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British Columbia - February 2005

Canada Mortgage and Housing Corporation

2004 Fourth Qtr. Highlights:

British Columbia's housing sector posted another solid performance during 2004. The volume of resale activity topped the previous year's record. There were 32,925 new homes started in 2004, a 26 per cent increase from 2003 and the highest level of new home construction since 1994.

British Columbia's growing economy, improving labour market conditions, high level of consumer confidence, low mortgage rates and a turnaround in interprovincial migration set the stage for the province's housing expansion.

In December 2004, there were almost 40,000 more people employed than one year earlier. The unemployment rate stood at just 6.1 per cent, the lowest level in 23 years. Improving labour market conditions helped boost consumer confidence higher during the fourth quarter.

Despite very positive economic developments, signs of more moderate growth emerged in the resale market during the fourth quarter of 2004. The level of resale activity slowed to below year-earlier levels. However, continued demand and few listings kept upward pressure on resale prices. Market conditions

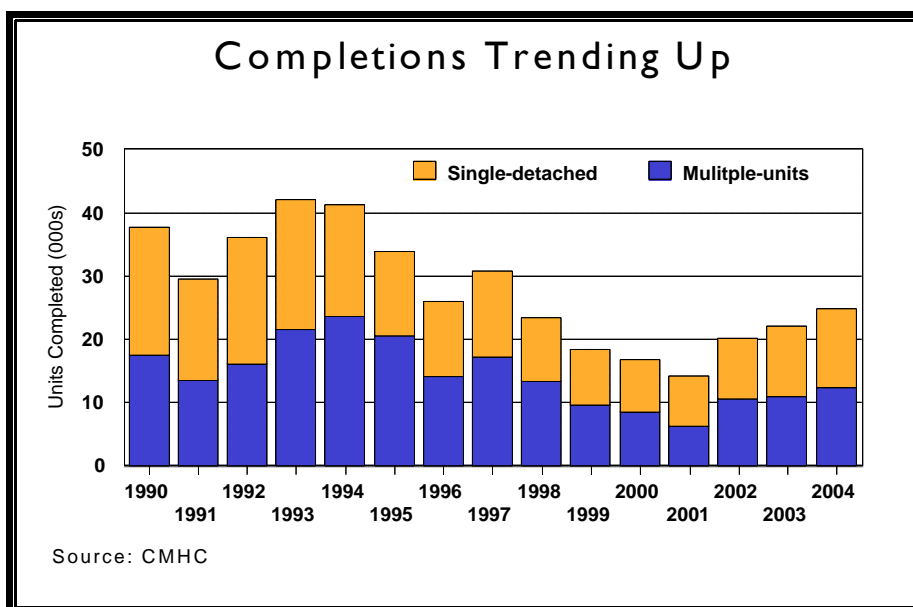
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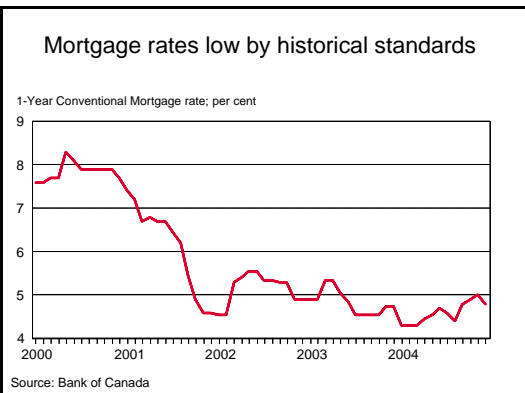
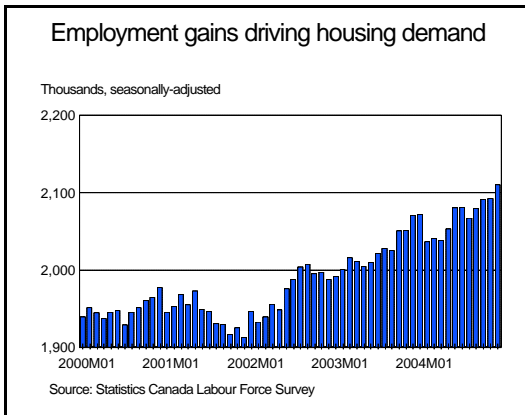
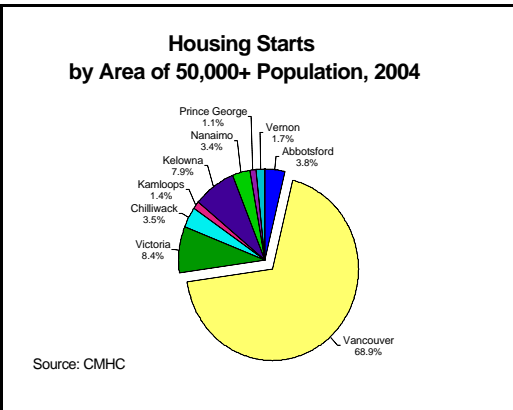
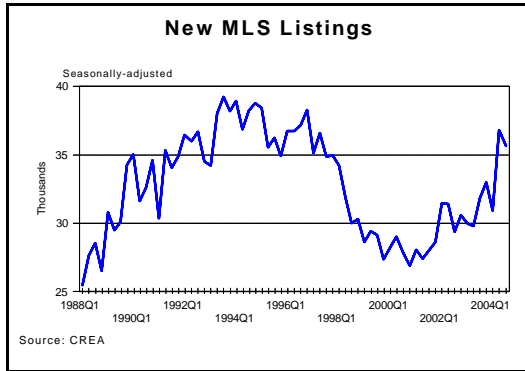
eased from sellers to balanced as more listings came on the market and resale activity slowed.

