

Housing starts hit record high in 2006

Construction taking longer

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New home construction hit an all-time high in the Calgary area in 2006 sparked by a booming economy and strong demand for housing -- breaking a near 30-year record.

Canada Mortgage and Housing Corporation data released Tuesday shows the total housing starts during the year hit 17,046 units in the Calgary Census Metropolitan Area -- a 24.7 per cent increase from a year ago (13,667 units).

The previous record was in 1978 when total housing starts reached 15,382 units, of which 4,780 were single-family homes and 10,602 were multi-family homes.

Lai Sing Louie, senior market analyst for the CMHC, said the numbers signal "the economy is very strong here in Calgary and in Alberta.

"When you look at job creation numbers, it's up 46,400 so they are even stronger than we anticipated. So you know 46,400 net new jobs created that's like bringing in Lethbridge and a lot of Canmore and sticking it onto Calgary in one year," said Louie. "All those people. The migration numbers are very strong. People are coming to Calgary to find work. There's lots of work here.

"Even right now at the record high levels of employment, our unemployment rate is still very low. It's like 2.7 per cent. So it's the lowest on our records."

And because of that, the forecast for 2007 is very good.

Louie said the CMHC is forecasting housing starts to drop to 15,750 overall in 2007, but still representing the second best year ever -- 9,500 single-family units and 6,250 multi-family units.

"They'll pull back but still at a very elevated level," Louie said. The Calgary CMA encompasses the city, Airdrie, the Municipal District of Rocky View, Irricana, Chestermere, Cochrane, Crossfield and Beiseker.

Don Davies, president of the Calgary Region Home Builders Association, said: "It was a great way to finish off the year with a record number of starts" and a strong finish for the year in the month of December.

With severe labour shortages throughout the year, the pace of activity "hasn't been easy," said Davies, "but the builders have come forward to use their resources efficiently. Labour and materials are still a big concern and affordability, as well, but we're able to get it done."

Louie said there are a couple of reasons for the pace of construction being so high in



CREDIT: Lorraine Hjalte, Calgary Herald

New home construction broke a 30-year-old record in the Calgary area during 2006 thanks to the booming economy.

such a tight labour market.

"Starting a house is a lot easier than completing it," said Louie. "When you start a house, all you need to do is have the foundation poured. And to complete it is a whole different story. If you're a builder, you could start a whole bunch of houses, but it doesn't mean you're going to complete them in six months. That's the primary reason."

Louie said there are 6,492 single-family units under various stages of construction and 7,832 multi-family units.

"This is an extremely high level," he said. "There's a lot more under construction than being completed. So that's how they're doing it. They're prolonging construction. In the past, when it took, say, six months, it's taking a year (now). . . . That's how they're doing it with the labour shortage. You can start them but the time to complete them is extended.

"Even though the unemployment rate in all of Calgary is 2.7 per cent on average, construction is 1.7. So it's even tighter in the construction industry."

In December alone, construction activity increased by 62.1 per cent with 1,499 units started compared with 925 units in December 2005.

The gain in total starts during December was caused by a surge in multi-family construction, said Louie. Multi-family starts, which include semi-detached units, rows and apartments, totalled 848 units in December -- representing a staggering 215.2 per cent increase from the 269 units in December 2005.

For the year, single-family home construction increased by 20.2 per cent to 10,482 units compared with 8,719 in 2005. Also multi-family starts were 6,564 units for the year, a 32.7 per cent hike from the 4,948 in 2005.

The multi-family market experienced the best performance since 1981, said Louie, adding single-family home construction also set an annual record.

Richard Corriveau, regional economist for the Prairies and Territories for the CMHC, said preliminary data for both urban and rural Alberta show 2006 was a record year for the province with 48,962 housing starts, an increase of 20 per cent from the 40,847 units last year. It also broke a record that has stood since 1978 (47,925 units).

Nationally, urban starts in 2006 totalled 194,904 units, an increase of 0.7 per cent from the previous year.

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Calgary Census Metropolitan Area - Housing Starts

Single Multiple Total

December 2006 651 848 1,499

December 2005 656 269 925

Per cent change -0.8 215.2 62.1

Year-to-date 2006 10,482 6,564 17,046

Year-to-date 2005 8,719 4,948 13,667

Per cent change 20.2 32.7 24.7

This story features a factbox "Calgary Census Metropolitan Area - Housing Starts".

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