



HOUSING OUTLOOK BULLISH AS MORTGAGE RATE PLUNGES

As long-term mortgage rates plunged to their lowest level in history - with 10 year terms below 3 per cent - a bullish outlook is forming in the Metro Vancouver housing market.

The just-released Royal LePage House Price Survey and Market Survey Forecast showed strong year-over-year price appreciation for all housing types surveyed in Vancouver - and forecasts steady price increases for 2012.

"Recent high profile reports forecasting significant house price declines in 2012 are not supportable," Royal LePage states in the annual survey.

In the past year, Vancouver detached bungalows posted the largest year-over-year price increases in Canada, rising 14.1 per cent to \$1,017,500. Standard two-storey homes rose 10.9 per cent year-over-year to \$1,117,250, while standard condominiums climbed 10.7 per cent year-over-year to \$536,500.

"While we anticipate some slowing of the market this year, we believe calls for a price correction - particularly

in the condo market - are unfounded," said Bill Binnie, a senior Royal LePage broker, "We expect continued foreign investment and continued low rates to sustain demand for all housing types in 2012."

Binnie noted that low interest rates will convince many people to enter the market or move-up to larger homes. This year, average house prices in the Lower Mainland region will rise 2.3 per cent higher than the end of 2011, Royal LePage predicts.

This month, the Bank of Montreal lowered its five-year fixed mortgage rate to a record low of 2.99 per cent in a month-long promotion. Mortgage brokers are offering 10-year mortgage rates at 3.99 per cent. Meanwhile, the Bank of Canada has kept its prime lending rate at 1 per cent. As an example, a \$300,000 condo mortgage with a rate of 2.99 per cent at 25-year amortization would have a monthly payment of around \$1,400 - less than rent in many cases.

The amazingly low mortgages have turned some former bears into bulls.

"In the recovery period following the 2008-2009

recession, I found myself repeatedly speaking of 'irrational exuberance' in the Canadian housing market," said Phil Soper, president and chief executive of Royal LePage Real Estate Services. "Expectations were too high and the pace of expansion unsustainable. [Now], I find myself in exactly the opposite position. Widespread calls for a major real estate correction in 2012 simply can't be justified. The industry has significant momentum entering the year, and is buoyed by the stimulative effect of very low interest rates; we expect the market to continue to expand - albeit at a slower pace."

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says a report from one of Canada's largest real estate companies.