



HOUSING NOW

YOUR LINK TO THE HOUSING MARKET

British Columbia - November 2002

Canada Mortgage and Housing Corporation

2002 Third Qtr. Highlights:

YTD sales are up. Inventories Decline. YTD starts jump 27%.

Realtors remained relatively busy while British Columbians enjoyed summer holidays, and it might be some time before they get a break. While housing sales between July and September were down 9 per cent from the second quarter, year-to-date results have reached levels unseen since 1992. The number of units sold over the first three quarters of 2002, is up 25 per cent over the same period in 2001, and the dollar value of these transactions jumped 32 per cent. CMHC now projects sales of 81,000 units for BC in 2002.

The brisk pace of sales has led to a 56 per cent drop in the inventory of vacant, newly completed units in BC.

Developers are responding with significant increases in new housing starts. Third quarter starts jumped 12 per cent from the second quarter, and year-to-date starts are up an impressive 27 per cent over 2001. Single-detached construction led the way with a 51 per cent year-to-date increase; multiple-unit starts are up a solid 10 per cent. The breadth of this activity in urban centres across the province is particularly notable.

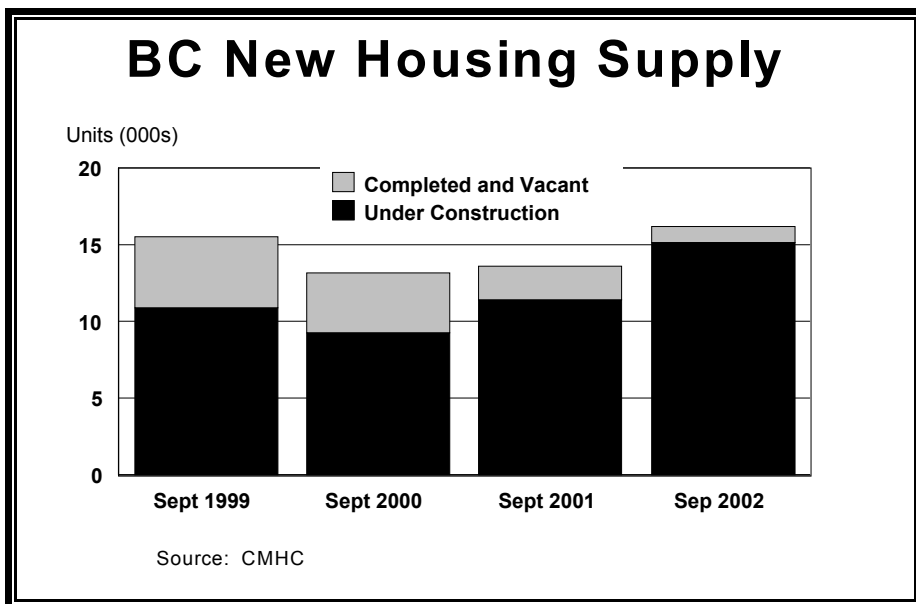
On the strength of these results, CMHC has increased its forecast for housing starts in BC from 19,500 units to 21,400. For perspective, the 30-year average for provincial housing starts is 30,000 units/year.

