

Housing to hit bottom

CMHC predicts recovery for builders in 2010

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As the recession sucked the vigour out of Alberta's economy, the Canada Mortgage and Housing Corporation dramatically revised its market outlook for Calgary.

The federal agency now predicts Calgary's housing market will hit bottom this year, with total housing starts for the entire year reaching 3,700 units before picking up slightly in 2010.

Nationally, housing starts are predicted to dip to 141,900 this year, down from 211,056 in 2008.

This latest prediction marks a major revision from October's forecast, when the CMHC had said that in 2009, foundations for 7,000 units

would be poured in this city.

"Last fall, we were hopeful," said Lai Sing Louie, a senior market analyst with the CMHC in Calgary. "But then, we were broadsided by an economic downturn."

Although Calgary's housing boom, both in the market for new homes and the re-sale market, had already started slowing throughout last year, total housing starts had still reached 11,438 units by the end of 2008, thanks primarily to a record number of condominium starts.

New condo construction, however, has nearly ceased, while the number of the unemployed is rising.

"Those factors have really dampened the housing market," Louie said.

"It's hard to project housing starts to increase when we're still losing jobs."

Meanwhile, Calgary home prices are forecast to drop at a rate second to no other major Canadian city.

The national housing price index, a measure of average home-price movements, is projected to slide 8.5% in Calgary, ahead of Edmonton and

Victoria, where the index is projected to decline 8% this year.

Nationally, average home prices are expected to decline 4.5%.

Market conditions that are good news for those looking to buy a home are also increasing the choice for renters.

The CMHC says the average apartment vacancy rate is projected to rise to 4% by October.

Louie said the main rea-



son Calgary's once notoriously tight rental market has softened considerably is the number of people moving to Alberta has slowed in tandem with the slowdown of the economy.

The rising vacancy rate is also reducing the average rent for a two-bedroom apartment to \$1,075 per month from \$1,148, marking the first drop in rent since the early 1990s.

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Lai Sing Louie,
CMHC analyst



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Construction of new condominiums has almost ceased in Calgary as the housing market is predicted to bottom out.