

HOUSING MARKET OUTLOOK

Vancouver and Abbotsford CMAs



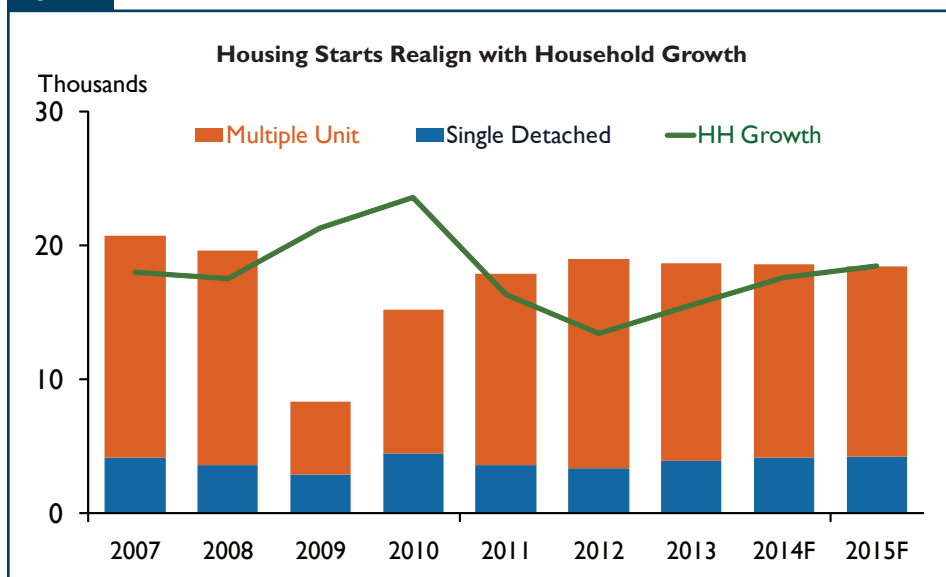
CANADA MORTGAGE AND HOUSING CORPORATION

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Highlights

- New home construction will continue at a steady pace during the next eighteen months, with an increase in single-detached home building partly offsetting a decline in multiple-unit starts¹.
- MLS® sales are expected to maintain levels just shy of the long term average, increasing modestly in 2014 before contracting by a similar amount in 2015.
- Population-based demand will keep purpose-built rental vacancy rates stable at just below two per cent in 2014 and 2015.
- Modest employment and population growth, combined with low mortgage rates, will sustain demand for ownership housing through the forecast horizon.

Figure 1



Sources: CMHC Starts and Completions Survey and Forecast, BC Stats, PE.O.P.L.E. 2013 Household Projections

¹ The forecasts included in this document are based on information available as of April 30, 2014

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Steady Pace of Home Building to Continue

Vancouver CMA housing starts are forecast to continue at a steady pace, with a marginal decrease of less than one per cent to 18,600 units in 2014, and edge lower to 18,400 units in 2015 (See Figure 1). This level of homebuilding is in line with the projected level of household growth². Multiple-unit starts are projected to decline moderately this year and next, while single-detached starts will increase in 2014, before diminishing slightly in 2015. Demand for new homes will remain solid through 2015 as the Vancouver area economy is forecast to grow at a pace slightly above the provincial rate. Employment gains and continued population growth are expected to accompany moderate economic expansion. These factors combined with low mortgage rates will drive demand for new homes.

Single-detached home starts are expected to increase six per cent this year based partly on a trend of increasing absorptions (sales) that started in 2013 and has continued into the first quarter of this year, signaling increasing market demand. First-quarter absorptions increased from 589 homes last year to 1,004 homes this year. As a result, the inventory of completed and unabsorbed single-detached homes moved lower in March 2014, compared to a year earlier. Similar signals are coming from the resale housing market, where single-detached sales and price growth have outpaced that of other home types in many communities within the Vancouver CMA. Some of this demand may be spilling over to the new home market.

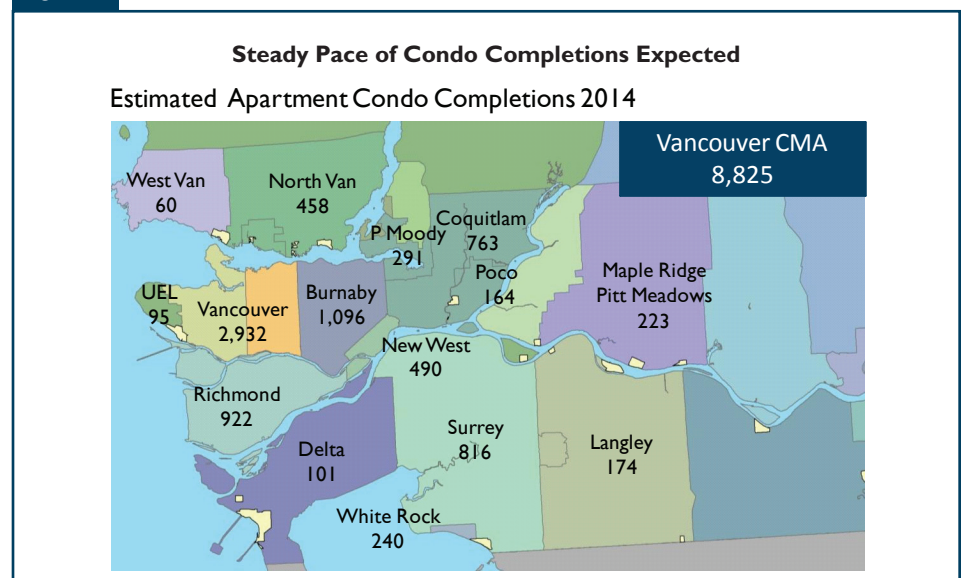
Another resale trend that may be influencing new construction is that there were more home sales of higher priced detached homes during 2013, which may be encouraging builders to start new houses to satisfy demand for larger or more luxurious homes. The majority (69%) of new single-detached homes started so far this year were in the cities of Vancouver, Surrey, Richmond and Burnaby. With the exception of Surrey, these communities tend to have relatively high single-detached home prices compared to other municipalities. This trend in the location of new single-detached construction is expected to continue through 2015.

Multiples starts are forecast to dip lower by close to two per cent both this year and next. Apartment condominium starts will continue to account for the majority of new multiples home construction in the Vancouver area, with building concentrated in areas close to employment hubs, expanding transportation infrastructure,

recreation and shopping amenities. An increase in the number of completed and unabsorbed condominiums will be one of the main factors limiting growth in condominium construction.

