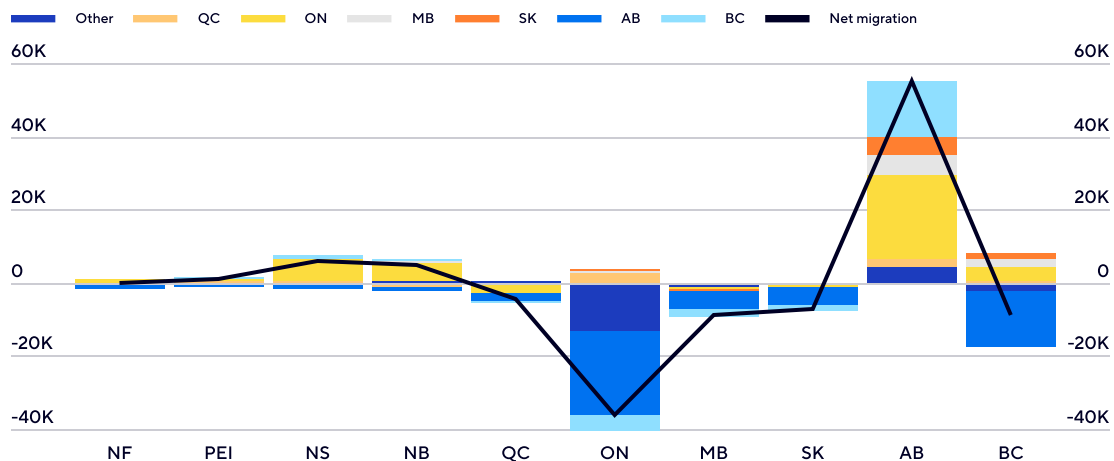
Quarterly



Source: Statistics Canada Table 17-10-0045-01 and ATB Economics

Net interprovincial migration by source, 2023*

ATB Economics



*January 1, 2023 to December 31, 2023 Source: Statistics Canada Table 17-10-0045-01 and ATB Economics

1. More than just the energy sector

In Alberta, migration has followed oil and gas investment. In a typical pattern, the energy sector heats up, the labour market tightens, wages rise, and more people come to Alberta and fewer leave.

Consider the 2004-2008 and 2011-2014 periods. Both intervals were marked by a significant jump in oil and gas investment. The first period was primarily driven by conventional natural gas and oil activity and the second to the buildout of the oil sands. In response to increased energy sector activity, Alberta's unemployment rate fell well below the national average and wage growth took off.

Contrast that to the latest upswing in migration in 2022-23: while oil and gas investment has improved steadily since COVID, it remains about half of 2014 levels.

Investment is diversifying outside the energy sector, but overall levels of private capital spending remain below what they were during the previous wave of interprovincial migration.

2. More than just the labour market

Migration tends to be sensitive to labour market conditions. One [study](#) using longitudinal data finds a strong link between the unemployment rate and the decision to migrate: a one point increase raises the probability of a resident leaving by 10%. The probability of moving was also linked to earnings, with a decline in earnings raising the probability of migrating.

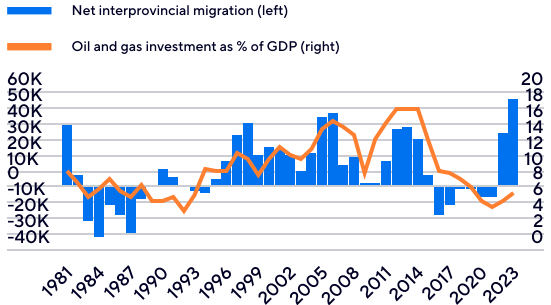
A weaker linkage to relative unemployment rates

In the past, Alberta's unemployment rate - relative to the national average - was a fairly reliable predictor of migration. The larger the gap between Canada and Alberta's unemployment rate, the more people typically come. Likewise, Alberta has historically experienced net outflows when the unemployment rate is higher here.

In the last two years, however, the unemployment rate stayed above the national rate while migration jumped.

