

Resale housing forecast extended to 2011

OTTAWA – February 8, 2010 – The Canadian Real Estate Association has revised its forecast for home sales via the MLS® Systems of Canadian real estate boards in 2010, and extended the forecast to 2011.

With Canadian economic growth rebounding from the recession, the unusually severe decline in sales activity in early 2009 is not expected to recur in 2010. Annual activity in 2010 is forecast to be well above the previous year's level as a result.

CREA forecasts national activity will reach 527,300 units in 2010, up 13.3 per cent from 2009. This would represent a new annual record, standing 1.2 per cent above the previous peak in 2007. Low interest rates are expected to boost housing demand in the first half of the year, resulting in strong annual sales growth in nearly all provinces in 2010, led by British Columbia and Ontario.

National home sales activity is expected to remain strong in the first half of 2010, fuelled by low interest rates and homebuyers motivated to avoid the HST before it comes into effect in Ontario and British Columbia. Over the second half of the year, national activity is expected to trend downward as the last of pent-up demand is exhausted, interest rates begin rising, and the HST comes into effect in Ontario and British Columbia.

Interest rate increases will contribute to weaker national sales activity in 2011. National home sales activity is forecast to decline 7.1 per cent to 490,100 units in 2011, putting it on par with annual levels reported in 2005 and 2006.

“Although interest rates are expected to rise, they will still be low enough to keep affordability within reach for many homebuyers requiring mortgage financing, and support overall housing demand,” said CREA President Dale Ripplinger.

The national average home price is forecast to climb 5.4 per cent in 2010, reaching a record \$337,500, with average price gains forecast in all provinces. The national average price increase will continue to reflect upward skewing from the rebound in activity among Canada's priciest markets, particularly in British Columbia and Ontario.

The national average price is forecast to ease by 1.5 per cent in 2011. Modest average price gains are forecast for all provinces except British Columbia and Ontario, whose share of national activity is expected to ease. The shift in the contribution made by provinces toward national activity will continue skewing the annual comparison in the national average price in 2011.

The price trend is similar but less dramatic for the weighted national average price, which compensates for changes in provincial sales activity by taking into account provincial proportions of privately owned housing stock. The weighted national average price is forecast to climb 4.8 per cent in 2010, and remain stable in 2011.

“Improved financial market stability and recovering global economic growth mean that home sales activity in 2010 is unlikely to repeat the dive it experienced in late 2008 and early 2009,” said Chief Economist Gregory Klump.

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“Fiscal restraint, a strong Canadian dollar and a subdued inflation outlook point to marginal interest rate increases over the next couple of years, especially if the U.S. economic recovery proves to be weak and protracted,” said Klump.

“The Bank of Canada will need time to gauge the effect of interest rate increases on Canadian economic growth,” Klump said. “It recognizes that consumer debt burdens are running high, so it will want to gauge the impact of interest rate hikes on domestic demand and overall economic growth. Changes in interest rates impact the economy with a lag, so the timing and magnitude of interest rate hikes will be tricky, given that the Bank expects the private sector to lead economic growth once temporary government stimulus spending expires,” he added.

“The decline and subsequent rebound in sales activity for homes in the upper price spectrum in some of Canada’s priciest markets skewed average prices upward in the second half of 2009 and into 2010. This segment of housing activity in Ontario and British Columbia is expected to ease beginning in the second half of 2010, causing average prices to moderate in those provinces,” said Klump.

“A downward trend in national sales activity combined with an increase in listings will result in a more balanced market. Although builders are understandably more upbeat than they were during the depth of the recession, speculative building will likely continue to be held in check. As a result, while the real estate market will become more balanced, Canada will continue to avoid the massive realignment in housing supply and demand experienced in the U.S.”

CREA Residential Market Forecast:

Residential unit sales forecast	2009	2009 Annual percentage change	2010 Forecast	2010 Annual percentage change	2011 Forecast	2011 Annual percentage change
Canada	465,251	7.7	527,300	13.3	490,100	-7.1
British Columbia	85,028	23.4	101,900	19.8	88,800	-12.9
Alberta	57,786	2.5	63,050	9.1	64,000	1.5
Saskatchewan	10,856	6.5	10,900	0.4	11,050	1.4
Manitoba	13,086	-3.2	14,050	7.4	14,350	2.1
Ontario	195,840	8.2	223,700	14.2	200,300	-10.5
Quebec	79,290	3.3	87,950	10.9	85,450	-2.8
New Brunswick	7,003	-7.3	7,550	7.8	7,700	2.0
Nova Scotia	10,021	-7.8	11,400	13.8	11,500	0.9
Prince Edward Island	1,404	-0.6	1,450	3.3	1,450	0.0
Newfoundland	4,416	-5.9	4,900	11.0	5,050	3.1
Residential average price forecast	2009	2009 Annual percentage change	2010 Forecast	2010 Annual percentage change	2011 Forecast	2011 Annual percentage change
Canada	320,333	5.0	337,500	5.4	332,400	-1.5
British Columbia	465,725	2.4	485,500	4.2	476,600	-1.8
Alberta	341,201	-3.3	357,300	4.7	361,700	1.2
Saskatchewan	233,695	4.1	242,500	3.8	248,500	2.5
Manitoba	201,343	5.8	210,300	4.4	215,300	2.4
Ontario	318,366	5.3	332,700	4.5	326,000	-2.0
Quebec	225,412	4.7	240,500	6.7	249,100	3.6
New Brunswick	154,906	6.3	159,400	2.9	164,200	3.0
Nova Scotia	196,690	3.6	200,900	2.1	204,700	1.9
Prince Edward Island	146,044	4.4	149,900	2.6	153,200	2.2

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Newfoundland	206,374	15.6	222,300	7.7	238,900	7.5
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NOTE: All statistics contained in this release are obtained through analysis of the MLS® Systems of real estate Boards across Canada.

MLS® Systems are co-operative marketing systems used only by Canada's real estate Boards to ensure maximum exposure of properties listed for sale.

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