First quarter 2014 apartment condominium starts were up 29 per cent to nearly 2,100 units, compared to a year earlier. Although the pace of monthly condominium absorptions increased by 32 per cent in the first quarter of 2014, the standing inventory of completed and unabsorbed units also increased. This is due to a carry-over of unabsorbed inventory from units completed in prior months when absorption levels were lower. Demand for this relatively low-priced home ownership option is expected to remain strong through the forecast horizon. Condominium apartments are particularly attractive to price-conscious first-time home buyers and investor buyers, the majority of whom hold the units for several years and provide rental supply.

Figure 2



Source: Adapted from CMHC Starts and completions data

² BC Stats P.E.O.P.L.E. 2013 projections, CMHC calculation

The inventory of newly completed multiples is expected to move lower once this carry-over is drawn down by a steady level of absorptions. Apartment condominium completions in 2014 are estimated to be at a level very similar to last year (See Figure 2)³.

The pace of absorption is based on CMHC's Market Absorption Survey and Starts and Completions Survey results, which records absorptions upon completion. MPC Intelligence, a private sector firm that surveys the homebuilding industry, compiles data that gives added insight into the state of the condominium market, by providing sales data at all stages of construction, including pre-construction, under construction and at completion. According to the first quarter 2014 MPC data, 18 per cent of the condo stock at all stages of construction is unsold, compared to 23 per cent one-year earlier. At the current pace of sales, this data shows a 10-month supply of new units at all construction stages, compared to a 20-month supply in the first quarter of last year. Most centres near the core of Vancouver, including Richmond, Burnaby, North and West Vancouver, Coquitlam, and Port Moody had durations of supply similar to or below the Metro Vancouver aggregate. Communities in the Fraser Valley, such as Surrey and Langley, Maple Ridge and Port Coquitlam had durations of supply above the aggregate level.

MLS® Sales to Grow Modestly in 2014⁴

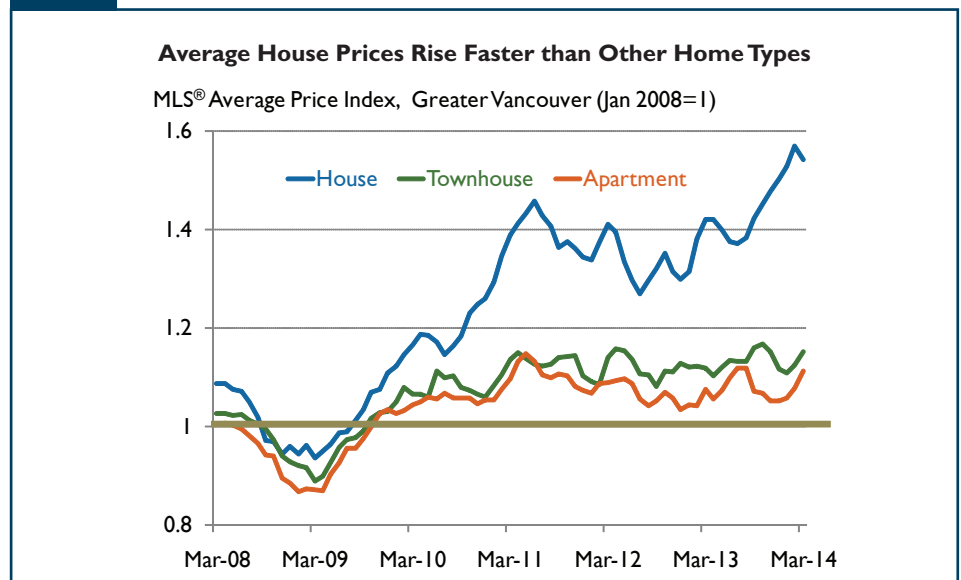
Greater Vancouver MLS® sales are forecast to increase 3.5 per cent in 2014 to reach 30,000 transactions, in line with the 10-year average level. Steady population growth, improving employment and low mortgage interest rates will drive the increase in resale activity during 2014. In the later part of 2015, the impact of these positive demand factors will be somewhat dampened by gradually increasing mortgage interest rates, which will move sales lower. In 2015, sales are forecast to decline four per cent to just over 28,000 homes changing hands.

Sales in the first quarter of 2014 were up 27 per cent compared to the same period last year. However, it is important to note that sales during

the first quarter of 2013 were at their lowest first quarter level since 2009 and that this year's figure is more in line with the 10-year average level. Strong first quarter activity was lead by the detached home segment, with sales up 31 per cent. Apartment condominium sales increased 25 per cent and townhome sales grew 17 per cent in the first quarter of 2014. Sales began trending higher in the second half of 2013, and this trend is expected to continue until mid-2015.

The increase in resales that started in 2013 has been accompanied by a gradual reduction in the number of new listings coming to the market each month. As a result, overall market conditions moved from buyers' market territory in mid 2013 to balanced market territory. Demand and supply conditions are expected to remain balanced through the forecast

Figure 3



Source: REBGV, adjusted and indexed by CMHC (3-month moving average).

³ Completions were estimated based on the following completion times: Low-Rise 12 months and High-Rise 24 months. These completion times were applied to starts data from January 2012 through March 2014 to project the number of completions in 2014.

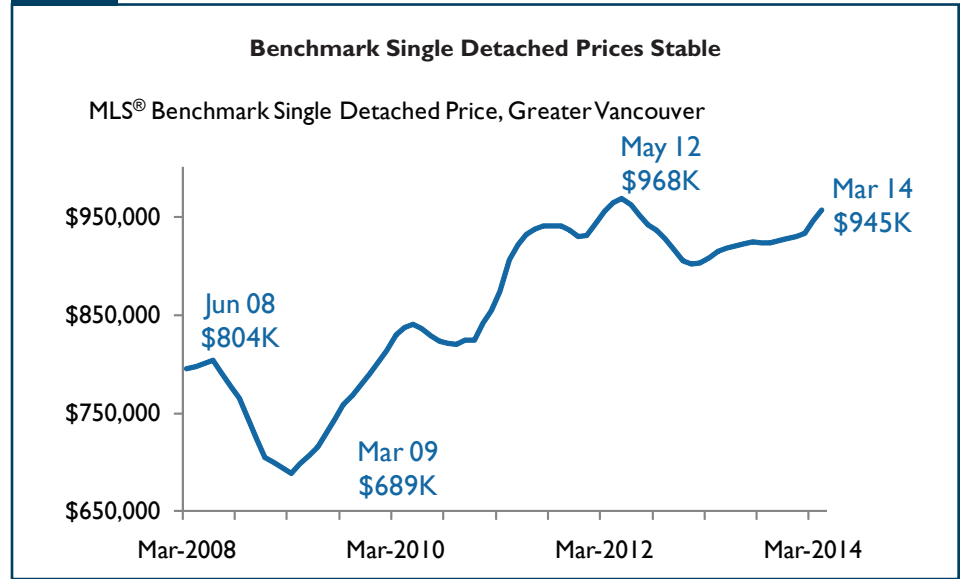
⁴ This section addresses the resale market in the Real Estate Board of Greater Vancouver area. This area does not include Surrey, Langley, White Rock, or North Delta. Please see the Fraser Valley resale section of this report for commentary on these communities as well as the Abbotsford-Mission CMA.

period. With new listings declining for nearly a year and sales trending higher, the stock of active listings has been slowly drawn down. Under these conditions, neither buyers nor sellers have an advantage over the other in negotiations, leading to modest price gains.

