

HOUSING MARKET OUTLOOK

Vancouver and Abbotsford CMAs



Canada Mortgage and Housing Corporation

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Strong Demand Drives Lower Mainland¹ Housing Markets

Demand for housing across the Lower Mainland will be supported through 2008 by ongoing job growth and a steady flow of people moving to the region. Solid home price gains will continue to attract investors and live-in homeowners alike. These factors, combined with Vancouver's growing international reputation as a clean, liveable city, will keep demand for new and resale housing robust.

2007 MLS®² sales in Metro Vancouver will come in above last year's

level. Home sales in Abbotsford will finish 2007 slightly below last year. Sales in both Metro Vancouver and Abbotsford will slow in 2008, as high and rising home prices and gradually increasing mortgage rates push mortgage carrying costs higher. Tempered demand, combined with more resale listings coming on line, will ease price growth in the months ahead. Look for new and resale home prices in Metro Vancouver and Fraser Valley communities to grow, but at a slower pace than in recent years.

Figure 1

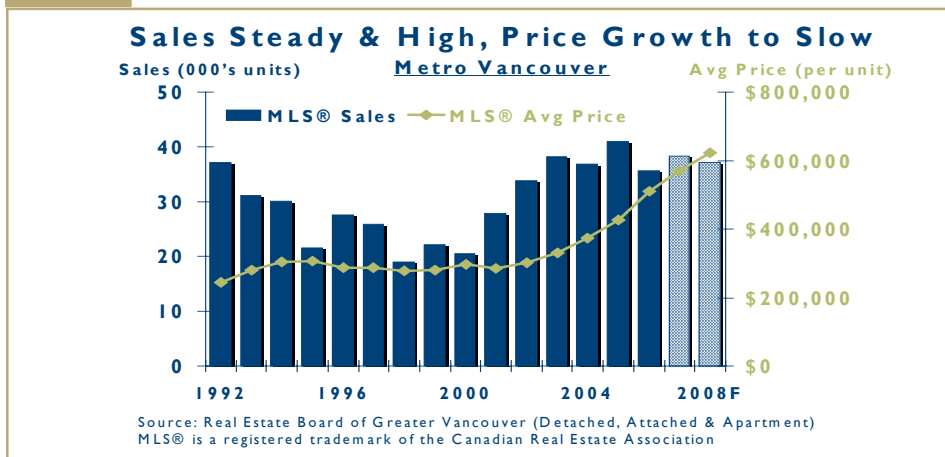


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The Vancouver CMA will end the year with new home construction matching last year's, and then slowing marginally in 2008. Abbotsford CMA home starts will pull back slightly compared to 2006, before stabilizing in the year ahead. Unsold inventories of new homes will be lean across the Lower Mainland, particularly for apartment condominiums.

Metro Vancouver³ Resales Stable and High

Steady demand for resale homes in Metro Vancouver will keep MLS® sales high for the remainder of this year and through 2008. Ongoing job growth and a stable influx of people to the region will underpin homebuyer demand going forward. Stronger-than-expected existing home sales during the summer months will push the total for this year up over last year's, but still shy of the record achieved in 2005. While sales of all home types will register an increase, townhouse and apartment condominium sales will see more of an increase by year-end, compared to single family homes. Buyers are looking for the lifestyle features and amenities and lower mortgage carrying costs offered by condominium living. Total sales of existing homes will increase five per cent to 38,300 units by year-end,

before moderating to 37,200 in 2008.

Home buyers can look forward to more choice of homes on the market over the next 15 months as people take advantage of increased home equity to make a move. MLS® active listings have been on the rise since the beginning of the year and will trend higher through 2008, but remain below the long-term average of almost 13,000 homes for sale. Expect to see a four to five month supply of homes on the market throughout the forecast period, compared to three to four months currently.

