

# HOUSING MARKET OUTLOOK

## British Columbia Region Highlights



CANADA MORTGAGE AND HOUSING CORPORATION

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## Housing Starts Expected to Increase in 2012 and 2013

Figure 1

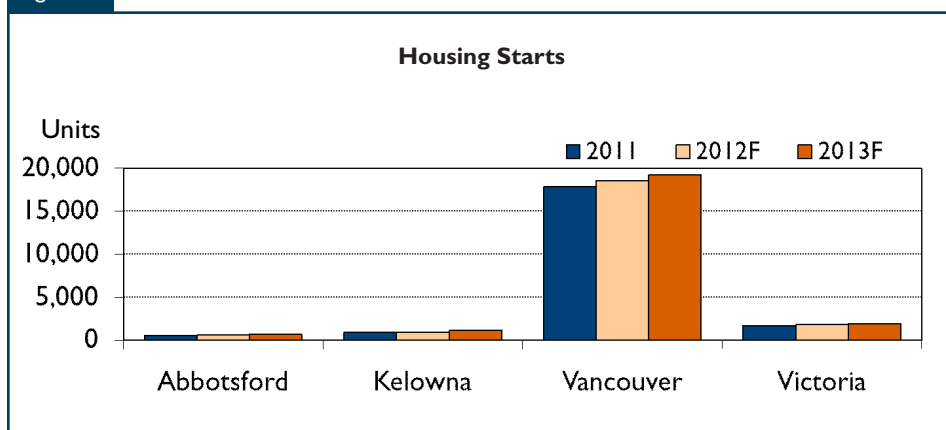
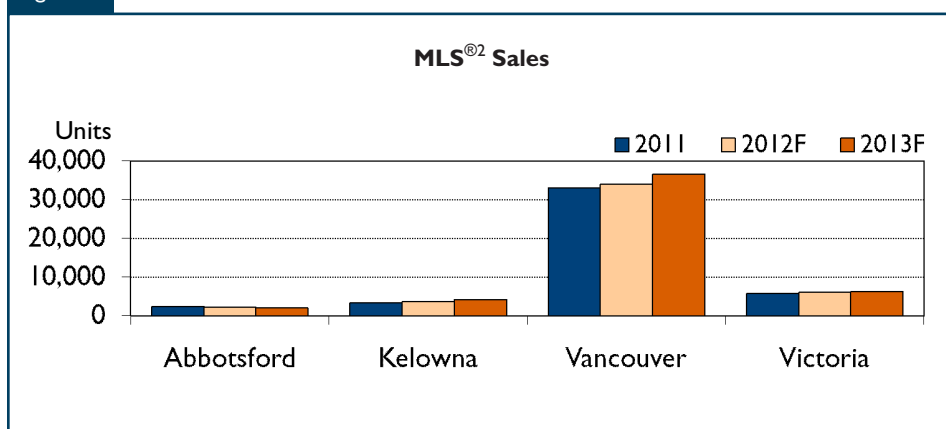


Figure 2



### Overview<sup>1</sup>

- Housing starts are expected to increase in 2012 and 2013, following a period of stable home building in 2011.
- Sales of existing homes are forecast to increase to 81,900 transactions in 2012 and 83,900 in 2013. Resale markets are forecast to remain balanced.
- The average MLS® price is forecast to be \$548,500 in 2012 and \$570,400 in 2013.

<sup>1</sup> The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts included in this document are based on information available as of January 18, 2012.

<sup>2</sup> MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

## Economic Outlook

The pace of economic growth is expected to remain positive in 2012 supporting new housing construction. Favourable economic fundamentals, low mortgage interest rates, expected increases in employment and a steady flow of people moving to the province will fortify the housing market outlook.

Employment growth, which had been concentrated in the Vancouver CMA during 2011, is expected to broaden to other parts of the province during the next two years. As well, the established trend towards full-time job gains is expected to support income growth and homeownership demand in the province.

Migration flows, which slowed in 2011 in response to heightened global economic uncertainty, are expected to resume their upward trend in 2012 and 2013. Population growth from people moving to British Columbia will generate demand for goods and services, including housing.

Mortgage rates, particularly short term and variable mortgage rates, are expected to remain near historically low levels. According to CMHC's base case scenario, posted mortgage rates will remain flat through most of 2012 and start increasing moderately in late 2012 or early 2013. For 2012, the one-year posted mortgage rate is expected to be in the 3.3 to 3.6 per cent range, while the five-year posted mortgage rate is forecast to be within

5.1 to 5.4 per cent. For 2013, the one-year posted mortgage rate is expected to be in the 3.3 to 4.1 per cent range, while the five-year posted mortgage rate is forecast to be within 5.1 to 5.9 per cent.

