

HOUSING MARKET OUTLOOK

British Columbia Region Highlights



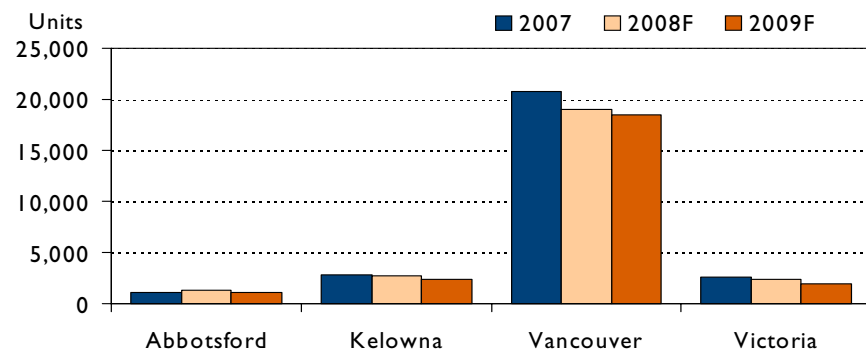
Canada Mortgage and Housing Corporation

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New Home Starts to Decline

Figure 1

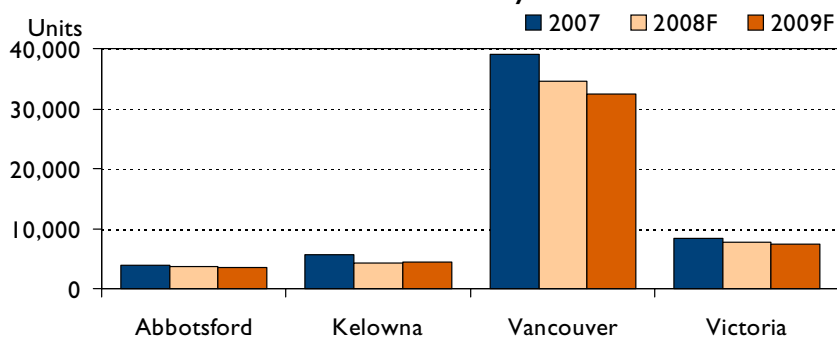
Housing Starts by CMA



Source: CMHC

Figure 2

MLS® Resales by CMA



Sources: MLS® CREA or Local Real Estate Board, CMHC Forecast

Overview

MLS® resale markets will cool: An increase in homes for sale and fewer resale transactions will move most resale markets in BC to balanced demand and supply conditions from sellers' market conditions. Price growth will slow to a pace more in line with the general rate of inflation.

Housing starts will move back toward their long-term average by 2009: A well-supplied resale market will reduce the number of housing starts. High building material and land costs, and declining affordability will reinforce the shift to denser housing types. Longer build times for complex projects will keep residential builders busy despite lower starts numbers.

Economic Forecasts

The economic fundamentals behind BC's strong housing demand will moderate but remain positive. A growing population will partly offset the impact of slightly slower economic and employment growth on housing demand.

In-migration will expand the province's population faster than the national average and will support the demand for housing. BC is a prime destination for people from other countries and provinces. Low unemployment and good job prospects will attract more newcomers. Two-thirds of immigrants to BC will settle in Vancouver.

BC's economy will slow but still out-perform the national average. Weakness in the province's Forestry and Trade sectors, under the influence of developments south of the border, will continue. The domestic side of the economy will grow at a slower pace as consumers tighten their purse strings and investment in non-residential construction eases from recent high levels.

Labour market conditions will support housing demand. Unemployment will remain low, with wages rising, and job growth will be limited by the size of the labour force. BC's Index of Consumer Attitudes moved lower at mid-year, but the drop in confidence should stabilize and moderate declines in housing demand.

