



B.C. soft landing will be the first

HOUSING: Days of tight sellers' market are coming to an end

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The Province

Sunday, November 12, 2006

B.C.'s housing market is likely heading toward its first-ever soft landing as sales slide, starts decline and price increases slow over the next two years, Credit Union Central of B.C. says.

The days of a tight, sellers' market are coming to an end as more supply rises, Central chief economist Helmut Pastrick said.

"A soft landing could ultimately produce declining prices after a long adjustment period," Pastrick said. "Such a soft landing cycle peak would be the first in B.C.'s housing market history."

Higher-cost housing regions such as the Lower Mainland and Victoria will experience the greatest impact over the next two years, driven by deteriorating affordability for low-equity buyers, Pastrick said.

But higher income growth and rising in-migration will continue to underpin demand in these areas, he said.

Average prices for residential multiple-listing sales are expected to rise by about 18 per cent this year, six per cent next year and three per cent in 2008.

However, higher-than-average price hikes are foreseen for the B.C. Northern, Kamloops, Kootenay, Northern Lights and South Okanagan real estate boards.

Total B.C. residential sales are expected to fall by about four per cent this year, led by a 15-per-cent fall in Vancouver and 10-per-cent drops in the Fraser Valley and Victoria regions. The B.C. Northern, Chilliwack and Kamloops real estate board areas should, however, experience gains.

Across the province, housing starts should reach 37,000 units in 2006, easing to 36,600 next year and 34,900 in 2008. Construction will remain more active in smaller rural markets.

The vacancy rate in the province's rental market is expected to fall to 1.2 per cent this year, 0.8 per cent in 2007 and 0.6 per cent in 2008, Central said.

A decline in interest rates, however, could yield different results in the overall housing market.

"If interest rates decline, as some forecasters suggest, higher unit sales and starts would prevail and maintain their upward trajectory in 2007," Central said.

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