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Cowtown climate stable

Spike in building permits and listings equals buyers' market

MUCH HAS BEEN WRITTEN about the Calgary real estate market and with so many stats and numbers flying around it can be difficult to make sense of the market. While it's clear the real estate market in 2008 bears little resemblance to the flurry of activity in 2006 and 2007, the current climate is not all bad news, especially for first-time homebuyers.

Even those who currently own a home are not necessarily impacted by the moderation in prices—with any drop in property values it will more likely mean a psychological issue than a financial loss. Even though a current property may be worth a little less than it was last year at the market peak, overall equity is fairly

\$311,816 in May 2008, which is down a significant 6.15 per cent from the same month in 2007. While these numbers seem to indicate both markets have moderated, there are two facts to keep in mind.

First, the average prices for both markets on a year-to-date basis are similar to 2007 values, with single-family prices averaging \$471,987 for the first five months of the year, which is actually an increase of 1.13 per cent over 2007 year-to-date values. Likewise, multi-family prices have averaged \$312,045, just \$1,253 lower than in 2007. Average sales prices in the city have not significantly decreased compared to the same period in 2007. Second, average resale prices are

consumers, as it means being able to make an educated purchase decision.

The moderation has also meant a greater supply of affordable and lower priced units in Calgary compared to 2007, as new projects launched and smaller unit sizes remain available for purchase. Thus, the average price of the available inventory is actually slightly lower in many sectors of Calgary than last year, moderated by the greater supply of one-bedroom and price-pointed two-bedrooms. When comparing the affordability in the new market to 2007, you will see a better supply of affordable homes, particularly when upgrade incentives and new financing

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stable. If homeowners were to sell and buy a new property, the new house price would likely have dropped by roughly the same amount. So, the net impact is relatively minimal.

The first half of 2008 has seen moderation in resale prices in both the single- and multi-family markets, particularly if you compare year-over-year prices. The average single-family sales price in May 2008 was \$479,564, down 1.63 per cent compared to May 2007. Similarly, the multi-family prices averaged

impacted by type and quality of homes. This means a higher number of luxury homes for sale can drive up the average sales price, while the average price for a typical home remains stable. This often occurs during the spring, when more million-dollar homes sell, driving up the average market price.

Within the new multi-family market in Calgary, prices have also remained very stable, with most new projects coming on at comparable prices to existing ones. Stable prices are ideal for most





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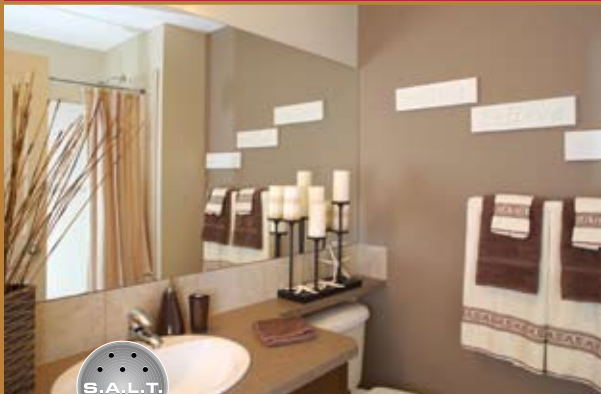
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rates are taken into account.

Compared to the resale market, the new multi-family market also offers consumers the ultimate choice. Why buy someone else's home and spend three years making it yours, when you can customize your own home, from Day One?

The new downtown multi-family market has seen a huge surge in building permits, driven by a number of projects in the Beltline region. While the number of multi-family permits is up significantly in 2008, one key factor to keep in mind is high-rises take much longer to complete, meaning building permits in 2008 will not be completed until 2010/11. Additionally, a large number of units recently started in the downtown (most residential units are not considered "starts" until construction climbs above the parkade structure) were actually sold in 2006 and 2007.

OVERSUPPLY NOT EXPECTED

Hence, a large percentage of units under construction downtown are already sold and spoken for, with less than 1,500 units available in the downtown market. Given the fact many of these units will take upwards of three years to build, this leaves only 500 units/year, meaning oversupply is unlikely to occur in the new high-rise market for the next couple of years.

Calgary remains one of the best markets to buy a new home. The economy remains strong, energy prices are forecast to remain high for the next couple of years, and stricter financing and mortgage rules should protect the market from the U.S. sub-prime mortgage crisis.

While prices may not be growing as they were, the historical trend is always towards higher prices. Be sure to take advantage of the current lull in price growth today, before the market realizes Calgary remains one of the best places to live in Canada. **CL**

