

Housing buyers react cautiously in local markets

Edmonton, December 2, 2008: REALTORS® had lots of time to work with their best clients in November as housing sales slowed. The number of residential sales during the month dipped to levels not seen since 1998. The average price of a single family home in the greater Edmonton area remained stable while condo prices dropped for the second month in a row, reported the REALTORS® Association of Edmonton.

"Our members report that there are a lot of potential buyers in the market but many are not ready to commit," said Marc Perras, president of the REALTORS® Association of Edmonton. "They are being cautious and hoping for further price drops or lower interest rates that reflect the current global economic situation."

The average\* price of a single family residence was down slightly (-0.14%) in November offsetting a slight rise in October. The average price of a single family home was \$362,757. Condominium sales took another drop in November (down 2.55%) with an average price of \$231,531. Duplex and rowhouses sold on average for \$315,813 which was up 2.8% from October. The average residential sales price (including all types of residential property) was \$318,588; up by a quarter of a percent.

"Sellers may be losing heart but even in this slow market there were still about 30 housing deals made every day and every home that is priced appropriately will eventually find a new owner," said Perras. There were 8,015 homes in the local MLS® inventory at the beginning of this month (down 510). 2,036 homes were listed during November and 891 were sold resulting in a sales-to-listing ratio of 44% as compared to 40% last month. Average days-on-market was up five days to 63 and total MLS® sales (including commercial, industrial and residential) was \$319 million in November, a drop of \$144 million from last year's November.

Highlights of MLS® activity

November 2008 activity	Record for the month*	% change from November 2007
Total MLS® sales this month	997	-27.40%
Value of total MLS® sales – month	\$318 million	-31.10%
Value of total MLS® sales – year	\$6.4 billion	-18.70%
Residential <sup>1</sup> sales this month	891	-25.40%
Residential average price	\$318,588	-1.99%
SFD <sup>2</sup> average selling price – month	\$362,757	-3.59%
SFD median <sup>3</sup> selling price	\$337,000	-5.07%
Condo average selling price	\$231,531	-8.22%

1. Residential includes SFD, condos and duplex/row houses.

2. Single Family Dwelling

3. The middle figure in a list of all sales prices

\* Average prices indicate market trends only. They do not reflect actual prices, which may vary.

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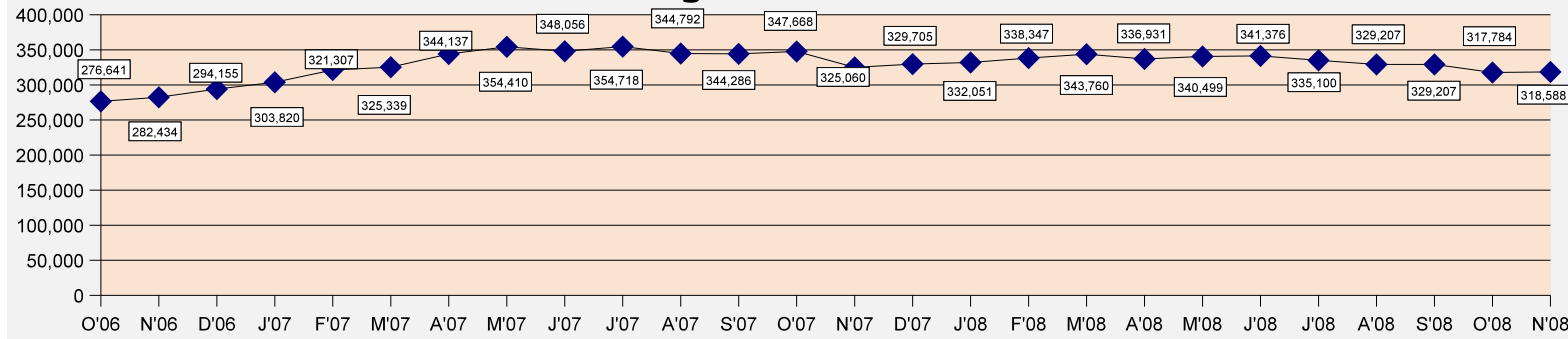
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**Average Sale Price**



