

# HOUSING MARKET OUTLOOK

## British Columbia Region Highlights



Canada Mortgage and Housing Corporation

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### Home Starts, Resales and Prices to Decline from Historic Highs

Figure 1

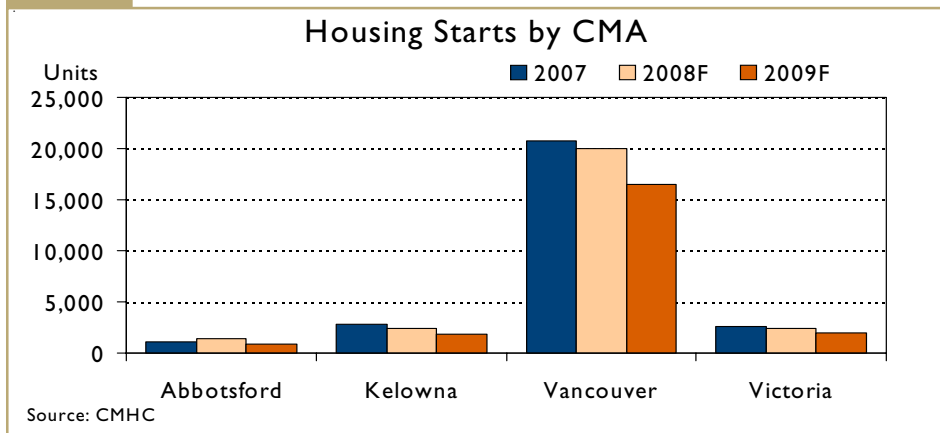
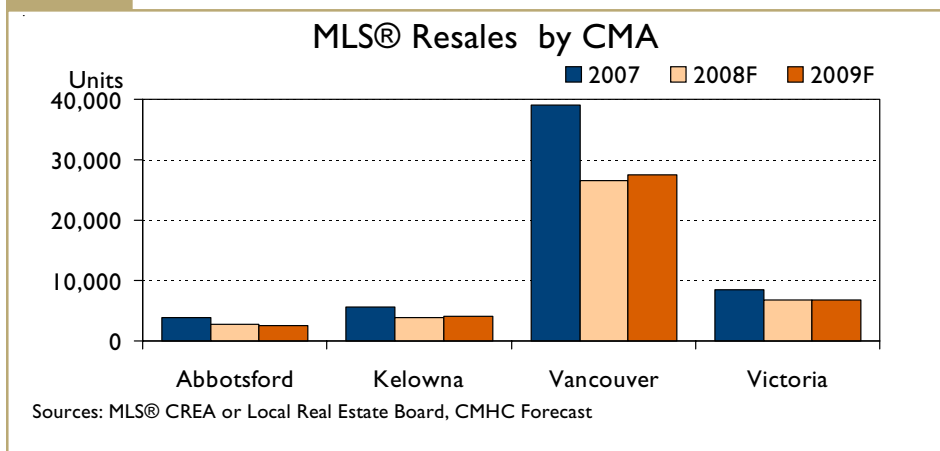


Figure 2



### Overview

**MLS® resale markets will favour buyers:** An increase in homes for sale and fewer resale transactions will lead to a decline in existing home prices.

**Housing starts will decline:** A well-supplied resale market will reduce the number of housing starts. About two-thirds of homes started in 2009 will be in apartment condominiums, townhouses and row houses.

## Economic Outlook

BC faces a period of economic uncertainty and, as a result, the economy will grow slower this year and next. Low unemployment, however, will make this slow growth period unlike any before. The outlook will improve slightly in 2009. Employment opportunities will attract people to the province keeping the population-driven demand for housing up. Major Vancouver transportation projects, including the Canada Line, the New Pitt River Bridge and the Twinning of the Port Mann Bridge, will open up more areas for development.

Mortgage rates are expected to be relatively stable throughout the last quarter of this year, remaining within 25-50 basis points of their current levels. Posted mortgage rates will decrease slightly in the first half of 2009 as the cost of credit to financial institutions eases. Rising bond yields, however, will nudge mortgage rates marginally higher in the latter half 2009. For the last quarter of 2008 and in 2009, the one year posted mortgage rate will be in the 6.00-6.75 per cent range, while three

and five year posted mortgage rates are forecast to be in the 6.50-7.25 per cent range.

Mortgage rates		
1 Year	Q3 2008	6.75
	% pt. chg from Q3 2007	-0.30
	2008 (F)	6.75
	2009 (F)	6.31
5 Year	Q3 2008	6.95
	% pt. chg from Q3 2007	-0.27
	2008 (F)	7.05
	2009 (F)	6.92

Source: Bank of Canada, CMHC Forecast

## Housing Outlook

Housing market conditions will favour the homebuyer. Expect home starts, resales and home prices to decline next year from recent historic highs. Lower home prices will be welcomed by homebuyers, especially first-time buyers who have not benefited from the run-up in home prices during this housing cycle. Some buyers will delay home purchases until they are more comfortable with their financial and employment outlook.

