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British Columbia - February 2004

Canada Mortgage and Housing Corporation

2003 Fourth Qtr. Highlights:

A Strong Finish to a Solid Year

The housing sector in British Columbia is in the middle of an expansionary cycle. Low interest rates combined with employment gains are driving the housing sector.

In the fourth quarter, interest rates held steady near 50-year lows, following declines in July and September. Reduced mortgage carrying costs enabled many British Columbians to become home owners. First-time home buyers, investors and move-up buyers were three of the more active market segments.

Employment picked up significantly in the final three months of 2003, with a gain of 46,200 jobs fueling consumer confidence. Recent surveys reveal that the percentage of British Columbians who feel that the present is a good time to buy big-ticket items is high and that consumers are

optimistic about the future. This optimism continues to fuel demand in the existing and new housing markets.

Resale activity ended the year on a positive note, with 21,320 homes changing hands in the fourth quarter, up 18 per cent from the same period a year earlier. Existing homes sold for an average \$275,388, an increase of 13 per cent from the fourth quarter of 2002.

The spillover of demand from the existing home market into the new home market boosted new construction activity. In the final three months of 2003, 6,739 new homes were built, a 24 per cent increase from the same period a year earlier. Multiple unit starts, totaling 3,969 units in the fourth quarter, accounted for over half of the new homes started. The growing share of multiple unit starts is

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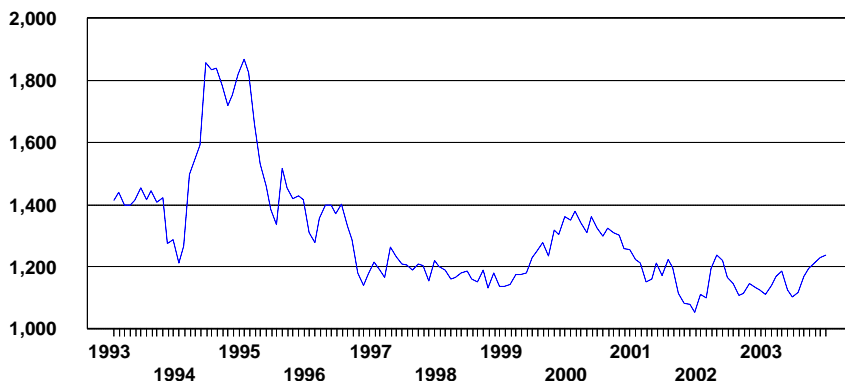
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typical of this stage of the housing cycle. This trend in multiple unit starts is expected to continue in 2004.

The number of single detached homes built increased 12 per cent to 2,770 units in the October to December quarter compared to a year earlier. Vancouver recorded a decline in single detached starts compared to a year earlier. Kelowna, Victoria and Abbotsford posted the largest increases in new single detached homes.

Low interest rates help to reduce average mortgage payments

Avg. monthly payment, 1999 \$, seasonally-adjusted



Source: CMHC



HOME TO CANADIANS
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BC Housing Indicators ... In Detail

The Economy and Interest Rates

The BC economy was dealt a number of blows in 2003 including the impact of SARS on tourism, a 20 per cent increase in the value of the Canadian dollar vis-à-vis the US dollar, the continuing softwood lumber dispute and a devastating forest fire season. Residential investment was once again the main engine of growth. The BC economy expanded by an estimated 1.7 per cent in 2003, down from 2.4 per cent in 2002. A strengthening in real GDP is in store for BC in 2004. As the value of the Canadian dollar stabilizes and the US economic recovery solidifies, the trade side of the BC economy will improve. With both the domestic and external sides of the provincial economy growing in sync, overall real GDP is projected to increase 3.0 per cent in 2004.

The Bank of Canada held interest rates steady through the fall of 2003 after lowering rates in July and September. On January 20, 2004 the Bank lowered the target overnight rate by a further 25 basis points, citing slack in the Canadian economy. The Bank also lowered its projection of economic growth for 2004 to 2.75 per cent from its earlier projection of 3.25 per cent. There is a chance that interest rates could decline at the next rate setting meeting on March 2nd. However, as the Canadian economy rebounds, interest rates will begin to rise late in 2004 in an effort to keep inflation within the Bank's target range.

