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The Canada Mortgage and Housing Corp. is predicting a rise in the inventory of unsold homes.

REAL ESTATE

CMHC sees housing slowdown

Crown corporation predicts interest rate hikes starting late next year

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OTTAWA — The Canadian housing market is expected to cool over the next two years, Canada Mortgage and Housing Corp. said Monday in its fourth-quarter outlook.

A rise in the inventory of unsold homes, higher prices and mortgage rates and an increase in the supply of rental units are all expected to contribute to the slowdown.

CMHC chief economist Bob Dugan says gains in provinces like Ontario and B.C. have offset the drop-off in oil-producing provinces like Alberta.

"We expect, however, that this counterbalancing effect will decrease over time," Dugan said.

"As such, housing starts and MLS sales are projected to moderate in 2016 and 2017."

Low interest rates have helped fuel sales and drive prices in many markets.

However, CMHC noted in its report that it expects interest rates to gradually rise from current levels starting late next

“Housing starts and MLS sales are projected to moderate in 2016 and 2017”

BOB DUGAN

CHIEF ECONOMIST, CMHC

The Canadian housing market has been a key concern for economists as household debt has risen to record levels in relation to income.

Housing has been a key driver of the economy as the real estate market has boomed in recent years and, while the drop in oil prices has hurt some markets, others have continued to march higher.

In its latest report, CMHC raised its forecasts for housing starts and home sales this year, but lowered its expectations for next year.

For 2015, CMHC said housing starts are expected to range between 162,000 and 212,000 units, with a “point” forecast of 186,000 units.

Housing starts are expected to slip in 2016 to a range of between 153,000 and 203,000 units, with a point forecast of 178,150 units, and further slow in 2017 to between 149,000 and 199,000 units, with a point forecast of 173,650 units.

That compared with CMHC’s May point forecast of 181,618 for this year and 181,800 units for next year.

The report Monday predicted sales through the MLS system are expected to range between 444,000 and 546,000 units this year with a point forecast of 494,700 units. In 2016, sales are forecast to range from 425,000 to 534,000 units with a point forecast of 479,500, and from 416,000 to 536,000 units in 2017 with a point forecast of 476,000.

In May, the point forecast for this year was for sales of 475,400 homes and 469,000 next year.

The average MLS price is forecast at between \$417,000 and \$459,000 this year with a point forecast of \$437,700, before rising to between \$420,000 and \$466,000 in 2016. The average price in 2017 is expected in a range of between \$424,000 and \$475,000.