

H

OUSING NOW

YOUR LINK TO THE HOUSING MARKET

British Columbia - May 2002

Canada Mortgage and Housing Corporation

2002 First Qtr. Highlights: "Movin' On Up"

Buoyed by low interest rates and stronger confidence, it is the consumer that is carrying the economic recovery in BC. Housing sales in urban areas of the province continue to push ahead at an almost dizzying pace and this has prompted builders to sharply step-up housing construction after a few years of extremely low levels. Nowhere is this more true than in the single detached market - the sector which is most responsive to current market conditions.

In the first quarter of 2002, single detached starts have increased 45 per cent compared to the same period last year. Much of this growth has been centred in the Lower Mainland

where new housing inventory levels remain most depleted.

Looking forward, single starts are expected to rise by 14 per cent in 2002 and 2 per cent in 2003. Although rural regions will only see flat to moderate growth, improvements will be higher in urban areas such as Greater Vancouver, Abbotsford, Victoria and Kelowna, as builders attempt to respond to recent increases in housing demand.

While rental construction dominated much of the multiple growth in BC last year, a low inventory of apartment condos is expected to support a 5 per cent increase in multiple starts in 2002 and a subsequent 20 per cent

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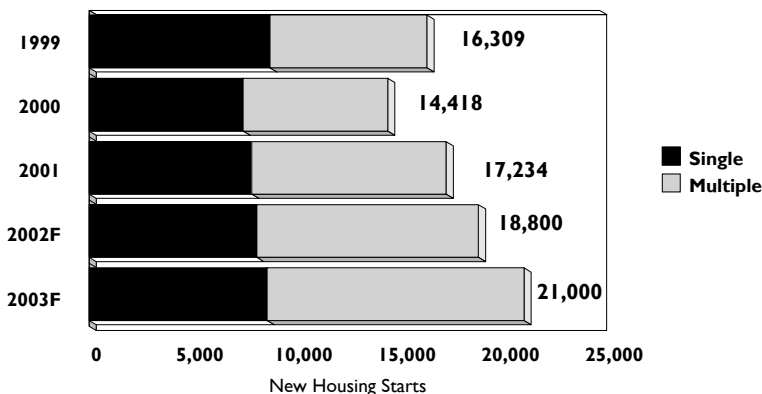
Absorption of New Units 7

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increase in 2003. Although multiple starts tend to be highly volatile, much of this growth will likely occur later in 2002 and early 2003.

In many ways, BC's housing sector will lead the province's economy in growth and job creation. In fact, soft construction levels between 1998 and 2000 suggests that there is more room for new housing growth in BC than any other region in Canada.

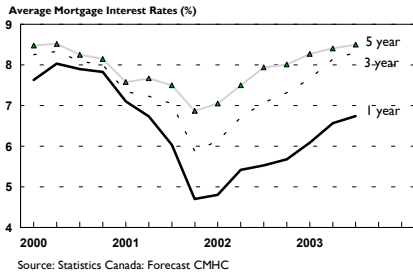
BC Starts Forecast to Continue Increasing Over the Next Few Years



HOME TO CANADIANS
Canada

BC Housing Indicators..... In Detail

Mortgage Rates Expected to Rise Over 2002



Canadian Economy & Mortgage Rates

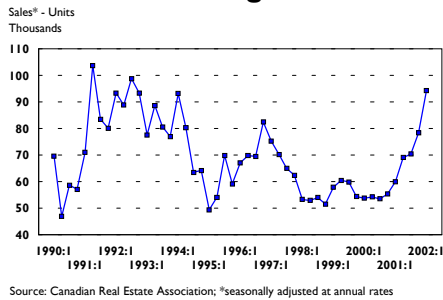
Economic reports indicating much stronger growth in Q4 real GDP silenced many in the “gloom and doom” camp in early 2002. Growth in real Q4 GDP in the range of 1.5 - 2% in both Canada and the US triggered renewed talks of the strength of the recovery rather than the depth of the downturn. The strength of the recovery has implications for both current and future interest/mortgage rates. As the economic recovery picks up steam, it is anticipated that some of the easing over the past 12 months will be taken back by both central banks throughout 2002. To date, strong job and consumer price growth suggests Canada may lead the next tightening cycle.

the bond market. As the prime rate, money market rate and short term bond yields are expected to increase in 2002, so will short term mortgage rates. In addition, as the economy strengthens and financial markets foresee monetary tightening, long term interest and mortgage rates will also increase. Despite the expected increase, rates remain historically favourable and should continue to provide some stimulus to housing markets.

