

## Property sales forecast to fall in 2008, bounce in 2009

B.C. association's prediction more optimistic than credit union's last week

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Vancouver Sun

*Thursday, October 30, 2008*

British Columbia real estate sales will fall substantially by the end of this year, but will stage a modest recovery in 2009, according to the latest forecast of the B.C. Real Estate Association.

Sales recorded through the Multiple Listing Service should fall 28 per cent to 73,700 units across the province by the end of 2008, from 102,805 units in 2007, according to the forecast, released Wednesday.

That is more optimistic than the forecast released last week by Central 1 Credit Union, which predicted sales will continue to fall through 2009, and with steeper price declines, before recovering in 2010.

However, both forecasts agree that the point when the housing market turns higher from the downturn will depend on the world financial crisis subsiding, B.C. not slipping into recession and a return of at least a little bit of consumer confidence.

"I don't know that the [B.C. Real Estate Association] forecast is optimistic," Cameron Muir, BCREA's chief economist, said in an interview.

Muir predicted sales levels in 2009, while higher than in 2008, will be similar to levels last experienced in 2001 and 2002, which were relatively low.

"It's not like they'll be bouncing back into this great market," he said.

However, Muir said real estate sales in B.C. have fallen further than the underlying economy suggests they should.

While he expects B.C.'s economy to slow further in 2009, he also believes it is possible consumers will have recovered enough from their financial fears by the middle of next year to consider major purchases again.

By then, Muir said prices will have dropped enough to make housing more affordable to more potential buyers.

His forecast is for the provincial average home price to dip nine per cent in

2009 to \$413,000 compared with 2008.

Muir forecasts that the average price for all 2008 will be three per cent higher than 2007, but that masks the fact that prices peaked in March and have been dropping since then.

"I would argue that the housing market has already been shocked," he said. "Prices have declined 14 per cent [on a month-to-month basis] between March and September."

At some point, Muir said he expects inventories of unsold homes to decline as people decide they don't need to sell, and then sales should increase.

Helmut Pastrick, chief economist for Central 1 Credit Union, said while his forecast does not agree exactly with the BCREA's, he does agree that B.C.'s economy won't go into recession, and consumers will get a bit of their wind back at some point in 2009.

"We're talking about degrees really, and magnitudes," Pastrick said in an interview.

By magnitude, Pastrick forecasts that B.C.'s MLS sales will fall 30 per cent to 70,700 units by the end of 2008, and a further 17 per cent to 59,000 by the end of 2009.

On prices, Pastrick forecasts that prices will decline 13 per cent from 2008 to 2009 to reach \$385,000, and a further five per cent to \$366,000 in 2010.

However, forecasting market changes can be notoriously difficult, according to Tsur Somerville, director of the centre for urban economics and real estate at the Sauder School of Business at the University of B.C.

All that a series of forecasts with differing results can tell you, Somerville said, is the general direction of activity while outlining a range of views about what might happen.

"[Economists are] good at predicting what's going to happen when we're moving in one direct path," Somerville said. "We're really bad at predicting when markets are going to turn."

For example, Somerville said that in January, when oil was headed to its peak price of \$147 per barrel, few economists would have forecast that by October it would be \$67 per barrel.

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Prices and forecasts by region 2007 2008\* 2009\*

Vancouver \$570,795 \$585,000 \$525,000

Fraser Valley \$423,761 \$434,000 \$405,000

Victoria \$466,974 \$486,300 \$455,000

Vancouver Island \$311,472 \$329,600 \$308,000

Sunshine Coast \$241,083 \$250,000 \$230,000

Chilliwack \$299,592 \$315,000 \$290,000

Kamloops \$275,474 \$306,000 \$273,000

Okanagan Main \$387,523 \$410,000 \$370,000

\* forecast

Source: B.C. Real Estate Association from regional boards

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