

H

OUSING NOW

YOUR LINK TO THE HOUSING MARKET

British Columbia - February 2003

Canada Mortgage and Housing Corporation

2002 Fourth Qtr. Highlights:

Strong 4th Quarter brings 2002 starts up 25.5 % over 2001

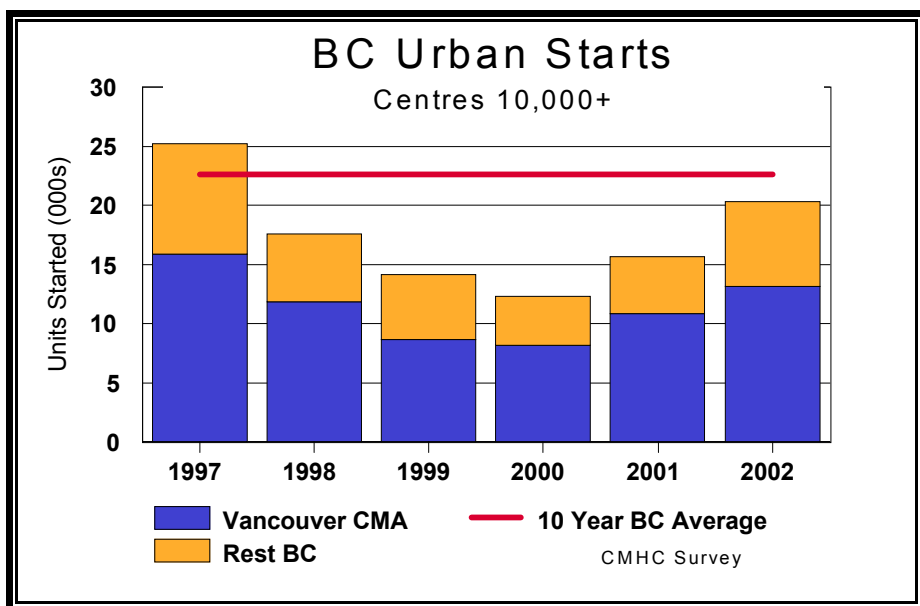
Low interest rates, improving migration trends, and modest economic and employment growth drove robust housing markets in most B.C. urban centres throughout 2002. Strong sales activity has reduced inventories of new and resale properties, and stimulated new construction to levels that have approached the 10-year provincial average for the first time in five years.

Real estate boards reported a 19 percent increase in the number of homes sold in 2002. In Greater Vancouver and the Fraser Valley, high demand and a limited supply of listings consistently pushed the ratio of sales to new listings well above 60 percent.

Vancouver Island and Okanagan markets were more balanced, while Northern markets remained tipped in favour of buyers.

Real estate was a significant factor in B.C.'s overall economic growth in 2002. Multiple Listings Service data indicate that the value of the average residential real estate transaction in B.C. increased 7.2 percent, from \$222,822 in 2001 to \$238,877 in 2002. The total dollar value of annual residential housing sales soared 27.5 percent to a record \$19.7 billion.

Looking back on 2002, starts in urban communities (those with 10,000+ people) increased nearly 29 percent



IN THIS ISSUE

Fourth Qtr. 2002 Highlights ... 1

In Detail 2 - 3

STATISTICAL TABLES:

Housing Starts Urban B.C. 4

Housing Starts year-to-date 5

Units Completed 6

Absorption of New Units 7

B.C. HOUSING MONITOR ... 8

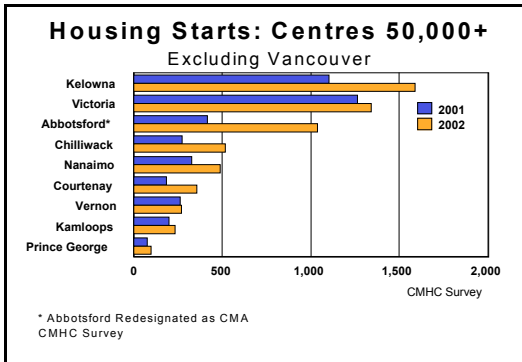
to 21,625 units: single detached construction climbed 48 percent and multiple-unit starts increased 16 percent. In contrast, starts in rural areas waned by 15 percent, reflecting weaker markets in resource dependent communities. Overall, new residential construction was up by 25.5 percent.

