

B.C. house prices forecast to hit new highs over next 2 years

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B.C.'s born-again real-estate market will see house prices hit record levels in 2010 and 2011, a new report predicts.

Low mortgage rates and economic recovery are driving the sector's resurgent activity, Central 1 Credit Union said as it released a market forecast yesterday.

"The strong market momentum coming out of the recession will carry into 2010, driving unit sales and prices to new highs," Central 1 chief economist Helmut Pastrick said.

Housing sales, which fell 25 per cent in 2008, will rise 10 per cent this year and 30 per cent in 2010.

Sales are expected to dip slightly in 2011, reflecting a typical cyclical sequence of strong initial recovery, fall-back and then a renewed climb, Central 1 said.

The median sales price for residential properties in the province will climb to \$369,000 in 2009 from \$360,000 in 2008, Central 1 said.

A six-per-cent gain in each of the next two years will drive the median price to a record \$391,000 in 2010 and \$415,000 in 2011, Central 1 said.

"The monthly sales price will set a new high before the end of this year, regaining the entire amount lost during the recession," it said.

Housing starts, which will plunge from 34,321 in 2008 to an expected 14,600 this year, will also strengthen over the next two years.

The arrival of the harmonized sales tax on July 1, 2010, will add to the cost of higher-priced new homes, spurring builders to produce more units before it takes effect, Central 1 said.

"Builders are expected to ramp up production to meet the strong pickup in sales and build houses early in the year to beat the implementation of the HST," Central 1 said.

Starts will rebound almost 50 per cent to 21,400 units next year, rising to 27,500 in 2011.

Renovation spending is expected to rise four per cent to \$5.5 billion this year from \$5.3 billion last year.

With the Home Renovation Tax Credit expiring next February, renovation spending will slip to \$5.35 billion in 2010. Resumed growth in 2011 will see spending rise to \$5.65 billion that year, Central 1 said.

The jump in housing sales has been much more robust in metropolitan markets such as Vancouver and Victoria than in resource-dependent areas of northern B.C. or the Kootenay. Multiple Listing Sales will grow 45 per cent in Vancouver and 25 per cent in Victoria this year, the report said.

But sales gains of 30-50 per cent next year in the Okanagan, the northeast and Vancouver Island outside of Victoria will surpass the 20-25 per cent expected for Vancouver and Victoria.

A double-dip recession is identified as the biggest risk factor in the credit union's forecast but is given a less than 20-per-cent probability.

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