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British Columbia - November 2003

Canada Mortgage and Housing Corporation

2003 Third Qtr. Highlights:

Housing Market Momentum Gains Strength

The housing market in British Columbia gained momentum in the third quarter with low interest rates driving demand for both new and existing homes. Other the key drivers of housing demand, such as employment, consumer confidence and income growth, were also behind the growth in new construction.

British Columbians' confidence in their employment and financial situations improved. Statistics show that during the July to September period employment in BC was well above year-earlier levels and much of the job gains were in full-time positions.

Resale activity in the province's existing housing market picked up in the third quarter, approaching the 1991 peak. With very little growth in the

number of existing home listings and strong housing demand, average resale prices continued to rise in most markets around the province.

The high level of resale activity spilled over into the new housing market as potential home buyers looked to new construction to satisfy their housing needs. Builders started 7,678 new housing units during the third quarter, a 29 per cent increase over the same period last year.

Multiple unit starts accounted for most of the increased construction activity. In the third quarter of 2003, there were 4,597 multiple-unit starts, up 42 per cent from the same period last year. Most of the activity occurred in the Vancouver and Victoria metropolitan areas.

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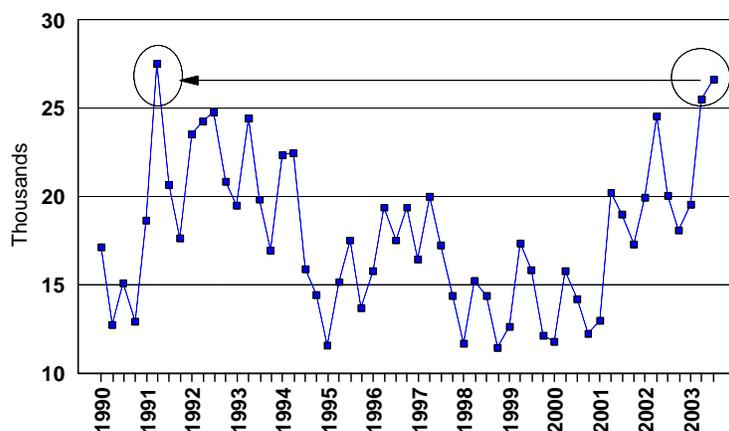
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Momentum in multiple starts has been building since mid-2002 and has taken off in 2003.

Single detached home starts increased 14 per cent in the third quarter over the same period last year. Single detached starts were up across the province with Vancouver the strongest market. Growth in construction of single detached units is expected to slow in 2004 as price increases and gradually rising interest rates moderate demand.

Q3 MLS Sales Approach 1991 Peak

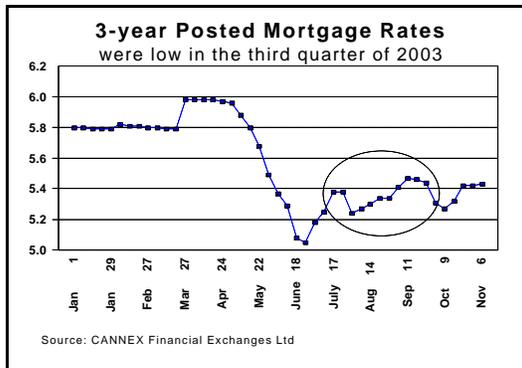


Source: CREA



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BC Housing Indicators ... In Detail



The Economy and Interest Rates

Low interest rates continue to be the driving force behind growth in the provincial economy. Both the residential construction and the retail trade sector are benefitting from the low cost of financing. However, the BC economy has weathered a number of shocks this year that will reduce overall growth. These include the impact of SARS on the province's tourism sector, and the sharp increase in the value of the Canadian dollar which has dampened BC's exports. As a result, economic growth in BC will be slightly lower than last year.

In 2004, the outlook for BC is for growth of 2.8 per cent, a pick up from a projected 1.7 per cent in 2003. This pick up in growth is largely tied to a rebound in the US economy.

The US economy grew at a surprising 8.2 per cent annual rate in the third quarter, exceeding expectations. The long awaited turnaround in US labour markets looks like it has finally materialized; the US economy has added jobs in the last three months. The trade side of British Columbia's economy will benefit from stronger demand from the US. This will be partly offset by the higher value of the Canadian dollar.

Stronger economic growth means more jobs for British Columbians. Growth in employment will add about 40,000 jobs in 2004. With consumer confidence in BC on an upward trend, this is good news for the housing outlook.

