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EDITOR'S MESSAGE

New home market returning to normal

MYKE THOMAS
Sun Media

November 3, 2007



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Canada Mortgage and Housing Corp.'s Fall Housing Market Outlook for the Calgary CMA describes a market that is transitioning back to normalcy. Overall, the outlook is positive, says Lai Sing Louie, senior market analyst with CMHC.

"The Calgary economy continues to experience growth due to spin-off effects from investment in the energy sector across Alberta and high levels of residential and non-residential construction activity across the census metropolitan area," says Louie.

"As a result, employment and population growth continue to support activity in Calgary's homeownership and rental markets."

Employment and population growth are the main drivers of the housing market and the growth will continue, but not at the torrid pace set over the last 18 months.

Coming off a population increase of 31,223 last year, of which more than 25,000 came from net migration, Louie expects migration to be about 22,000 by the end of 2007, with 18,000 newcomers coming to Calgary in 2008. Based on City of Calgary census numbers during the past few years, add about 10,000 births to the total growth each year.

In terms of employment, at the end of August there were 698,100 people working in the Calgary CMA, the highest ever and a 5.2% increase over 2005.

"Even with good labour markets in other parts of the country, Calgary will still continue to be a draw," says Louie. "The labour market in Calgary has been tight for 2007 and this is expected to be the case in 2008.

"Job creation in 2007 is easing from 2006, but it is still high at a projected 4.4 percent growth rate, while job creation in 2008 is projected to be lower than 2007 and grow at 2.12 percent."

The good news is the majority of the jobs will be full-time positions.

Mortgage rates should remain stable during the next 14 months, says Louie.

"Rates are expected to stay flat through the end of 2007, with a gradual rise of 25 to 50 basis points in 2008," says Louie.

"The one-year posted mortgage rate is forecast to be in the 6.5 to 7.5 percent range, while three- and five-year posted rates are forecast to be in the 6.75 to 7.75 percent range in 2008."

New home prices will increase, but at a more moderate rate than the last 12 months.



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"For the Calgary CMA, the year-to-date September average price of an absorbed single-detached home was \$458,071, up 40 percent from the same period last year," says Louie, adding the absorbed average price reflects the price of a new home when it's completed, the owners move in and the price was likely negotiated before construction began, probably between nine and 12 months ago.

"By year end, the 2007 annual absorbed average price is expected to reach \$475,000, up more than 34 percent from last year."

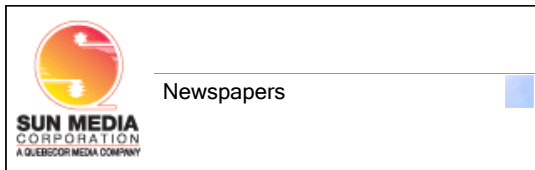
The growth rate of land prices — a significant factor in the price of a new home — has not been as severe this year as in 2006. In January of this year, the year-over-year increase was 49%, which Louie calls "extraordinary." By July, the year-over-year increase was 16.5%.

"The rapid price growth of a new home is expected to ease in 2008, as wages, material and increases in the price of land moderate," says Louie. "The average absorbed price of a single-detached home in 2008 is forecasted to reach \$550,000, up 16 percent over 2007."

CMHC will present its full housing and economic outlook for all of Alberta on Nov. 15 at the Roundup Centre. For more information, call 515-3000.

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