

HOUSING MARKET OUTLOOK

British Columbia Region Highlights

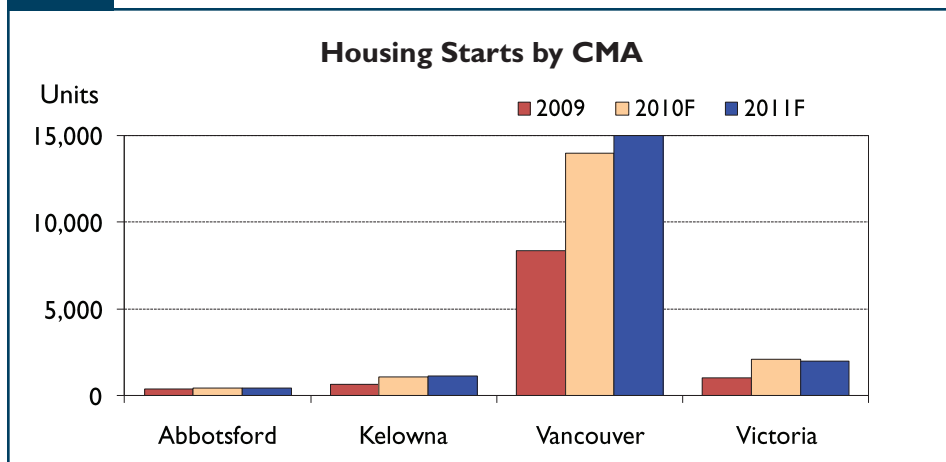


CANADA MORTGAGE AND HOUSING CORPORATION

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Modest Increase Expected in New Home Construction

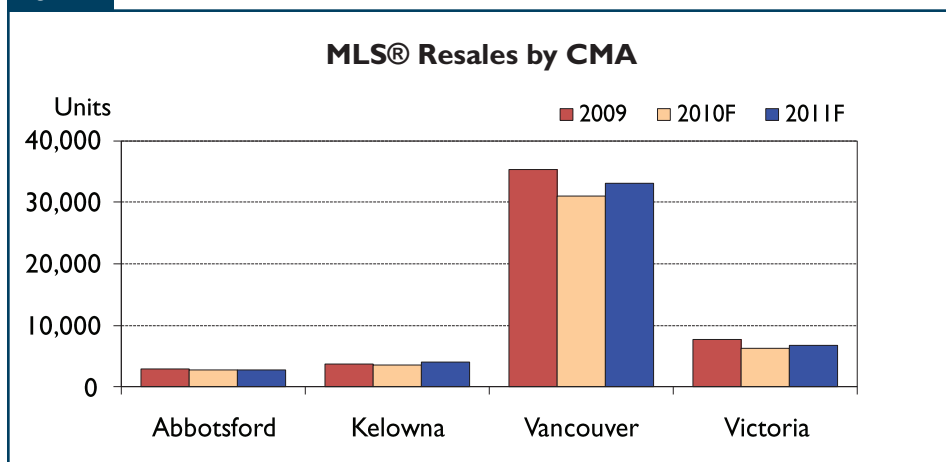
Figure 1



Overview¹

- Builders are expected to begin construction on more new homes next year in response to steady housing demand.
- Favourable mortgage interest rates, job growth and strong migration flows will support housing demand.
- The number of resale transactions is forecast to rise next year, but remain below their 10-year average.
- Balanced resale market conditions will result in modest annual price growth in 2011, despite a rising trend during the year.

Figure 2



¹ The outlook is subject to 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 October 8, 2010.

Economic Outlook

The British Columbia economy is forecast to grow in 2011. Growth in employment and incomes as the economy expands, as well as low mortgage interest rates, will bolster the resale and new home markets.

Full-time employment growth this year will fuel demand for homeownership next year. Average weekly wages in the province are increasing at a pace faster than the national average. This trend is expected to continue.

Strong international migration, mainly from China, India, the Philippines and

England, will add to demand for rental accommodation and homeownership. Most new migrants will settle in the Lower Mainland. British Columbia's strong job market compared to other provinces is a key factor contributing to a rising trend in interprovincial migration. The province will add more than 60,000 people annually, with the majority coming from other countries.