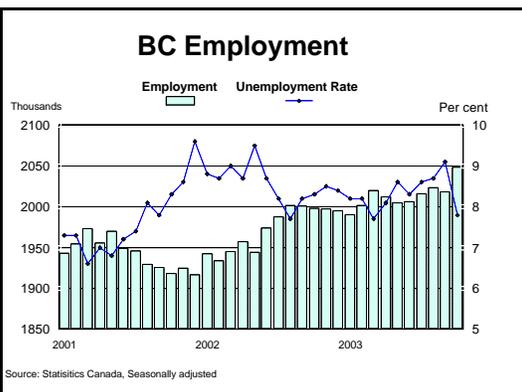
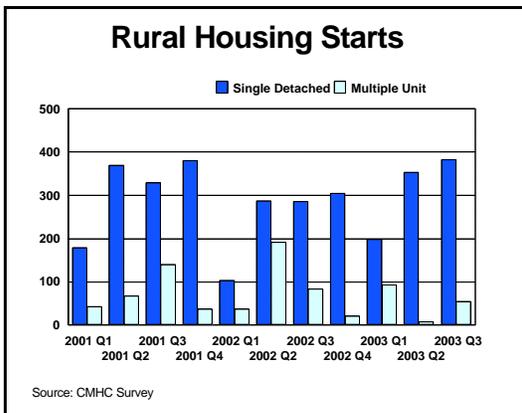
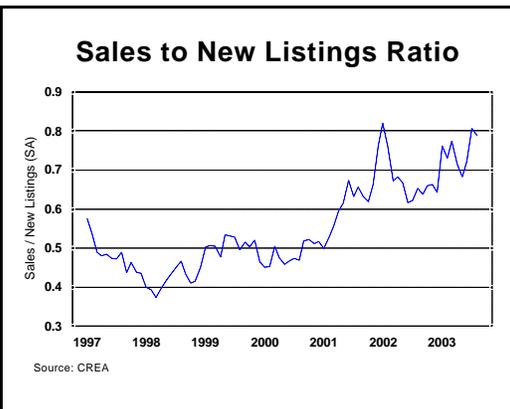
However, as economic growth in North America picks up, interest rates will begin to rise, albeit at a gradual pace. Rising interest rates will moderate demand for housing. However, rates will remain low by historical standards, keeping the cost of financing relatively low and supporting the housing industry.

There are several reasons that suggest the rise in interest rates will be gradual. First, inflation in Canada is well within the Bank of Canada's target range. Second, a higher Canadian dollar is putting the brakes on the Canadian economy, reducing the threat of inflation and rising interest rates. Third, inflation in the US is not a threat and so short-term interest rates in the US are widely expected to remain near historic lows into mid-2004. As a result, the era of relatively low interest rates is set to continue into 2004. In this interest rate environment, housing demand will expand, but at a slower pace than in recorded in the last two years.

Employment growth

Total employment in BC was up 2.3 per cent in the first ten months of 2003 compared to the same period last year. Just over 45,000 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 2.6 per cent, or about 40,000 jobs,



BC Housing Indicators ... In Detail

accounting for most of the job gains year-to-date.

Average wages were up 2.8 per cent in the first ten months of the year. With inflation averaging 2.3 per cent in the January to October period, this growth in real income will support demand for housing.

Building Permits

British Columbia continues to be one of the leaders in Canada's current residential construction boom. The value of residential building permits was up a solid 20.4 per cent in the first nine months of 2003 compared to the same period of 2002. 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

Almost two-thirds of the new homes started during the third quarter were in the Vancouver CMA. Of the 5,146 units started in the third quarter of 2003, most of the activity was in multiple units, which posted a 38 per cent gain from the third quarter of 2002. Single detached starts, which accounted for a larger share of starts in the first quarter of 2003, were up 8 per cent compared to a year earlier.

BC Housing Supply

The number of units completed in the third quarter were up 24.8 per cent above last year's levels. An increase in condominium apartments accounted for most of the increase in supply.

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 reach 26,000 units in 2003 and 27,000 units in 2004.

Rural Housing Starts

In the third quarter of 2003, rural housing starts were up 17.8 per cent from the third quarter of 2002. A large increase in single detached homes was partly offset by a decline in multiple-unit homes. The number of single detached homes started in rural BC was at its highest level in two years. Semi-detached, row and

apartment starts totalled 54 units in the third quarter of 2003, compared to 84 units during the same quarter last year. For the year-to-date, rural residential construction was up 10.5 per cent. With the unemployment rate down in most regions of the province, and improving export prospects later in the year, rural housing starts will top 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
2003 Q3	382	14	14	26	436
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
2003 Q3	3081	326	970	3301	7678