**Sellers' market returning**

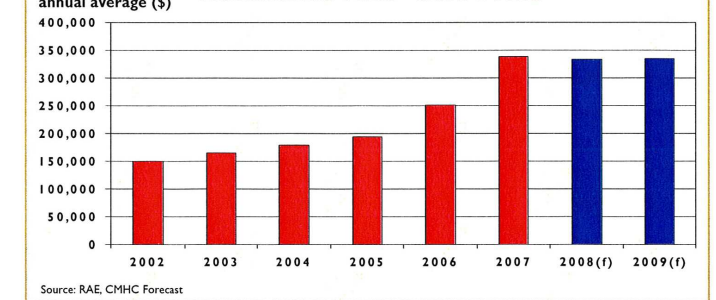
After hovering in buyers' territory for much of this summer, home re-sale markets in Alberta's two largest cities are on the verge of slipping back to a sellers' market, thanks to pronounced drops in new listings. New listings in Calgary fell 11.7% to 4,709 units in September compared to one year ago, whereas in Edmonton, new listings sank 19.8% to 3,142 units, says data released by CREA. Meanwhile, sales rose 3.7% to 2,006 units in Calgary in September, and 65.9% to 1,729 units in Edmonton. The price of an average home listed on the MLS system slipped 6% in Calgary to \$390,599, and fell 5.6% to \$324,906 in Edmonton. Gregory Klump, CREA's chief economist, said Calgary and Edmonton are now "much firmer markets" than just a few months ago, when high new listings drove the resale market deep into buyers' territory. Now, as listings are dropping and sales are rising, the real estate markets in both cities are on the verge of once again becoming sellers' markets, he said.

**Total Housing Starts**

**Decline in 2008 and 2009**

New housing activity has weakened substantially across Greater Edmonton in 2008 and CMHC does not expect any improvement overall in the coming year. This comes despite a strong local economy that is showing impressive employment and income growth. The home building industry has been held back by a slowdown in net migration into the province since mid-2007 and concerns locally about elevated new and existing home inventories. To the end of August, housing starts were half the volumes achieved in the first eight months of 2007. Look for total starts this year of close to 6,500 units, representing a 56 per cent decline from production levels achieved in 2007. Total starts in 2009 will be reduced by another eight per cent, with improvements in single detached activity countered by a weaker year for multi-family construction.

**Residential MLS® Sale Price**



**Costs of Home**

**Ownership Slip Lower**

Declining mortgage rates combined with weaker price gains this year have helped to ease affordability constraints across the region. In 2006 and 2007, the monthly mortgage payment that came with buying an average MLS® home increased by over 35 per cent each year due to higher mortgage rates and accelerating home prices. This year, the average monthly mortgage payment of purchasing a typical resale home will decline by 1.9 per cent from the \$2,134 per month required to service the debt on the average home in 2007 with a 10 per cent down payment, 25-year amortization on a five-year term mortgage. In 2009, a further decrease in mortgage rates will counter a slight up-tick in sale prices, allowing the monthly mortgage payment of the average resale home to fall by 2.6 per cent from this year. Considering that average weekly earnings are on track for six per cent increase this year, these improvements in affordability should buttress demand going forward.

**Bank of Canada lowers overnight rate target by 3/4 percentage point to 1 1/2 per cent**

OTTAWA – The Bank of Canada today announced that it is lowering its target for the overnight rate by three-quarters of a percentage point to 1 1/2 per cent. The operating band for the overnight rate is correspondingly lowered, and the Bank Rate is now 1 3/4 per cent.