Net interprovincial migration to Alberta versus oil and gas investment

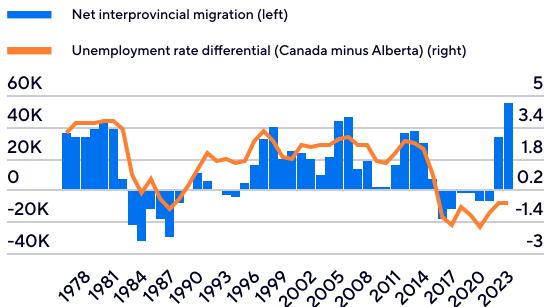
ATB Economics



Source: Stats Canada Table 17-10-0020-01, 36-10-0222-01, 36-10-0096-01 and ATB Economics

Net interprovincial migration to Alberta versus unemployment rate differential

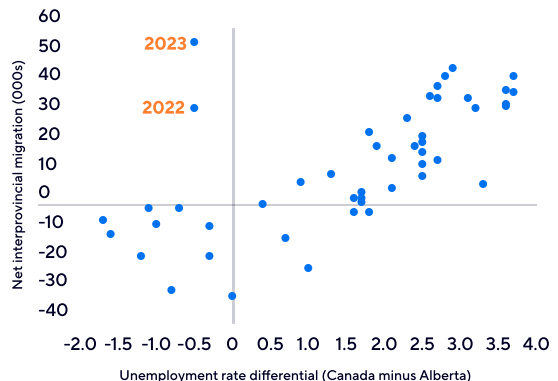
ATB Economics



Source: Statistics Canada Table 17-10-0020-01, 14-10-0393-01 and ATB Economics

Net interprovincial migration to Alberta

ATB Economics



Source: Statistics Canada Table 17-10-0020-01, 14-10-0393-01 and ATB Economics

Improvements relative to Ontario

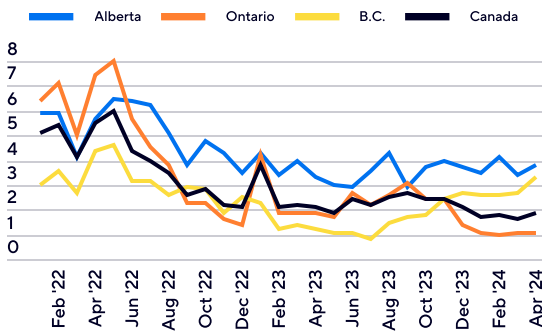
It's possible that general unemployment rate comparisons do not capture the specific type of people attracted to Alberta. Ontario and, to a lesser extent, B.C. are responsible for the vast majority of migrants coming to Alberta in the last two years, so it's worth taking a closer look at the labour markets in those two provinces.

Alberta's unemployment rate rose above Ontario's in 2016, but the two provinces have been tracking pretty closely since 2021, with Alberta trending slightly lower since mid 2023. This is also true for the 20-34 age group, where Alberta has been attracting a large number of migrants.¹ Turning to B.C. the gap between unemployment rates has narrowed, but Alberta is still higher than B.C.

Employment growth

ATB Economics

Year-over-year % change, seasonally adjusted employment



Source: Statistics Canada Table 14-10-0287-01 and ATB Economics

Taken together, the surge in migration from these two provinces far exceeds anything than we'd expect from unemployment differentials alone.

See Appendix 1 and 2 for more detailed discussion of trends in unemployment rate differentials and migration between Ontario and B.C.

Employment growth faster in Alberta

Unemployment rates only tell us so much. Employment is an important indicator of job opportunities, and on that score Alberta's job growth has far outpaced the national average over the last two years, including relative to B.C. and Ontario.