The continuing low interest rate environment will support demand for housing in BC. However, in the longer-term, a return of interprovincial migration is needed

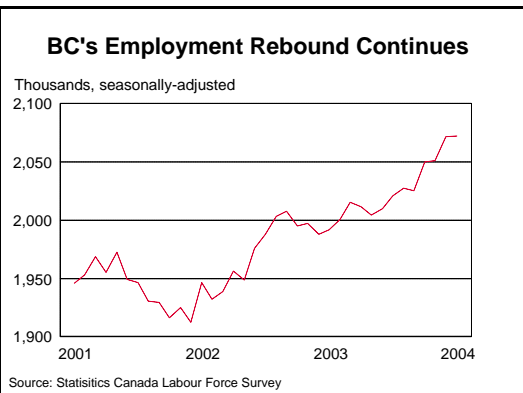
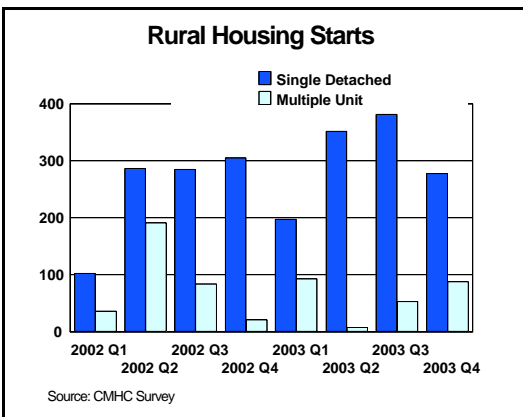
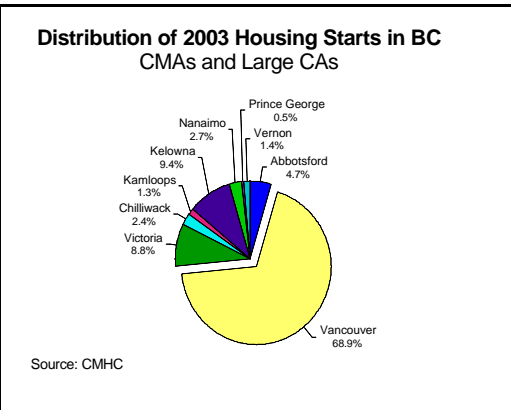
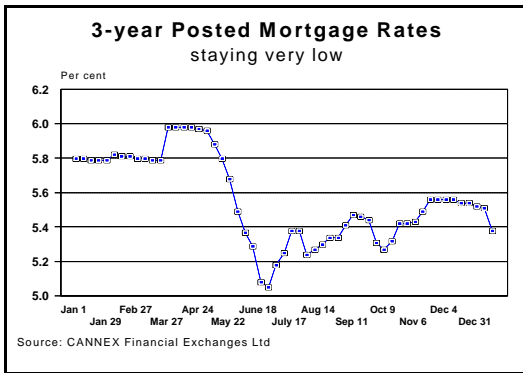
to maintain the level of housing starts near its long-term average. Housing starts in BC are forecast to reach 27,000 units in 2004 and stay at that level in 2005. Housing starts could be higher if population growth exceeds forecasted levels.

The downside risks to the economic outlook include weaker than expected growth in the US economy or further rapid appreciation of the Canadian dollar, either of which would reduce the contribution to growth from international trade. On the upside, an increase in population-driven demand in BC would result in stronger than forecast economic growth.

Employment growth

BC is starting 2004 with considerable momentum in employment. In January, the level of employment was virtually unchanged from December, but 4.1 per cent higher than year-earlier levels thanks to a very strong run-up in the fourth quarter of 2003. The number of new jobs in BC grew at a 6.7 per cent annual rate in the fourth quarter of 2003, the fastest pace in over a year.

Going forward, the province's tourism sector is expected to rebound from last year's slowdown. Stronger US demand for BC exports will spur employment growth around the province. BC added 50,000 jobs in 2003 and is expected to add 35,000 more in 2004.



BC Housing Indicators ... In Detail

Building Permits

The value of residential building permits grew 16.2 per cent in 2003, the third consecutive year of double-digit growth. Although not every permit translates into a housing start, residential building permits are a strong indicator of future building activity. In the fourth quarter of 2003, the value of residential building permits totalled \$1.06 billion. This suggests that significant momentum exists and will carry over into new residential construction in 2004.

