



HOUSING NOW

YOUR LINK TO THE HOUSING MARKET

British Columbia - August 2002

Canada Mortgage and Housing Corporation

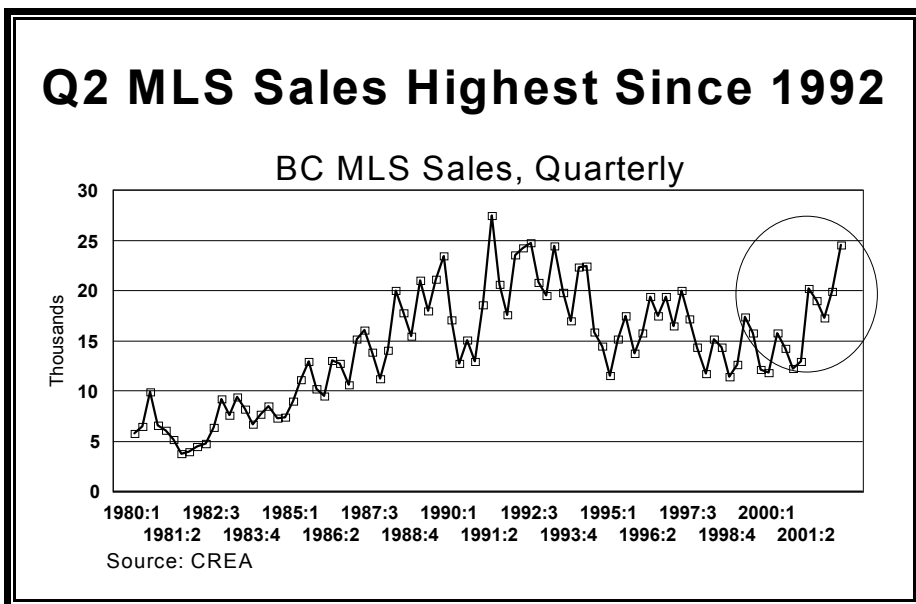
2002 Second Qtr. Highlights: BC Households in the Mood to Buy Homes

BC Households bought more homes in the second quarter of 2002 than in any quarter since 1992. Low interest rates and significant pent-up demand kept BC households buying throughout the spring. Second quarter MLS sales in BC were up 22% over the same period last year. All of this buying activity isn't going unnoticed by home builders. Housing starts in the province rose 14 percent during the second quarter and is up 15 percent January to June year-to-date.

Single detached home starts jumped 78 per cent during the second quarter over the same period last year, and are up 65 per cent in the first half of the year. Since single detached home

builders respond more quickly to demand than builders of multiple projects, it no surprise that production of this home type has ramped up in recent months.. BC's single detached construction activity is also widespread. Second quarter single detached starts are up 40 percent in Fort St John, 66 per cent in Vernon, 73 per cent in Nanaimo, 169 percent in Courtenay, and 93 per cent in Chilliwack to name a few. Pent-up demand unleashed by historically low interest rates is inducing demand for housing despite a lacklustre provincial economy.

Multiple starts, however, were down 20 per cent in the second quarter



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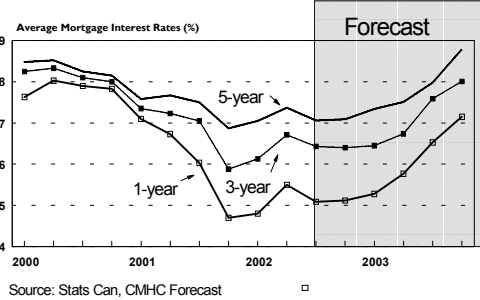
compared to the same period last year. Year-to-date multiple starts are down 9 per cent. Longer pre-development periods for multiple projects makes multiple builders slower to respond to turning points in the market. As a result, expect more multiple construction activity in the second half of the year.