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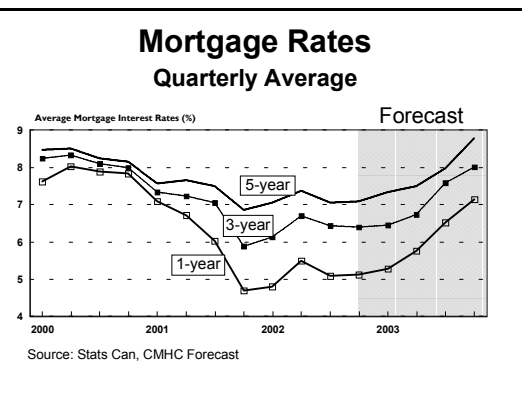
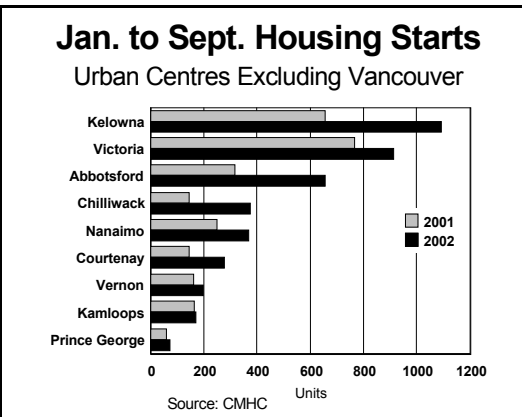
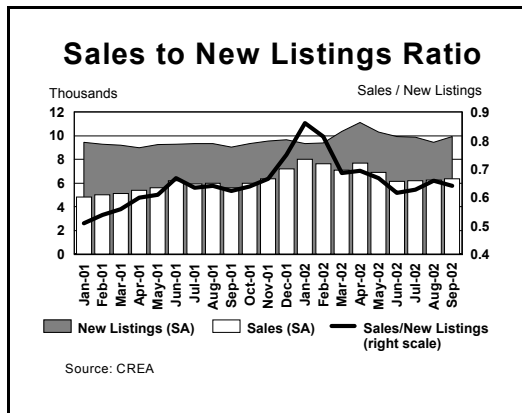
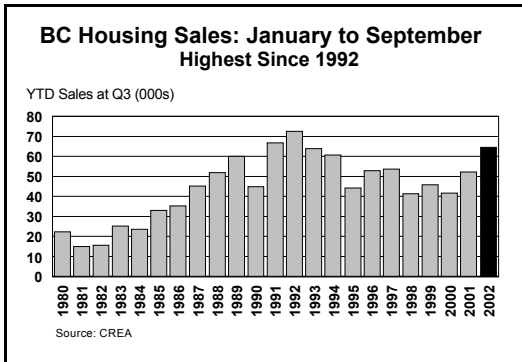
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For home-buyers, more balanced resale market conditions persisted in the third quarter as more home owners listed their properties. At the beginning of the year, there were more than 8 sales for every 10 new listings which created a market tilted in favour of sellers. The ratio is now closer to 6 to 10.

The tapering of sales in the third quarter might suggest that much of the pent-up demand for housing in BC has been satisfied. However, low interest rates together with improving economic, employment and migration trends will likely prevail over the next year. These factors will continue to motivate first-time and move-up buyers in BC.



BC Housing Indicators... In Detail



Almost two-thirds of new housing starts in 2002 were concentrated in the Vancouver CMA which posted a year-to-date increase of 15 per cent over 2001. Significant growth in year-to-date starts was also recorded across all major urban centres, particularly in areas with a large base of developable land. Kelowna (+66%); Victoria CMA (+19%); and Abbotsford CMA (+107%) stand out as notable examples.

In marked contrast, rural communities experienced a 10 per cent year-to-date decrease in housing starts. Many towns in BC have been challenged by the downturn of resource-based industries and by declining populations. Some rural communities are responding by strategically diversifying their economies. Kimberly BC, for example, is successfully targeting destination resort development.

BC Economy & Mortgage Rates

Housing sales in BC have exceeded \$1.5 billion since May 2002. The strength of the residential construction industry and the resale housing market has helped the BC economy maintain positive ground in a period of economic and geopolitical turbulence.

Throughout 2002, BC's economic growth has been suppressed by weak US and Asian markets, the ongoing softwood lumber dispute, and the high-tech slump. Though still in positive territory, the

provincial economy is growing at half the national rate. Canada's GDP growth, currently averaging 3.6 per cent per annum, is the highest among the G7 nations.

The economy of the United States, BC's largest trading partner, is growing only marginally under the influence of a volatile stock market, low consumer confidence, and the threat of war. There is guarded hope that the US economy - and BC exports to the US - will re-ignite under the stimulus of lower borrowing rates. The US federal bank recently surprised analysts by reducing its key lending rate by 50 basis points to 1.25 per cent. The magnitude of this decrease indicates that the recovery of the US economy will take longer than expected.

Cautious investors have moved assets into secure bond markets, thereby increasing the supply and lowering the cost of funds available for mortgage lending. As a result, most analysts predict that Canadian homeowners renegotiating mortgages or considering new housing purchases will continue to enjoy historically low rates well into 2003. This is a critical affordability factor for first-time buyers especially in BC's urban markets where average house prices are high.

However, there are risks to these forecasts, such as the performance of the US economy and further volatility in capital markets. It is widely anticipated that economic growth will stimulate increases in mortgage

rates by up to 2 per cent over the long term. While this would cut into the affordability of housing for first-time buyers, economic growth would also generate employment gains.

