

H

OUSING NOW

YOUR LINK TO THE HOUSING MARKET

British Columbia - August 2004

Canada Mortgage and Housing Corporation

2004 Second Qtr. Highlights:

Solid Performance Not a Surprise

The solid performance of housing markets during the second quarter is no surprise given recent economic developments.

Employment growth and optimistic consumers continue to drive the existing and new housing markets. A 15,200-person increase in employment in May followed by a further 27,200-person increase in June, contributed to higher employment for the quarter. Consumer confidence declined 6.1 per cent in the second quarter, and yet almost 50 per cent of British Columbians surveyed felt that the present was a good time to buy big-ticket items like a car or home. Mortgage interest rates began to drift

upwards during the second quarter, but remained near record lows.

These underlying developments contributed to increased resale market activity during the second quarter. Almost 30,000 homes changed hands in the April to June period, up 17.3 per cent from the second quarter of 2003. Existing homes sold for an average \$289,618, an increase of 14.6 per cent. New listings have been trending up in recent months and were up 24 per cent compared to the second quarter of 2003. Increased new listings will eventually move existing home markets into balance and alleviate some of the upward price pressure.

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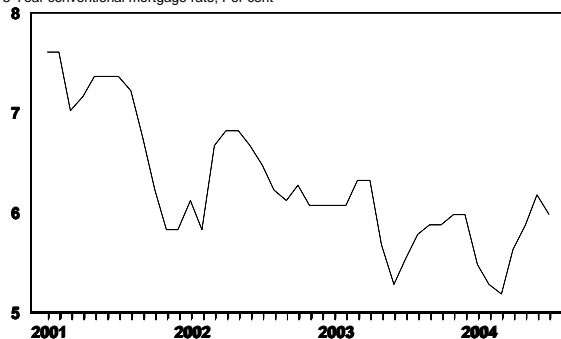
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Construction started on 9,008 new homes in the second quarter, a 48 per cent increase from the same period a year earlier. Multiple-unit starts, which accounted for almost two-thirds of the new homes started in the second quarter, were up 72 per cent. There were 3,609 single-detached starts in the April to June quarter, a 22 per cent increase compared to a year earlier. The share of multiple-unit starts will increase as the new home construction expansion continues into 2005.

Mortgage Rates Remain Low

3-Year conventional mortgage rate, Per cent



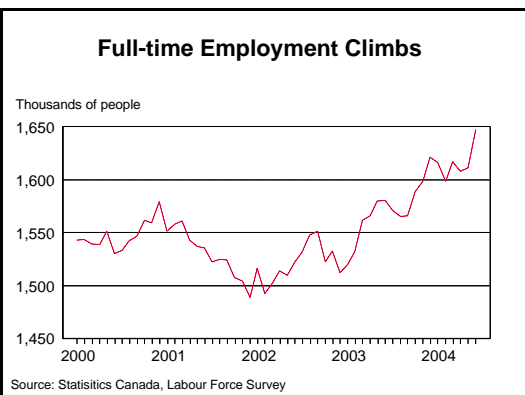
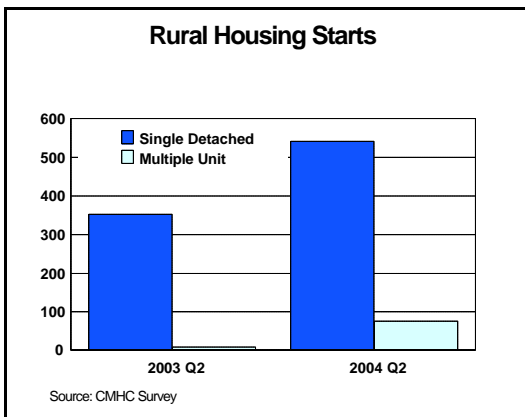
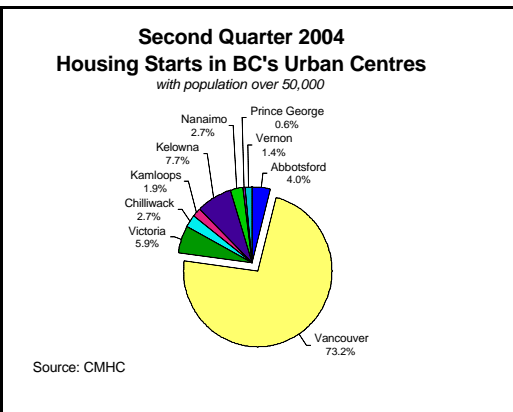
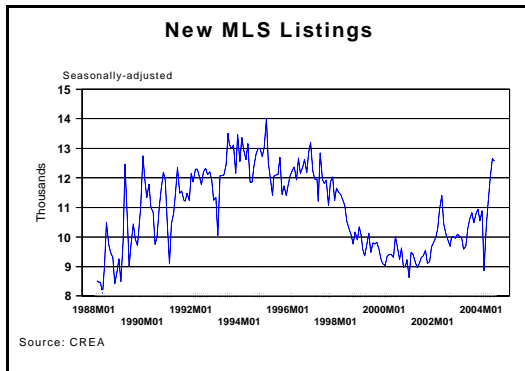
Source: Bank of Canada



HOME TO CANADIANS

Canada

BC Housing Indicators ... In Detail



The Economy and Interest Rates and the Housing Outlook

As expected, the trade side of the British Columbia economy appears to be improving and will contribute to overall growth in 2004. Both manufacturing shipments and merchandise exports are registering gains compared to last year's figures, due to improvements in the US economy and a steady Canadian dollar. Residential investment and consumer spending will also account for increased economic growth this year. Overall, the BC economy is expected to grow 3.0 per cent in 2004, up from 2.2 per cent in 2003. This bodes well for the province's housing sector as it means a solid foundation for housing demand going ahead.

