

30 Jun 2009

Edmonton Journal

Gary Lamphier

Alberta remains best place for real estate investors

But don't expect return of 'Tiger Woods' days

EDMONTON / When it comes to the housing market, E-town still rules.

That's the word from Don Campbell, president of Canada's Real Estate Investment Network.

The popular author, consultant and public speaker says Edmonton remains the best place on the continent to invest in residential real estate. It's a claim he first made last August, shortly after oil prices peaked at \$147 US a barrel, and Alberta was rolling in energy riches.

Despite a sharp drop-off in oil and gas prices since, and a big slowdown in new oilsands projects, Campbell hasn't flinched. He insists Edmonton will emerge from the recession stronger than ever.

"According to our research, Edmonton is still the No. 1 place for long-term investing in real estate in North America, absolutely," says Campbell.

"Edmonton has the potential, it has the job growth. We know that when the recovery comes — and it will come, we just don't know when — Edmonton is going to be able to provide fuel and fertilizer, which is exactly what the world is looking for. So that's a pretty good basis for job growth."

When Campbell speaks, others tend to listen.

About 800 investors and business owners turned out Friday evening at the Shaw Conference Centre to hear his latest views — and those of several economists — on the housing market and the economy.

About 40 per cent were from out of town, with some flying in from Ontario, Saskatchewan or the West Coast to size up investment opportunities in Alberta.

“They’re looking at this region because it’s a much more diverse economy, it’s stronger than many other cities,” he says.

“If you look at the Saskatchewan market and the level of in-migration there, it’s not as strong as we’re seeing in Alberta. So people across the country are starting to really look at economic fundamentals, and they see Edmonton as the No. 1 place.”

According to the latest interprovincial migration stats, Alberta’s population grew faster than any other province in the first quarter, with 7,144 people moving here from other parts of Canada.

More than half came from Ontario, and about 800 migrated from Quebec. Alberta is also attracting more people from Saskatchewan and British Columbia than it’s losing, for the first time in two years.

In the first quarter, Alberta gained 474 net migrants from Saskatchewan, and 855 net migrants from B.C. A year ago, the net migration flow was outbound, not inbound.

Since newcomers typically rent for a couple of years before plunging into the housing market, that’s a bullish indicator of future demand growth, he says.

Despite his upbeat longer-term outlook for Edmonton and Alberta as a whole, Campbell figures real estate markets are likely to remain choppy for the next 18 months. House prices typically lag the economy by six to nine months, he says. “So even as we see an economic turnaround in 2010, we’re not going to see a real estate turnaround until the latter half of 2010,” he predicts.

While some forecasters predict an imminent rebound in prices, “I’m going, what planet are you from?” he sniffs.

Although the appearance of “green shoots” is giving investors cause for hope, he says there’s also a chance of “frost” reappearing in the months ahead. See page 38

Alberta produces what the world needs

From page D1 That makes the next year or so an ideal time to do some bargain hunting, Campbell says.

“Interest rates are low, prices have come down, but the rents have stayed very strong. And as a real estate investor I’m looking for yield on my dollar, so right now we’re finding tremendous deals in Calgary, in Red Deer and in Edmonton,” he says.

“Red Deer has been very consistent, with the employment rate staying strong, and Lethbridge has been very strong because of the university’s growth,” he notes.

“So as long as you’re looking for yield, there are some great deals. But if you’re looking for those massive increases in value we saw during those “Tiger Woods’ years of real estate in 2004, 2005 and 2006, it’s just not going to happen.”

Carl Gomez, vice-president, research with Bentall Capital, and a former bank economist, also expresses caution about the economic outlook.

“The key risk is that the economies are so fragile, particularly in the U.S., that there is very much a risk of a W-shaped recovery,” or a double-dip recession, he says.

“My personal view right now is that we do get a little bit of a Vshaped recovery, and that we do get some growth, but it is very tenuous, and there is definitely a good risk of a W,” he adds.

“My concern is that the global economy is still very much hinged to the U.S., so until we get to a point where we’re unhinged from the U.S., I’d say we’re not going to go back to the growth rates of 2005 or 2006.”

That means oil prices aren’t likely to revisit the highs of 2008 any time soon, says Gomez. He sees crude prices remaining in the \$70 a barrel range through 2011.

Printed and distributed by NewspaperDirect | www.newspaperdirect.com, US/Can: 1.877.980.4040, Intern: 800.6364.6364 | Copyright and protected by applicable law.