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Central Alberta Housing Market – Outlook 2010

Some Factors Which Will Influence the Market

1) Jobs.

Coming out of a Recession requires that Local Business starts to Grow again, so that Employers can afford the subsequent Hiring of Human Resources. We are told by various Leaders and Economists, that the worst part of the Recession is behind us and that we are now recovering to various levels of Stabilization. To each Business or Industry, the actual recovery will vary. I think the direction of most Businesses and Corporations will be one of “Proceed with Caution” for the 2010 year.

In Alberta, we are heavily reliant on the Energy Sectors for jobs in the Private workplace. While the Price per Barrel of Oil seems to have settled around the \$75 to \$85 range, Natural Gas still has a way to go – and Central Alberta has a lot of Natural Gas to sell. The Uncertainty created by yet unknown rules of Environmental Compliance and its related costs will keep Exploration and Development in the Oil Patch at a fraction of its potential, until these issues are resolved.

As the Provincial Government looks for ways to “Balance the Books”, I don’t see much expansion in New Government Job Creation either - rather, manpower cutbacks, hiring freezes and deferrals of major projects.

Many Baby Boomers are getting set to retire in the next few years, but I think many of them will stay in the workplace a while longer than originally planned prior to the recession. The numbers that do retire in 2010 will not be sufficient to have much impact on the current job situation.

Availability of Good Jobs attracts people to the Marketplace, and thus the resultants Growth in populations trigger the Increased Demand for Home Ownership. The reverse effect happens, when the Economic Climate stalls, and there are few job openings.

In summary, I do not see significant improvement in the Central Alberta Employment picture for 2010.

2) **Interest Rates.**

The "FED" maintains that it will not increase the Bank of Canada rate until at least the latter part of the second quarter. That should encourage Buyers who need mortgages to act in the first two quarters of 2010. Rates Will increase, if the "FED" sees an upswing in Economic Growth and Inflation, and I think that will happen --- only I do not think that the "Upswing" will be evident in Alberta --- (we enjoyed ours back in 2006, '07 & part of '08).

3) **Federal Government Initiatives.**

While we often look to our Country's Leadership for help and guidance during tougher times, there is sometimes not a lot more that can be done. With the Governments' decision to prorogue Parliament will come a new Speech from the Throne and a new Budget. The Stimulus Packages approved in 2009 are not yet all funded out; however I doubt that more similar actions will be undertaken in the new budget. The appointment of Stockwell Day to Treasury is an indication that Federal Expenses will now begin to tighten up.

4) **New Residential Construction.**

After a dismal past year for Builders, we will see moderate growth in New Residential construction in Central Alberta. I expect that Builders will be Cautious in their "Spec Inventory", however think there will be better demand for New Homes in 2010 when compared to last year. We will not get back to the numbers of 2006 & 2007 for some time to come. The requirement for New Homes in the Marketplace is largely dependent on the levels of Re-Sale Inventory.

5) **Re-sale Inventories.**

With the exception of Apartment Condo's and some Townhome developments, I see our re-sale supply stabilizing to a "Balanced Market". Single Family Dwellings are expected to be stable in both Price and Saleability, with the average time to sell in the 45 to 60 day timeframe. The "Higher End" priced properties (top 20% of the Marketplace) will continue to be a tougher sell as the rule of "Supply vs. Demand" prevails. We will continue to have an over-supply situation in this price range – (for Red Deer City, the \$450K & up range).

On average, I see the total monthly inventories sitting around the 450 to 550 units for Red Deer City, and around the 2,000 to 2,200 levels for the remainder of our Region.

6) **Population Growth.**

Less than 1% for Central Alberta – most growth will come from Babies, not jobs. As mentioned, it takes Population Growth to create expansion. Population Growth is dependent on Industry and the Jobs available – just like we saw in the 2006 & 2007 Energy Sector surge – which is not going to happen again for some time to come.

7) The World Economy in General.

While it could be argued that World Economies have little impact on the Housing Markets in Central Alberta, we should not take the liberty of Ignorance on the subject entirely. The Stock Markets demonstrated this to everyone in 2008/09; and most consumers today receive world news instantaneously thru the media. In many cases, ATTITUDES have a lot to do with decisions, especially major individual capital related expenditures and investments. It looks like the price per barrel for Oil, has settled around the \$75 to \$85 range, and that should be Good News for Alberta. It looks like the Stock Markets are seeing less volatility. We are still seeing major Corporate re-organizations, Mergers & Acquisitions and Bankruptcies (or protection for restructuring), but we are also seeing and hearing less bad Economic News than last year. The most interesting segment of the World Economies to stay tuned into is the Rate of Employment – as everything is related to Individual Abilities to Secure Good Jobs.

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