

Housing slump has 18-month-old roots

Realtor says slide predates global crisis

MARIO TONEGUZZI
CALGARY HERALD

Calgary's housing slide isn't a recent phenomenon triggered by the global economic meltdown but one with origins going back about 18 months ago, says a local realtor who has carefully plotted the local real-estate downturn.

Average MLS sale prices for condominiums and single-family homes have dropped by about 14 per cent since their peak in 2007. Condos hit a record high of \$332,237 in May 2007 but as of November they were averaging \$285,820 in the city. Single-family homes recorded an average sale price of \$505,920 in July 2007. In November, they dipped by more than \$70,000 to an average selling price of \$435,471.

Gary MacLean, with Re/Max Real Estate Central, said the all-important sales-to-active-listings ratio tells the tale of what has happened in the Calgary residential MLS market.

At the end of November, said MacLean, one house was selling for every 8.84 on the market. In May 2007, that ratio was one sale for every 1.5 on the market in the Calgary MLS area.

"It comes down to a simple concept: supply and demand. The supply just started to outstrip the demand," said MacLean. "The demand, I'm not sure why it was falling off, except, maybe, prices got too high, but it was definitely happening long before this economic crisis was around."

"This is just making it worse. It's not the cause. This was happening a good year before

Calgary and area single-family houses and condos



At the end of November 2008 the ratio of sales to active listings stood at one house selling for every 8.84 on the market. To put this in perspective, in May 2007 one house was selling for every 1.5 on the market.

we were in this mess." Recent data released by the Calgary Real Estate Board showed it is becoming increasingly difficult to sell a home in the Calgary residential real estate market.

MLS sales in November plunged compared with a year ago, dropping below levels prior to the real estate boom of the past two years.

Compared with November 2007, single-family home sales plunged by 39.3 per cent while condo sales spiralled downward by 42.7 per cent.

At the same time, active listings remained high. The month-end inventory for single-family homes was 5,083, up 1.99 per cent from a year ago, while for the condo market it was 2,399, an increase of 9.24 per cent from November 2007.

The average days on the market for a single-family home to sell jumped to 55 days last month from 46 days in November 2007. In the condo market, the days on the market increased 15.9 per cent to 51 days.

"Market activity typically slows down during the end of any year, however, this isn't a

typical market, so the slow-down we're seeing is somewhat magnified," said CREB president Ed Jensen in a news release when the statistics were released.

"This is due to uncertainty among consumers and it isn't just affecting real estate, it's affecting all consumer spending."

Year-to-date sales are down 26 per cent and 30 per cent for single-family homes and condos, respectively, compared with the same 11-month period in 2007.

"Where's it going to go? It's going to all depend on the economy. If we go into a deep, deep recession, it certainly can't get any better," said MacLean.

"Most people report year-to-year. If November last year sucked, that makes this year look not so bad. But if you go back six months from there then you realize that prices have been falling for 18 months now."

"If there's any reason that this housing market will get worse it's because people are afraid to spend. You can lower interest rates as low as you want, but if people are afraid

to borrow and spend, it's not going to matter. The proof is in the pudding in that the stock



Realtor Gary MacLean, an agent with Re/Max Real Estate Central, says the makings of Calgary's housing slump are evident in sales and listings figures from 18 months ago.

market took a dive (Tuesday) when the bank rate went down."

"I think sales are going to

continue to decrease until there's consumer confidence."

M.TONEGUZZI@THEHERALD.CANWEST.

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Appointment Notice

Philip J. Dingle

Doug Baldwin, Chairman, Talisman Energy Inc., is pleased to announce the appointment of Philip J. Dingle to Talisman Energy's Board of Directors.

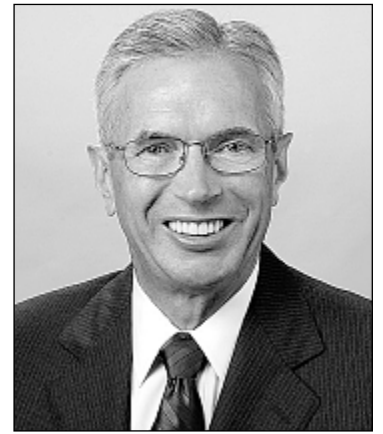
Mr. Dingle has over 35 years experience in the oil and gas industry with substantial experience leading international operations. Mr. Dingle served as Vice President, Exxon Mobil Corporation and President, ExxonMobil Gas and Power Marketing Company from 2003 until his retirement in 2006. He has also served as President of ExxonMobil Saudi Arabia (Southern Ghawar) Limited; Chairman and CEO of the ExxonMobil Companies in Malaysia and Managing Director of Esso Exploration and Production UK Limited.

Mr. Dingle holds a Bachelor of Science in Civil Engineering from the University of Calgary.

Talisman Energy Inc. is an independent upstream oil and gas company headquartered in Calgary, Alberta. Talisman has operations in Canada and its subsidiaries operate in the UK, Norway, Southeast Asia, North Africa and the United States. Talisman's subsidiaries are also active in a number of other international areas.



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Philip J. Dingle, Chairman of Talisman Energy Inc., is pleased to announce the appointment of Philip J. Dingle to Talisman Energy's Board of Directors.

FROM DI YEDLIN: Bitumen flows south

And the reality, say industry players, is the upgraders are unlikely to get back on the development agenda. That's not to say the province will swim in bitumen; far from it.

According to Hal Kvisle, president and chief executive of TransCanada Corp., there will be enough capacity between its \$12.2-billion Keystone project and the Enbridge lines to ship the bitumen to facilities south of the border capable of handling the raw bitumen.

In addition, there is the "bullet" solution on the table courtesy of Altex Energy.

Altex's plan is to have a line run from Fort McMurray to the Gulf of Mexico, where the refineries are ready to take the bitumen. Thanks to the falling volumes of heavy oil being imported from Mexico and Venezuela, refineries in the Gulf are actively looking for new supply.

While some might have looked skeptically at Altex's plan — because of all the upgraders that were on the books — that situation has changed with the raft of cancellations.

"The recent announcements mean there are more people interested today than there were before the cancellation," said Jack Crawford, president and chief executive of Altex.

But there's more to it than that. The existing pipelines, much like the refineries, are getting long in the tooth and were designed to ship lighter oil. For that reason, expanding old lines doesn't exactly work best because the supporting infrastructure is not state-of-the-art.

And even if Evans succeeds in getting the accelerated capital cost allowance back on the table, the fact is a new pipeline into one of the biggest heavy oil markets in the world is not only cheaper than an upgrader, but it will also take less time to build.

Finally, from the perspective of capturing value — a solution like Altex which eliminates the need to mix the bitumen with diluent means better economics for the producers.

The Alberta government needs to realize the best way to ensure value is captured from bitumen is by having it shipped out of the province to be processed in existing facilities, not have it stranded here because of the lack of upgrading capacity. From a corporate standpoint, that's why EnCana Corp. struck the deal it did with ConocoPhillips, as did Husky Energy with BP PLC. The reality is the bitumen issue is much bigger than simply getting the federal government to allow oilsands producers to use the capital cost allowance.

At a time of such tremendous uncertainty, it's rather disheartening that the Alberta government doesn't seem to have a grasp on the many challenges affecting the energy sector, the impact of which will undoubtedly be felt in 2009.

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