HOME TO CANADIANS
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BC Housing Indicators... In Detail

Mortgage Rates Quarterly Average



BC Economy & Mortgage Rates

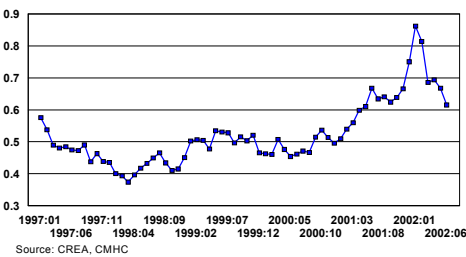
BC households are doing their best to induce economic recovery. Significant year-over-year gains in home sales have builders ramping up residential construction. As a result, expenditures on complementary items like furniture, appliances, and home renovations are also growing. Even automobiles are rolling out of showrooms as retail shoppers hand over their cash or credit. Low interest rates and pent-up demand have kept BC's economy percolating during the first half of 2002, with domestic consumption driving much of the economy.

recent rallies in the bond market have kept mortgage rates low. With mortgage rates expected to remain near their current levels for the balance of the year, BC households will continue to find homes as affordable as they have been in several years.

The Resale Market

While MLS sales eased up heading into the summer months, total BC second quarter sales reached their highest level in nearly ten years. The torrid pace of home sales during the first half of the year depleted listing inventories putting upward pressure on prices. New listing activity was also slow to respond to market demand during the first quarter. A longer than usual winter weather pattern and some uncertainty among move-up buyers kept new listing levels flat until March. By then, the sales to new listings ratio was already high. Predictably, the result was rising price levels. By June, the average MLS sale price was 7 per cent higher than the same month a year ago.

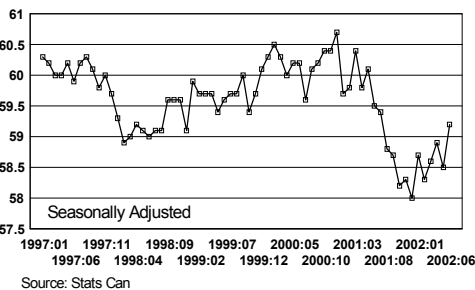
Sales to New Listings Ratio



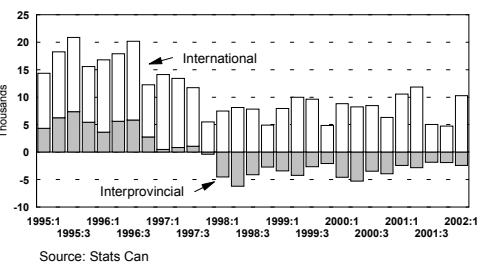
While domestic demand is strong, BC export activity has waned. Positive growth in wood product exports brought on by a brief duty/tariff-free window masks the difficulties faced by this sector for the balance of the year. All eyes are looking south for signs of a softwood lumber agreement and growing domestic demand. Long term housing demand is inextricably linked to economic growth and its associated employment gains. Moreover, increased productivity brings about higher wages, making homes more affordable. To comprehend the impact of affordability one merely has to notice how recent low mortgage rates has driven the real estate market across the country.

During the second quarter a leveling of sales growth and a commensurate increase in new listings brought the sales to new listings ratio down in the province, reducing the upward pressure on home prices. Expect price levels to grow at a slower rate for the balance of the year. However, low mortgage rates will keep demand for resales strong through the third and fourth quarters of the year.

Employment Rate



Net Migration



It appears the much anticipated rise in mortgage rates will not be realized in this calendar year. Sluggish equity markets and

Employment Growth

BC's employment level rose again on a seasonally adjusted basis during the second quarter. This signals a definite upward trend from the fourth quarter 2001 trough. However, the rise in employment was offset by higher labour force growth. As a result, unemployment rose slightly to 9.0 per cent for the quarter. However, the June unemployment rate fell to 8.2 per cent from 9.3 per cent in May, and even on a seasonally adjusted basis it was the lowest monthly rate yet recorded for 2002. A total of 48,900 new jobs were created in June, nearly half the total of 111,100 jobs created since the beginning of the year. The participation rate in June was also the highest for any month since the year 2000.