New residential construction, on the other hand, finished the year on a high note. There were 7,255 new homes started during the September to December period, well above last year's level.

Completed units are being absorbed thanks to strong demand driven by the economic factors mentioned above. As a result, inventory levels are low. There were 1,669 completed and unoccupied units in December 2004, up 13% from year-earlier levels and but still well below levels recorded during the mid-1990s.



BC Housing Indicators ... In Detail



The Economy and Interest Rates

The Canadian economy slowed during the fourth quarter of 2004 as the lagged impact of a higher valued Canadian dollar was felt in some industries. The economy expanded an estimated 2.4 per cent during the last quarter of 2004, following growth of 3.2 per cent in the third quarter. The slower pace of growth reduced the threat of inflation and resulted in the Bank of Canada keeping the target for the overnight rate unchanged at 2.5 per cent in December 2004 and January 2005.

The Canadian dollar has appreciated about 25 per cent relative to the U.S. dollar during the last two years. A higher valued Canadian dollar makes imports cheaper, however, it means that Canadian goods and services are more expensive for foreign buyers.

With the Canadian economy expected to grow slightly below production capacity, inflation is forecast by the Bank of Canada to remain within the target range of 1 to 3 per cent. As a result, the pace of interest rate increases needed to keep inflation under control is slower than previously forecast. Low interest rates are widely expected to prevail through the first half of 2005, with an increase of 50 to 100 basis points during the second half of 2005.

Low interest rates have supported domestic demand in British Columbia. The provincial economy expanded by an estimated 3.0 per cent in 2004

and is projected to grow 3.2 per cent in 2005. Domestic demand remains strong as residential investment and consumer spending respond positively to low borrowing costs. The higher valued Canadian dollar will constrain growth on the trade side of the economy but also will lead to an increase in investment in machinery and equipment as much of this type of capital is imported.

Employment typically leads housing demand. In 2004, British Columbia led the country in job growth. Job gains were concentrated in full-time employment. Improved labour market conditions will support housing demand in 2005.

The Housing Outlook

In this environment, the province's housing sector will record another solid performance in 2005. New residential construction in BC is forecast to reach 33,600 starts this year. British Columbia is one of two province to project an increase in new home construction this year. Low interest rates, pent-up demand, an inflow of people from other provinces, and past employment gains will continue to drive demand for new homes in the province.

