

Real Estate Monthly

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Canada's House Prices Forecast To Rise By 3.5 Percent In 2008

After experiencing an exceptional year characterized by strong average house price appreciation and record-breaking unit sales, the momentum from 2007 is anticipated to carry over and position Canada's real estate market for steady, yet moderate, growth in 2008, according to the **Royal LePage 2008 Market Survey Forecast**.

Nationally, average house prices are forecast to rise by 3.5 percent to \$317,288 in 2008, while transactions are projected to fall slightly from last year's record high unit sales to 500,927 (-4.0%) unit sales in 2008. Despite the year-over-year reduction in unit sales, the number of homes trading hands in 2008 is expected to remain higher than in all years prior to 2007.

"Canada's housing market in 2008 should continue to thrive on a balanced diet of strong economic fundamentals, including high levels of employment, resilient consumer confidence, modest levels of inflation and the relatively low cost of borrowing money," said Phil Soper, President and Chief Executive of Royal LePage Real Estate Services. "Canada is currently enjoying one of the longest housing market expansions in history; however, as we move into 2008, it is

anticipated that slowly eroding affordability will cause demand to ease, allowing the market to move toward balanced conditions, with lower levels of price appreciation, and fewer homes trading hands."

Added Soper: "The year ahead presents opportunities for those people who have shied away from the frenetic real estate market of the past few years, with its bidding wars and unconditional offers; while prices should continue to rise, they are expected to do so at a more reasonable pace. Canada's economy is strong, and the desire for home ownership remains a vibrant and attainable goal – real estate remains a solid long term investment."

The position of the Canadian dollar hovering at parity will continue to bolster the country's high consumer confidence and is anticipated to translate into continued growth in consumer spending.

In sharp contrast to the weakening U.S. economy and deteriorating housing market, Canada's economy and housing market continue to demonstrate staying power. Canadian mortgage products are markedly different from those offered in the United States, and the subprime market makes up a significantly smaller portion of the overall Canadian mortgage market. It is unlikely that the residential real estate industry in Canada will have to endure the kind of sharp correction underway south of the border.

Call today for regional market highlights and to learn how they will affect you!

Focus on Ottawa Home Sales

The hot housing market in Ottawa-Gatineau took a breather in December, as sales of existing housing slowed dramatically.

Sales of resale housing in Ottawa fell by 14 percent to 583 units in December, as housing priced below \$250,000 became harder to find. Bungalow and townhouse sales declined the most. Colder, snowy weather and tighter credit markets may have been factors.

The Ottawa Real Estate Board still had a record sales year to celebrate. A total of 14,579 units changed hands during 2007, up by 5.9 percent from 2006.

The board said that the average price of residential units, including condominiums, rose by 11.5 percent to \$276,532 for December and by 6.4 percent to \$272,618 for the full year.

Call today for real estate advice and information!

Discussing the Coming Year's Market Outlook

Linda Leatherdale, money editor of The Toronto Sun and host of MONEYLINE on Rogers Television, and Phil Soper, President and CEO, Royal LePage Real Estate Services, discuss the Canadian Real Estate market and the outlook of where the market is headed. This and other podcasts can be found at www.royallepage.ca.

LINDA: Welcome to the Royal LePage Helping You in Real Estate Podcast. I'm your host Linda Leatherdale. This series of podcasts will feature some of Royal LePage's most knowledgeable experts to provide valuable information on the residential property market. In this segment we will be looking at an overview of the Canadian real estate market and a forecast of where this market is headed. Today we have Phil Soper, president and chief executive of Royal LePage Real Estate Services joining us to discuss trends in Canada's housing market.

I tell you, 2007, what a booming year for the Canadian real estate market. Were there any surprises here?

PHIL: Well, it was a record-breaker. The big stories were price out west and volume in central and eastern Canada. We knew prices would continue to appreciate in the west but the pace of appreciation particularly in the first part of the year really defied all expectations; and in Ontario and Quebec we saw the number of homes trading hands really spike up in the second half of the year; very, very strong year for real estate.

LINDA: Well, you know it's surprising because this has been the longest running bull market, I think, and so is this going to continue in 2008?

PHIL: Even though the number of homes trading hands broke all records last year, on the price side of things, the rate of price appreciation has actually been declining bit by bit since 2005 so 2006 and 2007 were both more moderate years. We'll see that trend continue. So prices will continue to appreciate but expect low single-digit increases in 2008.

LINDA: Oh, interesting but a lot of people ask me, Phil, how can this be in Canada when the south of the border we have this huge sub-prime crisis, we've got people losing their homes, we've got government having to bail out home owners, why is that not happening here?

PHIL: Well just as the Canadian dollar has charted its own course, so has the Canadian economy and the Canadian housing industry. Yes, a full blown American recession would cause us a great deal of discomfort here including in

the housing industry; but at this point and time we don't see that and what we do see is a Canadian housing market that continues to expand. Unemployment is low, immigration numbers are high and the cost of money has actually come down as the high Canadian dollar has allowed the central bank to ease up on interest rates. Things have been working very well for the housing industry and will continue to do so this year.



LINDA: Well what's interesting is that they tell me too that we are not exposed to the sub-prime market the same as the U.S. As well you made a point, Bank of Canada Governor, David Dodge, has given us some interest rate relief and we expect more this year, is that going to help the buyer as well?

PHIL: Absolutely, buyers do not acquire homes based on their sticker price; they look at monthly payments and a couple of things; one the easing cost of money in terms of interest rates, the other the availability of long

amortization periods for first time buyers or, in fact, for anyone whose looking for a way to get into a more expensive home at a reasonable monthly cost. That will all work in favor of the market across the country.

LINDA: What about tips for buyers and sellers in this market?

PHIL: We will be looking for more balanced conditions in 2008 and particularly in areas where prices have run-up fairly quickly over the last few years. It's important for sellers to realize that that's not going to be the case in 2008. It's going to be important for sellers to price properties appropriately, to expect them to take a reasonable amount of time to sell because, frankly, they've been selling much quicker than the long-term average over the last few years as supplies have been short; and to align themselves with a real estate agent who's a specialist. Not only in their location, but one who specializes in the housing type that they're trying to sell a luxury home, a condominium, etc. And we do at Royal LePage have agents who specialize in working with specific buyers and seller categories as well. We have a specialist designation for those working with the 50+ who may be looking to diversify into different forms of home ownership say moving away from the big suburban home to a condo at and a recreational property for example and they have the relationships with people such as estate planners and things. We also have agents who are trained on buying and selling environmentally sensitive homes, green homes as it's called.

LINDA: So it's almost there's an agent for everybody out there.

PHIL: An agent for everybody, you've got it.

LINDA: And a whole missed part of your overall financial plans. So thank you, Phil, for sharing your views on Canada's housing market for 2008.