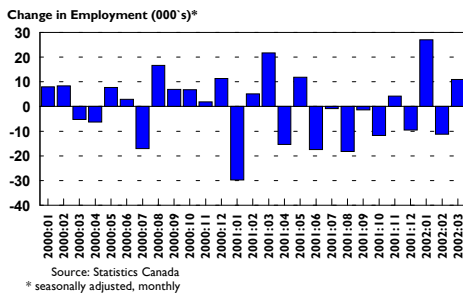
Housing Sales Push Ahead

BC’s resale market continues to push ahead at a torrid pace. First quarter sales are well above 95,000 units on a seasonally adjusted at annual rate basis. Without question, low historical mortgage rates have unleashed a significant wave of pent-up demand and lifted sales activity in BC’s major urban centred to levels unseen in several years. Although housing sales levels are expected to marginally cool off in the third quarter of 2002 in response to rising mortgage rates, expect to see 78,000 units sold in 2002 (up 12% from last year).

BC MLS Sales Continuing to Push Higher



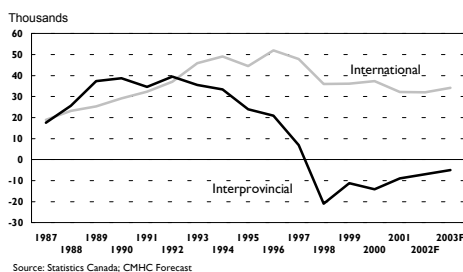
BC Employment Growth Improving



As the Canadian job market shows steady improvement throughout 2002, inflation containment will become the next target via monetary policy. The inflation rate in Canada however, should remain subdued for the first half of 2002, while edging above its target rate of 2% later this year. The base case calls for current inflation expectations to remain stable while long term inflationary expectations gain strength. This scenario may change due to unforeseen shocks to commodity markets and to a stronger than expected pick up in domestic demand. While open and variable rate mortgages generally track lender’s prime rate, fixed rate mortgages move in tandem with

While an increase in residential listings in recent months has helped to alleviate pricing pressure, average prices are still 8% higher than last year, well above the annual rate of inflation. With a lack of favourable returns on competing assets, BC residents clearly view residential property as a good investment.

Net Migration Beginning to Firm Up



Employment Growth

One of the brightest indicators for the future of BC housing markets is the rapid pace of job growth currently occurring in the province. The number of employed workers is up by nearly 40,000 so far this year. With the quick pace of job creation, BC is starting to recoup the many thousands of jobs that were lost last year. While the labour force grew in the first quarter of this year, it did not grow as quickly as the number of employed workers. As such, the unemployment rate has remained stable at 8.8%.

The jump in employment growth came largely from retail and wholesale businesses. As consumers continue to spend on housing and transportation-related items, it is not surprising that job growth would be found in this sector. With the increase in residential construction, construction-related job growth also contributed to the improving employment picture in the province.

Looking to Q2 of this year, the current pace of job growth will likely slow. Another wave of US-imposed lumber duties will undoubtedly create more job losses in the ensuing months. Nevertheless, BC should see annual employment growth of about 0.5% this year with the unemployment rate remaining at 8.7%. In 2003, employment growth is expected to reach 1.8%. The improving job picture should help to keep housing demand relatively firm over the next few years, especially in urban areas of the province.

Net Migration

In 2001, annual net migration to BC was 23,188 persons, with a net inflow of 32,179 from international sources and a net interprovincial outflow of 8,991 persons. Although the international inflows were not significantly different from the previous two years the rate of the interprovincial outflows has actually been diminishing.

