

HOUSING MARKET OUTLOOK

Vancouver and Abbotsford CMAs



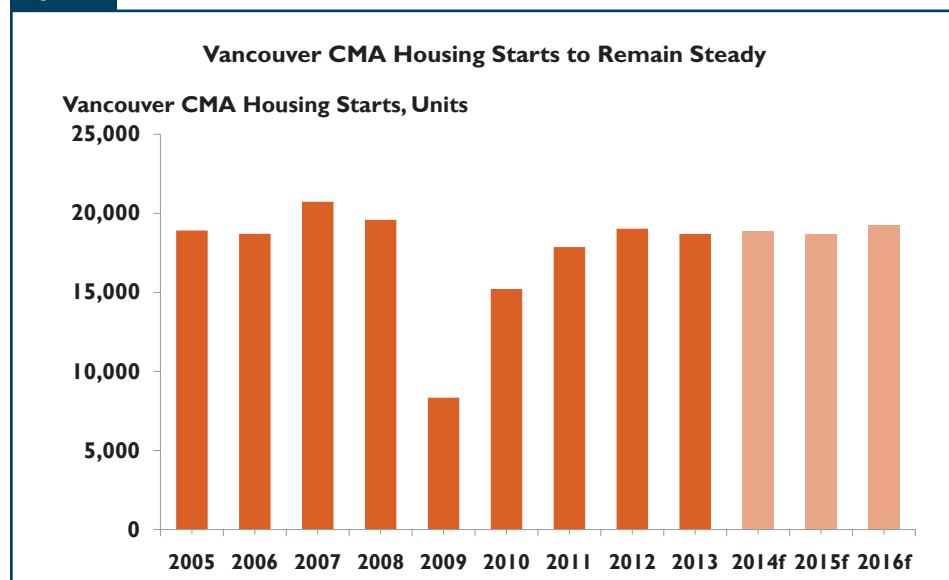
CANADA MORTGAGE AND HOUSING CORPORATION

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Highlights

- Housing starts to remain steady at 18,700 and 19,250 units in 2015 and 2016¹, respectively;
- Employment gains to bolster net migration and support total housing demand;
- MLS® sales are forecast to remain above the 15-year average in 2015 and 2016;
- MLS® resale prices are also expected to rise over the forecast period. With a shift in demand towards less costly housing options, the increase in the overall average MLS® price is expected to be moderate; and

Figure 1



Source: CMHC

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¹ The forecasts included in this document are based on information available as of October 22, 2014

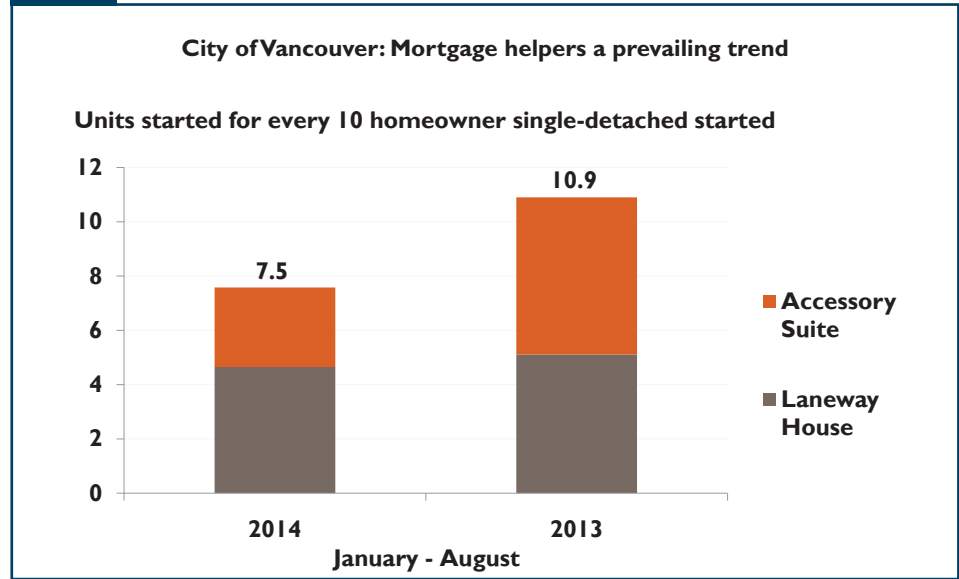
- Steady rental housing demand to keep purpose-built rental apartment vacancy rate low.

Vancouver CMA: Housing Starts Steady

Housing starts in the Vancouver Census Metropolitan Area (CMA) are forecast to remain steady in 2015 before moving higher in 2016. More stability in the job market and stronger sales and prices in the resale housing market support the outlook for new home construction activity. As well, relatively low mortgage interest rates and steady household formation help buttress new construction activity. Expectations are for housing starts to total 18,700 and 19,250 units in 2015 and 2016, respectively, compared to an estimated 18,900 units in 2014.

New condominium as well as rental apartments will continue to drive multiple-family housing starts over the forecast period, particularly in areas like the Cities of Vancouver, Burnaby, Richmond, and Coquitlam. Increasing sales of new construction apartments have and will encourage the launch of more condominium projects. Likewise, an expected, sustained rental vacancy rate of below two per cent will continue to encourage more purpose-built rental apartments, especially in the City of Vancouver. In the first eight months of 2014, a total of 602 purpose-built rental apartment units were started in the Vancouver CMA. Of these, 351 units were in the City of Vancouver and the remainder were

Figure 2



Source: CMHC

in the City of North Vancouver and the University Endowment Lands. Building permit applications have been approved for at least another 700 purpose-built rental apartment units in the Vancouver CMA, which will likely be started during the next two years.²

Mortgage helpers, such as laneway homes and accessory suites, will also help bolster new construction numbers, especially in the City of Vancouver where single-detached homes average well over \$1 million. The majority of new single-detached homes started in the City of Vancouver have some form of mortgage helper, effectively making the single-detached homes lower-density, multiple-family dwellings³. To illustrate, for every 10 homeowner single-detached home started during

the first eight months of 2014 in the City of Vancouver, there were approximately eight mortgage helpers started alongside.⁴ Other than the City of Vancouver, mortgage helpers have also been favoured in other cities, such as Surrey, Coquitlam, and Burnaby. This trend will continue over the next two years.