Resale Markets

Higher prices are enticing more listings onto the market. At the same time, resale activity has slowed from the record pace set in early 2004. Increased listings combined with fewer resales has

BC Housing Indicators ... In Detail

brought the sales to new listings ratio down from sellers market conditions to balanced market conditions. In 2005, resale markets will continue to move away from the frenzied pace set earlier in the housing expansion toward a more sustainable and balanced level of activity. Positive economic fundamentals will continue to support housing demand and keep some upward pressure on prices. As a result, the average resale price will increase at a rate higher than inflation in 2005, but below the double-digit gains recorded in 2003 and 2004.

Building Permits

The value of building permits was up almost 36 per cent in the first eleven months of 2004 compared to the same period of 2003. Residential building permits are on track to total \$6.1 billion for the year, compared to \$4.5 billion in 2003. While not every permit issued results in a housing start, this indicator suggests future building activity will increase.

BC Housing Supply

Housing supply in British Columbia remains low as increasing construction activity has been met with higher absorption levels. There were 21,031 units completed in metropolitan areas and large urban centres (population of 50,000+) of the province in 2004, an 11.4 per cent increase from 2003. Absorptions were in line with completions, as 20,835 homes were absorbed during 2004.

Inventory levels of new homes are relatively low. At the end of December 2004, there were 1,669 newly completed units in inventory, compared to 1,477 units at the end of December 2003. At the end of last year, construction was underway on 24,510 units, a 43 per cent increase from year-earlier levels. This will boost inventory levels when units are 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

As the duration of the current housing expansion continues, rural areas of the province will see increased construction activity. The number of housing starts increased significantly outside the province's urban centres during the fourth quarter. There were 461 starts in rural British Columbia, a 26 per cent increase from the fourth quarter of 2003.

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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
2004 Q2	543	36	16	24	619
2004 Q3	561	79	13	0	653
2004 Q4	363	57	14	27	461
Total 2004	1727	198	73	53	2051
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
2004 Q2	3609	504	1074	3821	9008
2004 Q3	3385	551	1318	3278	8532
2004 Q4	2813	435	1200	2807	7255
Total 2004	12329	1864	4314	12367	30874

Table I

**Housing Starts, Urban B.C.
October - December 2004**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2003	2004	% Chg.	2003	2004	% Chg.	2003	2004	% Chg.
Metropolitan Areas									
Abbotsford	186	133	-28	47	62	32	233	195	-16
Vancouver	1,240	1,213	-2	2,912	3,018	4	4,152	4,231	2
Victoria	272	248	-9	257	565	120	529	813	54
CA's 50,000 - 99,000 pop.									
Chilliwack	69	86	25	109	164	50	178	250	40
Kamloops	48	77	60	56	6	-89	104	83	-20
Kelowna	364	311	-15	302	249	-18	666	560	-16
Nanaimo	133	165	24	14	62	343	147	227	54
Prince George	24	45	88	0	0	**	24	45	88
Vernon	60	102	70	11	30	173	71	132	86
CA's 10,000 - 49,999 pop.									
Campbell River	24	22	-8	0	2	**	24	24	0
Courtenay *	95	105	11	24	70	192	119	175	47
Cranbrook	13	26	100	0	2	**	13	28	115
Dawson Creek	4	14	250	0	6	**	4	20	400
Duncan	43	50	16	11	10	-9	54	60	11
Fort St. John	19	30	58	134	10	-93	153	40	-74
Kitimat	1	0	-100	0	0	**	1	0	-100
Parksville-Qualicum	56	56	0	41	32	-22	97	88	-9
Penticton	26	30	15	10	69	##	36	99	175
Port Alberni	5	19	280	0	0	**	5	19	280
Powell River	0	0	**	0	0	**	0	0	**
Prince Rupert	0	2	**	0	0	**	0	2	**
Quesnel	7	8	14	0	0	**	7	8	14
Terrace	8	0	-100	0	0	**	8	0	-100
Williams Lake	24	33	38	2	0	-100	26	33	27
Cities 10,000 pop. +									
Salmon Arm	27	28	4	3	21	##	30	49	63
Squamish	15	6	-60	36	64	78	51	70	37
Summerland	7	4	-43	0	0	**	7	4	-43
Total	2,770	2,813	2	3,969	4,442	12	6,739	7,255	8