Retail Sales

Motivated by low borrowing rates, BC consumers are fueling the domestic economy. Surging housing sales are credited as a major reason for this upswing since new homeowners have a high propensity to renovate and purchase new household goods. Retail trade estimates for 2002 are up 6 per cent over 2001.

Employment

The pace of job creation in BC has increased largely on the strength of the domestic economy. The employment rate for September 2002 was 60 per cent, up from 58.7 per cent a year earlier. Increasing numbers of people returning to the labour force created a slight jump in the unemployment rate to 8.1 in September per cent from 7.8 the previous month.

Real Estate Investment

There is evidence that the poor performance of equities markets has precipitated a shift of assets into tangible real estate. Markets in Vancouver and those in destination resort locations throughout BC have proved very robust. In Vancouver, for example absorption of condominium units priced over \$700K have increased by 30 per cent since September 2001.

Recent surveys show that average Canadians increasingly

favour real estate over stocks as an investment vehicle. CMHC has funded research into the impact of investors on the condominium market in Vancouver through the 1990s. The study, which will be available to the public in January, indicates that investors purchased 20 per cent of new condominium sold in the City of Vancouver through the 1990s with the intention of renting the units; in the downtown market, this figure jumped to almost 50 per cent.

Migration

Second quarter migration statistics show that net international migration is holding steady at 32,000 people per year. The number of BC residents moving to other provinces is improving, trending towards a net loss of (6,000) people in 2002. This is a marked

improvement over 1998 when as many as 20,000 residents left BC. In their wake, they increased the supply of resale and rental housing. For 2002, net immigration is expected to add 28,000 people to BC's population and contribute to an annual growth rate of about 1 per cent. Migration trends, and the demand for housing, should continue to improve, particularly if B.C.'s economy picks up speed.

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Rural Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
2001 Q1	179	17	26	0	222
2001 Q2	370	21	34	12	437
2001 Q3	329	27	103	10	469
2001 Q4	381	22	8	6	417
Total 2001	1259	87	171	28	1545
2002 Q1	103	30	0	6	139
2002 Q2	287	25	24	140	476
2002 Q3	286	38	8	38	370
2002 Q4	0	0	0	0	0
Total 2002	676	93	32	184	985
Urban Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
2001 Q1	1162	110	351	1323	2946
2001 Q2	1623	243	348	2405	4619
2001 Q3	2033	249	345	1549	4176
2001 Q4	1785	227	471	1465	3948
Total 2001	6603	829	1515	6742	15689
2002 Q1	1689	152	335	1483	3659
2002 Q2	2896	332	636	1415	5279
2002 Q3	2695	347	628	2263	5933
2002 Q4	0	0	0	0	0
Total 2002	7280	831	1599	5161	14871

Table 1

Housing Starts, Urban B.C. July - September 2002

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2001	2002	% Chg.	2001	2002	% Chg.	2001	2002	% Chg.
Metropolitan Areas									
Abbotsford*	125	137	10	2	73	**	127	210	65
Vancouver	1,022	1,342	31	1,780	2,678	50	2,802	4,020	43
Victoria	206	234	14	19	120	**	225	354	57
CA's 50,000 - 99,000 pop.									
Chilliwack	53	90	70	10	36	260	63	126	100
Courtenay	49	69	41	34	69	103	83	138	66
Kamloops	58	52	(10)	36	12	(67)	94	64	(32)
Kelowna	179	252	41	130	68	(48)	309	320	4
Nanaimo	80	146	83	12	31	158	92	177	92
Prince George	11	38	245	32	2	(94)	43	40	(7)
Vernon	67	58	(13)	9	9	0	76	67	(12)
CA's 10,000 - 49,999 pop.									
Campbell River	13	23	77	0	0	**	13	23	77
Cranbrook	9	20	122	0	27	**	9	47	422
Dawson Creek	4	4	0	0	0	**	4	4	0
Duncan	31	23	(26)	2	6	200	33	29	(12)
Fort St. John	11	25	127	37	4	(89)	48	29	(40)
Kitimat	0	1	**	0	0	**	0	1	**
Parksville-Qualicum ++	0	63	**	0	2	**	0	65	**
Penticton	33	40	21	0	81	**	33	121	267
Port Alberni	10	3	(70)	0	0	**	10	3	(70)
Powell River	5	1	(80)	36	0	**	41	1	(98)
Prince Rupert	1	0	**	0	2	**	1	2	100
Quesnel	5	16	220	2	0	**	7	16	129
Terrace	3	0	**	0	0	**	3	0	**
Williams Lake	40	22	(45)	0	0	**	40	22	(45)
Cities 10,000 pop. +									
Salmon Arm	11	24	118	2	12	**	13	36	177
Squamish	0	5	**	0	6	**	0	11	**
Summerland	7	7	0	0	0	**	7	7	0
Total	2,033	2,695	33	2,143	3,238	51	4,176	5,933	42

