



CMHC predicts shallow real estate correction

Derrick Penner

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The correction in Greater Vancouver and British Columbia real estate markets should be shallow, according to Canada Mortgage and Housing Corp., provided the province maintains projections for weaker economic growth and doesn't go into a full recession.

CMHC released its fall market forecasts Thursday, which predict lower housing sales to the end of 2008 and on through 2009, with price declines to the end of 2009 in the range of seven per cent provincially and nine per cent in Metro Vancouver.

"Certainly we're in a period of very uncertain economic times," Carol Frketich, CMHC's B.C. regional economist, said in an interview.

However, the national housing agency's assessment is that 2008 and 2009 will be merely slow-growth years, not no-growth or recession years.

CMHC's forecast is that B.C.'s economy will still grow from 1.5 per cent to two per cent, which is down considerably from the 3.1 per cent of a year earlier.

As a result, Frketich estimates that 2008 will end with 75,000 housing resales, down 27 per cent from 2007. And 2009 will see another slight slide to 74,400 sales, with both years running below B.C.'s long-term average for sales.

Prices should fall nine per cent in 2009 to a provincial average of \$418,200, Frketich said.

Robyn Adamache, CMHC's senior analyst for Vancouver, said sales within the Real Estate Board of Greater Vancouver's area will have fallen 32 per cent to 26,500 sales by the end of this year. However, she expects 2009 sales to edge up to 27,500 in 2009.

Vancouver prices, she added, should fall nine per cent to \$535,000 compared with the 12-month average price in 2008.

"The main thing we will be watching is to see how our employment situation changes because of all that [economic] uncertainty out there," Adamache added.

During CMHC's annual housing-outlook conference, held Thursday at Vancouver's

Hyatt Regency hotel, Frketich said population growth projections still point to long-term growth in the housing market once the pain of a correction is over.

Frketich said medium-term projections for demographic change, immigration and inter-provincial migration should see some 34,000 new households formed per year for the next five years, which will help boost the housing market.

Tsur Somerville, director of the centre for urban economics and real estate in the Sauder school of business at the University of B.C., said the trend of migration in North America has been a westward movement since Europeans first came to the continent.

"It's hard to imagine that not continuing. ... Having said that, that doesn't mean if you buy a house now, that you are going to see that price again for four or five years, or maybe more."

depenner@vancouver.sun.com

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