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

CMHC

Table 2

**Housing Starts, Urban B.C.
January - December 2004**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2003	2004	% Chg.	2003	2004	% Chg.	2003	2004	% Chg.
Metropolitan Areas									
Abbotsford	634	607	-4	422	476	13	1,056	1,083	3
Vancouver	5,382	5,614	4	10,244	13,816	35	15,626	19,430	24
Victoria	969	1038	7	1039	1325	28	2,008	2,363	18
CA's 50,000 - 99,000 pop.									
Chilliwack	263	461	75	276	527	91	539	988	83
Kamloops	198	298	51	103	92	-11	301	390	30
Kelowna	1291	1,342	4	846	882	4	2,137	2,224	4
Nanaimo	545	739	36	60	208	247	605	947	57
Prince George	103	181	76	0	128	**	103	309	200
Vernon	277	379	37	41	100	144	318	479	51
CA's 10,000 - 49,999 pop.									
Campbell River	95	121	27	2	49	##	97	170	75
Courtenay *	326	426	31	126	252	100	452	678	50
Cranbrook	67	89	33	0	2	**	67	91	36
Dawson Creek	19	30	58	10	8	-20	29	38	31
Duncan	163	187	15	22	28	27	185	215	16
Fort St. John	62	87	40	142	38	-73	204	125	-39
Kitimat	3	2	-33	0	0	**	3	2	-33
Parksville-Qualicum	196	272	39	52	156	200	248	428	73
Penticton	124	126	2	95	192	102	219	318	45
Port Alberni	23	51	122	8	16	100	31	67	116
Powell River	15	0	-100	2	0	-100	17	0	-100
Prince Rupert	1	4	300	0	0	**	1	4	300
Quesnel	21	30	43	0	0	**	21	30	43
Terrace	11	3	-73	2	0	-100	13	3	-77
Williams Lake	98	89	-9	36	33	-8	134	122	-9
Cities 10,000 pop. +									
Salmon Arm	77	91	18	7	36	414	84	127	51
Squamish	41	28	-32	144	171	19	185	199	8
Summerland	37	34	-8	0	10	**	37	44	19
Total	11,041	12,329	12	13,679	18,545	36	24,720	30,874	25

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

Table 3**October - December 2004**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Units Completed							
Metropolitan Areas							
Abbotsford	135	4	-	12	48	-	199
Vancouver	1,419	206	-	655	1,298	228	3,806
Victoria	232	47	3	38	189	15	524
Large Urban Centres & Urban Agglomerations							
Chilliwack	84	8	-	44	-	-	136
Kamloops	57	26	-	0	-	-	83
Kelowna	350	34	-	10	90	-	484
Nanaimo	184	8	-	0	-	-	192
Prince George	35	-	-	0	-	-	35
Vernon	105	6	-	21	-	-	132
Total	2,601	339	3	780	1,625	243	5,591

January - December 2004

Metropolitan Areas							
Abbotsford	617	36	-	61	166	60	940
Vancouver	5,272	758	57	2,394	4,886	778	14,145
Victoria	971	139	6	124	421	206	1,867
Large Urban Centres & Urban Agglomerations							
Chilliwack	372	40	-	230	-	42	684
Kamloops	228	56	-	27	42	-	353
Kelowna	1,267	120	4	28	252	113	1,784
Nanaimo	678	53	-	14	-	-	745
Prince George	135	-	-	-	-	-	135
Vernon	317	32	-	29	-	-	378
Total	9,857	1,234	67	2,907	5,767	1,199	21,031

