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Canada Mortgage and Housing Corporation

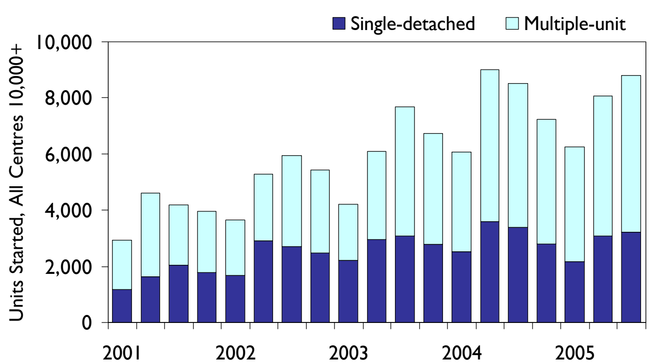
BRITISH COLUMBIA

2005 Third Quarter Highlights

Builders in British Columbia started 8,798 new homes in urban areas during the third quarter of 2005, an increase of 3 per cent from the third quarter of 2004. New home construction continues to be driven by low interest rates, a very active resale market and growth in employment and incomes.

With the current housing expansion in its fifth year, the shift from single-detached to multiple unit developments is becoming more pronounced. Although single-detached homes are often the preferred product type, other forms of housing are gaining popularity as house prices rise. There were 5,577 multiple-unit starts during the third quarter of 2005, an increase of 8 per cent from year-ago levels. The level of single-detached construction appears to have past its peak in the larger urban markets where the availability of developable land and high land costs are issues. Foundations were poured for 3,221 single-detached homes during the third quarter, down 5 per cent from the same period in 2004.

British Columbia Housing Starts



Source: CMHC

IN THIS ISSUE

STATISTICAL TABLES:

Canada

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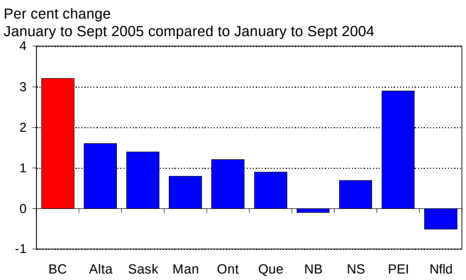
HOME TO CANADIANS

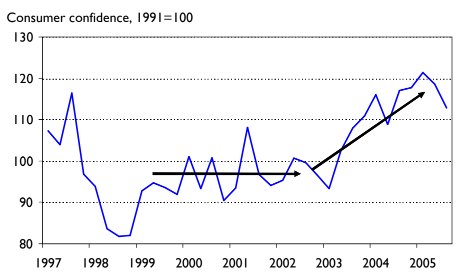
The Economy

BC's employment gains outperformed all other provinces



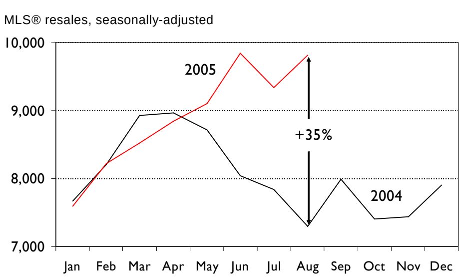
Source: Statistics Canada, Labour Force Survey

Consumers confident in the future



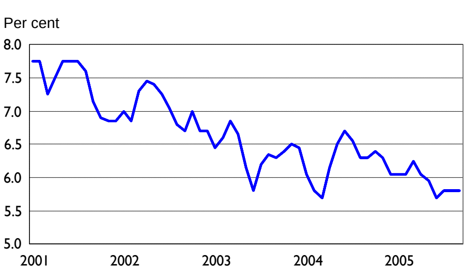
Source: Conference Board of Canada

Resale activity well ahead of 2004



Source: CREA

5 year Conventional Mortgage Rate



Source: Bank of Canada

The British Columbia economy continues to benefit from the combination of low interest rates and high commodity prices. Residential and non-residential investment are also contributing to the overall economic expansion. Employment and income gains are pumping up consumer confidence which in turn is driving up retail spending and activity in the housing sector.

The rise in consumer confidence during the last three years has mirrored improvement in the province's labour market. Although consumer confidence declined during the third quarter in response to rising gasoline prices (see chart) consumers are still relatively confident compared to three years ago.

Ongoing improvements in the labour market will support a rebound in consumer confidence. During the third quarter, employment rose by 6,700 persons or 0.3 per cent from the second quarter. The unemployment rate averaged 5.9 per cent, unchanged from the previous quarter. Labour market conditions in the province are relatively tight as the unemployment rate pushes down to levels not seen in a quarter of a century.

So far in 2005, British Columbia has posted the largest percentage increase in employment of all the provinces. Job gains continue to be concentrated in full-time and paid-private employment. The construction sector accounted for half of the increased employment during the first nine months of 2005. High levels of new home construction combined with non-residential building activity and new resort construction has led to a signficiant increase in employment in this sector. In the first nine months of 2005, employment in construction was up 22.3 per cent.

