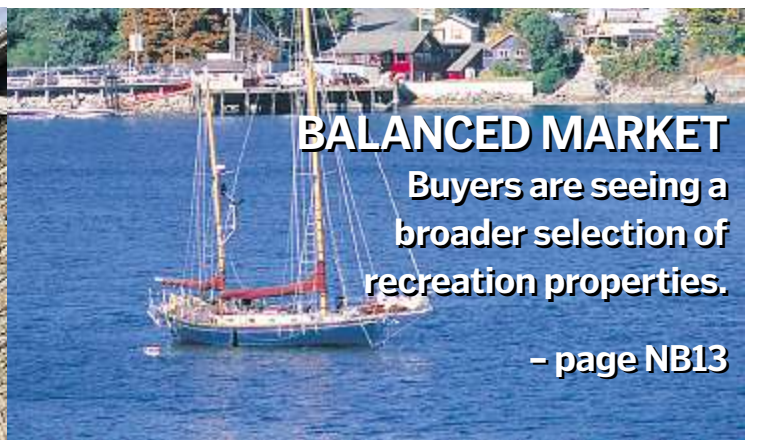


BOOMER BUYERS
Expert says baby-boom generation is under-served.
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Bareland condos offer unique mix of features.
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BALANCED MARKET
Buyers are seeing a broader selection of recreation properties.
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REAL ESTATE SUPERSECTION

EDITOR: BARB LIVINGSTONE 235-7339

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THURSDAY, SEPTEMBER 11, 2008

It's a buyer's market – for now

BARB LIVINGSTONE
EDITOR, CALGARY HERALD
NEW HOMES, NEW CONDOS,
RECREATION & INVESTMENT PROPERTIES

Free cars. Subsidized mortgage rates. Thousands of dollars in free upgrades. These have all been sweeteners in the last few months for people buying a house or condo. What a difference a year makes. The crippling U.S. credit crisis, which has led to foreclosures and bankruptcies among our neighbours to the south, has spread its tentacles into Canada's economy, its businesses — and into the real estate industry in particular. While a year ago buyers were overbidding on houses in the Calgary market, now they have their pick of homes. While a year ago builders were scrambling to stay even remotely close to their timelines for completion of new houses, now homes can be built within a time-frame that works better for both the builder and the buyer. While a year ago, some homebuyers saw the value of their real estate investments double, now prices have stabilized, or dipped as much as 10 per cent. Those speculators who thought the double-digit increases were going to last forever are now dumping their condos and houses back onto the market, further destabilizing the real estate inventory. In other words, what was a seller's market is now a buyer's market ... at least for the immediate future. And all forecasts say that while this economic dip isn't going to go away in the short term, Calgary, more than any other city perhaps in North America, has all the fundamentals to ensure the economy stays strong.

SEE BUYER'S, PAGE RS2



More inventory is slowing price increases, but the market is expected to gain momentum through 2009 and beyond. Calgary Herald Archive

OUTLOOK Builder rebound in 2009?

MARTY HOPE
CALGARY HERALD

There's a light at the end of the tunnel — and this time, it doesn't appear to be a freight train barreling toward us.



Richard Corriveau

In fact, single-family home-builders in and around Calgary may be on the verge of reversing the downturn in sales and construction that has plagued them dramatically since about the mid-point of 2007, says Canada Mortgage and Housing Corp. "The pullback in construction this year should pave the way for a modest improvement in 2009," says Richard Corriveau, Calgary-based Prairie region economist for the federal housing agency. But there is a proviso here: Corriveau says any improvement in construction is dependent on the fact that active resale listings and new home inventories are past their peak. The CMHC projection for detached home starts this year is 5,200 — which puts in on pace to match activity from 1992 — and for 5,400 in 2009. The good news for builders is that total new supply, which is the combination of unoccupied inventory and units under construction, is currently continuing to decline.

SEE OUTLOOK, PAGE RS2

Building to a CRESCENDO

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KEYNOTE

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FROM RSI

OUTLOOK: Buyers still there

Meanwhile, more than 1,100 single-detached listings have been shaved off the May peak in the competing resale market.

Should these downward trends continue through the balance of this year, builders will start to slowly ramp up production.

"The rebound should begin in 2009, albeit at a tepid pace, with single starts reaching 5,400 units," Corriveau says.

Next year could see a four per cent gain, providing the supply adjustment process runs its course and markets become more balanced.

Dave Gladney, vice-president of sales for Morrison Homes, says the industry has seen about 24 months of cooling off following what he called the "crazy years," but seems to be showing renewed strength.

"As I look at our sales numbers to the end of July, we're at about 99.3 per cent of what we did in 2007, and that was a pretty good year," he says.

Gladney is also optimistic about 2009, forecasting a sales increase of 10 per cent for the year as the market moves toward more normal activity.

Industry veterans knew what was happening in 2006 and early 2007 couldn't last; the numbers being rung up were unsustainable. The correction hit about midway through last year.

Following a record 10,482 single-detached starts in Calgary and surrounding area in 2006, production was cut by 26 per cent in 2007.

