Resale housing market should improve in 1992

The anticipated economic turnaround in 1992 should spur both resale home sales and prices in major centres across Canada, according to Royal LePage.

"Currently, most larger Canadian centres have very tentative demand, softening house prices, and a surplus of homes listed for sales," says Gino Romanese, Executive Vice President for Royal LePage. "However, we anticipate that as the economy strengthens, so will resale housing markets across Canada."

Royal LePage believes that economic improvement, along with higher immigration levels and pent-up demand for housing should help to increase sales as 1992 progresses. Lower interest rates and more attractive prices in some regions should also help resale markets. Home sales in Canada are forecast to rise by 5.0 per cent next year to 315,000 units. The average house price should edge up by 3.0 per cent to $154,500.

Although all major Canadian centres are expected to see increases in both resale housing unit sales and prices in 1992, regional variations in markets are anticipated. (Note: all percentage changes indicated are in comparison to 1991 levels.) Specifically:

Vancouver: Affordable prices and increased migration into British Columbia are likely to contribute to stronger housing sales beginning in the spring. Royal LePage is forecasting a 3.0 per cent increase in sales to 35,500 units in Vancouver in 1992, and an average sale price of $234,000, up 4.0 per cent from 1991 levels.

Edmonton: Concerns about job security and reduced activity in the petrochemical sector are likely to constrain the resale housing market in 1992. Growth of the resale housing sector is expected to moderate from the above-average activity of 1991, with sales rising by 6.5 per cent to 12,150 units and the average home price increasing by 5.0 per cent to $113,400.

Calgary: The health of the residential real estate market in 1992 will continue to be closely tied to the well-being of the oil patch. It is anticipated that interest rate stability will encourage home sales to rise by 3.0 per cent to 16,900 units in 1992, and the average house price to grow 3.0 per cent to $132,500.

Regina: Royal LePage expects that higher housing demand, supported by new business locating in the city, will produce a healthier market in Regina during 1992. However, the improvement may be moderate by the province's hard hit agricultural sector. Unit sales are expected to climb 4.2 per cent to 2,500 homes during the year and the average price to reach $70,500, up 2.9 per cent from 1991.

Saskatoon: The resale housing market in Saskatoon may be affected by continuing weakness in the agricultural sector, as well as softness in its local service-based economy. However, it is expected that greater home buyer confidence will help increase sales by 4.2 per cent to 2,500 units, and prices by 2.0 per cent to $76,500.

Winnipeg: By the spring of 1992, the pent-up demand from first-time and trade-up buyers, combined with excellent home affordability and lower interest rates are expected to stimulate Winnipeg house sales. Sales are forecast to increase by 5.0 per cent to 9,600 units, and the average price to firm by 1.9 per cent to $82,000.

Hamilton/Burlington: Sales of lower-priced homes to first-time buyers will continue to drive the Hamilton/Burlington resale market. Unit sales are expected to rise by 5.0 per cent to 8,370 homes in 1991, with the average price increasing 3.0 per cent to $167,500 in 1992.

Toronto: More affordable prices will help entice buyers into the Toronto market in 1992. The current inventory of 30,000 homes for sale should be worked off by spring. Royal LePage expects about 39,000 homes sales, up 5.0 pe cent from 1991 levels, and the average house price to rise by 2.0 per cent to $240,000.

Montreal: The prospect of a stronger Quebec economy is expected to build confidence levels of potential home buyers and increase demand. Royal LePage believes many of the city's homes are currently undervalued, so an anticipated 5.0 per cent increase in sales to 20,725 units during 1992 should help move the average resale home price up 5.0 per cent to $118,375.

Royal LePage is Canada's largest full-service realtor, with close to 11,000 employees and sales representatives in 475 residential, commercial and associate broker offices in Canada, the United States and overseas.

Private pension changes announced

Financial Institutions Minister Brian Charlton recently announced changes to private pension plan regulations which recognize the competitive pressures facing Ontario business while protecting employees' pension security.

"Changes to regulations under the Pension Benefits Act, 1987 will relieve solvency funding pressures for certain pension plans - particularly in the manufacturing sector," Mr. charlton said.

The Minister also introduced new conditions for withdrawal of surplus funds from wound-up plans, to be in effect for three years.

SOLVENCY

The current solvency funding requirement, introduced in 1987, was intended to ensure that plans are adequately funded to cover pension commitments if the company goes under. "This created unexpected high costs for some pension plans with generous special benefits," Mr. Charlton said.

"The changes will help create greater certainty in the business environment now facing serious competitive pressures," Mr. Charlton added.

The high solvency funding costs will be relieved by excluding plant-closure benefits and "grow-in" to consent benefits from solvency-funding requirements. Continued pension security, while minimizing risk to taxpayers, will be provided through a more viable Pension Benefits Guarantee Fund.

Created in 1980, Pension Benefits Guarantee Fund (PBGF) insures pension plans which have a shortfall upon wind-up and an insolvent sponsor. The changes will increase employer-paid PBGF premiums based on the principle, the higher the risk the higher the premium.

"For plans fully funded on a solvency basis, the increase in PBGF premiums will be negligible," Mr. Charlton siad.

A draft of the solvency regulations will be circulated to the actuarial community, pension lawyers and other professionals for technical comment.

SURPLUS

The government also announced changes to the regulation governing withdrawal of surplus from wound-up plans. The new regulation will require employers to negotiate surplus distribution from a wound-up plan.

Surplus withdrawal will be allowed where there is an agreement of the bargaining agent. Where there is no bargaining agent, the agreement of two-thirds of plan members will be required. The Pension Commission would determine the extent to which agreement of other beneficiaries, including retirees, would be needed.

"The existing system encourages parties to resort to costly court action to settle their differences. The changes make it easier to distribute surplus funds when plans are wound up and sponsors and members agree," Mr. Charlton said.

The Minister said the change provides greater certainty for employers and employees because it will be in place for three years. Applications for surplus withdrawal now in process will be decided under existing rules.