

**Average house price expected to surpass \$600,000 next year
But the CMHC predicts the rate of increase will slow to six per cent**

by

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Average house prices in Greater Victoria are expected to top \$600,000 next year, but the sticker shock won't put off buyers, say analysts with the Canada Mortgage and Housing Corporation.

Figures released yesterday at the federal agency's Victoria Housing Outlook Seminar indicated residential construction and sales in both the capital region and the province will continue at above-average levels, pushing new and existing home prices higher in 2008.

The rate of that increase is expected to slow to six per cent next year, however -- down from 12.1 per cent forecast for 2007, and the 17.7 per cent recorded in 2006. That dovetails with the Canadian Real Estate Association's predictions yesterday that national sales volumes would slow next year.

After several record-breaking months, the average price of a single-family house in Greater Victoria dropped in October to \$556,222, from \$584,193 in September. Last month's average still topped October 2006's average of \$523,677.

Peggy Prill, senior market analyst at CMHC's Victoria branch, emphasized figures recorded since 1979 point to a stable, albeit cooling, housing market. Prill, who is frequently asked whether Victoria's real-estate market is in a bubble, said the current situation isn't like the housing bubble of 1980 and 1981, where prices rose dramatically then dropped sharply in a four-year-decline. The memory of that burst bubble still looms large in Victoria's building and real-estate community.

"We're not in that situation right now," said Prill. "We're just looking at a slowing of price growth for the next couple of years."

Provincial economist Carol Frketich agreed, saying it would take a "catastrophic" event, such as a spike in interest rates, global financial correction or a recession, to trigger a price decline.

Frketich said the province's high employment rates, robust construction and mining sectors, thriving finance and insurance industry and projected growth in health care due to an aging population all point to positive economic growth that will fuel the housing market.

Other favourable factors include stable mortgage rates, government surpluses, rising business and residential investing and brisk consumer spending.

It all figures into Victoria's picture, added Prill, making this city's economy "almost as hot as



CREDIT: Ray Smith, Times Colonist

Construction continues on the former Bay building on Douglas Street as the once-lively commercial hub gets ready for its new life as condominiums. The restoration of the landmark four-storey building will help feed the appetite of homebuyers who are expected to keep the real estate industry simmering into 2008.

Calgary."

There are potential threats to the housing market, however, including a slowing in the tourism industry and reduction in net exports due to the sudden strength of the Canadian dollar, and reduced consumer spending in Canada as more people flex their spending muscles south of the border.

"Remember when we used to go through the U.S. border wearing 10 layers of clothes?" said Frketich. "Well, that's happening again."

B.C. has remained untouched by the subprime mortgage meltdown that sparked the housing crisis in the U.S., which Frketich attributes in part to more prudent management over the Canadian mortgage market.

"One year ago, the number of U.S. subprime loans stood at 40 per cent," said Frketich. "That's now dropped to about 10 per cent." Compare that to Canada, where the low end of the mortgage market consists of near-prime mortgages -- which make up only 10 per cent of our market -- and Frketich says it's easy to see how Canada has been insulated from the U.S. crisis. Nevertheless, Frketich said there will be ripple effects, since the crisis has cooled American consumers' spending.

"Local consumer spending in British Columbia affects the local economy, but U.S. consumer spending affects the world."

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