

SUPPLY STRONGER THAN DEMAND



Calgary Herald Archive

Housing market demand has been softer than builders originally anticipated.

Calgary market adjusting to new reality, says expert

KATHY McCORMICK
CALGARY HERALD

Homebuyers are sitting on the fence and holding on, says a Calgary realtor. "They're cautious because of what they're hearing globally," says Marlene Swinton of Re/Max Realty Professionals — although as a big city, there's always some activity in the market.

With construction starts of single-family homes declining nearly 40 per cent so far this year, and the same decrease in the number of resale homes changing hands last month compared to March 2007, it appears Swinton is right.

But it's more complicated than that, says Lai Sing Louie, senior market analyst for Canada Mortgage and Housing Corp., which recently released its March statistics.

It boils down to supply, which is much stronger than demand, he says.

Nearly 6,000 single-family resale homes are currently in the For Sale inventory of the Calgary Real Estate Board listings.

"Single-detached housing (construction) starts continue to be impacted by the high level of competition in the resale market and potential homebuyers taking more time to shop around," says Louie.

That's the new reality for this year, says general manager Bill Bobyk of Sterling Homes, and builders are adjusting.

His company posted 22 firm sales in March — down from last year, and a decline from what the builder expected to do when planning for the year, he says.

"The market has been softer than we anticipated, but we're just a bit under what we budgeted for," he says.

"It's so much different than it was last year. I think everyone sensed it would be, but I don't think anyone thought it would be as challenging as it has been so far."

While builders are adjusting to the new reality, some are making the shift more quickly than others, says Bobyk.

He predicts it will continue through 2008 for builders, developers and consumers. "I see a more consistent, predictable year next year."

Jayman MasterBuilt posted 180 sales from January to March between its two divisions, says Jim Moir, executive vice-president of the Calgary region. "That is close to what we expected, but not quite there."

Innovations by Jayman, which deals with the lower end of the market, is more in demand, especially in Airdrie and Copperfield, he says.

Homes by Avi has had fairly strong sales so far — 127 for the first three months of the year, says senior vice-president Alice Mateyko.

"Traffic has been weak in some areas, though, especially in communities where homes are selling from \$450,000 to \$600,000, and there are too many new homes on the market that are vacant," she says.

Only about 10 per cent of the new starts for Homes by Avi are specs, she says — homes that are built in advance for buyers who want to take quick possession, rather than order a dwelling and wait for it to be constructed.

SEE REALITY, PAGE I6

PHENOMENAL

Views



THE SUNSET RIDGE OF COCHRANE

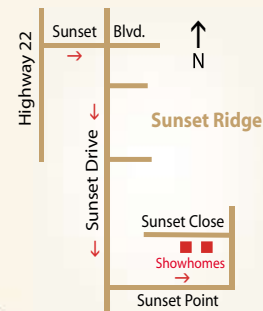
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Sterling, too, is watching its spec inventory closely, says Bobyk. "We don't have an over-abundance sitting around, but we've always had spec homes on the market and we still do, and we've been able to move a few."

A total of 1,067 single-detached homes have been started so far this year, down from 1,717 for the same period a year ago — a decline of nearly 38 per cent.

Meanwhile, 613 homes were completed last month that were not absorbed, although Louie says those include show homes, which have not yet been broken out of the total.

In February, there were only 498 complete and unoccupied homes, and 382 of those were show homes.

"I believe the spec home inventory is

moving up," says Louie. "Last September, there were only nine spec units in the city."

The dynamics of the whole industry is changing, he says.

"At this point, it looks like we may be downsizing our forecast for the year. The key variables have changed."

The annual forecast released earlier this year had called for a total of 13,50 housing construction starts, with 7,250 single-family housing starts and 6,000 multi-family starts.

On the resale side, CMHC was expecting 31,700 sales of used homes.

"A reduction in the sense of urgency to buy compared to last year, combined with a lower level of demand caused by weaker net migration, will likely continue to impact new home sales," says Louie.

Net migration refers to the inflow of people to Calgary minus the outflow.

"On the resale side, MLS sales have been weaker than what was initially projected," he says.

