

MLS® home sales forecast revised

OTTAWA, Ontario, August 27, 2009 — MLS® home sales were much stronger than expected in the second quarter of 2009, with activity having climbed throughout the quarter and into July. The remarkable recovery of resale housing has prompted a change to the MLS® home sales forecast issued by The Canadian Real Estate Association for 2009 and 2010.

The speed and magnitude of the rebound in sales activity to date has lifted CREA's national forecast for the number of transactions to 432,600 units. This represents an annual decline in activity of 0.4 per cent compared to levels set in 2008, and is a significant upward revision from the previously forecast decline of 14.7 per cent in CREA's forecast issued last May.

"Sales activity started off the third quarter on a strong footing," said CREA President Dale Ripplinger. "The difference in the resale housing market now, compared to the beginning of the year, is night and day, and nowhere is this more evident than in the West."

British Columbia and Ontario are now forecast to post annual increases in activity this year, reflecting weak demand last year and a subsequent rebound. Forecast declines in annual activity were trimmed significantly in Alberta, Saskatchewan, and Quebec, and were also shaved for New Brunswick and Nova Scotia.

National MLS® home sales activity is forecast to rise 5.3 per cent to 455,400 units in 2010. This is a smaller rise in activity than previously forecast. "Low interest rates are boosting sales by returning homebuyers to the market who moved to the sidelines late last year, and shifting" said Chief Economist Gregory Klump. "Buyers are also shifting purchase decisions forward as they take advantage of attractive interest rates now before financing costs increase."

New listings have been edging down from record levels, with many sellers taking their home off the market pending an improvement in housing market conditions. Average price increases in the second half of 2009 are likely result in a mild rebound in listings in 2010.

The national MLS® average home price is forecast to edge up 1.5 per cent in 2009, as the strong rebound in sales activity, not price, in some of Canada's most expensive markets continues to skew the national, and some provincial, average prices upward. Alberta is the only province with a forecast decline in average price in 2009 (-4.4 per cent). Average prices are forecast to rise in all other provinces except British Columbia, where average price in 2009 is forecast to remain stable. CREA's previous forecast predicted a decline in the national average price of 5.2 per cent in 2009.

Average prices are forecast to stabilize over the rest of 2009 and into 2010, but weak results in the first quarter of 2009 will result in a lower annual average price this year compared to 2010. The national average price is forecast to be up 2.1 per cent on a year-over-year basis in 2010.

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The price trend is similar but less dramatic for the weighted national MLS® average price, which compensates for changes in provincial sales activity by taking into account provincial proportions of privately owned housing stock. The weighted national MLS® average price is forecast to climb 1.4 per cent in 2009, with a further 1.7 per cent rise in 2010. CREA previously forecast that the weighted national average price for MLS® homes sales would hold steady from 2009 to 2010.

“The speed with which the Canadian resale housing market has rebounded is unprecedented,” said Klump. “The economic recovery is expected to be slow and protracted, so the dramatic swings in activity seen in late 2008 and this year are unlikely to be repeated in 2010.”