

Prices point to balanced housing market: Royal LePage

A few weeks or months of unusually high period-over-period price increases after a recession is not a bubble, expert says

BY DEREK ABMA, POSTMEDIA NEWS OCTOBER 20, 2010



The average price of a Canadian two-storey home in the three-month period ending in September was up 4.4 per cent, to \$360,329, from a year earlier, Royal LePage reported.

Photograph by: Reuters, Postmedia News

Canada's housing market, while no longer red-hot, remains on steady ground, according to a report by Royal LePage.

The real-estate services firm said Tuesday that home prices in the third quarter of this year saw growth of less than five per year-over-year, "which is historically typical of balanced real-estate markets."

There were stronger-than-average price gains in some local markets in the third quarter, according to the Royal Le-Page report.

For example, the average price of bungalows was up 14 per cent in St. John's, 9.2 per cent in Winnipeg, 9.1 per cent in Montreal and 8.8 per cent in Vancouver.

Vancouver was easily the most expensive housing market in the country, with an average bungalow price of \$873,500.

There were few examples of declines in the 16 local price markets covered by Royal Le-Page. There was, however, a 4.4-per-cent drop in the price of bungalows in Moncton, N.B., a one-per-cent decline

for two-storey homes in Calgary, and Calgary, Edmonton and Regina all saw condo prices dip.

The average price of a Canadian bungalow in the three-month period ending in September was \$324,531, up 4.6 per cent from a year earlier, Royal LePage said. The average two-storey was up 4.4 per cent, to \$360,329, and the rate for a condominium rose 3.9 per cent, to \$226,481.

Phil Soper, chief executive of Royal LePage Real Estate Services, said although annual price growth was slightly lower than five per cent in the past quarter, it's basically in line with that level when factoring in a lower rate of inflation.

In the early part of this year and latter part of 2009, double-digit price growth, year to year, was the norm. The Canadian Real Estate Association recorded a surge of more than 20 per cent in October 2009.

These strong gains, as the economy was rebounding from recession while enjoying historically low interest rates, had some fearing Canada was experiencing a housing bubble.

"A few weeks or a few months of unusually high period-over-period price increases after a recession is completely normal," Soper said. "And it's no bubble."

Soper said it's likely this year's fourth quarter will see Canadian home prices, on average, about even with year-earlier levels, given the high comparison levels. He expects a return to a range of three-to five-percent growth early in the new year.

The Royal LePage report is the latest showing the Canadian housing market in stable territory. CREA recently reported home sales rising in September for the second straight month. Prices of homes sold through the Multiple Listing Service (MLS) were flat with a year earlier and ahead 1.9 per cent from August.

As well, Statistics Canada recently said new-home prices in August were up 0.1 per cent, even as most economists expected a decline by as much.

Craig Fehr, a St. Louis-based analyst of Canadian financial services for Edward Jones, is among those who raised the spectre of a housing bubble in Canada earlier this year.

On Tuesday, he said the risk associated with Canada's residential real-estate market has lessened due to some slowing of price growth and tighter lending conditions.

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