Both short and long-term interest rates are expected to remain within 25-50 basis points of their current levels in Canada and the U.S. for the rest of this year, then edge higher in 2009. Canadian mortgage rates are expected to remain within 25-75 basis points of their current level this year and next. One and five-year mortgage rates are forecast to be in the 6.50-7.25 and 6.75-7.50 per cent range respectively in 2008-09.

Mortgage rates		
1 Year	Q2 2008	6.68
	% pt. chg from Q2 2007	-0.15
	2008 (F)	6.82
	2009 (F)	6.84
5 Year	Q2 2008	6.93
	% pt. chg from Q2 2007	-0.08
	2008 (F)	7.12
	2009 (F)	7.42

Source: Bank of Canada, CMHC Forecast

Housing Forecasts

The outlook for home sales and growth in resale prices have been revised lower due to the impact of higher mortgage carrying costs and weakening consumer confidence. An increase in the number of existing homes for sale will offer more choice to home shoppers and reduce new home demand. While housing starts for 2008 have been revised up to reflect a strong start to the year, fewer foundations will be poured in 2009 as housing demand and supply conditions become balanced.

Higher mortgage carrying costs will reduce demand for homeownership. Expect fewer home resales this year. Growing numbers of homes for sale will

give buyers more choice and keep sales just below the 90,000 mark in 2009.

Increased listings of homes for sale and fewer sales have brought demand and supply into balance. As a result, prices will grow slower, dropping from the double-digit pace of the last four years to a rate much closer to the general rate of inflation.

Despite the province's growing population and job numbers, a well-supplied resale home market will lower new construction. Home starts will move back toward their long-term average by 2009. Construction on

approximately 35,000 homes will begin this year. Just under 32,000 homes will get underway next year.

Single-detached home starts will move to their lowest level in five years as builders respond to changing market conditions. High building material and land costs, and declining affordability will reinforce the shift to denser housing types.

Builders will start fewer multiple-family homes. The number of condominiums under construction is near record highs. Longer build times for complex projects will keep residential builders busy despite lower starts numbers.

B.C. Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA ² (%)	Unemp. Rate SA ² (%)	Average Weekly Earnings (\$)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price ³ (\$)
Kamloops	Q2 2008	2.5	4.6	n/a	Q2 2008	145	104	41	437	\$392,753
	Q2 2007	1.2	4.2	n/a	Q2 2007	163	114	49	885	\$332,841
	Change ¹	1.3	0.4	-	% Change	-11.0	-8.8	-16.3	-50.6	18.0
Nanaimo	Q2 2008	-0.4	5.8	n/a	Q2 2008	175	110	65	547	\$336,688
	Q2 2007	9.5	5.5	n/a	Q2 2007	239	126	113	724	\$311,461
	Change ¹	-9.9	0.4	-	% Change	-26.8	-12.7	-42.5	-24.4	8.1
Prince George	Q2 2008	-1.9	7.6	n/a	Q2 2008	78	55	23	452	\$243,662
	Q2 2007	0.6	4.1	n/a	Q2 2007	100	98	2	558	\$241,664
	Change ¹	-2.6	3.5	-	% Change	-22.0	-43.9	n/a	-19.0	0.8
Abbotsford	Q2 2008	3.5	4.3	748	Q2 2008	480	80	400	895	\$362,550
	Q2 2007	7.0	4.4	706	Q2 2007	278	151	127	1,137	\$337,544
	Change ¹	-3.5	-0.1	5.9%	% Change	72.7	-47.0	215.0	-21.3	7.4
Kelowna	Q2 2008	9.5	4.3	794	Q2 2008	789	225	564	1,144	\$472,416
	Q2 2007	0.3	4.8	731	Q2 2007	840	336	504	1,834	\$411,416
	Change ¹	9.1	-0.5	8.5%	% Change	-6.1	-33.0	11.9	-37.6	14.8
Vancouver	Q2 2008	2.6	4.1	786	Q2 2008	5,047	1,044	4,003	8,851	\$617,504
	Q2 2007	2.1	4.4	755	Q2 2007	5,015	1,154	3,861	12,226	\$574,353
	Change ¹	0.5	-0.3	4.1%	% Change	0.6	-9.5	3.7	-27.6	7.5
Victoria	Q2 2008	5.5	3.0	769	Q2 2008	825	186	639	2,145	\$495,470
	Q2 2007	4.8	3.3	725	Q2 2007	746	210	536	2,653	\$477,673
	Change ¹	0.8	-0.3	6.0%	% Change	10.6	-11.4	19.2	-19.1	3.7
B.C.	June 08	2.7	4.5	778	Q2 2008	9,861	3,210	6,651	23,800	\$473,471
	June 07	3.1	4.4	743	Q2 2007	9,878	3,935	5,943	32,539	\$442,878
	Change ¹	-0.4	0.1	4.6%	% Change	-0.2	-18.4	11.9	-26.9	6.9
CANADA	June 08	1.7	6.2	778	Q2 2008	62,087	29,267	32,820	146,219	\$315,760
	June 07	2.1	6.1	745	Q2 2007	64,615	35,673	28,942	168,790	\$310,161
	Change ¹	-0.3	0.1	4.4%	% Change	-3.9	-18.0	13.4	-13.4	1.8

