



Canadian home sales sink 30 per cent in July

The housing market stalled in July as sales sank 30 per cent from the same month a year earlier, the Canadian Real Estate Association said Monday.

Prices edged up 1 per cent from July, 2009, though they slipped 3.5 per cent from the previous month, with sellers finding far fewer buyers willing to step into the market.

The average resale price nationally was \$330,351, according to CREA. In June, the price was \$342,662.

"We expect a downward correction of nearly 10 per cent in the monthly average prices, followed by several years of stagnation of price growth at the rate of inflation, in order to bring Canadian house prices back to balance," Toronto-Dominion Bank economist Grant Bishop said.

The country's largest cities led the annual decline, with Vancouver posting a 45-per-cent drop in sales.

CREA, a trade association that governs the country's 100,000 real estate agents, attributed the decline to an increased number of sales earlier in the year and said the "outlook for economic and job growth remains generally positive nationally."

"The soft sales figures we're seeing right now can be attributed in part to accelerated home purchases earlier in the year," CREA president Georges Pahud said in a statement. "Activity may remain at lower levels for some time, but ultimately we expect a more stable market to emerge, with demand coming back into line with economic fundamentals."

Earlier this month, CREA lowered its forecast for the year, saying sales would post an annual decline of 1.2 per cent compared to 2009, which saw the market rebound with an unprecedented intensity from the recession. It also forecast average resale prices would end the year at \$331,600 - slightly higher than July's average.

Economists suggest many Canadians bought houses earlier in the year than they would have otherwise to take advantage of low interest rates. This caused huge gains in the first half of the year, but is expected to mean a lull as the year winds down.

"While the softening in sales is very real, we continue to view it as a giveback (a big giveback, admittedly) to the surge in sales in the first half of the year," Bank of Montreal said in a research note. "Anyone who wanted to buy a home this year seems to have done so already. Still, note that prices remain a bit above year-ago levels in all major cities, and it's tough to see the market spinning lower amid a sturdy employment backdrop and a still very low interest rate environment."

The introduction of the harmonized sales tax in British Columbia and Ontario also contributed to the slower sales, with buyers trying to beat the July introduction even though it didn't have a direct connection with resale homes.

"While existing homes sales are not directly taxed, they could still experience an outsized pullback during that month as some previously untaxed housing-related services now fall under the HST," TD's Mr. Bishop said.

"Additionally, the anecdote is that a certain amount of new home buying was moved forward by mistaken home buyer perceptions that purchases ahead of HST implementation would save the tax, ignoring that the pre-HST rush may have actually pushed up prices, with consequent give-back in July."

CREA said the number of listings in July fell by 7.2 per cent, the biggest drop in a decade, as homeowners opted to stay put rather than sell into a weaker market. Since April, new listings have fallen 17.5 per cent, which the organization said will help lead to a "balance between supply and demand and temper home price volatility."

The seasonally adjusted number of months of inventory in July was 7.3 months. That's how long it would take to sell every listed house at the current pace of sales. It's at its highest level since March, 2009.