Employment has (mostly) kept up with migration

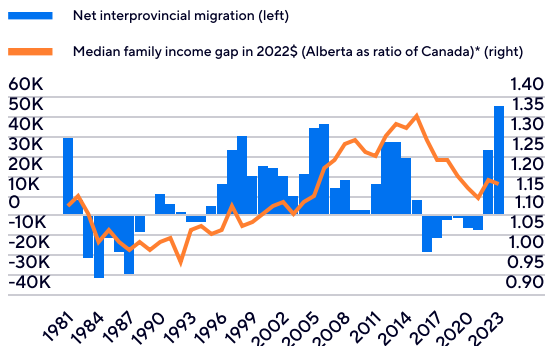
In previous migration booms, labour force entry could not keep up with job growth, and Alberta's unemployment rate fell. What makes this cycle different, however, is that Alberta has been creating jobs at roughly the same rate as people are coming. More recently, there has been upward pressure on the unemployment rate due to strong labour force trends. We see last [month's spike](#) as temporary, and now expect the unemployment rate to average 6.4% this year (slightly above our forecast for the national average of 6.2%).

Income gap has narrowed

Looking at incomes, the gap between Alberta and the rest of Canada remains much narrower than it was during the migration boom of 2011-2014 (based on median family income in 2022\$), with modest improvement over the last two years. Moreover, hourly wage growth has been relatively muted in Alberta relative to the rest of Canada over the last two years. Relative income and wage growth can not explain the surge in interprovincial migration to the province.

Net interprovincial migration to Alberta versus median family income gap

ATB Economics



*Includes families and unattached individuals

Source: Statistics Canada Table 17-10-0020-01, 11-10-0191-01 and ATB Economics

The **bottom line** is that the labour market still matters, and without strong job growth, so many migrants would not have arrived. But, as we've shown, the uptick in migration has occurred without the same contribution of the energy sector or the labour market.

¹ Migrants are young - 40% of net interprovincial migrants to Alberta were young adults aged 20 to 34 last year. Likewise 41% of people leaving Ontario for the rest of Canada were in this age group. Alberta's unemployment rate for this age group has been slightly lower than Ontario's (on average) since 2021.

What else is at play?

There are several reasons to believe that affordability, and in particular housing affordability, is playing a much larger role this time around:

- Canadians are getting squeezed by cost of living increases. It is the top issue facing Canadians.
- The gap between housing affordability ratios in Alberta and the rest of Canada has widened.
- Migrants have moved from higher priced to lower priced housing markets.
- The increased importance of remote work.

Ideally we would simply ask migrants arriving in Alberta - why did you move? That doesn't exist, but other surveys provide some clues. A [2021 survey](#) pointed to housing affordability top of the list during the pandemic, and that was *before* the interest rate increase.. This was before the rate increase. The [Re/Max 2024 Canadian Housing Market Outlook](#) suggests that 21% of Canadians are "exploring alternative home ownership, or opting for inter-provincial/city moves." A [2023 survey](#) by Royal LePage finds that 34% of households purchased a home in a more affordable neighbourhood or region than originally planned.

3. The Role of Affordability

The top concern among Canadians

The top issue of national concern in Canada is inflation and housing affordability, according to recent surveys by [Nanos](#) and [Angus Reid](#).

This is not surprising. After an extended bout of above average inflation, Canadian consumer prices are sitting 14.5% above where they were just three years prior (April 2021).

The average housing price in Canada is \$719,400 (composite resale benchmark price as of April 2024), compared to \$541,700 in February 2020 - just prior to the pandemic.

Add in rising interest rates, and affordability ratios are at the lowest levels since 1990 according to the Bank of Canada's housing affordability index. Debt servicing costs have spiked, and will continue to move higher as [loans are reset at higher rates](#).