Full-time employment also climbed during the second quarter for the first time in over a year, while part-time employment remained at first quarter levels. Employment was up in the goods sector during the second quarter, with significant job gains in both construction and manufacturing. Manufacturing employment climbed 8.5 per cent during the first six months of the year, on a seasonally adjusted basis, while construction employment rose 8.4 per cent over the same period. Many of these job gains were the result of domestic demand and growth in the housing sector. Service sector job growth in the second quarter centred around retail trade, health & education.

International Migration

A total of 61,305 immigrant landings were recorded in

Canada during the first quarter. BC was the third most popular destination after Ontario and Quebec, with 9,476 landings in the first three months of the year. However, the proportion of immigrants to Canada that choose BC as their provincial destination has declined over the past several years. During the first quarter of 2002, BC captured 15.5 per cent of Canada's total immigrants, down from the 1996 annual high of 23 per cent.

While BC's share of immigrants has waned in recent years, the province captures a larger share of economic class international migrants, particularly entrepreneur, self employed and investor immigrants. During the first quarter BC captured nearly 24 percent of Canada's entrepreneur, 29 per cent of self employed, and a whopping 43 per cent of investor immigrants.

Net international migration grew by nearly 16 per cent in the first quarter of 2002 over the first quarter of 2001 on a seasonally adjusted basis. Total provincial population growth is expected to remain at 0.9 per cent, with Ontario and Alberta higher at 1.4 per cent and 1.8 per cent respectively. *(interprovincial migration an estimate only)*

**For more information contact:
Cameron Muir
Senior Market Analyst**

**604 / 737 - 4144
e-mail address:
cmuir@cmhc-schl.gc.ca**

Rural Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
2001 Q1	179	17	26	0	222
2001 Q2	370	21	34	12	437
2001 Q3	329	27	103	10	469
2001 Q4	381	22	8	6	417
Total 2001	1259	87	171	28	1545
2002 Q1	103	30	0	6	139
2002 Q2	287	25	24	140	479
2002 Q3	0	0	0	0	0
2002 Q4	0	0	0	0	0
Total 2002	390	55	24	146	618
Urban Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
2001 Q1	1162	110	351	1323	2946
2001 Q2	1623	243	348	2405	4619
2001 Q3	2033	249	345	1549	4176
2001 Q4	1785	227	471	1465	3948
Total 2001	6603	829	1515	6742	15689
2002 Q1	1689	152	335	1483	3659
2002 Q2	2896	332	636	1415	5279
2002 Q3	0	0	0	0	0
2002 Q4	0	0	0	0	0
Total 2002	4585	484	971	2898	8938

Table 1

**Housing Starts, Urban B.C.
April - June 2002**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2001	2002	% Chg.	2001	2002	% Chg.	2001	2002	% Chg.
Metropolitan Areas									
Abbotsford*	121	188	55	0	62	**	121	250	107
Vancouver	836	1,526	83	2,784	2,022	(27)	3,620	3,548	(2)
Victoria	129	249	93	80	44	(45)	209	293	40
CA's 50,000 - 99,000 pop.									
Chilliwack	43	83	93	0	17	**	43	100	133
Courtenay	32	86	169	4	4	0	36	90	150
Kamloops	44	56	27	2	4	100	46	60	30
Kelowna	182	287	58	61	118	93	243	405	67
Nanaimo	64	111	73	16	10	(38)	80	121	51
Prince George	12	22	83	0	0	**	12	22	83
Vernon	32	53	66	2	11	450	34	64	88
CA's 10,000 - 49,999 pop.									
Campbell River	12	15	25	0	6	**	12	21	75
Cranbrook	9	18	100	2	0	(100)	11	18	64
Dawson Creek	2	4	100	0	2	**	2	6	200
Duncan	20	29	45	2	8	300	22	37	68
Fort St. John	15	21	40	4	8	100	19	29	53
Kitimat	0	2	**	0	0	**	0	2	**
Parksville-Qualicum ++	0	70	**	0	8	**	0	78	**
Penticton	24	28	17	24	35	46	48	63	31
Port Alberni	5	5	0	0	0	**	5	5	0
Powell River	3	3	0	0	0	**	3	3	0
Prince Rupert	2	0	(100)	0	0	**	2	0	(100)
Quesnel	6	2	(67)	0	0	**	6	2	(67)
Terrace	3	0	(100)	0	0	**	3	0	(100)
Williams Lake	13	21	62	10	0	(100)	23	21	(9)
Cities 10,000 pop. +									
Salmon Arm	7	5	(29)	2	5	150	9	10	11
Squamish	2	3	50	3	19	533	5	22	340
Summerland	5	9	80	0	0	**	5	9	80
Total	1,623	2,896	78	2,996	2,383	(20)	4,619	5,279	14

