

Calgary housing starts fall to lowest level since 1995

Economist says market still in 'healthy condition'

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The pace of new home construction in the Calgary area continues to fall, according to data released Wednesday by Canada Mortgage and Housing Corp.

The CMHC said housing starts in June for both the single-family home and multiple-family home markets were the lowest they have been for the month of June since 1995 and 1996 respectively.

In multi-family construction, the numbers recorded their first monthly year-over-year drop.

Total housing starts in the Calgary census metropolitan area declined by nearly 46 per cent from 1,060 units in June 2007 to 577 units in June 2008, according to the CMHC.

But despite June's decline, total housing starts at mid-year reached 7,817 units, up 14 per cent from production in the first six months of 2007.

Todd Hirsch, senior economist with ATB Financial, said the market for new single-family homes "got ahead of itself and there's a lot of inventory for new and existing homes" in the Calgary area.

"But overall, the housing market is in reasonably healthy condition," said Hirsch. "It's re-adjusting to where a healthy market should be."

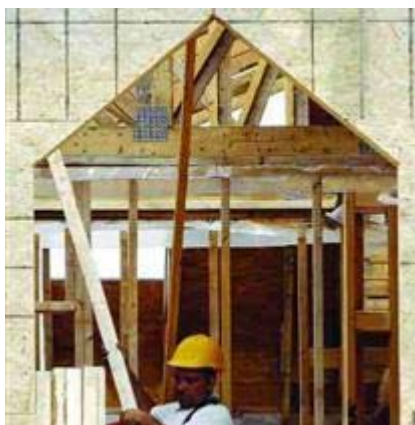
The trend in single-family home construction began earlier this year and has continued throughout the first six months of 2008, said Lai Sing Louie, senior market analyst in Calgary for the CMHC.

He said the downward trend will likely continue this year until the high supply of homes listed for sale in the resale market diminishes. The resale housing market is offering competition these days for home builders.

Louie said the average absorbed price of a single-family home in the Calgary area in June was \$607,394, up 33.6 per cent from June 2007 when it was \$454,645.

The CMHC's absorbed price is measured when a home is completed, but the price reflects when the home was sold several months earlier.

Multi-family starts, which include semi-detached units, rows and apartments, amounted to



CREDIT: Chris Wattie, Reuters

A downward trend in single-family home construction worsened in June, says the CMHC, with a 35 per cent drop in housing starts in the Calgary area compared with June 2007.

only 127 units in June, down 65 per cent from a year earlier. At mid-year, multi-family starts totalled 5,489 units, up nearly 87 per cent compared with last year's production at this time.

"The growth rate of multi-family construction is moderating and this is expected to continue as the presales required for new condominium construction are facing stiff competition from the condominium resale market," said Louie.

Single-detached starts were 450 units in June, down over 35 per cent from a year earlier.

After six months, single-detached starts have reached 2,328 units, down over 40 per cent compared with mid-year production in 2007. This represents the weakest mid-year level of single starts since 1995.

"The market for new homes has pulled back in the first half of 2008 and this will likely continue until supply in the resale market becomes more balanced and price becomes more stable," said Louie.

Total housing starts in Alberta's seven largest centres fell by nearly 54 per cent in June, dropping from 3,093 units last year to 1,434 units.

Nationally, single-family housing starts are now off nearly 10.7 per cent year-to-date, representing the lowest level in over seven years.

"Canadian housing construction is cooling at a gentle pace and remains healthy," said Benjamin Reitzes, an economist with BMO Capital Markets. "While there are no signs of a U.S.-style bust, the downward trend in the more stable single-family starts, along with the falling home sales and a drop in consumer sentiment, point to a continued decline in activity in the months ahead."

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Calgary-Area Housing Starts

Single Family - Multiple Family - Total

June 2008: 450 - 127 - 577

June 2007: 695 - 365 - 1,060

% Change: -35.3, -65.2, -45.6

Year to date: 2008 - 2,328 - 5,489 - 7,817

Year to date: 2007 - 3,899 - 2,938 - 6,837

% Change: 40.3 - 86.8 - 14.3

Source: Canada Mortgage and Housing Corp.

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