



Canada's property market momentum continues

By SHARON SINGLETON, QMI AGENCY March 8, 2010

Canada's real estate market showed no sign of losing steam in February, with housing starts rising faster than expected and a new survey showing 10% of Canadians expect to buy a home in the next two years.

Seasonally adjusted housing starts were 196,700 in the month, up from 185,400 in January, according to figures from the Canadian Mortgage Housing Corp. That was above analysts' forecasts for a 190,000 gain.

RBC's 17th annual home ownership study found that the number of Canadians saying they are very likely to buy a new home rose from 7% two years ago to 10%. The number of people who view their house as a good investment rose to a 12-year high of 91%.

Canada's real estate market has been one of the main drivers of economic growth, with housing construction helping to power a 5% expansion in gross domestic product in the fourth quarter.

Some economists have forecast that the property market will begin to cool from the second half, when the Bank of Canada is expected to begin raising interest rates and demand and supply of available housing becomes more balanced.

"The gain in February housing starts was concentrated in the multiple starts segment, particularly in Toronto," said Bob Dugan, chief economist at CMHC's Market Analysis Centre.

Urban multiple starts, or condos, increased by 19.1% to 89,900 units while single urban starts increased by 0.5% to 89,200 units.

Urban starts rose 28.6% in Ontario, 14.3% in Atlantic Canada, 10.8% in the Prairie region and 8% in British Columbia. In Quebec, urban starts dropped 14.1%.

Rural starts were estimated at a seasonally adjusted annual rate of 17,600 units in February.

According to the RBC poll, younger Canadians between the ages of 18 to 24 are likely to lead the market. About 15% said they were likely to buy, almost double the number in 2009.

About 60% also believe housing prices will continue to rise this year, up from just 25% this time a year ago. They also expect mortgage rates to rise, with two-thirds expecting to have to pay more, the bank said.

That belief is being reflected in the choice of mortgage, with 16% opting for a variable rate loan compared with 20% last year.