Rising existing property values against moderating prices for newly completed homes will shift new construction activity in favour of higher-density, multiple-family housing from lower-density dwellings. Much of the new residential construction in the Vancouver CMA, particularly for new single-detached housing starts in the City of Vancouver and its immediate surrounding municipalities, are infill construction and require the acquisition of an existing structure⁵.

² CMHC. Further down the development timeline, building and development permit applications have been submitted for more than 1,600 market rental units (Source: Green Sheet Construction Data)

³ CMHC Starts and Completions Survey

⁴ A fraction of laneway homes were in-fill structures to existing single-detached homes.

⁵ For the period Jan 2013 through Sep 2014, there were approximately 1,550 single-detached demolished and 1,440 homeowner single-detached started in the City of Vancouver; about 320 single-detached demolished and 263 homeowner single-detached started in North Vancouver City and District Municipality; about 440 single-detached demolished and 549 homeowner single-detached started in the City of Richmond. (Source: CMHC Starts and Completions Survey; Green Sheet Construction Data)

Some recent developments along the Cambie corridor in the City of Vancouver also support this shift towards higher density development; it is easier to spread the cost to build over a higher number of new units than fewer. With prices of resale properties (as indicated by MLS® House Price Index⁶) rising at a time when newly constructed homes face softer prices (as indicated by New Home Price Index), lower density development is expected to pull back somewhat over the next two years.

Decreased completions, together with increased absorptions, have nudged the overall inventory of completed and unabsorbed housing lower to 2.6 from 3.2 months of supply a year ago⁷. For condominium apartments, the inventory of completed and unabsorbed units stood at 2.3 months of supply as of September 30, 2014. The CMHC Market Absorption Survey only records both inventories and absorptions upon completion. When pre-completion inventories and sales are taken into consideration, the number of unsold condominium apartment units stood at 12.1 months of supply as of 2014 Q2, down from 17.2 months⁸ a year ago. Sales performance was strongest for condominium apartment projects that were priced under \$600 per square feet.⁹

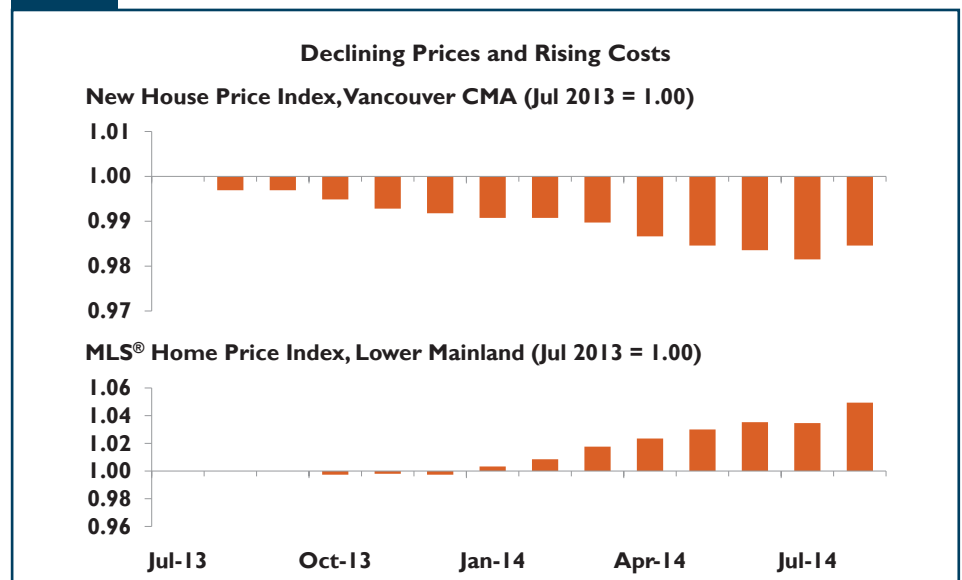
Momentum to Sustain MLS® Resale Market¹⁰

The MLS® resale market recorded rising sales and prices during the first nine months of 2014, compared to the same period of 2013. Pent-up demand drove sales in areas like the Cities of Vancouver, Richmond, and Coquitlam; together, these three cities accounted for 51 per cent of the 3,829 increase in number of sales in the REBGV area. Single-detached homes recorded a rising share of total MLS® sales during the first five months of 2014, pushing the MLS® average price for all home types higher. The average MLS® price rose to \$809,239 in Aug 2014 from \$761,528 a year ago. Since June 2014, however, higher single-detached prices

have curbed the increase in single-detached sales as a share of total MLS® sales. 2014 is projected to end on a high note for the resale market with 32,800 sales and an average price of \$811,000, increases of 13 and 6 per cent, respectively.

Demand for single-detached homes comes from a few different clienteles. There are those who are end-users and those who are investors and developers. While there have been a few instances when investors and developers acquired a whole block of single-detached homes for the development of condominium apartments and townhouses, much of the single-detached acquisitions by developers are still for single-

Figure 3



Source: CMHC, adapted from Statistics Canada and REBGV. Both indices refer to all housing types.

⁶ The MLS® HPI was developed by five of Canada's largest real estate boards – Greater Vancouver, Fraser Valley, Calgary, Toronto and Montreal – and the Canadian Real Estate Association. It is modelled on the Consumer Price Index (CPI) but instead of measuring goods and services, the HPI measures the change in the price of housing features. Thus, the HPI measures typical, pure price change (inflation or deflation).

⁷ All property types (single-detached, semi-detached, row, apartment). Calculated as current inventory of completed and unabsorbed housing units divided by the 6-month moving average of number of completed housing units absorbed. Source: CMHC Market Absorption Survey.

⁸ CMHC, adapted from MPC Intelligence.

⁹ CMHC, adapted from MPC Intelligence.

¹⁰ This section deals with the resale market in the Real Estate Board of Greater Vancouver (REBGV) 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.

detached home construction¹¹. With single-detached home developers facing rising costs of acquiring an existing property and declining prices for their newly completed projects simultaneously, end-user buyers will likely face less competition from developers, particularly for the older, less costly fixer-upper single-detached homes. Fig 5 illustrates this with a City of Vancouver example.

