



## **News Release / Communiqué**

### **The Canadian Real Estate Association L'Association canadienne de l'immeuble**

## **Resale housing forecast revised**

**OTTAWA – June 2, 2010** – The Canadian Real Estate Association (CREA) has lowered its forecast for home sales via the Multiple Listing Service® (MLS®) Systems of Canadian real estate Boards and Associations. The revision reflects a weaker than expected start to the year in British Columbia, and recent developments that pulled forward the timing as to when sales are expected to ease in other provinces.

CREA's previous national forecast was heavily influenced by British Columbia and Ontario forecast trends, and this remains the case in the revised forecast. While sales activity is unfolding as expected in Ontario, the decline in affordability in British Columbia impacted sales in the province during the first quarter.

Additionally, changes to mortgage regulations announced in February are expected to marginally impact activity. The changes prompted some homebuyers to finance their home purchase before the new regulations took effect in April, which pulled forward a number of sales that would have otherwise taken place at a later date.

April also saw the Bank of Canada drop its conditional commitment to keep interest rates on hold until at least July, opening the door to an interest rate hike before then. Indeed, on June 1st, the Bank announced its decision to raise its trendsetting overnight lending rate by 25 basis points to a ½ a per cent, and indicated it expects the rate of growth to slow for consumer spending.

"Interest rates are expected to rise slowly and at a measured pace during a new era of government spending restraint, so home financing will remain within reach for many homebuyers," said CREA President Georges Pahud.

CREA had previously forecasted sales would remain at elevated levels through the first half of 2010 before easing in the second half of the year and over 2011. While the forecasted trend for activity has not changed in CREA's revised forecast, it has been pulled forward, with the fourth quarter of 2009 marking the peak of national activity. This has had the effect of lowering the forecast for national activity over the rest of the year and in 2011.

National activity is forecast to reach 490,600 units in 2010, up 5.5 per cent from 2009 and the second highest annual level on record. Lower expected activity in British Columbia accounts for more than half of the downward revision in national sales activity. Annual activity in Alberta was also revised downward due to weaker than expected activity in the first quarter. Ontario is still expected to see a record number of sales in 2010, but by a smaller margin than previously forecast.

Interest rate increases will contribute to weaker national sales activity in 2011. Transactions via the MLS® Systems of Canadian real estate Boards are forecast to decline 8.5 per cent to 448,700 units in 2011. Although this is a similar percentage decline compared to CREA's previous forecast (-7.1 per cent), the downward revision in national activity levels for 2010 means that the forecast level for sales activity in 2011 has also been revised downward.

The national average home price is forecast to climb 1.6 per cent in 2010, reaching a record \$325,400, with average price gains forecast in all provinces. The downward revision from the previously forecast 5.4 per cent gain reflects lower forecast sales activity in British Columbia, where most transactions are priced well above the national average.

All provinces are forecast to post modest average price gains in 2011, except British Columbia and Ontario. The forecast decline in activity is sharpest in these two provinces, with higher-priced transactions weakening most. Average prices are forecast to sag in these two provinces in the second half of 2010 before stabilizing next year. As the Ontario and British Columbia shares of national activity edge lower, there will be fewer higher priced properties in the calculation of the national average price. The national average price is forecast to decline by 2.2 per cent in 2011 as a result.

“With interest rates soon expected to rise, Canada is widely believed to be entering a typical demand-driven downturn due to recent prices increases and rising interest rates,” said Chief Economist Gregory Klump. “A downward trend in national sales activity combined with an increase in listings will result in a more balanced market.”

“In keeping with the return of a balanced housing market and typical demand-driven housing market cycle dynamics, prices will remain stable,” he said. “Canada’s solid mortgage market trends, conservative lending practices, and prudent borrowing by homebuyers means that Canada will avoid the massive realignment in housing supply and demand being experienced in the United States. Accordingly, Canada will avoid a U.S.-style housing price correction.”

#### **CREA Residential Market Forecast:**

<b>Residential unit sales forecast</b>	<b>2009</b>	<b>2009 Annual percentage change</b>	<b>2010 Forecast</b>	<b>2010 Annual percentage change</b>	<b>2011 Forecast</b>	<b>2011 Annual percentage change</b>
Canada	465,082	7.7	490,600	5.5	448,700	-8.5
British Columbia	85,028	23.4	80,000	-5.9	71,500	-10.6
Alberta	57,543	2.7	55,900	-2.9	55,400	-0.9
Saskatchewan	11,095	5.3	11,050	-0.4	10,900	-1.4
Manitoba	13,086	-3.2	13,150	0.5	13,050	-0.8
Ontario	195,840	8.2	215,400	10.0	188,200	-12.6
Quebec	79,125	3.1	89,300	12.9	84,250	-5.7
New Brunswick	7,003	-7.3	7,650	9.2	7,450	-2.6
Nova Scotia	10,021	-7.8	10,650	6.3	10,350	-2.8
Prince Edward Island	1,404	-0.6	1,500	6.8	1,480	-1.3
Newfoundland	4,416	-5.9	5,350	21.2	5,650	5.6

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	325,400	1.6	318,300	-2.2
British Columbia	465,725	2.4	476,400	2.3	459,800	-3.5
Alberta	341,201	-3.3	348,400	2.1	350,800	0.7
Saskatchewan	233,695	4.1	240,200	2.8	242,900	1.1
Manitoba	201,343	5.8	209,800	4.2	215,600	2.8
Ontario	318,366	5.3	330,900	3.9	320,100	-3.3
Quebec	225,412	4.7	229,900	2.0	237,000	3.1
New Brunswick	154,906	6.3	157,200	1.5	159,900	1.7
Nova Scotia	196,690	3.6	201,900	2.6	204,700	1.4
Prince Edward Island	146,044	4.4	149,900	2.6	151,300	0.9
Newfoundland	206,374	15.6	224,400	8.7	233,800	4.2

**About The Canadian Real Estate Association**

The Canadian Real Estate Association (CREA) is one of Canada's largest single-industry trade associations, representing more than 99,000 real estate Brokers/agents and salespeople working through more than 100 real estate Boards and Associations.

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