Price growth will slow in the year ahead, but remain above the long-term average rate of growth. Steady demand for all home types meant that during the first 9 months of 2007, fully one-third of homes sold at or above list price. In spite of the forecast increase in listings, high sales volumes will keep sellers' market conditions intact into 2008. On average, MLS® prices will be 12 per cent higher than a year earlier by the end of 2007. As the supply of listings continues to rise and sales taper off later in 2008, more balanced supply and demand conditions will prevail. Price growth will slow into the eight to ten per cent range by year-end.

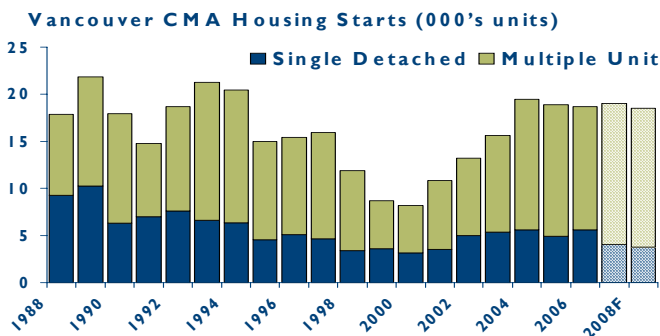
Multiple Unit Projects Will Push Home Starts up in the Vancouver CMA

New home construction will inch just above last year's level in 2007, before easing back slightly in 2008. Multiple unit projects (semi-detached, townhouse and apartment condominiums) will be the driving force keeping home starts elevated, while single detached starts will pull back by one-third in 2007. Builders will continue to focus on multiple unit projects to provide the less expensive homes that many consumers are looking for. As well, high land prices and escalating construction costs make multiple unit projects more profitable for developers than lower density housing projects. Foundations will be poured for 19,000 new homes in 2007 and 18,500 units in 2008.

While the underlying fundamentals - job growth and population growth through migration - will sustain demand for housing in the Vancouver CMA through the forecast period, constraints on home builders and buyers alike will prevent further growth in home starts. Home builders will be competing with more non-residential construction projects for skilled trades as Olympic venue and related transportation and infrastructure projects ramp up to complete by 2010. As conditions in the resale market ease later in 2008, the market for new homes will see less spill-over of demand as more homebuyers buy existing rather than new. High home prices and the expected up-tick in mortgage rates will also directly temper demand for new homes, which are on average higher priced than their resale counterparts.

Figure 2

New Home Construction to Remain High



Source: CMHC

The supply of new homes on the market will be well below the long-term average through 2008. The inventory of completed and unabsorbed new homes has been gradually trending up since the beginning of 2007, and will continue to increase over the next 15 months. The number of homes under construction will be near all-time highs through the forecast period due to extended completion times that have been prolonged by a scarcity of skilled trades for residential sites and bottlenecks in the development approval process. For example, the average time to complete a high rise condo tower has increased by about 15 per cent over the past five years.

Metro Vancouver Rental and Condo Apartment Markets Thrive

Job growth and steady high levels of migration to Metro Vancouver will maintain demand for both rental and condominium apartments. While apartment condos offer a relatively inexpensive entry into the home ownership market complete with lifestyle and amenity features, and/or a lucrative investment vehicle, nearly half of all households in the region will choose rental accommodation⁴. With monthly rents for both purpose built rental apartments and rental condominiums at a fraction of the cost of carrying a mortgage on an apartment condo, rental vacancy rates at or below one per cent will be a reality through 2008.

The shrinking stock of purpose-built rental apartments, resulting partly from low levels of new rental construction, means that almost half of renters will look to the informal rental market for accommodation in the year ahead. Investor condomini-

ums, rental houses, town homes and secondary suites provide an important supply of rental housing. Vacancy rates for investor condominiums will remain below those of purpose-built rental apartments, and the former will garner higher rents through 2008 based on the additional amenities this newer stock of housing provides.

About one-fifth of the total stock of apartment condominiums in the Vancouver CMA will be in the rental pool this year and next, with an even higher proportion in the downtown core. Investors, along with live-in buyers, will keep demand for condo apartments solid into 2008. Apartment condominiums will comprise more than half of all new homes built, and a slightly lower proportion of homes sold through the MLS® system this year and next. Both starts and sales will exceed last year's level before easing in 2008.

