

# **Housing Prices Expected to Continue Rising Because of Inflation Expectations with Hiccups Because of the HST**

**BDO Dunwoody Weekly CEO/Business Leader Poll**

**By COMPAS in *Canadian Business***

**For Publication April 5, 2010**



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## 1.0 Overview

Residential housing prices are expected to continue rising over the next five years, though possibly less this coming year than in subsequent years. CEOs and business leaders on the COMPAS business panel foresee a modest increase of 1.75% in housing prices this year with an overall increase of 5% over the next two years, and an overall increase of 13.9% over the next five years.

Economic uncertainty and the HST in Ontario and B.C. may suppress somewhat inflationary pressures in coming months. But general inflationary expectations, strong economic performance in the west, and population pressures in Toronto as a result of immigration are likely to renew upward pressure on prices after this coming year.

Vancouver, Calgary, and Toronto are apt to have the strongest prices with Ottawa and Montreal having the weakest.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.

## 2.0 Details

Detailed predictions of housing prices appear in tables 2a to c. Table 2d displays panelists' assessments of which major markets will have the strongest and weakest housing prices. Following the tables appear verbatim observations from panelists.



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Table 2a: (Q1) As you know, there has been a lot of discussion of where Canadian real estate prices are heading. For the country as a whole, please indicate... where average residential prices will be 12 months from now (mean =1.75%)

	%
Down 25%	1
Down 20%	2
Down 15%	2
Down 10%	5
Down 5%	9
Down 2.5%	6
No change	9
Up 2.5%	28
Up 5%	20
Up 10%	12
Up 15%	2
Up 20%	1
Up 25%	1
Don't know or no opinion	3

Table 2b: (Q2) Where will average residential prices be 24 months from now compared to today? (mean =5%)

	%
Down 25%	0
Down 20%	2
Down 15%	2
Down 10%	3
Down 5%	6
Down 2.5%	4
No change	9
Up 2.5%	14
Up 5%	25
Up 10%	19
Up 15%	8
Up 20%	2
Up 25%	2



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	%
Don't know or no opinion	3

Table 2c: (Q3) How about 60 months or 5 years from now compared to today? (mean =13.9%)

	%
Down 25%	2
Down 20%	0
Down 15%	2
Down 10%	0
Down 5%	0
Down 2.5%	0
No change	3
Up 2.5%	4
Up 5%	8
Up 10%	23
Up 15%	19
Up 20%	14
Up 25%	19
Don't know or no opinion	7

Table 2d: (Q4 and 5) Among the following major markets, which will have the strongest (and weakest) prices over the next 5 years? RANDOMIZE

	STRONGEST	WEAKEST	GAP (I.E. STRONGEST)
Vancouver	45	7	38
Calgary	27	2	25
Toronto	23	9	14
Ottawa	2	13	-11
Montreal	1	64	63
Don't know or no opinion	2	5	NA



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The following verbatims provide a nuanced sense of panel opinion:

As the Federal Government is forced to privatize, Montreal, the benefactor of federal money, will suffer.

BC and Ontario are likely to see house prices drop in the latter two quarters of this year, following the adoption of the HST.

Can't help but think that as interest rates go up there is going to be some downward pressure on house prices.

I don't understand why the government creates a problem when in fact there isn't one.

It's a mugs game!

Strong desirable areas within cities will continue to buck nation wide trends.

The west will continue to show growth (Vancouver, Calgary and Edmonton)

There is a min pre-HST and pre-rate hike bubble that will likely subside over the next 12 months leading to a small decline in prices.

Inflation will become of greater concern, which will drive up prices. A stronger economy will allow for the continuation of a strong immigration program, placing pressures on the larger markets as land gets filled in and becomes scarce. Toronto should see a large proportion of that population growth.

When interest rates rise there will be a slowing of the economy. This could be very dangerous unless there has been a substantial growth in the economy and a reduction in unemployment.



### **3.0 Methodology**

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted March 26 - 30, 2010. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=125 are deemed accurate to within approximate 8.8 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

