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Housing market ripe for one final push, advisor predicts

Doug Watt / July 09, 2004



(July 9, 2004) Despite predictions of a bubble, Canada's housing market remained strong in June and one advisor believes there's room for even more growth before the inevitable slowdown.

The seasonally adjusted annual rate of housing starts was 239,300 in June, according to the Canada Mortgage and Housing Corporation (CMHC), about the same as the previous month.

Economists had expected some moderation in the housing market, but CMHC says June's numbers reflected continued growth in the economy. "Particularly low mortgage rates, improving employment and strong consumer confidence," said CMHC chief economist Bob Dugan.

Housing starts are having their best year since 1987, Dugan added.

CFP Frank Wiginton, a senior personal banking officer at Scotiabank in Toronto, expects the market to heat up again once the Bank of Canada makes its first upward move on interest rates. "No-one's going to want to miss the boat, so we're going to get this huge flood, one last big pop," he predicts. "But as interest rates continue to rise, it will taper off."

TD economist Beata Caranci agrees there's still life in the housing market, despite the fact that mortgage rates have started to creep up in recent months.

Caranci believes that the central bank will start raising interest rates in September, sending mortgage rates on a gradually upward trajectory and squeezing some buyers out of the market. Still, she expects housing starts to remain above the 200,000 level until at least the end of the year.

Meanwhile, Statistics Canada's housing price index rose 0.8% in May, following a 0.7% increase in April.

Prices advanced in 18 of the 21 metropolitan areas surveyed by StatsCan, paced by Hamilton, Toronto, Oshawa, St. John's and Regina.

Housing prices are up nearly 6% compared to last year.

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