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Canada Mortgage and Housing Corporation

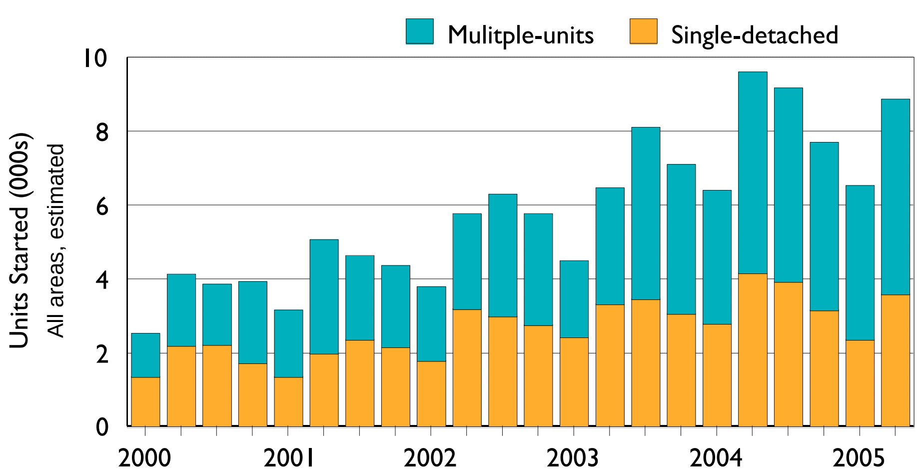
BRITISH COLUMBIA

2005 Second Quarter Highlights

Builders in British Columbia started 8,072 homes of all types in the second quarter of 2005, a decrease of 10 per cent from the second quarter of 2004. A surge in multiple-unit starts boosted the second quarter 2004 level to a ten-year high, making the performance of the recent quarter look small by comparison. However, the current level of new home construction puts housing starts on track for the highest level in ten years. New home construction is being driven by low interest rates, a very active resale market and growth in population and employment.

The number of housing starts in British Columbia has been on an upward trend since 2000. As the duration of the current housing expansion lengthens, a shift from single-detached to multiple unit developments is underway. There were 4,982 multiple-unit starts during the second quarter of 2005, accounting for 62 per cent of new home starts during the quarter. Although single-detached homes are often the preferred product type, other forms of housing are gaining popularity as house prices rise.

British Columbia Housing Starts



Source: CMHC

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STATISTICAL TABLES:

The level of single-detached construction appears to have past its peak, particularly in the larger urban markets where land availability and cost are issues. There were 3,090 single-detached starts in the second quarter, down 14 per cent from a year ago.

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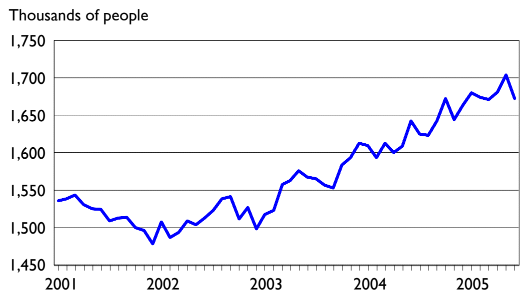
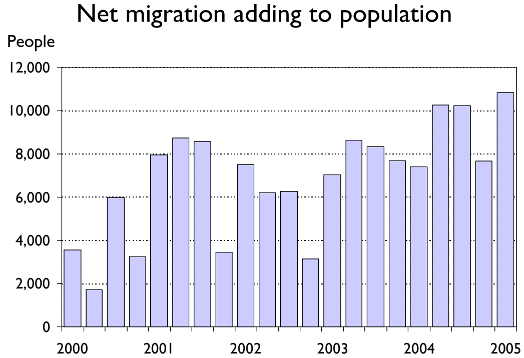
Full-time employment on the rise



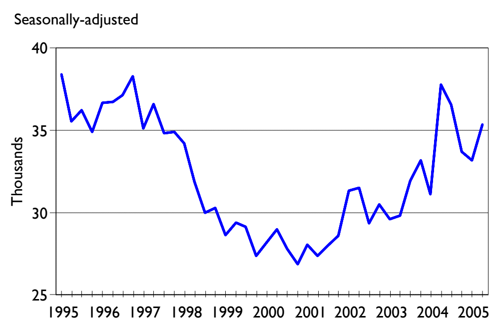
Source: Statisitics Canada, Labour Force Survey

