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## Prices of new homes to near \$500,000

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The average price of a new single-family detached home will soar nearly 38 per cent in 2007, nudging close to the half-million-dollar mark -- an increase of more than \$200,000 in just three years, says Canada Mortgage and Housing Corp.

According to the agency's latest forecast, the "absorbed price," which is not counted until construction is completed, will balloon to \$487,500 in 2007 compared with \$353,662 in 2006. That continues a trend of strong price growth in the new single-detached home market in the Calgary Census Metropolitan Area.

In 2005, the average price was \$315,796 and in 2004 it was \$285,243.

The forecast was released Wednesday night at the annual Calgary Region Home Builders Association dinner.

Skyrocketing prices may mean Calgary's potential first-time homebuyers will have to lower their expectations and look at the condominium/apartment market, which may be more affordable and realistic, said Lai Sing Louie, senior market analyst for CMHC in Calgary.

"You have to temper your expectations to the pricing of the housing," he said. "A few years ago, the expectation was most people who had a reasonable job could go out and buy a single-detached home. Now, if you're a young person finishing university or college . . . with the (price) escalation in single-detached homes, you'd probably be looking at a condominium as your first home."

Surging labour, land and material costs have all contributed to the rise in prices.

"They've all increased significantly over the year," said Don Davies, president of the Calgary Region Home Builders Association.

"Labour costs have really gone up. The shortage of labour has certainly contributed to the increase in costs."

Louie said the affordability of new single-detached homes depends on a number of factors, such as how long buyers can amortize the loan and how much of a downpayment they have.

"If you take a look at the bleakest perspective and you're going to finance 100 per cent of that, it's going to take quite a bit of money," he said.

For example, a mortgage of \$488,000 at 5.5 per cent and amortized for 30 years would translate into a monthly payment of \$2,751 (principal and interest). The split would be \$540 principal and \$2,211 interest. That's \$33,000 in payments for the year.

"High-income earners or moderate two-family incomes (in the \$100,000-plus range) could do it," said Louie, adding some owners are taking huge equity gains in their pre-owned homes and purchasing higher-priced new homes.

The average absorbed price of a single-detached home in the Calgary CMA rose 12 per cent in 2006, 10.7 per cent in 2005, 6.8 per cent in 2004, 10.2 per cent in 2003 and is forecast to rise 37.8 per cent this year.

The Calgary CMA also encompasses Airdrie, the Municipal District of Rocky View, Chestermere, Cochrane, Irricana, Beiseker and Crossfield.

According to the Calgary Real Estate Board, the average MLS sale price of a single-family home in Calgary was \$384,998 in 2006, a 38.3 per cent increase from the previous year's \$278,393. The average sale price of a single-family home in December was \$396,870.

According to the CMHC, the average absorbed price for a new single-detached home in the Calgary CMA in December was \$382,518.

Meanwhile, according to data released Wednesday by Statistics Canada, Calgary (49.8 per cent) posted the largest 12-month increase ending in November in the new housing price index, followed closely by Edmonton (42.8 per cent). Saskatoon (12.7 per cent), Regina (10.2 per cent), Winnipeg (9.2 per cent) and Vancouver (8.5 per cent) also had noteworthy year-over-year gains.

Statistics Canada said the national average increase over the same period was 11.4 per cent.

Louie said the new housing price index comprises land and house components.

"Land has also gone up quite dramatically. If you were to buy a property in the inner city and wanted to build an infill, well they've gone up dramatically because those older homes are around \$500,000 now for a 50-foot lot," he said.

"So, just for the land there you're going to have to pay about a quarter-of-a-million dollars for a lot right now. A year ago in October, those things were probably \$400,000, maybe less than that."

Louie said the cost of building materials has also increased in the past year.

"And labour," said Louie. "If you tried to get a carpenter or a plumber or an electrician to work on your house this year versus a year ago, it's a lot more expensive. People are willing to pay the price and they just push up the cost of the services."

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