

# Vancouver home prices expected to jump 7.2 per cent in 2010

BY DERRICK PENNER, VANCOUVER SUN    JANUARY 7, 2010



Realty firm Royal LePage predicts Metro Vancouver's home prices will inflate another 7.2 per cent in 2010.

**Photograph by:** Reuters files, .

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Realty firm Royal LePage has come out of the gate in 2010 with the prediction Metro Vancouver's home prices will inflate another 7.2 per cent this year, as long as the expected mid-year rise in mortgage rates isn't a dramatic spike.

Royal LePage, in its forecast released Thursday, said that based on the momentum of the sales surge during the last half of 2009, and with mortgage interest rates continuing at near record lows, the first half of 2010 should remain strong.

"The stimulus effect of low borrowing costs has contributed to a sharp rise in demand that has driven activity levels to new highs," Royal LePage CEO Phil Soper said in a news release.

For Metro Vancouver, that should mean upward pressure on prices, along with a modest increase in sales compared with 2009, a year that saw sales and prices come back at double-digit increases from the downturn-year of 2008.

Chris Simmons, owner of Royal LePage Westside in Vancouver, said in an interview that the firm based its expectations for price increases on how prices performed over the last quarter of 2009.

"[We saw] stronger prices in the last quarter of 2009, and we take a look at that, try to temper the prices and come up with our best guess as to where prices will be for the full year of 2010," Simmons said.

"I think that seven-per-cent price increase over the full year, [compared with] the full year of 2009 is a pretty reasonable expectation."

However, what actually happens will depend on how banks respond in the second half of the year as the Bank of Canada is free from its commitment to hold its key overnight lending rate at a record low 0.25 per cent until June 2010.

Simmons noted that the average price of a Metro Vancouver home, across all property types, averaged over the full year, hit \$592,000 in 2009, which was only \$1,000 off the peak-price year of 2008.

The return of higher prices was counted as the biggest risk to the housing market, if rates were to take a substantial rise, in a forecast by Cameron Muir, chief economist for the B.C. Real Estate Association.

Canada Mortgage and Housing Corp. analyst Robyn Adamache said her forecast is that mortgage rates could ease upward a manageable 0.5 to 0.75 of a percentage point by the end of 2010. "I think if we have stability in the economy and interest rates don't go up dramatically, I think our forecast will ring true," Simmons said.

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