Another key factor driving activity in the housing sector has been growth in the province's population. Migration continued to trend upward during the second quarter as net migration from other countries and other provinces reached 12,942 persons, up 20 per cent from the second quarter of 2004. For the year ending July 1, 2005, the number of people living in British Columbia increased 1.3 per cent compared to just 0.9 per cent for Canada. Population growth will continue to support housing demand in the province.

Interest Rates

Low interest rates continue to be the key driver of housing and interest-sensitive consumer spending despite the recent hikes in the short-term policy rate. The Bank of Canada raised the target overnight rate by 25 basis points to 2.75 per cent on September 7 and a further 25 basis points to 3.0 per cent on October 18. These were the first increases since October 2004 but will not likely be the last. With the Canadian economy operating at potential, interest rate increases are considered necessary to keep inflation under control.

The impact of rising interest rates on the economy operates with a 12 to 18 month lag so the effects will not likely be seen until later in 2006. Longer-term mortgage rates have remained relatively flat stimulating activity in the resale and new home markets. The posted five-year mortgage rate was 5.8 per cent during the third quarter compared to 5.9 per cent in the second quarter.

Resale Market Activity

Low long-term lending rates along with solid demand fundamentals are contributing to the ongoing high level of resale activity. British Columbia has 13 per cent of Canada's population but accounts for 21 per cent of resale activity. Strong buyer demand resulted in almost 29,000 transactions through the Multiple Listings Service (MLS®) during the third quarter, putting resale activity well ahead of the record pace set last year.

Most existing home markets around the province favour sellers. Low, but rising, levels of new listings and strong demand are pushing prices higher. The average MLS® price for British Columbia was up 19 per cent in September from year-ago levels.

Building Permits

The value of residential building permits issued by municipalities around the province was up 10.7 per cent during the first eight 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

Builders in areas outside of Vancouver, Victoria, Abbotsford and Kelowna poured foundations on 20 per cent of the new homes started in the third quarter. Regions with notable increases in new home construction during the July to September quarter include Duncan, Powell River, Squamish, Kamloops, and Nanaimo.

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 benefitting from growth in this sector. There were an estimated 1,400 new homes started in rural areas of the province during the third quarter, more than double the level a year ago.

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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
2005 Q3	867	45	62	456	1,430

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
2005 Q3	3,221	484	1,143	3,950	8,798

Table 1

Housing Starts, Urban B.C.
July - September 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	187	150	-20	170	159	-6	357	309	-13
Vancouver	1,527	1,433	-6	3,910	3,926	0	5,437	5,359	-1
Victoria	264	256	-3	188	280	49	452	536	19
CA's 50,000 - 99,000 pop.									
Chilliwack	141	117	-17	229	201	-12	370	318	-14
Kamloops	79	95	20	22	61	177	101	156	54
Kelowna	303	316	4	192	399	108	495	715	44
Nanaimo*	209	188	-10	92	199	116	301	387	29
Prince George	63	84	33	14	2	-86	77	86	12
Vernon	113	89	-21	56	21	-63	169	110	-35
CA's 10,000 - 49,999 pop.									
Campbell River	35	40	14	6	7	17	41	47	15
Courtenay *	126	115	-9	107	99	-7	233	214	-8
Cranbrook	33	42	27	0	0	**	33	42	27
Dawson Creek	7	16	129	0	4	**	7	20	186
Duncan	39	59	51	6	54	##	45	113	151
Fort St. John	29	38	31	20	14	-30	49	52	6
Kitimat	1	1	0	0	0	**	1	1	0
Parksville-Qualicum	95	44	-54	54	6	-89	149	50	-66
Penticton	31	34	10	14	18	29	45	52	16
Port Alberni	19	24	26	0	0	**	19	24	26
Powell River	0	6	**	0	40	**	N/A	46	**
Prince Rupert	1	3	200	0	0	**	1	3	200
Quesnel	11	8	-27	0	0	**	11	8	-27
Terrace	0	6	**	0	0	**	0	6	**
Williams Lake	31	8	-74	0	0	**	31	8	-74
Cities 10,000 pop. +									
Salmon Arm	24	36	50	7	2	-71	31	38	23
Squamish	7	1	-86	56	83	48	63	84	33
Summerland	10	12	20	4	2	-50	14	14	0
Total	**3,385**	**3,221**	**-5**	**5,147**	**5,577**	**8**	**8,532**	**8,798**	**3**

