

MLS® home sales forecast revised

OTTAWA, Ontario, November 16, 2009 — Monthly MLS® home sales activity continues to run strong, with new monthly records set in July, September, and October. This has prompted The Canadian Real Estate Association to revise its MLS® home sales forecast for 2009 and 2010.

CREA now forecasts national activity will reach 460,200 units in 2009, up 6.6 per cent from last year. CREA's previous forecast issued in August had annual sales this year about even with 2008 levels. The new sales forecast for 2009 puts activity about on par with annual activity in 2004, but below levels reported for the years 2005 through 2007.

British Columbia and Ontario are still forecast to post annual increases in activity this year, but the forecast has been lifted as a result of recent record level activity in both provinces. In addition, Alberta, Saskatchewan, Quebec, and Prince Edward Island are also now forecast to post an annual increase in activity in 2009. Forecast declines in annual activity have been trimmed for Manitoba and Nova Scotia, and are little changed for New Brunswick and Newfoundland and Labrador.

National MLS® home sales activity is forecast to rise seven per cent to 492,300 units in 2010. This is a slightly larger rise in activity than previously forecast. This would make 2010 the second highest year on record for sales, putting activity below the peak reached in 2007, and slightly above the 2005 and 2006 figures. New annual records are forecast for Manitoba and Quebec in 2010.

The forecast increase in activity for 2010 reflects significant weakness in activity recorded in the first quarter of 2009. Monthly activity in 2010 is expected to trend downward from recent heights, but the sharp drop in activity recorded in the first quarter of 2009 is not expected to repeat in 2010.

New listings began declining in the third quarter of 2008, as many sellers took their home off the market pending an improvement in housing market conditions. CREA's previous forecast suggested that average price increases in the second half of 2009 would likely result in a mild rebound in listings. In the third quarter of 2009, the number of new listings did post the first quarterly increase in more than a year, which coincided with the return of strong average price increases. New residential listings are expected to continue trending upward.

The national MLS® average home price is forecast to climb 4.2 per cent in 2009, reaching a record \$317,900. This is an upward revision from the 1.5 per cent gain in CREA's previous forecast, and reflects the high degree to which the national average price was skewed downward last year by a significant decline in activity in Canada's priciest markets, and then upward by the rebound in activity.

Alberta remains the only province with a forecast decline in average price in 2009 (-3.0 per cent). Average prices are forecast to rise in all other provinces, with gains ranging from a low of 1.5 per cent in British Columbia to 13.1 per cent in Newfoundland and Labrador.

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Average prices are forecast to climb a further 4.7 per cent in 2010. Much of the annual increase reflects weakness in the average price in first quarter of 2009, which is not expected to repeat in 2010. Average sale prices are forecast to rise in every province in 2010.

The price trend is similar but less dramatic for the weighted national MLS® average price, which compensates for changes in provincial sales activity by taking into account provincial proportions of privately owned housing stock. The weighted national MLS® average price is forecast to climb 2.9 per cent in 2009, with a further 4.0 per cent rise in 2010. CREA previously forecast that the weighted national average price for MLS® homes sales would hold steady from 2009 to 2010.

“Pent-up demand built in late 2008 and early 2009, as many buyers moved to the sidelines pending an improved economic outlook,” said CREA President Dale Ripplinger. “With the economic outlook having improved since then, the release of that pent-up demand will boost activity over the rest of the year and in 2010.”

“Significant weakness in activity and average prices seen in late 2008 and earlier this year is not expected to repeat in 2010, so 2010 will look a lot better by comparison,” said CREA Chief Economist Gregory Klump. “The raised outlook for MLS® sales activity in 2010 still puts annual activity below the pre-recession peak recorded for 2007.”