Scotiabank sees 10% house-price decline by 2014

CBC News

Posted: Aug 8, 2012 10:53 AM ET
Last Updated: Aug 8, 2012 4:40 PM ET

One of Canada's largest banks expects Canadian house prices to cool, but says the housing market will avoid a sharp drop like the one that occurred in the United States.

Scotiabank said in a report Wednesday that Canadian home prices will decline a cumulative 10 per cent over the next two to three years.

"Buyers' market conditions [will] re-emerge for the first time in over a decade," Scotiabank said in the report.

The correction will be concentrated in the Toronto and Vancouver markets, two cities that have seen strong sales activity and outsized gains since the recession that began in 2008, the bank says.

In its monthly data, the Canadian Real Estate Association has repeatedly singled out those two markets for having a disproportionate impact on the closely watched average price figure.

Scotiabank appears to agree with that assessment, noting that housing markets in the rest of the country will see "more balanced conditions."

Housing demand in Vancouver has fallen 20 per cent below its long-term trend, and new data from Toronto last week showed that the number of unsold condo units hit a record of 18,123 units in the second quarter.

"In contrast, we continue to anticipate relatively more favourable demand and pricing in many other regional markets," the bank said.

Home ownership is at a record high in Canada, but while pent-up demand has been exhausted, the full impact of the slowdown may not become fully visible until mid-decade, Scotiabank said.

Even beyond that, the days of double-digit increases could be a thing of the past, the bank says. The last two housing booms of the 1970s and 1980s were followed by eight and nine years, respectively, of negative-to-flat growth, the bank noted.
*Courtesy of CBC news.