

Canada's housing market keeps on booming

ROMA LUCIW

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Canada's resale housing market is still firing on all cylinders, with dollar volumes, new listings and the average price of a home racing to record highs in June.

The report arrives one day after the Bank of Canada raised interest rates for the first time in more than a year, and as the housing market south of the border is mired in a deep slump, threatening U.S. economic growth and corporate profits.

The average price of a Canadian existing home jumped 10.4 per cent last month from a year ago to \$335,180, according to sales tracked through MLS by the Canadian Real Estate Association. Average prices rose to previously unseen levels in Victoria, Regina, Saskatoon, Winnipeg, Kitchener, Ottawa, Montreal and Halifax.

On a seasonably adjusted basis, sales edged 0.3 per cent higher to 37,632 in June from May, reaching their highest monthly level on record for the third straight time. New listings rose 1.7 per cent while dollar volumes rose 0.9 per cent in June from May, said CREA, which owns and operates the MLS real estate listings website.

Gregory Klump, CREA's chief economist, said sales activity was boosted as the prospect of rising mortgage rates "encouraged many prospective buyers with pre-approved mortgages to get into the market" before their lower rates expired.

Mr. Klump still expects activity will ease in the second half of this year. "Resale housing activity will gradually ease back from the strong pace of the first half of the year as the higher interest rates begin to have an impact."

That process could already have begun. Many of Canada's largest banks hiked their mortgage and prime lending rates Tuesday after the central bank raised its key interest rate to 4.5 per cent and said more "modest" rate hikes may be on the way to combat inflation. Interest rates, which banks use to determine borrowing costs like mortgages, are now at a six-year high.

By just about every measure, the second quarter of 2007 proved to be a stellar one for the housing market. Seasonally adjusted home sales reached 93,164 units, a 3.2 per cent rise over the previous record set in the first quarter. Dollar volume rose 5.9 per cent and new listings climbed 5.3 per cent from the first quarter, both scaling new highs.

The record number of home sales was fuelled by rampant buying in Vancouver, Hamilton, Montreal and Toronto.

Toronto Mayor David Miller has proposed a land-transfer tax of up to 2 per cent on home sales, excluding first-time buyers of new homes. Critics say the large tax increase will put the brakes on the city's booming real estate market, a major driver of consumption in Canada's largest city.

The record number of second-quarter transactions were fuelled by activity in Toronto, along with Regina, Saskatoon, Winnipeg, London, Hamilton, Kitchener, Ottawa, Montreal, Quebec City, Saint John and Halifax.

“Year-to-date sales activity continues to run ahead of levels recorded last year in most major markets,” CREA said. “With sales having set consecutive quarterly records in the first and second quarters of this year, activity is on track for a new annual record in 2007.”

The report noted that while Regina, Saskatoon and Winnipeg are still buyers' markets, a rise in the number of new listings has Canada's housing market looking “slightly more balanced.”

Ted Carmichael, chief economist of J.P. Morgan Securities Canada Inc., said the sales-to-listings ratio to ease slightly from May, “indicating a slight easing in demand relative to supply.”