

CREA cuts home sales forecast

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OTTAWA -- Canadian home sales will decline 1.2% this year, not increase as previously forecast, an industry group said on Friday, but average prices should increase more than it forecast earlier.

The Canadian Real Estate Association said it was lowering its sights on the number of home sales expected in 2010 because the market had exhausted pent-up demand that built up during the recession. Rising interest rates are also making consumers more cautious.

It now expects national sales of 459,600 units this year, representing a 1.2% decline from 2009. Previously it thought sales would rise 5.5%.

It sees the average national price to rise 3.5% to \$331,600, with increases expected in all provinces. That's more than the 1.6% increase previously forecast.

"Weaker than anticipated sales activity during the crucial spring home buying season in Canada's four most active provincial markets prompted the revision," CREA said in its forecast.

In a previous forecast, the group also cut its 2010 forecast for resale house prices and sales, saying sales in British Columbia were not as strong as expected at the start of the year.

Recent existing home sales data has shown that the hot housing sector of 2009 and early 2010 is cooling, partly with the onset of higher interest rates and stricter lending rules.

For 2011, CREA expects the national average price to ease by 0.9% to C\$328,600, while sales activity may drop 7.3%.