Vancouver CMA

With three-quarters of the province's population, it's no surprise that the Vancouver CMA dominates the housing sector. In the fourth quarter of 2003, about two-thirds of the new homes built in BC were in the Vancouver CMA. The region recorded 4,152 new home starts, up 24 per cent from the fourth quarter of 2002. Most of the new starts were in multiple-unit developments. Single detached starts, totaling just 1,240 units, were down 4 per cent from year-earlier levels. The concentration of new construction in multiples reflects a number of factors including high land costs.

In 2003, the Vancouver CMA accounted for a large share of the province's employment growth and was the destination for many of the province's new international immigrants. With a diverse and growing economy, the Vancouver CMA will continue to be the focus of new residential construction activity in 2004.

BC Housing Supply

Builders continue to respond to low interest rates and strong demand for housing with increased building activity. There were 4,989 units completed in the fourth quarter of 2003, a 4 per cent increase from the fourth quarter of 2002. An increase in condominium apartments and single-detached homes was partly offset by a decline in the number of rental apartments completed. Inventory levels remain very low as strong pre-sale and absorption activity continues.

during the fourth quarter, compared to just 21 units in the fourth quarter of 2002.

As the BC economy improves in 2004, particularly in resource-dependent rural regions, housing demand will continue to grow.

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Rural Housing Starts

In the final quarter of 2003, rural housing starts were up 12 per cent from the fourth quarter of 2002. An increase in multiple-unit starts more than offset a 9 per cent decline in the number of new rural single detached homes started. There were 88 semi-detached, row and apartment starts in rural BC

	Single Det.	Semi	Row	Apt.	Total
2002 Q1	103	30	0	6	139
2002 Q2	287	25	24	140	476
2002 Q3	286	38	8	38	370
2002 Q4	305	21	0	0	326
Total 2002	981	114	32	184	1311
2003 Q1	198	28	22	43	291
2003 Q2	353	0	8	0	361
2003 Q3	382	14	14	26	436
2003 Q4	278	24	46	18	366
Total 2003	1211	66	90	87	1454
Urban Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
2002 Q1	1689	152	335	1483	3659
2002 Q2	2896	332	636	1415	5279
2002 Q3	2695	347	628	2263	5933
2002 Q4	2469	280	674	2020	5443
Total 2002	9749	1111	2273	7181	20314
2003 Q1	2230	274	602	1100	4206
2003 Q2	2960	283	851	2003	6097
2003 Q3	3081	326	970	3301	7678
2003 Q4	2770	404	784	2781	6739
Total 2003	11041	1287	3207	9185	24720

Table 1

**Housing Starts, Urban B.C.
October - December 2003**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2002	2003	% Chg.	2002	2003	% Chg.	2002	2003	% Chg.
Metropolitan Areas									
Abbotsford	106	186	75	276	47	-83	382	233	-39
Vancouver	1,288	1,240	-4	2,056	2,912	42	3,344	4,152	24
Victoria	197	272	38	234	257	10	431	529	23
CA's 50,000 - 99,000 pop.									
Chilliwack	73	69	-5	69	109	58	142	178	25
Kamloops	50	48	-4	15	56	273	65	104	60
Kelowna	257	364	42	240	302	26	497	666	34
Nanaimo	112	133	19	6	14	133	118	147	25
Prince George	26	24	-8	0	0	**	26	24	-8
Vernon	63	60	-5	10	11	10	73	71	-3
CA's 10,000 - 49,999 pop.									
Campbell River	16	24	50	0	0	**	16	24	50
Courtenay	69	95	38	8	24	200	77	119	55
Cranbrook	21	13	-38	0	0	**	21	13	-38
Dawson Creek	4	4	0	2	0	**	6	4	-33
Duncan	28	43	54	8	11	38	36	54	50
Fort St. John	11	19	73	6	134	2,133	17	153	800
Kitimat	0	1	**	0	0	**	0	1	**
Parksville-Qualicum	55	56	2	0	41	**	55	97	76
Penticton	39	26	-33	22	10	-55	61	36	-41
Port Alberni	2	5	150	0	0	**	2	5	150
Powell River	0	0	**	0	0	**	0	0	**
Prince Rupert	0	0	**	0	0	**	0	0	**
Quesnel	10	7	-30	0	0	**	10	7	-30
Terrace	0	8	**	0	0	**	0	8	**
Williams Lake	22	24	9	0	2	**	22	26	18
Cities 10,000 pop. +									
Salmon Arm	12	27	125	4	3	-25	16	30	88
Squamish	5	15	200	18	36	100	23	51	122
Summerland	3	7	133	0	0	**	3	7	133
Total	2,469	2,770	12	2,974	3,969	33	5,443	6,739	24

