

Resales slow dramatically in May after a hot April
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OTTAWA -- Home sales fell 9.5% in May from the previous month as Canada's housing market began to wind down from record activity.

Sales totaled 37,576 on a seasonally adjusted basis, down from 41,502 in April, due to a decline in purchases in Toronto, Vancouver and Ottawa, the Canadian Real Estate Association said this week.

The number of new listings dropped 4% to 76,201 from 79,367.

"Life in the fast lane is over for Canada's housing market," said Douglas Porter, deputy chief economist at BMO Capital Markets.

On an unadjusted basis, national sales activity was also down 4.3% in May from a year earlier, CREA said, suggesting the combination of changes to mortgage regulations and rising mortgage rates "pulled forward a number of sales into April that would have otherwise taken place at a later date."

CREA president Georges Pahud said May was "the first full month in which sales activity was affected by these changes."

"An accompanying decline in new listings and housing starts means these changes are also affecting the supply side, which will keep the market balanced and Canadian home prices stable," he said.

Still, the national average price of homes rose 8.5% in May from a year earlier, the association said, but well below double-digit gains over the past year.

"Of course, next to no one will complain about some cooling in prices from the unsustainable trends of late last year and in early 2010," said Mr. Porter. "Prices are widely expected to simmer down notably in the second half of the year."

In the coming months, Mr. Porter says, he expects the housing market to "brake harder, although the ongoing revival in employment will likely keep [it] ... from veering onto the shoulder."

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