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**THE GLOBE AND MAIL** 

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## Sellers to benefit in strong spring housing market: report

By TARA PERKINS

*Royal LePage expects Canada's market to shift in favour of sellers in the first half of this year, sees prices maintaining their momentum*

Real estate agency Royal LePage is expecting Canada's housing market to shift in favour of sellers in the first half of this year, and is forecasting a strong spring.

The agency, which represents more than 15,000 Canadian real estate agents and is part of Brookfield Real Estate Services Inc., is also predicting that house prices will maintain their momentum.

"We predict continued upward pressure on home prices as we move towards the all-important spring market," Royal LePage CEO Phil Soper stated in a press release.

"In addition to normal demand, housing prices in Canada this year will be influenced by buyers who put off purchase plans in the very soft spring of 2013. Talk of a 'soft landing' for Canada's real estate market in the new year is misguided. We expect no landing, no slowdown, and no correction in the near-term. Conditions are ripe for as strong a market as we saw in the post-recessionary rebound of the last decade."

Canada's housing market never officially tipped into buyer's market territory during the correction that ensued beginning in the summer of 2012, but it was fairly close, hovering on the edge between a balanced market and a buyer's market as determined by the ratio between sales and new listings, Mr. Soper said in an interview. During the latter half of last year sales volumes increased faster than new listings, and the market remained in balanced territory but tipped towards becoming a seller's market.

"This is the most optimistic view of the housing market since the recession, that's in half a decade," he said.

Many economists have been surprised by the buoyancy of home prices in the wake of the lengthy sales slump that persisted in the market from the summer of 2012 to this past spring.

Economists both in Canada and abroad are keeping a close eye on Canadian home prices as they debate just how overvalued the market is. While many Canadian economists estimate that home prices here are in the neighbourhood of 10 to 20 per cent too high, economists at Deutsche Bank recently said they believe prices are 60 per cent too high.

The Calgary Real Estate Board recently said that the benchmark price of a single family home in the Calgary area is now \$472,200, up 8.6 per cent from a year earlier. The benchmark in Vancouver is \$603,400, up 2.1 per cent from a year earlier despite that city registering the steepest market correction in the past two years.

The average price of homes that sold over the Multiple Listing Service in the Toronto area last month was \$520,398, up by 8.9 per cent from the average selling price in December, 2012. The average selling price in Toronto for all of 2013 was \$523,036, up 5.2 per cent from the average in 2012.

The Canadian Real Estate Association (CREA), which represents the bulk of real estate agents in Canada, said in December that it is now expecting the average price of homes sold over the Multiple Listing Service to have risen by 5.2 per cent in 2013, to \$382,200 (the final numbers will come out later this month). Heading into 2013 it had been expecting the average price to rise by just 0.3 per cent.

CREA is now expecting average prices to rise by 2.3 per cent this year, while Royal LePage is calling for a 3.7 per cent increase.

Royal LePage says that, based on a survey it conducts, the average price of a standard two-storey home rose 3.6 per cent in the fourth quarter of 2013 to \$418,282, the average price of a detached bungalow rose 3.8 per cent to \$380,710, and the average price of a standard condominium rose 1.2 per cent to \$246,530.

The numbers vary widely across the country, for instance Royal LePage says condo prices in Calgary rose 7 per cent while those in Montreal fell by 0.4 per cent.

A number of economists expected that the large number of condos coming on stream in major cities would take more of a bite out of home price momentum than it has so far.

Canada Mortgage and Housing Corp. said Thursday that the number of new homes that began construction in December was 189,672 on a seasonally-adjusted and annualized basis, down from 197,797 in November. Starts of urban projects with multiple units, namely condos, fell by 4.1 per cent to 108,910 units, while starts of single-detached homes in urban areas fell by 6.7 per cent to 59,304 units.

Starts rose in British Columbia and Quebec, but fell in the Prairies, Atlantic Canada and Ontario.

Housing starts have proven difficult to forecast for a couple of years now, and CMHC has been warning that they will be volatile from month to month because many markets are being largely driven by the multiples, or condo, segment. This month's showing was largely in line with the consensus forecast among economists.

"Starts are well below their 2012 peaks, but have trended somewhat higher from the lows set early last year," Scotiabank's economists noted Thursday.

While construction has cooled from its blistering pace in 2012, many economists say we are still building more homes than demographic fundamentals would suggest we need right now.

Toronto-Dominion Bank's economics department has estimated that the fundamentals call for about 175,000 new homes a year. "A softening over the longer term will be necessary as the Canadian new housing market is overbuilt in many large urban centres," it said in a research note in December.

Housing starts in the full fourth quarter of 2013 were up four per cent from the third quarter, which suggests housing could have been a modest contributor to economic growth for Canada towards the end of the year, economists at Scotiabank said.



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