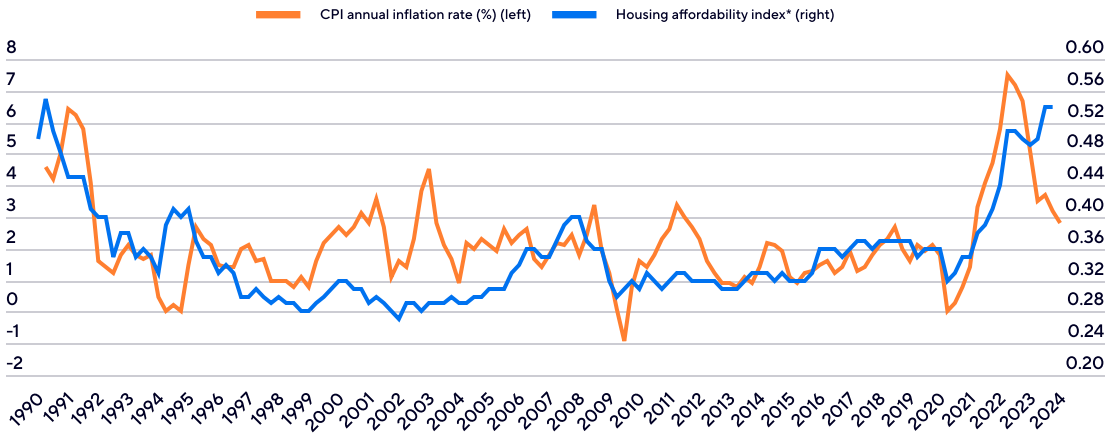
The widening gap between housing affordability between Alberta and the rest of Canada

Housing markets entered the Bank of Canada's rate hiking cycle at different starting points. In Alberta, benchmark prices were \$466,200 in March 2022, well below the national average of \$835,300 (a gap of \$369,100). Fast forward two years, and that gap has shrunk to a still-high \$213,300 as of April 2024. [Rents](#) have also jumped in Alberta, but they too remain lower than in other key markets (primarily Ontario and B.C.).

Housing affordability and inflation

Quarterly

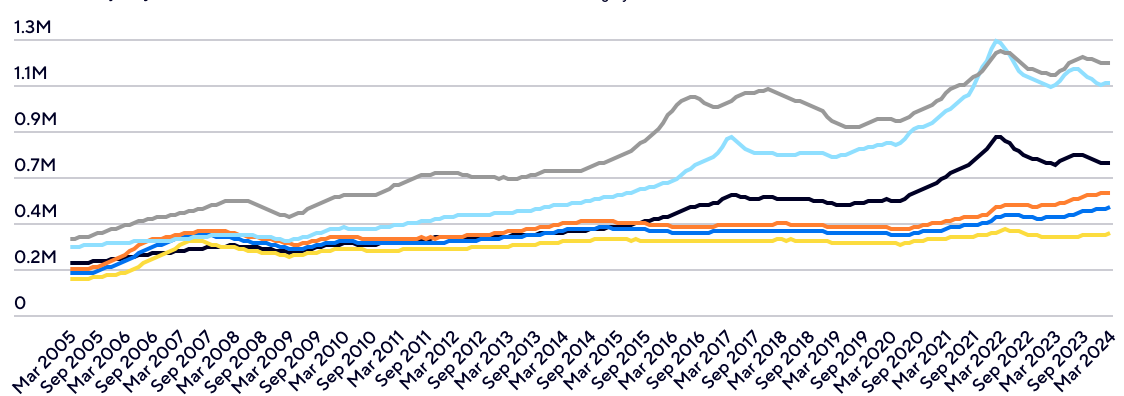
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*A rising value indicates a deterioration in affordability, a lower value indicates an improvement.
Source: Bank of Canada, Statistics Canada Table 18-10-0004 and ATB Economics

Composite benchmark resale home prices

\$, seasonally adjusted



Benchmark prices are generated by the MLS® Home Price Index model. Source: Canadian Real Estate Association and ATB Economics

It wasn't always that case. Just a decade prior, Alberta home prices were roughly in line with the rest of the country. Alberta prices far exceeded the national average during the Alberta housing boom of 2006 to 2008, yet that was one of the largest upswings in interprovincial migration in Alberta's history. People were lured by job opportunities, but were not coming for lower cost housing.

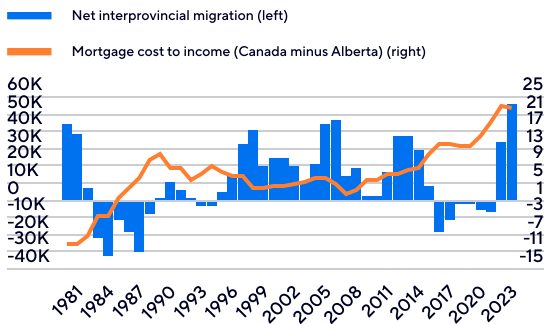
While housing is the main driver, taxes also drive cost of living differences and may also be playing a role. Alberta has no sales, payroll or [land transfer tax](#) (but has land title fees). Overall provincial [tax](#) burdens are lower across most family types and income levels. It's possible that rising cost-of-living pressures could be making individuals more sensitive to tax considerations.