The average MLS® price is forecast to increase 2.4 per cent in 2014 and to edge up by less than one per cent in 2015. Increases in the aggregate average price will be driven mainly by increasing single-detached home prices (See Figure 3) that are being pushed higher by a large proportion of sales in higher price ranges (i.e. \$3M+). This suggests that price increases, even for single-detached homes, will not be generalized across the majority of homes in all price ranges. Townhome and apartment condominium prices are expected to show little change going forward, reflecting borderline balanced to buyers' market conditions characterized by steady sales and an ample supply of listings.

As a result of the compositional effects that high-end home sales can have on average home prices, it is useful to look at the MLS® HPI benchmark price⁵, to get a clearer picture of price trends. This measure targets a standard home and compares that same type of home over time. The advantage is that this measure is not influenced by the composition of sales, for example, more high-end sales causing the average price to increase. The benchmark single-detached price has trended steady since late 2012 (See Figure 4). Townhome and apartment condominium benchmark prices show

Figure 4



Source: Canadian Real Estate Association

a similar pattern of little movement for several years. MLS HPI benchmark prices support the expectation that price growth through 2014 and 2015 will be modest in most areas of Greater Vancouver.

Rental Vacancy Rate to Remain Stable

Demand for rental accommodation in the Vancouver CMA will remain solid this year and through 2015. Several factors will support rental demand, including a growing population and the relatively low cost of rental accommodation compared to ownership housing. An improving employment trend through the forecast horizon will also support demand for rental housing. However youth employment (ages 15-24) has lagged growth in other age groups and this will temper the impacts of the overall trend, putting slight upward pressure on vacancy rates. Increases

to the supply of rental housing, mostly from investor-held rental units⁶ may also put upward pressure on purpose-built rental apartment vacancy rates. The vacancy rate for purpose-built rental apartments is forecast to remain just under two per cent, increasing from 1.7 per cent in 2013 to 1.9 per cent in 2014, before edging lower to 1.8 per cent in 2015.

A growing population that is expected to generate more than 17,000 new households each year⁷ will be one factor supporting rental demand. Many of these new households will be formed by immigrants to the region, who tend to rent, at least for several years, before buying a home. Immigration to the Vancouver area is expected to remain stable this year and next, contributing new households in need of rental housing.

Another factor that will help maintain rental demand is the relatively low cost of monthly rental payments

⁵ Canadian Real Estate Association (CREA)

⁶ Also called secondary rental units, which include investor-held condominiums, accessory suites, townhomes and homes that are in the rental pool.

⁷ BC Stats P.E.O.P.L.E. 2013 projections, CMHC calculation

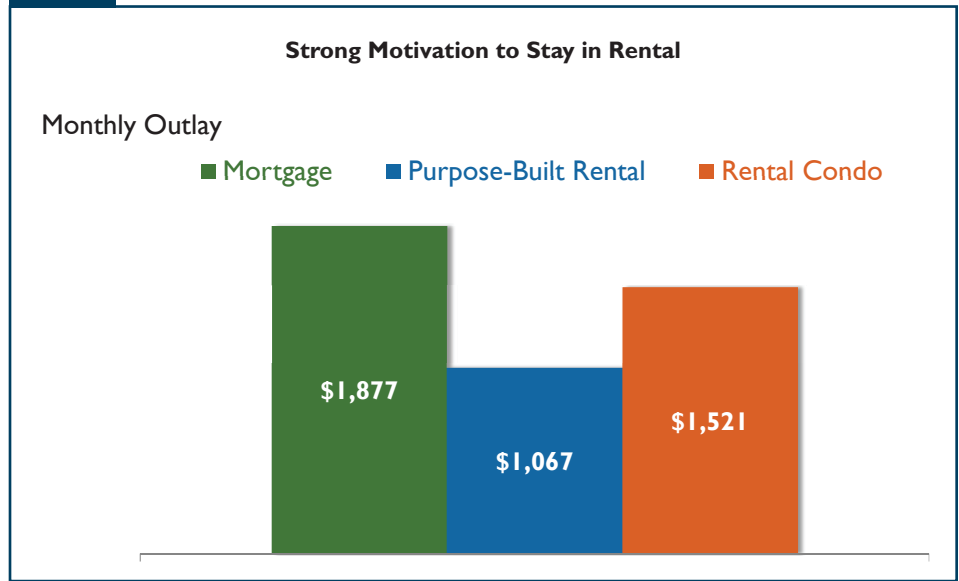
compared to mortgage carrying costs (see Figure 5). For younger households choosing between rental and ownership housing, an additional consideration is the down payment required to enter home ownership. Given the current level of average MLS® apartment condominium prices in Greater Vancouver, a five per cent down payment would be close to \$20,000. These cost considerations may keep some households in rental accommodation.

While the increases in employment projected for 2014 and 2015 will support demand for rental housing, a decline in youth employment (15-24 year age group) since the fall of 2013, will continue to dampen demand, contributing to a higher vacancy rate in 2014. As employment gains take hold in 2015, there will be less upward pressure on vacancy rates.

Competition from investor-held rental units may also put mild upward pressure on vacancy rates. Although the number of purpose-built rental units started in 2013 more than doubled compared to 2012, the impact of the approximately 3,000 new units on a universe of nearly 265,000 units will likely be negligible. Similarly, the addition of nearly 2,700 rental condo apartments to the rental universe in 2013 had very little impact on the condo apartment vacancy rate, which moved lower in 2013 due to strong population-based demand.

Purpose-built apartment rents are forecast to increase at a modest pace near the rate of consumer price inflation in 2014 and at a slightly faster pace in 2015.