Looking ahead, existing home sales are projected to ride the 2014 momentum into much of 2015 before anticipated higher interest rates take some steam away towards the latter part of 2015. The sales forecasts for both 2015 and 2016 are above the 15-year average of about 31,300 sales. Higher levels of migration as well as steadier employment growth will drive this demand. With the elimination of investor and entrepreneur immigration categories in 2014 for all provinces except Quebec, the composition of immigrants is expected to show some shifts away from pure high net-worth applicants to skilled labour.¹² At its peak, there were about 1,719 investor and entrepreneur principle applicants (households) in 2008. This change affects mostly the end-user homebuyer behaviour; foreign investment in Vancouver real estate is still allowed.

The average MLS® price is forecast to post more muted gains in 2015 and 2016. Higher resale prices will continue to shift demand towards lower-priced options, i.e. from single-detached homes to townhouses and apartments, and from more expensive markets within the Vancouver CMA

Figure 4

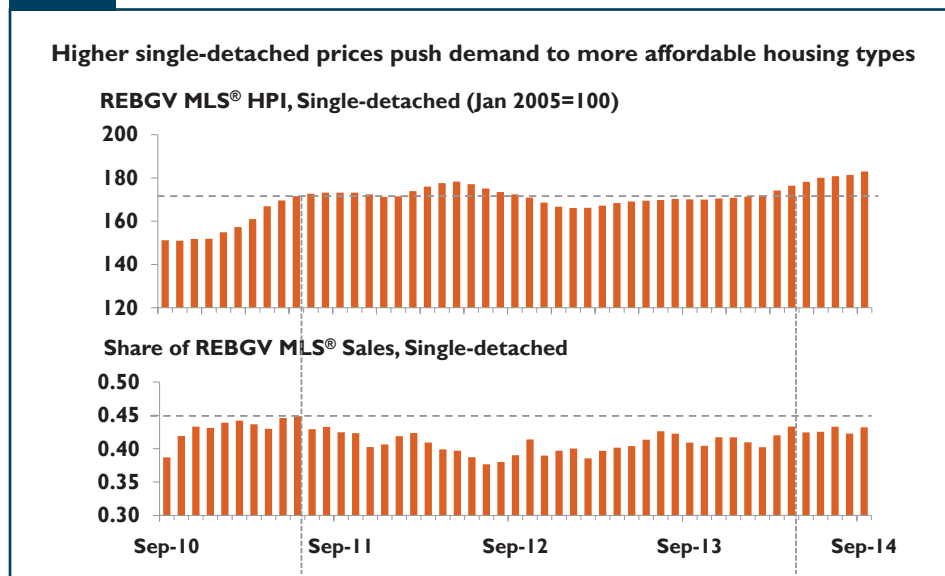


Figure 5

City of Vancouver: Prices for Single-detached homes by Age

		Property Age				
		30 years or older		0 to 1 years old		House Square footage
		Average MLS® Price	Sold/List Price Ratio	Average MLS® Price	Sold/List Price Ratio	
Jan – Aug 2011	Westside	\$1.5MM	1.04	\$2.3MM	0.98	2,835
	Eastside	\$756K	1.02	\$938K	0.98	2,025
Jan – Aug 2014	Westside	\$1.6MM	1.00	\$2.5MM	0.95	2,935
	Eastside	\$895K	1.01	\$1.3MM	0.97	2,704

* MLS® List Price

Source: CMHC, adapted from REBGV

to less expensive neighbourhoods further away from the city core, including markets in the Fraser Valley Real Estate Board area. More sellers are expected to list their properties in response to stronger sales and

prices. Overall, the MLS® resale market will average out in balanced market conditions in 2015 and 2016, suggesting price stability over the forecast period.

¹¹ The Cambie corridor is one of the starkest examples in recent history. Whole blocks of single-detached homes were acquired for the development of multiple-family projects like condominium townhouses and apartments. Some of these are still waiting for rezoning and development permits to be issued (Source: Green Sheet Construction Data).

¹² Higher language requirements, modifications to the Federal Skilled Worker Programme, as well as the creation of the Federal Skilled Trades Programme all point to the preference for skilled immigrants going forward.

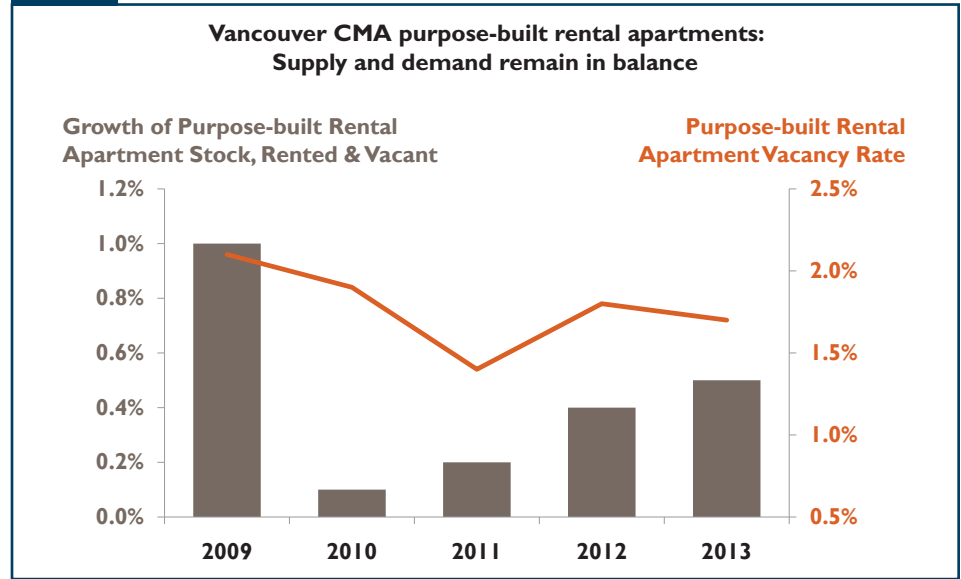
Demand for Rental Housing Steadfast

The purpose-built rental apartment vacancy rate for the Vancouver CMA is forecast to edge lower to 1.8 per cent in 2015 and hold steady in 2016 from a projected 1.9 per cent in 2014. More opportunities in the job market will help bolster net migration to the region. With the aforementioned changes to the composition of international immigrants, new immigrants are more likely to rent than buy their first home in a new area, which was the norm prior to the elevated numbers of investor and entrepreneur immigrants recorded during 2005 to 2010. As well, full-time employment for the 15 to 24 age cohort, has improved since Feb 2014; people in the age cohort tend to be renters rather than homeowners.

