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'09 house prices to stabilize

Market expected to pick up in 2010, CMHC predicts

Prices for resale homes in the Edmonton region will continue slipping in 2009, but the end to the slide is in sight, says a new Canada Mortgage and Housing Corporation forecast.

Multiple Listing Service homeprices for 2008 in the Edmonton census metropolitan area fell by 1.5 per cent to \$332,853, said the CMHC's Prairies Housing Market Outlook released Thursday.

It said a buyers' market pushed prices downward on a month-over-month basis for much of the second half of 2008.

Sale prices will begin 2009 well below the overall average for the previous year, but with fewer listings expected in 2009, the market should become more balanced between buyers and sellers, the report said.

The federal agency predicts this will allow average residential resale prices to stabilize and then begin to increase month-over-month.

"Despite this turnaround, the 12month average price in 2009 will fall by 5.4 per cent from 2008 to \$315,000," said the report.

But that's where prices hit bottom, predicts the agency.

In 2010, it says, MLS prices will creep up steadily over the year with the annual average reaching \$325,000 — a gain of 3.2 per cent over 2009.

That prediction is based on a scenario where the economy begins to improve in 2010, said Richard Goatcher, CMHC senior market analyst for Edmonton.

“The economic outlook starts to brighten next year and that impacts buyer behaviour and we get back into more of a balanced market, which will give us some support for prices,” Goatcher said.

“We’ve been in a buyers’ market for quite an extended period and that’s put downward pressure on prices.

“Soft prices right now are causing people to wait — but at some point, they’ve got to say to themselves, ‘will it get any better than it is right now?’ because as the economy improves, mortgage rates go up.”

Existing home sales on MLS fell 15 per cent year-over-year in 2008 to 17,371 units. That was the slowest year for realtors since 2003. The CMHC report predicts MLS sales to fall another eight per cent in 2009 to 16,000 units with a rebound to 17,000 in 2010 as the economy improves.

In its forecast released last month, the Realtors Association of Edmonton forecast predicted the average price for single-family homes is expected to vary throughout the year, but will end 2009 at \$352,000 — virtually identical to the \$351,870 average selling price of December 2008. The forecast did not include a prediction for 2010. It predicted MLS sales in 2009 falling to 15,500 homes, down more than 1,800 units from last year’s tally of 17,317.

“We’re still on target,” association president Charlie Ponde said Thursday. “The price may soften a bit depending on the inventory As for sales, we are slightly up already in February from January sales and we have a good 10 days of market to go through.”

“I think we might surpass January and we surpassed December in January so I think if we stay like that, it seems like things are stabilizing.”

CMHC forecasts a similar pattern of falling average MLS prices in 2009 with recovery in 2010 for Alberta.

The Calgary region will see prices drop from \$405,267 in 2008 to \$380,000 in 2009 and rise to \$390,000 in 2010.

Across Alberta, prices will slide from \$352,856 to a forecasted \$333,000 in 2009 and go up to \$343,000 in 2010.

Meanwhile, the outlook also says a weaker economy and soft resale prices will keep housing starts low in 2009. Last year, single-detached starts fell by 66 per cent to 2,613 units — the smallest number since 1995. CMHC expects single starts in 2009 to remain flat from last year. In 2010, tighter inventories in both new and resale markets will bump single starts to 3,200 units. See page 57

From page E1 A busier resale market encourages homebuilders to increase their starts because many new house buyers trading up from existing homes will be more willing to put a deposit on a new place, Goatcher said.

Multiple-dwelling starts will also remain weak in 2009 due to rising inventories of condo apartments. Multi starts in 2009 will fall by 37 per cent to 2,500 units, CMHC predicted. There will be a moderate rebound in 2010 to near 3,000 units, it said.

In the rental market, the CMHC said apartment vacancies in greater Edmonton are rising despite low construction because condo apartments are being rented out by investors.

It predicts overall apartment vacancy to increase to 3.5 per cent by October, up from 2.4 per cent the same month in 2008. The rising vacancy rate will “help to temper rent increases in the coming year.”

The average rent for a two-bedroom unit will reach \$1,070 in October, up \$36 year-over-year. By October 2010, a typical two-bedroom will rent for about \$1,120, up \$50 per month.

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