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***British Columbia** - August 2003*

Canada Mortgage and Housing Corporation

2003 Second Qtr. Highlights:

Residential construction fueling growth in BC

Residential construction contributed significantly to economic growth in BC in 2002. With the pace of activity so far in 2003 improving over last year, housing construction will once again be a positive player in the BC economy.

Activity in the British Columbia housing market continued to improve in the second quarter. Low mortgage rates kept BC households buying existing homes and fueled demand for newly constructed home as well.

Second quarter MLS sales in BC were up 3.8 per cent over the same period last year. For the first half of 2002, resale activity was virtually unchanged from last year's high levels. Low inventories and strong demand for housing continue to put upward pressure on house prices around the province.

Strong activity in the existing housing market also spilled over into the new housing market. Builders started 6,097 new housing units during the second quarter, a 15 per cent increase over the same period last year.

Much of the increase was due to large-scale projects around the province. Multiple starts rose dramatically in the second quarter of 2003. These large projects have longer pre-development periods than single detached units and can take longer to respond to turns in the market. As a result, there were 32 per cent more multiple starts in the second quarter of 2003 than in the second quarter of 2002. Momentum in multiple starts has been building since mid-2002 and is expected to continue through this year.

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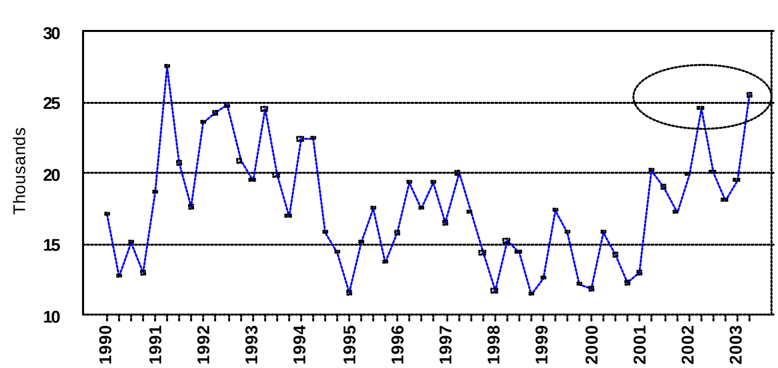
Single detached home starts grew 2 per cent during the second quarter from a year earlier. Single detached starts were up around the province, with increases of 41% in Nanaimo and Prince George, 64% in Vernon, 21% in Penticton and 38% in Duncan. Construction of single detached units is expected to plateau in 2003.