Even with the recent increase in rental housing construction, demand will be sufficient to hold vacancy rates steady over the forecast period. As new purpose-built rental apartments are completed, a portion of the older stock will likely to be retired temporarily for renovations and upgrades, keeping the available rental stock relatively steady. During the first eight months of 2014, the number of purpose-built rental apartments completed was 172 units, down from 256 units during the same period a year ago.

Apart from the purpose-built rental units, renters in the Vancouver CMA are also served by a significant secondary rental market consisting

Figure 6



Source: CMHC

of rental condominium apartments, accessory suites, laneway homes, and other forms of housing. There were approximately 51,224 rental condominium apartments that were rented or available for rent in Oct 2013 in the Vancouver CMA.¹³ Demand for these rental units has also been steady, as evidenced by vacancy rates that have been below two per cent since Oct 2011. Although the vacancy rate for the other secondary rental market housing is not available, approximately 104,923 households were estimated to be residing in such.¹⁴

Average rents are projected to edge higher over the forecast period. As new and renovated rental units are added to the existing stock, the higher rents commanded by these upgraded units will push the

overall average rents higher. New or renovated rental units tend to have amenities like in-suite laundry and condominium-quality fixtures that are highly desirable to renters. Since purpose-built rental apartments provide the most economical form of accommodation in the Vancouver CMA, the increased availability of such condominium-quality purpose-built rental units will also pose some competition for the secondary rental market and exert a moderating force on the magnitude of secondary market rent increases. Depending on the bedroom type, the average rent of rental condominium apartments was about 23 per cent to 28 per cent higher than purpose-built rental apartments.¹⁵ As the composition of the rental stock changes, the differential is expected to narrow gradually.

¹³ Rental Market Report, Vancouver and Abbotsford-Mission CMAs, Fall 2013

¹⁴ Occupied rental single-detached, semi-detached and townhouses, and other forms of accessory suites. Rental Market Report, Vancouver and Abbotsford-Mission CMAs, Fall 2013

¹⁵ Rental Market Report, Vancouver and Abbotsford-Mission CMAs, Fall 2013

Economic Outlook to Support Housing Demand

Employment and population changes are two of the key drivers behind housing demand in the Vancouver CMA. Full-time job gains often leads homeownership demand as purchasing a home is a major decision and requires some income stability for most to undertake. Total employment in the Vancouver CMA has been trending higher in 2014, showing a 2.3 per cent increase year-to-date. For the year, employment is projected to post a 1.8 per cent growth in 2014.

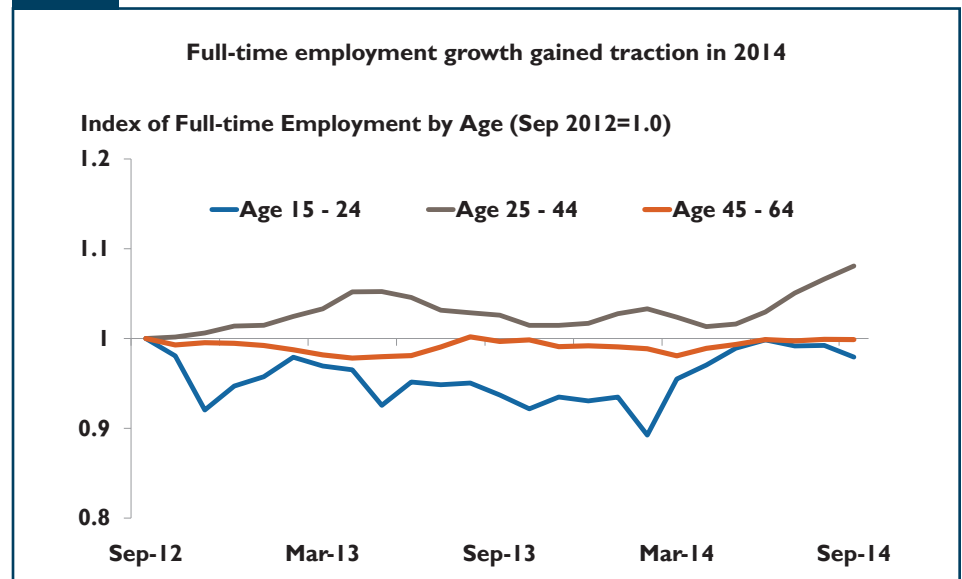
Full-time employment growth gained traction for all age groups since Apr 2014, especially for the 25 to 44 age cohort. Full-time employment for this age cohort has increased 5.1 per cent since Jan 2014. Comparatively, full-time employment gains over the same period for the 15 to 24 and the 45 to 64 age cohorts were 4.8 and 0.8 per cent, respectively. People in the 25 to 44 age cohort tend to be the most likely first-time homebuyer group in the Vancouver CMA.

Most of the employment gains in 2014, however, have been in generally lower-paying occupations such as those in business, finance, and administrative positions, occupations unique to processing, manufacturing, and utilities, and jobs in the trades, transportation, and equipment operation. This supports our outlook for stronger interests in more affordable housing options over the forecast period. In fact, real average weekly earnings have steadily declined during the past ten months; real average weekly earnings in Aug 2014 were three per cent lower than they were in Nov 2013. This will help support demand for less costly housing options in 2015.

Looking ahead, a strengthening economy should help full-time employment gain more traction for all age groups. Local social media management company Hootsuite recently completed a successful round of financing and opened a second office in Vancouver with intentions to hire more people in the near future. Additionally, with large companies,

such as Microsoft, Samsung, and Sony Picture Imageworks, looking to increase their presence in the Vancouver CMA, further expansion is anticipated for total employment over the forecast period. Employment conditions will attract and keep people in the Vancouver CMA and support overall housing demand.