Age composition of the migrants shifted

Interprovincial migrants tend to be young, and this latest wave is no different. However, compared to the last period of rapid in-migration, there is a higher concentration in the 25 to 39 age segment. Debt to income ratios are highest among young adults, and many in this age segment would be entering the housing market as new owners. One [estimate](#) puts the average age of the first-time buyer in Canada at 36.

Another unique aspect of this migration cycle is that Alberta gained people from every age group, including the older age cohorts. We have long believed in the "follow the grandchildren" thesis, where grandparents join their children and grandchildren. It is also possible that older and retired households (less sensitive to local labour market conditions) too are looking for lower cost housing, with the opportunity to extract equity from homes in more expensive markets.

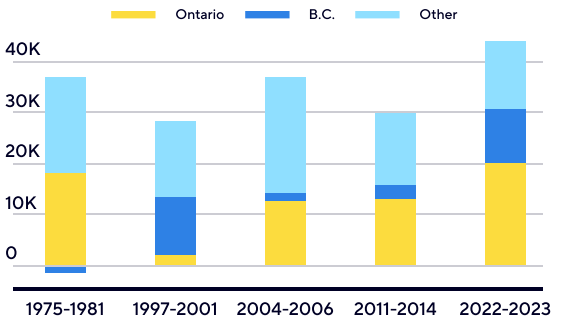
Alberta net migration vs. relative mortgage costs



based on median total household income (families and unattached individuals). Mortgage costs based on average residential price, 80% down, 25-year amortization and conventional 5-year mortgage rate.

Source: Statistics Canada, CMHC, CREA, Bank of Canada and ATB Economics

Periods of high net interprovincial migration to Alberta,* annual average



*Consecutive years with greater than 20,000 of net interprovincial migration

Source: Statistics Canada Table 17-10-0020-01 and ATB Economics

A similar trend in Atlantic Canada

Alberta is not the only province experiencing population inflows from the rest of Canada. In Atlantic Canada, a post COVID population boom has ensued.

A major driver appears to be [remote work and lower cost housing](#).

While home prices have spiked since 2020, the April 2024 benchmark price was well below the national average in Maritime provinces: \$362K in PEI, \$401K in Nova Scotia, and \$301K in New Brunswick compared to \$719K nationally and \$867K in Ontario.

These provinces have also been recipients of large inflows of migrants from Ontario.

Unlike the steady stream of migrants from Ontario to Alberta, it is unusual to see such large migration numbers from Ontario to Atlantic Canada.

Maritime provinces, namely Nova Scotia, have also drawn record numbers of migrants all the way from B.C. - the most expensive housing market. The numbers are much smaller than Ontario movements, but still notable.

The rise of remote workers across Canada

Remote workers have more location options, allowing for physical separation between living and place of employment. Canadians with these work arrangements have more flexibility to move for non-work related reasons, such as affordability. While many people have been working remotely within a city or province, an emerging trend is out-of-province remote workers.

Statistics Canada occasionally asks survey respondents in its labour force survey where they live and where they work. They have found a marked jump in respondents that say they work remotely for an employer in another province.

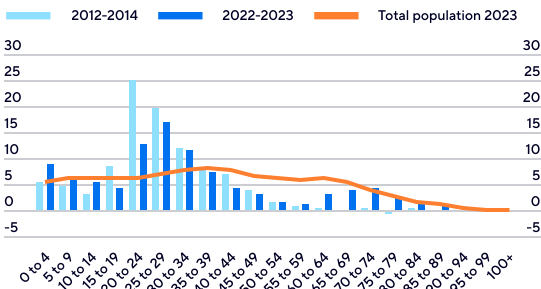
ATB Economics received a special tabulation of the remote worker data from Statistics Canada, split by province. In June 2022 (latest available), over 185,000 employees in Canada who work most of their hours from home said they reported to an employer's office in another province or territory. That compares to only 12,600 in 2016.

