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Canada Mortgage and Housing Corporation

2004 First Qtr. Highlights:

Expansion continues

Just how long will British Columbia's housing recovery last? Will it continue unrestrained, or will it end abruptly? According to CMHC's analysis of BC's housing markets, conditions are prime for a drawn out expansion of housing in the province. Low interest rates, confident consumers and very active resale markets point to another growth year for housing.

Since January, the Bank of Canada eased interest rates lower, reducing the target for the overnight rate three times. Short-term mortgage rates also fell, fueling resale activity and new construction.

A recent survey reported that the percentage of British Columbians who feel that the present is a good

time to buy big-ticket items reached 63 per cent in March. This optimism is driving demand in the existing and new housing markets.

Resale activity increased early in 2004, with over 23,000 homes changing hands in the first quarter, up 18 per cent from the same period one year earlier. Existing homes sold for an average \$283,000, an increase of 13 per cent from the first quarter of 2003. Most urban markets in BC are recording price increases higher than the rate of inflation. New listings have been trending up but remain at relatively low levels compared to levels recorded in the 1990s. Higher prices will eventually draw more people to list their homes for sale, relieving some of the upward pressure on prices.

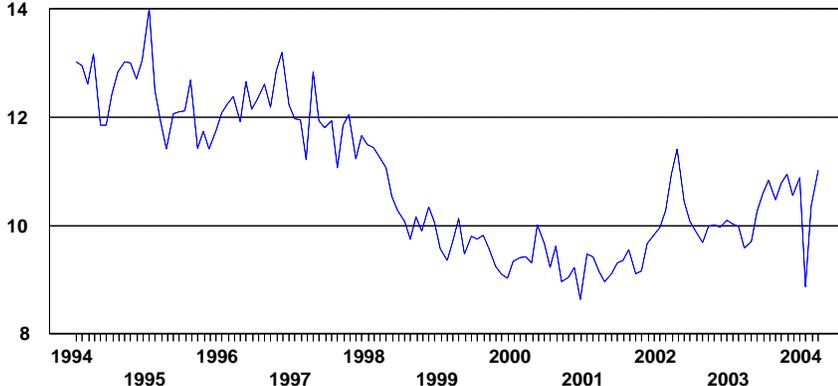
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In the first quarter of 2004, construction started on 5,965 new homes, a 42 per cent increase from the same period a year earlier. Multiple-unit starts, which accounted for just over half of the new homes started in the first quarter, were up 74 per cent compared to the first three months of last year. There were 2,522 single-detached starts in the January to March quarter, a 13 per cent increase compared to a year earlier.

New listings remain relatively low

Thousands of new listings, seasonally-adjusted

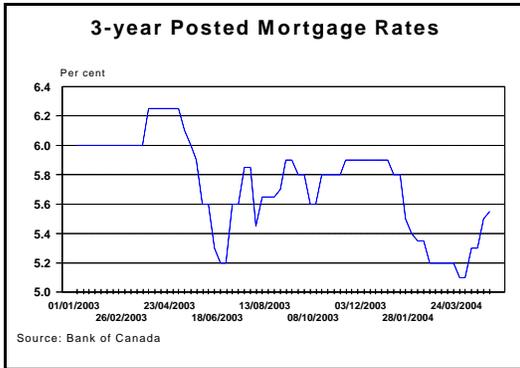


Source: CREA



HOME TO CANADIANS
Canada

BC Housing Indicators ... In Detail



The Economy and Interest Rates

The BC economy appears to be picking up steam thanks to confident consumers buying homes and vehicles, and economic growth in the US and other global economies driving up demand for BC's exports. Higher commodity prices have, in most cases, more than offset the impact of last year's rapid appreciation of the Canadian dollar on BC's export sector. Improving labour market conditions are attracting people to BC from other provinces, and as a result, demand for housing is set to increase further in 2004.

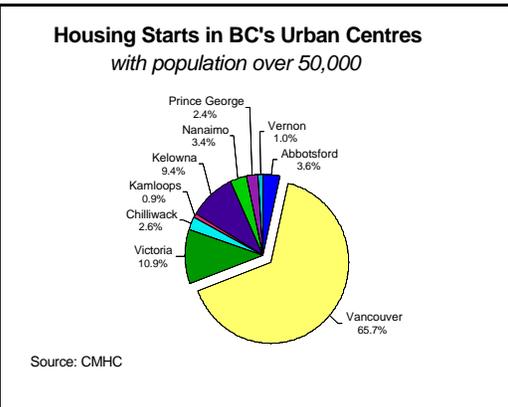
The BC economy is expected to grow 3.0 per cent in 2004, up from 2.2 per cent in 2003. The province's housing sector played a key roll last year with residential investment up 15 per cent. With solid growth in housing starts projected in 2004, residential investment will make a significant contribution to overall economic growth once again.