Figure 7



Seasonally adjusted

Source: CMHC, adapted from Statistics Canada

Figure 8

	Annual Employment Change (persons)		Average Weekly Wage (\$)*	
	Aug 2013	Aug 2014	Aug 2013	Aug 2014
Management occupations	-11,000	1,100	1,524	1,537
Business, finance and administrative occupations	-23,800	26,900	830	836
Natural and applied sciences and related occupations	4,300	1,400	1,270	1,277
Health occupations	8,800	-12,900	1,029	980
Occupations in social science, education, government service and religion	-1,600	-3,600	1,010	1,027
Occupations in art, culture, recreation and sport	6,300	9,300	898	837
Sales and service occupations	8,300	-2,000	541	576
Trades, transport and equipment operators and related occupations	5,400	10,600	1,040	1,047
Occupations unique to primary industry	-1,400	-4,500	855	848
Occupations unique to processing, manufacturing and utilities	-4,000	11,700	870	894

* Average weekly wage by occupation in British Columbia

Source: CMHC, adapted from Statistics Canada

Population growth in the Vancouver CMA is largely driven by international migration. The majority of people moving to British Columbia, especially for those from foreign countries, choose to live in the Vancouver CMA. Following three consecutive years of decline, net migration is forecast to increase approximately 11 per cent in 2014 to 26,500 before posting more moderate gains over the forecast period.

Mortgage Rates

Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain unchanged until the latter parts of 2015 and then begin to increase gradually. Gradual increases in mortgage rates from historic lows are not expected to significantly impact housing demand.

According to CMHC's base case scenario for 2014, CMHC expects the one-year mortgage rate to be in the 3.00 to 3.25 per cent range, while the five-year rate is forecast to be within the 5.00 to 5.50 per cent range. For 2015, the one-year mortgage rate is expected to be in the 3.20 to 4.00 per cent range, while the five-year rate is forecast to be within the 5.25 to 6.00 per cent range. For 2016, the one-year mortgage rate is expected to be in the 3.70 to 4.60 per cent range, while the five-year rate is forecast to be within the 5.55 to 6.45 per cent range.

Trends at a Glance

Key factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates are expected to rise gradually beginning in the latter part of 2015 but remain near historical low levels. Current mortgage interest rates are supportive of housing demand.
Population	Steady migration to support long-term housing demand in the Vancouver CMA. Average annual population growth in Vancouver at 0.9% during the period 2014 – 2036 is forecast to be slightly higher than the provincial average.
Employment	Employment growth has grown 2.3 per cent during the first eight months of 2014. A pick up to 2.6 per cent in 2015 should benefit housing demand.
Income	Real average weekly earnings were lower in 2014 and will help support demand for less costly housing options in 2015.
Resale Market	The Greater Vancouver and Fraser Valley real estate board areas are expected to maintain balanced market conditions during the forecast period. Total MLS® sales in Greater Vancouver in 2014 have risen steadily in 2014. Increased interest in single-detached homes has pushed up the average MLS® price. 2015 will build on the momentum of 2014 and improved economic fundamentals and post an increase in MLS® sales. Average MLS® prices will increase but the magnitude will be limited by a shift towards lower-priced housing options.
Supply of New Completed and Unabsorbed Units	Completed and unabsorbed inventory edged lower and will likely support new construction activity.
Units Absorption	To date in 2014, absorptions up despite fewer completions. The inventory of completed and unabsorbed units was nudged lower to 2.6 from 3.2 months of supply a year ago.

Forecast Risks

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

- A stronger than expected U.S. economic recovery or stronger growth in emerging countries could positively impact British Columbia and Vancouver economic growth, contributing to a higher level of activity in the province's housing markets, including Vancouver.
- A shift back towards single could push the average MLS® price higher than currently projected.
- Elevated levels of household debt and housing prices have made the country's economy more vulnerable to some economic shocks. If interest rates or unemployment were to increase sharply and significantly, some of the more heavily indebted household could be forced to liquidate some of their assets, including their homes. This could put downward pressure on house prices and, more generally, on housing market activity.

Abbotsford-Mission Highlights

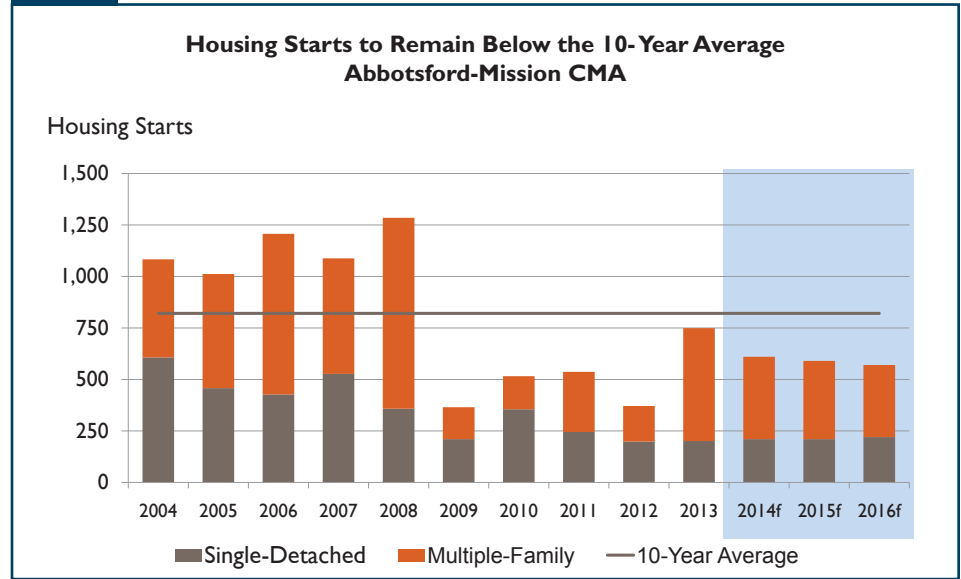
- A stable level of single-detached housing starts and moderating multiple-family housing starts are forecast in 2014 through 2016.
- The Fraser Valley resale market is forecast to remain in balanced market conditions.
- MLS® sales are expected to increase in Abbotsford-Mission.
- Apartment rents are forecast to increase because of newly added stock.
- A steady level of employment growth together with an increase in migration and low mortgage interest rates will support demand for housing in the Abbotsford-Mission CMA.

Housing starts to moderate in 2015 and 2016

Housing starts are forecast moderate in 2015 and 2016 as single-detached home starts remain stable while multiple-family housing starts edge lower. Total housing starts are forecast to remain below the 10 year average level of 821 units (figure 1).