New home construction will increase to meet demand generated by growth in the number of households. CMHC estimates that 28,000 to 30,000 households will be added in British Columbia on an annual basis this year and next, a level above the number of housing starts. Builders are expected

to increase housing starts to meet this demand as resale market conditions improve next year.

Mortgage rates		
1 Year	Q3 2010	3.37
	Change from Q3 2009	-0.37
	2010 (F)	3.47
	2011 (F)	3.20
5 Year	Q3 2010	5.52
	Change from Q3 2009	-0.21
	2010 (F)	5.59
	2011 (F)	5.20

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q3 2010 data

Housing Market Outlook

While resale market performance has posted results that have varied significantly at times during the last two years, going forward resale market conditions are expected to stabilize as the economy reflects a number of positive economic factors.

The number of resale transactions has been trending lower and will level off during the remainder of 2010. Average home prices are forecast to move lower during the second half of 2010 reflecting buyers' market conditions. Relatively stable mortgage interest rates and lower home prices early in 2011 are forecast to reduce monthly mortgage carrying costs and contribute to increased resales next year.

Resale market conditions are forecast to move towards balanced demand and supply as new listings are absorbed and resale demand is rejuvenated by growth in employment and real income. Modest growth in

home prices is forecast for 2011. The annual average price will be similar to 2010, reflecting an ample supply of homes for sale early in the year.

Housing starts, following a more stable resale market, will be in the range of 21,600 to 29,800 homes in 2011. The forecast range reflects the potential variability in the economic outlook next year. Stronger-than-expected economic growth or lower-than-expected mortgage rates would result in housing starts in the upper end of the range. The point forecast of 25,900 starts in 2011 is slightly higher than the projected 25,500 starts expected this year.

The annual level of single-detached home starts will be on par with the ten-year average this year and next. Competition from a well-supplied resale market will mitigate the level of single-detached home starts during the next six months.

Apartment condominiums, row and townhouse starts are trending higher

and are forecast to reach 14,700 units next year. The focus remains on smaller, phased projects. In the Vancouver CMA, some innovative builders have started townhouses that include a legal accessory suite typically marketed as a mortgage helper. Larger scale projects in the approvals pipeline in the Vancouver and Victoria CMAs will likely get underway in 2011, boosting multiple-unit starts.

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	Q3 2010	-2.7	7.7	n/a	Q3 2010	112	97	15	609	\$373,923
	Q3 2009	-2.4	8.3	n/a	Q3 2009	128	68	60	380	\$381,751
	Change ¹	-0.3	-0.6	-	% Change	-12.5	42.6	-75.0	60.3	-2.1
Nanaimo	Q3 2010	12.5	7.7	n/a	Q3 2010	166	92	74	372	\$334,089
	Q3 2009	-6.4	6.5	n/a	Q3 2009	229	88	141	629	\$314,213
	Change ¹	18.8	1.1	-	% Change	-27.5	4.5	-47.5	-40.9	6.3
Prince George	Q3 2010	14.0	8.6	n/a	Q3 2010	90	64	26	262	\$228,617
	Q3 2009	-10.3	11.8	n/a	Q3 2009	63	47	16	330	\$233,560
	Change ¹	24.3	-3.2	-	% Change	42.9	36.2	n/a	-20.6	-2.1
Abbotsford	Q3 2010	2.1	7.6	770	Q3 2010	113	84	29	559	\$325,663
	Q3 2009	-3.7	8.7	768	Q3 2009	97	65	32	918	\$342,978
	Change ¹	5.8	-1.1	0.2%	% Change	16.5	29.2	-9.4	-39.1	-5.0
Kelowna	Q3 2010	4.1	8.7	799	Q3 2010	230	188	42	684	\$425,613
	Q3 2009	0.3	7.5	795	Q3 2009	193	115	78	1,174	\$404,674
	Change ¹	3.8	1.1	0.5%	% Change	19.2	63.5	-46.2	-41.7	5.2
Vancouver	Q3 2010	2.5	7.3	850	Q3 2010	4,256	1,223	3,033	6,787	\$672,544
	Q3 2009	0.1	7.2	818	Q3 2009	2,302	945	1,357	11,325	\$599,980
	Change ¹	2.4	0.1	4.0%	% Change	84.9	29.4	123.5	-40.1	12.1
Victoria	Q3 2010	-1.1	5.1	833	Q3 2010	557	198	359	1,274	\$485,771
	Q3 2009	-6.1	6.0	784	Q3 2009	319	214	105	2,336	\$485,608
	Change ¹	5.0	-0.9	6.2%	% Change	74.6	-7.5	241.9	-45.5	0.0
B.C.	September 10	2.0	7.5	833	Q3 2010	7,259	3,101	4,158	16,885	\$491,156
	September 09	-1.9	7.3	802	Q3 2009	4,631	2,431	2,200	27,190	\$469,418
	Change ¹	3.9	0.2	3.8%	% Change	56.7	27.6	89.0	-37.9	4.6
CANADA	September 10	2.1	8.0	825	Q3 2010	52,671	25,929	26,742	103,303	\$328,878
	September 09	-1.9	8.3	808	Q3 2009	42,934	23,173	19,761	135,098	\$327,769
	Change ¹	4.0	-0.3	2.1%	% Change	22.7	11.9	35.3	-23.5	0.3

