

Look, a big purple *rectangle!*

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## THE GLOBE AND MAIL

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# Home prices on course to hit record highs in 2010

By Tavia Grant and Brenda Bouw  
Globe and Mail Update

*Rock-bottom interest rates and impending HST in Ontario and B.C. are adding fuel to already hot market*

A rush to buy, sparked by expectations of higher mortgage rates and the pending harmonized sales tax in Ontario and British Columbia, is fuelling an ever sharper rebound in the real estate market.

Already an extraordinary turnaround story in the wake of the recession, new home construction is picking up and resale prices are now forecast to hit fresh records this year. In some areas, such as Vancouver, the country's richest market, prices are now at the point where detached homes are out of reach for many home buyers - even with extremely low interest rates.

Home prices in Canada will surge to new highs this year, led by strength in the Western provinces and Quebec, says a new forecast by the Canadian Real Estate Association. The group sees average prices rising to \$337,500, up more than 5 per cent from last year, while sales activity will also reach a record before cooling next year, the Canadian Real Estate Association (CREA) predicted Monday.

Are we in a housing bubble? Share your thoughts at The Globe's forums

The projection is likely to raise the temperature on the debate over whether the recent price increases are sustainable, given that the Canadian economy is only just emerging from a sharp recession, job creation remains muted and interest rates are set to rise. Home prices in December were 19 per cent higher than they were a year earlier, a startling jump that has alarmed the country's top bankers.

Some bankers have privately urged the government to cool the market by tightening the rules for mortgages.

While most economists believe activity will ease by the end of the year, the question is whether the market will land softly - or with a thud.

Feverish demand has taken even those in the sector by surprise.

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Bill Szeto has worked in the real estate industry for 16 years and never seen such a dizzying rebound in the property market. In Vancouver, demand is being driven by people wanting to purchase before rates go up, by overseas buyers looking for an investment property, and by those who want to purchase before the HST affects the cost of new homes.

Add to that a number of sellers who have been holding off on listing their properties until after the Olympics, and the result is a big shortage of available homes, driving up prices, says Mr. Szeto, vice-president of Macdonald Realty in Vancouver.

"Our inventory has dropped dramatically from last year to half of what it was," Mr. Szeto said. "Then, there's this urgency right now to buy, and a lot of it comes down to affordability."

CREA forecasts a price increase of 4.2 per cent in British Columbia this year. But it doesn't expect the torrid pace of price increases in the first half of the year to last. And prices may even drop slightly next year, the group said.

One reason is that supply should loosen. Housing starts have risen for three months in a row, jumping 5.8 per cent to 186,300 units in January on a seasonally adjusted annual basis, Canada Mortgage and Housing Corp. said in a separate report Monday.

"We're not in the bubble camp," said Peter Norman, senior director of economic consulting at Altus Group, a real estate consulting firm. "It's hard to get terribly excited about a strong sustained recovery in the housing market in a situation where the unemployment rate remains elevated nationally. It's hard to imagine this strength is going to continue unabated."

A double-dip in the housing market is possible and could lead to "some house-price declines," Mr. Norman said.

Have you used MLS? Share your experiences with other readers at The Globe's discussion forums

Factors that typically drive home prices - such as population growth, income trends and economic activity - mean "we do think home prices at the moment are somewhat overvalued, and that raises the risk you'll see some softening over the next several years," said Bank of Nova Scotia senior economist Adrienne Warren.

CREA, for its part, warns that year-over-year comparisons right now are skewed because of such a sharp slump last year, and may make the numbers look hotter than they actually are.

"Temporary factors at play are turbo-charging year-over-year price comparisons ... that will fade come the second half of the year," CREA chief economist Gregory Klump said.

Both Finance Minister Jim Flaherty and Bank of Canada Governor Mark Carney have played down the notion of a housing bubble in Canada - though they, along with much of the country, are keeping a close eye on developments.

- 1:54 Claire Neary:** Good afternoon! I'm an editor with [ReportonBusiness.com](http://ReportonBusiness.com) and thanks for joining us today.
- 1:55 Claire Neary:** We've had a huge amount of interest on this topic from readers and we're happy that CREA president Dale Ripplinger was able to take part today. He will be with us soon to take your questions.
- 1:56 Steve Ladurantaye:** Hi.
- 1:57 Steve Ladurantaye:** Hi Dale: Thanks for doing this. Let's start broad - how does CREA feel about the developments?
- 1:58 Dale Ripplinger:** We are very disappointed that the Commissioner is proceeding to a tribunal as we were actually very close to reaching a settlement agreement.
- 1:58 Steve Ladurantaye:** Any idea why they decided to move ahead then?
- 1:59** [\[Comment From David Charron\]](#)  
The number of realtors in Canada is twice per capita what it is in the US which is fully open to competition. How do you respond to the overcapacity in Canada vs other companies?
- 1:59 Dale Ripplinger:** No. We were quite suprised.
- 1:59 Steve Ladurantaye:** Sorry, I went ahead and moved another question into the lineup - let's get some readers involved.
- 2:00 Dale Ripplinger:** The large number of REALTORS in Canada is an indication of just how competitive our industry is.
- 2:01** [\[Comment From Jean-Marc\]](#)  
Who owns the data required to create a Zillow-esque site in Canada and would the CREA support such a project?
- 2:01 Dale Ripplinger:** We do have 98000 agents and 9500 brokerages all competing in a relatively small national market
- 2:03 Dale Ripplinger:** Anyone is free to create whatever site they wish with data from their own sources. There are already examples that exist and CREA



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