Demand for new housing is expected to moderate in 2015 and 2016 as gradually rising mortgage interest rates temper the impact of expected higher levels of migration and employment growth. The residential construction sector began 2014 on a slow note due to lower levels of multiple-family starts in the Abbotsford-Mission CMA. However, starts have picked up the pace since the second quarter and are expected to reach a total of 610 units by the

Figure 1



end of 2014, compared to 749 units in 2013. So far in 2014, the number of completed and unabsorbed units has been on a decline for all home types: single-detached houses, town homes and apartments. Lower inventories of new, completed and unabsorbed homes, coupled with rising MLS® home sales and a lower supply of new listings in the resale market compared to last year will contribute to demand for new homes during the forecast period. As a result, housing starts are expected to remain stable, with 590 new units in 2015 and 570 units in 2016.

Starts of single-detached homes are forecast to be steady this year, as well as in 2015 and 2016. In the past 10 years, nearly two-thirds of total existing home sales in the Abbotsford-Mission area have been single-detached units. In addition, absorption of new homes has kept pace with the new supply. The inventory of new, completed and unabsorbed detached homes has moved steadily lower, to 48 units in August 2014 from 76 twelve months earlier. For the first eight months of this year, the number for

single-detached starts was 33 units higher than last year. In 2012 and 2013 single-detached starts were close to 200 units per year. This trend is expected to continue and starts will total 210 homes in 2014 and remain at 210 homes in 2015, with a slight increase to 220 homes in 2016.

Compared to 2013, multiple-family starts are forecast to move lower this year and in 2015 and 2016. Close to 35 per cent of multiple-family starts in 2013 were rental units, resulting in an unusually high level of multiple-family construction. This level of new rental construction is not expected to repeat during the forecast horizon. During the first eight months in 2014, there were 205 multiple-family starts, compared to 327 units during the same period last year. Multiple-family starts this year will be at 400 units compared to 548 units in 2013 and will trend lower with a forecast of 380 units in 2015 and 350 units in 2016.

An expected lower level of apartment construction is the main reason for the projected decline in multiple family starts. The average resale price

of apartments remains below the previous peak levels recorded in 2008. Therefore, price competition from the resale market will be a constraining factor, tempering the pace of apartment starts in the next few years. Apartment starts are forecast to total 300 units this year and decline to 290 units and 260 units in 2015 and 2016, respectively.

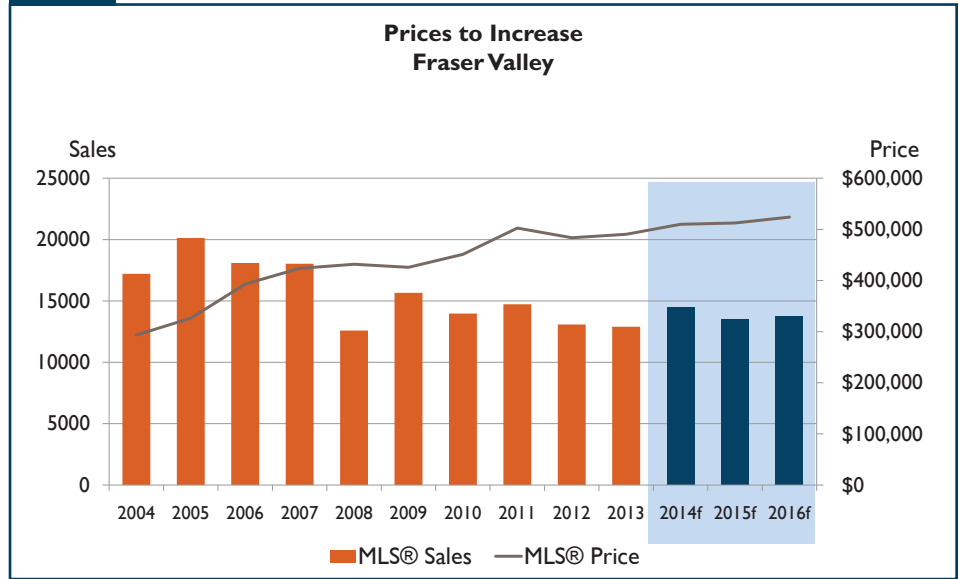
In contrast, starts of ground-oriented multiple-family homes are forecast to remain relatively stable. As of August 2014, year-to-date sales of duplex/townhouse units were 15 per cent higher than last year in the same period. In contract apartment sales were down. This points to more demand for ground-oriented housing (single-detached, semi-detached, and row) in Abbotsford-Mission CMA than for apartments. As a result, expect 100 duplex/townhouse starts this year, 90 in 2015 and 90 in 2016.

MLS®¹ Home Sales to Move Higher in 2014

The Fraser Valley MLS® resale market is expected to stay near the higher end of the balanced range with increasing sales and prices in 2014 (figure 2).

Increased sales in 2014 extended across the board area and across home types. During the first eight months of 2014, total sales in the Fraser Valley were 14 per cent higher than in 2013. Sales in all centres that make up the Fraser Valley Real Estate Board increased by more than 10 per cent (with the exception of Abbotsford-Mission, which increased by 6 per cent). Sales of all types increased: especially single-detached and townhouse/duplex

Figure 2



Source: Canadian Real Estate Association, Forecast by CMHC

units, which were up by 15 per cent and 21 per cent, respectively. Close to 40 per cent of the sales were in Surrey. White Rock had the highest increase in sales by 24 per cent which was the result of high demand for detached and townhouse/duplex units. Compared to last year, the proportion of sales of duplex/townhouse units in the Fraser Valley was 2 per cent higher and proportion of sales of apartments was 2 per cent lower, which is expected to push prices up to \$510,000 in 2014, 4 per cent higher than last year's average price. Sales in the Fraser Valley are expected to increase to 14,500 units this year, 12.4 per cent higher than in 2013.

Although 2014 is expected to post the highest number of existing home sales since 2009, resales are forecast to slow down a bit in 2015. The forecast for sales next year is 13,500 transactions, compared to 14,500 in 2014, as the expected increase in resale prices will dampen demand and potentially make new homes

more attractive to some buyers as the price gap between resale and new homes narrows. This will lead to a 0.5 per cent increase in the average MLS® price, bringing it to \$512,500 in 2015.

