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Edmonton's housing starts to remain steady in 2011

Edmonton, November 15, 2010 – Total housing starts across the Edmonton CMA will reach 9,700 units in 2010, representing a 54 per cent increase over 2009. According to Canada Mortgage and Housing Corporation's (CMHC) Fall 2010 *Edmonton Housing Market Outlook* report, activity levels will remain relatively stable in the coming year with production close to the 9,600 mark in 2011. A growing economy will help to spur demand for new homes but higher prices, and a well-supplied resale market will prevent any overall gains in production levels.

Single-detached starts in the Edmonton region will top 6,000 units this year for the first time since 2007. "Next year, overall volumes will approach 2010 levels, assuming the economic recovery remains on track and inventory levels for both new and resale units perform as expected," noted Richard Goatcher, CMHC's Senior Market Analyst based in Edmonton.

Multiple unit starts across Greater Edmonton, which consist of semi-detached units, rows, and apartments, will reach 3,650 units in 2010, representing an increase of 51 per cent over 2009. Apartment starts fell to very low levels last year due to developer concerns over rising apartment vacancy rates and elevated condominium inventories. This year's expected tally will still be well below the ten-year annual average of nearly 4,700 units that were recorded from 2000 to 2009. In 2011, look for multi-unit starts of close to 3,600 units as developers seek to reduce inventories and ramp-up the presales required to finance new projects.

Sales in Edmonton's existing home market will decrease by 18.5 per cent this year to fewer than 15,600 units. This performance will mirror the previous low point reported in 2002 and is well below the ten-year average for sales from 2000 to 2009 of around 17,750 units. With buyers' market conditions expected to persist into the early months of 2011, look for improvements to be modest, with total residential MLS® sales close to 15,850 units.

The average residential MLS® resale price will rise by three per cent in 2010 to \$330,000. However, most of these gains will have occurred under the balanced market conditions that were in place during the early months of the year. With the buyer gaining the advantage in the second quarter, prices began to soften on a month-over-month basis. CMHC expects resale prices to rebound by the second quarter of 2011, assuming the current buyers' market gives way to more balanced conditions in the spring. "However, the gains will be relatively moderate so that the annual average for 2011 will only slightly exceed the average for the current year," added Goatcher.

Apartment vacancy rates across Greater Edmonton will decrease in the second half of 2010 with further reductions anticipated next year as the economy continues to improve. CMHC is anticipating a vacancy rate this October of close to 4.0 per cent compared with an average 4.5 per cent in October 2009. By October 2011, vacancies will have decreased to around 3.5 per cent.

Since vacancies across Metro will have averaged over four per cent for much of 2010, CMHC's October survey is expected to show continued, albeit moderating, rent reductions. An average two-bedroom apartment will rent for \$1,000 this October, representing a \$15 per month decrease from the October 2009 level. As vacancies drop to around 3.5 per cent by the fall of 2011, a typical two-bedroom unit will rent for close to \$1,020, representing a \$20 per month average increase over the current year.

As Canada's national housing agency, CMHC draws on more than 60 years of experience to help Canadians access a variety of quality, environmentally sustainable and affordable homes. CMHC also provides reliable, impartial and up-to-date housing market reports, analysis and knowledge to support and assist consumers and the housing industry in making vital decisions. For more information, visit www.cmhc.ca or call 1-800-668-2642.

CMHC Market Analysis standard reports are also available free for download at <http://www.cmhc.ca/housingmarketinformation>.

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Forecast Summary
Edmonton CMA
Fall 2010

	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS [®] Sales	20,427	17,369	19,139	15,600	-18.5	15,850	1.6
MLS [®] New Listings	40,708	40,059	30,696	33,000	7.5	34,000	3.0
MLS [®] Average Price (\$)	338,636	332,852	320,378	330,000	3.0	331,500	0.5
New Home Market							
Starts:							
Single-Detached	7,682	2,613	3,897	6,050	55.2	6,000	-0.8
Multiples	7,206	4,002	2,420	3,650	50.8	3,600	-1.4
Starts - Total	14,888	6,615	6,317	9,700	53.6	9,600	-1.0
Average Price (\$):							
Single-Detached	438,866	511,989	543,243	483,500	-11.0	488,500	1.0
Median Price (\$):							
Single-Detached	438,866	511,989	543,243	428,000	-21.2	432,000	0.9
New Housing Price Index (% chg.)	32.1	1.0	-11.2	-0.5	-	1.0	-
Rental Market							
October Vacancy Rate (%)	1.5	2.4	4.5	4.0	-	3.5	-
Two-bedroom Average Rent (October) (\$)	958	1,034	1,015	1,000	-	1,020	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	3.47	-	3.20	-
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	5.59	-	5.20	-
Annual Employment Level	599,100	621,100	617,300	617,000	0.0	629,000	1.9
Employment Growth (%)	6.7	3.7	-0.6	0.0	-	1.9	-
Unemployment rate (%)	3.8	3.7	6.7	7.0	-	6.4	-
Net Migration ⁽¹⁾	17,632	19,822	12,500	11,205	-10.4	12,100	8.0

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(1) The 2009 migration data is a forecast

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

The forecasts included in this document are based on information available as of October 08, 2010.