Mortgage rates		
1 Year	Q4 2011	3.50
	Change from Q4 2010	0.20
	2012 (F)	3.50
	2013 (F)	3.75
5 Year	Q4 2011	5.29
	Change from Q4 2010	-0.02
	2012 (F)	5.30
	2013 (F)	5.54

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q4 2011 data

## Housing Market Outlook

British Columbia's housing market is expected to move upwards over the course of 2012 and 2013 as home builders are expected to gradually ramp up residential construction in response to positive signals from the resale market and economic developments.

The resale market is forecast to maintain balanced supply and demand conditions during 2012. A slightly higher sales-to-new listings ratio, reflecting stronger demand for ownership housing, is projected for 2013 alongside an expected modest pick-up in economic growth.

Resale activity is forecast to pick up during 2012 and 2013 as the stock of housing continues to grow. Close to 82,000 homes are expected to change owners in 2012, with a further 83,900 transactions forecast for 2013.

The average resale price is projected to decline by 2.3 per cent in 2012, following an 11.1 per cent gain in 2011. Looking ahead to 2013, the average resale price is forecast to increase by four per cent to just over \$570,000.

Single detached housing starts are expected to increase in 2012 and 2013, following a decline in 2011. A gradual pick up in the near-term will be followed by stronger growth in the second half of 2013 as uncertainty,

with respect to provincial tax changes, abates. Construction is projected to get underway on 10,000 single-detached homes in 2012 and 10,900 homes in 2013.

Multi-family construction is forecast to grow at a more moderate pace in 2012 and 2013, following a 17 per cent annual increase in 2011. The forecasted rate of multi-family starts, at 18,500 units in 2012 and 19,200 units in 2013, will be slightly above their ten-year average level. Low rise apartment and townhouse starts are forecast to continue their upward trend as builders respond to low rental apartment vacancy rates and condominium vacancy rates in Vancouver.

B.C. Region Economic and Housing Indicators										
		Labour Market				Housing Market				
		Emp. Growth SA <sup>2</sup> (%)	Unemp. Rate SA <sup>2</sup> (%)	Average Weekly Earnings (\$)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price <sup>3</sup> (\$)
<b>Kamloops</b>	Q4 2011	0.4	6.7	n/a	Q4 2011	93	66	27	293	\$368,436
	Q4 2010	-6.6	9.7	n/a	Q4 2010	157	69	88	291	\$345,902
	Change <sup>1</sup>	7.0	-2.9	-	% Change	-40.8	-4.3	-69.3	0.7	6.5
<b>Nanaimo</b>	Q4 2011	-57.1	7.6	n/a	Q4 2011	135	49	86	323	\$319,887
	Q4 2010	10.9	6.1	n/a	Q4 2010	166	77	89	305	\$320,187
	Change <sup>1</sup>	-68.0	1.5	-	% Change	-18.7	-36.4	-3.4	5.9	-0.1
<b>Prince George</b>	Q4 2011	-12.4	6.3	n/a	Q4 2011	26	24	2	226	\$248,936
	Q4 2010	14.5	6.5	n/a	Q4 2010	45	27	18	201	\$232,020
	Change <sup>1</sup>	-26.9	-0.2	-	% Change	-42.2	-11.1	-88.9	12.4	7.3
<b>Abbotsford</b>	Q4 2011	1.2	9.0	770	Q4 2011	175	56	119	494	\$338,073
	Q4 2010	-5.4	10.1	782	Q4 2010	165	78	87	488	\$335,358
	Change <sup>1</sup>	6.5	-1.1	-1.6%	% Change	6.1	-28.2	36.8	1.2	0.8
<b>Kelowna</b>	Q4 2011	-3.1	7.1	802	Q4 2011	215	141	74	654	\$400,471
	Q4 2010	2.8	6.9	782	Q4 2010	188	119	69	603	\$432,886
	Change <sup>1</sup>	-5.9	0.2	2.6%	% Change	14.4	18.5	7.2	8.5	-7.5
<b>Vancouver</b>	Q4 2011	2.6	6.9	867	Q4 2011	4,607	942	3,665	6,454	\$732,123
	Q4 2010	2.1	7.3	835	Q4 2010	4,080	937	3,143	6,868	\$702,353
	Change <sup>1</sup>	0.5	-0.4	3.7%	% Change	12.9	0.5	16.6	-6.0	4.2
<b>Victoria</b>	Q4 2011	-1.5	5.9	815	Q4 2011	361	131	230	1,238	\$482,935
	Q4 2010	-1.5	5.8	811	Q4 2010	409	131	278	1,226	\$505,952
	Change <sup>1</sup>	0.0	0.1	0.5%	% Change	-11.7	0.0	-17.3	1.0	-4.5
<b>B.C.</b>	December 11	1.4	7.0	848	Q4 2011	6,620	2,155	4,465	15,594	\$527,525
	December 10	1.4	7.6	820	Q4 2010	6,344	2,235	4,109	15,412	\$523,008
	Change <sup>1</sup>	0.0	-0.6	3.4%	% Change	4.4	-3.6	8.7	1.2	0.9
<b>CANADA</b>	December 11	1.2	7.5	849	Q4 2011	52,157	21,647	30,510	95,049	\$358,104
	December 10	1.8	7.6	829	Q4 2010	46,958	20,778	26,180	89,608	\$344,351
	Change <sup>1</sup>	-0.6	-0.1	2.4%	% Change	11.1	4.2	16.5	6.1	4.0