Most markets across the Metro Vancouver area will see an up-tick in apartment condo construction by the end of 2007, with the exception of the West Side of Vancouver, including the downtown core, where land supply constraints are limiting new home building. Starts will also be down in Langley and Maple Ridge/

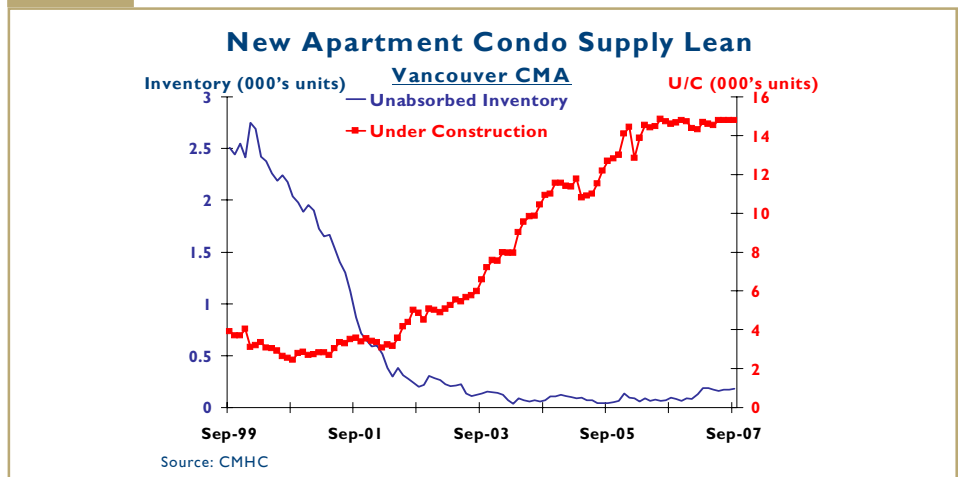
Pitt Meadows, where builders are increasing the number of ground-oriented townhouse projects with homes selling at prices comparable to apartments in communities closer to the downtown core.

The supply of completed and unabsorbed new apartment condo homes has been trending up since the beginning of the year, but will remain well below the long term average through the forecast period. With a near record number of apartment projects under construction in the Vancouver CMA, as these projects complete, inventories of unabsorbed units will trend up in 2008.

Abbotsford Existing Home Sales to Remain High

The Abbotsford CMA resale market will see strong sales of existing homes this year and next. After a slow start at the beginning of the year, sales picked up considerably through the spring and summer, bringing totals close to 2006 levels. MLS® sales will moderate through the fall and end the year four per cent below 2006. Sales will decline a further one per cent in 2008 as higher mortgage rates and rising prices cause some buyers to rethink

Figure 3



their home purchase decision. New apartment condo projects in nearby Fraser Valley centres such as Chilliwack and Langley will provide buyers with different options in terms of price, location and dwelling type.

The supply of homes for sale in Abbotsford will trend higher over the next 15 months. The number of new MLS® listings increased by ten per cent during the first three quarters of 2007, and will stay on this trajectory. Homeowners looking to move up or down are putting their houses on the market, looking to use the equity gained from the sale of their current home towards the purchase of their next residence. With the forecasted drop in sales and more new listings coming on line, MLS® active listings will continue to rise throughout 2008. This will give homebuyers more choice and more time to decide on their purchase.

Despite the forecast decline in sales by year-end, Abbotsford will see some of the steepest price gains in the Lower Mainland in 2007. Average MLS® prices will end the year 18 to 20 per cent above 2006 prices. In 2008, solid demand for housing will drive home prices up, but rising resale inventories will limit

price growth to ten per cent. Escalating single detached home prices will mean that many buyers will look to generally less expensive multiple family style homes.

