

HOUSING MARKET OUTLOOK

British Columbia Region Highlights



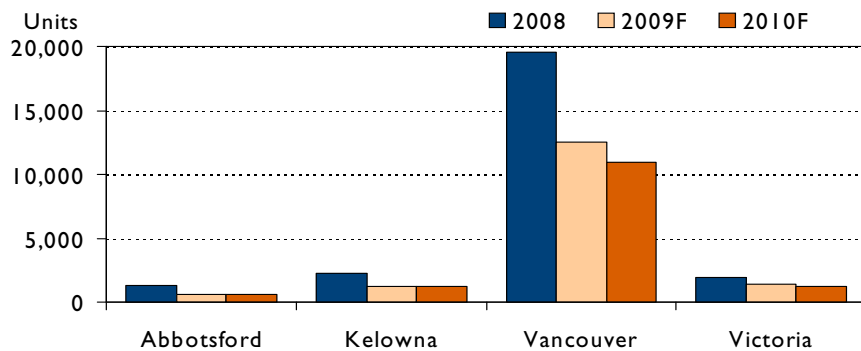
Canada Mortgage and Housing Corporation

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Home Starts to Decline

Figure 1

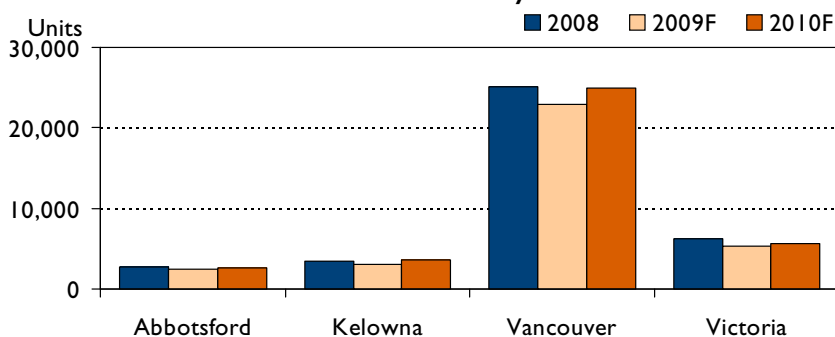
Housing Starts by CMA



Source: CMHC

Figure 2

MLS® Resales by CMA



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

Overview¹

Despite a growing population, demand for B.C. homes will be weak and prices will be lower. The sales-to-new listings ratio, an indicator of demand and supply conditions for existing homes, is low. This suggests that fewer new homes will be started this year and next. Both single-detached and multiple-unit starts will decline in 2009 and 2010.

The average MLS® price will move lower this year, narrowing the price gap with the rest of Canada. In 2010, the average price for an existing home will remain close to the 2009 price, as resale market returns to more balanced supply and demand conditions later in that year.

¹ The outlook is subject to a heightened degree of uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts included in this document are based on information available as of January 27, 2009.

Economic Outlook

Builders will start fewer homes in response to weak demand and an abundant supply of housing. Housing starts in the province will total 22,800 units in 2009, down by one third compared to last year's level. A further nine per cent decline is forecast for 2010.

Slower economic and job growth will lessen demand for homeownership. Consumers will rein in their spending on goods and services, including housing, slowing economic and job growth to less than one per cent. Relatively low mortgage interest rates and a growing population are two factors that will support housing demand, but will not fully offset the influence of the moderating economy.

A well-supplied resale market means there will be less spill-over in homeownership demand to new home construction. The increase in home prices between 2004 and 2007 led to a significant (12%) increase in homes for sale last year. Existing home listings have moved off their recent peak, but remain elevated, while resales continue to decline. The sales-to-new listings ratio, an excellent indicator of future home prices, is low and pointing to lower home prices. As a result, market conditions will favour homebuyers, who will benefit from more choice than in recent years.

