

# Bubble forecasters proven wrong - again

**W**e've been hearing warnings of the impending residential Armageddon for decades now. The crash is coming! House prices will collapse! Where will they ever find buyers for all those condos? Suburbs will become ghost towns!

This year started with a *Maclean's* cover story on the "Great Canadian Real Estate Crash of 2013."

Meanwhile, of course, sales and prices of Canadian residential real estate have continued a ragged-but-consistent ascension, as covered inside in our annual residential investment issue.

Last year, when the federal government brought in tough new mortgage regulations amidst high consumer-debt levels, many predicted a dramatic downturn in the housing market. Yet, in the second quarter of this year, standard two-storey homes and detached bungalows in Canada showed a year-over-year average price increase of

2.7 per cent to \$419,614 and \$386,547, respectively. Average prices for standard condominiums increased 1.2 per cent to \$248,750.

Vancouver saw the average price of a bungalow drop 3.2 per cent in the same period, to \$1.05 million, but that's after unprecedented price appreciation over the past five years. B.C. home sales in July hit the highest level since 2009.

In a recent study, **Royal LePage** forecasted that house prices will see a 3 per cent increase for the full year when compared with 2012.

"Those hoping their predictions of a bursting bubble and cataclysmic drops in home values will come true are out of luck again," said **Phil Soper**, president and chief executive of Royal LePage, which also sees 2014 continuing with an implacable increase in housing values and transactions.

Yet there are reasons to think we could be heading into another strong housing rally. Call us contrarians, but it isn't that

much of a stretch.

Mortgage interest rates remain low – and their impending increase may convince more buyers to pull the trigger before higher rates kick in. Even with recent modest price advances, investing in residential real estate still outperformed the bond market and even gold over the past year. And the appreciation is tax free. Plus, there's the modern anomaly of older Canadians – who were supposed to be shuffling off to rest homes – buying bigger and better homes.

Judging from history, the odds of further inflation of the housing market is much more likely than a bursting bubble.

## NEXT MONTH

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## FRANK O'BRIEN

EDITOR

wieditor@biv.com

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