

Real Estate Matters – June, 2009.

Canadian real estate market on the upswing

Despite a slow start to the year, the Canadian market has certainly bounced back since the low of last January. Resale housing in particular is again surging forward, and in May reached new heights. According to the Canadian Real Estate Association (CREA), strengthening consumer confidence, low interest rates, and improved affordability are all drawing buyers to the housing market.

In fact, CREA reports that Canada's resale housing market activity has returned to pre-recession levels. Actual home sales via the Multiple Listing Service® (MLS®) of Canadian real estate boards totaled almost 50,000 units in May 2009. The national MLS® residential average sale price in May 2009 neared \$320,000, and reached the highest monthly level on record. In just four short months, the national MLS® residential average price recovered 16.4% from January's low.

According to CREA, the supply of new listings coming onto the MLS® continued to decelerate in May, to just over 65,000 units, the lowest level since December 2005. This tightening supply will keep upward pressure on home values.

In the meantime, Canadian consumers are starting to feel positive about the real estate market again. According to statistics compiled by the Conference Board of Canada, national consumer confidence improved for the second consecutive quarter in the second quarter of 2009, and the balance of sentiment about making major purchases, such as a home, continues to improve.

Interestingly, new construction doesn't reflect the current demand. Canada Mortgage and Housing Corporation (CMHC) reports that new housing starts in 2009 have fallen sharply from the record pace of recent years. The annual rate of new residential construction was 128,400 units in May, a marked decline from over 200,000 housing starts in each of the last seven consecutive years. Housing starts are expected to improve throughout 2009 and over the next several years to gradually become more closely aligned to demographic demand, which is currently estimated at about 175,000 units per year. In the meantime, there will be less inventory for homebuyers to choose from.

So, what's the bottom line? Increased affordability due to historically low interest rates, government housing stimulus programs and rising consumer confidence have all contributed to the demand for homes. Meanwhile, supply is dwindling, due to a decreasing number of resale homes coming on the market, strong sales activity, and a marked decrease in new home construction. Continued demand and reducing supply will place more upward pressure on Canadian house prices.

Now that you know the highlights of the national picture, want to know more about what's happening in your own community? Contact your local **Coldwell Banker®** real estate representative and get the benefit of some expert advice.

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