Q2 MLS Sales Above 2002 Peak



Source: CREA

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HOME TO CANADIANS

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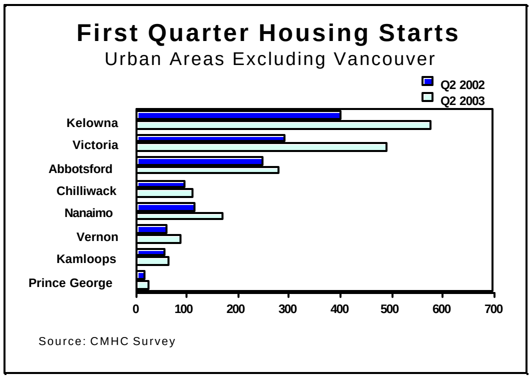
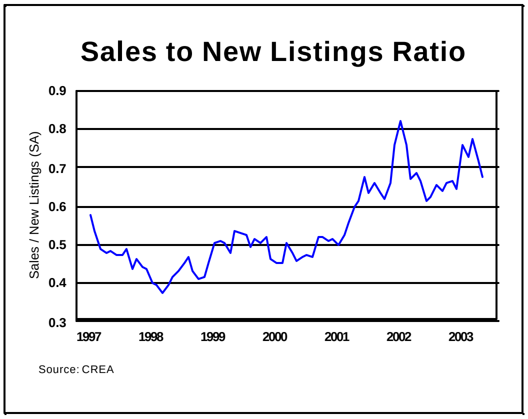
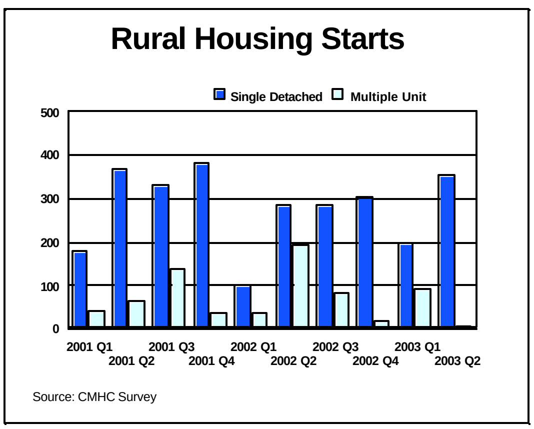
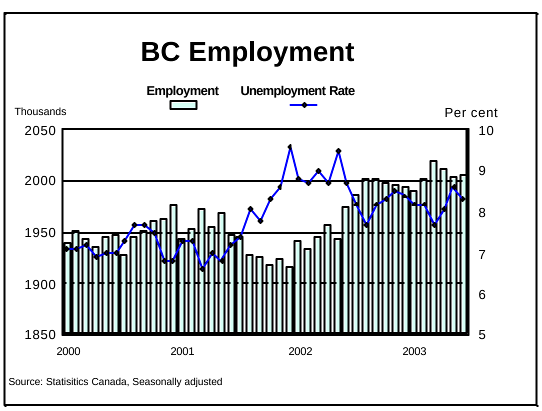
BC Housing Indicators ... In Detail









The Economy and Interest Rates

Economic growth in BC is shaping up much like last year, with a stronger domestic side and some weakness on the exports side. Low interest rates have been fueling growth in consumer spending and residential investment. Slow but improving growth in the US economy and a higher valued Canadian dollar have hit BC's export and manufacturing sectors.

The US economy grew at an annual rate of 2.4 per cent in the second quarter of 2003, exceeding expectations. Recent indicators for the services side of the US economy suggest that the recovery is solidly underway in that sector and could result in job growth in the third quarter. The outlook is for improved growth in the second half of the year. This will generate demand for BC exports and help boost the BC economy.

In a surprise move, the Bank of Canada lowered its target overnight rate by 25 basis points on July 15th. The key factors underlying this drop in the interest rate were that inflation and inflation expectations had come down faster than anticipated. The Bank's inflation target is 2 per cent over the medium term. In June, national inflation was at 2.6 per cent, down sharply from 4.6 per cent in February. As well, the higher value of the Canadian dollar helped put the brakes on Canada's manufacturing sector and reduced the likelihood of interest rate hikes in Canada. The July 15th interest rate cut provided a boost to BC's export sector because it led to a correction in the value of the dollar from above 74 cents US to 71 cents US. The outlook is for low interest rates to continue through the remainder of 2003 and for the currency to appreciate slowly. In this environment, housing demand will continue to grow.

Employment growth

Total employment in BC was up 2.8 per cent in the first six months of 2003 compared to the same period last year. Just over 55,000 new jobs have been created so far in 2003.

Underlying the gains in total employment was an increase in full-time employment, as businesses increased employee's working hours to keep up with improving business conditions. Full-time employment was up 3.2 per cent, or about 47,000 jobs, accounting for more than three-quarters of the job gains year-to-date.

Average wages were up 2.8 per cent in the first half of the year. With inflation averaging just over 2 per cent in the January to June period, this growth in real income will support demand for housing.

Building Permits

British Columbia is one of the leaders in Canada's current construction boom. The value of residential building permits was up a solid 17.3 per cent in the first half of 2003 compared to the first half of 2002. This jump is second only to Quebec's 19 per cent gain and well ahead of the national increase of 4.3 per cent. Although not every permit translates into a housing start, residential building permits are a strong indicator of future building activity. Residential construction in BC will continue to grow thanks to the significant increase in the value of permits issued to date.

