

## Canadians' Real-Estate Exuberance May Be Fading

By Theophilos Argitis - Sep 15, 2014

Canadians' exuberance about the housing market may be coming back to earth, survey data show.

The share of Canadians who predict [home prices](#) will rise over the next six months fell to 38 percent last week, the lowest since April. The survey is part of polling for the Bloomberg Nanos Canadian Confidence Index, which declined to 58.8, from the prior reading of 59.1, the lowest in five weeks.

Housing is "a key forward indicator to be monitored because the perceptions of real estate have been a key driver of confidence," said [Nik Nanos](#), chairman of Ottawa-based Nanos Research Group. "Positive impressions of real estate are marginally below the 2014 average."

The housing measure reached 47 percent in July, the highest since the survey began in 2008, as Canadian home prices surged in April and May, particularly in the country's largest markets such as Toronto and [Vancouver](#), following a winter lull. The acceleration surprised many who thought near-record household debt burdens and home prices at historical highs would lead to a correction.

The Nanos survey found 48.1 percent of respondents predict prices will remain unchanged, the most since February, and 11.5 percent forecast a drop, matching the average this year.

Statistics Canada said Sept. 12 credit-market debt such as mortgages rose to 163.6 percent of disposable income, from a revised 163.1 percent in the first quarter. The measure reached a record 164.1 percent in the third quarter of last year, after averaging 119.7 percent since 1990.

### Debt Risks

Bank of Canada Governor Stephen Poloz said Sept. 3 "risks associated with household imbalances have not diminished" after saying in July they were "evolving in a constructive way." Poloz may elaborate on his views about real estate when he gives a speech tomorrow in Drummondville, [Quebec](#).

The central bank's trend-setting interest [rate](#) has been 1 percent for four years, helping to keep debt-service costs low for households. Last week's [Statistics Canada](#) report showed interest payments made up 6.9 percent of disposable income in the second quarter, down from 7.2 percent in the previous quarter, to reach the lowest in records back to 1990.

Home sales and prices had shown unexpected strength as the lowest [mortgage rates](#) in decades spur demand. Forecasts for housing starts were raised to the highest this year in monthly Bloomberg News surveys of analysts taken this month.

The [Canadian Real Estate Association](#) said today home sales rose 1.8 percent in August from July, the seventh straight monthly gain, led by sales in Toronto and Vancouver.

The Nanos index has two [sub-indexes](#): the Expectations Index, based on responses about the outlook for real estate and the national economy, and the Pocketbook Index, based on responses about [job security](#) and personal finances. The Expectations Index rose to 57.8 from 57.4 last week, while the Pocketbook Index fell to 59.7 from 60.8.

## **Stronger Economy**

The share of respondents who see a stronger economy over the next six months rose to 22.3 percent last week, from 21.2 percent the previous week, when the reading matched the 2014 average.

Among pocketbook indicators, the proportion of people who describe their job as at least somewhat secure dropped to 68.8 percent last week, up from 70.2 percent the previous week and compared with the 2014 average of 66.9 percent.

At the same time, the percentage of those who say they have become worse off financially in the past year jumped to 27.1, from 25.1 previously and versus the 2014 average of 24.7.

The Nanos index is calculated from surveys based on phone interviews with 1,000 people, using a four-week rolling average of 250 respondents. The results are accurate to within 3.1 percentage points, 19 times out of 20.

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