

# News & Comment

## **Saskatoon sees home prices surge 45% over last year**

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A steady housing market in Western Canada – and sizzling price increases in Saskatoon – boosted the cost of new homes last year, with home builders' selling prices increasing 6.2 per cent between December, 2006 and December, 2007, Statistics Canada reported Monday.

“The year-over-year growth rate in new housing prices accelerated for the first time in 16 months in December, mainly the result of strength in the housing market in the Prairie provinces,” according to the Statscan report.

Still, “this is down from the double-digit increases observed over the latter half of 2006 and the early part of 2007,” noted Royal Bank economist Rishi Sondhi in a note to clients.

On a monthly basis, prices rose 0.1 per cent between November and December – lower than the market analysts' consensus forecast of 0.3 per cent, added Jacquie Douglas of TD Securities.

“Regionally, prices again rose at the fastest pace in Saskatoon, which led the nation with an annual price increase of 45.1 per cent. On a month-over-month basis, housing prices rose 1 per cent between November and December in Saskatoon,” said Statscan, which noted that a number of factors were behind the gain, including increased costs for concrete and drywall, as well as higher land development costs reported by some builders.

Windsor, Ont., which has been hard hit by the auto sector slump, “was still the only city in Canada to record year-over-year deflation, with prices falling 1.1 per cent from December, 2006.” However, contractors' selling prices for December, 2007, rose 0.5 per cent from the previous month, Statscan reported.

In Regina, the year-over-year increase was 25.9 per cent, a deceleration from the growth rate of 28.2 per cent in November, 2007, Statscan reported.

In Calgary, prices rose 6 per cent between December, 2006 and December, 2007, slightly faster than the 5 per cent year-over-year increase the month before. “On a monthly basis,

new housing prices in Calgary were up 0.6 per cent. Some developers increased their lot prices as they moved into new development areas,” according the new housing price index.

“In Edmonton, home buyers saw prices that were 21.5 per cent higher than in December, 2006, down from the high of 41.5 per cent recorded in December, 2006.”

Winnipeg experienced a slight gain, as prices rose 0.1 per cent between November and December. The year-over-year increase in December was 15 per cent.

On the West Coast, the 12-month increase for Vancouver was 6.4 per cent, unchanged from November.

In St. John's, Nfld. the year-over-year increase in new housing prices was 7.9 per cent, in Halifax, it was 10.4 per cent.

Year-over-year price increases were more moderate in Ontario and Quebec – 5.9 per cent in Greater Sudbury and Thunder Bay, 3.4 per cent in Toronto and Oshawa, 3.1 per cent in St. Catharines-Niagara, 3.1 per cent in London, 0.6 per cent in Ottawa-Gatineau, 4.1 per cent, 6 per cent in Quebec City and 4.1 per cent in Montreal.

The Royal Bank said in its daily economics report that moderating growth, compared with the latter half of 2006 and early 2007, “is consistent with a subdued pace of consumer inflation.

“With the latest data on the core CPI showing a dip in the growth rate to 1.5 per cent in December from 1.6 per cent in November, it's likely that price pressures will not stand in the way of further easing by the Bank [of Canada] as it works to offset the downside risks emanating from a deteriorating U.S. economic outlook,” the Royal Bank said.

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