Vancouver CMA

Only one-quarter of the increase in the number of homes started during the second quarter was in the Vancouver CMA. Of the 3,740 units started in the second quarter of 2003, most of the activity was in multiple units, which posted a 14 per cent gain from the second quarter of 2002. Single detached starts, which accounted for a larger share of starts in the first quarter, fell 6 per cent in the second quarter compared to a year earlier.

BC Housing Supply

Three-quarters of the second quarter year-over-year increase in residential construction activity occurred outside the Vancouver CMA. Victoria recorded a 69 per cent increase, while Kelowna recorded a 41 per cent increase compared to the second quarter of last year.

Despite these increases, strong pre-sale and absorption activity have kept inventories of complete and vacant units at low levels. These market conditions will entice builders to build more units, with starts projected to top 24,000 units in 2003.

Rural Housing Starts

In the second quarter of 2003, rural housing starts were down 24 per cent from the second quarter of 2002. A large decline in multiple unit homes more than offset the increase in single detached construction in rural BC. With the unemployment rate down in most regions of the province, and improving export prospects later in the year, rural housing starts should at least match last year's level.

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Rural Housing Starts

	Single Det.	Semi	Row	Apt.	Total
2002 Q1	103	30	0	6	139
2002 Q2	287	25	24	140	476
2002 Q3	286	38	8	38	370
2002 Q4	305	21	0	0	326
Total 2002	**981**	**114**	**32**	**184**	**1311**
2003 Q1	198	28	22	43	291
2003 Q2	353	0	8	0	361

Urban Housing Starts

	Single Det.	Semi	Row	Apt.	Total
2002 Q1	1689	152	335	1483	3659
2002 Q2	2896	332	636	1415	5279
2002 Q3	2695	347	628	2263	5933
2002 Q4	2469	280	674	2020	5443
Total 2002	**9749**	**1111**	**2273**	**7181**	**20314**
2003 Q1	2230	274	602	1100	4206
2003 Q2	2960	283	851	2003	6097

Table 1

Housing Starts, Urban B.C.
April - June 2003

AREA	SINGLE DETACHED 2002	SINGLE DETACHED 2003	SINGLE DETACHED % Chg.	MULTIPLES 2002	MULTIPLES 2003	MULTIPLES % Chg.	TOTAL 2002	TOTAL 2003	TOTAL % Chg.
Metropolitan Areas									
Abbotsford	188	184	(2)	62	100	61	250	284	14
Vancouver	1,526	1,442	(6)	2,022	2,298	14	3,548	3,740	5
Victoria	249	243	(2)	44	251	470	293	494	69
CA's 50,000 - 99,000 pop.									
Chilliwack	83	61	(27)	17	53	212	100	114	14
Kamloops	56	54	(4)	4	14	250	60	68	13
Kelowna	287	330	15	118	251	113	405	581	43
Nanaimo	111	157	41	10	18	80	121	175	45
Prince George	22	31	41	0	0	**	22	31	41
Vernon	53	87	64	11	6	(45)	64	93	45
CA's 10,000 - 49,999 pop.									
Campbell River	15	26	73	6	0	(100)	21	26	24
Courtenay	18	19	6	0	0	**	18	19	6
Cranbrook	86	95	10	4	38	850	90	133	48
Dawson Creek	4	7	75	2	0	(100)	6	7	17
Duncan	29	40	38	8	2	(75)	37	42	14
Fort St. John	21	18	(14)	8	4	(50)	29	22	(24)
Kitimat	2	0	(100)	0	0	**	2	0	(100)
Parksville-Qualicum	70	58	(17)	8	2	(75)	78	60	(23)
Penticton	28	34	21	35	51	46	63	85	35
Port Alberni	5	6	20	0	6	**	5	12	140
Powell River	3	1	(67)	0	0	**	3	1	(67)
Prince Rupert	0	0	**	0	0	**	0	0	**
Quesnel	2	3	50	0	0	**	2	3	50
Terrace	0	3	**	0	0	**	0	3	**
Williams Lake	21	19	(10)	0	0	**	21	19	(10)
Cities 10,000 pop. +									
Salmon Arm	5	22	340	5	2	(60)	10	24	140
Squamish	3	7	133	19	41	116	22	48	118
Summerland	9	13	44	0	0	**	9	13	44
Total	**2,896**	**2,960**	**2**	**2,383**	**3,137**	**32**	**5,279**	**6,097**	**15**