* Abbotsford has been changed from a CA to CMA

++ Parksville-Qualicum has been added. Starts for year 2001 are not available and not part of the overall start for 2001

Table 2

**Housing Starts, Urban B.C.
January - September 2002 (ytd)**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2001	2002	% Chg.	2001	2002	% Chg.	2001	2002	% Chg.
Metropolitan Areas									
Abbotsford*	311	452	45	6	204	**	317	656	107
Vancouver	2,534	3,692	46	6,037	6,161	2	8,571	9,853	15
Victoria	446	682	53	320	231	(28)	766	913	19
CA's 50,000 - 99,000 pop.									
Chilliwack	131	229	75	13	146	**	144	375	160
Courtenay	107	200	87	38	79	108	145	279	92
Kamloops	127	144	13	38	26	(32)	165	170	3
Kelowna	455	731	61	203	363	79	658	1,094	66
Nanaimo	193	306	59	57	63	11	250	369	48
Prince George	28	70	150	32	4	(88)	60	74	23
Vernon	123	143	16	39	55	41	162	198	22
CA's 10,000 - 49,999 pop.									
Campbell River	32	47	47	0	6	**	32	53	66
Cranbrook	19	40	111	2	27	(100)	21	67	219
Dawson Creek	6	8	33	0	2	**	6	10	67
Duncan	60	68	13	4	16	300	64	84	31
Fort St. John	27	49	81	41	14	(66)	68	63	(7)
Kitimat	0	3	**	0	0	**	0	3	**
Parksville-Qualicum ++	0	176	**	0	18	**	0	194	**
Penticton	67	84	25	28	116	314	95	200	111
Port Alberni	16	13	(19)	0	0	**	16	13	(19)
Powell River	11	7	(36)	46	0	(100)	57	7	(88)
Prince Rupert	3	0	(100)	0	2	**	3	2	(100)
Quesnel	14	20	43	2	0	**	16	20	25
Terrace	7	0	(100)	0	0	**	7	0	(100)
Williams Lake	58	58	0	10	0	(100)	68	58	(15)
Cities 10,000 pop. +									
Salmon Arm	25	36	44	4	35	**	29	71	145
Squamish	5	8	60	3	25	**	8	33	313
Summerland	13	18	38	0	0	**	13	18	38
Total	4,818	7,284	51	6,923	7,593	10	11,741	14,877	27

* Abbotsford has been changed from a CA to CMA

++ Parksville-Qualicum has been added. Starts for year 2001 are not available and not part of the overall start for 2001

Table 3**July - September 2002**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Units Completed							
Metropolitan Areas							
Abbotsford	165	4	0	6	36	0	211
Vancouver	1,144	136	57	257	609	656	2,859
Victoria	216	13	0	27	16	0	272
Large Urban Centres & Urban Agglomerations							
Chilliwack	63	0	0	13	0	92	168
Courtenay	67	2	0	7	0	0	
Kamloops	57	4	0	0	54	0	115
Kelowna	242	24	9	20	0	60	355
Nanaimo	80	8	0	4	0	0	92
Prince George	27	2	0	0	0	0	29
Vernon	56	2	40	10	0	0	108
Total	2,117	195	106	344	715	808	4,209
January - September 2002							
Metropolitan Areas							
Abbotsford	382	8	0	6	36	0	432
Vancouver	2,959	468	119	719	2,115	1,238	7,618
Victoria	606	46	0	61	186	86	985
Large Urban Centres & Urban Agglomerations							
Chilliwack	151	12	0	18	0	128	309
Courtenay	178	4	0	11	0	0	193
Kamloops	130	10	0	20	72	0	232
Kelowna	562	60	103	26	48	60	859
Nanaimo	230	28	0	12	4	0	274
Prince George	56	2	0	0	0	32	90
Vernon	128	8	44	20	0	0	200
Total	5,382	646	266	893	2,461	1,544	11,192

