

House prices and sales to decline, market survey says

Financial Post · Wednesday, Jul. 7, 2010

OTTAWA — House prices continued to climb higher across Canada in the second quarter of 2010, but sales and prices are expected to fall in the coming months, according to a Royal LePage House Price Survey and Market Forecast released Wednesday.

In the second quarter of 2010, the average price of a detached bungalow in Canada was up nine per cent to \$331,868 compared to a year ago. Two-storey homes rose 8.7 per cent to \$367,835 and condominiums rose 7.3 per cent to \$230,014. Average prices in Vancouver were up 16.6 to 19.1 per cent for the month while prices in Toronto rose by an average of 7.7 to 11.4 per cent.

The survey said by the end of 2010, home price appreciation will average 6.8 per cent year-over-year nationally, while home sales will increase by just over one per cent compared to 2009.

An increase in interest rates in the spring, tightening of mortgage lending rules for first-time homebuyers and investors, and the lead up to the introduction of the HST in British Columbia and Ontario led to a peak in sales activity in the first half of the year.

As a result, "we will see both prices and unit sales decline towards the end of the year," Phil Soper, president and chief executive of Royal LePage Real Estate Services said in a release. "Moving into the next six months . . . home prices will remain flat or decline slightly in most cities, but will be more likely to hold their value or increase in energy-producing economies such as Alberta."

However, he pointed out, "This should not be interpreted as a severe correction but rather a natural reaction to the market having peaked quite early this year."

Tuesday, data from metropolitan real estate boards in Calgary, Toronto and Vancouver showed house prices were up in June compared to a year ago, but existing home sales for the month plunged. Calgary existing home sales fell 42 per cent year-over-year, Toronto sales declined 23 per cent and Vancouver sales fell 30.2 per cent.

<http://www.financialpost.com/House+prices+sales+decline+market+survey+says/3245394/story.html>