The provincial economy will be on a more solid footing in 2010 as demand for B.C. goods and services

picks up. Stronger employment growth will entice more homebuyers back to the ownership market and draw listings down.

Housing Outlook

The outlook is for fewer housing starts and lower home prices due to weak homeownership demand and a well-supplied existing home market. The housing outlook stabilizes in 2010 with smaller projected declines in housing starts and resale prices.

The resale market will cool this year and next. A slowing economy and job market will contribute to lower existing home sales this year, following a significant drop in 2008. Buyers' market conditions will prevail throughout 2009 and result in lower prices. The average MLS® price will decline ten per cent to just under \$408,000, narrowing the price gap with the rest of Canada. In 2010, the resale market will return

to more balanced supply and demand conditions, and will result in an average existing home price close to the 2009 level.

The low sales-to-new listings ratio also points to fewer home starts. Both single-detached starts and multiple-unit starts will decline as a result of competition from a well-supplied existing home market and weak demand for homeownership. Single-detached homes will continue to be favoured by consumers, but their generally higher price, compared to resale homes, may become more of a deterrent as resale prices move lower. The price gap between existing and new homes will widen this year because construction costs are still relatively

high. Construction costs will benefit from lower labour and materials costs as market activity lessens.

Although high land prices will encourage construction of multi-family housing, fewer multiple-unit starts will get underway this year and next. Weak demand for homeownership will put some projects on hold. Apartment condominium starts will continue to be the focus of builders, with many developers favouring smaller projects or larger projects with phased components. Few rental starts are projected, despite low rental vacancy rates, as construction costs remain relatively high.

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	Q4 2008	8.4	5.6	n/a	Q4 2008	49	41	8	166	\$346,296
	Q4 2007	-4.4	6.4	n/a	Q4 2007	205	112	93	410	\$375,648
	Change ¹	12.8	-0.8	-	% Change	-76.1	-63.4	-91.4	-59.5	-7.8
Nanaimo	Q4 2008	15.5	4.3	n/a	Q4 2008	113	57	56	204	\$337,181
	Q4 2007	5.5	4.0	n/a	Q4 2007	225	137	88	433	\$332,375
	Change ¹	10.1	0.3	-	% Change	-49.8	-58.4	-36.4	-52.9	1.4
Prince George	Q4 2008	-1.9	5.6	n/a	Q4 2008	56	20	36	146	\$233,317
	Q4 2007	6.7	5.1	n/a	Q4 2007	67	49	18	219	\$243,937
	Change ¹	-8.6	0.5	-	% Change	-16.4	-59.2	n/a	-33.3	-4.4
Abbotsford	Q4 2008	3.8	5.5	737	Q4 2008	79	59	20	390	\$338,352
	Q4 2007	0.7	3.7	749	Q4 2007	183	133	50	812	\$336,349
	Change ¹	3.0	1.8	-1.6%	% Change	-56.8	-55.6	-60.0	-52.0	0.6
Kelowna	Q4 2008	2.5	5.8	788	Q4 2008	144	122	22	412	\$381,982
	Q4 2007	0.2	4.3	719	Q4 2007	696	270	426	993	\$406,897
	Change ¹	2.3	1.5	9.6%	% Change	-79.3	-54.8	-94.8	-58.5	-6.1
Vancouver	Q4 2008	0.1	4.8	815	Q4 2008	3,927	681	3,246	3,209	\$545,115
	Q4 2007	3.1	4.1	761	Q4 2007	5,856	1,073	4,783	8,002	\$579,685
	Change ¹	-3.0	0.7	7.1%	% Change	-32.9	-36.5	-32.1	-59.9	-6.0
Victoria	Q4 2008	0.9	3.7	767	Q4 2008	211	125	86	781	\$448,680
	Q4 2007	5.4	2.8	727	Q4 2007	701	211	490	1,646	\$481,488
	Change ¹	-4.5	0.9	5.4%	% Change	-69.9	-40.8	-82.4	-52.6	-6.8
B.C.	December 08	0.2	5.3	794	Q4 2008	6,120	2,007	4,113	9,181	\$415,408
	December 07	3.2	4.1	753	Q4 2007	10,573	3,700	6,873	20,095	\$452,198
	Change ¹	-3.0	1.2	5.5%	% Change	-42.1	-45.8	-40.2	-54.3	-8.1
CANADA	December 08	0.5	6.6	796	Q4 2008	47,067	20,882	26,185	67,658	\$281,112
	December 07	2.2	5.9	765	Q4 2007	55,174	28,849	26,325	102,262	\$312,738
	Change ¹	-1.7	0.7	4.0%	% Change	-14.7	-27.6	-0.5	-33.8	-10.1

