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## City bucks housing downturn July starts up by 10.8% while national picture is surprisingly weak

BY BILL MAH, EDMONTON JOURNAL, WITH FILES FROM CANWEST NEWS SERVICE AUGUST 12, 2009

STORY

PHOTOS ( 1 )



House construction has rebounded from the doldrums of spring.

Photograph by: Bruce Edwards, The Journal, File, Edmonton Journal, with files from Canwest News Service

The B-word is back in Edmonton's new housing market.

Not boom, but building.

Total housing starts in the Edmonton region rose in July by 10.8 per cent compared with a year earlier --the first year-over-year increase since January 2008.

Builders began 451 homes in July compared with 407 started in July 2008, according to preliminary figures released Tuesday by Canada Mortgage and Housing Corp.

But the sharp divide between the single-family and multi-family markets continues to deepen.

While new apartment construction remains depressed, single-detached homebuilders poured foundations for 273 units in July. That's up 37 per cent from the 199 houses started in July 2008.

"CMHC expects this trend to continue in the months ahead as builders' unsold inventories continue to move downward," said Richard Goatcher, senior market analyst for Edmonton at CMHC.

Much of the rebound has taken place since April after a disappointing first quarter. For the year to date, 1,390 single-detached homes were started across the region.

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Compared to the first seven months last year, that's down by 10.5 per cent.

For the year to date, multiple starts tumbled 67.5 per cent to 973 from 2,994 last year.

"Residential construction in Alberta pretty much went to sleep during the first half of 2009 as developers waited for the dust to settle in Alberta's housing markets," said Dan Sumner, an economist with ATB Financial.

"But recently, contractors have returned to work and new residential construction is experiencing a cautious recovery from the dark days of winter and spring 2009."

Unexpectedly strong sales in existing home markets in Alberta may be boosting new home construction, Sumner said.

"This may have injected some confidence into new home developers and given them the incentive to move ahead on stalled projects."

Multiple dwelling starts, which include semi-detached, row, and apartments, totalled 178 in July, down 14 per cent from the same month a year earlier.

"Apartment starts are expected to remain weak this year as the industry deals with an elevated supply of condominium units," Goatcher said.

An "abundance" of condominiums are scheduled to be completed this year and next, said a mid-year multi-family market report released Tuesday by commercial real estate firm Avison Young.

"As the amount of unabsorbed condos rises, presales are still struggling, and there have even been a few projects that have indefinitely suspended construction," said the report.

"Some developers have had to drastically discount their prices to liquidate their inventory, while others are implementing other strategies such as rent-to-own programs to stimulate sales.

For many builders it will be cheaper to sell units at below cost than hold them for 24 months or until the condo market stabilizes."

Across Alberta, total housing starts in the seven largest centres totalled 1,454 homes, down 19 per cent from 1,793 units started in July 2008.

Singles across Alberta rose 3.3 per cent, but the gain was offset by a 43-per-cent drop in multiples.

Calgary saw regional single-detached starts jump 16 per cent in July to 501, while multi-family starts fell 43 per cent to 254.

Housing starts in Canada declined unexpectedly in July, falling to an annualized rate of 132,100 in July from 137,800 in June, Canada Mortgage and Housing Corp said.

Economists had been calling for a seasonally adjusted rate of 145,000 new home starts.

The housing agency blamed the volatile multiple-family starts segment

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for the decline.

"This was a fairly disappointing report, and it suggests that the buoyancy that has been seen in the past two months in this segment of the housing market hasn't gained much traction, clouding an otherwise positive tone in Canadian housing market activity," said TD Securities economic strategist Millan Mulraine.

"Even so, our bias remains for increased housing market activity in the near terms as the combination of low mortgage rates, relatively attractive home prices and the various tax incentives continue to spur Canadian housing market activity."

It is a view shared by Bob Dugan, chief economist at CMHC's market analysis centre, who said in the housing agency's release, "housing starts are expected to improve throughout 2009."

Urban housing starts fell 5.5 per cent to 113,500 units in July, while urban multiple starts decreased nine per cent to 61,000 units.

Urban single starts moved down 1.1 per cent to 52,500 units in July, CMHC said.

Urban starts declined 17 per cent in the Prairies, 15 per cent in Ontario, 10 per cent in British Columbia, and 1.4 per cent in Atlantic Canada.

In Quebec, however, July's seasonally adjusted annual rate of urban starts increased 16.6 per cent.

The housing agency forecast that over the next several years, housing starts will gradually become more closely aligned to demographic demand, which is currently estimated at about 175,000 units per year.

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