



## Real estate buyers to focus on low interest, ignore market turmoil: economists

Mary Gazze, The Canadian Press, On Tuesday August 16

TORONTO - Canada's real estate market is now expected to grow this year rather than decline, as buyers take advantage of continued low interest rates that are intended to offset recent economic turmoil, economists said Tuesday.

The comments came after the Canadian Real Estate Association revised its 2011 national forecast for home resales, citing stronger than expected sales and higher prices in the second quarter.

An earlier CREA forecast that called for a one per cent dip in sales this year from 2011. But the association said Tuesday sales should grow this year — albeit less than one per cent above 2010.

CIBC deputy chief economist Benjamin Tal said recent stock market uncertainty due to the European debt crisis and the United States credit downgrade is actually helping boost sales in Canada's real-estate market.

Bad economic news abroad tends to keep Canadian interest rates low, he said.

Since the European and American debt issues came to a head in recent weeks, economists have been predicting the Bank of Canada will leave its key rate untouched at one per cent until at least next year.

That's a change of opinion since last winter, when economists widely expected Canada's central bank would begin hiking its rates sometime in 2011 as the economy strengthened — putting upward pressure on the price of borrowing.

With the global economy now looking weaker than expected, and the U.S. Federal Reserve promising last week that it will keep its key short-term rate at an all-time low for another two years, the Bank of Canada is now expected to put off raising its short-term lending rates.

"The uncertainty globally is really benefiting mortgage holders because it's really postponing the increase in interest rates in Canada," Tal said, explaining that when the stock market turns volatile, real estate becomes an attractive investment because of its security.

“Many people can use this opportunity to look into extremely low mortgage rates, so again the misery of other people elsewhere is helping Canadian home buyers.”

Meanwhile, CREA’s chief economist Gregory Klump said it is too early to judge whether buyers are moving towards or shying away from real estate due to volatile stock markets. But he said historically, real estate does well during times of uncertainty.

“During periods of financial market upheaval the Canadian real estate market has remained far more stable,” he said, adding that even though some investors put off buying high end homes during the financial crisis of 2008 and 2009, those buyers returned to real estate soon after recovery began.

Overall, CREA said Tuesday that 450,800 housing units are expected to be sold across Canada under its Multiple Listing Service in 2011, and the average selling price will be slightly higher. In May, it had estimated 441,100 units would be sold through the MLS.

About 90 per cent of home resales in Canada are listed on MLS.

CREA said the two markets have a high number of sales and average price, so they play a big part in influencing the national average.

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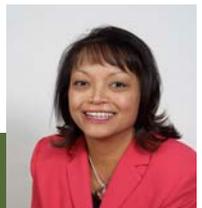
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