The low interest rate environment continues to be the main driving force behind the growing economy. The Bank of Canada eased the target overnight rate by 75 basis points to 2.0 per cent. The most recent interest rate cut on April 16, is widely anticipated to be the last as interest rates will begin to rise in an effort to keep inflation within the Bank's target range as the Canadian economy accelerates through the rest of 2004 and 2005. Recent developments in bond markets have resulted in rising longer-term mortgage rates.

The three-year posted mortgage rate increased from a low of 5.1 per cent at the end of March to 5.55 per cent at the end of April.

In this environment, housing starts in BC are forecast to reach 30,000 units in 2004 and remain near that level in 2005.

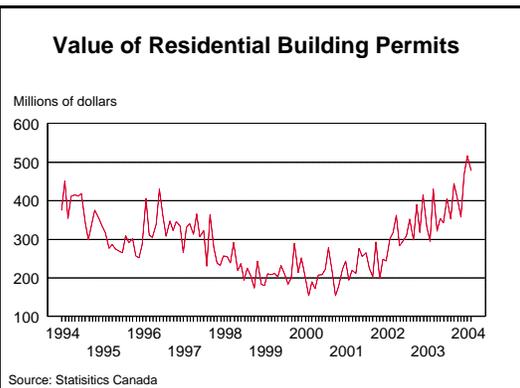
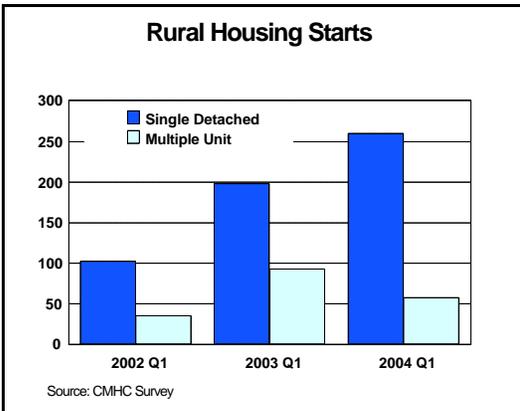
The risks to the housing outlook are both positive and negative. On the downside, higher than forecast interest rates would reduce housing resale activity and new home construction. On the upside, an increase in population-driven demand in BC would result in stronger than forecast economic growth and demand for housing.



Employment growth

BC is starting 2004 with considerable momentum in employment. The number of people working in the province was up 2.4 per cent compared to the first quarter of last year despite a large monthly decline in February of this year.

Job gains continue to be concentrated in full-time employment. In March, a gain of 18,100 full time jobs was largely offset by a decline in part-time jobs. The shift from part-time to full-time employment is typical of a recovery in the overall economy. As the economy picks up in 2004, this shift will continue. The number of British Columbians employed will grow by 2.0 per cent in 2004 and a further 2.0 per cent in 2005. This will result in growth in incomes and improved consumer



BC Housing Indicators ... In Detail

confidence, two key drivers of housing demand.

Building Permits

The value of residential building permits was \$478 million in February, 62 per cent higher than year-earlier levels. Building permits have been trending up since 2001, reflecting both increased volume and value of permits issued. Building permits are considered a precursor to actual building activity and although not every permit results in a housing start, there is enough growth to carry the momentum in new home construction higher in 2004.

Vancouver CMA

New home construction in Vancouver accounted for almost two-thirds of building activity, due entirely to construction of multiple-unit developments. There were 3,698 new homes built in the January to March quarter, a 43 per cent increase from the first quarter of 2003. The number of single-detached homes started was unchanged.

BC Housing Supply

Housing supply remains low across the province as increasing construction activity has been met with higher absorption levels. There were 4,796 units completed in metropolitan areas and large urban centres (population of 50,000+) of the province in the first quarter of this year, a 38 per cent increase from the same period of last year. Absorptions of newly

completed units outweighed completions with 5,046 units absorbed, a 34 per cent increase from last year.

At the end of March 2004, there were 1,217 newly completed units in inventory in metropolitan areas and large urban centres of the province. In the same month of 2003 there were 2,052 newly completed units on the market. Construction is underway on 18,612 units in metropolitan areas and large urban centres in the province which should boost inventory levels when completed. However, the number of units sold prior to completion has been rising, particularly in the condominium market. This trend will dampen the impact that current construction activity will have on inventory levels.