New Construction Steady in the Abbotsford CMA

Annual new home starts in the Abbotsford CMA will dip five per cent by year-end, before stabilizing in 2008. After a very active first six months of the year, residential construction moderated considerably during the third quarter, and will finish 2007 slightly below year-earlier levels. Ground-oriented developments (single detached, semi-detached and row) have outpaced last year, while apartment condominium starts are down by one-quarter. Relatively low land costs compared to Vancouver CMA communities and the availability of developable land will keep single detached housing starts above 2006 levels to the end of the year. Longer development times stemming from the volume of applications being received by municipalities, as well as difficulties in securing trades for construction sites, will push apartment condominium starts down this year. A total of 1,150 new homes will be started in 2007.

Despite the expected slow down for the remainder of the year,

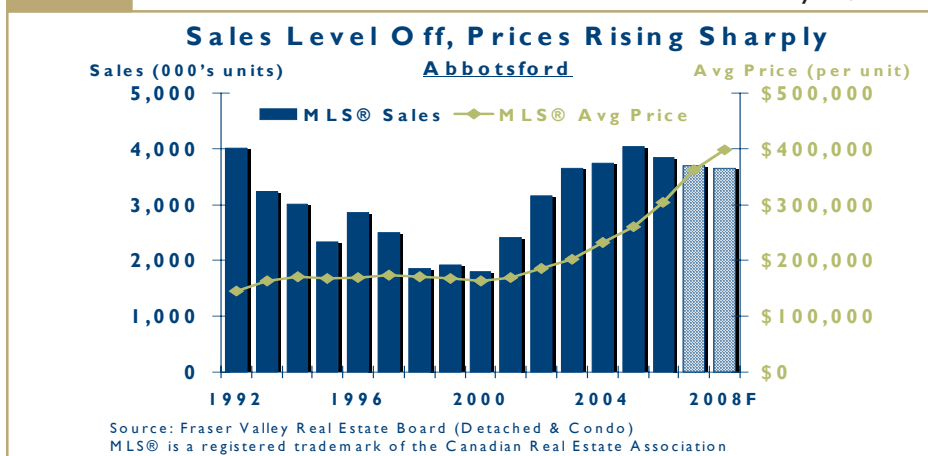
housing starts will trend flat into 2008. Although slowly rising mortgage rates and high home prices will begin to impact buyer demand in Abbotsford, starts will stay high in 2008. A number of apartment condominium projects in the development stage are being marketed this fall. Construction (pouring of footings and foundations) on many of these projects will begin next year, helping to keep total starts near 1,200 units in 2008.

The key issue for new residential construction in the CMA is pricing. With the average price of a new single detached house or apartment condominium about one-third less than a comparable home in the Vancouver CMA, buyers are looking toward Abbotsford City and the District of Mission to purchase a home. As new single family home prices continue to rise in the Abbotsford CMA, expect demand to slowly favour higher density home developments going forward. Double-digit growth in new single family home prices will continue this year and next, pushing the median price up over half a million dollars by the end of 2007. Rising construction costs and steady demand for new housing are the main forces behind the strong price growth.

Vancouver's Solid Economy Will Underpin Housing Demand

Vancouver's thriving economy will support steady high demand for new and resale housing this year and next. Expect Vancouver's economy to grow by more than three per cent in 2007 and 2008, spurred on by increased activity in residential and non-residential construction, as well as wholesale and retail trade and the primary goods producing sector. Meanwhile,

Figure 4



growth in manufacturing will be limited by the high Canadian dollar and the US economic slump, which are hampering demand for Canadian products sold south of the border.

Job growth in Metro Vancouver will outdo last year's performance over the next 15 months. During the first three quarters of 2007, an additional 35,000 jobs were created, compared to the same period last year, accounting for about half of provincial job gains. Increased employment this year will carry forward to generate demand for housing through the forecast period. The unemployment rate will remain near all-time lows, with the construction, retail and wholesale trade sectors ever on the lookout for new workers. Some of the major construction projects underway or expected to start this year include: the Vancouver Olympic Village, Hastings Park renovations, RAV Canada Line, Discovery Place Research Park and Olympic venues such as the Nat Bailey Stadium Park. Tight labour market conditions will continue, with annual employment growth of 34,000 jobs projected, and the unemployment rate near four per cent. Income growth that has accompanied job growth will further bolster housing and retail spending.