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¹Changes to the Unemployment Rate and Employment Growth represent the **absolute** difference between current rates and the rates for the same period in the previous year.

²Seasonally adjusted Labour Force data is not available for Kamloops, Nanaimo, Prince George, and Kelowna, therefore, raw data was used.

³MLS® Average Price for Prince George, Nanaimo, and Kamloops is for single-detached units only

Source: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA

"SA" means Seasonally Adjusted

Looking for more details? Subscribe to CMHC's Housing Market Outlook Canada report and Housing Market Outlook reports for major centres.

B.C. Region Housing Forecast - New Construction

	Housing Starts	2007	2008(F)	% chg (2007/2008)	2009(F)	% chg (2008/2009)	YTD 2008	YTD 2007	% chg (2007/2008)
Kamloops	Single-Detached	455	375	-17.6	325	-13.3	185	201	-8.0
	Multiple	308	400	29.9	350	-12.5	114	130	-12.3
	Total	763	775	1.6	675	-12.9	299	331	-9.7
Nanaimo	Single-Detached	538	475	-11.7	450	-5.3	235	243	-3.3
	Multiple	295	295	0.0	250	-15.3	187	161	16.1
	Total	833	770	-7.6	700	-9.1	422	404	4.5
Prince George	Single-Detached	288	245	-14.9	235	-4.1	83	144	-42.4
	Multiple	40	35	-12.5	25	-28.6	23	2	n/a
	Total	328	280	-14.6	260	-7.1	106	146	-27.4
Abbotsford	Single-Detached	527	350	-33.6	325	-7.1	164	253	-35.2
	Multiple	561	1,000	78.3	775	-22.5	751	431	74.2
	Total	1,088	1,350	24.1	1,100	-18.5	915	684	33.8
Kelowna	Single-Detached	1,130	950	-15.9	900	-5.3	442	562	-21.4
	Multiple	1,675	1,800	7.5	1,500	-16.7	1,332	699	90.6
	Total	2,805	2,750	-2.0	2,400	-12.7	1,774	1,261	40.7
Vancouver	Single-Detached	4,211	4,000	-5.0	3,600	-10.0	1,868	2,011	-7.1
	Multiple	16,525	15,000	-9.2	14,900	-0.7	8,310	7,333	13.3
	Total	20,736	19,000	-8.4	18,500	-2.6	10,178	9,344	8.9
Victoria	Single-Detached	795	750	-5.7	700	-6.7	331	358	-7.5
	Multiple	1,784	1,600	-10.3	1,200	-25.0	886	856	3.5
	Total	2,579	2,350	-8.9	1,900	-19.1	1,217	1,214	0.2
B.C.	Single-Detached	14,474	11,800	-18.5	11,500	-2.5	5,543	6,743	-17.8
	Multiple	24,721	24,000	-2.9	20,000	-16.7	12,966	11,334	14.4
	Total	39,195	35,800	-8.7	31,500	-12.0	18,509	18,077	2.4
CANADA	Single-Detached	118,917	97,925	-17.7	93,225	-4.8	44,596	54,894	-18.8
	Multiple	109,426	117,550	7.4	100,875	-14.2	61,101	50,437	21.1
	Total	228,343	215,475	-5.6	194,100	-9.9	105,697	105,331	0.3

