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# Home starts set for 2-year surge: CMHC

## Detached-house forecast up 44 per cent

*Inventories were drastically reduced over the winter and production has been ramping up since last fall ... . Richard Goatcher, CMHC's senior Edmonton market analyst*

Edmonton housing starts will continue to rebound through 2011 after three depressed years, Canada Mortgage and Housing Corp. said Wednesday.

Single detached homes will lead the charge this year, with multifamily units rebounding in 2011.

The 5,600 single homes being built this year is 44 per cent higher than last year's total, which itself was up 49 per cent over 2008. Next year 6,600 single units are forecast, the highest number since 2007.

A total of 8,600 units in all sectors are expected to be built this year, and 10,400 next year.

"Inventories were drastically reduced over the winter and production has been ramping up since last fall to bring new product to market for the important spring selling season," said Richard Goatcher, CMHC's senior Edmonton market analyst.

Multiple-dwelling starts should reach 3,000 units this year, up 24 per cent from 2009. Multiple units dropped 40 per cent in 2009 due to weakened demand, rising inventories and competition from moderately priced resale units, he said.

About 3,800 multiple units are forecast for 2011 as inventory reductions continue, and improved pre-sales help to encourage more apartment construction, Goatcher said.

Home resales, which rebounded solidly in the second half of last year, will stay firm as the region's economy continues to improve, he added.

Total residential MLS sales should reach 19,250 units this year, up slightly from last year, with 20,000 sales expected in 2011.

CMHC expects the average residential price this year to be \$333,000, up 3.9 per cent over 2009 and close to 2008 prices. Next year the average price is forecast to rise another 3.6 per cent to \$345,000.

Apartment vacancies, which rose last year as landlords faced increased competition from investor-owned condominiums as well as reduced demand because of a decreased number of newcomers to the city, should drop this year to about four per cent as the number of multi-unit completions decreases, Goatcher said.

Renters can look for an average two-bedroom rent of close to \$1,000, down \$15 from last year, but increases are expected to return next year with 3.5-per-cent vacancy rates by fall.

Nationally, CMHC expects Canada's red-hot housing market to cool this year and next as factors such as tougher mortgage rules, higher borrowing costs and more plentiful inventory levels take effect.

"Canadian housing markets have recovered from the low levels posted in early 2009," Bob Dugan, chief economist for CMHC, said in a news release.

"Moving forward, housing starts will moderate as activity becomes more in line with long-term demographic fundamentals. New measures for government-backed mortgage insurance introduced by the government of Canada that took effect on April 19 ... will continue to support the long-term stability of Canada's housing market."

CMHC forecasts 497,300 housing resales in 2010, up seven per cent from last year, retreating to 473,500 in 2011. Sales were up 7.7 per cent to 464,730 last year after falling 17.1 per cent in 2008.

Dugan said the existing-home market will move toward balanced conditions over the next two years as inventory levels increase, a trend that's already occurring according to figures released Monday by the Canadian Real Estate Association, which showed April inventories rising to record levels.