Vancouver CMA

The 13,197 starts recorded in the Vancouver CMA accounted for 65 percent of all urban B.C. starts in 2002. Single detached and multiple-unit construction were up 42 percent and 12 percent respectively.

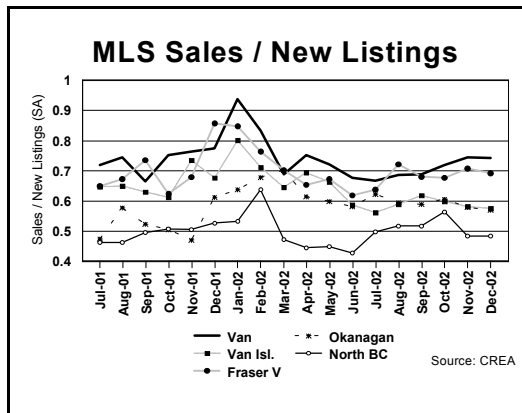


BC Housing Indicators ... In Detail



At December 2002, inventories of completed and vacant units in the CMA had increased 31.4 percent. Most of this was due to the completion of 1,823 rental apartments in 2002, of which 889 were recently completed and unoccupied at the time of the December survey.

The number of units under construction increased by 36 percent, and completions were up by 53 percent over 2001 levels. Despite these increases, strong pre-sale and absorption activity kept inventories of complete and vacant units at low levels. At December 2002, overall inventories were only 10 percent higher than in December 2001.



Inventories of completed and vacant single detached homes in Vancouver were up 3 percent, while the number of completed condominium apartment units available for sale fell 50 percent from 611 units in December 2001 to only 303 units in December 2002.

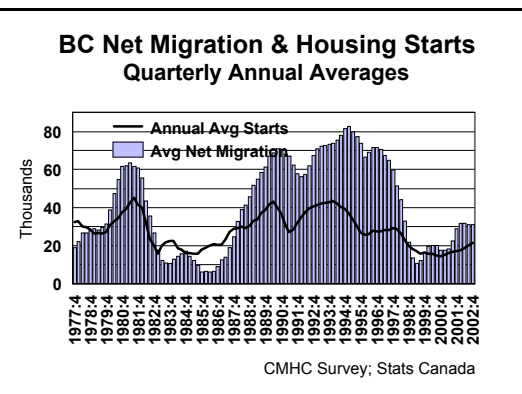
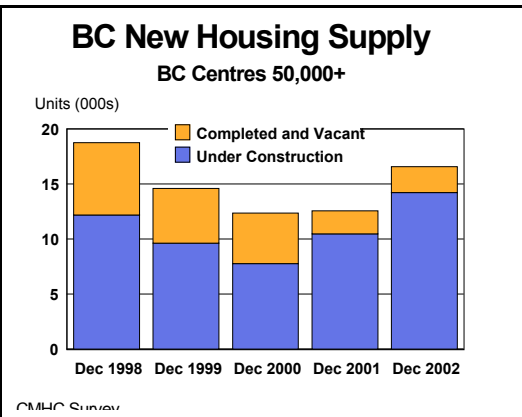
Mortgage Rates

Low interest rates continue to fuel robust housing markets. The continuing weak performance of the U.S. economy, poor equity markets, and geopolitical uncertainty have delayed any increase in key lending rates. However, borrowers are likely to experience a gradual increase in rates in the latter half of 2003 when it is expected that the Bank of Canada will begin a series of rate hikes in order to suppress inflationary forces.

BC Centres

Beyond the Vancouver CMA, B.C.'s urban centres continue to attract new residents reflecting an ongoing rural-urban population shift. Fraser Valley communities saw significant increases in single detached and multiple-unit construction. Starts in Kelowna increased 44 percent to 1,591 units, edging out Victoria as the second most active centre for new residential construction. In Victoria, single detached starts were up 39 percent, but relatively weak multiple-unit start levels in the Capital Region resulted in an overall increase of 6 percent in the number of new units started.