Even so, the prices have risen over the same period last year — but Louie doesn't expect that to continue.

"The average new single-family home sale price for March in the Calgary CMA (census metropolitan area) was pretty high at \$561,659 — up 32.6 per cent over last year," he says. "But that is the absorbed average price."

The price refers to the period when homeowners took possession of homes. In this particular case, the price was set last summer when the market was much stronger.

"It was still at the peak level of pricing and a lot of those homes didn't have builder incentives built into the prices yet," says Louie.

Overall, CMHC is expecting the average price for new single-family homes to reach \$550,000 this year.

"In this environment, it's hard to see prices moving up much from where they are now," he says.

Moir says Jayman has "made some adjustments" in prices to reflect the

market. "We've introduced a new line of specs at a lower price level."

But the multi-family sector has been booming, with a staggering increase in construction starts compared to March 2007 — up 289.4 per cent with 2,652 units started, compared to just 681 the year before.

"Current market conditions do not appear to support this level of construction," says Louie — and that doesn't even take into account the 5,000-plus units that are still in various stages of planning.

"We'll likely be revising the multi-family numbers higher," he says.

"We thought initially that the multi-family sector would pull back this year, but the developers in this market segment can't respond to current market conditions quickly. The developers depend on pre-sales, then build — and construction times are often two years away.

"They can only hope that when the highrise towers are complete, the market is more balanced and they have had good pre-sales."

Year-to-date, condo resales are down 45 per cent over the previous year.

"Demand is pulling back while supply is increasing. The sector may need to re-trench," says Louie.

Due to the contributions of the multi-family housing sector, total housing starts in the Calgary CMA were 3,068 units in March, up from 1,242 units for the same month last year — an increase of 147 per cent.

Total housing starts across Alberta's urban centres increased 25 per cent in March — 4,032 units compared to 3,223 in March 2007.

Nationally, urban starts in March totalled 15,608, up 24 per cent compared to the same period last year.

ALSO SEE

■ Resale quarterly housing statistics 110

BY THE NUMBERS

Mortgage payment calculation chart

Monthly investment in a mortgage per \$1,000

%	25 YEAR	15 YEAR
3.5	= 5.01	= 7.15
4.0	= 5.28	= 7.40
4.5	= 5.56	= 7.65
5.0	= 5.85	= 7.91
5.5	= 6.11	= 8.14
6.0	= 6.40	= 8.40
6.5	= 6.70	= 8.67
7.0	= 7.01	= 8.94
7.5	= 7.32	= 9.21
8.0	= 7.64	= 9.49
8.5	= 7.96	= 9.77
9.0	= 8.28	= 10.05
9.5	= 8.62	= 10.33
10.0	= 8.95	= 10.62
10.5	= 9.29	= 10.92

For example:
A \$100,000 mortgage over 25 years at 3.5% is \$5.01 x 100 = \$501 monthly payment

Income, home price and down payment guide

This table gives you a rough idea of the maximum home price you can afford. These estimates take into account household income and down payment amount. They assume a mortgage interest rate of 8%, 25-year amortization, average tax and heating cost in Canada, and the mortgage an average Canadian would qualify for based on a 32% debt-service ratio.

NOTE: This table is presented for informational purposes only and may not apply to your specific situation; see your lending institution for detailed figures.

Household Income	10% down payment	Maximum home price	25% down payment	Maximum home price
\$50,000	\$15,800	\$158,000	\$47,400	\$189,600
\$60,000	\$19,600	\$196,000	\$58,800	\$235,200
\$70,000	\$23,400	\$234,000	\$70,100	\$280,800
\$80,000	\$27,200	\$272,000	\$81,500	\$326,400
\$90,000	\$31,000	\$310,000	\$92,800	\$372,000
\$100,000	\$34,800	\$348,000	\$104,400	\$417,600
\$120,000	\$42,400	\$424,000	\$127,200	\$508,800
\$140,000	\$50,000	\$500,000	\$150,000	\$600,000
\$160,000	\$57,600	\$576,000	\$172,800	\$691,200
\$180,000	\$65,200	\$652,000	\$195,600	\$782,400
\$200,000	\$72,800	\$728,000	\$218,400	\$873,600

Figures are rounded to the nearest \$100

Mortgage rates

Effective April 10, 2008. Rates expressed in per cent.