The weakness became apparent as the homebuilding industry started to face weaker demand associated with lower net migration, increased competition from a well-supplied existing home market, and the anticipation of rising inventories, explains Corriveau.

Rapid price growth racked up in recent years also cut into demand.

"The conditions that pushed starts lower in

2007 remain prevalent, and have warranted a further decline in production this year," he says.

CMHC numbers show that new home inventories have been on the upswing since April 2007 and currently are among the highest totals in three years.

Meanwhile, active listings in the resale market continued to climb through the first half of the year, peaking at 10,153 units in May. At the same time, net migration didn't recover from the drop reported in 2007.

To the end of July, single-detached starts totalled 2,757 units, a 41 per cent decline from the first seven months of 2007. That pace is expected to increase only slightly over the duration of the year.

But buyers are still out there, says Norm Mross, president of the Canadian Home Builders' Association-Calgary Region, because they are in control of the marketplace and have a lot of homes to choose from.

"There may be a percentage of consumers who are bidding their time in hopes of maximizing their dollar value by waiting for what they predict to be the most opportune moment, at the risk of missing the boat," he says. "The bottom line is that for the consumer, market conditions are more in their favour now than in several years."

The key factor in the changing fortunes of the homebuilding industry is the level of inventory in the resale market — at a time when sales are slow. With the choice available, potential homebuyers are in no hurry to make a decision.

Corriveau says that scenario could be changing, but competition from the resale market will continue to be a factor until supply levels are reduced.

"Currently, it appears that resale listings are



Chuck Chiang, Calgary Herald

The new-home building industry has eased off on construction until the market rebalances.

past their peak, but still have a long way to go before conditions become balanced," he says.

"Single-family builders will continue to respond to market conditions by reducing the number of homes under construction to manage inventory, while providing incentives to stimulate demand."

Figures from the Calgary Real Estate Board show that as of the end of July there were 6,038 single-family detached homes in inventory, compared with 4,510 a year ago.

The decline in housing starts in the last few years has also put the brakes on prices.

Single-detached homes occupied in 2007 had an annual average price of \$474,512, which was 34 per cent higher than reported for all of 2006.

To the end of July 2008, the average absorbed price has increased 21 per cent, reaching \$575,932.

"Despite this gain thus far, the average absorbed price is not an accurate reflection of the current price environment facing today's buyer," says Corriveau.

"The selling price of most of these homes was agreed to at the time of sale, several months prior."

On the resale side, CMHC has forecast the average price will climb from \$414,000 last year to \$418,000 this year and up another \$12,000 in 2009.

Mross says the single-family industry has pulled back on the level of permits and construction, in response to what it has seen as a decline in demand.

"Reducing the number of starts or delaying some projects is prudent and responsible business practice if the demand is not there."

FROM RSI

BUYER'S: Homework is crucial

The good builders and developers in Calgary and in recreation property hotspots will survive — those who have run their businesses like businesses, keeping close track of trends and inventories and creating efficiencies wherever they can.

So, there are deals to be had for consumers. But how does that change what you should be looking for, as a potential homebuyer — whether you are looking for a condo, a single-family home or a recreation and investment property.

The answer is, other than the deal itself, little changes.

The fundamentals in making a good choice are little different in the "not-as-good" times from the "boom" times.

These are the basics that sound so obvious but are so often ignored. They bear repeating time and time again, in a buyer's market or a seller's one.

Your home is not only a place you live in, or possibly retire to (in the case of a recreation property), it is an investment. And like any other investment, it should be chosen wisely, with the help of professionals, and with as much information on hand as you can gather.

What to do:

■ Find out what you can afford. Talk to your banker or mortgage broker before you go out looking at properties. Understand that the mortgage payment is only part of your costs — there are also legal fees, taxes and mortgage insurance, as well as property insurance.

■ Remember that if you are buying a condo, costs will include the above, as well as condo fees. Make sure you ask for and read all documents relating to the operation of the condo project, before signing on the dotted line.

■ Think location, location, location. The mantra never changes no matter the market. Not only should the location work for your needs — where are the target schools for your

children, how accessible is shopping, where are the green spaces and recreational facilities, etc. — but also for the needs of others when you look at eventual resale. Drive around the neighbourhood; get a feel for it before you buy. If you are looking for a recreation property, go to the area as a tourist during the hot season, and in the off-season. Make sure it is a place you are going to return to often, and that it suits your lifestyle today, as well as the one you want for your recreation or retirement time.

■ Do your research on the builder or realtor you choose to help you. Ask friends, ask for references, talk to industry associations. Look at the company's experience and other projects it has built.

■ If you are buying in another country, homework means making sure you understand the property laws of the country. Visit the property; don't buy sight unseen. Sometimes a deal looks too good to be true ... because it is.

This is particularly important because of what is happening in the U.S. If you think your retirement dream can be satisfied by that \$125,000 house that's listed in Arizona, check it out in person. Make sure the neighbourhood is a safe one; make sure financing can be arranged; find out what you need to know and do if you are buying a foreclosure property.