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<sup>1</sup> Changes to the Unemployment Rate and Employment Growth represent the **absolute** difference between current rates and the rates for the same period in the previous year.

<sup>2</sup> Seasonally adjusted Labour Force data is not available for Kamloops, Nanaimo, Prince George, and Kelowna, therefore, raw data was used.

<sup>3</sup> MLS® Average Price for Prince George, Nanaimo, and Kamloops is for single-detached units only

Source: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA

"SA" means Seasonally Adjusted

British Columbia Housing Market Outlook											
(units and percentage change)											
	2007	2008	2009	2010	2011	2012(F)	2013(F)	2012Q1(F)	2012Q2(F)	2012Q3(F)	2012Q4(F)
<b>Housing Starts:</b>											
Single	14,474	10,991	7,892	11,462	8,867	10,000	10,900	9,600	9,800	10,200	10,400
%	-6.2	-24.1	-28.2	45.2	-22.6	12.8	9.0	7.9	2.1	4.1	2.0
Multiple	24,721	23,330	8,185	15,017	17,533	18,500	19,200	18,100	18,400	18,700	18,800
%	17.7	-5.6	-64.9	83.5	16.8	5.5	3.8	2.8	1.7	1.6	0.5
Total	39,195	34,321	16,077	26,479	26,400	28,500	30,100	27,700	28,200	28,900	29,200
%	7.6	-12.4	-53.2	64.7	-0.3	8.0	5.6	4.5	1.8	2.5	1.0
<b>Existing Home Markets:</b>											
MLS® Sales	102,805	68,923	85,028	74,640	76,721	81,900	83,900	80,000	80,500	83,000	84,000
%	6.3	-33.0	23.4	-12.2	2.8	6.8	2.4	6.4	0.6	3.1	1.2
MLS® Average Price	439,119	454,599	465,725	505,178	561,304	548,500	570,400	540,000	545,000	551,000	558,000
%	12.3	3.5	2.4	8.5	11.1	-2.3	4.0	0.3	0.9	1.1	1.3

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Source: CMHC (Starts and Completions Survey), CREA

All data in this table, except the MLS (R) average price, is seasonally adjusted at annual rates. The MLS (R) average price data is actual.

B.C. Region - Housing Forecast Ranges						
	2012			2013		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
<b>British Columbia</b>						
Housing Starts	28,500	31,900	24,500	30,100	34,000	26,200
Multiple	18,500	20,700	15,900	19,200	21,600	16,500
Single	10,000	11,200	8,600	10,900	12,400	9,700
MLS® Sales	81,900	90,400	72,600	83,900	92,700	74,800
MLS® Average Price (\$)	548,500	609,600	490,700	570,400	647,200	504,200
<b>Canada</b>						
Housing Starts	190,000	212,700	164,000	193,800	219,300	168,900
Multiple	107,300	120,000	92,500	107,500	121,000	92,600
Single	82,700	92,700	71,500	86,300	98,300	76,300
MLS® Sales	457,300	504,500	406,000	468,200	517,400	417,600
MLS® Average Price (\$)	368,900	410,000	330,000	379,000	430,000	335,000

Sources : CMHC

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B.C. Region Housing Forecast - New Construction									
	Housing Starts	2011	2012(F)*	% chg (2011/2012)	2013(F)*	% chg (2012/2013)	YTD 2011**	YTD 2010**	% chg (2010/2011)
<b>Kamloops</b>	Single-Detached	242	275	13.6	350	27.3	242	360	-32.8
	Multiple	268	275	2.6	275	0.0	268	281	-4.6
	Total	510	550	7.8	625	13.6	510	641	-20.4
<b>Nanaimo</b>	Single-Detached	246	300	22.0	375	25.0	246	410	-40.0
	Multiple	474	450	-5.1	450	0.0	474	376	26.1
	Total	720	750	4.2	825	10.0	720	786	-8.4
<b>Prince George</b>	Single-Detached	116	140	20.7	160	14.3	116	151	-23.2
	Multiple	41	30	-26.8	40	33.3	41	62	-33.9
	Total	157	170	8.3	200	17.6	157	213	-26.3
<b>Abbotsford</b>	Single-Detached	245	250	2.0	250	0.0	245	355	-31.0
	Multiple	292	400	37.0	425	6.3	292	161	81.4
	Total	537	650	21.0	675	3.8	537	516	4.1
<b>Kelowna</b>	Single-Detached	539	600	11.3	700	16.7	539	595	-9.4
	Multiple	395	350	-11.4	450	28.6	395	362	9.1
	Total	934	950	1.7	1,150	21.1	934	957	-2.4
<b>Vancouver</b>	Single-Detached	3,686	3,800	3.1	4,000	5.3	3,686	4,533	-18.7
	Multiple	14,181	14,700	3.7	15,200	3.4	14,181	10,684	32.7
	Total	17,867	18,500	3.5	19,200	3.8	17,867	15,217	17.4
<b>Victoria</b>	Single-Detached	609	650	6.7	750	15.4	609	827	-26.4
	Multiple	1,033	1,150	11.3	1,150	0.0	1,033	1,291	-20.0
	Total	1,642	1,800	9.6	1,900	5.6	1,642	2,118	-22.5