Figure 5



Oct. 2013 Average MLS® apartment condo price

Source: CMHC, adapted from CREA, CMHC Rental Market Survey, Condo Rent Survey, Oct 2013

Economic Outlook

The Vancouver area economy is expected to grow at a pace slightly ahead of the province, with fundamentals such as employment and population growth supporting a stable housing market.

A diversified economy will generate a faster rate of job growth than recorded last year. In the first quarter, employment was up 1.7 per cent from the first quarter of 2013. Employment is forecast to grow 1.4 per cent in 2014 and 1.8 per cent in 2015, following a slight decline in 2013.

Population growth will generate demand for goods and services, including housing. Vancouver is the destination of choice for many new migrants coming to Canada. As a result of this inflow, population growth in the region is expected to outpace that of the province overall. Net migration from international and interprovincial sources is expected

to add 24,300 persons in 2014 and 25,000 in 2015. Household formation from the current population and migration is forecast to add an estimated 17,500 households per year during the 2014 to 2018 period⁸.

Non-residential investment, which includes transportation infrastructure, commercial development, institutional and government, is forecast to generate jobs this year and next. Investment in infrastructure to move goods and people will benefit the export sector. In the first quarter of 2014, the value of commercial, industrial, government and institutional building permits issued in the Vancouver Regional District was up 34 per cent higher than the value of permits issued during the first quarter of 2013⁹.

A lower Canadian dollar will benefit the warehousing and transportation, as well as the tourism sector, generating jobs and contributing

⁸ BC Stats P.E.O.P.L.E. 2013 projections, CMHC calculation

⁹ <http://www.bcstats.gov.bc.ca/StatisticsBySubject/Economy/BuildingPermitsHousingStartsandSales.aspx>

to growth in the regional economy. Port Metro Vancouver trades \$184 billion in goods (based on 2013 cargo volumes) with more than 160 trading economies annually. A lower Canadian dollar and demand for British Columbia exports from overseas are expected to support growth in this sector. The cruise ship industry, which brings a large number of visitors annually, is expected to see 812,000 passengers on 243 ship visits in 2014, a similar level as recorded in 2013, according to Port Metro Vancouver. Vancouver International Airport reported increased passenger traffic and increased air cargo tonnage shipped during the first quarter of 2014 compared to the first quarter of 2013¹⁰.

Service sectors including retail and wholesale trade, health and social services, accommodation, food and beverage services are poised to expand in line with population growth.

Mortgage rates to see gradual and modest increases by the end of 2015, but will remain low by historical standards

Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to register gradual and modest increases by the latter part of the 2015 forecast horizon. This will lead to increases in mortgage rates. Despite this, mortgage rates will remain low and will continue to support housing market activity over the forecast horizon.

According to CMHC's base case scenario for 2014, the average for the one-year posted mortgage rate is forecast to be within 3.0 per cent to 3.5 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.0 per cent to 5.5 per cent. For 2015, the average

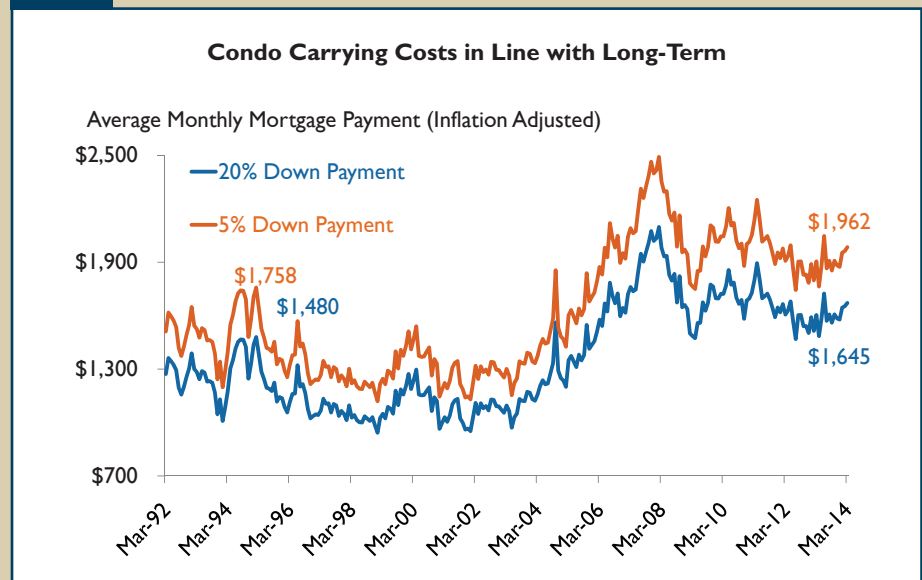
for the one-year posted mortgage rate is expected to rise and be in the 3.20 per cent to 4.25 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.0 per cent.

¹⁰ http://www.yvr.ca/Libraries/Aviation_Marketing/March_2014_Traffic_Update.sflb.ashx

Spotlight: Condominium Ownership Housing Costs

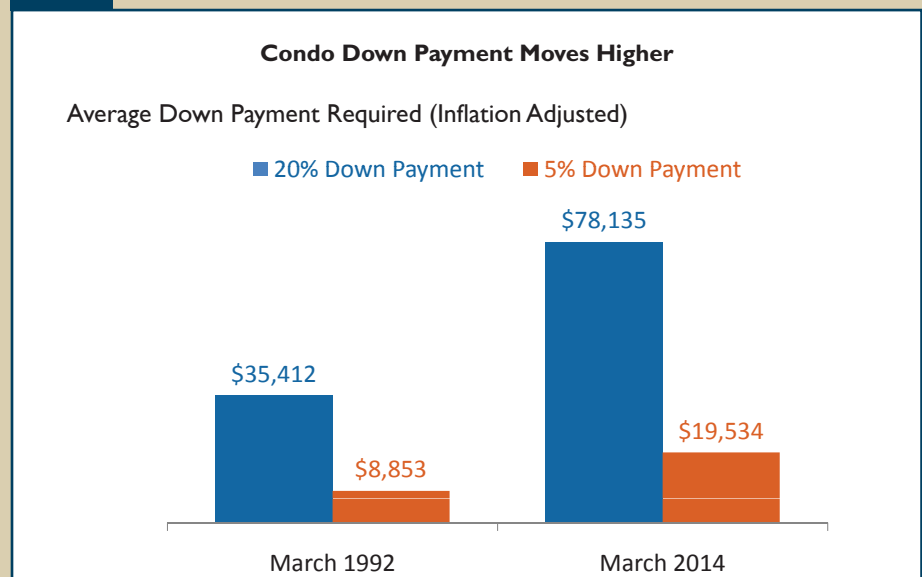
Relatively high home prices have been a reality in Greater Vancouver for decades. The average MLS® price in the region has surpassed that of other large centres in Canada since the early 1980s. However any of the standard measures of home price levels (average, median or benchmark prices) can mask the impacts of mortgage rates on monthly mortgage carrying costs. Using apartment condominium carrying costs as a gauge of monthly costs for potential first-time or low-equity buyers, shows that the monthly cost of homeownership, at \$1,645, is similar to the cost in the early 1990's, due to the effect of the current low mortgage interest rates (See Figure 6). The inflation adjusted monthly cost of servicing a mortgage is approximately \$200 higher than the level required twenty years ago. However, the inflation-adjusted down payment required to qualify for a condominium mortgage has doubled during the same time period (See Figure 7). The down payment presents one of the main challenges for potential first-time home buyers in the Vancouver area market.

