

# Canadian consumers remain bullish on real estate market

October sales highest since beginning of year

By Garry Marr, Financial Post November 16, 2011



**The real estate market seemed to pick up steam with October sales across the country the best they have been since January.**

Photograph by: [Herald Archive, Calgary Herald](#)

The Canadian housing market continues to defy those who have long predicted its collapse.

It was just another set of numbers, but if anything the market seemed to pick up steam with October sales across the country the best they have been since January.

The upward push caused the Canadian Real Estate Association to slightly revise its predictions for 2011. The group now says sales will be up 1.4 per cent from a year ago, instead of 0.9 per cent.

"The continuing strength of home sales activity in the face of ongoing financial volatility speaks volumes about the confidence of Canadians in our housing market," said Gary Morse, president of CREA.

Even going into 2012, CREA doesn't see much changing in the marketplace with interest rates near record lows. It's calling for a relatively minor 0.5 per cent reduction in sales next year.

The industry continues to have plenty to gloat about as annual sales have held steady in the \$450,000 range for the past three years. Prices have also shown a steady upward trajectory and are now forecast to reach an average of \$362,700 in 2011, which would be a seven per cent jump from the year before. Next year, prices are expected to remain flat - something most people in the real estate industry see as an accomplishment in the present economic environment.

"Home sales activity over the past couple of months suggests buyers are confident that the Canadian economy will remain relatively unscathed by global economic risks, since every home purchase is a homebuyer's vote of confidence in the future," said Gregory Klump, chief economist with CREA, adding there is strong feeling the government's fiscal policy would be coordinated to give housing any support it should need in the event of a pullback.

So far, the industry seems to be getting all the support it needs from a low interest rate environment that has kept people in the market. Variable rate mortgages tied to prime are still available as low as 2.7 per cent while a five-year fixed rate closed mortgage is now being discounted down to 3.19 per cent.

Toronto continued to carry the national market in October with sales up 14.3 per cent from a year ago. The activity in Canada's largest city helped boost overall sales activity, which rose 8.5 per cent from a year earlier. Prices across the country continue to be moderate with the 5.5 per cent year-over-year increase the smallest it has been since January.

The consensus among economists is that the housing industry might not have much more to give in terms of price increases or sales but they also are not predicting a massive decline either. "The fact that prices are overvalued today does not necessarily mean they will crash tomorrow," said Benjamin Tal, deputy economist with CIBC World Markets.

He thinks a "violent market meltdown" would need a catalyst like the a sub-prime crisis or a jump in interest rates like the industry saw in 1991. "We do believe the housing market in Canada will stagnate in the coming year or two," Tal said.

That housing market has become a key component of the country with a report from TD Economics saying the construction industry was second fastest growing industry in the country and accounts for 10 per cent of GDP. "While the industry's performance over the last decade has been astonishing, some of the recent strength is likely to taper off in the coming years," the bank said.

© The Financial Post