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Seeking Balance in the Real Estate Industry

BY ADRIA LAYCRAFT

After the last few years of extreme highs and lows, is Calgary's roller-coaster economy ready to level out? With unprecedented growth in housing starts from 2004 right through spring of '08, and then a worldwide recession combined with other more local factors bringing it all crashing down, one local home builder is ready for a bit less excitement.

"We peaked out somewhere in terms of starts in 2007 at around 18,000," says Jay Westman, president and CEO of Jayman MasterBuilt. "Then things started to come off the rails. Housing starts went from that peak down to around 3,700 single-family housing starts, with maybe a couple thousand multi-starts, at best."

Still, Westman is looking forward to the future, predicting a more balanced market by spring of 2010.

"Our company was closing in excess of 1,200 units a year for the past five or six years. This year's budget for us is somewhere around the range of 675 ... just about half." Westman believes things will start to improve from here. "I think we will move up into a range of 800 homes annually, which for us is a nice target."

What Westman is really looking forward to is a little less of the extremes. "We've gone through the peak, and we're currently just coming out of the bottom of the trough," he says. "It's quite the rollercoaster ride, and I've never seen anything like it in my years in the industry. It was very stressful on the way up, and it's been very stressful on the way down."

A second-generation home builder, Jay Westman is the son of the late Al Westman, who passed away on April 14, 2008. Missed by many, the senior Westman started Jayman in 1980 when he bought B&H Homes Calgary Ltd. B&H was struggling with the financial times of the early '80s, but the father-son team saw the potential in that.

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Westman. "Out of the '80s we had the same issues, but what came of that then was how you differentiate yourself, and we did that with innovation."

Westman believes we will see that come out of this downswing, too. "You can't be all about price, so then it's about value, and value is determined by the innovation of the product. I think the consumer is going to be delighted with what's going to come out of the housing industry over the next couple of years."

Westman also believes there are things to be grateful for right now, too, even as we roll through the 'trough' of the rollercoaster ride.

"Today we have apartment condos selling in the low 170s, so qualifying income is basically around \$33,000 annually. It makes you realize just how affordable housing is." Westman points out that both lower prices and low interest rates have made for perfect buying conditions for the first-time homeowner. "We had the perfect storm of economic growth, now we have the perfect storm of affordability."

The Jayman president admits they are surprised by the spring market numbers, thanks mostly to first-time buyers, but also that new home sales seem to be taking a larger chunk of the overall MLS sales.

"I think that what we're doing now is sort of bumping along the bottom. I don't see prices changing a lot, but I do see less selection going forward until new land is brought on in 2010." Westman feels that once selection wanes and builders catch up on inventory, the market will settle into a more sustainable level.

"I have a lot of hope for Alberta," says Westman. "I think we will find that balance. We're feeling better, our turn-around time is better, our quality is better, our delivery on service today is better, and so I look forward to a calmer housing market, but a stable and good market." ^{BIC}

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~ Jay Westman