Source: CMHC (Starts and Completions Survey)

(F) = CMHC Forecast

\* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.

\*\* YTD = January - December

B.C. Region Housing Forecast - Resale Market									
		2011	2012(F)*	% chg (2011/2012)	2013(F)*	% chg (2012/2013)	YTD 2011**	YTD 2010**	% chg (2010/2011)
<b>Kamloops<sup>1</sup></b>	MLS <sup>®</sup> Sales(#)	1,689	1,850	9.5	2,100	13.5	1,689	1,614	4.6
	MLS <sup>®</sup> Avg. Price (\$)	369,573	372,000	0.7	377,000	1.3	369,573	370,991	-0.4
<b>Nanaimo<sup>1</sup></b>	MLS <sup>®</sup> Sales(#)	1,532	1,650	7.7	1,750	6.1	1,532	1,598	-4.1
	MLS <sup>®</sup> Avg. Price (\$)	326,281	333,000	2.1	337,000	1.2	326,281	330,774	-1.4
<b>Prince George<sup>1</sup></b>	MLS <sup>®</sup> Sales(#)	1,096	1,100	0.4	1,150	4.5	1,096	1,034	6.0
	MLS <sup>®</sup> Avg. Price (\$)	246,520	251,000	1.8	255,000	1.6	246,520	240,667	2.4
<b>Abbotsford</b>	MLS <sup>®</sup> Sales(#)	2,410	2,200	-8.7	2,100	-4.5	2,410	2,582	-6.7
	MLS <sup>®</sup> Avg. Price (\$)	340,984	340,000	-0.3	344,000	1.2	340,984	341,854	-0.3
<b>Kelowna</b>	MLS <sup>®</sup> Sales(#)	3,330	3,600	8.1	4,100	13.9	3,330	3,289	1.2
	MLS <sup>®</sup> Avg. Price (\$)	404,756	409,000	1.0	417,000	2.0	404,756	419,884	-3.6
<b>Vancouver</b>	MLS <sup>®</sup> Sales(#)	32,936	34,000	3.2	36,500	7.4	32,936	31,144	5.8
	MLS <sup>®</sup> Avg. Price (\$)	779,730	768,000	-1.5	807,000	5.1	779,730	675,853	15.4
<b>Victoria</b>	MLS <sup>®</sup> Sales(#)	5,773	6,100	5.7	6,300	3.3	5,773	6,169	-6.4
	MLS <sup>®</sup> Avg. Price (\$)	498,300	503,000	0.9	506,000	0.6	498,300	504,561	-1.2

MLS<sup>®</sup> is a registered trademark of the Canadian Real Estate Association (CREA).

<sup>1</sup> MLS<sup>®</sup> Average Price for Prince George, Nanaimo, and Kamloops is for single-detached units only

Source: CREA

(F) = CMHC Forecast

\* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.

\*\* YTD = January - December

B.C. Region Housing Forecast - Rental Market						
	Vacancy Rate		Average Rent 1-Bedroom Units		Average Rent 2-Bedroom Units	
	2011	2012(F)	Oct 2011	Oct 2012(F)	Oct 2011	Oct 2012(F)
<b>Kamloops</b>	2.9	2.7	694	700	807	815
<b>Nanaimo</b>	6.3	4.8	661	680	802	820
<b>Prince George</b>	5.1	4.5	604	610	726	732
<b>Abbotsford</b>	6.7	6.0	663	680	800	815
<b>Kelowna</b>	3.0	3.3	736	745	922	925
<b>Vancouver</b>	1.4	1.1	964	1,005	1,237	1,285
<b>Victoria</b>	2.1	1.6	819	835	1,045	1,070
<b>Canada<sup>1</sup></b>	2.5	2.2	n/a	n/a	n/a	n/a

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

<sup>1</sup> All centres 100,000+



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