Figure 6



Assumptions: REBGV average apt condo price, Statistics Canada Vancouver CPI, Bank of Canada Average posted 5 year fixed mortgage rate, 25 year amortization

Figure 7



Assumptions: REBGV average apt condo price, Statistics Canada Vancouver CPI, Bank of Canada Average posted 5 year fixed mortgage rate, 25 year amortization

Trends at a Glance

Key factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates are expected to rise gradually over the forecast horizon but remain near historical low levels. Current mortgage rates are supportive of housing demand.
Population	Steady migration to support long-term housing demand in the Vancouver CMA.
Employment	A diversified economy will generate a faster rate of job growth than recorded last year. Employment is forecast to grow 1.4 per cent in 2014 and 1.8 per cent in 2015, following a slight decline in 2013.
Income	Real average weekly earnings were up in 2013 and will help support housing demand in 2014 and 2015.
Resale Market	Steady population growth, improving employment and low mortgage interest rates will drive the increase in resale activity during 2014. In the later part of 2015, the impact of these positive demand factors will be somewhat dampened by gradually increasing mortgage interest rates, which will move sales lower.
Supply of New Completed and Unabsorbed Units	Completed and unabsorbed apartment condominium inventory higher and will likely moderate new construction activity.
Units Absorption	To date in 2014, absorptions up mainly due to higher completions. However, increased absorptions have been insufficient to draw down inventory of completed and unabsorbed units.

Forecast Risks

This forecast is subject to some risks, including the following:

- The number of multiple housing units currently under construction in some local markets remains relatively high from a historical standpoint. As these units are progressively completed, inventories of newly completed and unabsorbed units may rise in the short to medium term, if they are not entirely absorbed by demand. Should the inventory of new units increase inordinately, builders may delay or reduce the size of some construction projects. This could lead to a sharper-than-expected moderation in starts.
- Canadians are still accumulating debt, albeit at a stable pace. Nonetheless, levels of household debt remain relatively high. With historically elevated house prices in some urban centres, these factors have made the Canada's economy more vulnerable to some economic shocks. For instance, if a sharp increase in interest rates or a large deterioration in employment were to occur, some of the more heavily indebted households could be forced to liquidate some of their assets, including their home. This could put downward pressure on house prices and, more generally, on housing market activity. Although this risk can arise in the shorter term, its impact would not be immediate on most indebted households because of the prevalence of fixed mortgage terms.
- The economies of China and other emerging-market countries remain vulnerable to tightening credit conditions and political uncertainty. This could affect the global economic recovery and world financial system. In turn, this could negatively impact demand for Canadian exports, contributing to a weakening of the Canadian economy and potentially lower demand for housing.
- A stronger than expected U.S. economic growth could positively impact Canadian economic growth, contributing to a higher level of activity in Canada's housing markets.

Abbotsford-Mission Spring HMO 2014

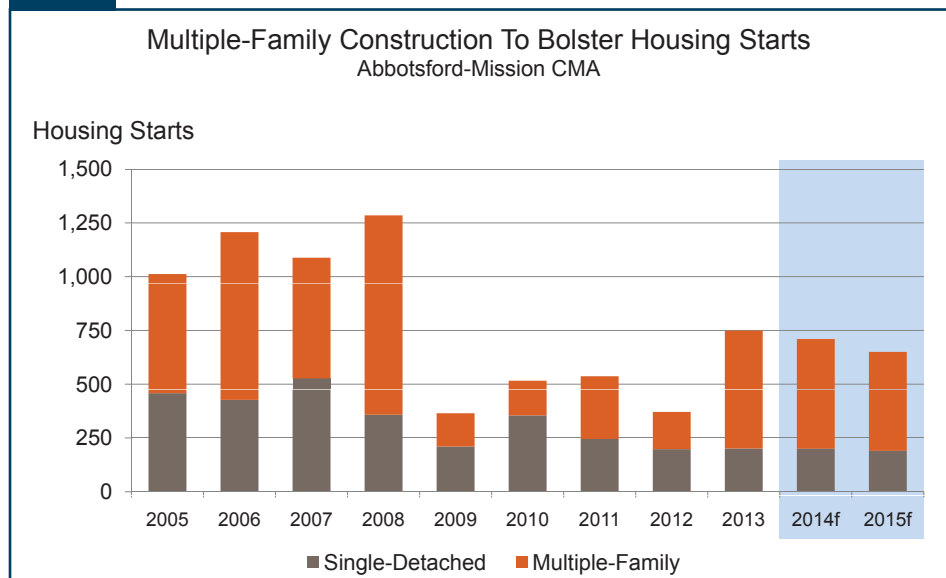
- Total housing starts are forecast to moderate in 2014.
- Multiples starts, including rental apartment units, will make up more than half of new home construction activity in the Abbotsford-Mission CMA in 2014 and 2015.
- MLS® sales are forecast to increase modestly in the Abbotsford-Mission CMA and Fraser Valley Real Estate Board area.
- Apartment rental vacancy rates will remain close to 3.0 per cent over the next two years.
- Employers are expected to shift towards more full-time job opportunities, reflecting positive momentum in the local economy.

Housing Starts Expected to Moderate in the Abbotsford-Mission CMA

New home construction activity was busy last year in the Abbotsford-Mission CMA. In 2013, total housing starts reached their highest levels since 2008, at 749 units. Nearly three-quarters of total starts were multiples (semi-detached, townhouse, and apartment). Similar levels of multiples starts were recorded in 2008, and this trend is expected to continue in both 2014 and 2015.