Note: Excludes Non-Profit and Co-op units

CMHC

Table 4**October - December 2004**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Absorption of Newly Completed Units							
Metropolitan Areas							
Abbotsford	112	6	-	12	48	-	178
Vancouver	1231	165	2	608	1219	175	3,400
Victoria	231	42	3	22	189	16	503
Large Urban Centres & Urban Agglomerations							
Chilliwack	68	8	-	46	-	-	122
Kamloops	54	26	-	1	2	-	83
Kelowna	323	34	-	10	97	30	494
Nanaimo	190	7	-	-	-	-	197
Prince George	34	0	-	-	-	-	34
Vernon	100	6	-	22	-	-	128
Total	2,343	294	5	721	1,555	221	5,139

January - December 2004

Metropolitan Areas							
Abbotsford	594	36	-	61	192	60	943
Vancouver	5135	703	58	2363	4865	891	14015
Victoria	975	128	6	119	426	205	1859
Large Urban Centres & Urban Agglomerations							
Chilliwack	350	39	-	230	-	42	661
Kamloops	233	61	-	30	46	-	370
Kelowna	1226	115	4	29	264	114	1752
Nanaimo	668	52	-	14	4	-	738
Prince George	142	-	-	-	-	-	142
Vernon	296	30	-	29	-	-	355
Total	9,619	1,164	68	2,875	5,797	1,312	20,835

Note: Excludes Non-Profit and Co-op units

CMHC

British Columbia Housing Monitor by CMHC

4th Quarter 2004

Carol Frketich, Regional Economist

	<u>Recent Statistics 2003</u>	<u>Likely Direction Over the Next 12 Months</u>	<u>Forecast*/Actual 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	▲	32,925	33,600	Improve
year-over-year % change			25.8%	2.1%	
Singles	12,252	◀↔▶	14,056 14.7%	13,800 -1.8%	Hold Steady
Multiples	13,922	▲	18,869 35.5%	19,800 4.9%	Improve
<u>BC Resale Market</u>					
MLS Sales (Units)	93,095	▼	96,316 3.5%	90,000 -6.6%	Hold Steady
Avg MLS Price (\$)	259,990	▲	289,107 11.2%	308,000 6.5%	Hold Steady
<u>BC Economic Indicators</u>					
Real GDP (% change)	2.2	▲	3.0*	3.2	Hold Steady
Personal Disp. Income (% change)	1.9	▲	3.5*	4.3	Improve
Population Growth Rate (%)	1.0	◀↔▶	1.1*	1.1	Hold Steady
Net Inter-provincial Migration	2,094	▲	6,000*	7,000	Improve
Net International Immigration	27,251	▲	29,000*	31,500	Hold Steady
Employment (% change)	2.5	◀↔▶	2.4	2.2	Hold Steady
Unemployment Rate (%)	8.1	◀↔▶	7.3	6.7	Improve
3 year Mortgage Rate (%)	5.82%	▲	5.65%	5.50 - 6.50%	Hold Steady
Inflation: CPI (%)	2.1	◀↔▶	2.0*	2.0	Hold Steady
Building Permit Values:					
Residential (\$ Millions)	4,514	▲	6,100*	6,400	Improve
Non-Residential (\$ Millions)	1,877	▲	2,010*	2,200	Improve

The British Columbia economy is operating near potential with growth mainly on the domestic side of the economy. A higher valued Canadian dollar will have a dampening effect on overall growth, constraining the expansion to 3.2% in 2005. Strong fundamentals, including past employment gains, growth in incomes, positive net interprovincial migration, confident consumers and low interest rates, will continue to support the province's housing sector. Existing home sales will moderate somewhat during 2005. Fewer sales combined with increased listing activity spurred by high and rising prices, resale markets will exhibit more balanced demand and supply conditions. New home construction will continue to exceed the long-term average with 33,600 starts projected for 2005.