Net migration adding to population



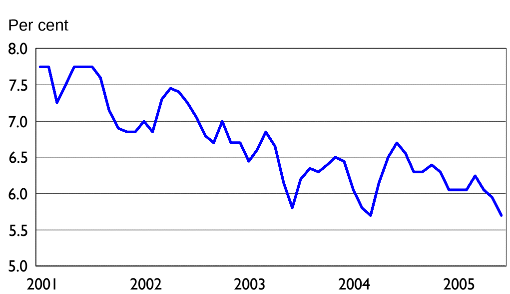
Source: Statistics Canada

New MLS® listings trending up



Source: CREA

5 year Conventional Mortgage Rate



Source: Bank of Canada

The Economy

The British Columbia economy grew 3.9 per cent in 2004, the fastest pace in four years. Residential construction and wood products manufacturing were the key contributing industries. The consumer sector was an active player, with spending growth exceeding the national average. The potentially negative impact of the higher valued Canadian dollar on British Columbia's export sector was masked by strong demand from the United States and rising commodity prices. British Columbia businesses capitalized on a stronger dollar, purchasing machinery and equipment to retool and upgrade facilities. Machinery and equipment investment grew 20 per cent in 2004 after three years of almost no increase.

So far in 2005 the British Columbia economy appears to be on track for growth over 3 per cent for the year. Domestic demand continues strong as evidenced by growth in retail sales. The trade side of the economy will also be a source of growth.

Alongside growth in the economy, British Columbia has enjoyed three consecutive years of 2 per cent or more growth in employment. In the first half of 2005, employment was up 3.2 per cent. All of the job gains to date have been in full-time employment, and are concentrated in paid-private employment. These gains will provide a solid base for housing demand during the next 18 months.

Population growth is a key driver of housing demand and the improving labour market is one factor attracting people to the province. Net interprovincial migration was positive during the first quarter of 2005, the best first quarter performance in eight years. A net inflow of Canadians, combined with a growing number of international migrants, will boost population growth in British Columbia above the rate of population increase in the rest of Canada. This is one more factor pointing to a sustained housing expansion in the province.

Interest Rates

While the Bank of Canada has held the target overnight rate unchanged at 2.5 per cent since October 2004, long-term interest rates have drifted lower during the last three months. The conventional posted 5-year mortgage rate was 5.7 per cent at the end of June, compared to 6.05 per cent at the end of March. Tame inflation, slower Canadian economic growth, and a higher valued Canadian dollar will help keep interest rates low by historical levels, however, the Bank of Canada strongly signaled interest rate increases are on their way. Gradually rising interest rates will have a dampening effect on the housing sector and interest-sensitive consumer spending.

Resale Market Activity

Strong buyer demand produced almost 28,000 transactions through the Mulitple Listings Service (MLS®) during the second quarter, putting resale activity slightly ahead of the record pace set last year. Low long-term lending rates along with solid demand fundamentals are contributing to the ongoing high level of resale activity. Most existing home markets around the province are currently exhibiting sellers' market conditions, that is, demand in excess of supply leading to rising prices. The average MLS® price for British Columbia was up 11.6 per cent in June from June 2004.

Building Permits

The value of residential building permits issued by municipalities around the province was up 15.3 per cent during the first five months of 2005 compared to the same period in 2004. These figures suggest that there is still a significant amount of new residential construction in the pipeline.

Regional Housing Starts

Although Vancouver accounted for the largest share of new home construction during the second quarter, the level of starts was down from year-earlier levels. Other regions of the province recorded notable increased construction during the April to June period including Penticton, Cranbrook, Prince George and Fort St. John.

Rural Housing Starts

The number of housing starts in areas with fewer than 10,000 people has been on the rise. These areas are generally resource-dependent and are currently benefitting from growth in this sector. There were an estimated 800 new homes started in rural areas of the province during the second quarter, up 30 per cent from the same period in 2004. An increase in apartment units in Fernie, Gibsons and Squamish accounted for part of the gain.