*Courtenay has been changed to a Small CA (10,000-49,000)
CMHC

Table 2

**Housing Starts, Urban B.C.
January - December 2003 (ytd)**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2002	2003	% Chg.	2002	2003	% Chg.	2002	2003	% Chg.
Metropolitan Areas									
Abbotsford	558	634	14	480	422	-12	1,038	1,056	2
Vancouver	4,980	5,382	8	8,217	10,244	25	13,197	15,626	18
Victoria	879	969	10	465	1,039	123	1,344	2,008	49
CA's 50,000 - 99,000 pop.									
Chilliwack	302	263	-13	215	276	28	517	539	4
Kamloops	194	198	2	41	103	151	235	301	28
Kelowna	988	1,291	31	603	846	40	1,591	2,137	34
Nanaimo	418	545	30	69	60	-13	487	605	24
Prince George	96	103	7	4	0	**	100	103	3
Vernon	206	277	34	65	41	-37	271	318	17
CA's 10,000 - 49,999 pop.									
Campbell River	63	95	51	6	2	-67	69	97	41
Courtenay	269	326	21	87	126	45	356	452	27
Cranbrook	61	67	10	27	0	**	88	67	-24
Dawson Creek	12	19	58	4	10	150	16	29	81
Duncan	96	163	70	24	22	-8	120	185	54
Fort St. John	60	62	3	20	142	610	80	204	155
Kitimat	3	3	0	0	0	**	3	3	0
Parksville-Qualicum	231	196	-15	18	52	189	249	248	-0
Penticton	123	124	1	138	95	-31	261	219	-16
Port Alberni	15	23	53	0	8	**	15	31	107
Powell River	5	15	200	0	2	**	5	17	240
Prince Rupert	0	1	**	2	0	**	2	1	-50
Quesnel	29	21	-28	0	0	**	29	21	-28
Terrace	0	11	**	0	2	**	0	13	**
Williams Lake	80	98	23	0	36	**	80	134	68
Cities 10,000 pop. +									
Salmon Arm	47	77	64	37	7	-81	84	84	0
Squamish	13	41	215	43	144	235	56	185	230
Summerland	21	37	76	0	0	**	21	37	76
Total	9,749	11,041	13	10,565	13,679	29	20,314	24,720	22

*Courtenay has been changed to a Small CA (10,000-49,000)
CMHC

Table 3**October - December 2003**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Units Completed							
Metropolitan Areas							
Abbotsford	138	2	0	49	142	0	331
Vancouver	1,283	146	0	503	1,150	255	3,337
Victoria	231	17	0	89	105	0	442
Large Urban Centres & Urban Agglomerations							
Chilliwack	63	4	0	36	0	0	103
Kamloops	43	8	0	8	0	0	59
Kelowna	296	30	0	20	103	4	453
Nanaimo	153	2	0	0	0	0	155
Prince George	26	0	0	0	0	0	26
Vernon	59	2	0	22	0	0	83
Total	2,292	211	-	727	1,500	259	4,989
January - December 2003							
Metropolitan Areas							
Abbotsford	512	8	0	71	264	170	1,025
Vancouver	5,275	674	55	1,951	3,965	1,233	13,153
Victoria	794	84	27	175	197	140	1,417
Large Urban Centres & Urban Agglomerations							
Chilliwack	260	28	0	109	0	33	430
Kamloops	188	32	0	17	0	0	237
Kelowna	1,086	96	4	47	440	8	1,681
Nanaimo	481	30	3	28	4	21	567
Prince George	89	2	0	0	0	0	91
Vernon	225	6	0	39	0	0	270
Total	8,910	960	89	2,437	4,870	1,605	18,871

