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British Columbia

Canada Mortgage and Housing Corporation

Single Starts Lead Growth in the Second Quarter

During the second quarter of 2006, British Columbia's housing sector marched forward with increased starts and resale prices compared to one-year ago. Persistent employment gains, income growth, and high levels of consumer confidence continue to support housing demand and are driving both resale and new housing markets.

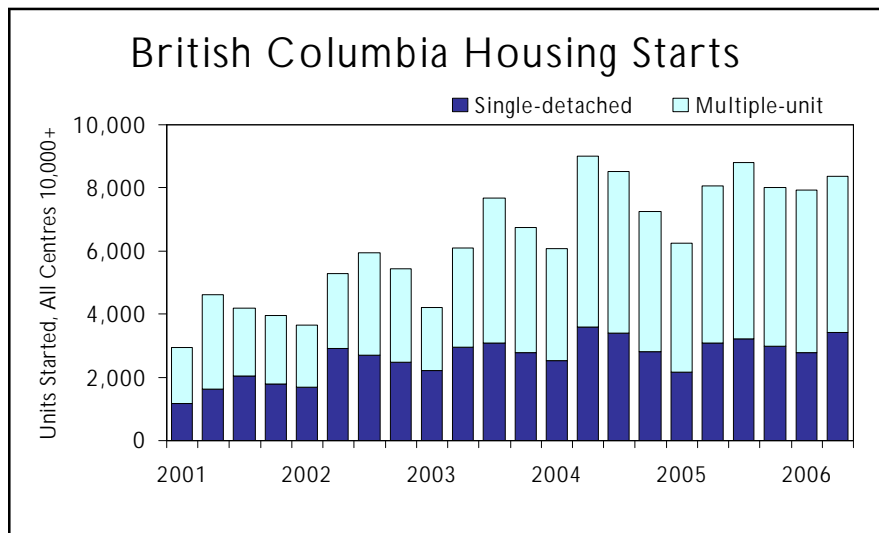
About 8,400 new homes were started in urban British Columbia (areas with a population of 10,000 or more) during the second quarter of the year, up four per cent from the same quarter in 2005. The one per cent decrease in the multiple-unit starts was offset

by an 11 per cent surge in single-detached starts, partly due to a resurgence in single-detached construction in the Vancouver CMA.

Strong housing demand continued to dwarf the supply in the first half of 2006. While 6,200 units were completed during the second quarter, home buyers bought about 6,300 new homes, reducing the inventory by another 100 units.

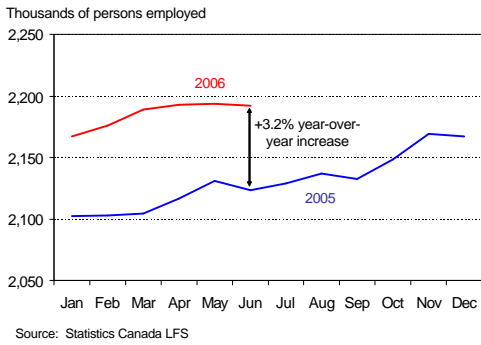
Resale activity remained on par with 2005's record pace as growth in employment and other positive developments partly offset the impact of rising mortgage interest rates on home

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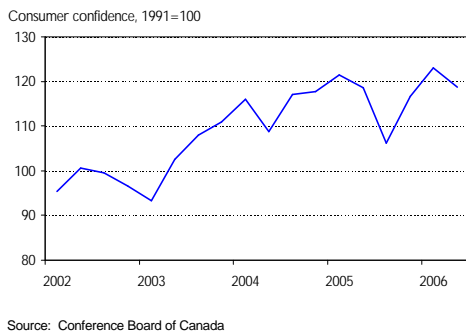


buying. During the first half of 2006, the number of homes changing hands in British Columbia was one per cent below year-earlier levels. As more deals were inked for higher priced properties than in 2005, the average price for existing homes sold through MLS® increased 20 per cent from year-earlier levels.

