

Housing demand declines in Calgary

KATHY McCORMICK
CALGARY HERALD

Despite the high inventory of single-family homes on Calgary's resale market, the sector is in a better position than the condo market, says a federal agency.

"The demand has dropped," says Lai Sing Louie, senior market analyst for Canada Mortgage and Housing Corp.

"It's the same scenario as what is occurring in the multi-family sector, but supply has started pulling back, and the housing starts (on the residential construction side) have started correcting. They're down more than 40 per cent already."

Builders have adjusted to the market by not starting new homes, especially spec units, says Louie.

Such homes are built in advance for buyers who don't want to order a house and then wait for it to be constructed.

Compared to single-family housing, the condo sector is slower to react to the market because once a building has started construction, it must be constructed — and that can take as long as two years or more in many cases.

As a result, "the single-family sector is correcting much sooner than the condo sector," says Louie.

Even so, it's going to be a rough ride, says Bryan Morrow, realtor with Re/Max First.

"For this time of year and relative to our population, we should be seeing at least 2,000 residential sales per month (excluding condos)," he says. "Instead, we've had an average of just 1,136 per month — and, seeing as the market almost always peaks in May, it's gonna be all downhill for at least the balance of the year, barring unforeseen positive news, of course."

A total of 1,418 single-family homes changed hands last month, compared to 2,272 in March of 2007 — a drop of nearly 38 per cent, says the Calgary Real Estate Board.

"The secret to selling property for the balance of the year will be 'proper' pricing," says Morrow. "By this, I mean that asking prices will have to be 'price competitive' and, at the very least, homes will have to be priced no higher than the last comparable sale."

He's predicting price declines of not more than \$20,000 more on the median price.

"This state of affairs (over-supply with less demand) is reminiscent of 1990 when, after a very hot market in 1989 and the beginning of 1990, the market made an about-face, dropped 15 per cent or so and then went sideways for six years.

"So, will prices come down? Sure. They already have and I now think they will come down some more over the balance of the year.

"How much is anybody's guess but I would be surprised if we saw more than another five per cent decline from here."

The prices of resale single-family homes are holding, says Louie, adding that's a good sign. "There's not much of a change."

The average price of a single-family home that sold in March was \$474,513, down just 1.13 per cent over the average \$479,914 posted in March of 2007, according to CREB.

Even so, if any kind of correction does take place, it will take a while to work its way through the system with the high number of homes in the inventory.

As of the end of March, total inventory of all types of homes, including country residential, surrounding towns, and condos, was 12,597 — up 166.72 per cent over the same month last year.

By month end, Calgary alone had 5,957 single-family homes in its inventory, compared to 2,340 in March of 2007. A total of 3,493 new listings were added to the inventory last month.

The sales-to-listing ratios have been climbing, says Gary MacLean, realtor with Re/Max Real Estate Central.

"In May of 2007, one house sold for every 1.86 listings. Now it's one sale for every 4.3 listings."

"The average time a home is remaining on the market prior to selling is 40 days,"

says Ed Jensen, president of CREB. "But some are remaining on the market much longer and that may be due to overpricing and the extra inventory we are carrying."

Fundamentals of the Calgary economy continue to be positive, although net inter-provincial migration is expected to weaken this year, says Louie.

"We're still gaining internationally, but we're losing people, primarily to B.C. and Saskatchewan. That will impact housing demand, and in fact, it has already," he says. "However we expect that to be stronger as time goes on."

He's calling for net migration to be positive this year, "but half of what it was in 2006."

Although the housing market is "soft, Calgary is expanding," he says. "The GDP this year we estimate at three per cent, so overall, Calgary's economy is still growing. But it might take until next year to be more balanced."

Morrow agrees: "How long before we go 'normal,' whatever that is? My thinking right now is perhaps the first quarter of next year; but unless there is a dramatic turnaround in the supply/demand continuum, I find it hard to see how prices will rise very much in the short run (one-to-three years).

"However, this being Calgary I also know things can turn on a dime.