Rural Housing Starts

Residential construction activity increased outside the province's urban centres. There were 318 starts in rural BC in the first quarter of 2004, a 9 per cent

increase from the same quarter of 2003. Despite this growth, construction of multiple units was down in rural BC. Fifty-eight multiple units were started in the first quarter of 2004 compared with 93 starts in the first quarter of 2003. The market for multiple units has historically been more volatile than the market for single-detached units, particularly in rural areas of the province. With low unemployment rates in most areas of the province and continued low mortgage interest rates, starts in rural BC should continue to surpass last year's levels in 2004.

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Rural Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
2003 Q1	198	28	22	43	291
2003 Q2	353	0	8	0	361
2003 Q3	382	14	14	26	436
2003 Q4	278	24	46	18	366
Total 2003	1211	66	90	87	1454
2004 Q1	260	26	30	2	318
Urban Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
2003 Q1	2230	274	602	1100	4206
2003 Q2	2960	283	851	2003	6097
2003 Q3	3081	326	970	3301	7678
2003 Q4	2770	404	784	2781	6739
Total 2003	11041	1287	3207	9185	24720
2004 Q1	2522	374	722	2347	5965

Table 1

Housing Starts, Urban B.C. January - March 2004

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2003	2004	% Chg.	2003	2004	% Chg.	2003	2004	% Chg.
Metropolitan Areas									
Abbotsford	107	139	30	173	62	-64	280	201	-28
Vancouver	1,257	1,256	0	1,331	2,442	83	2,588	3,698	43
Victoria	180	193	7	143	420	194	323	613	90
CA's 50,000 - 99,000 pop.									
Chilliwack	48	81	69	21	66	214	69	147	113
Kamloops	29	40	38	2	12	500	31	52	68
Kelowna	266	325	22	176	207	18	442	532	20
Nanaimo	91	149	64	20	44	120	111	193	74
Prince George	9	22	144	0	0	**	9	22	144
Vernon	41	51	24	2	7	250	43	58	35
CA's 10,000 - 49,999 pop.									
Campbell River	18	27	50	2	39	##	20	66	230
Courtenay	52	72	38	17	37	118	69	109	58
Cranbrook	7	9	29	0	0	**	7	9	29
Dawson Creek	0	2	**	10	0	-100	10	2	-80
Duncan	28	38	36	5	4	-20	33	42	27
Fort St. John	1	1	0	2	0	-100	3	1	-67
Kitimat	0	0	**	0	0	**	0	0	**
Parksville-Qualicum	36	56	56	9	10	11	45	66	47
Penticton	19	28	47	18	38	111	37	66	78
Port Alberni	2	5	150	2	0	-100	4	5	25
Powell River	6	0	-100	2	0	-100	8	0	-100
Prince Rupert	0	1	**	0	0	**	0	1	**
Quesnel	3	2	-33	0	0	**	3	2	-33
Terrace	0	0	**	0	0	**	0	0	**
Williams Lake	12	2	-83	0	33	**	12	35	192
Cities 10,000 pop. +									
Salmon Arm	6	13	117	2	0	-100	8	13	63
Squamish	5	4	-20	39	22	-44	44	26	-41
Summerland	7	6	-14	0	0	**	7	6	-14
Total	2,230	2,522	13	1,976	3,443	74	4,206	5,965	42

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

Table 2

**Housing Starts, Urban B.C.
January - March 2004 (ytd)**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2003	2004	% Chg.	2003	2004	% Chg.	2003	2004	% Chg.
Metropolitan Areas									
Abbotsford									
Vancouver									
Victoria									
CA's 50,000 - 99,000 pop.									
Chilliwack									
Kamloops									
Kelowna									
Nanaimo									
Prince George									
Vernon									
CA's 10,000 - 49,999 pop.				NOT APPLICABLE THIS QUARTER					
Campbell River									
Courtenay									
Cranbrook									
Dawson Creek									
Duncan									
Fort St. John									
Kitimat									
Parksville-Qualicum									
Penticton									
Port Alberni									
Powell River									
Prince Rupert									
Quesnel									
Terrace									
Williams Lake									
Cities 10,000 pop. +									
Salmon Arm									
Squamish									
Summerland									
Total	0	0	**	0	0	**	0	0	**

