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British Columbia - May 2003

Canada Mortgage and Housing Corporation

2003 First Qtr. Highlights:

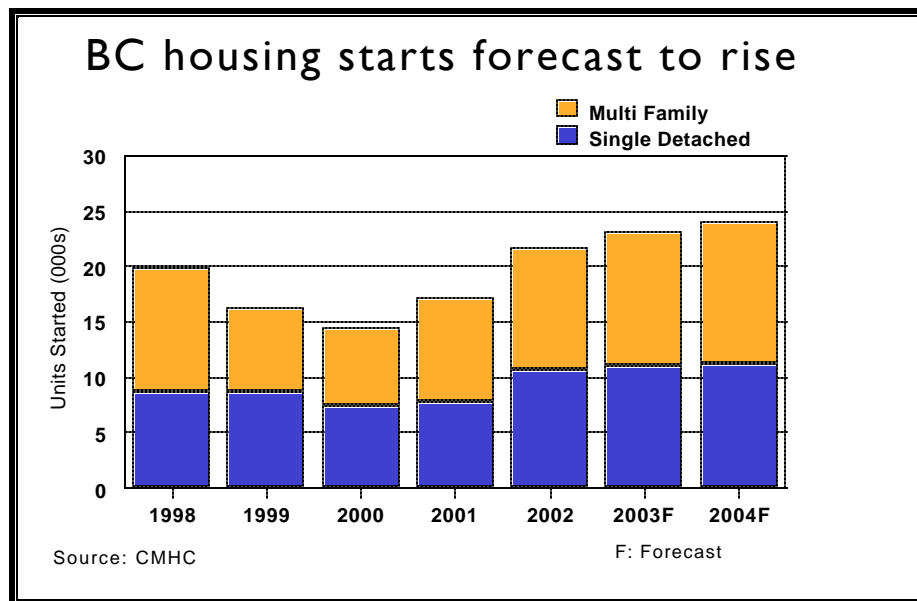
Momentum in housing construction carries over into 2003

British Columbia's housing market surged ahead in 2002 with residential starts up 26 per cent. Resale activity was up 19 per cent, well above the national average, and housing prices rose a healthy 7 per cent. This momentum carried over into the first quarter of 2003 thanks in part to continued employment growth, low mortgage interest rates and low inventory levels.

At 4,206 units, housing starts in the province were up 15 per cent in the January to March quarter compared to the same period last year. All of the increase was in single detached construction which rose 32 per

cent. Multiple unit starts were flat compared to the first quarter of 2002.

BC's real estate boards reported a 3 per cent decrease in the number of homes sold in the first quarter of 2003 compared to the same period last year. Although the pace of sales slowed slightly, the level of activity remains high by historical standards. Strong sales activity reduced inventories of new and resale properties, and stimulated new construction. In Greater Vancouver and the Fraser Valley, high demand and a limited supply of new listings pushed the



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ratio of sales to new listings to almost 80 per cent.

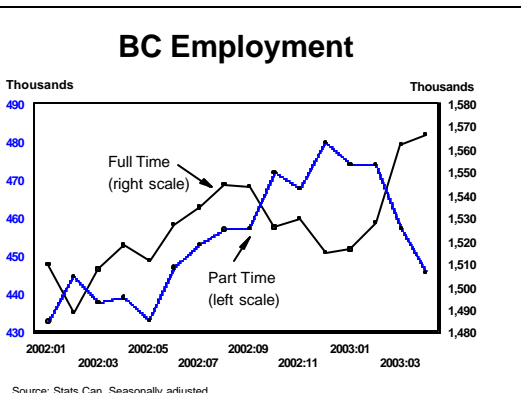
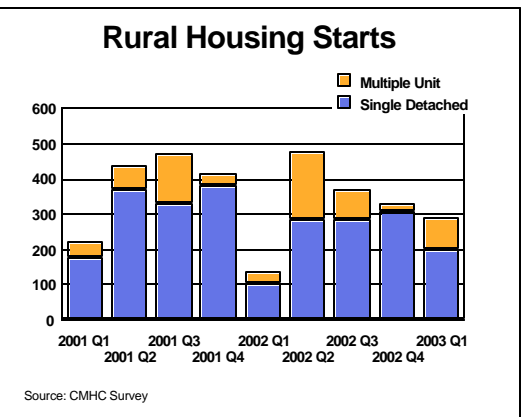
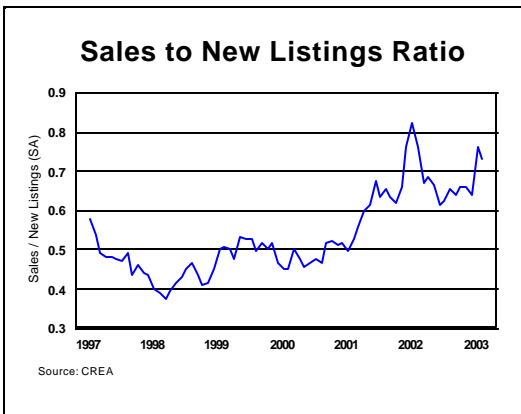
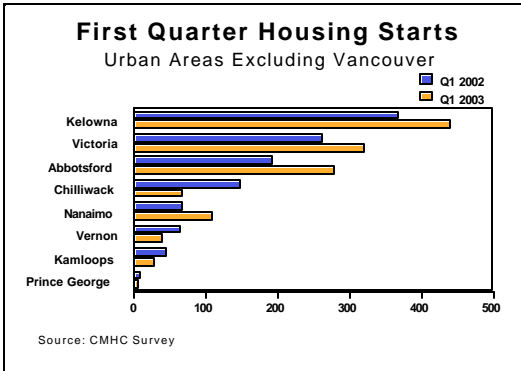
Vancouver CMA

