

CREA Updates Resale Housing Forecast

Ottawa, ON, June 16, 2014

The Canadian Real Estate Association (CREA) has updated its forecast for home sales activity via the Multiple Listing Service® (MLS®) Systems of Canadian real estate Boards and Associations for 2014 and 2015.

Extraordinarily bleak winter weather made for a slow start to 2014 national sales activity. As the first quarter ended, sales momentum heading into spring was constrained by a continuing shortage of listings in a number of local markets. The rise in newly listed properties in April and May supported an increase in sales activity.

The deferral of sales and listings reflects a delayed start to the spring home buying season, with combined sales for the period from March to May coming in largely as anticipated and at average levels. These deferrals are now likely to have been largely depleted, which suggests that the strength of sales momentum heading into the summer may be transient.

CREA's forecast for sales activity in 2014 is largely unchanged from its previous forecast published in March. At that time, interest rates had been expected to start to edge higher in the second half of the year. However, it now appears that interest rates may not begin to rise until closer to the end of the year, which remains supportive for home ownership affordability over the balance of 2014.

Sales are forecast to reach 463,400 units in 2014, representing an increase of 1.2 per cent compared to 2013. This is little changed from CREA's forecast of 463,700 sales (rising 1.3 per cent) published in March.

Activity is still expected to remain in line with its 10-year average and to hold within fairly short reach of 450,000 units for the seventh consecutive year (Chart A).

British Columbia is forecast to post the largest year-over-year increase in activity (8.3 per cent), and make the biggest contribution to the increase in national sales activity. B.C.'s projected increase in sales this year largely reflects a slow start to 2013.

Alberta's annual sales are projected to rise by +3.8 per cent increase in 2014, while activity in Saskatchewan, Manitoba, and Ontario is expected to be roughly in line with 2013 levels. Sales are forecast to fall by 1.7 per cent and Quebec, 4.2 per cent in New Brunswick in 2014, 5.1 per cent in Nova Scotia, and by 2.6 per cent in Newfoundland and Labrador.

In 2015, the outlook for the economy, jobs and incomes is one of further improvement, accompanied by a slow and gradual increase in fixed and variable mortgage interest rates.

On balance, these two opposing factors should most benefit housing markets where sales are currently softer but prices remain more affordable. Sales in relatively less affordable housing markets are likely to be more sensitive to higher fixed mortgage rates, whether from the standpoint of higher monthly mortgage payments or qualification for mortgage financing based on the posted five-year mortgage interest rate.

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As such, provinces east of Ontario are expected to post the largest gains in activity in 2015 in the range of around 2.5 to five per cent, while sales in provinces from British Columbia to Ontario are forecast to remain little changed.

National activity is now forecast to reach 467,800 units in 2015, representing a further annual increase of 0.9 per cent. This would result in sales staying in line with the 10-year average for the eighth year in a row.