Alberta has a disproportionate number of at-home workers reporting to an employer in another province: 41,800 (or about 22.5% of the national total), second only to Ontario at 49,100. These are not necessarily people who came to Alberta and maintained their out-of-province employer (i.e. they may have already been in Alberta and taken a job out of province). Either way, remote work seems to be an important and emerging factor driving the interprovincial migration numbers.

Net interprovincial migration by age

ATB Economics

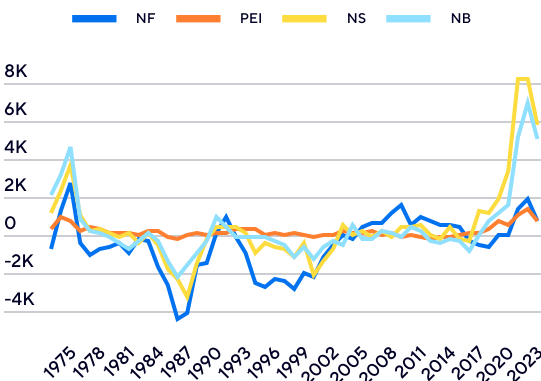
% of total



Based on census years (i.e. 2023 represents July 1, 2022 to June 30, 2024). 2023 Population as of July 1. Source: Statistics Canada Table 17-10-0015-01, 17-10-0005-01 and ATB Economics

Ontario net migration to Atlantic Canada

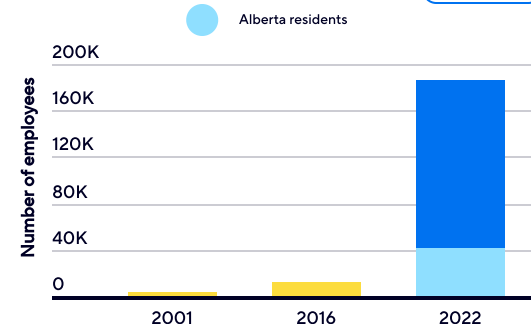
ATB Economics



Source: Statistics Canada Table 17-10-0045-01 and ATB Economics

Canadian employees working from home for an employer in another province

ATB Economics



Source: Statistics Canada, 2022, "Working from home for an employer located in another province or territory" and Statistics Canada, 2024, Special tabulation based on June 2022 Labour Force Survey. Universe: Employed population aged 15 to 69 living in the provinces who usually work most of their hours from home, excluding full-time members of the armed forces and people living on reserves.

Implications

What does the recent surge in interprovincial migration mean for Alberta?

Slowing, but not reversing population aging

People moving to Alberta from other provinces tend to be young. In 2023, nearly half (48%) of net interprovincial migrants to Alberta were between the ages of 20-39 (compared to 29% of the overall population). Add in international migrants (also young), and the median age in Alberta last year held steady for the first time since 2014. But the numbers are too small to offset the large number of Baby Boomers entering their senior years. According to the [latest long-term population projections](#), Alberta's 65+ population will rise steadily from 15% of the population in 2023 to 19% by 2048. While that's a significant increase, it will put Alberta's ratio roughly where Canada is today.

Job vacancies are getting filled, but 'pockets' of shortages remain

The job vacancy rate in Alberta has fallen from a peak of 5.2% in April 2022 to 3.8% as of February 2024, with migration helping fill these vacancies. Yet vacancies are still well above pre-COVID levels despite overall slack in the labour market (as measured by unemployment). In particular, pockets of shortages have emerged, with construction and food and accommodation with job vacancy rates in excess of 5.5% as of the fourth quarter of last year. A recent [report](#) by the Business Council of Alberta using timely data on vacancies shows soaring demand for the trades, health care workers, tech and middle skills.

