

Calgary residential construction zooms through the roof

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CALGARY -- Investment in residential construction in Alberta soared by more than 27 per cent in the third quarter of this year, compared to a year ago -- that's more than three times the national average.






Statistics Canada said overall investment in residential construction -- new housing, renovations, and acquisition costs -- hit \$3.3 billion in Alberta in the third quarter of 2006. That compared to \$2.6 billion in the third quarter of 2005.

And the new spending was driven mainly by a 37 per cent increase in spending on new single-family homes.



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Investment in residential construction in Alberta has jumped by 29.9 per cent for the first nine months of this year to \$9 billion compared with \$6.9 billion last year for the same time period.

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"The strength of the economy in Western Canada, the vitality of full-time employment, mortgage rates that remain relatively advantageous, and high international immigration are among the factors driving the demand for housing," said Statistics Canada in a recent report.

"Sharp increases in new home prices in several centres also contributed to the increase in spending on residential construction."

Nationally, residential construction investment for the third quarter rose by 7.6 per cent to \$21.7 billion, compared with \$20.1 billion one year ago.

Lai Sing Louie, senior market analyst for Canada Mortgage and Housing

Corporation in Calgary, said the Alberta numbers are high.

"If you look at all the housing starts in the different centres in Alberta, they're at very high or record high levels," said Louie. "So a lot of that is the result of the economy in Alberta compared to the rest of Canada. That's why you're seeing this tremendous difference between what's going on in Alberta and the rest of the country."

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Across the country, since the start of 2006 residential construction investment has reached \$59.3 billion -- an increase of 8.6 per cent from the year before.

Statistics Canada divides residential construction into three main components. The first is new housing construction which includes single dwellings, semi-detached dwellings, row housing and apartments, cottages, mobile homes and additional housing units created from non-residential buildings or other types of residential structures (conversions).

The second component of residential construction investment (renovations) includes alterations and improvements in existing dwellings. The third component is acquisition costs which refers to the value of services relating to the sale of new dwellings. These costs include sales tax, land development and service charges, as well as record-processing fees for mortgage insurance and the associated premiums.

Todd Hirsch, chief economist for the Canada West Foundation, said "when you have this many new people moving to Alberta it increases the demand for housing across the board so either they're going to be looking to build a new home or they're renting a home while they're looking to buy a new home. All of this just pushes out the demand for new housing."

According to Statistics Canada, the new housing construction investment sector in Alberta reached \$5.9 billion for the first nine months of this year, representing a 38.1 per cent increase from the \$4.3 billion in 2005 for the same period.

Investment in renovations in the province was \$2.3 billion year to date _ a 16.9 per cent hike from last year's \$2 billion.

And acquisition costs in Alberta have risen by 14.3 per cent to \$710 million since the beginning of this year, compared with \$621 million for the first nine months of 2005.

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