

# CREB downgrades sales forecast

BY MYKE THOMAS ,CALGARY SUN

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The Calgary Real Estate Board has changed its expectations report for sales activity to a more reasonable level in 2011.

In January, CREB optimistically called for a 20% increase in single-family home sales and a 16% increase in condo sales last year, but now is expecting a more realistic increase of 7.7% for single-family home sales and a 1.5% decrease in condos.

CREB points out in its report that economic indicators for Alberta and Calgary have been improving as 2011 has progressed. Home construction has been created, migration to the province is up, rental vacancy rates are down and investment spending is up — all signs of a stronger year-over-year housing market.

However, Calgary and Alberta should not expect to be oases from the economic turmoil globally and more specifically in the U.S. and Europe, which would further temper CREB's expectations.

"Trouble in the U.S. and European economies could result in lower than expected economic growth and place downward pressure on commodity prices," says the CREB report.

"This will dampen growth in our resource-driven sector and hamper gains in consumer confidence.

"Such uncertainty may cause consumers in Calgary to delay decisions on purchasing a home, limiting growth in the housing market.

The concern at higher levels about slumping economies caused the federal government's Standing Committee on Finance to invite Bank of Canada governor Mark

Carney and Finance Minister Jim Flaherty to a meeting in August to talk about the Canadian economy.

Inviting two heavy hitters such as Carney and Flaherty to a committee meeting in summer is extremely rare and was intended to restore at least a modicum of confidence in the economy.

"The rest of the world looks at Canada as a safe haven, as a very good place to do business," said Flaherty at the meeting.

"We have the strongest financial system in the world, we have strong financial institutions at a time when financial institutions in other parts of the world are facing some challenges, and we are fiscally sound at the federal level and that puts us in a good position."

At the Bank's regularly scheduled meeting on Sept. 7, Carney did not raise the overnight lending rate and speculation that he would do so until mid-2012 at the earliest, meaning financing a home remains at the most affordable levels in recent memory. This support CREB's new forecast.

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