**Courtenay has been changed to a Small CA (10,000-49,000)*
CMHC

Table 2

Housing Starts, Urban B.C.
January - June 2003 (ytd)

AREA	SINGLE DETACHED 2002	SINGLE DETACHED 2003	SINGLE DETACHED % Chg.	MULTIPLES 2002	MULTIPLES 2003	MULTIPLES % Chg.	TOTAL 2002	TOTAL 2003	TOTAL % Chg.
Metropolitan Areas									
Abbotsford	315	291	(8)	131	273	108	446	564	26
Vancouver	2,350	2,699	15	3,483	3,629	4	5,833	6,328	8
Victoria	448	423	(6)	111	394	255	559	817	46
CA's 50,000 - 99,000 pop.									
Chilliwack	139	109	(22)	110	74	(33)	249	183	(27)
Kamloops	92	83	(10)	14	16	14	106	99	(7)
Kelowna	479	596	24	295	427	45	774	1,023	32
Nanaimo	160	248	55	32	38	19	192	286	49
Prince George	32	40	25	2	0	(100)	34	40	18
Vernon	85	128	51	46	8	(83)	131	136	4
CA's 10,000 - 49,999 pop.									
Campbell River	24	44	83	6	2	(67)	30	46	53
Courtenay	20	26	30	0	0	**	20	26	30
Cranbrook	131	147	12	10	55	450	141	202	43
Dawson Creek	4	7	75	2	10	400	6	17	183
Duncan	45	68	51	10	7	(30)	55	75	36
Fort St. John	24	19	(21)	10	6	(40)	34	25	(26)
Kitimat	2	0	(100)	0	0	**	2	0	(100)
Parksville-Qualicum	113	94	(17)	16	11	(31)	129	105	(19)
Penticton	44	53	20	35	69	97	79	122	54
Port Alberni	10	8	(20)	0	8	**	10	16	60
Powell River	4	7	75	0	2	**	4	9	125
Prince Rupert	0	0	**	0	0	**	0	0	**
Quesnel	3	6	100	0	0	**	3	6	100
Terrace	0	3	**	0	0	**	0	3	**
Williams Lake	36	31	(14)	0	0	**	36	31	(14)
Cities 10,000 pop. +									
Salmon Arm	11	28	155	21	4	(81)	32	32	0
Squamish	3	12	300	19	80	321	22	92	318
Summerland	11	20	82	0	0	**	11	20	82
Total	**4,585**	**5,190**	**13**	**4,353**	**5,113**	**17**	**8,938**	**10,303**	**15**

**Courtenay has been changed to a Small CA (10,000-49,000)*
CMHC

Table 3

April - June 2003

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Units Completed							
Metropolitan Areas							
Abbotsford	119	2	-	14	48	45	228
Vancouver	1,355	268	16	543	1,044	265	3,491
Victoria	185	30	27	30	18	116	406
Large Urban Centres & Urban Agglomerations							
Chilliwack	77	10	-	25	-	33	145
Kamloops	34	8	-	-	-	-	42
Kelowna	270	28	4	20	216	4	542
Nanaimo	99	14	3	4	4	-	124
Prince George	11	-	-	-	-	-	11
Vernon	58	2	-	-	-	-	60
Total	**2,208**	**362**	**50**	**636**	**1,330**	**463**	**5,049**
January - June 2003							
Metropolitan Areas							
Abbotsford	232	4	-	14	76	102	428
Vancouver	2,527	398	47	865	1,459	731	6,027
Victoria	358	46	27	61	37	140	669
Large Urban Centres & Urban Agglomerations							
Chilliwack	150	16	-	34	-	33	233
Kamloops	83	14	-	4	-	-	101
Kelowna	450	42	4	23	266	4	789
Nanaimo	185	16	3	12	4	21	241
Prince George	40	2	-	-	-	-	42
Vernon	91	4	-	6	-	-	101
Total	**4,116**	**542**	**81**	**1,019**	**1,842**	**1,031**	**8,631**

