

Resale housing forecast revised

OTTAWA, Ontario, July 30, 2010 — The Canadian Real Estate Association (CREA) revised its forecast downward for home sales activity via the Multiple Listing Service® (MLS®) Systems of Canadian real estate Boards and Associations, and elevated its average price forecast.

Weaker than anticipated sales activity during the crucial spring home buying season in Canada's four most active provincial markets prompted the revision. The decline is consistent with the exhaustion of pent-up demand from deferred purchases during the economic recession, and sales having been pulled forward into early 2010 due to changes in mortgage regulations.

National sales activity is forecast to reach 459,600 units in 2010, representing an annual decline of 1.2 per cent. Additional expected interest rate increases will keep homebuyers in a cautious mood, with sales activity expected to continue easing over the second half of the year as a result. In 2011, weaker economic growth and consumer spending will contribute to a decline in national sales activity of 7.3 per cent, with annual sales totaling 426,100 units.

“The Bank of Canada recognizes that inflation remains well contained and that economic growth will soften, so interest rates will rise slowly and at a measured pace, which will keep home financing within reach for many homebuyers,” said Georges Pahud, CREA President. “While the jump in national sales activity earlier this year likely borrowed from the future, local markets trends are not necessarily in sync with national trends, so buyers and sellers would do well to consult with their local REALTOR® to best understand the outlook in their market.”

Average price trends have remained stable as new listings began to shrink in the last two months of the second quarter. Supply is expected to continue to adjust to lower demand, keeping the resale housing market balanced on a national basis and in most provinces.

The national average home price is forecast to rise 3.5 per cent in 2010 to \$331,600, with increases in all provinces.

“Slowing first-time home buying activity means lower- and mid-priced homes are making a smaller contribution to the average price calculation, causing the average price to be skewed upward as a result,” said Gregory Klump, CREA Chief Economist. “It also means pricing momentum will lose steam due to rising competition among current homeowners looking to trade up.”

Although modest average price gains are forecast in 2011 in most provinces, the national average price is forecast to ease by 0.9 per cent to \$328,600.

“The hangover from accelerated home purchases earlier this year is expected to persist over the rest of the year, but positive economic and job market trends bode well for home price stability,” said Klump. “Sales activity and new supply are both expected to continue to ease, so inventories are unlikely to pile up the way they did during the recession.

Canadian Mortgage News - Resale housing forecast revised

“Transitory factors that resulted in big swings in housing supply and demand may now be largely in the rearview mirror, so while resale housing activity is expected to ease, the pace of declines should begin to slow,” he added. “Homebuyers will no doubt welcome a more relaxed housing market in places where there was a shortage of supply earlier in the year.”