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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

NOTE: Some of the data in this table, such as the housing starts data for Q3 and the revised data for Q2, became available after the forecast cut-off date of October 8th 2010. As a result, this data was not considered for the forecast.

British Columbia Housing Market Outlook											
(units and percentage change)											
	2005	2006	2007	2008	2009	2010(F)	2011(F)	2010Q3 (F)	2010Q4 (F)	2011Q1 (F)	2011Q2 (F)
Housing Starts:											
Single	13,719	15,433	14,474	10,991	7,892	11,500	11,200	11,200	8,600	10,200	10,900
%	-2.4	12.5	-6.2	-24.1	-28.2	45.7	-2.6	-14.5	-23.2	18.6	6.9
Multiple	20,948	21,010	24,721	23,330	8,185	14,000	14,700	14,900	13,600	14,200	14,600
%	11.0	0.3	17.7	-5.6	-64.9	71.0	5.0	11.2	-8.7	4.4	2.8
Total	34,667	36,443	39,195	34,321	16,077	25,500	25,900	26,100	22,200	24,400	25,500
%	5.3	5.1	7.6	-12.4	-53.2	58.6	1.6	-1.5	-14.9	9.9	4.5
Existing Home Markets:											
MLS® Sales	106,310	96,671	102,805	68,923	85,028	75,000	80,000	62,000	71,000	75,000	80,000
%	10.3	-9.1	6.3	-33.0	23.4	-11.8	6.7	-19.9	14.5	5.6	6.7
MLS® Average Price	332,224	390,963	439,119	454,599	465,725	492,000	492,500	491,000	486,000	488,000	491,000
%	14.9	17.7	12.3	3.5	2.4	5.6	0.1	-1.6	-1.0	0.4	0.6

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Source: CMHC (Starts and Completions Survey), CREA

B.C. Region - Housing Forecast Ranges						
	2010			2011		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
British Columbia						
Housing Starts	25,500	26,700	24,200	25,900	29,800	21,600
Multiple	14,000	14,800	13,200	14,700	16,600	12,600
Single	11,500	11,900	11,000	11,200	13,200	9,000
MLS® Sales	75,000	77,500	72,400	80,000	88,000	71,000
MLS® Average Price (\$)	492,000	498,000	483,000	492,500	510,000	470,000
Canada						
Housing Starts	186,200	194,700	176,700	174,800	202,300	148,000
Multiple	93,800	99,300	88,000	90,700	103,000	77,900
Single	92,400	95,400	88,700	84,100	99,300	70,100
MLS® Sales	440,300	455,900	423,800	438,400	483,700	390,600
MLS® Average Price (\$)	336,800	340,700	331,400	339,800	352,000	324,200