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

Table 3

January - March 2004

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Units Completed							
Metropolitan Areas							
Abbotsford	176	10	0	9	56	60	311
Vancouver	1,197	124	22	452	1,205	64	3,064
Victoria	265	19	0	59	179	49	571
Large Urban Centres & Urban Agglomerations							
Chilliwack	75	8	0	64	0	0	147
Kamloops	51	6	0	0	0	0	57
Kelowna	215	16	0	3	94	46	374
Nanaimo	144	15	0	7	0	0	166
Prince George	30	0	0	0	0	0	30
Vernon	66	10	0	0	0	0	76
Total	2,219	208	22	594	1,534	219	4,796
January - March 2004							
Metropolitan Areas							
Abbotsford							
Vancouver							
Victoria							
Not Applicable This Quarter							
Large Urban Centres & Urban Agglomerations							
Chilliwack							
Kamloops							
Kelowna							
Nanaimo							
Prince George							
Vernon							
Total	-	-	-	-	-	-	-

Table 4

January - March 2004

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Absorption of Newly Completed Units							
Metropolitan Areas							
Abbotsford	189	11	0	10	68	60	338
Vancouver	1,216	129	22	473	1,313	176	3,329
Victoria	255	13	0	58	168	26	520
Large Urban Centres & Urban Agglomerations							
Chilliwack	77	8	0	70	0	0	155
Kamloops	55	7	0	0	2	0	64
Kelowna	220	15	0	1	117	36	389
Nanaimo	134	14	0	7	1	0	156
Prince George	28	0	0	0	0	0	28
Vernon	58	7	0	0	0	2	67
Total	2,232	204	22	619	1,669	300	5,046
January - March 2004							
Metropolitan Areas							
Abbotsford							
Vancouver							
Victoria							
Large Urban Centres & Urban Agglomerations							
Chilliwack							
Kamloops							
Kelowna							
Nanaimo							
Prince George							
Vernon							
Total	-	-	-	-	-	-	-

**Not Applicable
This Quarter**

British Columbia Housing Monitor by CMHC

2nd Quarter 2004

Carol Frketich, Regional Economist

	<u>Recent Statistics 2003</u>	<u>Likely Direction Over the Next 12 Months</u>	<u>Forecast for 2004</u>	<u>Forecast for 2005</u>	<u>These Numbers Indicate the Housing Market This Year Will</u>
<u>BC Housing Starts</u>					
Total (units)	26,174	▲	30,000	30,700	Improve
year-over-year % change			14.6%	2.3%	
Singles	12,252	▲	13,325	13,700	Improve
			8.8%	2.8%	
Multiples	13,922	▲	16,675	17,000	Improve
			19.8%	1.9%	
<u>BC Resale Market</u>					
MLS Sales (Units)	93,095	▼	89,200	85,000	Weaken
			-4.2%	-4.7%	
Avg MLS Price (\$)	259,990	▲	288,000	305,000	Improve
			10.8%	5.9%	
<u>BC Economic Indicators</u>					
Real GDP (% change)	2.2	▲	3.0	3.3	Improve
Personal Disp. Income (% change)	1.9	▲	3.2	4.1	Improve
Population Growth Rate (%)	1.0	↔	1.0	1.0	Hold Steady
Net Inter-provincial Migration	2,094	▲	3,000	3,800	Improve
Net International Immigration	27,251	▲	30,000	31,500	Improve
Employment (% change)	2.5	↔	2.0	2.0	Hold Steady
Unemployment Rate (%)	8.1	▼	8.0	7.8	Improve
3 year Mortgage Rate (%)	5.82%	↔	5.25 - 6.00%	5.75 - 6.50%	Hold Steady
Inflation: CPI (%)	2.1	↔	1.9	2.0	Hold Steady
Building Permit Values:					
Residential (\$ Millions)	4,516	▲	4,800	4,900	Improve
Non-Residential (\$ Millions)	1,877	▲	1,920	2,050	Improve

BC's economy is forecast to pick up in 2004, with real GDP expanding 3.0%, compared to 2.2% increase in 2003. This year, interest rates are expected to be lower, on average, than in 2003. The low interest rate environment and a return of positive net interprovincial migration will draw out BC's housing recovery. Rising commodity prices and a strengthening US economy will boost the trade side of the provincial economy. Housing demand will grow alongside overall economic growth in 2004. Resale activity, although still strong, will moderate as interest rates rise late in 2004. Housing starts are forecast at 30,000 units in 2004 and 30,700 units 2005, with growth mainly in multiple-unit developments. Stronger than expected population growth could lead to a higher level of housing starts than forecast.

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