A tailwind for consumer spending

As in the rest of Canada, Alberta consumers are showing signs of fatigue. Retail spending has held fairly steady after a spike in late 2022, early 2023. But the influx of residents has helped push retail and restaurant sales higher (relative to pre-COVID levels) than any other province. While we expect per capita spending to fall again this year, *overall* spending is forecast to increase due to population growth.

Continued pressure on the housing market, with regional shifts

Alberta's housing market is expected to remain tight, as builders struggle to keep up with demographic demand. The industry has responded, with multi-family starts soaring (particularly in Calgary), but is still playing catch-up. We see home construction staying well above 40,000 starts per year in 2024 and 2025. On the resale side, Calgary's market moved first in response to the migration boom, but sales and prices in Edmonton and other regions have turned higher more recently.

As people chase affordability, less expensive markets in Alberta are likely to see even more activity. Indeed, a recent [study](#) by the University of Calgary's School of Public Policy provides evidence of migration out of major cities, reflecting housing affordability pressures and more hybrid and remote options.

What's next?

We see interprovincial migration continuing at a brisk pace, but moderating from the 2023 record. We now forecast net interprovincial migration of 45,000 in 2024, easing to 24,000 in 2025 and 23,000 in 2026. Note that this is based on the census year July 1 to June 30. For the first half of census 2024, Alberta has already welcomed 27,000 new residents from the rest of Canada. This easing pattern reflects the closing gap in home prices and rents relative to the rest of Canada. As the gap narrows, economic and labour market conditions will once again play a more important role.

[Alberta's economy](#) is expected to outperform the national economy over the next two years, supporting the labour market and keeping net inflows positive. New market access will drive activity in the oil and gas sector, while new investments are proceeding in the petrochemical and hydrogen sectors. High tech, agri-food, and emissions reduction investments are other sources of growth.

In essence, Alberta is returning to a more normal growth pattern. After a prolonged adjustment to lower oil prices in 2015-2016, and side swiped by market access issues and COVID, the Alberta economy is now healthy enough to absorb new migrants. The affordability advantage remains an important draw, but its pull will diminish with time as housing price gaps narrow, interest rates decline and overall inflation eases.

Taking a longer-term view, Statistics Canada's [projections](#) show net interprovincial migration inflows to Alberta across nearly all its scenarios. In the medium growth (M2) scenario, interprovincial migration to Alberta averages about 24,000-29,000 per year between 2024 and 2042. More recent provincial [medium scenario projections](#) show net interprovincial migration elevated in the near term before settling in at 13,000 per year by 2028 and holding at that level over the long term.

Risks

Our forecast for continued interprovincial migration rests on two foundations: 1) Alberta maintaining an affordability advantage and/or 2) the job market holding up relatively well in Alberta. If one or both of these falters, migration could be pulled off its expected path. However, it could also go the other way, with faster job and wage growth leading to higher-than-expected inflows.

Appendix 1:

Alberta - Ontario migration patterns

Alberta has long welcomed migrants from Ontario. The net-inflows have been fairly persistent, occurring in three-quarters of the last 52 years. Since 1972, Alberta has gained 262,000 residents cumulatively from Ontario, including over 23,300 in 2023 alone.

There are only two periods when Alberta experienced sustained outflows to Ontario - the 1980s and 2015-2020, the latter period being a much milder period of out migration. Both were marked by slowdowns in Alberta's economy and labour market.

The largest wave of in-migration from Ontario came in the late 1970s/early 1980s, then again during the Alberta energy booms of 2004-2008 and 2011-2014. These movements can largely be explained by relative labour market conditions. In all these

periods, Alberta's labour market was much tighter, as reflected by wide unemployment rate differentials.

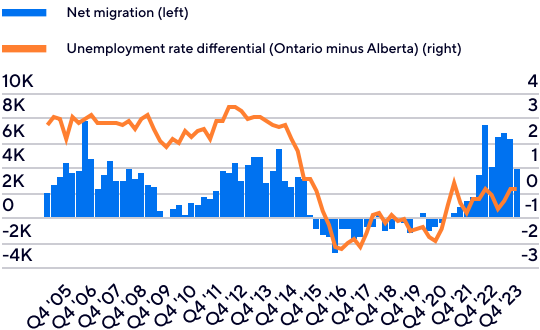
The latest influx of migrants from Ontario looks different. Job growth has been stronger in Alberta over the last two years, but the Alberta unemployment rate has only recently nudged below Ontario's.