Vancouver's solid economy and strong job market will draw more than 30,000 people to the region this year and next. While the vast majority of newcomers will be international migrants, with more than three-quarters from Asia, the region will also attract job seekers from other provinces, including Ontario and Alberta. As Ontario's economic growth moderates in the year ahead, more people will choose to follow jobs to BC.

Abbotsford Economy Creating Jobs, Sustaining Homebuyer Demand

The Abbotsford CMA economy will expand by three per cent in the next 12 to 15 months. While industry sectors such as residential construction, transportation and retail will keep consumer demand and spending strong, the rising Canadian dollar and weakening of the US economy will hamper manufacturing and export businesses. Further into 2008, a slowdown in non-residential construction will take place as projects such as the Abbotsford Regional Hospital and Cancer Centre, come to completion. Newly proposed projects such as the Abbotsford International Airport expansion, a community centre, a museum and arts centre, and a new

sports and entertainment complex, are not expected to start in the immediate future.

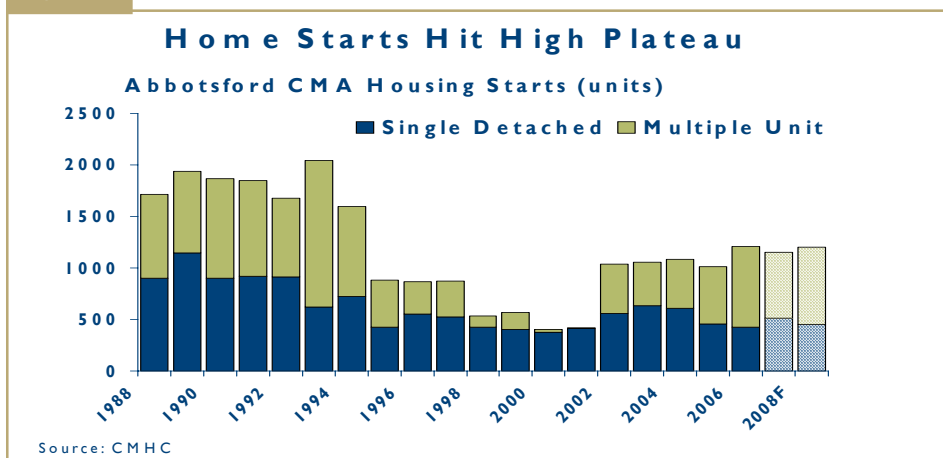
Job growth and labour shortages in the Abbotsford CMA will keep unemployment near the lowest it's been in a decade. The construction, manufacturing, retail and wholesale sectors will help create nearly 2,000 additional jobs this year and 1,500 next. With average earnings on the rise, demand for homes will remain strong.

Employment and relatively low home prices compared to neighbouring Vancouver CMA communities will attract workers and other migrants to Abbotsford. Expect to see about one thousand people moving to the area each year, going forward.

Mortgage Rates

Mortgage rates are expected to remain flat through the end of 2007. While still low by historical norms, mortgage rates are expected to rise gradually by 25-50 basis points in 2008. The one year posted mortgage rate is forecast to be in the 6.50-7.50 per cent range, while three and five year posted mortgage rates are forecast to be in the 6.75-7.75 per cent range in 2008.

Figure 5



Footnotes:

- ¹ Lower Mainland refers to communities in the Vancouver CMA as well as Abbotsford CMA.
- ² MLS® is a registered trademark of the Canadian Real Estate Association
- ³ Metro Vancouver refers to the geography covered by the Greater Vancouver Real Estate Board, which includes all Vancouver CMA municipalities except Surrey, Langley, North Delta and White Rock.
- ⁴ Statistics Canada, 2006 Census.