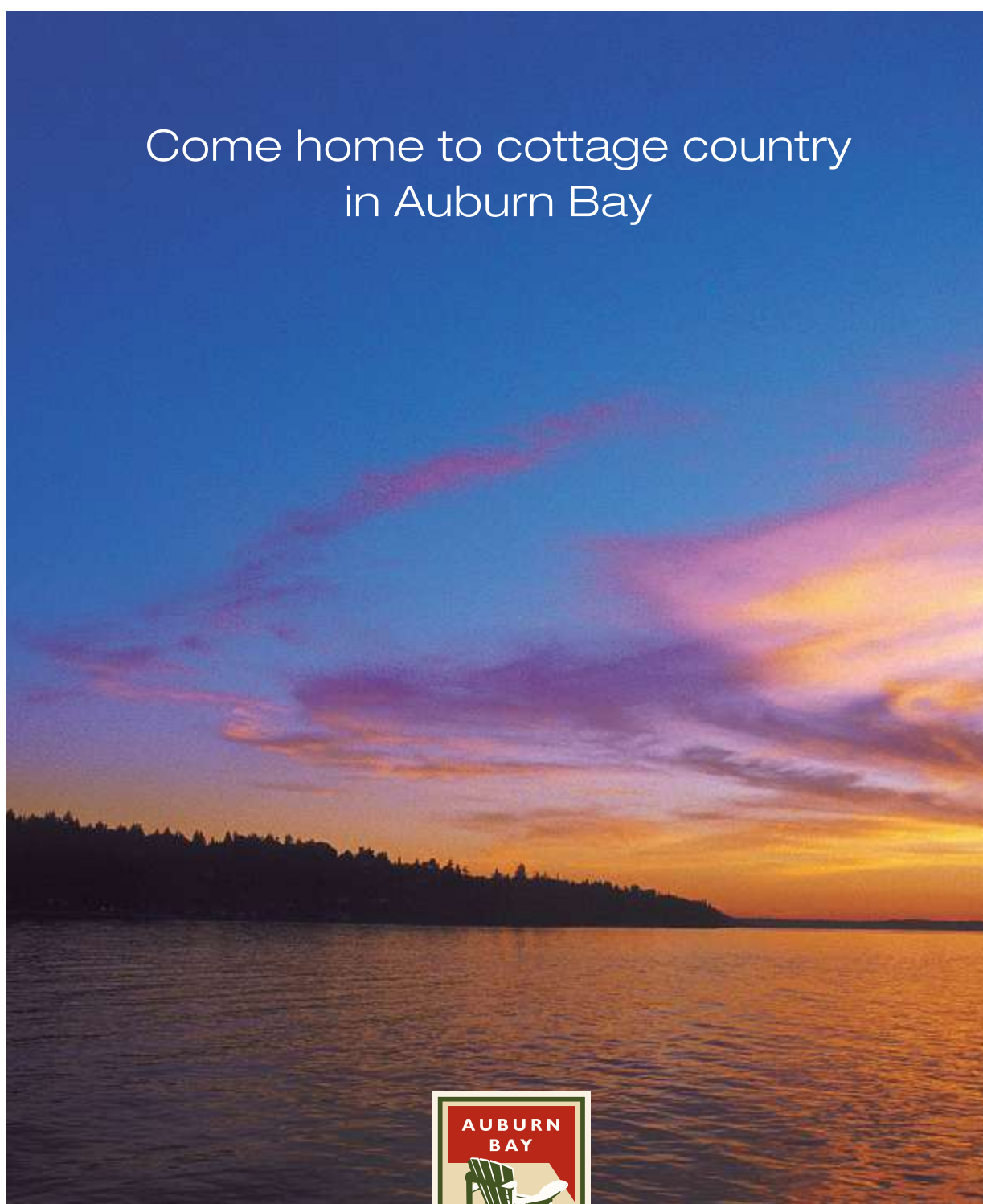
"I would say that, once sub-prime gets off the front page, and once oil and gas start to make another concerted move up in price, it will not take long for Calgary house prices to follow suit so... if I was a buyer, I'd think long and hard about getting into the market because these lower prices will not last forever."



Bryan Morrow

ALSO SEE

■ Real estate quarterly statistics for condos 19



Come home to cottage country in Auburn Bay

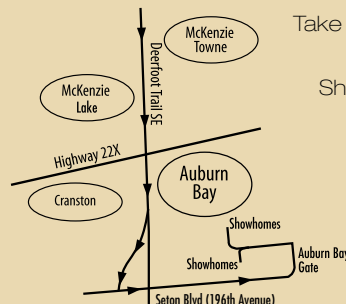


Cottage country. It's an emotional haven. A land of sparkling lakes, rocky shorelines, fragrant forests, lingering sunsets. Where families are truly families, and memories last generations. So vivid and lasting are those memories that they've inspired an elegant, four-season lake community in south Calgary. Welcome to Auburn Bay. Come visit our 18 showhomes today and make sure to stop by Auburn House, a 7,000 sq. ft. private recreational facility, with cottage country charm.

Visit our showhomes or www.auburnbay-community.com to learn more.

AUBURN BAY BUILDERS

Heartland 726-1185 • Baywest 257-1544 • Cardel 726-0953 • Cedarglen 252-9040
Jayman 726-0975 • Albi 252-5522 • Morrison 720-6111 • Hawthorne 698-6500



Take Deerfoot Trail south to Seton Blvd (196th Avenue SE).
Travel east and follow the signs to Auburn Bay.
Showhomes open Monday to Thursday, 2pm - 8pm,
weekends and holidays noon - 5pm.



Passion | Integrity | Community

AA670030

RIDGE SHOWHOME PARADE NOW OPEN



AN ESTATE HOME ON CRANSTON RIDGE IS AS STUNNING AS THE VIEW

The view from Cranston Ridge is especially inspiring. It'll remind you just how much untapped potential remains in the world. Because here on the rim of Fish Creek Park, you'll see both the river below and the peaks beyond. Be among the fortunate few who will call Cranston Ridge home. Because - congratulations - you've earned it.

Visit www.cranston-community.com to learn more.

Up to 60' wide walk-out lots • Limited release • Panoramic mountain and river valley views

West of Deerfoot Trail at Hwy 22x and Cranston Blvd. S.E.
Baywest Homes 257-5023 | Greenboro Homes 726-1057 | Jayman Masterbuilt 720-1180



CRANSTON

www.cranston-community.com



Passion | Integrity | Community

AA670033