



Outlook remains strong for condos

Calgary, Vancouver lead in price appreciation, TD report says

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Despite a record supply coming to market, the Canadian condominium sector should remain strong into 2008, says a report by TD Bank Financial Group.

A robust labour market, low interest rates, strong immigration and an aging population are some of the factors that will help prop the market over the next two years.

"There is fundamental support for condos from structural economic trends including the aging population and the continued urbanization of the country," said author Craig Alexander, deputy chief economist for TD Bank.

From 2001 to 2005, condo starts posted an annual average increase of 16 per cent. Condos have climbed from nearly one fifth to nearly one third of all new construction in Canada.

Price appreciation for condos will remain strong in western provinces, with a forecast average annual growth of 15 per cent in 2007 and 2008 in Calgary and 10.5 per cent in Vancouver.

Toronto is forecast to see a 4.2 per cent annual appreciation in resale condo prices.

The average Toronto condo is expected to cost \$249,888 by the end of this year, compared to \$239,816 in 2006.

Still, Alexander cautioned there are risks in the Toronto market.

"There is significant additional supply in the pipeline for Toronto from projects that are underway, but are not yet completed," he said. "This could impact price growth."

There were 16,631 condos completed in 2006, up 20 per cent from the

year before in the Toronto area. Well over 10,000 completions annually are also expected over the next several years, adding significantly to the current stock.

Other analysts have also warned repeatedly that there is too much speculative buying in the Toronto condo market, which could impact price appreciation or possibly result in a correction in the future.

However, Alexander said as long as "employment remains solid and interest rates do not rise significantly from current levels" it should not be a problem absorbing the thousands of new units.

Affordability issues have also driven potential homeowners to condos, which cost about one-third less than the average bungalow in Toronto, the bank said.

"Condos may be the only option for some homeowners, especially first time buyers," Alexander said.

Lower maintenance costs and greater affordability were the top two reasons for buying a condo cited by respondents in a TD Bank survey in March.

Immigration is also expected to play a major role in the condo market, especially in cities. Seven out of 10 arrivals settle in Toronto, Montreal or Vancouver.