Table 4**October - December 2003**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Absorption of Newly Completed Units							
Metropolitan Areas							
Abbotsford	120	2	-	45	116	-	283
Vancouver	1,239	165	1	531	1,147	381	3,464
Victoria	226	18	-	85	102	-	431
Large Urban Centres & Urban Agglomerations							
Chilliwack	69	6	-	39	-	-	114
Kamloops	42	9	-	5	-	-	56
Kelowna	296	31	-	19	88	31	465
Nanaimo	153	4	3	-	15	-	175
Prince George	24	-	-	-	-	-	24
Vernon	64	2	-	22	-	-	88
Total	2,233	237	4	746	1,468	412	5,100
January - December 2003							
Metropolitan Areas							
Abbotsford	517	8	-	71	264	170	1,030
Vancouver	5,148	684	55	1,951	3,965	1,233	13,036
Victoria	776	81	27	175	197	140	1,396
Large Urban Centres & Urban Agglomerations							
Chilliwack	270	32	-	109	-	33	444
Kamloops	189	37	-	12	-	-	238
Kelowna	1,089	96	4	45	440	8	1,682
Nanaimo	495	33	3	28	4	21	584
Prince George	98	2	-	-	-	-	100
Vernon	224	14	-	35	-	-	273
Total	8,806	987	89	2,426	4,870	1,605	18,783

British Columbia Housing Monitor by CMHC

1st Quarter 2004

Carol Frketich, Regional Economist

	<u>Recent Statistics 2003</u> <small>*estimate</small>	<u>Likely Direction Over the Next 12 Months</u>	<u>Forecast for 2004</u>	<u>Forecast for 2005</u>	<u>These Numbers Indicate the Housing Market This Year Will</u>
<u>BC Housing Starts</u>					
Total (units)	26,174	▲	27,000	27,000	Improve
year-over-year % change			3.2%	0.0%	
Singles	12,252	▲	12,600 2.8%	12,650 0.4%	Improve
Multiples	13,922	▲	14,400 3.4%	14,350 -0.3%	Improve
<u>BC Resale Market</u>					
MLS Sales (Units)	93,095	▼	82,600 -11.3%	78,000 -5.6%	Weaken
Avg MLS Price (\$)	259,990	▲	270,000 3.9%	278,000 3.0%	Improve
<u>BC Economic Indicators</u>					
Real GDP (% change)	1.7*	▲	3.0	3.3	Improve
Personal Disp. Income (% change)	3.0*	▲	4.1	4.3	Improve
Population Growth Rate (%)	0.8	↔	0.8	0.8	Hold Steady
Net Inter-provincial Migration	-4,000*	▲	-2,000	0	Improve
Net International Immigration	28,300*	▲	30,600	32,300	Improve
Employment (% change)	2.5	↔	1.8	2.0	Hold Steady
Unemployment Rate (%)	8.1	↔	8.2	8.0	Hold Steady
3 year Mortgage Rate (%)	5.82%	↔	5.25 - 6.00%	5.75 - 6.50%	Hold Steady
Inflation: CPI (%)	2.1	↔	1.9	2.0	Hold Steady
Building Permit Values:					
Residential (\$ Millions)	4,516	▲	4,800	4,900	Improve
Non-Residential (\$ Millions)	1,877	▲	1,920	2,050	Improve

BC's economy grew at a slower pace in 2003 than in 2002, with real GDP expanding by an estimated 1.7%. Low interest rates, growing incomes and increased employment supported the domestic sector (mainly residential investment and consumer spending), while the external sector was constrained by an appreciating Canadian dollar. BC continues to be one of the leaders in Canada's construction boom with new home construction up 21% in 2003. A strengthening US recovery will help offset some of the appreciating dollar's impact on the BC economy. As a result, BC should see improvement on the trade side of the economy in 2004. Housing demand will grow alongside overall economic growth in 2004. Resale activity, although still strong, will moderate as interest rates rise late in 2004. Housing starts are forecast to plateau at 27,000 units in 2004 and 2005. Stronger than expected population growth could lead to a higher level of housing starts than forecast.