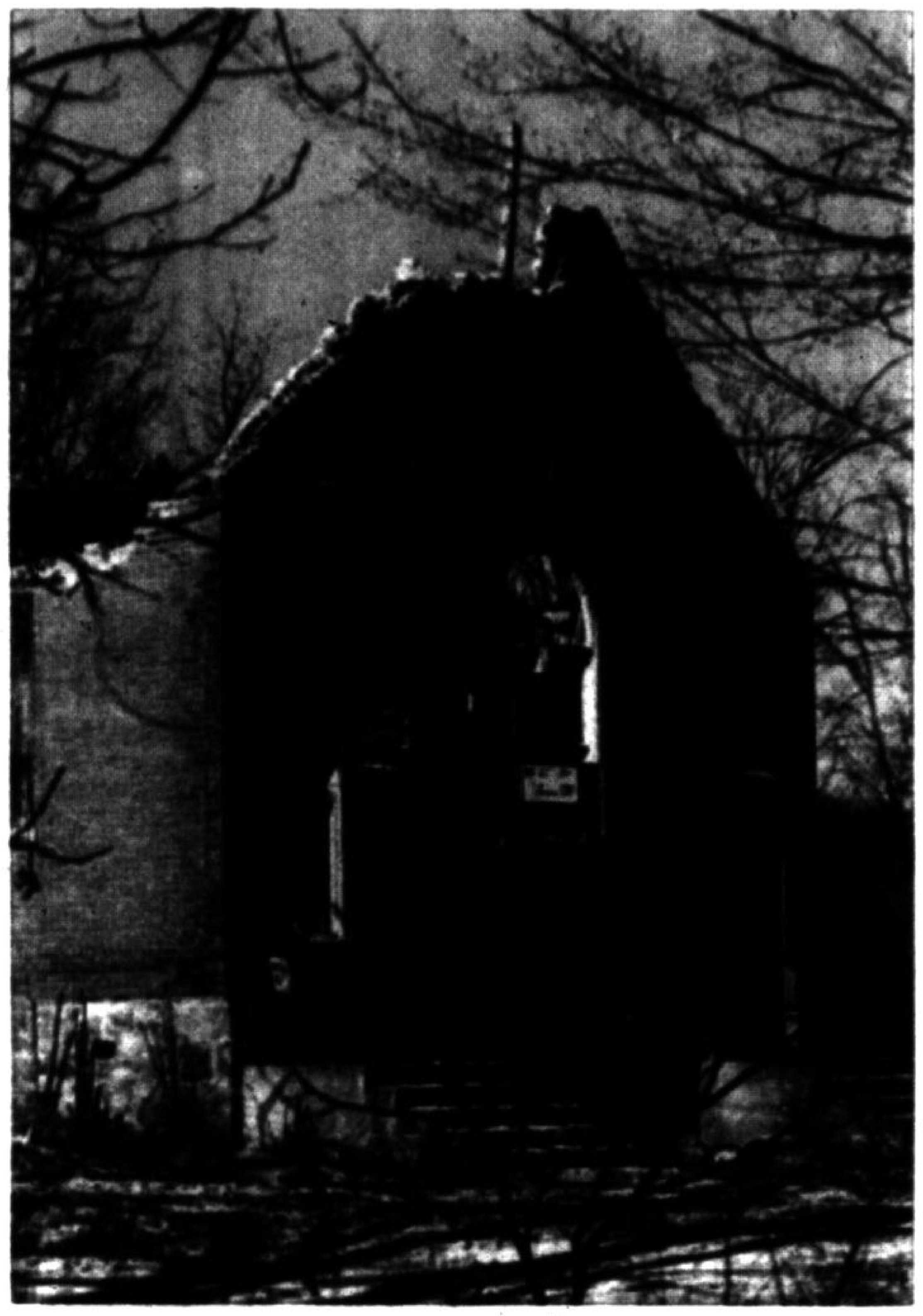
GOING, GOING...



Ed Lehming has photographed many of the old buildings in the Altona area, just east of Stouffville, in recent years. Many are now gone – including the Altona schoolhouse, which was being demolished this winter.

YORK REGION MAY CONTINUE TO OUTPACE MOST AREAS

Housing price gains expected to slow

BY SEAN PEARCE
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Your home may not gain value as quickly in the next decade as it did in the last 10 years, according to a new TD Economics special report.

The trio of TD Canada Trust economists who authored the new study, Long-Run Rate of Return for Canadian Home Prices, predict a 3.5-per-cent annual rate of return on real estate will be the norm beyond 2015, as opposed to the 5.4-per-cent average growth seen between 1980 and 2012 and the 7 per cent per year witnessed over the past decade.

The study also forecasts a string of lacklustre performances over the next few years will equate to just 2-per-cent growth in home prices over the next decade.

Home price growth is slowing to some degree, Toronto Real Estate Board senior market analyst Jason Mercer agreed.

"We're not expecting to see the 6 or 7-per-cent growth we've seen, but we are projecting more modest growth of 3.5 per cent this year," he said.

WEIGH IN

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However, it's important to note some markets will outperform the average, Mr. Mercer said. Vancouver, Victoria, Calgary, Edmonton and Toronto are all listed in the report as areas that will see higher-than-average rates of return on real estate, he said, adding areas adjacent to those overachievers, such as York Region, should also do well.

Condominium prices may be impacted the most by the pricing cooldown, as there is already plenty of supply to go around in the GTA, Mr. Mercer said.

However, land constraints, growing populations and high demand are ensuring the market for low-rise units, such as detached homes, semis and towns, remains tight in the GTA and continues to put upward pressure on prices.

"Low-rise units in the GTA still account for three quarters of total sales," he said.

The Canadian housing market has cooled over the past six months and tighter mortgage rules and stricter lending guidelines are two of the reasons for the sales correction and slowdown in price growth, the TD report says, adding prices remain out of sync with economic fundamentals such as price-to-income and price-to-rent.

Looming societal changes on the horizon, such as the aging population and a gradual decline in population growth, could also affect real estate prices, the report states, although the precise impact, be it positive or negative, remains a matter of some debate among experts.

Moody's Investment Services offers a gloomier assessment of the real estate market's future, suggesting Canadian homes could lose as much as 44 per cent of their value in the event of a major economic crisis.

In addition to Canada, Australia, Spain and the United Kingdom were cited as being among the countries whose real estate markets are significantly overvalued.