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Rural Housing Starts

	Single Det.	Semi	Row	Apt.	Total
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	**1,727**	**198**	**73**	**53**	**2,051**
2005 Q1	183	39	32	29	283
2005 Q2	509	68	5	222	804

Urban Housing Starts

	Single Det.	Semi	Row	Apt.	Total
2004 Q1	2,522	374	722	2,347	5,965
2004 Q2	3,609	504	1,074	3,821	9,008
2004 Q3	3,385	551	1,318	3,278	8,532
2004 Q4	2,813	435	1,200	2,807	7,255
Total 2004	**12,329**	**1,864**	**4,314**	**12,367**	**30,874**
2005 Q1	2,172	292	856	2,921	6,241
2005 Q2	3,090	411	1,295	3,276	8,072

Table 1

Housing Starts, Urban B.C.
April - June 2005

AREA	SINGLE DETACHED 2004	SINGLE DETACHED 2005	SINGLE DETACHED % Chg.	MULTIPLES 2004	MULTIPLES 2005	MULTIPLES % Chg.	TOTAL 2004	TOTAL 2005	TOTAL % Chg.
Metropolitan Areas									
Abbotsford	148	129	-13	182	256	41	330	385	17
Vancouver	1,618	1,266	-22	4,446	3,196	-28	6,064	4,462	-26
Victoria	333	261	-22	152	320	111	485	581	20
CA's 50,000 - 99,000 pop.									
Chilliwack	153	98	-36	68	100	47	221	198	-10
Kamloops	102	125	23	52	65	25	154	190	23
Kelowna	403	371	-8	234	599	156	637	970	52
Nanaimo*	216	149	-31	10	56	460	226	205	-9
Prince George	51	70	37	0	18	**	51	88	73
Vernon	113	103	-9	7	22	214	120	125	4
CA's 10,000 - 49,999 pop.									
Campbell River	37	47	27	2	6	200	39	53	36
Courtenay *	123	106	-14	38	50	32	161	156	-3
Cranbrook	21	52	148	0	0	**	21	52	148
Dawson Creek	7	10	43	2	0	-100	9	10	11
Duncan	60	74	23	8	49	##	68	123	81
Fort St. John	27	44	63	8	18	125	35	62	77
Kitimat	1	1	0	0	0	**	1	1	0
Parksville-Qualicum	65	49	-25	60	21	-65	125	70	-44
Penticton	37	38	3	71	156	120	108	194	80
Port Alberni	8	23	188	16	0	-100	24	23	-4
Powell River	0	11	**	0	2	**	N/A	13	**
Prince Rupert	0	0	**	0	0	**	0	0	**
Quesnel	9	12	33	0	0	**	9	12	33
Terrace	3	1	-67	0	0	**	3	1	-67
Williams Lake	23	12	-48	0	0	**	23	12	-48
Cities 10,000 pop. +									
Salmon Arm	26	30	15	8	22	175	34	52	53
Squamish	11	0	-100	29	26	-10	40	26	-35
Summerland	14	8	-43	6	0	-100	20	8	-60
Total	**3,609**	**3,090**	**-14**	**5,399**	**4,982**	**-8**	**9,008**	**8,072**	**-10**

**Data for 2004 and 2005 have been modified to account for Statistics Canada boundary changes. Provincial totals have not been adjusted.*
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Table 2

