

July, 2009

Dear

Summer update:

The Calgary real estate market has been very interesting since the beginning of the year. In January the market was extremely weak. This weakness caused price reductions as homes for sale outnumbered active buyers by a wide margin. At the same time the price of oil and natural gas was weakening and there was much uncertainty in the whole economy. Since March however consumer confidence in the market started to emerge. The government stimulus of reduced interest rates has sparked consumers into realizing that with lower priced homes, affordability was back. We have seen the market move from an extreme buyers market to more of a balanced market today.

This change in market conditions can not last forever as the government's stimulus policies will likely bring back inflation in some form. In order to control inflation interest rates will have to rise which will have a cooling effect on real estate and keep pricing in check for the next year or two. This will mean higher interest rates and if you are in a floating interest rate mortgage it would be worth exploring locking in to a fixed rate at these low interest rates.

For now however affordability will keep this market in a good position. I suspect with the weakness we are seeing in the Ontario job market that interest rates will not move significantly until the job environment improves. Here in Calgary we are seeing some improvement in the price of oil and news of oil sand projects being brought back will give our economy support.

I have added a chart to the back of this letter that is used in our industry to demonstrate market strength. This chart shows the number of active listings divided by the number of sold listings in each month for the last two years. This comparison of buyer to sellers gauges when the market is benefiting the buyer or the seller, or when it is in a healthy balanced position. This chart show the resent trends back to a normal market and the end of the price erosion that was occurring.

If you have any questions please feel free to contact Lone or I at 403-249-4322. If you are also thinking about your mortgage options it would be worth speaking to us as we are constantly aware of what rates are available.

Have a great summer,

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