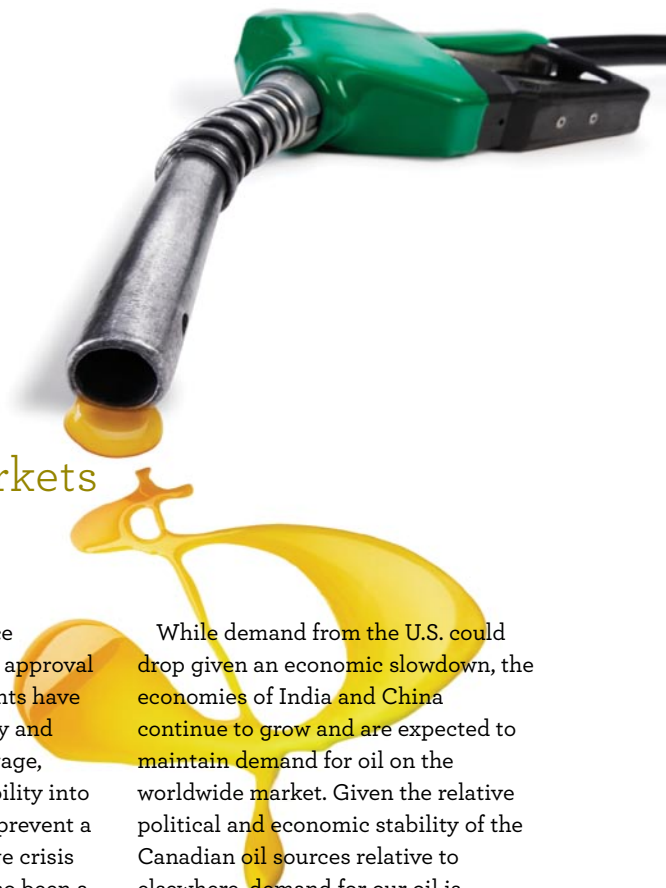


SIX, formerly Selling Systems Inc, provides market research, consulting, and creative marketing solutions for the real estate industry. We are active members of the Professional Pricing Society, Market Research and Intelligence Association of Canada, Canadian Marketing Association, and the CHRBA. Questions? research@sixrealestate.ca

Oil is well

Canada's natural resources an insulator from unstable world markets



THE REAL ESTATE MARKET in Calgary, once the shining example of economic growth in Alberta, is now fraught with concern over the boom/bust mentality and housing crisis south of the border. While there is no doubt house prices have retreated on the resale market and sales are slower in the new housing market, the market has begun to show signs of stabilization as the number of listings on the MLS network has dropped over the summer months, and new multi-family projects have slowed.

These are positive signs for the Calgary real estate market and should point to more stable months ahead for the local real estate market, both in the new and resale market. However, the local, national, and international media has been filled with negative stories on the housing market, including references to Calgary and western Canada. While the future is difficult to predict, there are a couple of things to keep in mind when thinking about real estate in Calgary.

Canada does not have a sub-prime mortgage crisis thanks to much stricter loan and mortgage regulations that prevent this kind of situation from happening. Almost all high-ratio mortgages (less than 20 per cent down payments) are covered by insurance, commonly through Canada Mortgage and Housing (CMHC), a government-

regulated mortgage insurance provider. Canada's mortgage approval process also ensures applicants have adequate income, job security and assets to support their mortgage, providing a base level of stability into the housing market and will prevent a U.S.-style sub-prime mortgage crisis from occurring. There has also been a tightening of the mortgage lending regulations, with the removal of the zero-down payment and 40-year amortization period, which help stabilize the market and mitigate any concerns regarding the health of Canada's mortgage market.

THE WORLD ECONOMY IS ALSO GOING THROUGH SOME TURBULENT TIMES, WITH THE STOCK MARKET SWINGING UP AND DOWN ON A REGULAR BASIS.

The world economy is also going through some turbulent times, with the stock market swinging up and down on a regular basis. This has also been accompanied by some moderation in energy prices, although oil prices remain comparatively high compared to pre-2004—raising some concerns over potential recessionary pressures on the economy. However, the local economy should remain somewhat insulated from the rest of the world based on our oil-based economy.

While demand from the U.S. could drop given an economic slowdown, the economies of India and China continue to grow and are expected to maintain demand for oil on the worldwide market. Given the relative political and economic stability of the Canadian oil sources relative to elsewhere, demand for our oil is expected to remain strong and should support continued growth in our economy.

Finally, the local real estate market has seen an increase available properties following the surge in demand and construction in 2005/06.

This has led to higher numbers of housing permits and construction starts, which many people point to as signs of a market that continues to overbuild despite a slow down in demand.

There are a couple of things to keep in mind when looking at real estate statistics. Firstly, most multi-family projects are multi year projects which are marketed, sold, and constructed over several years. The surge in permits for multi-family developments

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at the beginning of the year reflect this situation, as most of the projects which had permits in 2008 began marketing and sales in 2006 or 2007, and have already sold a substantial amount of their inventory. As these projects will take several years to complete, the development will have many more months to sell before completion.

We also expect the number of new projects to enter the market to slow, as the credit crisis and moderating demand reduces the number projects which will start marketing and construction over the next 18 to 24 months. Secondly, the number of rental units in Calgary remains very low, as we have one of the smallest rental universes in Canada. This should provide some stability, as demand for rental homes remains high, particularly for projects located in ideal, amenity-rich locations such as the Beltline and downtown.



Ultimately, real estate is an ideal investment in yourself; you are netting a roof over your head, and historically, a relatively stable investment. When buying real estate, you should have a longer term view and not expect to turn a huge profit in a year or two. Even with resale prices moderating slightly, buying new real estate is still an excellent opportunity to upgrade your lifestyle and move into a more convenient built-form and location. **CL**