* Abbotsford has been changed from a CA to CMA

++ Parksville-Qualicum has been added. Starts for year 2001 are not available and not part of the overall start for 2001

Table 2

**Housing Starts, Urban B.C.
January - June 2002 (ytd)**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2001	2002	% Chg.	2001	2002	% Chg.	2001	2002	% Chg.
Metropolitan Areas									
Abbotsford*	186	315	69	4	131	3,175	190	446	135
Vancouver	1,512	2,350	55	4,257	3,483	(18)	5,769	5,833	1
Victoria	240	448	87	301	111	(63)	541	559	3
CA's 50,000 - 99,000 pop.									
Chilliwack	78	139	78	3	110	3,567	81	249	207
Courtenay	58	131	126	4	10	150	62	141	127
Kamloops	69	92	33	2	14	600	71	106	49
Kelowna	276	479	74	73	295	304	349	774	122
Nanaimo	113	160	42	45	32	(29)	158	192	22
Prince George	17	32	88	0	2	**	17	34	100
Vernon	56	85	52	30	46	53	86	131	52
CA's 10,000 - 49,999 pop.									
Campbell River	19	24	26	0	6	**	19	30	58
Cranbrook	10	20	100	2	0	(100)	12	20	67
Dawson Creek	2	4	100	0	2	**	2	6	200
Duncan	29	45	55	2	10	400	31	55	77
Fort St. John	16	24	50	4	10	150	20	34	70
Kitimat	0	2	**	0	0	**	0	2	**
Parksville-Qualicum ++	0	113	**	0	16	**	0	129	**
Penticton	34	44	29	28	35	25	62	79	27
Port Alberni	6	10	67	0	0	**	6	10	67
Powell River	6	4	(33)	10	0	(100)	16	4	(75)
Prince Rupert	2	0	(100)	0	0	**	2	0	(100)
Quesnel	9	3	(67)	0	0	**	9	3	(67)
Terrace	4	0	(100)	0	0	**	4	0	(100)
Williams Lake	18	36	100	10	0	(100)	28	36	29
Cities 10,000 pop. +									
Salmon Arm	14	11	(21)	2	21	950	16	32	100
Squamish	5	3	(40)	3	19	533	8	22	175
Summerland	6	11	83	0	0	**	6	11	83
Total	2,785	4,585	65	4,780	4,353	(9)	7,375	8,492	15

* Abbotsford has been changed from a CA to CMA

++ Parksville-Qualicum has been added. Starts for year 2001 are not available and not part of the overall start for 2001

Table 3**April - June 2002**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Units Completed							
Metropolitan Areas							
Abbotsford	113	2	-	-	-	-	115
Vancouver	876	164	62	257	494	303	2,156
Victoria	193	20	0	31	157	51	452
Large Urban Centres & Urban Agglomerations							
Chilliwack	51	6	-	5	-	36	98
Courtenay	68	2	-	4	-	-	
Kamloops	36	6	-	8	-	-	50
Kelowna	218	32	66	6	48	-	370
Nanaimo	89	14	-	8	4	-	115
Prince George	12	-	-	-	-	32	44
Vernon	41	4	4	7	-	-	56
Total	1,697	250	132	326	703	422	3,456
January - June 2002							
Metropolitan Areas							
Abbotsford	217	4	-	-	-	-	221
Vancouver	1,815	332	62	462	1,506	582	4,759
Victoria	390	33	-	34	170	86	713
Large Urban Centres & Urban Agglomerations							
Chilliwack	88	12	-	5	-	36	141
Courtenay	111	2	-	4	-	-	117
Kamloops	73	6	-	20	18	-	117
Kelowna	320	36	94	6	48	-	504
Nanaimo	150	20	-	8	4	-	182
Prince George	29	-	-	-	-	32	61
Vernon	72	6	4	10	-	-	92
Total	3,265	451	160	549	1,746	736	6,907

