

B.C. to lead in housing starts

37-per-cent increase expected

BY BRIAN MORTON, VANCOUVER SUN MARCH 3, 2010

Housing starts in B.C. will increase this year at the highest rate in Canada, according to the Canada Mortgage and Housing Corporation's Housing Market Outlook Report, released Tuesday.

"The outlook for housing starts in B.C. is similar to the national trend in terms of the forecast increase of housing construction," Carol Frketich, CMHC's regional economist for B.C., said in an interview.

"The difference is, we'll see a stronger rebound in housing starts. For B.C., we're forecasting a 37-per-cent increase. Nationally, it's about a 15-percent increase."

According to the report, the forecast for B.C. is for 22,050 starts this year, with a range between 20,200 and 24,500, and 26,200 starts in 2011.

That's up from 16,077 starts in 2009, but still below the 10-year average.

"B. C. saw a sharper downturn and we'll see a rebound of similar magnitude," Frketich said.

The demand for new home construction will benefit from an improved economy and labour market and lower interest rates, she said.

Nationally, rising housing starts are expected to put a lid on home prices this year after their 19-per-cent surge in 2009, CMHC said.

Canada-wide, between 152,000 and 189,300 housing starts are expected in 2010, up from 149,081 units last year.

Describing the current state of affairs as a sellers' market, CMHC said the relative lack of new listings for existing homes has pushed some of the demand into the new home market, which helps explain the forecast for higher housing starts activity in 2010.

But it added that it expects prices to remain stable in 2010 around the Multiple Listing Service average reached in January this year of \$328,537, as the new housing stock brings balance back to the market.

As well, tighter requirements for mortgage lending recently imposed by Ottawa as fears of a housing bubble mounted "will help moderate housing activity as some potential buyers will have to save a larger down payment or consider a less expensive home," CMHC chief economist Bob Dugan said.

CMHC said the strong pace of existing sales over the last three quarters of 2009, a carry-over from the two previous quarters, will not be sustained as pent-up demand is exhausted and financing costs rise later in 2010.

It forecasts existing home sales will be in a range of 455,350 to 509,900 units in 2010.

In 2011, housing starts will total 156,400 to 205,600 units and prices will rise again modestly, with prices up modestly, the report said.

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