

BUSINESS

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Economic growth forecast to continue in '08

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The Alberta economy exploded in 2006. It was like baseball on steroids. But as the provincial economy in 2007 scaled back to a healthier, but still strong weight with more manageable growth, that trend should continue, say economists.

"It's slower economic growth but it's a healthy change more of a moderation to a more sustainable rate of growth — but definitely still very strong," said Brent Gartner, a senior economist at Canada West Foundation, a leading source of strategic insight, conducting and communicating non-partisan economic and public policy research in Western Canada.

All the economy-fueling power players remain in place, said Gartner, alluding to consumer confidence, low unemployment, employment growth and wage gains.

"They all add up to a pretty solid economic picture," he said.

With rapid growth, such as Alberta experienced in 2006, comes challenges that put strains on infrastructure, cause labour shortage pains, and strain social networks.

"And you can't maintain that rapid, rapid growth," he adds.

"Economic growth (in 2008) will be a little lower than 2007, but still compared to the rest of the country very strong."

A few factors have helped put the brakes on the speeding economy — some market driven, others policy-induced.

"Inflation starts rising, building costs are



A woman walks out of the Classic Communities Show Home in Northlands Tuesday afternoon.

NEWS PHOTO EMMA BENNETT

really going high, so then things slow down a lot. Or housing prices jump really fast so demand falls," explains Gartner.

Politics, such as the fear revolving around the royalty review, may slow capital investments, said Gartner. On a larger scale, natural gas prices have been dampened and con-

tributed to smaller growth, he said.

On the global front, the United States — with a 50-per-cent chance of a recession — is likely to impact our economy, said Gartner.

"The high dollar doesn't affect Alberta as much as central Canada, but it, too, has an impact," said Gartner.

This leaner, fitter economy means good things for the housing market.

"In general, 2008 will be a better time to be looking for a house than 2006 or early 2007," Gartner said.

"It's a more balanced market with more inventory out there. The price increases aren't so rapid that people feel the need to jump right in. Better selection means "it's a better time to be a buyer."

That being said, however, prices are still much higher than they used to be. "And that's a new reality and a fact of life."

For first-time buyers it may mean lowering expectations. They may have to go without a garage or a third bedroom the first time around, and settle for a condo or townhouse.

All economic indicators are pointing to a jump in Hat-area house prices of eight per cent, which will bring the average cost of a home to \$270,000.

In 2007, the \$250,000 average house price was the reason multi-unit residences hit record highs, says Connie Matson, mortgage specialist with RBC Royal Bank. And 2008 won't be any different. "That's the starting point — condos, townhouses," adds Matson.

"Single detached homes are tapering off and multi-units (dwellings) will continue to set record highs.

"And that's the reason the resale market is slowing."

But despite the juiced up housing market, Albertans — thanks to the strong economy — have more money and with a little ingenuity in financing are still able to become homeowners.