Source: CMHC (Starts and Completions Survey)

(F) = CMHC Forecast

B.C. Region Housing Forecast - Resale Market

		2007	2008(F)	% chg (2007/2008)	2009(F)	% chg (2008/2009)	YTD 2008	YTD 2007	% chg (2007/2008)
Kamloops¹	MLS® Sales	2,650	1,850	-30.2	1,950	5.4	481	693	-30.6
	MLS® Avg. Price	338,703	389,500	15.0	400,000	2.7	379,316	305,193	24.3
Nanaimo¹	MLS® Sales	2,264	1,900	-16.1	1,800	-5.3	962	1,232	-21.9
	MLS® Avg. Price	343,168	360,000	4.9	368,000	2.2	334,436	303,144	10.3
Prince George¹	MLS® Sales	1,579	1,335	-15.5	1,245	-6.7	452	558	-19.0
	MLS® Avg. Price	241,102	250,000	3.7	257,000	2.8	243,662	241,664	0.8
Abbotsford	MLS® Sales	3,843	3,400	-11.5	3,250	-4.4	1,654	1,982	-16.5
	MLS® Avg. Price	338,976	365,000	7.7	380,000	4.1	357,361	335,820	6.4
Kelowna	MLS® Sales	5,584	4,300	-23.0	4,400	2.3	2,223	3,134	-29.1
	MLS® Avg. Price	410,175	443,000	8.0	460,000	3.8	444,763	397,467	11.9
Vancouver	MLS® Sales	38,978	34,500	-11.5	32,500	-5.8	16,494	20,676	-20.2
	MLS® Avg. Price	570,795	617,000	8.1	645,000	4.5	615,012	560,968	9.6
Victoria	MLS® Sales	8,403	7,450	-11.3	7,000	-6.0	3,821	4,518	-15.4
	MLS® Avg. Price	466,974	500,000	7.1	520,000	4.0	496,986	462,254	7.5
B.C.	MLS® Sales	102,805	86,300	-16.1	85,000	-1.5	42,907	54,738	-21.6
	MLS® Avg. Price	439,119	472,300	7.6	488,000	3.3	473,536	431,905	9.6
CANADA	MLS® Sales	520,192	458,300	-11.9	446,600	-2.6	251,550	289,525	-13.1
	MLS® Avg. Price	307,306	317,450	3.3	327,000	3.0	313,610	302,813	3.6

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¹MLS® Average Price for Prince George, Nanaimo, and Kamloops is for single-detached units only

Source: CREA

B.C. Region Housing Forecast - Rental Market						
	Vacancy Rate		Average Rent 1-Bedroom Units		Average Rent 2-Bedroom Units	
	2007	2008(F)	Oct 2007	Oct 2008(F)	Oct 2007	Oct 2008(F)
Kamloops	0.5	0.5	618	660	732	770
Nanaimo	1.0	1.1	581	600	700	730
Prince George	1.9	2.1	552	574	642	674
Abbotsford	2.1	2.3	610	635	752	780
Kelowna	0.0	0.3	715	750	846	900
Vancouver	0.7	0.8	846	875	1,084	1,120
Victoria	0.5	0.6	716	710	907	950
Canada¹	2.6	4.8	n/a	n/a	n/a	n/a

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

¹ All centres 100,000+

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