Lured by relatively better employment and economic opportunities, those who have left BC relocated predominately to Alberta and Ontario. Recent employment numbers, however, suggests that the employment gap between BC and these two provinces is beginning to narrow, suggesting that interprovincial migration will continue to improve over this year. CMHC forecasts BC to lose only 5,000 persons to other provinces in

2002. By 2004, a stronger BC economy should help to lift interprovincial migration to positive territory for the first time since 1997. A larger influx of interprovincial migrants will inevitably mean increasing demand for housing. As such, look for housing starts to continue improving to 21,000 units in 2003 and reaching 25,000 units by 2004.

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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	0	0	0	0	0
2002 Q3	0	0	0	0	0
2002 Q4	0	0	0	0	0
Total 2002	103	30	0	6	139
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	0	0	0	0	0
2002 Q3	0	0	0	0	0
2002 Q4	0	0	0	0	0
Total 2002	1689	152	335	1483	3659

Table 1

**Housing Starts, Urban B.C.
January - March 2002**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2001	2002	% Chg.	2001	2002	% Chg.	2001	2002	% Chg.
Metropolitan Areas									
Abbotsford*	65	127	95	4	69	##	69	196	184
Vancouver	676	824	22	1,473	1,461	(1)	2,149	2,285	6
Victoria	111	199	79	221	67	(70)	332	266	(20)
CA's 50,000 - 99,000 pop.									
Chilliwack	35	56	60	3	93	##	38	149	292
Courtenay	26	45	73	0	6	**	26	51	96
Kamloops	25	36	44	0	10	**	25	46	84
Kelowna	94	192	104	12	177	##	106	369	248
Nanaimo	49	49	0	29	22	(24)	78	71	(9)
Prince George	5	10	100	0	2	**	5	12	140
Vernon	24	32	33	28	35	25	52	67	29
CA's 10,000 - 49,999 pop.									
Campbell River	7	9	29	0	0	**	7	9	29
Cranbrook	1	2	100	0	0	**	1	2	100
Dawson Creek	0	0	**	0	0	**	0	0	**
Duncan	9	16	78	0	2	**	9	18	100
Fort St. John	1	3	200	0	2	**	1	5	400
Kitimat	0	0	**	0	0	**	0	0	**
Parksville-Qualicum ++	0	43	**	0	8	**	0	51	**
Penticton	10	16	60	4	0	(100)	14	16	14
Port Alberni	1	5	400	0	0	**	1	5	400
Powell River	3	1	(67)	10	0	(100)	13	1	(92)
Prince Rupert	0	0	**	0	0	**	0	0	**
Quesnel	3	1	(67)	0	0	**	3	1	(67)
Terrace	1	0	(100)	0	0	**	1	0	(100)
Williams Lake	5	15	200	0	0	**	5	15	200
Cities 10,000 pop. +									
Salmon Arm	7	6	(14)	0	16	**	7	22	214
Squamish	3	0	(100)	0	0	**	3	0	(100)
Summerland	1	2	100	0	0	**	1	2	100
Total	1,162	1,689	45	1,784	1,970	10	2,946	3,659	24

* 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 - March 2002 (ytd)**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2001	2002	% Chg.	2001	2002	% Chg.	2001	2002	% Chg.
Metropolitan Areas									
Abbotsford*									
Vancouver									
Victoria									
CA's 50,000 - 99,000 pop.									
Chilliwack									
Courtenay									
Kamloops									
Kelowna									
Nanaimo									
Prince George									
Vernon									
	NOT APPLICABLE THIS QUARTER								
CA's 10,000 - 49,999 pop.									
Campbell River									
Cranbrook									
Dawson Creek									
Duncan									
Fort St. John									
Kitimat									
Parksville-Qualicum ++									
Penticton									
Port Alberni									
Powell River									
Prince Rupert									
Quesnel									
Terrace									
Williams Lake									
Cities 10,000 pop. +									
Salmon Arm									
Squamish									
Summerland									
Total	0	0	**	0	0	**	0	0	**

