

## EDMONTON JOURNAL

**Western growth drives Canadian housing market; Sales, price gains should moderate: Scotiabank**

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EDMONTON - Western Canada is leading the way in keeping Canadian real estate markets "remarkably buoyant" despite a deepening housing downturn in the United States, says a national report released Tuesday.

"The strength that we saw over the past year has surprised me," Adrienne Warren, senior economist for Scotiabank and author of the Real Estate Trends report, said in a telephone conference call.

Housing starts in 2007 totalled 228,343 units and matched the heavy activity of the previous two years, said the report.

"Overall, we're looking at housing starts of about 204,000 this year."

Resale activity last year was equally brisk, with MLS sales volumes setting a new record and average home prices climbing by 11 per cent -- the fourth straight year of increases.

Western Canada led the way in price appreciation but average home prices rose by at least five per cent in all provinces last year, Warren said.

"We expect construction, sales and price gains to moderate in 2008 due to decreasing affordability, especially for first-time buyers, and some softening in domestic economic conditions associated with the intensifying U.S. slowdown and persistently strong Canadian dollar," the report said.

The report describes Canadian households as not overleveraged. Home equity as a share of real estate assets has been steadily building as price gains outpace mortgage obligations.

More balanced resale market conditions -- as sales volumes drop and more listings come on -- should bring average price increases back into the single-digit range, the report said.

"Yet, affordability is becoming a constraining factor in several centres, including Calgary where average home prices have doubled in the past four years."

A flood of new listings in some of the hottest markets, including Edmonton and Calgary, have helped give them much more balance, the report said.

"Both builders and homesellers are attracted by the higher prices and putting more supply on the market.

"We're moving up but we're not anywhere near the inventory levels we saw in the late 1980s."

Warren called the current housing boom the strongest and longest of the postwar era, based on real home appreciation.

"Between 1998 and 2007, average inflation-adjusted home prices have soared some 65 per cent, easily besting the 32-to-56-per-cent appreciation of the prior three housing cycles of the 1960s, 1970s and 1980s."

At 10 years, the current housing upswing is outlasting previous cycles and housing booms in other countries this decade.

Warren credits strong economic performance over the past 10 years and modest population growth from immigration and stabilizing fertility rates for increased housing demand.

New mortgage products featuring longer amortization periods or zero-down interest only loans have also helped buyers get into the market, Warren said.

Other analysts also point toward more balanced real estate markets in 2008.

"Our expectations are that balanced conditions will prevail throughout 2008, which will mark a return to a more normal environment than the highly skewed seller's market that we have experienced over the better part of this decade," Phil Soper, president and CEO of Brookfield Real Estate Services, said Tuesday at the release of the Scotiabank report.

He predicted a stumbling U.S. economy will slow growth in Canada. "Yet the solid foundation that supports the contemporary Canadian economy should prevent the housing market here from retracting."

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