The 2,588 starts recorded in the Vancouver CMA accounted for 62 per cent of all urban B.C. starts in the first quarter of 2003. Single detached construction was up 53 per cent while multiple unit construction was down 9 per cent.



HOME TO CANADIANS
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BC Housing Indicators ... In Detail



The Economy and Interest Rates

Low interest rates are continuing to support consumer spending on housing and complementary items. During the past year, this activity has kept the BC economy growing in the face of weak exports. The U.S. economy, the province's largest trading partner, is still showing signs of weakness. This has put the export component of BC's recovery on hold until the second half of 2003. The global recovery is expected to take off later this year following the resolution of the Iraq crisis. British Columbia will benefit from stronger demand for key exports and rising commodity prices. However, the recent sharp increase in the value of the Canadian dollar against its U.S. counterpart, if sustained, will pose a challenge to Canadian and British Columbia exporters.

The hesitant economic recovery in the U.S. eased some of the upward pressure on interest rates in Canada. As a result, the housing sector has continued to benefit as relatively low mortgage interest rates contributed to the fast pace of resale and construction activity. As economic growth picks up, mortgage interest rates are forecast to rise but still remain low by historical standards.

With long term housing demand linked to economic growth and the associated employment gains, the outlook for residential construction in British Columbia is positive. In

addition, increased productivity should bring about higher wages, making housing more affordable and helping to offset some of the impact of rising interest rates.

Employment growth

British Columbia ranks second in the country in terms of job creation so far this year. Total employment in the province was up 3.2 per cent in the first four months of 2003, compared to the same period of 2002. Much of the job growth has been in full-time employment. In terms of the province's industrial sectors, the job gains have been broadly-based with increases in the service side (retail and wholesale trade, finance and related services, and transportation and warehousing) as well as higher employment in the goods-producing sectors (construction, primary industries and manufacturing). These solid gains in employment will support income growth and help British Columbians realize their home ownership dreams.

Around the province, most regions reported lower unemployment rates during the first four months of 2003 compared to the same period in 2002. This is good news for rural housing markets.

BC Housing Supply

Almost two-thirds of new housing starts in the first quarter of 2003 were concentrated in the Vancouver CMA which posted a 13 per

BC Housing Indicators ... In Detail

cent increase compared to the first quarter of 2002. Despite these increases, strong pre-sale and absorption activity kept inventories of complete and vacant units at low levels.

The number of newly completed apartment condominiums in the Vancouver CMA fell sharply from the first quarter of last year when over 1,000 units were completed. In the first quarter of 2003, the number completed of apartment condominiums in the Vancouver CMA was just 343. This is expected to increase as already planned projects enter the construction phase.

Most other centres around the province recorded increased residential construction activity on a year-over-year basis, reflecting improving market fundamentals.

All of the growth in housing starts in the first quarter was concentrated in single detached homes, which rose 32 per cent from the first quarter of last year. Victoria and Abbotsford recorded increased multiple unit starts, partly offset by declines in single detached starts. Kelowna and Nanaimo reported higher levels of single detached residential construction and relatively flat multiple unit starts. In Chilliwack starts declined 54 per cent as both multiple and the number of single detached homes under construction fell.