Housing starts were off to a slower pace in 2014. There were a total of 49 starts between January and March this year comprised of 43 single-detached homes and 6 multiples units. This is a contrast to the 175 units started during the same time one year ago, and reflects a lower level of multiples

Figure 1



Source: CMHC Starts and Completion Survey, Forecast CMHC

housing starts in the first quarter of this year compared to the same period last year. In the first quarter of 2013 there were 131 multiples starts. Single-detached starts this year were on par with first quarter levels last year.

Despite the slower start to 2014, housing starts are expected to pick up during the remainder of the year. However, new construction is projected to moderate overall to 710 homes in 2014, compared to 749 units in 2013, and to step down in 2015 to 650 starts. Single-detached starts are anticipated to remain on par with year earlier levels at 200 units in 2014 and 190 units in 2015. Multiples new home construction will total 510 units in 2014 and 460 units in 2015.

Interest in building new rental apartment units was revived last year, making up nearly half of the multiples starts in 2013. This was the first addition of new purpose-built rental stock to the CMA in ten years. Supporting this supply of rental units was a declining trend in the vacancy rate and a lower vacancy rate for

newer buildings, reflecting the desire of renters to occupy newer units. Year-to-date there have been 6 multiples starts, compared to 131 multiples starts last year. First quarter 2013 multiples starts were made up of 56 condo townhouses and 75 rental apartment units.

Demand is forecast to hold steadfast for new apartment condominiums. Sales of projects situated in locations that are within walking distance or close to a variety of amenities and transit routes have done well in recent years. Reflecting this successful targeting of new product to meet demand, there are currently no apartment condominium units that are completed and available for immediate purchase (unabsorbed units) within the Abbotsford-Mission CMA as at March 2014. This lack of inventory of completed and unabsorbed apartment units bodes well for homebuilders with projects either currently under construction or in the planning phases. As at March 2014, there were 192 apartment condominium units under construction, all of which began construction in the latter half of 2013.

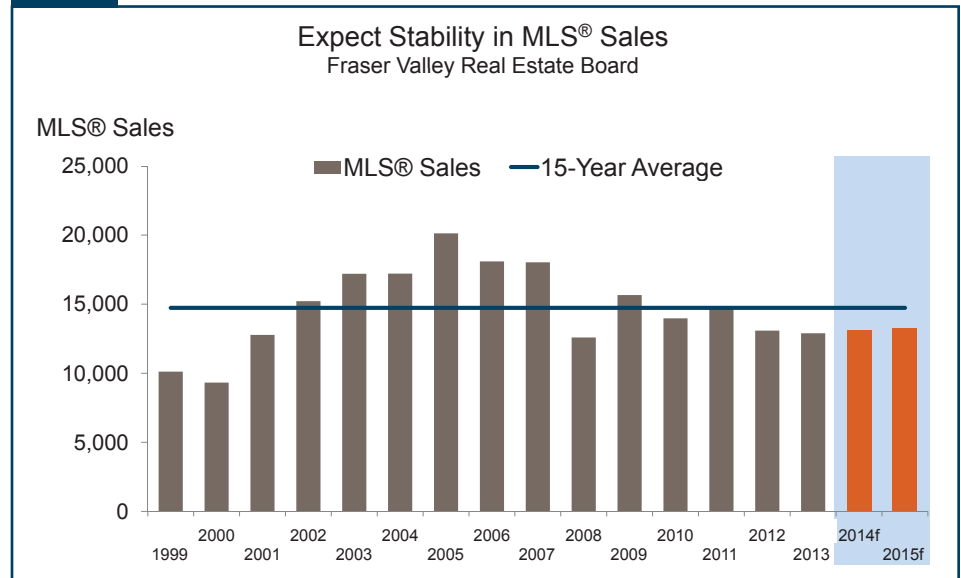
The outlook for ground-oriented (single-detached, semi-detached and townhouse) new home construction activity will be mixed. The inventory of completed and unabsorbed single-detached homes has been trending downwards during the past 18 months and, as of March, was at its lowest level since September 2006. These levels are expected to continue to decline, reflecting lower levels of single-detached housing starts and monthly absorption levels of newly completed units¹ that are below the historical long-term average.

In contrast to single-detached homes, the inventory of unabsorbed townhouses has risen over the past 18 months, as the rate of completions exceeded the pace of absorptions. Currently there are 75 completed townhouses that are ready for immediate purchase in the CMA and 61 units under construction. This compares to levels of 9 completed and unabsorbed townhouses and 164 units under construction as at March 2012. This growing supply of completed and unsold townhouses will dampen housing starts over the coming years. It is forecast that there will be 100 townhouse starts in 2014 and 85 townhouse starts in 2015.

Fraser Valley Resale Market to Continue at a Steady Pace

All facets of the resale market are forecast to progress at a moderate but steady pace this year in next across the Fraser Valley Real Estate Board area². The market will continue to reflect well-matched demand and supply conditions, adding to overall price stability.

Figure 2



Source: Canadian Real Estate Association, Forecast CMHC

MLS® resale activity has reached a turning point in the Fraser Valley. First quarter sales levels were up 20 per cent above first quarter 2013 levels. However, first quarter trends are not necessarily representative of anticipated trends for the year. Resale activity over the first three months of last year were at one of the lowest levels over the past 15 years, yet nine months later sales were on par with year-earlier levels. Going forward, sales are expected to reach 13,100 transactions in 2014, up marginally from 2013 levels, and track modestly higher in 2015 to 13,250 transactions. Low mortgage rates, a growing economy, modest job gains and positive net migration will encourage home buying activity.

Amidst the modest annual pickup in sales levels, new supply to the resale market will edge lower. New listings are forecast to remain close to 2013 levels, dipping to 25,750 new listings in 2014 and to 25,600 in 2015. The lower levels of supply coupled with

gradually increasing demand speak to balanced market conditions, and represent a market where neither buyers or sellers are overly rushed to buy or list a home. As a result, price gains will be modest but progress positively over the next two years. Average resale prices are expected to reach \$505,000 in 2014 and \$515,000 in 2015.

All communities with the Fraser Valley Real Estate Board area reported first quarter gains. White Rock and Mission had the largest sales growth, each recording first quarter 2014 sales levels in excess of 30 per cent above those reported in first quarter of last year. Sales in both of these areas were driven by increased activity in the single-detached home segment. In contrast, multiples sales grew in White Rock while they fell in Mission, relative to the same period last year. Another active area was Langley, where resale activity was higher this year in both the single-detached and multiples segments of the resale

¹ Absorption upon completion may be an indication of pre-sale activity.

² The Fraser Valley Real Estate Board covers an area including North Delta, Surrey, White Rock, Langley, Abbotsford and Mission.