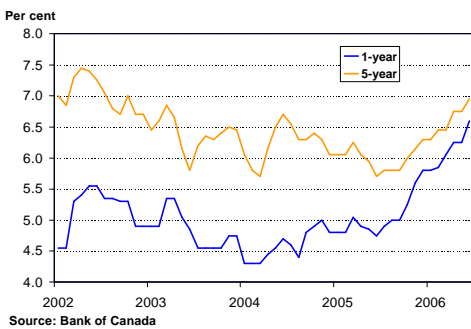
Employment growth supports housing demand



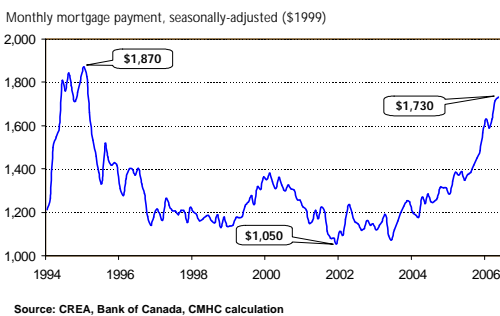
Consumer confidence drops in Q2 but remains high



Conventional posted mortgage rates show narrowing spread



BC mortgage payments reflect changes in interest rates and house prices



Economic Expansion Continues

British Columbia's economy grew 3.5 per cent in 2005 and continues to expand at a similar pace in 2006. Consumer spending on goods and services, investment in residential and non-residential building, business investment in machinery and equipment, are the main sources of this growth. The province's resource sector is benefitting from global demand for key British Columbia commodities including lumber, copper, coal and natural gas. However, a higher valued Canadian dollar and high energy prices are having a negative impact on tourism, particularly US visitors.

The Conference Board's consumer confidence index shows that British Columbians are feeling positive about their financial and employment outlook. The index recorded a slight drop during the second quarter but remains relatively high. Recent labour market developments are one of the contributing factor behind this trend. During the first half of 2006, employment was up 3.4 per cent compared to the first half of 2005. Most of this increase occurred during the first quarter, with employment relatively flat in April, May and June. The unemployment rate was just 4.3 per cent in June, down from 5.8 per cent in June 2005.

With the province's unemployment rate well below the national average, BC attracted a net inflow of people from other provinces during the first quarter of 2006. Every other province recorded a net loss as people moved to Alberta.

Mortgage Rates Rising

Mortgage interest rates remain low by historical standards and are stimulating activity in the housing sector. However, rates have been drifting higher reflecting increases in the overnight lending rate by the Bank of Canada. The key policy rate was held unchanged at the Bank's July rate setting meeting. A pause in short-term mortgage rates may follow.

The spread between the 1-year and 5-year conventional mortgage rate has narrowed to 35 basis points (100 basis points equals 1 per cent) compared to 80 basis points in September 2005 (see chart). Longer-term mortgage interest rates are still below 2002 levels, while short-term mortgage rates are at their highest level since early 2001.

The combination of higher mortgage rates and higher home prices will increase mortgage payments, and eventually slow the housing market. After adjusting for inflation, the average mortgage payment is rising but remains below levels recorded in 1995 (based on 25-year amortization, BC average Multiple Listings Service® resale price, and posted 5-year mortgage rate). So far in 2006, other factors, including employment and income gains, high levels of consumer confidence and a growing population, have helped to offset the impact of rising mortgage rates on British Columbia's housing market.

Resale Markets

British Columbia's resale market has kept up with 2005's record setting pace. In the first half of this year, a total of 54,460 homes changed hands through the Multiple Listings Service®, compared to 55,000 during the same period last year. The unit sales in May alone reached 11,342, the second highest monthly sales on record. Resale activity slowed in June.

Higher home prices accompanied the large number of resale transactions. The provincial average home price in June was 21 per cent above June 2005's level, leaving the price just below \$400,000.

Building Permits

During the first five months of 2006, the value of residential building permits issued by BC municipalities rose 9.4 per cent to over \$2.8 billion compared to the same period of last year.

Residential permits issued by Vancouver CMA during the first five months, accounted for more than half of the provincial total value, and were worth 10 per cent more than the same period of last year. Intentions for residential projects in Victoria inched up 1.4 per cent, while Abbotsford permits lost 12.5 per cent in value compared to the first five months of 2005. While not every building permits results in a housing start, permits issued provide an indication of future construction activity.

Regional Housing Starts

While overall housing starts in BC were up four per cent in the second quarter, the increase was mostly localized in Vancouver and Victoria. Combined, nine per cent or 460 more units were started in the two cities compared to the second quarter in 2005.