■ Read The Herald's real estate sections (New Homes, New Condos, Recreation & Investment Properties and Life At Home) every Saturday. Pick up our specialty magazines including Condo Xtra, Recreation & Investment Properties and Suburbs & Satellites. Read the tips, trend pieces and project overviews written by our writers and columnists, and do your homework on the incredible variety of product available to you.

■ Check out the free information given out by dependable sources like Canada Mortgage and Housing Corp. Go to its website at www.cmhc.ca/en/co/ for tips on everything from buying a home or condo and researching financing options to choosing a home inspector if you are purchasing a resale home.

In the end, do your research and find the home that is right for you and your family. And if you get a deal, all the better!



Barb Livingstone

Information online

For more information, go to CalgaryHerald.com/Shopping, click on the Special Sections tab and look for the following:

- Recreation & Investment Properties
- Proactive
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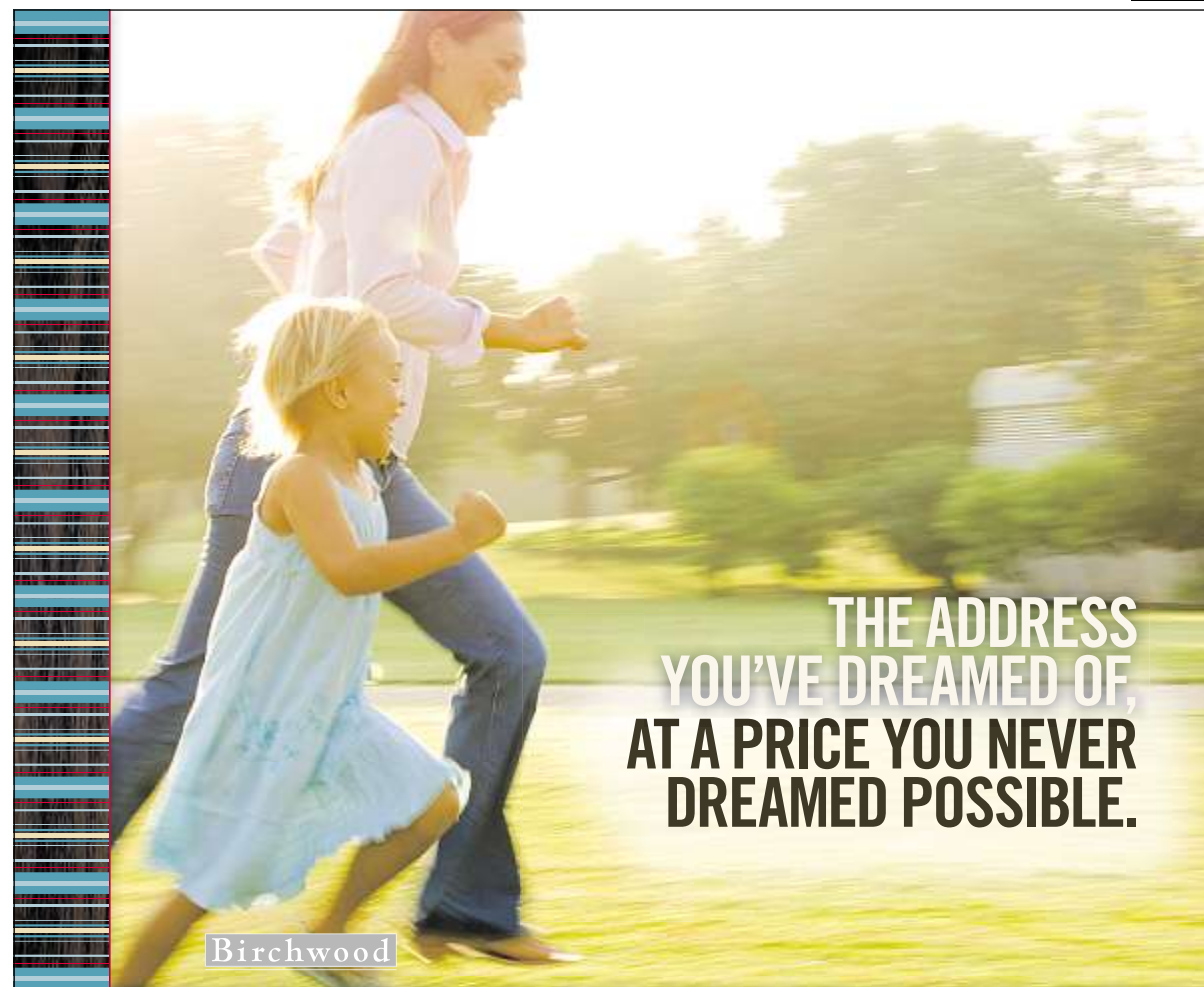
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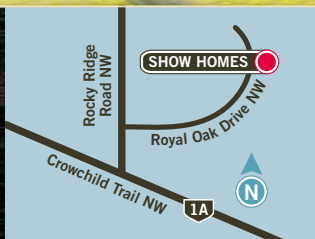
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