Table 1

**Housing Starts, Urban B.C.
July - September 2003**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2002	2003	% Chg.	2002	2003	% Chg.	2002	2003	% Chg.
Metropolitan Areas									
Abbotsford	137	157	15	73	102	40	210	259	23
Vancouver	1,342	1,443	8	2,678	3,703	38	4,020	5,146	28
Victoria	234	274	17	120	388	223	354	662	87
CA's 50,000 - 99,000 pop.									
Chilliwack	90	85	(6)	36	93	158	126	178	41
Kamloops	52	67	29	12	31	158	64	98	53
Kelowna	252	331	31	68	117	72	320	448	40
Nanaimo	146	164	12	31	8	(74)	177	172	(3)
Prince George	38	39	3	2	0	**	40	39	(3)
Vernon	58	89	53	9	22	144	67	111	66
CA's 10,000 - 49,999 pop.									
Campbell River	23	27	17	0	0	**	23	27	17
Courtenay	69	84	22	69	47	(32)	138	131	(5)
Cranbrook	20	28	40	27	0	**	47	28	(40)
Dawson Creek	4	8	100	0	0	**	4	8	100
Duncan	23	52	126	6	4	(33)	29	56	93
Fort St. John	25	24	(4)	4	2	(50)	29	26	(10)
Kitimat	1	2	100	0	0	**	1	2	100
Parksville-Qualicum	63	46	(27)	2	0	**	65	46	(29)
Penticton	40	45	13	81	16	(80)	121	61	(50)
Port Alberni	3	10	233	0	0	**	3	10	233
Powell River	1	8	700	0	0	**	1	8	700
Prince Rupert	0	1	**	2	0	**	2	1	(50)
Quesnel	16	8	(50)	0	0	**	16	8	(50)
Terrace	0	0	**	0	2	**	0	2	**
Williams Lake	22	43	95	0	34	**	22	77	250
Cities 10,000 pop. +									
Salmon Arm	24	22	(8)	12	0	**	36	22	(39)
Squamish	5	14	180	6	28	367	11	42	282
Summerland	7	10	43	0	0	**	7	10	43
Total	2,695	3,081	14	3,238	4,597	42	5,933	7,678	29

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

CMHC

Table 2

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

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2002	2003	% Chg.	2002	2003	% Chg.	2002	2003	% Chg.
Metropolitan Areas									
Abbotsford	452	448	(1)	204	375	84	656	823	25
Vancouver	3,692	4,142	12	6,161	7,332	19	9,853	11,474	16
Victoria	682	697	2	231	782	239	913	1,479	62
CA's 50,000 - 99,000 pop.									
Chilliwack	229	194	(15)	146	167	14	375	361	(4)
Kamloops	144	150	4	26	47	81	170	197	16
Kelowna	731	927	27	363	544	50	1,094	1,471	34
Nanaimo	306	412	35	63	46	(27)	369	458	24
Prince George	70	79	13	4	0	**	74	79	7
Vernon	143	217	52	55	30	(45)	198	247	25
CA's 10,000 - 49,999 pop.									
Campbell River	47	71	51	6	2	(67)	53	73	38
Courtenay	200	231	16	79	102	29	279	333	19
Cranbrook	40	54	35	27	0	**	67	54	(19)
Dawson Creek	8	15	88	2	10	400	10	25	150
Duncan	68	120	76	16	11	(31)	84	131	56
Fort St. John	49	43	(12)	14	8	(43)	63	51	(19)
Kitimat	3	2	(33)	0	0	**	3	2	(33)
Parksville-Qualicum	176	140	(20)	18	11	(39)	194	151	(22)
Penticton	84	98	17	116	85	(27)	200	183	(9)
Port Alberni	13	18	38	0	8	**	13	26	100
Powell River	5	15	200	0	2	**	5	17	240
Prince Rupert	0	1	**	2	0	**	2	1	(50)
Quesnel	19	14	(26)	0	0	**	19	14	(26)
Terrace	0	3	**	0	2	**	0	5	**
Williams Lake	58	74	28	0	34	**	58	108	86
Cities 10,000 pop. +									
Salmon Arm	35	50	43	33	4	(88)	68	54	(21)
Squamish	8	26	225	25	108	332	33	134	306
Summerland	18	30	67	0	0	**	18	30	67
Total	7,280	8,271	14	7,591	9,710	28	14,871	17,981	21

