

Globe and Mail Update

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Confidence appears to be seeping back into the housing market, with a majority of Canadians saying it's a good time to buy, according to the Royal Bank of Canada's annual homeownership survey.

Although this optimism is not reflected in the most recent sales statistics – the volume of sales in the Toronto area, for instance, was down 47 per cent year-over-year in January – the Royal Bank predicts that lower prices will lure a growing percentage of Canadians back into the housing market in the next two years.

A survey of 2,026 Canadian consumers, conducted in the second week of January, found that 65 per cent of respondents believe it is a buyers' market now and 27 per cent say they intend to buy a home this year or next.

“Additionally, almost half indicate it makes sense to buy a home now versus waiting until next year.”

Young adults and renters are most likely to spark an upsurge in home sales, the Royal Bank said in releasing its survey results.

“In the under-35 group, 48 per cent said they plan to buy, which is up sharply from 36 per cent last year. Renters also appear to be saying they are tired of paying someone else's mortgage payment, with 38 per cent planning to become homeowners in the next two years.”

Karen Leggett, the Royal Bank's head of home equity financing, said low mortgage rates “and favourable housing prices are influencing home purchase intentions this year and may be the reason why more Canadians are poised to purchase over the next two years.”

Ms. Leggett said the poll, conducted for the Royal Bank by Ipsos Reid, found that the vast majority of Canadians believe that the purchase of a home is a good investment. “The current economic environment does not appear to have dampened Canadians' overall confidence in the housing market,” she said.

Other forecasts are less upbeat.

Canada Mortgage and Housing Corp. projects that, in spite of falling prices, the volume of existing home sales is expected to drop by 14.6 per cent in 2009, and then rise by 9.3 per cent in 2010.

Average home prices are forecast to fall 5.2 per cent to \$287,900 in 2009. Next year, prices are expected to remain flat, according to the federal housing agency's forecast.