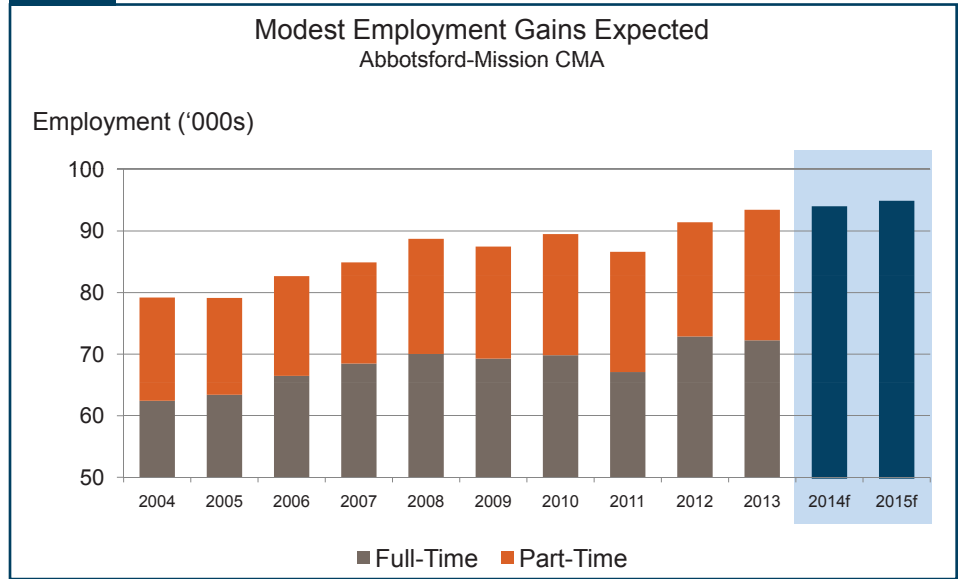
market. Relative to first quarter 2013, sales of single-detached homes were up 17 per cent, townhouse sales were up 29 per cent, and sales of apartment condominium increased 4 per cent.

In the Abbotsford-Mission CMA, MLS® sales are forecast to grow by 7 per cent in 2014, to 2,560 transactions, and edge further upwards to 2,645 sales in 2015. While these levels are above those recorded in recent years, they will remain below the 15-year average of 2,912 units. Price growth will remain flat during the forecast period, despite the increased demand in the area for resale housing, due to the continued shift of sales towards multiple unit homes which tend to have lower prices than single-detached homes. Ten years ago, multiple unit homes made up one third of all resale transactions, compared to nearly 40 per cent last year.

Vacancy Rates in the Rental Market to Edge Lower

The apartment vacancy rate within the Abbotsford-Mission CMA has tracked lower over recent years, reaching a level of 3.2 per cent³ across all bedroom types as at October 2013. Looking forward, the economy is expected to grow, encouraging business investment and creating employment opportunities across the region. These events will promote movement within the rental market. Current renters will be encouraged by ongoing low mortgage rates to move into homeownership; improving labour market conditions will generate rental demand, particularly from younger age groups. The apartment vacancy rate is forecast to edge lower to 3.1

Figure 3



Source: Statistics Canada, Forecast CMHC

per cent this year and to 3.0 per cent in 2015, reflecting these anticipated movements.

The vacancy rate will face mild upward pressure from the supply side of the market. Construction of purpose-built rental units has regained the interest of homebuilders within the region with 280 rental units started construction last year, representing a 7.5 per cent increase in the supply of purpose-built rental stock. These new rental buildings are being constructed in desirable areas that are close to amenities and transportation routes. Last year represented the first additions of new purpose-built rental units since 2005.

Average rents are forecast to increase slightly over year-earlier levels. The largest rent increases are expected in rental units built after the year 2000. Demand for these units is strong, with vacancy rates less than 2 per cent during the last two years. As such, any new rental supply that is completed in 2014 and 2015 is expected to

be fully absorbed within a relatively short period. The average rent for accommodations built prior to 2000 will increase, but at a slower pace than newer units due to lower demand as indicated by the higher vacancy rates for these older units.

Positive Economic Growth will Encourage Housing Demand

Modest growth in employment will support housing demand this year and next. The CMA recorded employment growth of 2.3 per cent in 2013, down from a growth rate of 5.5 per cent in 2012. Despite a decline in the rate of growth, it has remained positive and at a level that exceeded both provincial and Vancouver CMA levels. A slower pace of employment growth is expected to continue into 2014 at 0.5 per cent. In 2015 employment growth is expected to pick up to 1.0 per cent, reflecting the positive momentum expected within the provincial, national, and global economies.

³ CMHC's 2013 Fall Rental Market Survey

As the provincial economy gains strength over the next two years, it is anticipated that total employment will continue to grow. This positive environment will encourage people to enter or to possibly re-enter the workforce, thereby increasing the number of people actively looking for work. As a result, the unemployment rate for the Abbotsford-Mission CMA is forecast to remain steady at a level of 7.8 per cent.

It is also expected that there will be a shift in the labour market towards full-time jobs as the economy gains momentum. Last year there was a 0.9 per cent decline in the number of full-time jobs in the Abbotsford-Mission CMA. Offsetting this was an up-tick in part-time employment. Part-time employment levels were 14.3 per cent above year-earlier levels. As a result of this shift to part-time jobs, average weekly earnings dipped slightly in 2013, coming in 1.1 per cent below year-earlier levels.

Migration into the Abbotsford-Mission CMA is anticipated to remain at levels similar to those recorded over the past few years; projected net gains are for 1,170 people in 2014 and 1,200 people in 2015. Interprovincial out-migration, people leaving the province for other provinces or territories across the country, will be the key tempering factor for net migration within the CMA. This will somewhat offset modest net gains from international sources.

Expected employment gains and migration levels will foster new household formations. Over the next two years, the Abbotsford-Mission CMA is expected to gain nearly 3,500 new households.⁴ This represents a 5.1 per cent increase in the number of households relative to 2013. In comparison, growth is expected to be more modest at 3.7 per cent in the Vancouver CMA over the same two-year period.