Table 4

April - June 2003

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Absorption of Newly Completed Units							
Metropolitan Areas							
Abbotsford	131	1	-	14	48	48	242
Vancouver	1,302	233	39	539	1,106	479	3,698
Victoria	171	19	-	27	20	111	348
Large Urban Centres & Urban Agglomerations							
Chilliwack	64	12	-	28	-	33	137
Kamloops	36	9	-	2	17	-	64
Kelowna	269	30	4	22	228	8	561
Nanaimo	111	10	-	4	17	-	142
Prince George	13	-	-	-	-	-	13
Vernon	54	6	-	1	10	-	71
Total	**2,151**	**320**	**43**	**637**	**1,446**	**679**	**5,276**
January - June 2003							
Metropolitan Areas							
Abbotsford	258	4	-	17	91	113	483
Vancouver	2,422	378	45	877	1,595	1,143	6,460
Victoria	330	33	-	36	55	128	582
Large Urban Centres & Urban Agglomerations							
Chilliwack	145	18	2	34	-	33	232
Kamloops	87	15	-	8	19	-	129
Kelowna	445	45	4	26	274	16	810
Nanaimo	200	14	-	19	18	21	272
Prince George	47	2	-	-	-	-	49
Vernon	84	8	-	8	29	-	129
Total	**4,018**	**513**	**51**	**1,008**	**1,990**	**1,341**	**9,146**

British Columbia Housing Monitor by CMHC

3rd Quarter 2003

Carol Frketich, Regional Economist

	Recent Statistics 2002	Likely Direction Over the Next 12 Months	Forecast for 2003	Forecast for 2004	These Numbers Indicate the Housing Market This Year Will
BC Housing Starts					
Total (units)	21,625	▲	24,050	24,600	Improve
year-over-year % change			11.2%	2.3%	
Singles	10,730	▲	11,750	11,850	Improve
			9.5%	0.9%	
Multiples	10,895	▲	12,300	12,750	Improve
			12.9%	3.7%	
BC Resale Market					
MLS Sales (Units)	82,737	◄►	78,000	77,000	Hold Steady
			-5.7%	-1.3%	
Avg MLS Price ($)	238,877	▲	250,000	258,000	Improve
			4.7%	3.2%	
BC Economic Indicators					
Real GDP (% change)	1.8	▲	2.0	2.9	Improve
Personal Disp. Income (% change)	3.1	▲	3.4	4.1	Improve
Population Growth Rate (%)	0.9	▲	0.9	1.0	Improve
Net Inter-provincial Migration	-5,337	▲	-3,000	-1,000	Improve
Net International Immigration	28,835	◄►	29,400	31,700	Hold Steady
Employment (% change)	1.6	▲	2.1	2.4	Improve
Unemployment Rate (%)	8.5	▼	8.2	7.6	Improve
3 year Mortgage Rate (%)	6.28%	◄►	5.25 - 6.25%	6.25 - 7.5%	Hold Steady
Inflation: CPI (%)	2.3	▲	2.2	1.8	Improve
Building Permit Values:					
Residential ($ Millions)	3,888.1	▲	4,250	4,630	Improve
Non-Residential ($ Millions)	1,771.3	▲	1,850	2,050	Improve

Domestic consumption in BC remains strong, supported by low interest rates, growing incomes and increased employment. BC is one of the leaders in Canada`s construction boom with residential building permits up 17.3% for the first half of 2003, well above the 4.3% increase for Canada as a whole. With the US economy posting stronger than expected growth of 2.4% in the second quarter, recent services sector indicators pointing to a strengthening US recovery, and a slightly lower Canadian dollar, BC should see improvement in exports during the last half of 2003. MLS sales in the province will maintain their robust pace, dipping marginally to 78,000 units, with prices increasing above inflation. Housing starts will top 24,000 units in 2003 and 24,600 units in 2004.