

REAL ESTATE

Housing sales show two-month rebound

PRICE DROP SLOWS

BY JAMIE STURGEON

Rock-bottom interest rates combined with some relief from Ottawa to pull the housing market out of its tailspin, industry experts said yesterday -- temporarily, at least.

The optimism stems from fresh figures from the country's real estate board that show the second consecutive monthly increase in existing-home sales in March after months of decline.

The number of homes bought and sold last month rose 7% to 31,135 units, seasonally adjusted, from February, which was already more than 10% better than January, the Canadian Real Estate Association said.

The pair of readings counter months of declining sales across Canada as the market crumbled in tandem with the rest of the economy.

Now, with a little help from the Bank of Canada and federal legislators, the market appears to be stabilizing.

"Interest rates and government stimulus are what's helping right now," said Ron Lawby, president of Century 21 Canada LP, one of the country's largest realtors.

Lenders have dropped their rates in lockstep with the central bank, while recently introduced incentives from Ottawa are "causing people to say, 'This is a time I can access the market,'" Mr. Lawby said.

Specifically, two measures in the federal budget's stimulus plans are bringing buyers around: an increase in the allowable withdrawal from registered savings plans for first-time buyers to \$25,000 from \$20,000; and a tax credit of \$5,000 home-buyers may count against their incomes.

'It really is first-time buyers'

SALES

"Housing markets are starting to show signs of buyer interest," said Dale Ripplinger, president of CREA.

As the aim of the incentives from Ottawa would suggest, the greatest demand is occurring down market.

"It really is first-time buyers," Mr. Lawby said. "We're seeing some activity moving up, but the majority is in entry-level homes."

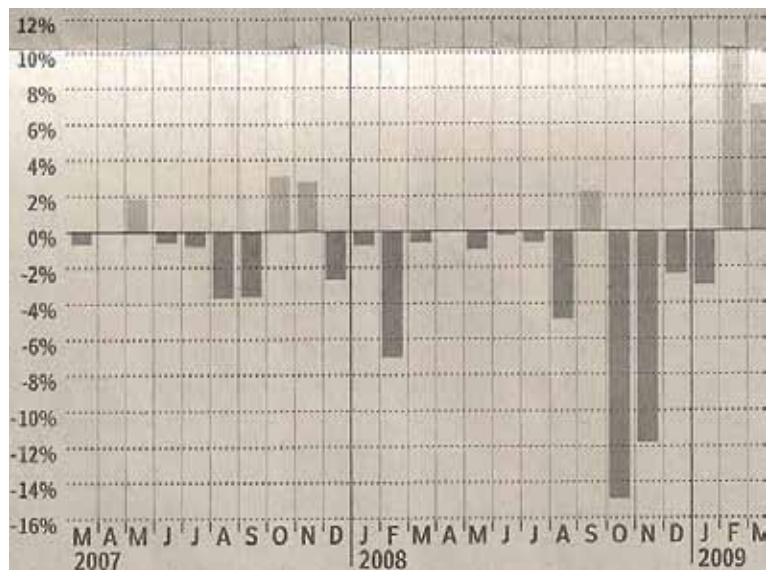
Other indicators released by CREA yes-



MARK BLINCH / REUTERS FILES

The average price for homes sold in March was \$288,641, 7.7% lower than in March, 2008.

CANADIAN EXISTING HOME SALES
Month-over-month % change, seasonally adjusted



SOURCE: THE CANADIAN REAL ESTATE ASSOCIATION ANDREW BARR / NATIONAL POST

terday suggest some stability is returning.

The average price for homes sold remained depressed yet the year-over-year decline is shrinking.

The average residential price across Canada was \$288,641, or 7.7% lower last month than the average price recorded in March, 2008. Yet it was the narrowest year-over-year margin registered in the past six months, and the second month in a row in which the pace of decline eased.

"People are looking at the cost of borrowing money -- with interest rates as low as 3% -- combining that with fact that there is cheaper product on the market and [they're] stepping in," said Michael Polzler, regional director for Re/Max Ontario-Atlantic Canada.

The flood of unsold listings is also drying up. CREA said yesterday 208,755 existing homes were for sale last quarter, down 6.4% from the final quarter of 2008.

Still, most economists were reserved in declaring a firm bottom is at hand. Bank of Nova Scotia's Derek Holt said the two-month bounce in sales signals "sounder conditions" but cautioned that there remain plenty of new homes for sale.

"Inventories are still high which speaks to downside risks to prices," he wrote in a note to clients.

The upturn is also benefiting from seasonality, Century 21's Mr. Lawby said, noting sales are usually strongest between the beginning of March and June.

Millan Mulraine, economics strategist at TD Securities, said a worsening employment picture means the bank expects

"overall housing market activity to remain soft in the coming months."

Meanwhile, new data from the United States yesterday indicate its moribund real-estate market is showing signs of life -- or at least a small degree of optimism.

After the National Association of Home Builders/Wells Fargo index of builder confidence reached a record-low of 8 in January, it rose higher than expected to 14 last month. The index of current single-family

home sales rose to 13, while the gauge of buyer traffic was also higher from February as sentiment among builders in all four regions in the United States improved.

The confidence survey asks builders to characterize current sales as "good," "fair" or "poor." A reading below 50 is considered poor.