

FORECAST

Home prices could hit new highs in 2010

Low mortgage rates are driving the market to pre-recession levels, credit union economist says

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VANCOUVER SUN

The rebound in B.C. housing sales from the recession is the strongest on record, Central 1 Credit Union said Tuesday, predicting that property prices will regain all of their downturn losses by the end of this year.

Central 1 chief economist Helmut Pastrick said the housing sales rebound has already surpassed the strength of the recovery from the 1991 recession.

Pastrick said the resurgence has combined with diminishing inventories of unsold homes to force prices upward.

Prices will eventually hit an “affordability squeeze,” Pastrick said, reaching a ceiling that forces new buyers out of the market.

However, in one of the first major fall housing forecasts, Pastrick said observers should not “underestimate the power of ... very low and attractive mortgage rates” to keep driving the market.

He said that as buyers embrace historically low mortgage rates, that momentum “will carry into 2010, driving unit sales and prices to new highs.”

He predicted that, on an annualized basis, the overall average home price in B.C. will climb to a new high of \$463,800 by the end of 2009, erasing recession-era losses, before advancing to \$497,800 in 2010 and \$534,800 in 2011.

He also forecast that sales through

Real estate recovery

The sharpest rebound ever in real estate sales following a downturn will help push B.C.’s average property price to a new high, Central 1 Credit Union reported Tuesday. Below are the agency’s forecast annualized average prices for selected real estate boards, followed by the percentage change from a year earlier.

Region	2009	2010
British Columbia	\$463,800 (+2%)	\$497,800 (+9%)
Greater Vancouver	\$587,500 (-1%)	\$636,000 (+8%)
Victoria	\$474,000 (-2%)	\$515,500 (+9%)
Fraser Valley	\$424,500 (-2%)	\$456,300 (+8%)
Chilliwack	\$298,000 (-6%)	\$314,500 (+5%)
Powell River	\$245,700 (-3%)	\$257,000 (+5%)
South Okanagan	\$321,000 (-5%)	\$355,000 (+11%)

Source: Central 1 Credit Union

the Multiple Listing Service across the province will climb to 85,500 this year, and 109,000 in 2010.

Not all regions will experience the recovery equally, Pastrick said. The gains will be concentrated in the bigger, higher-priced markets of Vancouver, the Lower Mainland and the Okanagan, and no single region will see annualized average prices for 2009 surpass previous peaks.

Pastrick said his forecast relies on B.C. continuing to recover from the recession, and that at some point in 2010 the pace of sales will slow down. He expects sales transactions to slip to 101,400 in 2011, though prices should

continue to rise.

The Central 1 forecast calls for B.C. housing starts, after falling to 14,600 units this year from 34,321 in 2008, to recover to 21,400 units in 2010.

“If [economic] recovery is weak, or does not come, then prices could potentially stop rising and back off somewhat,” Pastrick said.

Carol Frketich, regional economist for Canada Mortgage and Housing Corp., said in an interview the Central 1 forecast is consistent with other forecasts for the B.C. market.

Frketich said forecasters are getting a very strong signal from housing resale activity that points to an overall pickup

in housing.

However, she said the fact that Lower Mainland markets have accounted for 40 per cent of total provincial sales has had an influence on provincial totals. A lot of higher-priced homes have been selling in the region, which helps push up the average provincial price.

The Lower Mainland has also seen its unemployment levels decline, another positive indicator that economic conditions will improve.

“The key to strength in the housing market is, we need to see the recovery continue, and mortgage rates staying relatively low,” Frketich said. “And currently, those are the conditions we have.”

Cameron Muir, chief economist for the B.C. Real Estate Association, however, maintained a more conservative outlook for home-price growth, given that the market is up against a slow economic recovery.

“My expectation is that home prices will grow very modestly in 2010,” Muir said.

Muir said much of the buying activity in the market is the result of demand that built up during last fall’s market collapse.

However, as that demand is filled, and as mortgage rates rise in the latter half of 2010, Muir said he expects sales will ease off the record pace that Pastrick has predicted, “reflecting an economy that is coming out of recession.”

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