Expect less home construction. A well supplied existing home market will leave fewer homebuyers shopping for new homes. Developers will be challenged by lower prices and

high construction costs. Home starts will move to levels more in line with moderate population growth. Foundations will be poured for 29,200 homes next year, down from 35,800 homes projected for 2008.

High home prices will reinforce the shift to denser, less expensive home types. Single-detached starts will be at their lowest level since 2002, hovering near 11,500 units.

Multiple starts will pull back next year. Builders will work to complete projects currently underway and projects which pre-sold during 2007 and 2008. Inventories of newly completed

and unoccupied homes remain low in BC's urban centres but are edging higher as homes that had been under construction are ready for occupancy. In Vancouver, there were just under 300 apartment condominium units completed and unoccupied at the end of August, up from 236 units at the end of March 2008.

## B.C. Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA <sup>2</sup> (%)	Unemp. Rate SA <sup>2</sup> (%)	Average Weekly Earnings (\$)		Total Starts	Single-Detached Starts	Multiple Starts	MLS® Sales	MLS® Average Price <sup>3</sup> (\$)
Kamloops	Q3 2008	8.6	4.7	n/a	Q3 2008	230	81	149	446	\$378,288
	Q3 2007	-3.9	5.6	n/a	Q3 2007	227	142	85	655	\$355,721
	Change <sup>1</sup>	12.5	-0.9	-	% Change	1.3	-43.0	75.3	-31.9	6.3
Nanaimo	Q3 2008	4.6	6.8	n/a	Q3 2008	386	97	289	433	\$326,196
	Q3 2007	8.2	6.6	n/a	Q3 2007	204	158	46	600	\$325,431
	Change <sup>1</sup>	-3.7	0.2	-	% Change	89.2	-38.6	528.3	-27.8	0.2
Prince George	Q3 2008	3.5	8.0	n/a	Q3 2008	53	43	10	208	\$240,925
	Q3 2007	2.0	5.6	n/a	Q3 2007	115	95	20	447	\$235,760
	Change <sup>1</sup>	1.5	2.4	-	% Change	-53.9	-54.7	n/a	-53.5	2.2
Abbotsford	Q3 2008	6.0	4.4	740	Q3 2008	291	135	156	630	\$356,700
	Q3 2007	2.7	4.4	735	Q3 2007	221	141	80	1,049	\$345,212
	Change <sup>1</sup>	3.4	0.0	0.6%	% Change	31.7	-4.3	95.0	-39.9	3.3
Kelowna	Q3 2008	16.0	5.1	800	Q3 2008	339	201	138	809	\$424,565
	Q3 2007	-4.1	4.4	718	Q3 2007	848	298	550	1,463	\$439,533
	Change <sup>1</sup>	20.0	0.7	11.3%	% Change	-60.0	-32.6	-74.9	-44.7	-3.4
Vancouver	Q3 2008	1.6	4.2	787	Q3 2008	5,486	1,085	4,401	5,446	\$558,092
	Q3 2007	1.6	3.8	760	Q3 2007	5,536	1,127	4,409	10,300	\$583,615
	Change <sup>1</sup>	0.0	0.4	3.6%	% Change	-0.9	-3.7	-0.2	-47.1	-4.4
Victoria	Q3 2008	4.4	3.2	778	Q3 2008	477	217	260	1,569	\$473,486
	Q3 2007	5.0	3.8	747	Q3 2007	664	226	438	2,239	\$465,829
	Change <sup>1</sup>	-0.6	-0.6	4.2%	% Change	-28.2	-4.0	-40.6	-29.9	1.6
B.C.	September 08	2.2	4.6	785	Q3 2008	9,692	3,441	6,251	n/a	n/a
	September 07	2.8	4.4	752	Q3 2007	10,545	4,031	6,514	27,972	\$443,840
	Change <sup>1</sup>	-0.6	0.2	4.5%	% Change	-8.1	-14.6	-4.0	n/a	n/a
CANADA	September 08	1.6	6.1	789	Q3 2008	58,292	27,724	30,568	n/a	n/a
	September 07	2.5	5.9	761	Q3 2007	67,838	35,174	32,664	132,267	\$306,682
	Change <sup>1</sup>	-0.8	0.2	3.7%	% Change	-14.1	-21.2	-6.4	n/a	n/a

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<sup>1</sup>Changes 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.