Both Abbotsford (-27 per cent) and Kelowna (-24 per cent) saw new construction taking a break in the second quarter after both cities started a record number of units in the previous quarter.

Most other CAs in BC saw more housing starts than last year except for Prince George, which experienced an 18 per cent drop due to fewer multiple-unit starts in the second quarter.

Rural Housing Starts

British Columbia's rural areas (areas with fewer than 10,000 people) continued to benefit from the booming resource sector. This prosperity is reflected in new home construction activity. Rural areas recorded over 1,000 housing starts during the second quarter of 2006, up 27 per cent from the same period of 2005. The increase was concentrated in single-detached homes, often the preferred housing type in rural areas.

Rural Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
2005 Q1	183	39	32	29	283
2005 Q2	509	68	5	222	804
2005 Q3	867	45	62	456	1,430
2005 Q4	705	97	111	118	1,031
Total 2005	2,264	249	210	825	3,548
2006 Q1	429	49	31	2	511
2006 Q2	935	89	0	0	1,024
Urban Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
2005 Q1	2,172	292	856	2,921	6,241
2005 Q2	3,090	411	1,295	3,276	8,072
2005 Q3	3,221	484	1,143	3,950	8,798
2005 Q4	2,972	355	955	3,726	8,008
Total 2005	11,455	1,542	4,249	13,873	31,119
2006 Q1	2,789	419	906	3,824	7,938
2006 Q2	3,427	462	858	3,624	8,371

Table 1

**Housing Starts, Urban B.C.
April - June 2006**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2005	2006	% Chg.	2005	2006	% Chg.	2005	2006	% Chg.
<i>Metropolitan Areas</i>									
Abbotsford	129	94	-27	256	187	-27	385	281	-27
Vancouver	1,266	1,556	23	3,196	3,312	4	4,462	4,868	9
Victoria	261	260	0	320	378	18	581	638	10
<i>CA's 50,000 - 99,000 pop.</i>									
Chilliwack	98	128	31	100	115	15	198	243	23
Kamloops	125	134	7	65	70	8	190	204	7
Kelowna	371	328	-12	599	414	-31	970	742	-24
Nanaimo	149	157	5	56	96	71	205	253	23
Prince George	70	72	3	18	0	-100	88	72	-18
Vernon	103	115	12	22	18	-18	125	133	6
<i>CA's 10,000 - 49,999 pop.</i>									
Campbell River	47	85	81	6	2	-67	53	87	64
Courtenay	106	92	-13	50	95	90	156	187	20
Cranbrook	52	54	4	0	6	**	52	60	15
Dawson Creek	10	17	70	0	0	**	10	17	70
Duncan	74	57	-23	49	36	-27	123	93	-24
Fort St. John	44	41	-7	18	43	139	62	84	35
Kitimat	1	2	100	0	15	**	1	17	##
Parksville-Qualicum	49	63	29	21	21	0	70	84	20
Penticton	38	34	-11	156	97	-38	194	131	-32
Port Alberni	23	21	-9	0	3	**	23	24	4
Powell River	11	12	9	2	2	0	13	14	**
Prince Rupert	0	1	**	0	0	**	0	1	**
Quesnel	12	17	42	0	4	**	12	21	75
Terrace	1	6	500	0	0	**	1	6	500
Williams Lake	12	11	-8	0	2	**	12	13	8
<i>Cities 10,000 pop. +</i>									
Salmon Arm	30	51	70	22	6	-73	52	57	10
Squamish	0	5	**	26	18	-31	26	23	-12
Summerland	8	14	75	0	4	**	8	18	125
Total	3,090	3,427	11	4,982	4,944	-1	8,072	8,371	4