More important this time around is affordability - particularly housing affordability. The gap between Alberta and Ontario housing prices widening after 2015, with rising interest rates stretching affordability ratios further. While the gap is closing, estimated mortgage to income ratios (and rents) remain much higher, on average, in Ontario than in Alberta.

Migration from Ontario to Alberta & unemployment

Quarterly

ATB Economics

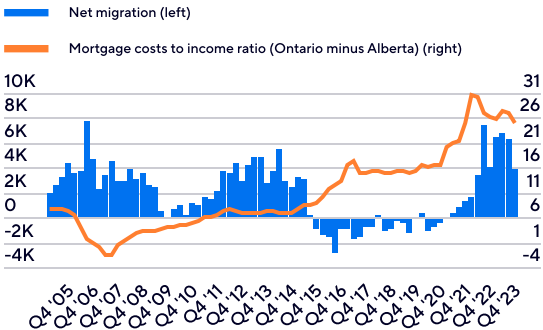


Source: Statistics Canada and ATB Economics

Migration from Ontario to Alberta & housing affordability

Quarterly

ATB Economics



Source: Statistics Canada, CMHC, CREA and ATB Economics. Mortgage costs based on 5-year rates, 20% down payment on benchmark home with 25-year amortization. Income based on median household.

Appendix 2:

Alberta - B.C. migration patterns

B.C. is an unusual case. It is the [only province](#) that has gained more people (on net) from Alberta than it has lost since 1971. Ontario, in contrast, has experienced a large net outflow to Alberta over this period.

The last major wave of outflows to B.C. was between 2015 and 2021, a challenging period for the Alberta economy: an energy-related recession in 2015-16, market access problems in 2019, and a COVID recession that hit Alberta particularly hard.

In the last two years, however, outflows suddenly reversed. Alberta has gained people from BC since the third quarter of

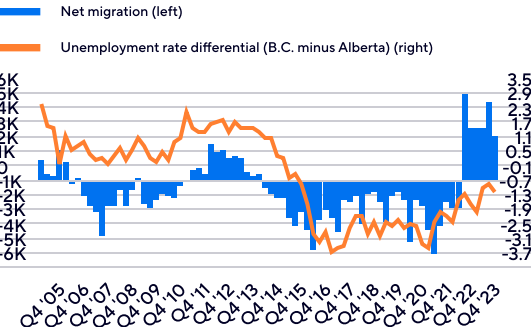
2022. In 2023, Alberta added 15,250 people from B.C. on a net basis. Why the turnaround?

Alberta's job growth has been stronger than BC's, and housing affordability much more favourable. The housing affordability advantage is not new. B.C. affordability ratios have long been stretched relative to Alberta. But now there is the combination of even more favourable housing affordability in Alberta and stronger employment growth. More recently the unemployment rate differential, traditionally a more reliable indicator of migration patterns, has narrowed.

Migration from B.C. to Alberta and unemployment

Quarterly

ATB Economics

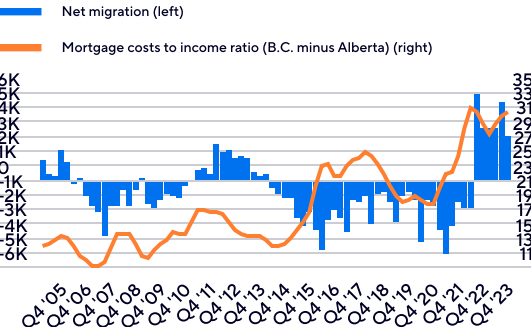


Source: Statistics Canada and ATB Economics

Migration from B.C. to Alberta and housing affordability

Quarterly

ATB Economics



Source: Statistics Canada and ATB Economics. Mortgage costs based on 5-year rates, 20% down payment on benchmark home with 25-year amortization. Income based on median household.

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