Sources : CMHC

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B.C. Region Housing Forecast - New Construction									
	Housing Starts	2009	2010(F)*	% chg (2009/2010)	2011(F)*	% chg (2010/2011)	YTD 2010**	YTD 2009**	% chg (2009/2010)
Kamloops	Single-Detached	195	375	92.3	375	0.0	194	48	304.2
	Multiple	225	275	22.2	225	-18.2	178	153	16.3
	Total	420	650	54.8	600	-7.7	372	201	85.1
Nanaimo	Single-Detached	267	440	64.8	475	8.0	241	85	183.5
	Multiple	534	370	-30.7	400	8.1	213	315	-32.4
	Total	801	810	1.1	875	8.0	454	400	13.5
Prince George	Single-Detached	113	165	46.0	155	-6.1	60	26	130.8
	Multiple	32	60	87.5	45	-25.0	18	14	n/a
	Total	145	225	55.2	200	-11.1	78	40	95.0
Abbotsford	Single-Detached	210	350	66.7	325	-7.1	193	54	257.4
	Multiple	155	75	-51.6	100	33.3	45	95	-52.6
	Total	365	425	16.4	425	0.0	238	149	59.7
Kelowna	Single-Detached	404	600	48.5	650	8.3	288	133	116.5
	Multiple	253	450	77.9	475	5.6	251	34	638.2
	Total	657	1,050	59.8	1,125	7.1	539	167	222.8
Vancouver	Single-Detached	2,929	4,500	53.6	4,400	-2.2	2,373	875	171.2
	Multiple	5,410	9,500	75.6	10,600	11.6	4,508	2,467	82.7
	Total	8,339	14,000	67.9	15,000	7.1	6,881	3,342	105.9
Victoria	Single-Detached	647	930	43.7	820	-11.8	498	196	154.1
	Multiple	387	1,170	202.3	1,180	0.9	654	105	522.9
	Total	1,034	2,100	103.1	2,000	-4.8	1,152	301	282.7

Source: CMHC (Starts and Completions Survey)

(F) = CMHC Forecast

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

** YTD = January - June

B.C. Region Housing Forecast - Resale Market									
		2009	2010(F)*	% chg (2009/2010)	2011(F)*	% chg (2010/2011)	YTD 2010**	YTD 2009**	% chg (2009/2010)
Kamloops¹	MLS [®] Sales(#)	1,916	1,750	-8.7	1,875	7.1	894	922	-3.0
	MLS [®] Avg. Price (\$)	359,072	375,000	4.4	390,000	4.0	372,242	351,661	5.9
Nanaimo¹	MLS [®] Sales(#)	1,830	1,700	-7.1	1,800	5.9	920	766	20.1
	MLS [®] Avg. Price (\$)	318,616	333,000	4.5	329,000	-1.2	332,942	315,082	5.7
Prince George¹	MLS [®] Sales(#)	1,101	1,100	-0.1	1,075	-2.3	572	518	10.4
	MLS [®] Avg. Price (\$)	235,499	240,000	1.9	251,000	4.6	248,602	231,478	7.4
Abbotsford	MLS [®] Sales(#)	2,904	2,800	-3.6	2,700	-3.6	1,535	1,260	21.8
	MLS [®] Avg. Price (\$)	340,206	340,000	-0.1	330,000	-2.9	349,816	329,025	6.3
Kelowna	MLS [®] Sales(#)	3,660	3,500	-4.4	3,950	12.9	1,965	1,571	25.1
	MLS [®] Avg. Price (\$)	400,450	420,000	4.9	435,000	3.6	415,588	385,914	7.7
Vancouver	MLS [®] Sales(#)	36,257	31,000	-14.5	33,000	6.5	17,489	15,465	13.1
	MLS [®] Avg. Price (\$)	592,441	665,000	12.2	685,000	3.0	666,730	563,656	18.3
Victoria	MLS [®] Sales(#)	7,660	6,200	-19.1	6,750	8.9	3,669	3,658	0.3
	MLS [®] Avg. Price (\$)	476,137	500,000	5.0	490,000	-2.0	510,620	461,564	10.6

MLS[®] is a registered trademark of the Canadian Real Estate Association (CREA).

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

Source: CREA

(F) = CMHC Forecast

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

** YTD = January - June

B.C. Region Housing Forecast - Rental Market						
	Vacancy Rate		Average Rent 1-Bedroom Units		Average Rent 2-Bedroom Units	
	2009	2010(F)	Oct 2009	Oct 2010(F)	Oct 2009	Oct 2010(F)
Kamloops	1.5	2.5	688	695	819	830
Nanaimo	3.4	4.5	629	650	768	785
Prince George	7.6	6.5	595	605	692	700
Abbotsford	6.1	6.5	646	660	781	790
Kelowna	3.0	3.5	737	730	897	890
Vancouver	2.1	2.0	919	945	1,169	1,210
Victoria	1.4	1.5	790	825	1,001	1,015
Canada¹	3.0	2.8	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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