



# CANADA

## HOUSING MARKET A GLOBAL LEADER

**C**anada's housing market is not perfect, but it outperforms every other developed nation, says a new global survey done by Scotiabank.

The Scotiabank Global Real Estate Trends, released this spring, found that Canada's national average home price fell by 1.6 per cent in the first quarter of 2012 compared to the same period of 2011, when adjusted for inflation. In the global context, this is a sterling performance.

While the last quarter of 2011 saw a 1.3 per cent year-over-year gain in house prices, conditions have cooled. That's because of slower income growth, tighter mortgage insurance rules, and more houses going up for sale in most parts of the country, says Scotiabank economist Adrienne Warren.

"Price trends are relatively steady in the majority of local markets, though a few continue to report strong appreciation," Warren writes in the report.

The report forecasts that the number of sales and

average house prices in Canada will be flat in the second half of 2012, compared to the robust market a year earlier.

Nevertheless, Canada's housing market is doing much better compared to other developed nations, particularly those in European countries.

For instance, Canadian mortgages in arrears – with three or more payments behind – is less than 0.42 per cent in Canada and has remained low for the past 20 years. And our stable housing prices are the envy of most countries.

House prices in Spain, for example, fell 9.1 per cent year-over-year.

Ireland saw house prices fall a whopping 18.9 per cent in the first quarter of 2012 compared to a year before and are down 50 per cent from the peak in the mid-2000s. The proportion of mortgages that are in arrears in Ireland is now double the comparable U.S. rate.

Switzerland is the only European market to report

appreciating home prices in early 2012, but home ownership there is low, at around 40 per cent. In Canada it is closer to 68 per cent.

The battered U.S. housing market is finally showing increasing signs of stabilizing, the report says. Home price declines slowed to just 3 per cent year over year in the first quarter, following an 8 per cent drop in the second half of 2011.

"[U.S.] housing affordability is near record highs, lending conditions are beginning to ease and household formation has picked up sharply," the report says.

Canada has never experienced the type of sub-prime mortgage problems that have plagued the United States housing market.

**Canada's housing market "outperforms" rest of the world, according to a Scotiabank global study.**