* 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

January - March 2002

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Units Completed							
Metropolitan Areas							
Abbotsford	104	2	0	0	0	0	106
Vancouver	939	168	0	205	1,012	279	2,603
Victoria	197	13	0	3	13	35	261
Large Urban Centres & Urban Agglomerations							
Chilliwack	37	6	0	0	0	0	43
Courtenay	43	0	0	0	0	0	43
Kamloops	37	0	0	12	18	0	67
Kelowna	102	4	28	0	0	0	134
Nanaimo	61	6	0	0	0	0	67
Prince George	17	0	0	0	0	0	17
Vernon	31	2	0	3	0	0	36
Total	1,568	201	28	223	1,043	314	3,377
January - March 2002							
Metropolitan Areas							
Abbotsford							
Vancouver							
Victoria							
Large Urban Centres & Urban Agglomerations							
Chilliwack							
Courtenay							
Kamloops							
Kelowna							
Nanaimo							
Prince George							
Vernon							
Total	-	-	-	-	-	-	-

**Not Applicable
This Quarter**

Table 4

January - March 2002

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Absorption of Newly Completed Units							
Metropolitan Areas							
Abbotsford	118	9	-	1	6	-	134
Vancouver	986	178	-	334	1,224	184	2,906
Victoria	259	25	-	7	30	36	357
Large Urban Centres & Urban Agglomerations							
Chilliwack	44	9	-	3	-	-	56
Courtenay	44	1	-	-	-	-	
Kamloops	38	2	-	6	12	-	58
Kelowna	123	8	28	-	20	-	179
Nanaimo	60	16	-	-	2	-	78
Prince George	19	-	-	8	-	-	27
Vernon	32	3	-	3	3	-	41
Total	1,723	251	28	362	1,297	220	3,836
January - March 2002							
Metropolitan Areas							
Abbotsford							
Vancouver							
Victoria							
Large Urban Centres & Urban Agglomerations							
Chilliwack							
Courtenay							
Kamloops							
Kelowna							
Nanaimo							
Prince George							
Vernon							
Total	-	-	-	-	-	-	-

Not Applicable
This Quarter

British Columbia Housing Monitor by CMHC

2nd Quarter 2002

Carl Gomez, Regional Economist

	<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	▲	18,800	21,000	Improve
year-over-year change			9.09%	11.70%	
Singles	7,862	▲	9,000	9,200	Improve
			14.47%	2.22%	
Multiples	9,372	▲	9,800	11,800	Improve
			4.57%	20.41%	
<u>BC Resale Market</u>					
MLS Sales (Units)	69,430	▲	78,000	73,000	Improve
			12.34%	-6.41%	
Avg MLS Price (\$)	222,984	▲	231,300	238,300	Improve
			3.73%	3.03%	
<u>BC Economic Indicators</u>					
Real GDP (% change)	0.9	▲	1.2	4.0	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	▼	-5,000	-250	Improve
Net International Immigration	32,179	↔	32,000	33,700	Hold Steady
Employment (% change)	-0.3	▲	0.5	1.8	Improve
Unemployment Rate (%)	7.6	▲	8.4	8.1	Weaken
3 year Mortgage Rate (%)	6.80%	▲	6.13 - 7.32%	7.66 - 8.26%	Weaken
Inflation: CPI (%)	1.7	▲	2.1	2.0	Weaken

Low interest rates and pent-up demand have continued to drive strong homebuying activity in BC. Solid demand for homes has also pushed average prices higher in most urban communities. As such, developers have been rushing to bring new supply to the market. But as the Canadian economy improves, interest and mortgage rates will undoubtedly increase. While this may cool off the torrid pace of growth occurring in BC's housing markets, a number of fundamental factors will continue to support strong housing demand in urban areas of the province over the next few years. In particular, improving employment growth levels are expected to narrow the economic gap between BC, Alberta and Ontario thereby attracting more migrants to this province. As such, improving net migration levels will create additional housing demand in the Lower Mainland, Victoria and Kelowna. Meanwhile a buoyant tourism sector will continue to attract potential homebuyers from across Canada and the world to the resort markets of Whistler, Vancouver Island, Kootenays and the Okanagan.