

Calgary region MLS sales and prices forecast to rise: CMHC

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Canada Mortgage and Housing Corp. forecasts MLS sales and average sale prices to increase in Calgary this year and next.

Photograph by: Ted Rhodes, Calgary Herald

CALGARY — A report by Canada Mortgage and Housing Corp. forecasts MLS sales in the Calgary region to increase by nearly five per cent this year compared with a year ago while the average sale price will rise by just over one per cent.

The CMHC's Spring 2011 Calgary Housing Market Outlook, released Monday, predicted MLS sales in the Calgary census metropolitan area would hit 22,000 this year, up by 4.8 per cent, and increase a further 2.3 per cent in 2012 to 22,500 transactions.

The agency forecast the average sale price to increase by 1.1 per cent this year to \$403,000 while it would jump another 2.2 per cent in 2012 to \$412,000.

However, the CMHC forecast total housing starts in the region to drop by 8.2 per cent this year to 8,500 units but rebound in 2012 to 9,600 units, a 12.9 per cent annual hike.

“Really right now in the housing market you’ve kind of got two opposing forces over the next couple of months,” said Dan Sumner, economist with ATB Financial in Calgary. “We’re going to have higher interest rates starting in 2011 and that’s not going to be good news but the economy is still performing

quite well and it's growing. We're also expecting to see higher in-migration and that's going to help things.

"Overall, it's going to be interesting to see which kind of factor offsets the other. So far in 2011 the housing market has been pretty slow. There's no question throughout the spring, which is usually the busy season, things have been pretty slow despite really low interest rates."

Sumner said the Alberta economy is in good shape and it's hard to imagine that the housing market isn't going to improve slightly because of that.

"It's been so slow over the last year and a half," he said. "The market still remains quite expensive for first-time home buyers and as rates go up that's going to definitely be a bit of a drag."

Lai Sing Louie, regional economist with the CMHC in Calgary, said the local residential real estate market has been in a period best characterized as being a buyers' market.

"We see the market strengthening over the forecast period," he said. "We expect a little bit of an increase in terms of MLS sales, fractional price growth. This will transition in 2012 with a growing economy, more employment growth. It wasn't that long ago that Calgary was in a period where employment was actually declining over the economic downturn at the end of 2008, 2009 and 2010.

"The economy is improving. We expect that will translate into more household formation and housing demand going forward."

The CMHC report said job creation in Calgary will improve with increased activity in the energy sector and its supporting industries.

That will also give a boost to net migration which declined 50 per cent in 2010 to 11,100 people, down from 22,136 in the previous year. CMHC is forecasting total net migration to the Calgary region to rise 11 per cent in 2011 to 12,300 and another 14 per cent in 2012 to 14,000.

"Overall, anticipated migration patterns are expected to support demand for all housing types in Calgary," said the CMHC.

For Alberta, the CMHC is forecasting housing starts to dip to 25,700 units this year from 27,088 in 2010 and to increase to 29,000 in 2012.

Total MLS sales in the province are forecast to increase to 51,300 this year and to 52,700 next year from 49,722 in 2010.

And the average MLS sale price in Alberta is forecast to jump to \$354,800 this year and to \$363,000 in 2012 from \$352,301 in 2010.

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