Table 4**July - September 2002**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Absorption of Newly Completed Units							
Metropolitan Areas							
Abbotsford	156	4	-	4	27	-	191
Vancouver	1,105	127	17	298	714	489	2,750
Victoria	220	10	-	27	33	21	311
Large Urban Centres & Urban Agglomerations							
Chilliwack	63	-	-	8	-	92	163
Courtenay	66	1	-	7	-	-	74
Kamloops	62	3	-	-	39	-	104
Kelowna	248	22	16	20	7	16	329
Nanaimo	65	10	-	3	15	-	93
Prince George	21	-	-	-	-	1	22
Vernon	59	1	-	9	3	-	72
Total	2,065	178	33	376	838	619	4,109
January - September 2002							
Metropolitan Areas							
Abbotsford	398	30	-	7	34	-	469
Vancouver	3,013	462	55	930	2,501	841	7,802
Victoria	689	59	-	64	187	107	1,106
Large Urban Centres & Urban Agglomerations							
Chilliwack	160	17	-	14	-	128	319
Courtenay	168	6	-	16	-	-	190
Kamloops	130	12	-	14	64	-	220
Kelowna	584	61	83	24	66	16	834
Nanaimo	206	39	-	6	27	-	278
Prince George	56	-	-	8	-	32	96
Vernon	130	8	-	19	20	-	177
Total	5,534	694	138	1,102	2,899	1,124	11,491

British Columbia Housing Monitor by CMHC

4th Quarter 2002

Cameron Muir, Senior Market Analyst

	<u>Recent Statistics 2001</u>	<u>Likely Direction Over the Next 12 Months</u>	<u>Forecast for 2002</u>	<u>Forecast for 2003</u>	<u>These Numbers Indicate the Housing Market This Year Will</u>
<u>BC Housing Starts</u>					
Total	17,234	▲	21,400	22,500	Improve
year-over-year change			24.17%	5.14%	
Singles	7,862	▲	10,600	10,800	Improve
			34.83%	1.89%	
Multiples	9,372	▲	10,800	11,700	Improve
			15.24%	8.33%	
<u>BC Resale Market</u>					
MLS Sales (Units)	69,430	▲	81,000	78,000	Improve
			16.66%	-3.70%	
Avg MLS Price (\$)	222,984	▲	238,000	242,000	Improve
			6.73%	1.68%	
<u>BC Economic Indicators</u>					
Real GDP (% change)	0.9	▲	1.6	2.6	Improve
Personal Disp. Income (% change)	2.9	▲	3.1	4.5	Improve
<i>estimate for 2001</i>					
Population Growth Rate (%)	0.9	▲	1.0	1.2	Improve
Net Inter-provincial Migration	-8,991	▲	-6,000	-3,000	Improve
Net International Immigration	32,179	↔	32,000	33,700	Hold Steady
Employment (% change)	-0.3	▲	1.4	2.0	Improve
Unemployment Rate (%)	7.6	↔	8.1	8.0	Weaken
3 year Mortgage Rate (%)	6.80%	↔	5.88 - 6.95%	6.20 - 8.26%	Hold Steady
Inflation: CPI (%)	1.7	▲	2.1	2.0	Weaken
<u>Building Permit Values</u>					
Residential (\$ Millions)	2,829.9	▲	3,508.9	3,600.0	Improve
Non-Residential (\$ Millions)	2,124.9	▲	1,950.0	2,200.0	Weaken

The BC economy continues to be dogged by weak US demand for BC goods and services. Those softwood manufacturers that continue to operate in the climate of a 27% average lumber duty are running flat out in an effort to reduce per unit costs to remain competitive. On the other hand, domestic consumption has remained strong, with BC retail sales up more than 6% year-to-date. MLS sales in the province will reach a ten year high of 81,000 units in 2002, while average MLS prices will post their highest level yet, averaging \$238,000 by the end of the year. Housing starts are expected to close the year up 24% to 21,400 units, with another 5% added next year to 22,500 units. Historically low interest rates and pent-up demand remain significant drivers of the BC housing market.