In 2016, Fraser Valley sales will be 1.8 per cent higher than in 2015. Expected gradual increases in mortgage interest rates in 2016 coupled with less-expensive homes in the Fraser Valley resale market compared to Greater Vancouver² is expected to shift some homeownership demand to Fraser Valley communities, resulting in more sales. A combination of fewer listings and stronger demand for detached houses and duplex/townhouses will push the average price to \$524,000, 2.2 per cent higher than the projected 2015 price. The Fraser Valley Real Estate Board market will remain in balanced demand and supply conditions as new listings are forecast to decrease slightly in 2015 and 2016.

In the Abbotsford-Mission CMA, MLS® sales are forecast to edge higher in 2014 to 2,530 from 2,393 in 2013

¹ MLS® Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association

² CMHC forecast for REBGV average price: \$835,000 for 2016

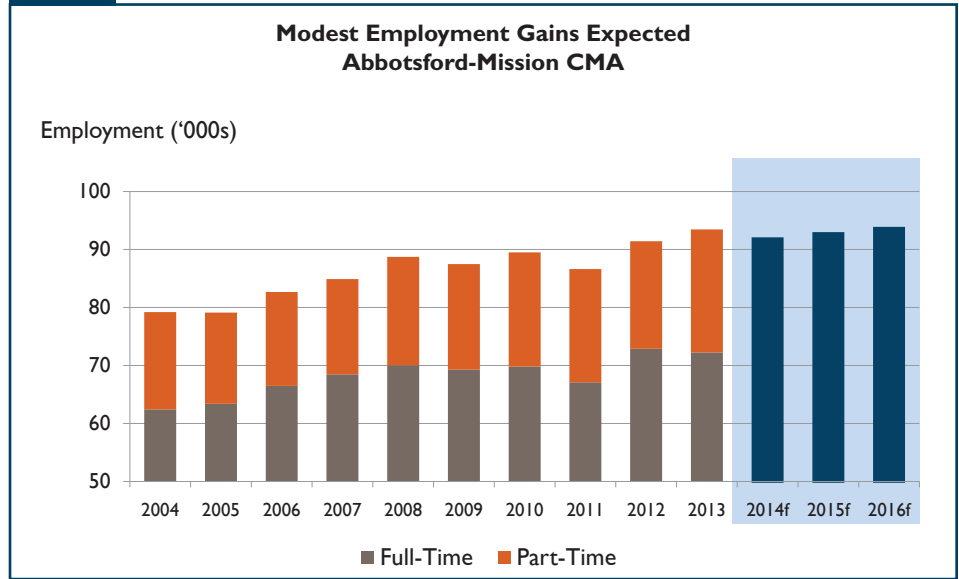
with a slight increase to 2,560 in 2015 and 2,570 in 2016. The increase is the result of a higher demand for ground oriented housing: year-to-date sales of single-detached and row units have been close to 14 per cent higher than last year and this trend is expected to continue for the remainder of this year. Because of the expected higher number of sales and a decline in the number of new listings, the MLS® average price is forecast to increase five per cent compared to 2013. This will mark the first year of positive price growth since 2009. For the next two years, balanced market conditions will mean continued modest price growth, which is expected to bring the average price to \$357,000 in 2015 and \$363,000 in 2016.

Rental Vacancy Rates to Remain Steady

The purpose-built rental apartment vacancy rate is forecast to move lower in 2014 and remain steady for 2015 and 2016.

Construction of new purpose-built rental units in the Abbotsford-Mission CMA regained the interest of home builders in 2013. As of June 2014, 144 rental units were completed in the CMA, which is the highest level in the past 15 years. However, vacancy rates for new rental buildings (those completed since 2000) have been less than two per cent in the past four years, which suggests that the demand for new rental units is stronger than that for older apartments. Therefore, these newer units are expected to get absorbed quickly.

Figure 3



Source: Statistics Canada, Forecast by CMHC

The vacancy rate is forecast to move down to 2.9 per cent in 2014 from 3.2 per cent in 2013, following the declining trend in the vacancy rate since 2008. An expected increase in migration will generate demand for rental units as new migrants tend to rent for a few years before considering ownership options. In addition, employment growth and a lower unemployment rate will encourage potential renters, particularly those aged 15 to 24, to form separate households. As of August 2014, the unemployment rate for the age group 15-24 was lower than last year, at 12.5 per cent compared to 14.3 per cent last year. In addition, during the first eight months of this year 57 per cent of the jobs in this age group were full-time, compared to 51 per cent during the same period last year. This trend of lower unemployment and more full-

time jobs is expected to continue in the next few years, supporting rental demand.

Further in the forecast horizon, the vacancy rate is expected to remain steady, with a forecast of three per cent for 2015 and 2.7 per cent for 2016.

With the addition of new stock in the rental market and steady demand for rental accommodation, average rents are expected to move slightly higher this year and in the following two years.

Economy and Population Growth to Support Demand for Housing

Abbotsford-Mission's population and employment are forecast to support growth in demand for housing through 2016. Net migration is forecast to increase moderately in 2014 and the next two years, adding to population-based demand for housing. Total employment in the Abbotsford-Mission CMA is expected to decrease by 1.5 per cent this year following 2 years of increase (figure 3). However, employment is expected to pick up in 2015 and 2016 by one per cent. The unemployment rate is forecast to decline in 2015 and 2016 as job gains outpace growth in the labour force.

There are a number of major projects in the next few years that will support economic growth in the Abbotsford-Mission CMA. Transportation improvements are a factor supporting expected economic and population growth in the Fraser Valley area: BC Transit is implementing a new service called the Fraser Valley Express, which will start operating in late spring 2015 and will move people between Abbotsford, Chilliwack and Langley.³ In addition, TransitBC has completed the Abbotsford – Mission Transit Future Plan that has a goal of improving the mobility of those who live or want to move to the area over the next 25 years.⁴

³ http://www.bctransit.com/transitfuture/fvx_latestupdates.cfm

⁴ http://www.transitbc.com/transitfuture/abm_future.cfm

Trends at a Glance

Key factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage interest rates remain supportive of housing demand. Mortgage rates are expected to increase at a gradual pace in the later part of 2015, but stay low by historical standards.
Employment	Total employment is forecast to decrease by 1.5 in 2014 but increase in 2015 and 2016 by one per cent. Rising employment will support demand for housing.
Income	As of July 2014, real average weekly earnings growth from 2013 outpaced the inflation rate which is expected to continue and support the housing demand this year and in the next two years.
Population	The Abbotsford-Mission area population is expanding due to migration growth forecast at 2.5, 2.8 and 6.7 per cent in 2014, 2015 and 2016 respectively.
Resale Market	MLS® sales are forecast to move higher in 2014 and 2015. Prices are expected to edge upward later this year and in 2015 as demand picks up and the supply of listings is drawn lower.
Vacancy Rates ⁵	The Abbotsford-Mission CMA apartment vacancy rate is expected to remain stable at 2.9 per cent in 2014, three per cent in 2015, and 2.7 per cent in 2016. Increases in migration and full-time employment growth for the age group 19-24, are among several factors behind this forecast.
Inventory of new completed and unabsorbed units	Completed and unabsorbed units have been on a decline for all types: single, row, and apartments. Homebuilders will be encouraged to continue building ground-oriented housing at at the current level, however, there will be a slight decrease in apartment construction.