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

Table 3**July - September 2003**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Units Completed							
Metropolitan Areas							
Abbotsford	142	2	-	8	46	68	266
Vancouver	1,465	130	8	583	1,356	247	3,789
Victoria	205	21	-	25	55	-	306
Large Urban Centres & Urban Agglomerations							
Chilliwack	47	8	-	39	-	-	94
Kamloops	62	10	-	5	-	-	77
Kelowna	340	24	-	4	71	-	439
Nanaimo	143	12	-	16	-	-	171
Prince George	23	-	-	-	-	-	23
Vernon	75	-	-	11	-	-	86
Total	2,502	207	8	691	1,528	315	5,251
January - September 2003							
Metropolitan Areas							
Abbotsford	374	6	0	22	122	170	694
Vancouver	3,992	528	55	1,448	2,815	978	9,816
Victoria	563	67	27	86	92	140	975
Large Urban Centres & Urban Agglomerations							
Chilliwack	197	24	-	73	-	33	327
Kamloops	145	24	-	9	-	-	178
Kelowna	790	66	4	27	337	4	1,228
Nanaimo	328	28	3	28	4	21	412
Prince George	63	2	-	-	-	-	65
Vernon	166	4	-	17	-	-	187
Total	6,618	749	89	1,710	3,370	1,346	13,882

Table 4**July - September 2003**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Absorption of Newly Completed Units							
Metropolitan Areas							
Abbotsford	154	8	-	25	69	18	274
Vancouver	1,465	235	9	723	2,357	371	5,160
Victoria	292	34	27	82	293	12	740
Large Urban Centres & Urban Agglomerations							
Chilliwack	94	10	-	63	-	-	167
Kamloops	65	7	-	28	-	-	100
Kelowna	339	22	-	5	83	3	452
Nanaimo	163	4	-	10	11	-	188
Prince George	43	-	-	-	-	-	43
Vernon	90	18	-	7	3	-	118
Total	2,705	338	36	943	2,816	404	7,242
January - September 2003							
Metropolitan Areas							
Abbotsford	397	6	-	25	137	199	764
Vancouver	3,909	541	48	1,476	2,964	1,462	10,400
Victoria	553	64	27	74	114	140	972
Large Urban Centres & Urban Agglomerations							
Chilliwack	201	26	2	68	-	33	330
Kamloops	147	28	-	14	19	-	208
Kelowna	793	65	4	30	342	19	1,253
Nanaimo	342	29	-	38	29	21	459
Prince George	74	2	-	-	-	-	76
Vernon	160	12	-	18	32	-	222
Total	6,576	767	81	1,718	3,500	1,675	14,684

British Columbia Housing Monitor by CMHC

4th Quarter 2003

Carol Frketich, Regional Economist

	<u>Recent Statistics 2002</u>	<u>Likely Direction Over the Next 12 Months</u>	<u>Forecast for 2003</u>	<u>Forecast for 2004</u>	<u>These Numbers Indicate the Housing Market This Year Will</u>
<u>BC Housing Starts</u>					
Total (units)	21,625	▲	26,000	27,000	Improve
year-over-year % change			20.2%	3.8%	
Singles	10,730	▲	12,200 13.7%	12,500 2.5%	Improve
Multiples	10,895	▲	13,800 26.7%	14,500 5.1%	Improve
<u>BC Resale Market</u>					
MLS Sales (Units)	82,737	▼	88,600 7.1%	82,600 -6.8%	Weaken
Avg MLS Price (\$)	238,877	▲	255,000 6.7%	263,000 3.1%	Improve
<u>BC Economic Indicators</u>					
Real GDP (% change)	2.4	▲	1.7	2.8	Improve
Personal Disp. Income (% change)	3.1	▲	3.0	4.1	Improve
Population Growth Rate (%)	0.9	↔	1.0	1.0	Hold Steady
Net Inter-provincial Migration	-7,117	▲	-4,000	-2,000	Improve
Net International Immigration	27,576	↔	28,300	30,600	Improve
Employment (% change)	1.6	▲	2.1	2.0	Improve
Unemployment Rate (%)	8.5	↔	8.4	8.4	Hold Steady
3 year Mortgage Rate (%)	6.28%	↔	5.25 - 6.25%	6.0 - 7.0%	Hold Steady
Inflation: CPI (%)	2.3	↔	2.2	1.9	Hold Steady
Building Permit Values:					
Residential (\$ Millions)	3,888.1	▲	4,300	4,450	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 continues to be one of the leaders in Canada's construction boom with residential building permits up 20.4% for the first nine months of 2003. Momentum in resale markets picked up in 2003 but will slow as interest rates rise in 2004. The level of resale activity will remain above 80,000 units for the third consecutive year. A strengthening US recovery will help offset some of the impact on the BC economy of a higher Canadian dollar. As a result, BC should see improvement on the trade side of the economy in 2004. Stronger growth means more jobs and increased demand for housing. Housing starts will reach 26,000 units in 2003 and 27,000 units in 2004.