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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

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B.C. Region Housing Forecast - New Construction

	Housing Starts	2008	2009(F)*	% chg (2008/2009)	2010(F)*	% chg (2009/2010)	YTD 2008	YTD 2007	% chg (2007/2008)
Kamloops	Single-Detached	307	200	-34.9	175	-12.5	307	455	-32.5
	Multiple	271	150	-44.6	125	-16.7	271	308	-12.0
	Total	578	350	-39.4	300	-14.3	578	763	-24.2
Nanaimo	Single-Detached	389	330	-15.2	330	0.0	389	538	-27.7
	Multiple	532	180	-66.2	150	-16.7	532	295	80.3
	Total	921	510	-44.6	480	-5.9	921	833	10.6
Prince George	Single-Detached	146	130	-11.0	115	-11.5	146	288	-49.3
	Multiple	69	30	-56.5	25	-16.7	69	40	n/a
	Total	215	160	-25.6	140	-12.5	215	328	-34.5
Abbotsford	Single-Detached	358	250	-30.2	225	-10.0	358	527	-32.1
	Multiple	927	400	-56.9	375	-6.3	927	561	65.2
	Total	1,285	650	-49.4	600	-7.7	1,285	1,088	18.1
Kelowna	Single-Detached	765	600	-21.6	625	4.2	765	1,130	-32.3
	Multiple	1,492	650	-56.4	575	-11.5	1,492	1,675	-10.9
	Total	2,257	1,250	-44.6	1,200	-4.0	2,257	2,805	-19.5
Vancouver	Single-Detached	3,634	3,200	-11.9	2,900	-9.4	3,634	4,211	-13.7
	Multiple	15,957	9,300	-41.7	8,100	-12.9	15,957	16,525	-3.4
	Total	19,591	12,500	-36.2	11,000	-12.0	19,591	20,736	-5.5
Victoria	Single-Detached	673	650	-3.4	550	-15.4	673	795	-15.3
	Multiple	1,232	700	-43.2	700	0.0	1,232	1,784	-30.9
	Total	1,905	1,350	-29.1	1,250	-7.4	1,905	2,579	-26.1
B.C.	Single-Detached	10,991	8,800	-19.9	8,000	-9.1	10,991	14,474	-24.1
	Multiple	23,330	14,000	-40.0	12,700	-9.3	23,330	24,721	-5.6
	Total	34,321	22,800	-33.6	20,700	-9.2	34,321	39,195	-12.4
CANADA	Single-Detached	93,202	74,825	-19.7	76,600	2.4	93,202	118,917	-21.6
	Multiple	117,854	85,425	-27.5	86,750	1.6	117,854	109,426	7.7
	Total	211,056	160,250	-24.1	163,350	1.9	211,056	228,343	-7.6

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

Source: CMHC (Starts and Completions Survey)