**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 - September 2005

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2004	2005	% Chg.	2004	2005	% Chg.	2004	2005	% Chg.
Metropolitan Areas									
Abbotsford	474	342	-28	414	461	11	888	803	-10
Vancouver	4,401	3,711	-16	10,798	10,222	-5	15,199	13,933	-8
Victoria	790	733	-7	760	826	9	1,550	1,559	1
CA's 50,000 - 99,000 pop.									
Chilliwack	375	310	-17	363	441	21	738	751	2
Kamloops	221	274	24	86	132	53	307	406	32
Kelowna	1031	899	-13	633	1165	84	1,664	2,064	24
Nanaimo	574	461	-20	146	265	82	720	726	1
Prince George	136	195	43	128	20	-84	264	215	-19
Vernon	277	256	-8	70	67	-4	347	323	-7
CA's 10,000 - 49,999 pop.									
Campbell River	99	128	29	47	47	0	146	175	20
Courtenay	321	310	-3	182	239	31	503	549	9
Cranbrook	63	107	70	0	0	**	63	107	70
Dawson Creek	16	27	69	2	6	200	18	33	83
Duncan	137	166	21	18	137	##	155	303	95
Fort St. John	57	86	51	28	38	36	85	124	46
Kitimat	2	2	0	0	0	**	2	2	0
Parksville-Qualicum	216	139	-36	124	61	-51	340	200	-41
Penticton	96	88	-8	123	246	100	219	334	53
Port Alberni	32	61	91	16	0	-100	48	61	27
Powell River	0	24	**	0	42	**	0	66	**
Prince Rupert	2	4	100	0	0	**	2	4	100
Quesnel	22	21	-5	0	0	**	22	21	-5
Terrace	3	7	133	0	0	**	3	7	133
Williams Lake	56	21	-63	33	0	-100	89	21	-76
Cities 10,000 pop. +									
Salmon Arm	63	82	30	15	26	73	78	108	38
Squamish	22	7	-68	107	185	73	129	192	49
Summerland	30	22	-27	10	2	-80	40	24	-40
Total	**9,516**	**8,483**	**-11**	**14,103**	**14,628**	**4**	**23,619**	**23,111**	**-2**

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Table 3

Units Completed

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
July - September 2005							
Metropolitan Areas							
Abbotsford	125	4	0	9	82	0	220
Vancouver	1,181	246	0	850	1,066	0	3,343
Victoria	229	8	0	70	257	0	564
Large Urban Centres & Urban Agglomerations							
Chilliwack	90	8	0	72	0	0	170
Kamloops	81	6	0	0	0	0	87
Kelowna	309	34	0	85	152	0	580
Nanaimo	122	20	0	0	0	0	142
Prince George	50	0	0	0	0	0	50
Vernon	85	0	0	24	0	0	109
Total	**2,272**	**326**	**0**	**1,110**	**1,557**	**0**	**5,265**
January - September 2005							
Metropolitan Areas							
Abbotsford	415	12	0	29	298	62	816
Vancouver	3,535	634	8	2,235	5,388	178	11,978
Victoria	698	67	4	134	649	0	1,552
Large Urban Centres & Urban Agglomerations							
Chilliwack	317	26	0	233	0	90	666
Kamloops	250	40	0	16	0	0	306
Kelowna	854	88	2	172	425	8	1,549
Nanaimo	396	46	0	9	0	0	451
Prince George	153	0	0	0	0	32	185
Vernon	243	16	0	35	0	0	294
Total	**6,861**	**929**	**14**	**2,863**	**6,760**	**370**	**17,797**

Note: Excludes Non-Profit and Co-op units
CMHC

Table 4

Absorption of Newly Completed Units

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
July - September 2005							
Metropolitan Areas							
Abbotsford	143	6	0	13	91	0	253
Vancouver	1,245	249	0	842	1,115	25	3,476
Victoria	223	14	0	60	274	0	571
Large Urban Centres & Urban Agglomerations							
Chilliwack	99	13	0	76	0	15	203
Kamloops	83	13	0	0	0	0	96
Kelowna	318	37	0	90	149	0	594
Nanaimo	129	23	0	3	0	0	155
Prince George	49	0	0	0	0	0	49
Vernon	81	0	0	25	0	0	106
Total	**2,370**	**355**	**0**	**1,109**	**1,629**	**40**	**5,503**
January - September 2005							
Metropolitan Areas							
Abbotsford	431	14	0	28	271	62	806
Vancouver	3716	700	10	2214	5510	319	12,469
Victoria	686	80	4	136	636	1	1543
Large Urban Centres & Urban Agglomerations							
Chilliwack	336	24	0	239	0	90	689
Kamloops	249	42	0	15	2	0	308
Kelowna	878	84	2	169	427	8	1568
Nanaimo	397	43	0	9	0	0	449
Prince George	152	0	0	0	0	32	184
Vernon	251	16	0	36	0	0	303
Total	**7,096**	**1,003**	**16**	**2,846**	**6,846**	**512**	**18,319**

Note: Excludes Non-Profit and Co-op units
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