Over the next 18 to 24 months, the average one-year closed mortgage rate is expected to rise 150 to 180 basis points. While this will increase the cost of mortgages for purchasers, particularly first-time home buyers, the impact will be mitigated by employment gains and rising incomes.



BC Housing Supply

The surge of new investment in 2002 increased the total supply of housing by 32 percent in major urban centres (50,000+).

BC Economy

The growth of B.C.'s economy continued to lag the national average in 2002. However, the province experienced strong employment gains. In December 2002, labour force participation

was up 0.9 percent from December 2001. Further, while more people were working or actively looking for work, the provincial unemployment rate fell by 1.4 percentage points over the past year. At December 2002, the unemployment rate in B.C. stood at 8.3 percent.

On an industry-wide basis, employment grew by 1.6 percent as over 80,000 new jobs were added in the province in 2002. Above average growth was experienced in agriculture, utilities, construction, retail and wholesale trade, transportation, finance, insurance, real estate, health, education and social assistance services.

Gains were not shared equally amongst regions. Most of the new jobs were concentrated in the diverse economies of the Lower Mainland and Southwest where employment grew by 2.8 percent. In contrast, resource-dependent centres continue to feel the negative effects of the softwood lumber trade dispute with the U.S. as well as soft global commodity markets. With the exception of coastal Vancouver Island, all other regions experienced declining employment, particularly in forestry, mining, oil and gas, and professional and technical business services.

Retail Sales

B.C. consumers are largely responsible for the positive economic growth experienced through 2002. Buoyed by low borrowing rates, consumers increased spending in real estate, home renovation, and automotive sales. Estimates of

retail sales in November 2002 were up 5.2 percent over 2001 levels on a seasonally adjusted basis.

Migration

A positive sign over 2002 has been the fact that fewer residents are leaving British Columbia. For 2003, CMHC anticipates that inter-provincial migration losses will total -3,000 residents, a marked improvement over levels five years ago when as many as 20,000 people left B.C. for other provinces. The rate of international migration will remain stable at 33,700 for a net gain of 30,700 new residents, a level relatively consistent with that experienced in 2002.

Forecast

What will 2003 bring? International uncertainty, the

poor state of the U.S. economy, and B.C.'s weak economic performance relative to the rest of Canada are of some concern. However, B.C.'s economy continues to improve and the pace of population growth has been steady. CMHC's forecast for housing starts in B.C. (all areas) in 2003 remains at 23,000 units. For perspective, the 10-year average for provincial housing starts is 25,578 units per year.

For more information contact:
Michael Mortensen
Market Analyst

604 / 737 - 4057

e-mail address:
mmortens@cmhc-schl.gc

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	305	21	0	0	326
Total 2002	981	114	32	184	1311
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	2469	280	674	2020	5443
Total 2002	9749	1111	2273	7181	20314