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

Forecast Summary Vancouver CMA Fall 2014									
	2011	2012	2013	2014(F)	% chg	2015(F)	% chg	2016(F)	% chg
New Home Market									
Starts:									
Single-Detached	4 798	4 516	4 004	4 220	5,4	4 250	0,7	4 050	-4,7
Multiples	13 069	14 511	14 692	14 680	-0,1	14 450	-1,6	15 200	5,2
Semi-Detached	502	480	510	450	-11,8	430	-4,4	430	0,0
Row/Townhouse	2 836	2 389	2 373	2 430	2,4	2 420	-0,4	2 520	4,1
Apartments	9 731	11 642	11 809	11 800	-0,1	11 600	-1,7	12 250	5,6
Starts - Total	17 867	19 027	18 696	18 900	1,1	18 700	-1,1	19 250	2,9
Average Price (\$):									
Single-Detached	1 074 379	1 224 974	1 456 875	1 445 000	-0,8	1 515 000	4,8	1 570 000	3,6
Median Price (\$):									
Single-Detached	798 000	899 000	1 099 000	1 101 500	0,2	1 150 000	4,4	1 195 000	3,9
New Housing Price Index (% chg)	-0,3	-0,5	-1,0	-2,7	-	1,0	-	0,7	-
Resale Market									
MLS® Sales	32 936	25 445	28 985	32 800	13,2	32 250	-1,7	31 600	-2,0
MLS® New Listings	61 307	60 015	56 476	58 800	4,1	58 200	-1,0	57 300	-1,5
MLS® Average Price (\$)	779 730	730 063	767 765	811 000	5,6	821 000	1,2	835 000	1,7
Rental Market									
October Vacancy Rate (%)	1,4	1,8	1,7	1,9	0,2	1,8	-0,1	1,8	0,0
Two-bedroom Average Rent (October) (\$)	1 237	1 261	1 281	1 320	3,0	1 355	2,7	1 400	3,3
One-bedroom Average Rent (October) (\$)	964	982	1 005	1 030	2,5	1 055	2,4	1 090	3,3
Economic Overview									
Mortgage Rate (1 year) (%)	3,52	3,17	3,08	3,00 - 3,25	-	3,20 - 4,00	-	3,70 - 4,60	-
Mortgage Rate (5 year) (%)	5,37	5,27	5,24	5,00 - 5,50	-	5,25 - 6,00	-	5,55 - 6,45	-
Annual Employment Level	1 250 700	1 274 400	1 273 300	1 295 800	1,8	1 325 600	2,3	1 346 900	1,6
Employment Growth (%)	2,6	1,9	-0,1	1,8	-	2,3	-	1,6	-
Unemployment rate (%)	7,3	6,7	6,6	6,1	-	6,3	-	6,4	-
Net Migration	28 287	26 201	23 874	26 500	11,0	28 500	7,5	27 300	-4,2

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 Fall 2014									
	2011	2012	2013	2014(F)	% chg	2015(F)	% chg	2016(F)	% chg
New Home Market									
Starts:									
Single-Detached	279	224	201	210	4,5	210	0,0	220	4,8
Multiples	258	147	548	400	-27,0	380	-5,0	350	-7,9
Semi-Detached	2	2	0	0	n/a	0	n/a	0	n/a
Row/Townhouse	135	88	91	100	9,9	90	-10,0	90	0,0
Apartments	121	57	457	300	-34,4	290	-3,3	260	-10,3
Starts - Total	537	371	749	610	-18,6	590	-3,3	570	-3,4
Average Price (\$):									
Single-Detached	566 430	571 386	574 842	585 000	1,8	600 500	2,6	614 000	2,2
Median Price (\$):									
Single-Detached	549 900	528 037	565 000	570 000	0,9	595 000	4,4	612 000	2,9
New Housing Price Index (% chg) (B.C.)	-0,4	-0,8	-1,0	-1,6	-	0,8	-	0,6	-
Resale Market(1)									
MLS® Sales	14 727	13 083	12 895	14 500	12,4	13 500	-6,9	13 750	1,9
MLS® New Listings	28 297	27 786	25 964	27 000	4,0	25 850	-4,3	25 800	-0,2
MLS® Average Price (\$)	502 562	483 730	490 433	510 000	4,0	512 500	0,5	524 000	2,2
Rental Market									
October Vacancy Rate (%)	6,7	4,2	3,2	2,9	-0,3	3,0	0,1	2,7	-0,3
Two-bedroom Average Rent (October) (\$)	800	818	820	830	1,2	840	1,2	845	0,6
One-bedroom Average Rent (October) (\$)	663	661	676	685	1,3	700	2,2	710	1,4
Economic Overview									
Mortgage Rate (1 year) (%)	3,52	3,17	3,08	3,00 - 3,25	-	3,20 - 4,00	-	3,70 - 4,60	-
Mortgage Rate (5 year) (%)	5,37	5,27	5,24	5,00 - 5,50	-	5,25 - 6,00	-	5,55 - 6,45	-
Annual Employment Level	86 600	91 400	93 500	92 100	-1,5	93 000	1,0	93 900	1,0
Employment Growth (%)	-3,2	5,5	2,3	-1,5	-	1,0	-	1,0	-
Unemployment rate (%)	8,9	7,9	7,8	8,0	-	7,9	-	7,7	-
Net Migration	863	1 343	1 138	1 170	2,8	1 200	2,6	1 280	6,7

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

(1) 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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