Rural Housing Starts

In the first quarter of 2003, rural housing starts were up sharply from the first quarter of 2002, thanks to a surge in both multiple unit and single detached homes.

Resale Activity and Prices

While MLS sales eased up in the first quarter of 2003, they remain at high levels. The torrid pace of home sales has depleted listing inventories. New listings activity has been slow to respond to market demand during the first quarter. The sales to new listings ratio has climbed above 60 per cent, indicating a sellers' market.

A higher sales to listings ratio and sellers' market conditions mean upward pressure on prices. Average MLS prices

were up 5 per cent in the first quarter compared to the first quarter of 2002, averaging \$241,576. Prices are expected to continue on an upward trend for the balance of the year.

The 3 per cent first quarter decline in MLS sales activity compared to last year was not surprising. The level of resale activity in early 2002 was unsustainable. In addition, some of the strength in MLS sales during 2002 was the result of new home buyers being forced into the resale market because of a lack of supply. MLS sales activity will moderate further in 2003 as builders respond to this demand and the inventory level of new homes rises in the months ahead.

Rural Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
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
2003 Q1	198	28	22	43	291
Urban Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
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
2003 Q1	2230	274	602	1100	4206

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Table 1

**Housing Starts, Urban B.C.
January - March 2003**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2002	2003	% Chg.	2002	2003	% Chg.	2002	2003	% Chg.
Metropolitan Areas									
Abbotsford	127	107	(16)	69	173	151	196	280	43
Vancouver	824	1,257	53	1,461	1,331	(9)	2,285	2,588	13
Victoria	199	180	(10)	67	143	113	266	323	21
CA's 50,000 - 99,000 pop.									
Chilliwack	56	48	(14)	93	21	(77)	149	69	(54)
Kamloops	36	29	(19)	10	2	(80)	46	31	(33)
Kelowna	192	266	39	177	176	(1)	369	442	20
Nanaimo	49	91	86	22	20	(9)	71	111	56
Prince George	10	9	(10)	2	0	**	12	9	(25)
Vernon	32	41	28	35	2	(94)	67	43	(36)
CA's 10,000 - 49,999 pop.									
Campbell River	9	18	100	0	2	**	9	20	122
Courtenay	45	52	16	6	17	183	51	69	35
Cranbrook	2	7	250	0	0	**	2	7	250
Dawson Creek	0	0	**	0	10	**	0	10	**
Duncan	16	28	75	2	5	150	18	33	83
Fort St. John	3	1	(67)	2	2	0	5	3	(40)
Kitimat	0	0	**	0	0	**	0	0	**
Parksville-Qualicum	43	36	(16)	8	9	13	51	45	(12)
Penticton	16	19	19	0	18	**	16	37	131
Port Alberni	5	2	(60)	0	2	**	5	4	(20)
Powell River	1	6	##	0	2	**	1	8	##
Prince Rupert	0	0	**	0	0	**	0	0	**
Quesnel	1	3	200	0	0	**	1	3	200
Terrace	0	0	**	0	0	**	0	0	**
Williams Lake	15	12	(20)	0	0	**	15	12	(20)
Cities 10,000 pop. +									
Salmon Arm	6	6	0	16	2	(88)	22	8	(64)
Squamish	0	5	**	0	39	**	0	44	**
Summerland	2	7	250	0	0	**	2	7	250
Total	1,689	2,230	32	1,970	1,976	0	3,659	4,206	15

*Courtenay has been changed to a Small CA (10,000-49,000)

CMHC

Table 2

**Housing Starts, Urban B.C.
January - March 2003 (ytd)**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2002	2003	% Chg.	2002	2003	% Chg.	2002	2003	% Chg.
Metropolitan Areas									
Abbotsford									
Vancouver									
Victoria									
CA's 50,000 - 99,000 pop.									
Chilliwack									
Kamloops									
Kelowna									
Nanaimo									
Prince George									
Vernon									
CA's 10,000 - 49,999 pop.				NOT APPLICABLE THIS QUARTER					
Campbell River									
Courtenay									
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	**

