

Saskatoon, Sudbury still hot in cooling homes market

LORI MCLEOD

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TORONTO — Saskatoon and Sudbury are the cities most likely to buck an expected cool-down in home prices this year, according to Adrienne Warren, senior economist at the Bank of Nova Scotia.

“We look at demand, affordability and supply. These are the only two centres to hit all three of those measures positively,” said Ms. Warren at the bank's annual real estate outlook conference for 2008.

Last year, Saskatoon ranked first and Sudbury fourth in resale-home prices gains, with Edmonton, Regina and Calgary rounding out the top five.

Decreased affordability is finally cooling Alberta's residential real estate markets, where a glut of supply has actually tipped Edmonton from a sellers' into a buyers' market, Ms. Warren said.

It's now the smaller cities where homes can still be had for less than \$300,000 that should thrive in 2008, said Phil Soper, president and chief executive of Brookfield Real Estate Services, who also spoke at the event.

Other markets identified as likely to outperform the average this year include Regina, Winnipeg, Hamilton, Quebec City and St. John's.

As Canada's “strongest and longest” housing boom of the post-war era winds down this year, home price growth is expected to moderate, Ms. Warren said.

House prices should rise about 3.5 per cent this year from 2007, while the number of houses sold should decline about 4 per cent, Mr. Soper said.

That compares with a 10.8 per cent year-over-year home price increase in 2007, according to data from the Canadian Real Estate Association.

Home prices have risen an average of 65 per cent in the nine-year housing boom that took place from 1998 to 2007.

While Canada's residential real estate market is expected to remain much stronger than that of the U.S., the elephant in the room is the unknown severity of the economic downturn south of the border.

Highly exposed Windsor, Ont., already showed Canada's weakest performance in home price gains and demand fundamentals such as employment growth in 2007.

In the event of much deeper U.S. economic woes, that pain could spread to other manufacturing centres in Ontario and Quebec, eating into real estate activity, Ms. Warren said.

Another trend in the housing market is the growth in popularity of condominiums due to the increased cost of owning a detached home.

In 2009, home builders will likely construct more multi-residential than detached buildings for the first time since the 1950s, Ms. Warren said.

Canada's housing market hasn't suffered the same fate as the U.S., largely due to more conservative financial practices by both buyers and sellers, she added.

The country also doesn't appear set for a dramatic correction like the one that took place in the 1980s.

Builders stuck with massive inventory levels in the last housing bust have been more cautious about putting up new buildings before making sales, and there have been less speculative buyers in the market this time around, Ms. Warren said.

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