



Home building to pick up speed: CMHC

Housing starts are expected to rise this year and next; prices will rise 'modestly' next year

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Housing starts will strengthen this year and next, and that increase in supply should keep a lid on further house-price increases, Canada's national housing agency predicted Tuesday.

Starts subsided to 149,081 units last year, with activity picking up in the second half. This year, housing starts are expected to be between 152,000 and 189,300 units. And next year, that will climb to a 156,400-to-205,600 unit range.

As inventories build and pent-up demand eases after a flurry of sales in recent months, price pressure will also cool. CMHC expects average house prices to remain at current levels for the rest of this year and then rise modestly in 2011 due to "an improved balance between demand and supply."

Average home prices were \$328,537 in January, up 19.6 per cent from one year ago, according to the Canadian Real Estate Association.

Canada's existing home market has shifted from a buyers' market, at the beginning of last year, to a sellers' market. The lack of new listings for existing homes means demand has spilled over into the new home market. And that helps explain the forecast for higher housing starts activity this year.

The outlook comes as low borrowing costs spurred a flurry of buying activity in the past few months, pushing prices higher and sparking debate over housing bubbles. The federal government last month introduced new mortgage rules aimed at stopping people from taking on too much debt, and curbing speculators.

"Canadian housing markets will benefit from improving economic conditions and low mortgage rates," said Bob Dugan, CMHC's chief economist.

"As well, measures recently announced by the Government of Canada to support the long-term stability of Canada's housing market will help moderate housing activity as some potential buyers will have to save a larger down payment or consider a less expensive home."

Expectations of rising interest rates will also dampen demand.