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

<sup>3</sup>MLS® 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

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## 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)
<b>Kamloops</b>	Single-Detached	455	350	-23.1	300	-14.3	266	343	-22.4
	Multiple	308	375	21.8	250	-33.3	263	215	22.3
	Total	763	725	-5.0	550	-24.1	529	558	-5.2
<b>Nanaimo</b>	Single-Detached	538	452	-16.0	450	-0.4	332	401	-17.2
	Multiple	295	670	127.1	620	-7.5	476	207	130.0
	Total	833	1,122	34.7	1,070	-4.6	808	608	32.9
<b>Prince George</b>	Single-Detached	288	165	-42.7	150	-9.1	126	239	-47.3
	Multiple	40	35	-12.5	15	-57.1	33	22	n/a
	Total	328	200	-39.0	165	-17.5	159	261	-39.1
<b>Abbotsford</b>	Single-Detached	527	400	-24.1	350	-12.5	299	394	-24.1
	Multiple	561	1,000	78.3	550	-45.0	907	511	77.5
	Total	1,088	1,400	28.7	900	-35.7	1,206	905	33.3
<b>Kelowna</b>	Single-Detached	1,130	850	-24.8	750	-11.8	643	860	-25.2
	Multiple	1,675	1,550	-7.5	1,100	-29.0	1,470	1,249	17.7
	Total	2,805	2,400	-14.4	1,850	-22.9	2,113	2,109	0.2
<b>Vancouver</b>	Single-Detached	4,211	3,900	-7.4	3,600	-7.7	2,953	3,138	-5.9
	Multiple	16,525	16,100	-2.6	12,900	-19.9	12,711	11,742	8.3
	Total	20,736	20,000	-3.5	16,500	-17.5	15,664	14,880	5.3
<b>Victoria</b>	Single-Detached	795	740	-6.9	700	-5.4	548	584	-6.2
	Multiple	1,784	1,600	-10.3	1,300	-18.8	1,146	1,294	-11.4
	Total	2,579	2,340	-9.3	2,000	-14.5	1,694	1,878	-9.8
<b>B.C.</b>	Single-Detached	14,474	11,800	-18.5	11,500	-2.5	8,984	10,774	-16.6
	Multiple	24,721	24,000	-2.9	17,700	-26.3	19,217	17,848	7.7
	Total	39,195	35,800	-8.7	29,200	-18.4	28,201	28,622	-1.5
<b>CANADA</b>	Single-Detached	118,917	94,263	-20.7	83,600	-11.3	72,320	90,068	-19.7
	Multiple	109,426	117,925	7.8	94,375	-20.0	91,669	83,101	10.3
	Total	228,343	212,188	-7.1	177,975	-16.1	163,989	173,169	-5.3

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)
<b>Kamloops<sup>1</sup></b>	MLS® Sales	2,650	1,850	-30.2	1,950	5.4	1,451	2,215	-34.5
	MLS® Avg. Price	338,703	380,000	12.2	365,000	-3.9	383,356	331,487	15.6
<b>Nanaimo<sup>1</sup></b>	MLS® Sales	2,264	1,700	-24.9	1,750	2.9	1,395	1,832	-23.9
	MLS® Avg. Price	314,636	328,000	4.2	300,000	-8.5	333,331	309,061	7.9
<b>Prince George<sup>1</sup></b>	MLS® Sales	1,579	1,335	-15.5	1,245	-6.7	969	1,251	-22.5
	MLS® Avg. Price	240,311	242,000	0.7	227,000	-6.2	242,304	239,399	1.2
<b>Abbotsford</b>	MLS® Sales	3,843	2,750	-28.4	2,550	-7.3	2,284	3,031	-24.6
	MLS® Avg. Price	338,976	350,000	3.3	330,000	-5.7	357,595	338,829	5.5
<b>Kelowna</b>	MLS® Sales	5,584	3,800	-31.9	4,000	5.3	3,035	4,597	-34.0
	MLS® Avg. Price	410,175	435,000	6.1	405,000	-6.9	439,178	410,855	6.9
<b>Vancouver</b>	MLS® Sales	38,978	26,500	-32.0	27,500	3.8	21,940	30,976	-29.2
	MLS® Avg. Price	570,795	588,000	3.0	535,000	-9.0	600,884	568,498	5.7
<b>Victoria</b>	MLS® Sales	8,403	6,700	-20.3	6,800	1.5	5,390	6,757	-20.2
	MLS® Avg. Price	466,974	485,000	3.9	455,000	-6.2	490,145	463,439	5.8
<b>B.C.</b>	MLS® Sales	102,805	75,000	-27.0	74,400	-0.8	54,635	82,710	-33.9
	MLS® Avg. Price	439,119	449,450	2.4	418,200	-7.0	465,152	435,942	6.7
<b>CANADA</b>	MLS® Sales	523,701	452,225	-13.6	433,375	-4.2	330,181	421,593	-21.7
	MLS® Avg. Price	305,707	306,500	0.3	306,700	0.1	309,698	304,145	1.8

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<sup>1</sup>MLS® 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)
<b>Kamloops</b>	0.5	0.5	618	680	732	795
<b>Nanaimo</b>	1.0	1.1	581	600	700	730
<b>Prince George</b>	1.9	2.1	552	574	642	674
<b>Abbotsford</b>	2.1	2.3	610	635	752	780
<b>Kelowna</b>	0.0	0.3	715	750	846	905
<b>Vancouver</b>	0.7	0.8	846	875	1,084	1,120
<b>Victoria</b>	0.5	0.3	716	745	907	950
<b>Canada<sup>1</sup></b>	2.6	2.8	n/a	n/a	n/a	n/a

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

<sup>1</sup> All centres 100,000+

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