

REAL ESTATE

Spring rally won't last, realtors say

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Canadian homeowners will likely have to wait until next year to see a solid rebound in real estate prices, the heads of two of Canada's largest real estate firms said yesterday.

The brief spring rally in the Canadian housing market - although encouraging - cannot be regarded as the beginning of a full-fledged recovery just yet, and sales activity is expected to cool again this summer, Don Lawby, president of Century 21 Canada Ltd., and Phil Soper, chief executive officer of Royal LePage Real Estate Services Ltd., said in interviews.

"The spring market is usually the biggest and the best of the year for the housing industry... and there probably will be a lull during the summer," Mr. Lawby said.

What happens in the fall will depend on the economy and consumer sentiment, he added.

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"If there are lots of worries about layoffs and the deteriorating economy, then we are not going to have much activity. On the other hand, we have not seen dramatic declines in house prices and I don't think we are going to," Mr. Lawby said.

Mr. Soper agreed that the spectre of rising unemployment is a concern. However, prospective home buyers tend to be more greatly influenced by low interest rates and improved affordability when it comes to making purchasing decisions, he said. Low interest rates and softer prices spurred an increase in the volume of Canadian home sales in February, March and April and - after a typical summer slowdown - will likely result in increased sales activity again in the fall, Mr. Soper predicted.

The real estate executives' views supported those of two Canadian bank economists who issued reports on Canadian real estate trends yesterday.

"We still feel there is more downside than upside risk to home sales and prices," said Bank of Nova Scotia economist Adrienne Warren.

"The significant deterioration in domestic labour markets in recent months suggests little prospect for a major resurgence in demand in the near term. Meantime, a still-high level of active listings relative to underlying demand will continue to pressure prices," Ms. Warren said.

Pascal Gauthier of Toronto-Dominion Bank said the competing forces of rising unemployment and greater affordability will cause markets to "remain quite choppy between now and the end of the recession" in most parts of the country.

Mr. Lawby and Mr. Soper said entry-level, first-time buyers have been the most active players in the Canadian real estate market this spring, while higher-end home sales activity continues to be subdued. Nonetheless, they said, the Canadian real estate market is far healthier than the U.S. market in the wake of the subprime mortgage crisis that caused the U.S. housing collapse.

"We don't have the same problems," said Mr. Lawby, who issued a report yesterday comparing housing prices in major Canadian and U.S. cities with similar economies and geographies.

While prices in both countries are down year over year in most regions, prices have not fallen as steeply in the Canadian market as in the U.S., according to the Century 21 report.

"When you compare ... so-called 'twin cities,' you see some dramatic differences," Mr. Lawby said.

For instance, the market is much stronger in Toronto than in Chicago.

"In Toronto, the average price declined 4 per cent to \$394,099 and the median price dipped 2 per cent to \$325,000 [between March, 2008, and March, 2009]. In Chicago, the average price fell 34 per cent to \$249,901 and the median price dropped 39 per cent to \$180,000. (U.S. average prices are in U.S. dollars.)

"It took an average of 37 days to sell a house in Toronto, compared to 168 days in Chicago," Century 21 said in its report.

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