(F) = CMHC Forecast

B.C. Region Housing Forecast - Resale Market

		2008	2009(F)*	% chg (2008/2009)	2010(F)*	% chg (2009/2010)	YTD 2008	YTD 2007	% chg (2007/2008)
Kamloops¹	MLS® Sales	1,641	1,450	-11.6	1,650	13.8	1,641	2,650	-38.1
	MLS® Avg. Price	379,929	330,000	-13.1	325,000	-1.5	379,929	338,703	12.2
Nanaimo¹	MLS® Sales	1,599	1,350	-15.6	1,400	3.7	1,599	2,265	-29.4
	MLS® Avg. Price	332,555	310,000	-6.8	300,000	-3.2	332,555	314,636	5.7
Prince George¹	MLS® Sales	1,168	975	-16.5	900	-7.7	1,168	1,579	-26.0
	MLS® Avg. Price	240,240	227,000	-5.5	222,000	-2.2	240,240	241,102	-0.4
Abbotsford	MLS® Sales	2,674	2,500	-6.5	2,600	4.0	2,674	3,843	-30.4
	MLS® Avg. Price	355,099	330,000	-7.1	330,000	0.0	355,099	338,976	4.8
Kelowna	MLS® Sales	3,445	3,100	-10.0	3,600	16.1	3,445	5,584	-38.3
	MLS® Avg. Price	430,755	383,500	-11.0	380,000	-0.9	430,755	410,175	5.0
Vancouver	MLS® Sales	25,149	23,000	-8.5	25,000	8.7	25,149	38,978	-35.5
	MLS® Avg. Price	593,767	527,000	-11.2	528,000	0.2	593,767	570,795	4.0
Victoria	MLS® Sales	6,171	5,400	-12.5	5,600	3.7	6,171	8,403	-26.6
	MLS® Avg. Price	484,898	427,000	-11.9	420,000	-1.6	484,898	466,974	3.8
B.C.	MLS® Sales	68,923	61,800	-10.3	65,700	6.3	68,923	102,805	-33.0
	MLS® Avg. Price	454,599	407,700	-10.3	405,400	-0.6	454,599	439,119	3.5
Canada²	MLS® Sales	433,990	370,500	-14.6	405,000	9.3	433,985	523,307	-17.1
	MLS® Avg. Price	303,607	287,900	-5.2	288,100	0.1	303,609	305,864	-0.7

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

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

² Canada total excludes the territories

Source: CREA

(F) = CMHC Forecast

B.C. Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 1-Bedroom Units		Average Rent 2-Bedroom Units	
	2008	2009(F)	Oct 2008	Oct 2009(F)	Oct 2008	Oct 2009(F)
Kamloops	0.4	0.5	660	680	788	795
Nanaimo	1.2	1.4	614	645	750	788
Prince George	3.9	4.9	598	625	692	723
Abbotsford	2.6	3.0	627	645	765	780
Kelowna	0.3	1.0	803	835	967	1,000
Vancouver	0.5	0.8	880	910	1,124	1,164
Victoria	0.5	0.7	764	795	965	1,005
Canada¹	2.3	2.1	n/a	n/a	n/a	n/a

Source: CMHC Fall Rental Market Survey

(F) = CMHC Forecast

¹ All centres 100,000+

British Columbia Region - Housing Forecast Ranges

	2009			2010		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
British Columbia						
Housing Starts	22,800	25,600	20,100	20,700	22,800	18,100
Multiple	14,000	15,800	12,300	12,700	14,000	10,800
Single	8,800	9,800	7,800	8,000	8,800	7,300
MLS® Sales	61,800	65,900	57,400	65,700	68,100	58,400
MLS® Average Price (\$)	407,700	431,900	382,400	405,400	436,200	379,900
Canada						
Housing Starts	160,250	180,000	141,000	163,350	180,000	143,000
Multiple	85,425	96,200	75,200	86,750	95,400	74,400
Single	74,825	83,800	65,800	76,600	84,600	68,600
MLS® Sales	370,500	395,000	344,000	405,000	420,000	360,000
MLS® Average Price (\$)	287,900	305,000	270,000	288,100	310,000	270,000

Source: CMHC.

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