*Courtenay has been changed to a Small CA (10,000-49,000)
CMHC

Table 3

January - March 2003

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Units Completed							
Metropolitan Areas							
Abbotsford	113	2	-	-	-	57	172
Vancouver	1,172	130	31	322	343	466	2,464
Victoria	173	16	-	31	19	24	263
Large Urban Centres & Urban Agglomerations							
Chilliwack	73	6	-	9	-	-	88
Kamloops	49	6	-	4	-	-	59
Kelowna	180	14	-	3	50	-	247
Nanaimo	86	2	-	8	-	21	117
Prince George	29	2	-	-	-	-	31
Vernon	33	2	-	6	-	-	41
Total	1,908	180	31	383	412	568	3,482
January - March 2003							
Metropolitan Areas							
Abbotsford							
Vancouver							
Victoria							
Large Urban Centres & Urban Agglomerations							
Chilliwack							
Kamloops							
Kelowna							
Nanaimo							
Prince George							
Vernon							
Total	-	-	-	-	-	-	-

**Not Applicable
This Quarter**

Table 4

January - March 2003

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Absorption of Newly Completed Units							
Metropolitan Areas							
Abbotsford	127	3	-	3	15	65	213
Vancouver	1,120	145	6	338	419	664	2,692
Victoria	159	14	-	9	35	17	234
Large Urban Centres & Urban Agglomerations							
Chilliwack	81	6	2	6	-	-	95
Kamloops	51	6	-	6	2	-	65
Kelowna	176	15	-	4	46	8	249
Nanaimo	89	4	-	15	1	21	130
Prince George	34	2	-	-	-	-	36
Vernon	30	2	-	7	19	-	58
Total	1,867	197	8	388	537	775	3,772
January - March 2003							
Metropolitan Areas							
Abbotsford							
Vancouver							
Victoria							
Large Urban Centres & Urban Agglomerations							
Chilliwack							
Kamloops							
Kelowna							
Nanaimo							
Prince George							
Vernon							
Total	-	-	-	-	-	-	-

**Not Applicable
This Quarter**

British Columbia Housing Monitor by CMHC

2nd Quarter 2003

Carol Frketich, Regional Economist

	<u>Recent Statistics 2002</u>	<u>Likely Direction Over the Next 12 Months</u>	<u>Forecast for 2003</u>	<u>Forecast for 2004</u>	<u>These Numbers Indicate the Housing Market This Year Will</u>
<u>BC Housing Starts</u>					
Total (units)	21,625	▲	23,100	24,000	Improve
year-over-year % change			6.8%	3.9%	
Singles	10,730	▲	11,000	11,300	Improve
			2.5%	2.7%	
Multiples	10,895	▲	12,100	12,700	Improve
			11.1%	5.0%	
<u>BC Resale Market</u>					
MLS Sales (Units)	82,737	▼	78,000	77,000	Hold Steady
			-5.7%	-1.3%	
Avg MLS Price (\$)	238,877	▲	245,000	257,000	Improve
			2.6%	4.9%	
<u>BC Economic Indicators</u>					
Real GDP (% change)	1.8	▲	2.7	3.5	Improve
Personal Disp. Income (% change)	3.1	▲	3.4	4.1	Improve
Population Growth Rate (%)	0.9	▲	1.0	1.0	Improve
Net Inter-provincial Migration	-5,337	▲	-3,000	-1,000	Improve
Net International Immigration	28,835	↔	32,200	33,000	Hold Steady
Employment (% change)	1.6	▲	1.9	2.4	Improve
Unemployment Rate (%)	8.5	↔	8.4	8.1	Improve
3 year Mortgage Rate (%)	6.28%	▲	6.00 - 7.25%	7.00 - 8.25%	Hold Steady
Inflation: CPI (%)	2.3	▲	2.2	1.8	Improve
Building Permit Values:					
Residential (\$ Millions)	3,888.1	▲	4,250.0	4,630.0	Improve
Non-Residential (\$ Millions)	1,771.3	▲	1,850.0	2,050.0	Improve

Domestic consumption in BC remains strong supported by low interest rates, growing incomes and increased employment. However, with economic uncertainty continuing in the US despite the resolution of the Iraq crisis, the much anticipated recovery in the BC's trade sector has yet to take off. The recovery on the trade side of the BC economy will be made more challenging by the stronger Canadian dollar which in effect makes Canadian exports to the US more expensive. On the upside, the weakness in the US economy should help mitigate some of the pressure to raise Canadian interest rates further fueling housing demand. MLS sales in the province will maintain their robust pace, dipping marginally to 78,000 units, with prices increasing above inflation. Housing starts will continue in an upward trajectory, rising 7% in 2003 and 4% in 2004.