Forecast Summary Vancouver CMA Fall 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	37,972	42,222	36,479	38,300	5.0	37,200	-2.9
MLS® New Listings	55,218	52,736	54,947	57,694	5.0	60,579	5.0
MLS® Average Price (\$)	373,877	425,745	509,876	571,000	12.0	623,000	9.1
New Home Market							
Starts:							
Single-Detached	5,614	4,935	5,614	4,000	-28.7	3,800	-5.0
Multiples	13,816	13,979	13,091	15,000	14.6	14,700	-2.0
Semi-Detached	974	714	676	710	5.0	680	-4.2
Row/Townhouse	3,334	3,281	2,852	2,623	-8.0	2,400	-8.5
Apartments	9,508	9,984	9,563	11,667	22.0	11,620	-0.4
Starts - Total	19,430	18,914	18,705	19,000	1.6	18,500	-2.6
Average Price (\$):							
Single-Detached	553,459	611,333	710,526	820,000	15.4	900,000	9.8
Median Price (\$):							
Single-Detached	469,000	512,000	585,000	675,000	15.4	742,000	9.9
New Housing Price Index (% chg)	4.9	4.4	6.8	6.5	-	5.8	-
Rental Market							
October Vacancy Rate (%)	1.3	1.4	0.7	0.8	0.1	1.0	0.2
Two-bedroom Average Rent (October) (\$)	984	1,004	1,045	1,087	4.0	1,119	2.9
One-bedroom Average Rent (October) (\$)	774	788	816	849	4.0	874	2.9
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	0.56	7.19	0.33
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	0.57	7.41	0.39
Annual Employment Level	1,127,500	1,155,700	1,187,100	1,222,000	2.9	1,253,000	2.5
Employment Growth (%)	2.2	2.5	2.7	2.9	-	2.5	-
Unemployment rate (%)	6.7	5.7	4.4	4.1	-	4.1	-
Net Migration	23,966	30,172	30,438	31,350	3.0	33,300	6.2

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 CMA Fall 2007							
	2004	2005	2006	2007f	% chg	2008f	% chg
Resale Market							
MLS® Sales	3,740	4,035	3,853	3,700	-4.0	3,650	-1.4
MLS® New Listings	3,863	3,915	4,426	4,650	5.1	4,880	4.9
MLS® Average Price (\$)	232,175	260,856	303,959	361,700	19.0	398,000	10.0
New Home Market							
Starts:							
Single-Detached	607	458	427	510	19.4	450	-11.8
Multiples	476	554	780	640	-17.9	750	17.2
Semi-Detached	24	18	10	12	20.0	12	0.0
Row/Townhouse	46	43	89	148	66.3	178	20.3
Apartments	406	493	681	480	-29.5	560	16.7
Starts - Total	1,083	1,012	1,207	1,150	-4.7	1,200	4.3
Average Price (\$):							
Single-Detached	322,238	380,360	461,583	530,000	14.8	583,000	10.0
Median Price (\$):							
Single-Detached	314,000	355,000	449,000	516,000	14.9	568,000	10.1
New Housing Price Index (% chg) (B.C.)	5.3	4.8	6.5	6.3	-	5.5	-
Rental Market							
October Vacancy Rate (%)	2.8	3.8	2.0	2.1	0.1	2.3	0.2
Two-bedroom Average Rent (October) (\$)	684	704	719	733	1.9	748	2.0
One-bedroom Average Rent (October) (\$)	546	560	582	599	2.9	610	1.8
Economic Overview							
Mortgage Rate (1 year) (%)	4.80	5.80	6.30	6.86	0.56	7.19	0.33
Mortgage Rate (5 year) (%)	6.05	6.30	6.45	7.02	0.57	7.41	0.39
Annual Employment Level	78,500	78,300	82,300	84,760	3.0	86,710	2.3
Employment Growth (%)	4.8	-0.3	5.1	3.0	-	2.3	-
Unemployment rate (%)	6.4	5.5	4.5	4.5	-	4.5	-
Net Migration	1,631	1,001	922	950	3.0	1,000	5.3

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

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