



CMHC expects sellers' market to continue next year

Fuelled by job and population growth, average house prices are expected to continue to rise through 2008

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Expect the average single-family house price to hit \$900,000 in Greater Vancouver next year as new jobs and new residents keep the city in a seller's market, according to Canada Mortgage and Housing Corp.

However, while CMHC, in a forecast released Friday said the region's average price across all property types will rise nine per cent in 2008, the market will have reached "cruising altitude," according to CMHC analyst Robyn Adamache, who used the analogy of an airplane flight to describe Vancouver's position in the market cycle.

"The ride up is always exciting, kind of thrilling, a little scary," she said in an interview.

Now, however, the flight has levelled off and the city has "so far avoided" the turbulence that has beset American real estate markets.

In the market cycle, Adamache said sales peaked in 2005, and inventory levels of unsold homes are rising.

CMHC revealed its major forecasts for 2008 real estate markets during its annual housing outlook conference held at Vancouver's Hyatt Regency hotel.

With the Vancouver region experiencing still strong economic conditions, Adamache believes there is still room for prices to rise.

Adamache's forecast anticipates the arrival of some 35,000 new residents to the area and the creation of 33,000 new jobs, adding "it's job growth and population growth that supports demand."

She is forecasting that demand will generate the need for 18,500 new housing starts in 2008, down from an estimated 19,000 this year. Adamache is also forecasting 37,200 unit sales across Greater Vancouver in 2008, down from an estimated 38,700 this year.

Mark Belling, president of Fifth Avenue Real Estate Marketing Ltd., offered an assessment of the Fraser Valley's prospects during the conference's panel

discussion. He said prices there should rise between three and eight per cent, depending on property type and location.

Belling said single-family houses will see the least amount of appreciation in 2008, as they did in 2007. He said in Surrey alone, some 2,900 building lots could be put onto the market in 2008, when there is likely only demand for 2,500.

CMHC regional economist Carol Frketich said uncertainty in U.S. housing and investment markets is the biggest threat to B.C.'s real-estate outlook, but so far the damage there hasn't cut too deeply.

Expected U.S. housing starts this year of about 1.2 million are the lowest in 14 years, Frketich said, and "there is no debating that housing in the U.S. is in recession."

However, U.S. job, income, manufacturing and export growth are all in positive territory, which Frketich said is expected to keep the overall American economy out of a recession.

The decline in U.S. construction does hurt B.C.'s lumber sector, Frketich said, but overall B.C.'s real estate sector will head into its seventh straight year of seller's-market conditions.

Frketich's forecast is for 33,250 housing starts in B.C. in 2008 and 96,671 sales -- both down slightly from 2007. The average B.C. home price, which includes all types of residential property, is anticipated to climb a further six per cent to \$464,500 in 2008.

"As long as people can afford to pay the prices, they will continue to push up prices," Frketich said in an interview.

"[The forecast] is a plateau in resale activity, new home construction and price growth."

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HOME PRICES RISING, JUST MORE SLOWLY

Average prices for homes in the Real Estate Board of Greater Vancouver's region are forecast to continue rising next year, albeit at slower rates than we've seen recently.

Single detached homes

2006: +24%

2007*: +13%

2008*: +10%

2008 average price*: \$900,000

Townhouses

2006: +16%

2007*: +14%

2008*: +9%

2008 average price*: \$520,000

Condos

2006: +16%

2007*: +12%

2008*: +8%

2008 average price*: \$415,000

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