⁴ Data obtained through BC Stats' Sub-Provincial People Projections (P.E.O.P.L.E 2013)

Trends at a Glance

Key factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates are expected to steadily increase at a gradual pace in the later part of the forecast horizon. This gradual pace of rate increases will keep mortgage rates low by historical standards and will be supportive of housing demand.
Population	Population growth in the Abbotsford-Mission area is picking up modestly and will support housing demand going forward. Intraprovincial migration, people moving into the region from other areas of the province, will continue to be the main proponent of population and household growth.
Employment	Total employment is forecast to increase 0.5 and 1.0 per cent in 2014 and 2015, respectively, with most of the gains expected within the full-time segment of the labour market. Rising employment, particularly full-time employment, will support demand for housing.
Income	Average weekly earnings are expected to grow as the economy gains momentum and the number of full-time jobs increases. This will support housing demand in both the rental and homeownership markets.
Resale Markets	<p>Total MLS® sales in the Fraser Valley are forecast to rise modestly over the forecast horizon. The supply of new listings will be flat, creating a slight upward push on prices. Well-matched demand and supply will be indicative of the balanced market conditions forecasted for the Fraser Valley over the next two years.</p> <p>The Abbotsford-Mission CMA will see stronger demand for resale housing than that in the aggregate Fraser Valley, but price growth will be muted. This forecast reflects the growing proportion of multiples units within the resale market.</p>
Supply of Newly Completed and Unabsorbed Units	Homebuilders will be encouraged to continue building single-detached and apartment complexes at their current levels as the supply of newly completed and unabsorbed single-detached and apartment units have declined throughout 2013. In contrast, the inventory of newly completed and unabsorbed townhouses has risen over the past year.
Vacancy Rates ⁵	Vacancy rates for the Abbotsford-Mission are forecast to dip slightly over the forecast horizon to 3.1 per cent in 2014 and 3.0 per cent in 2015, reflecting the continued demand for rental accommodations in the area. Homebuilders have taken note of this demand. Construction of new purpose-built rental stock that began last year will add to supply in 2014 and 2015.

⁵ The apartment vacancy rate is for purpose-built rental apartments.

Forecast Summary Vancouver CMA Spring 2014							
	2011	2012	2013	2014f	% chg	2015f	% chg
New Home Market							
Starts:							
Single-Detached	4,798	4,516	4,004	4,250	6.1	4,220	-0.7
Multiples	13,069	14,511	14,692	14,350	-2.3	14,180	-1.2
Semi-Detached	502	480	510	500	-2.0	300	-40.0
Row/Townhouse	2,836	2,389	2,373	2,200	-7.3	2,080	-5.5
Apartments	9,731	11,642	11,809	11,650	-1.3	1,180	-89.9
Starts - Total	17,867	19,027	18,696	18,600	-0.5	18,400	-1.1
Average Price (\$):							
Single-Detached	1,074,379	1,224,974	1,456,875	1,430,000	-1.8	1,500,000	4.9
Median Price (\$):							
Single-Detached	798,000	899,000	1,099,000	1,040,000	-5.4	1,070,000	2.9
New Housing Price Index (% chg)	-0.3	-0.5	-1.0	-0.2	-	0.3	-
Resale Market							
MLS® Sales	32,936	25,445	28,985	30,000	3.5	28,750	-4.2
MLS® New Listings	61,307	60,015	56,476	59,100	4.6	56,900	-3.7
MLS® Average Price (\$)	779,730	730,063	767,765	786,500	2.4	793,000	0.8
Rental Market							
October Vacancy Rate (%)	1.4	1.8	1.7	1.9	0.2	1.8	-0.1
Two-bedroom Average Rent (October) (\$)	1,237	1,261	1,281	1,300	-	1,330	-
One-bedroom Average Rent (October) (\$)	964	982	1,005	1,020	-	1,050	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.52	3.17	3.08	3.00 - 3.50	-	3.20 - 4.25	-
Mortgage Rate (5 year) (%)	5.37	5.27	5.24	5.00 - 5.50	-	5.25 - 6.00	-
Annual Employment Level	1,250,700	1,274,400	1,273,300	1,291,100	1.4	1,314,400	1.8
Employment Growth (%)	2.6	1.9	-0.1	1.4	-	1.8	-
Unemployment rate (%)	7.3	6.7	6.6	6.0	-	5.9	-
Net Migration	28,287	26,201	23,874	24,300	1.8	25,000	2.9

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

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

Forecast Summary Abbotsford-Mission CMA Spring 2014							
	2011	2012	2013	2014f	% chg	2015f	% chg
New Home Market							
Starts:							
Single-Detached	279	224	201	200	-0.5	190	-5.0
Multiples	258	147	548	510	-6.9	460	-9.8
Semi-Detached	2	2	0	0	n/a	0	n/a
Row/Townhouse	135	88	91	100	9.9	90	-10.0
Apartments	121	57	457	410	-10.3	370	-9.8
Starts - Total	537	371	749	710	-5.2	650	-8.5
Average Price (\$):							
Single-Detached	566,430	571,386	574,842	580,000	0.9	595,000	2.6
Median Price (\$):							
Single-Detached	549,900	528,037	565,000	555,000	-1.8	570,000	2.7
New Housing Price Index (% chg) (B.C.)	-0.4	-0.8	-1.0	-0.8	-	0.4	-
Resale Market(I)							
MLS® Sales	14,727	13,083	12,895	13,100	1.6	13,250	1.1
MLS® New Listings	28,297	27,786	25,964	25,750	-0.8	25,600	-0.6
MLS® Average Price (\$)	502,562	483,730	490,433	505,000	3.0	515,000	2.0
Rental Market							
October Vacancy Rate (%)	6.7	4.2	3.2	3.1	-0.1	3.0	-0.1
Two-bedroom Average Rent (October) (\$)	800	818	820	830	-	850	-
One-bedroom Average Rent (October) (\$)	663	661	676	685	-	695	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.52	3.17	3.08	3.00 - 3.50	-	3.20 - 4.25	-
Mortgage Rate (5 year) (%)	5.37	5.27	5.24	5.00 - 5.50	-	5.25 - 6.00	-
Annual Employment Level	86,600	91,400	93,500	94,000	0.5	94,900	1.0
Employment Growth (%)	-3.2	5.5	2.3	0.5	-	1.0	-
Unemployment rate (%)	8.9	7.9	7.8	7.8	-	7.8	-
Net Migration	863	1,343	1,138	1,170	2.8	1,200	2.6

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

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Fraser Valley Real Estate Board (figures may differ from CREA due to inclusion of only single detached and condo data), Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(I) Resale Market data and forecasts are for the Fraser Valley Real Estate Board Area (Includes Surrey, Langley, North Delta, White Rock, Abbotsford and Mission). Abbotsford CMA Resale Market data is published in the Housing Market Outlook - BC Regional Highlights.

** Percentage change more than 200 per cent.

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:

Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October **Rental Market Survey** (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:

The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:

The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:

Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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