

# Hot streak in housing set to come to a halt

ELIZABETH CHURCH

From Friday's Globe and Mail

Canada's resale housing market is poised to end its five-year record-breaking streak, with the number of houses changing hands this year unlikely to surpass last year's blistering pace.

As of the end of November, the volume of homes traded over Canada's multiple listing service was unchanged from last year and several cities were reporting declines, numbers released Thursday by the Canadian Real Estate Association show.

Phil Soper, chief executive officer of Royal LePage Real Estate Services, said the record pace of the past five years had to come to an end eventually. "The soothsayers of the industry have been predicting the end of this expansion for three years now."

Even if volume numbers do not top the highs of 2005, they will be stronger than most real estate organizations were predicting about this time last year.

The main reason: A housing market in Alberta that made a mockery of even the most bullish of forecasts during the first part of the year, driving both volume and prices through the roof.

"Nobody was expecting that. Nobody predicted what was the largest month-over-month price increases that the industry has ever seen," Mr. Soper said.

With only a few weeks left in the year, Royal LePage is predicting the industry will finish 2006 slightly off last year's figures.

It expects prices will be up across the country by 10.5 per cent and finish the year up 38 per cent in Calgary, down from the 50-per-cent plus annual increases that city saw earlier in the year.

Gregory Klump, chief economist with CREA, said it is too close to call whether this year will see another record in sales volume. "It will be a photo finish," he said. "We are running even with last year." A total of 483,233 resale homes changed hands last year, an increase of 4.9 per cent from 2004.

Canada Mortgage and Housing Corp. is expecting resale home sales to edge down for 2006, largely because of a drop in activity in Ontario and British Columbia.

For the month of November, Vancouver — the country's most expensive market — also recorded the greatest drop in sales volume. Activity for the month was down a whopping

21 per cent from 2005. So far this year, sales volume has declined by close to 13 per cent from a year ago. The average price is up 20 per cent.

On a national level, volume fell 3.5 per cent in November on a seasonally adjusted basis, and has inched down 0.2 per cent so far this year.

The average price in November moved up 9.4 per cent. The biggest gain by far was in Edmonton, where the average price of an existing home shot up 42.5 per cent to \$282,434 — still under the national average of \$298,094.

So far, the cooling in the market is not following the dramatic correction experienced in some U.S. markets.

Still, Mr. Soper at Royal LePage said he will be keeping a close eye on the Vancouver market in the early part of next year to see if the gap continues to grow between what sellers are asking and what buyers are willing and able pay. “That could cause the market to really stall,” he said.

Looking ahead, Mr. Soper said 2007 will likely see price increases in the 6.5-per-cent range nationally. He expects volume will be down by about 3 per cent.

All this will translate into longer listing times and more work for agents to market homes, he said. For Central Canada, he expects prices to be level.

Alberta will continue to see double-digit gains.

Mr. Soper said the forecast is based on the assumption that interest rates will remain low or possibly fall next year.

“If that doesn't happen, all bets are off,” he said.