Table 1

**Housing Starts, Urban B.C.
October - December 2002**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2001	2002	% Chg.	2001	2002	% Chg.	2001	2002	% Chg.
Metropolitan Areas									
Abbotsford*	101	106	5	0	276	**	101	382	278
Vancouver	978	1,288	32	1,313	2,056	57	2,291	3,344	46
Victoria	185	197	6	313	234	(25)	498	431	(13)
CA's 50,000 - 99,000 pop.									
Chilliwack	41	73	78	91	69	(24)	132	142	8
Courtenay	32	69	116	10	8	(20)	42	77	83
Kamloops	33	50	52	2	15	650	35	65	86
Kelowna	170	257	51	275	240	(13)	445	497	12
Nanaimo	66	112	70	12	6	(50)	78	118	51
Prince George	17	26	53	0	0	**	17	26	53
Vernon	40	63	58	63	10	(84)	103	73	(29)
CA's 10,000 - 49,999 pop.									
Campbell River	9	16	78	0	0	**	9	16	78
Cranbrook	4	21	425	0	0	**	4	21	425
Dawson Creek	4	4	0	48	2	(96)	52	6	(88)
Duncan	24	28	17	2	8	300	26	36	38
Fort St. John	12	11	(8)	10	6	(40)	22	17	(23)
Kitimat	0	0	**	0	0	**	0	0	**
Parksville-Qualicum ++	0	55	**	0	0	**	0	55	**
Penticton	24	39	63	0	22	**	24	61	154
Port Alberni	3	2	(33)	0	0	**	3	2	(33)
Powell River	2	0	**	0	0	**	2	0	**
Prince Rupert	0	0	**	0	0	**	0	0	**
Quesnel	3	10	233	0	0	**	3	10	233
Terrace	2	0	**	0	0	**	2	0	**
Williams Lake	16	22	38	0	0	**	16	22	38
Cities 10,000 pop. +									
Salmon Arm	14	12	(14)	0	4	**	14	16	14
Squamish	3	5	67	24	18	(25)	27	23	(15)
Summerland	2	3	50	0	0	**	2	3	50
Total	1,785	2,469	38	2,163	2,974	37	3,948	5,443	38

* 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 - December 2002 (ytd)**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2001	2002	% Chg.	2001	2002	% Chg.	2001	2002	% Chg.
Metropolitan Areas									
Abbotsford*	412	558	35	6	480	7,900	418	1,038	148
Vancouver	3,512	4,980	42	7,350	8,217	12	10,862	13,197	21
Victoria	631	879	39	633	465	(27)	1,264	1,344	6
CA's 50,000 - 99,000 pop.									
Chilliwack	172	302	76	104	215	107	276	517	87
Courtenay	139	269	94	48	87	81	187	356	90
Kamloops	160	194	21	40	41	2	200	235	18
Kelowna	625	988	58	478	603	26	1,103	1,591	44
Nanaimo	259	418	61	69	69	0	328	487	48
Prince George	45	96	113	32	4	(88)	77	100	30
Vernon	163	206	26	102	65	(36)	265	271	2
CA's 10,000 - 49,999 pop.									
Campbell River	41	63	54	0	6	**	41	69	68
Cranbrook	23	61	165	2	27	1,250	25	88	252
Dawson Creek	10	12	20	48	4	(92)	58	16	(72)
Duncan	84	96	14	6	24	300	90	120	33
Fort St. John	39	60	54	51	20	(61)	90	80	(11)
Kitimat	0	3	**	0	0	**	0	3	**
Parksville-Qualicum ++	0	231	**	0	18	**	0	249	**
Penticton	91	123	35	28	138	393	119	261	119
Port Alberni	19	15	(21)	0	0	**	19	15	(21)
Powell River	13	5	(62)	46	0	**	59	5	(92)
Prince Rupert	3	0	**	0	2	**	3	2	(33)
Quesnel	17	29	71	2	0	**	19	29	53
Terrace	9	0	**	0	0	**	9	0	**
Williams Lake	74	80	8	10	0	**	84	80	(5)
Cities 10,000 pop. +									
Salmon Arm	39	47	21	4	37	825	43	84	95
Squamish	8	13	63	27	43	59	35	56	60
Summerland	15	21	40	0	0	**	15	21	40
Total	6,603	9,749	48	9,086	10,565	16	15,689	20,314	29