Housing Starts, Year-to-Date, Urban B.C.
January - June 2005

AREA	SINGLE DETACHED 2004	SINGLE DETACHED 2005	SINGLE DETACHED % Chg.	MULTIPLES 2004	MULTIPLES 2005	MULTIPLES % Chg.	TOTAL 2004	TOTAL 2005	TOTAL % Chg.
Metropolitan Areas									
Abbotsford	287	192	-33	244	302	24	531	494	-7
Vancouver	2,874	2,278	-21	6,888	6,296	-9	9,762	8,574	-12
Victoria	526	477	-9	572	546	-5	1,098	1,023	-7
CA's 50,000 - 99,000 pop.									
Chilliwack	234	193	-18	134	240	79	368	433	18
Kamloops	142	179	26	64	71	11	206	250	21
Kelowna	728	583	-20	441	766	74	1,169	1,349	15
Nanaimo	365	273	-25	54	66	22	419	339	-19
Prince George	73	111	52	114	18	-84	187	129	-31
Vernon	164	167	2	14	46	229	178	213	20
CA's 10,000 - 49,999 pop.									
Campbell River	64	88	38	41	40	-2	105	128	22
Courtenay	195	195	0	75	140	87	270	335	24
Cranbrook	30	65	117	0	0	**	30	65	117
Dawson Creek	9	11	22	2	2	0	11	13	18
Duncan	98	107	9	12	83	##	110	190	73
Fort St. John	28	48	71	8	24	200	36	72	100
Kitimat	1	1	0	0	0	**	1	1	0
Parksville-Qualicum	121	95	-21	70	55	-21	191	150	-21
Penticton	65	54	-17	109	228	109	174	282	62
Port Alberni	13	37	185	16	0	-100	29	37	28
Powell River	0	18	**	0	2	**	0	20	**
Prince Rupert	1	1	0	0	0	**	1	1	0
Quesnel	11	13	18	0	0	**	11	13	18
Terrace	3	1	-67	0	0	**	3	1	-67
Williams Lake	25	13	-48	33	0	-100	58	13	-78
Cities 10,000 pop. +									
Salmon Arm	39	46	18	8	24	200	47	70	49
Squamish	15	6	-60	51	102	100	66	108	64
Summerland	20	10	-50	6	0	-100	26	10	-62
Total	**6,131**	**5,262**	**-14**	**8,956**	**9,051**	**1**	**15,087**	**14,313**	**-5**

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Table 3

Units Completed

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
April - June 2005							
Metropolitan Areas							
Abbotsford	133	8	0	15	104	2	262
Vancouver	1,206	230	0	686	2,615	163	4,900
Victoria	226	18	4	22	149	0	419
Large Urban Centres & Urban Agglomerations							
Chilliwack	109	12	0	81	0	90	292
Kamloops	90	22	0	12	0	0	124
Kelowna	330	38	1	57	158	8	592
Nanaimo	156	14	0	6	0	0	176
Prince George	60	0	0	0	0	32	92
Vernon	79	4	0	6	0	0	89
Total	**2,389**	**346**	**5**	**885**	**3,026**	**295**	**6,946**
January - June 2005							
Metropolitan Areas							
Abbotsford	290	8	0	20	216	62	596
Vancouver	2,354	388	8	1,385	4,322	178	8,635
Victoria	469	59	4	64	392	0	988
Large Urban Centres & Urban Agglomerations							
Chilliwack	227	18	0	161	0	90	496
Kamloops	169	34	0	16	0	0	219
Kelowna	545	54	2	87	273	8	969
Nanaimo	274	26	0	9	0	0	309
Prince George	103	0	0	0	0	32	135
Vernon	158	16	0	11	0	0	185
Total	**4,589**	**603**	**14**	**1,753**	**5,203**	**370**	**12,532**

Note: Excludes Non-Profit and Co-op units
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Table 4

Absorption of Newly Completed Units

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
April - June 2005							
Metropolitan Areas							
Abbotsford	185	8	0	11	73	2	279
Vancouver	1,308	408	2	699	2,662	220	5,299
Victoria	231	37	4	31	148	0	451
Large Urban Centres & Urban Agglomerations							
Chilliwack	122	8	0	80	0	75	285
Kamloops	86	21	0	11	0	0	118
Kelowna	331	69	1	57	179	8	645
Nanaimo	149	12	0	3	0	0	164
Prince George	60	0	0	0	0	32	92
Vernon	92	10	0	6	0	0	108
Total	**2,564**	**573**	**7**	**898**	**3,062**	**337**	**7,441**
January - June 2005							
Metropolitan Areas							
Abbotsford	288	8	0	15	180	62	553
Vancouver	2471	773	10	1372	4395	294	9,315
Victoria	463	111	4	76	362	1	1017
Large Urban Centres & Urban Agglomerations							
Chilliwack	237	17	0	163	0	75	492
Kamloops	166	41	0	15	2	0	224
Kelowna	560	114	2	79	278	8	1041
Nanaimo	268	23	0	6	0	0	297
Prince George	103	0	0	0	0	32	135
Vernon	170	29	0	11	0	0	210
Total	**4,726**	**1,116**	**16**	**1,737**	**5,217**	**472**	**13,284**

Note: Excludes Non-Profit and Co-op units
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