While Canada's economy evolved largely as expected during the summer and early autumn, it is now entering a recession as a result of the weakness in global economic activity. The recent declines in terms of trade, real income growth, and confidence are prompting more cautious behaviour by households and businesses. Several factors are helping to counterbalance the negative drag from the global economic and financial developments. The depreciation of the Canadian dollar will continue to provide an important offset to the effects of weaker global demand and lower commodity prices. As well, money markets and overall credit conditions in Canada are responding to significant and ongoing efforts to provide liquidity to the Canadian financial system. In light of the weakening outlook for growth and inflation, the Bank of Canada lowered its policy interest rate by a total of 75 basis points in October and by an additional 75 basis points today. These monetary policy actions provide timely and significant support to the Canadian economy.

The Bank of Canada's next scheduled date for announcing the overnight rate target is 20 January 2009.

**RESALE MARKET**

**Existing Home Sales - Improve in 2009**

Existing home sales across Greater Edmonton will fall by 12.4 per cent this year but should post a moderate rebound in 2009. A relatively strong economy, lower mortgage rates, solid wage gains and the absence of further price declines will underpin a modest recovery next year. Residential sales reported on the MLS® by the Realtors Association of Edmonton (RAE) will reach 18,000 units in 2008, improving by almost three per cent to 18,500 sales in 2009. Next year will represent the fourth best year on record with sales approaching the levels reported in 2005 but remaining well below the 21,200+ units sold annually on average during the peak years of 2006 and 2007. After a relatively soft first half, the resale market showed signs of firming in the third quarter. Total sales during July and August were up by 16 per cent year-over-year following a 28 per cent decline during the first two quarters. Meanwhile, residential active listings turned the corner in May and have been decreasing on a seasonally-adjusted basis in recent months due to improved sales and fewer new listings. However, supply still remained high this summer by historic standards. Vendors will continue to face a very competitive environment over the duration of the year but should anticipate a gradual improvement in market balance going forward in 2009.

Forecast Summary Edmonton CMA Fall 2008							
	2005	2006	2007	2008f	% chg	2009f	% chg
<b>Resale Market</b>							
MLS® Sales	18,634	21,984	20,427	18,000	-11.9	18,500	2.8
MLS® New Listings	25,820	25,393	40,708	40,000	-1.7	32,500	-18.8
MLS® Average Price (\$)	193,934	250,915	338,636	334,000	-1.4	335,000	0.3
<b>New Home Market</b>							
<b>Starts:</b>							
Single-Detached	7,623	9,064	7,682	2,600	-66.2	3,000	15.4
Multiples	5,671	5,906	7,206	3,900	-45.9	3,000	-23.1
Starts - Total	13,294	14,970	14,888	6,500	-56.3	6,000	-7.7
<b>Average Price (\$):</b>							
Single-Detached	268,252	308,726	438,866	510,000	16.2	515,000	1.0
<b>Median Price (\$):</b>							
Single-Detached	248,300	282,500	409,900	467,500	14.1	478,000	2.2
<b>New Housing Price Index (% chg):</b>							
	6.5	28.9	32.1	1.8	-	0.5	-
<b>Rental Market</b>							
October Vacancy Rate (%)	4.5	1.2	1.5	3.0	-	4.0	-
Two-bedroom Average Rent (October) (\$)	732	808	958	1,020	-	1,050	-
<b>Economic Overview</b>							
Mortgage Rate (1 year) (%)	5.06	6.28	6.90	6.75	-	6.31	-
Mortgage Rate (5 year) (%)	5.99	6.66	7.07	7.05	-	6.92	-
Annual Employment Level	545,800	561,300	599,100	621,130	3.7	632,130	1.8
Employment Growth (%)	-1.4	2.8	6.7	5.3	-	2.5	-
Unemployment rate (%)	4.5	3.9	3.8	3.9	-	4.1	-
Net Migration (1)	21,584	23,245	17,439	18,000	3.2	16,500	-8.3