* 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**October - December 2002**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Units Completed							
Metropolitan Areas							
Abbotsford	145	-	-	8	58	59	270
Vancouver	1,101	200	18	420	1,155	585	3,479
Victoria	208	14	-	4	-	-	226
Large Urban Centres & Urban Agglomerations							
Chilliwack	70	6	10	10	-	29	125
Courtenay	58	8	-	-	37	-	
Kamloops	54	4	-	8	-	-	66
Kelowna	272	20	-	16	37	68	413
Nanaimo	122	10	-	4	-	-	136
Prince George	28	-	-	-	-	-	28
Vernon	51	12	-	-	-	-	63
Total	2,109	274	28	470	1,287	741	4,806
January - December 2002							
Metropolitan Areas							
Abbotsford	527	8	-	14	94	59	702
Vancouver	4,060	666	79	1,139	3,270	1,823	11,037
Victoria	814	60	-	65	186	86	1,211
Large Urban Centres & Urban Agglomerations							
Chilliwack	221	18	10	28	-	157	434
Courtenay	236	12	-	11	37	-	296
Kamloops	184	14	-	28	72	-	298
Kelowna	834	80	83	42	85	128	1,252
Nanaimo	352	38	-	16	4	-	410
Prince George	84	2	-	-	-	32	118
Vernon	179	20	-	20	-	-	219
Total	7,491	918	172	1,363	3,748	2,285	15,977

Table 4**October - December 2002**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Absorption of Newly Completed Units							
Metropolitan Areas							
Abbotsford	83	-	-	4	58	59	204
Vancouver	811	110	12	214	371	585	2,103
Victoria	172	8	-	4	-	-	184
Large Urban Centres & Urban Agglomerations							
Chilliwack	52	2	-	-	-	29	83
Courtenay	39	-	-	-	-	-	39
Kamloops	38	4	-	8	-	-	50
Kelowna	237	11	-	-	-	68	316
Nanaimo	94	6	-	-	-	-	100
Prince George	18	-	-	-	-	-	18
Vernon	48	6	-	-	-	-	54
Total	1,592	147	12	230	429	741	3,151
January - December 2002							
Metropolitan Areas							
Abbotsford	360	6	-	4	94	59	523
Vancouver	3,047	394	49	663	938	1,823	6,914
Victoria	715	37	-	29	-	86	867
Large Urban Centres & Urban Agglomerations							
Chilliwack	172	8	-	5	-	157	342
Courtenay	182	4	-	4	-	-	190
Kamloops	143	13	-	16	-	-	172
Kelowna	738	61	75	20	-	128	1,022
Nanaimo	275	24	-	-	-	-	299
Prince George	59	-	-	-	-	32	91
Vernon	164	13	-	9	-	-	186
Total	5,855	560	124	750	1,032	2,285	10,606

British Columbia Housing Monitor by CMHC

1st Quarter 2003

Cameron Muir, Senior Market Analyst

	<u>Recent Statistics 2001</u>	<u>Likely Direction Over the Next 12 Months</u>	<u>Estimate 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	▲	21,625	23,000	Improve
year-over-year change			25.48%	6.36%	
Singles	7,862	▲	10,730	10,900	Improve
			36.48%	1.58%	
Multiples	9,372	▲	10,895	12,100	Improve
			16.25%	11.06%	
<u>BC Resale Market</u>					
MLS Sales (Units)	69,430	▲	82,737	79,000	Hold Steady
			19.17%	-4.52%	
Avg MLS Price (\$)	222,984	▲	238,000	245,000	Improve
			6.73%	2.94%	
<u>BC Economic Indicators</u>					
Real GDP (% change)	0.9	▲	2.0	2.6	Improve
Personal Disp. Income (% change)	2.9	▲	3.1	4.5	Improve
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	▲	1.6	1.9	Improve
Unemployment Rate (%)	7.6	↔	8.6	8.4	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

While domestic consumption remains strong, BC exports continue to be weak in the face of economic uncertainties south of the border. However, 2003 will mark a turnaround year, with the US economy expanding on the heels of higher corporate profits and a resolution of the Iraq crisis. On the one hand, profitable firms and rising consumer confidence will put upward pressure on mortgage rates as investors switch from low yield bonds into higher yielding equities. But on the other hand, the impact of a gradual rise in mortgage rates will be offset by higher employment and rising disposable incomes. MLS sales in the province will maintain their robust pace, dipping marginally to 79,000 units, with prices increasing slightly above inflation. Housing starts will continue in an upward trajectory, climbing a further 6% in 2003 after a 25% increase last year.

© 2003 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this book may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada Mortgage and Housing Corporation. Without limiting the generality of the foregoing, no portion of this book may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation.