

Low inventory levels set stage for heated Spring market in most major Canadian centres, says RE/MAX

Active listings down in 81 per cent of markets in January

Lack of inventory will be the greatest challenge facing housing markets across the country this Spring, according to a report released by RE/MAX.

The RE/MAX Market Trends Report 2010, which examined real estate trends and developments in 16 markets across the country, found that unusually strong activity during one of the traditionally quietest months of the year has led to a sharp decline in active listings in 81 per cent of markets surveyed. The threat of higher interest rates, tighter lending criteria, and in British Columbia and Ontario, the introduction of the new Harmonized Sales Tax (HST) have clearly served to kick-start real estate activity from coast-to-coast, prompting an unprecedented influx of purchasers. As a result, 87.5 per cent of markets posted an increase in sales in January. Average price appreciated in 81 per cent of markets surveyed.

Affordability is the catalyst for the vast majority of purchasers in today's housing market. While homeownership is still within reach in many major centres, levels are slipping. There is a growing sense, on both sides of the fence, that the time to act is now.

Markets experiencing the tightest inventory levels include Toronto (- 41 per cent); Kitchener-Waterloo (-33 per cent); Ottawa (- 30 per cent); Victoria (- 30 per cent); Greater Vancouver (- 27 per cent); Halifax-Dartmouth (- 19 per cent); London-St. Thomas (- 18 per cent); Regina (- 16 per cent); and Winnipeg (- 13 per cent). Conditions were still balanced, but starting to tighten in Calgary, Edmonton and Saskatoon, particularly in the single-family detached category.

The highest year-over-year sales gains were reported in Greater Vancouver (152 per cent), Kelowna (121 per cent), Greater Toronto (87 per cent), Victoria (69 per cent), Hamilton-Burlington (58 per cent), London-St. Thomas (55 per cent) and Calgary (47 per cent). Western Canadian cities dominated the list of centres with the highest increases in price appreciation. These included Victoria at 25.5 per cent, Kelowna at 22 per cent, Greater Vancouver at 19.5 per cent, and Winnipeg at 17 per cent. St. John's (23 per cent) and Toronto (19 per cent) were also among the frontrunners for price growth.

There have never been so many motivating factors in play at once. We're in for a heated Spring market that will, in all probability, spill over into the summer months as the window of opportunity draws to a close. The supply of homes listed for sale has been drastically reduced, housing values are once again on the upswing, and banks and governments are moving in unison toward stricter lending policies.

While buyers are taking advantage of favourable conditions, sellers too are reaping the rewards. Competing bids are a factor in the marketplace once again, with well-priced listings—especially at the entry-level price point—experiencing multiple offers. Properties priced at fair-market value will likely sell quickly for top dollar. The overall pressure on sales and price is significant across the board – and it's not likely to subside unless more inventory comes on-stream.

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The level of frustration is growing, as pent-up demand builds. For every successful offer, there are those that will walk away empty-handed. They're thrust back into the buyer pool and the process starts all over again. Some buyers are upping the ante, while others are considering alternate housing options. Still, purchasers remain cautious in their bids, with most careful not to max out debt service ratios.

Recent revisions to lending criteria will add fuel to the fire in the short term. Buyers considering a variable rate mortgage will step up their plans for homeownership in the next month or so just to get in under the wire. In the longer term, buyers will adjust, but move forward. Compromise has long been a reality—particularly in the larger centres. This simply means they may go smaller or further in their pursuits.

It's been a 180 degree turnaround from this time last year. It's clear that real estate from coast to coast has roared back to life and markets are once again firing on all cylinders. The vast majority of markets are now recovered and fully-evolved, with all segments working in tandem. At the luxury price point, activity was brisk in seventy-three per cent of centres surveyed, with momentum ramping up in the remainder. Opportunity exists in some areas, but the question is for how much longer?

ACTIVE LISTINGS BY MARKET - JANUARY			
Market	2009	2010	% +/-
St. John's	951	999	5%
Saint John	2005	2180	9%
Halifax-Dartmouth	3311	2695	-19%
Hamilton-Burlington**	1028	1261	17%
Ottawa	3988	2840	-30%
Kitchener-Waterloo	1323	884	-33%
London-St. Thomas	2538	2071	-18%*
Greater Toronto	20450	12052	-41%
Winnipeg	2222	1938	-13%
Regina	456	381	-16%
Saskatoon	1156	729	-37%
Calgary	9225	6838	-26%***
Edmonton	6573	4864	-26%
Kelowna	4648	4120	-11%
Victoria	2930	2061	-30%
Greater Vancouver	13996	10218	-27%
*Detached Homes **Freehold Homes ***Total MLS			
Source: Local Real Estate Boards			