Table 2

**Housing Starts, Year-to-Date, Urban B.C.
January - June 2006**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2005	2006	% Chg.	2005	2006	% Chg.	2005	2006	% Chg.
Metropolitan Areas									
Abbotsford	192	183	-5	302	427	41	494	610	23
Vancouver	2,278	2,980	31	6,296	6,981	11	8,574	9,961	16
Victoria	477	499	5	546	611	12	1,023	1,110	9
CA's 50,000 - 99,000 pop.									
Chilliwack	193	234	21	240	270	13	433	504	16
Kamloops	179	225	26	71	110	55	250	335	34
Kelowna	583	582	0	766	913	19	1,349	1,495	11
Nanaimo	273	315	15	66	119	80	339	434	28
Prince George	111	114	3	18	8	-56	129	122	-5
Vernon	167	177	6	46	21	-54	213	198	-7
CA's 10,000 - 49,999 pop.									
Campbell River	88	138	57	40	26	-35	128	164	28
Courtenay	195	162	-17	140	138	-1	335	300	-10
Cranbrook	65	70	8	0	6	**	65	76	17
Dawson Creek	11	23	109	2	0	-100	13	23	77
Duncan	107	100	-7	83	48	-42	190	148	-22
Fort St. John	48	49	2	24	43	79	72	92	28
Kitimat	1	2	100	0	15	**	1	17	##
Parksville-Qualicum	95	110	16	55	44	-20	150	154	3
Penticton	54	52	-4	228	234	3	282	286	1
Port Alberni	37	36	-3	0	5	**	37	41	11
Powell River	18	19	6	2	6	200	20	25	25
Prince Rupert	1	1	0	0	0	**	1	1	0
Quesnel	13	21	62	0	4	**	13	25	92
Terrace	1	7	##	0	0	**	1	7	##
Williams Lake	13	12	-8	0	2	**	13	14	8
Cities 10,000 pop. +									
Salmon Arm	46	77	67	24	10	-58	70	87	24
Squamish	6	9	50	102	36	-65	108	45	-58
Summerland	10	19	90	0	16	**	10	35	250
Total	5,262	6,216	18	9,051	10,093	12	14,313	16,309	14

Table 3

Units Completed

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
April - June 2006							
Metropolitan Areas							
Abbotsford	75	8	0	3	34	0	120
Vancouver	1,405	210	0	853	1,786	14	4,268
Victoria	283	21	0	11	273	0	588
Large Urban Centres & Urban Agglomerations							
Chilliwack	99	0	0	71	54	0	224
Kamloops	87	18	0	12	43	0	160
Kelowna	312	32	1	45	86	48	524
Nanaimo	148	41	0	7	0	25	221
Prince George	52	2	0	0	0	0	54
Vernon	60	6	0	4	0	0	70
Total	2,521	338	1	1,006	2,276	87	6,229
January - June 2006							
Metropolitan Areas							
Abbotsford	163	8	0	8	122	0	301
Vancouver	2,672	450	0	1,813	4,620	233	9,788
Victoria	469	45	0	46	524	20	1,104
Large Urban Centres & Urban Agglomerations							
Chilliwack	174	12	0	211	196	51	644
Kamloops	171	42	0	12	43	0	268
Kelowna	527	56	1	97	209	137	1,027
Nanaimo	264	55	0	7	53	25	404
Prince George	105	2	0	0	0	0	107
Vernon	133	12	3	17	0	0	165
Total	4,678	682	4	2,211	5,767	466	13,808

Note: Excludes Non-Profit and Co-op units
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Table 4

Absorption of Newly Completed Units

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
April - June 2006							
Metropolitan Areas							
Abbotsford	99	8	0	6	58	0	171
Vancouver	1,454	199	1	859	1,771	47	4,331
Victoria	274	18	0	21	287	0	600
Large Urban Centres & Urban Agglomerations							
Chilliwack	103	3	0	73	60	0	239
Kamloops	82	17	0	12	44	0	155
Kelowna	298	32	1	46	91	44	512
Nanaimo	135	29	0	2	11	25	202
Prince George	47	0	0	0	0	0	47
Vernon	62	6	0	4	0	0	72
Total	2,554	312	2	1,023	2,322	116	6,329
January - June 2006							
Metropolitan Areas							
Abbotsford	201	8	0	12	160	0	381
Vancouver	2707	446	1	1891	4688	224	9957
Victoria	445	38	0	54	526	20	1083
Large Urban Centres & Urban Agglomerations							
Chilliwack	176	12	0	202	153	51	594
Kamloops	166	42	0	12	44	0	264
Kelowna	518	54	1	99	212	133	1017
Nanaimo	265	45	0	3	39	25	377
Prince George	102	0	0	0	0	0	102
Vernon	132	11	3	17	0	0	163
Total	4,712	656	5	2,290	5,822	453	13,938

Note: Excludes Non-Profit and Co-op units
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