

MODERATE INCREASE IN HOUSING DEMAND IN 2011

[BCREA]

Residential unit sales on the Multiple Listing Service® (MLS®) in BC are estimated to decline 12 per cent to 74,950 units this year. After beginning the year at a brisk pace, home sales declined through July on a seasonally adjusted basis. The expected lull in consumer demand after a strong finish to 2009 was exacerbated by tighter credit conditions for low equity homebuyers and investors introduced in April. In addition, a temporary uptick in mortgage interest rates in the spring had the combined effect of reducing the purchasing power of consumers.

While the BC economy is expected to expand by a robust 3.4 per cent this year, most of the growth will have occurred in the first half of the year, with more tepid economic growth forecast through 2011. Real GDP growth is forecast to increase in 2011. However, BC is in a relatively strong position, recouping nearly all the jobs lost during the recession.

The silver lining for BC housing markets is that a more gradual pace of economic growth in both BC and Canada means continuing low inflation and interest rates. A rapid escalation in borrowing costs, and therefore a sharp erosion of affordability, is not expected.

In 2011, BC MLS® residential sales are forecast to rise 6 per cent to 79,700 units. However, the pace of home sales will fall below ten-year average of 85,500 units. Consumer demand in 2011 is expected to more closely match overall economic conditions and population growth.

The average annual BC MLS® residential price is forecast to increase 7 per cent to \$498,500 this year, before edged back 0.6 per cent to 495,600 in 2011. Total active listings in the market peaked in the summer and are trending lower, while new listings added to the market are down significantly. Market conditions are expected to achieve relative balance in 2011. The positive impact of improving economic conditions will be offset by weak upward pressure on interest rates.