



Real Estate Worries Wane After Bank of Canada Cut Stokes Demand

by Theophilos Argitis



(Bloomberg) -- Worries about Canada's real estate market are waning amid signs the central bank's decision to cut borrowing costs earlier this year has lifted demand.

The percentage of Canadians predicting higher home prices rose to 33.9 percent last week, the highest since December, according to a weekly survey by Nanos Research Group. The share of those predicting declining home prices fell to 17.9 percent, after rising to a six-year high of 21.4 percent two weeks ago.

Confidence in Canada's real estate market has been in decline since July amid concern falling oil prices will weaken the economy and finally put an end to a housing rally that some policy makers and economists called unsustainable. Recent data suggest markets such as Toronto and Vancouver remain robust.

National home sales increased 1 percent in February and prices rose 3 percent, the Canadian Real Estate Association reported last week. It was the first gain in two months.

Home sales in February advanced 7 percent in Vancouver and 3.8 percent in Toronto, the Ottawa-based realtor group said. Even Calgary's resale market, which had declined 44 percent in January and December, stabilized in February.

The gap between real estate optimists and pessimists widened to 16.1 percentage points last week, up from 11.2 percentage points two weeks prior, the narrowest in two years.

Every week, Nanos Research asks Canadians for their views on personal finances, job security, the outlook for the economy and where real estate prices are headed. This is what the survey data, which is compiled for Bloomberg News, captured for the week through March 13:

*Worries about the economic outlook have also waned in recent weeks, polling data show. The share of Canadians who are pessimistic about the prospects for the economy fell for a fourth week to 37.8 percent, after the measure reached the gloomiest levels since the 2008-09 recession in mid-February. The share of optimists rose to 14.4 percent last week, from 13.9 percent. The difference between pessimists and optimists narrowed last week to 23.3 percentage points, after reaching as high as 32.6 points in February.

*The share of Canadians who reported feeling better off in terms of their personal finances dropped for a sixth week, declining to 17.9 percent, the lowest since July. The share of those who feel worse off rose to 23.9 percent, the highest this year. The spread between the two, at 6 percentage points, is the widest this year.

*Improving expectations for real estate and economic growth lifted the broad Bloomberg Nanos Canadian Confidence Index to 54.6, its second weekly gain after falling to the lowest in 21 months at the end of February.

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