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Slowing B.C. home sales 'a return to balance' No fatigue showing in construction pace

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The sellers' market lasted for years, but now some balance is returning to B.C.'s housing market, the Canada Mortgage and Housing Corporation said in its latest national report released yesterday.

Rising mortgage-interest rates and the double-digit increases in home prices are slowing sales and housing starts in the province, which should provide some relief for buyers during the rest of 2006 and 2007, the report says.

Nevertheless the pace of construction shows no sign of fatigue and CMHC says B.C. builders are expected to start 37,000 homes this year, a 6.7-per-cent increase over 2005 starts and the highest level of new home construction in 11 years and the sixth consecutive year of growth.

"In general, we see a trend toward more balanced conditions next year," said Cameron Muir, senior market analyst for CMHC in Vancouver. "In the last few years, most markets in the province have been in the seller's favour.

"The erosion of affordability is going to begin to impact the market next year. High home prices and increasing interest rates will make housing less affordable and squeeze out buyers at the margins.

"With fewer first-time buyers able to afford homes, it will ripple through the whole market.

"It's not a disaster, it's a return to balance," Muir added.

Starts are expected to slow to 34,900 units in 2007 -- a 5.9-per-cent decrease from 2006, CMHC says.

On the resale side, 101,000 units are expected to change hands this year, a five-per cent decrease from 2005. A further four-per-cent drop, to 97,000 units, is predicted for next year.

CMHC also predicts home prices will increase at a slower rate in 2007 -- an average 6.9 per cent compared to this year's forecast of 17.7 per cent. But B.C.'s strong economy, along with job and income growth, will keep home prices and housing demand high.

Nationally, housing starts in 2006 are expected to reach 227,900 units, then decrease to 209,100 next year, said CMHC.

Even with the drop in construction, 2007 will be the sixth consecutive year with more than 200,000 housing starts.

On existing homes, sales should reach 481,700 this year -- the second-best year on

record -- then decrease slightly to 462,200 units in 2007.

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