Variable Rate	6mo. open	6mo. closed	1year open	1year closed	2year closed	3year closed	4year closed	5year closed	
Chartered banks									
Bank of Montreal	c 4.796	8.800	7.000	9.300	7.150	7.200	7.200	7.040	7.190
Bank of Nova Scotia	c 4.750	8.800	6.950	9.250	7.100	7.200	7.200	7.050	7.190
Bridgewater Bank	c 5.000	-	-	-	6.700	6.200	6.150	-	5.620
CIBC Mortgages	c 4.880	8.900	7.000	9.400	7.150	7.200	7.200	7.040	7.190
Canadian Tire Bank	c 4.350	7.700	-	-	5.000	5.400	5.150	5.400	5.400
Canadian Western	c 4.750	8.800	7.000	9.300	7.150	7.200	7.200	7.040	7.190
Citizens Bank of Cda	c 5.250	7.100	6.100	7.100	6.100	6.100	6.100	6.100	5.840
HSBC Bank Canada	c 4.750	8.800	6.950	9.300	7.100	7.200	7.200	7.040	7.190
ICICI Bank Canada	c 5.250	-	-	-	5.700	5.750	5.800	5.850	5.750
ING Direct	c 4.650	-	-	-	5.100	5.500	5.250	5.790	5.590
Laurentian Bank	c 5.250	8.800	7.000	9.300	7.000	7.200	7.200	7.100	7.150
Manulife Bank	5.250	-	6.100	6.550	5.500	5.600	5.650	5.700	5.700
National Bank	c 5.250	8.800	7.000	9.300	7.000	7.200	7.200	7.100	7.150
Presdnt's Choice Fin'l	c 4.800	-	7.070	-	6.540	5.950	5.850	5.800	5.740
Royal Bank	c 4.750	8.800	7.000	9.300	7.150	7.200	7.200	7.040	7.190
TD Canada Trust	c 4.650	-	6.950	9.300	7.150	7.200	7.200	7.040	7.190
Trust Companies									
Concentra Financial	-	8.800	6.950	9.300	7.150	7.200	7.200	7.040	7.190
Equitable Trust	-	8.900	-	9.400	7.150	7.200	7.200	7.040	7.190
FirstLine Mrtgs	c 5.625	-	7.800	-	7.200	6.450	6.350	6.250	6.240
Home Trust Co.	-	-	-	-	7.150	7.200	7.200	7.040	7.190
Investors Grp Trust	c 4.250	8.800	7.000	9.300	7.150	7.200	7.200	7.040	7.190
Peace Hills Trust	-	-	7.050	-	7.150	7.200	7.200	7.040	7.190
ResMor Trust	c 4.750	-	-	-	5.990	5.990	5.990	5.990	5.740
Other institutions									
AMA Financial	c 4.950	-	-	-	6.650	6.150	6.100	6.040	5.570
ATB Financial	c 4.650	8.800	6.950	9.300	7.150	7.200	7.200	7.040	6.130
Commonwealth Credit U	c 4.750	8.800	-	9.300	6.550	5.950	5.950	5.970	6.120
First Calgary Savings	-	8.800	7.000	9.300	7.150	7.200	7.200	7.040	7.190
First National Fin'l	c 4.650	-	6.950	-	5.100	5.500	5.250	5.790	5.590
GMAC Residnt'l Fund'g	c 5.910	-	-	-	-	-	6.100	-	5.990
Key Savings & Credit U	5.250	8.900	6.800	9.500	6.900	6.900	6.850	6.590	6.690
London Life	c 4.250	8.800	7.000	9.300	7.150	7.200	7.200	7.040	7.190

Variable rates are open unless indicated by a 'c.'

This table was prepared by CANNEX Financial Exchanges on April 10, 2008. For current rates, please visit the CANNEX website at www.cannex.com. All rates are for informational purposes only, and should be confirmed by the company quoted.

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