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Many residential lots in the Clearview North subdivision are currently sitting empty of construction crews.

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CMHC optimistic residential real estate will improve in 2010

By Harley Richards - Red Deer Advocate

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A market analyst with Canada Mortgage and Housing Corp. says the clouds hanging over Red Deer's residential real estate market are dispersing.

Regine Durand recently presented a local market outlook to housing industry officials in Red Deer.

Speaking to the Advocate this week, she said a theme of her message was that conditions will improve in 2010.

“We’re going to enter into a new cycle, starting next year.”

Red Deer, said Durand, has undergone three economic cycles since 1988: from 1988 to 1995, 1996 to 2000 and 2001 to 2007. Each brought growth in employment and residential construction starts.

She produced a graph that showed the inventory of new, single-detached homes in Red Deer is declining, with the current count of approximately 66 such homes likely to be absorbed in about 49 days. In the case of new, semi-detached homes, the inventory was down to seven in May — a year-over-year decline of 73 per cent.

This should spur builders to increase construction activity.

“They’re going to want to start replenishing their stock next year.”

Durand also foresees increased volumes on the resale market.

“Next year, we’re going to see higher sales because prices have stopped going up on the resale market, and with lower mortgage rates, mortgage payments have dropped.”

She pointed out that from 1998 to 2005, the cost of home ownership was comparable to the cost of renting similar accommodation. But that situation started to change in 2006, and by 2007 the annual carrying cost of a condominium was \$542 more than rent for a two-bedroom apartment.

This gap decreased to \$445 last year, and continues to narrow. That should draw more people onto the housing market and increase sales.

“They’re going to make the jump to owning.”

In fact, if the latest CMHC forecast of 3,770 home resales in Central Alberta in 2010 holds true, it will be the fifth busiest year ever in the region (behind 2007, 2006, 2008 and 2005).

Durand also described a change in the ratio of high-priced to low-priced homes in recent years.

Single-detached homes selling for more than \$250,000 on the Red Deer market have increased from 46 per cent in 2006, to 80 per cent in 2007 and 97 per cent in 2008. The demand for those higher-priced homes helped pull up the average selling price.

Durand noted that this year more lower-priced homes, selling for \$100,000 to \$174,000, are being offered by builders.

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Durand also presented Statistics Canada figures that indicate the number of people employed in Red Deer during the first quarter of 2009 compares favourably to the peaks of 2007 and 2008 — topping the 50,000 mark.

In April, she added, the city’s labour market participation rate for employable residents exceeded 81 per cent. That’s seven percentage points above the provincial rate and 14 percentage points over the Canadian figure.

“There’s a greater proportion of the labour force in Red Deer being employed, compared to Alberta and Canada.

“It’s definitely a positive factor.”

However, Durand said the 2010 market rebound will occur across Alberta.

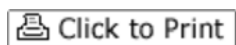
“I think it’s fairly consistent,” she said, explaining that decreasing inventories of new homes and low mortgage rates, combined with improving market indicators like a strengthening stock market and rising consumer confidence, will have a broad, positive effect.

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