Table 4**April - June 2002**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Absorption of Newly Completed Units							
Metropolitan Areas							
Abbotsford	124	17	-	2	1	-	144
Vancouver	922	155	38	298	563	168	2,144
Victoria	210	24	-	30	124	50	438
Large Urban Centres & Urban Agglomerations							
Chilliwack	53	8	-	3	-	36	100
Courtenay	58	4	-	9	-	-	71
Kamloops	30	7	-	8	13	-	58
Kelowna	213	31	39	4	39	-	326
Nanaimo	81	13	-	3	10	-	107
Prince George	16	-	-	-	-	31	47
Vernon	39	4	-	7	14	-	64
Total	1,746	263	77	364	764	285	3,499
January - June 2002							
Metropolitan Areas							
Abbotsford	242	26	-	3	7	-	278
Vancouver	1,908	335	38	632	1,787	352	5,052
Victoria	469	49	-	37	154	86	795
Large Urban Centres & Urban Agglomerations							
Chilliwack	97	17	-	6	-	36	156
Courtenay	102	5	-	9	-	-	116
Kamloops	68	9	-	14	25	-	116
Kelowna	336	39	67	4	59	-	505
Nanaimo	141	29	-	3	12	-	185
Prince George	35	-	-	8	-	31	74
Vernon	71	7	-	10	17	-	105
Total	3,469	516	105	726	2,061	505	7,382

British Columbia Housing Monitor by CMHC

3rd Quarter 2002

Cameron Muir, Senior Market Analyst

	<u>Recent Statistics 2001</u>	<u>Likely Direction Over the Next 12 Months</u>	<u>Forecast for 2002</u>	<u>Forecast for 2003</u>	<u>These Numbers Indicate the Housing Market This Year Will</u>
<u>BC Housing Starts</u>					
Total	17,234	▲	19,500	21,400	Improve
year-over-year change			13.15%	9.74%	
Singles	7,862	▲	9,900	10,300	Improve
			25.92%	4.04%	
Multiples	9,372	▲	9,600	11,000	Improve
			2.43%	14.58%	
<u>BC Resale Market</u>					
MLS Sales (Units)	69,430	▲	80,000	81,000	Improve
			15.22%	1.25%	
Avg MLS Price (\$)	222,984	▲	237,000	239,000	Improve
			6.29%	0.84%	
<u>BC Economic Indicators</u>					
Real GDP (% change)	0.9	▲	1.4	3.5	Improve
Personal Disp. Income (% chan <i>estimate for 2001</i>)	2.9	▲	3.1	4.5	Improve
Population Growth Rate (%)	0.9	▲	1.0	1.2	Improve
Net Inter-provincial Migration	(8,991)	▲	(5,000)	(250)	Improve
Net International Immigration	32,179	↔	32,000	33,700	Hold Steady
Employment (% change)	-0.3	▲	0.5	1.8	Improve
Unemployment Rate (%)	7.6	↔	8.4	8.1	Weaken
3 year Mortgage Rate (%)	6.80%	↔	5.88 - 6.95%	6.20 - 8.26%	Hold Steady
Inflation: CPI (%)	1.7	▲	2.1	2.0	Weaken
<u>Building Permit Values</u>					
Residential (\$ Millions)	2,829.9	▲	3,508.9	3,600.0	Improve
Non-Residential (\$ Millions)	2,124.9	▲	1,950.0	2,200.0	Weaken

Housing starts were up 18 per cent during the first half of the year, fueled by low interest rates and a pent-up demand that had been building for several years. BC housing starts in June were the highest in five years. With a resale market cooling somewhat from a torrid spring pace and the sales to new listings ratio lowering to reflect a balancing inventory, the growth in home prices should be more gradual for the rest of the year. Volatility in the equity markets has led to declining bond yields as wary investors flock to fixed rates. As a result, mortgage rates are facing downward pressure and are expected to remain near their current levels through the next two quarters.

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