



B.C. house price increases to drop next year by half CMHC predicts more balanced supply and demand

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Average price gains for B.C. homes will be cut by more than half next year, Canada Mortgage and Housing Corp. predicts.

In its fourth-quarter outlook, released Tuesday, CMHC forecasts that the average Multiple Listing Service price in British Columbia will grow by 12.1 per cent in 2007 and by 6.0 per cent in 2008 "as increased listings and fewer resales bring more balanced supply-and-demand conditions for existing homes."

As well, B.C. housing starts are expected to decline slightly moving into 2008, CMHC forecasts, from 36,443 units in 2006 to 36,200 units in 2007 and 33,250 units in 2008.

But CMHC's Housing Market Outlook adds: "A tight labour market, income growth, and high levels of consumer confidence will help to offset the dampening effect of rising mortgage carrying costs on the demand for new and existing homes in British Columbia."

Nationally, housing starts will reach 227,530 units in 2007, an increase of 0.1 per cent from the 227,395 units in 2006. However, in 2008, residential construction will decline to about 214,000 units. Despite this drop, 2008 will mark the seventh consecutive year in which housing starts exceed 200,000 units.

"Continuing high employment levels, income gains and low mortgage rates have been a boon to Canada's housing markets. Despite this, however, housing starts are expected to decrease in 2008," said Bob Dugan, chief economist at CMHC.

"The pullback in housing starts next year will be mainly due to the increases in house prices in recent years, which have pushed mortgage carrying costs higher."

Existing-home sales across Canada, as measured by the MLS, are poised to experience their best year on record with just over 521,000 units in 2007, a 7.8-per-cent increase over 2006.

Sales of existing homes through the Multiple Listing Service (MLS) are expected to be just more than 521,000 this year, bettering last year's total by 7.8 per cent and setting a record. That number is expected to decrease

by 3.9 per cent next year to just more than 500,000, which would still make it the second-best year on record.

The average MLS resale price is expected to rise 10.1 per cent this year over 2006's average, slowing to a 4.2-per-cent rise next year.

Migration to Alberta is expected to slow next year because of high housing costs there and improved economic conditions elsewhere in the country. After a 30.7-per-cent increase in average resale-home prices in 2006, that's expected to slow to a 24.4-per-cent hike this year and 6.8 per cent next year.

Saskatchewan will see that highest increase in average resale prices this year, at 28.7 per cent, CMHC says, slowing to 13.5 per cent next year.

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