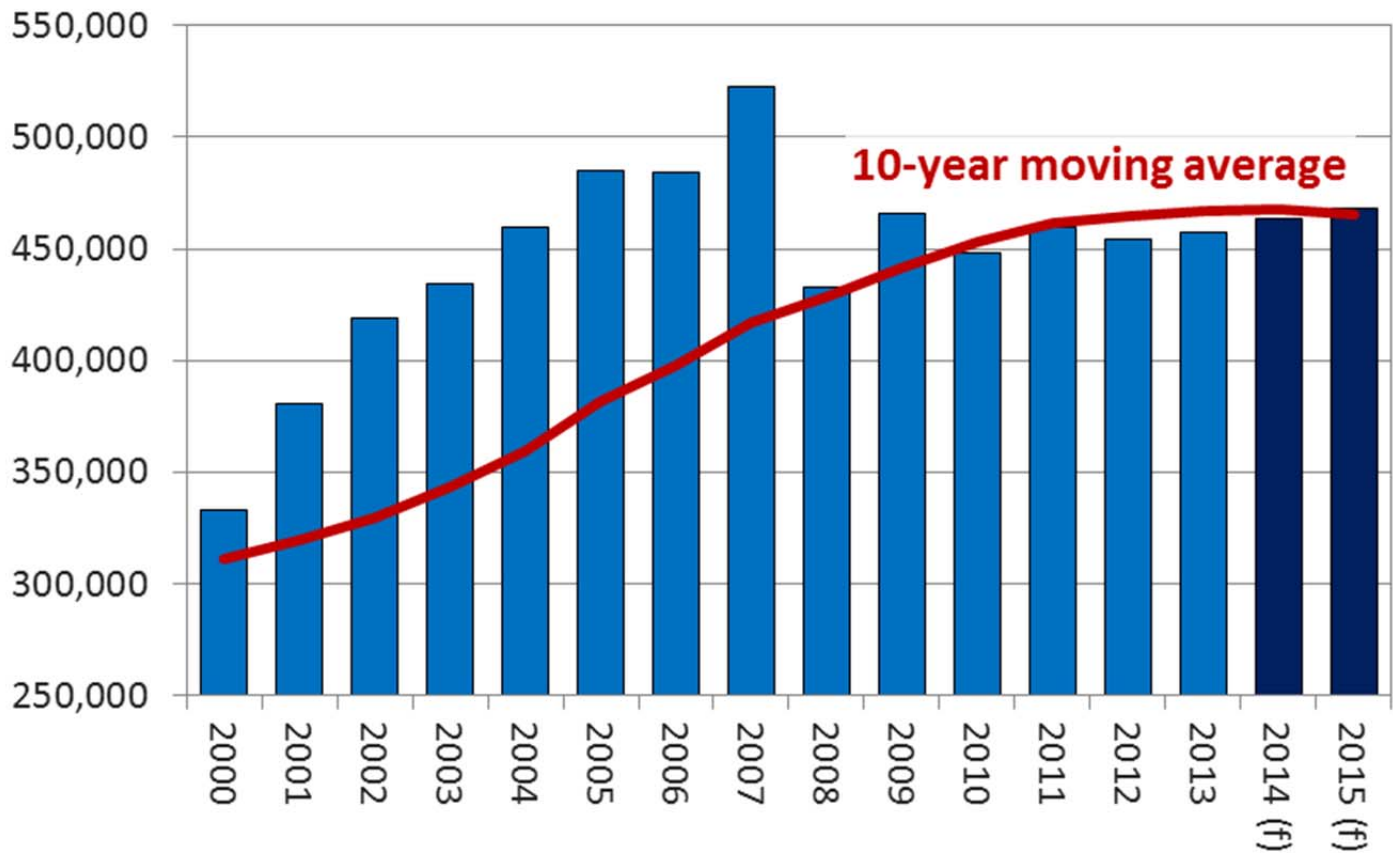
Average prices have remained firm and continue to reflect a rise in the share of national sales among some of Canada's most active and expensive markets compared to last year. Additionally, prices have been heating up in some markets, particularly in Calgary and Toronto where single family properties remain in short supply.

The national average home price is now projected to rise by 5.7 per cent to \$404,300 in 2014, with similar sized gains in British Columbia, Alberta, and Ontario. More modest changes in average prices are forecast for all other provinces this year.

The national average price is forecast to edge up a further 0.7 per cent in 2015 to \$407,300. Alberta and Manitoba are forecast to post average price gains of two per cent in 2015, followed closely by Ontario at 1.2 per cent. Average prices in all other provinces are forecast to remain stable, edging up by less than one percentage point.



Sales Activity Historical and Forecast



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CREA Residential Market Forecast:

Sales activity forecast	2013	2013 Annual percentage change	2014 Projected	2014 Annual percentage change	2015 Forecast	2015 Annual percentage change
Canada	457,764	0.7	463,400	1.2	467,800	0.9
British Columbia	72,936	7.8	79,000	8.3	78,700	-0.4
Alberta	66,080	9.5	68,600	3.8	69,300	1.0
Saskatchewan	13,535	-2.5	13,540	0.0	13,580	0.3
Manitoba	13,735	-1.3	13,780	0.3	13,960	1.3
Ontario	198,675	0.5	197,600	-0.5	199,000	0.7
Quebec	71,206	-8.0	70,000	-1.7	71,800	2.6
New Brunswick	6,282	-1.9	6,020	-4.2	6,160	2.3
Nova Scotia	9,151	-12.3	8,680	-5.1	9,100	4.8
Prince Edward Island	1,425	-11.7	1,450	1.8	1,450	0.0
Newfoundland	4,303	-7.5	4,190	-2.6	4,340	3.6

Average price forecast	2013	2013 Annual percentage change	2014 Projected	2014 Annual percentage change	2015 Forecast	2015 Annual percentage change
Canada	382,575	5.3	404,300	5.7	407,300	0.7
British Columbia	537,414	4.4	567,500	5.6	567,600	0.0
Alberta	380,969	4.9	399,300	4.8	407,200	2.0
Saskatchewan	288,698	4.8	297,300	3.0	299,600	0.8
Manitoba	260,849	5.3	266,500	2.2	271,700	2.0
Ontario	402,547	4.7	428,400	6.4	433,700	1.2
Quebec*	267,673	1.4	268,800	0.4	269,600	0.3
New Brunswick	162,652	1.0	162,400	-0.2	163,200	0.5
Nova Scotia	217,192	-1.5	215,400	-0.8	216,800	0.6
Prince Edward Island	156,108	2.5	161,000	3.1	161,700	0.4
Newfoundland	283,101	5.3	284,600	0.5	287,100	0.9

* Provincial weighted average price for Quebec does not affect unweighted national average price calculations. Information on Quebec's weighted average price calculation can be found at: <http://www.fcq.ca/immobilier-statistiques-definitions.php>



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