

Buyer confidence, home sales rising

National Pulse Survey

BY MARTY HOPE, CALGARY HERALD FEBRUARY 27, 2010

A year ago, builders watched as consumers bailed out of the housing market in the wake of the global economic downturn.

Consumer confidence was the most critical problem the industry was facing nationally at that time, with 54 per cent putting it at the top of their list, says the annual Pulse survey by the Canadian Home Builders' Association,

But that is no longer the case. Low mortgage rates, price reductions, buyer incentives and government programs have lured buyers back into ownership -- so much so that consumer confidence is now considered a critical problem by just nine per cent of builders.

In the 2010 edition of the Pulse survey, the number one problem challenging homebuilders is development charges levied by various levels of government -- with 33 per cent saying this is the most critical problem.

"It is an issue with developers, but it could well affect us down the road once we see what lot pricing will look like," says Graham Boyce, president of Jayman MasterBuilt. "It's not in the front trenches just yet."

A turnaround has also been reported in show home traffic -- again the result of increased confidence among consumers.

In most regions of the country, higher traffic at new home sales sites among first-time buyers -- as well as move-up and move-down purchasers -- was reported. A year ago, most builders reported lower traffic.

Homebuilders expect that national housing construction starts will remain low this year at about 142,900 units, slightly below the 149,100 units started in 2009 and well below levels recorded between 2002 and 2008.

No region expects starts to be higher this year than last.

In Alberta, the forecast is for 18,000 housing construction starts of all kinds this year, the third straight annual decline since 48,300 starts in 2007.

Rising costs due to development charges jumped to the top of the list of concerns for builders in the 2010 survey. About a third reported it as a critical problem nationwide -- and almost two-thirds in Ontario determined it to be one.

Rising costs due to serviced lot prices was also high on the list, with 23 per cent of builders pointing to this as the most critical problem.

As the housing industry begins to rebound, about two-thirds of builders expect single-detached house prices will increase during the year.

While starts are expected to decrease nationally, CHBA renovator members expect increased activity for the second straight year -- but they are increasingly concerned about losing work to the underground economy.

Respondents were asked to estimate the proportion of new home building and renovation work in their market area that was undertaken on a "cash deal" basis, without paying taxes.

Sixty-seven per cent of the respondents estimated that more than half of all small repair jobs were lost to the underground economy.

Forty-two per cent estimated that the same number of renovations costing \$5,000 or less were lost. Sixty-five per cent estimated that about a third of small renovation construction activity in their market area was being done on a cash deal basis.

Cash deals were believed to be somewhat less common for renovations costing \$20,000 or more.

Work in the underground economy was believed to be more prevalent in Ontario and B.C. for all sizes of renovations and repairs and in Quebec for new home building.

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