Job gains continue to be concentrated in full-time employment as the BC economy expands. The number of people employed forecast to increase by 2.2 per cent in 2004 and a further 2.0 per cent in 2005, and this will support demand for housing.

With the improving economic environment come concerns about rising inflation and the threat of higher interest rates. The Bank of Canada has kept its target overnight rate flat at 2.0 per cent since April, fuelling consumer spending and investment. However, as the economy approaches its potential, higher interest rates will be used to remove some of the monetary stimulus in the economy and keep inflation within the Bank's target.

In this environment, new residential construction in BC is forecast to reach 31,700 starts in 2004 and 32,400 starts in 2005. British Columbia is leading the country in growth in new home construction and will continue to do so during the next year.

The risks to the housing outlook are both positive and negative. On the downside, higher than forecast interest rates would reduce housing resale activity and new home construction. On the upside, an increase in population-driven demand in BC would result in stronger than forecast economic growth and demand for housing.

Resale Markets

Resale activity in the province is on track to hit 100,000 homes this year, a record high. The factors driving existing home markets include low mortgage rates, increased employment and income gains, as well as high levels of consumer confidence. Most existing home markets are showing sellers' market characteristics. Few listings and strong demand are generating significant upward pressure on prices. High prices are beginning to entice more new listings into the market. This will eventually lead to more balance between demand and supply and slow the increase in existing home prices.

Rising interest rates in 2005 will slow resale market activity to 95,000 homes, still above the previous historical peak of 93,564 homes set in 1992. Resale activity will spillover into demand for new homes in 2005.

BC Housing Indicators ... In Detail

Building Permits

The value of residential building permits was \$444 million in May, 25 per cent higher than year-earlier levels. Building permits have been trending up since 2001, reflecting both increased volume and value of permits issued. This indicator of future building activity means there will be significant new residential construction ahead.

Vancouver CMA

New home construction in Vancouver accounted for two-thirds of building activity during the second quarter. There were 4,446 multiple-units started in the second quarter, up 93 per cent from the second quarter of 2003. The number of single-detached starts increased by 12 per cent.

BC Housing Supply

Housing supply in British Columbia remains low as increasing construction activity has been met with higher absorption levels. There were 4,892 units completed in metropolitan areas and large urban centres (population of 50,000+) of the province in the second quarter of this year, a 3.1 per cent decrease from the same period of last year. Absorptions of newly completed units outweighed completions with 5,073 units absorbed, a 3.8 per cent decrease from last year.

At the end of June 2004, there were 1,078 newly completed units in inventory in metropolitan areas and large

urban centres of the province. In the same month of 2003, there were 1,875 newly completed units on the market. Construction is underway on 20,904 units in metropolitan areas and large urban centres in the province which should boost inventory levels when completed. However, the number of units sold prior to completion has been rising, particularly in the condominium market. This trend will dampen the impact that current construction activity will have on inventory levels.

second quarter, up 54 per cent from year-earlier levels. Construction began on 76 multiple units, up from just 8 during the second quarter of 2003. The market for multiple units has historically been more volatile than the market for single-detached units, particularly in rural areas of the province. Low mortgage interest rates and improving labour market conditions in most rural areas of the province will support higher levels of rural housing starts this year and next.

Rural Housing Starts

Residential construction activity increased significantly outside the province's urban centres during the second quarter. There were 619 starts in rural British Columbia, a 71 per cent increase from the same quarter of 2003.

Single-detached homes account for most of the starts in rural BC. There were 543 single-detached starts in the

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Rural Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
2003 Q1	198	28	22	43	291
2003 Q2	353	0	8	0	361
2003 Q3	382	14	14	26	436
2003 Q4	278	24	46	18	366
Total 2003	1211	66	90	87	1454
2004 Q1	260	26	30	2	318
2004 Q2	543	36	16	24	619
Urban Housing Starts					
	Single Det.	Semi	Row	Apt.	Total
2003 Q1	2230	274	602	1100	4206
2003 Q2	2960	283	851	2003	6097
2003 Q3	3081	326	970	3301	7678
2003 Q4	2770	404	784	2781	6739
Total 2003	11041	1287	3207	9185	24720
2004 Q1	2522	374	722	2347	5965
2004 Q2	3609	504	1074	3821	9008

Table 1

**Housing Starts, Urban B.C.
April - June 2004**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2003	2004	% Chg.	2003	2004	% Chg.	2003	2004	% Chg.
Metropolitan Areas									
Abbotsford	184	148	-20	100	182	82	284	330	16
Vancouver	1,442	1,618	12	2,298	4,446	93	3,740	6,064	62
Victoria	243	333	37	251	152	-39	494	485	-2
CA's 50,000 - 99,000 pop.									
Chilliwack	61	153	151	53	68	28	114	221	94
Kamloops	54	102	89	14	52	271	68	154	126
Kelowna	330	403	22	251	234	-7	581	637	10
Nanaimo	157	216	38	18	10	-44	175	226	29
Prince George	31	51	65	0	0	**	31	51	65
Vernon	87	113	30	6	7	17	93	120	29
CA's 10,000 - 49,999 pop.									
Campbell River	26	37	42	0	2	**	26	39	50
Courtenay	95	123	29	38	38	0	133	161	21
Cranbrook	19	21	11	0	0	**	19	21	11
Dawson Creek	7	7	0	0	2	**	7	9	29
Duncan	40	60	50	2	8	300	42	68	62
Fort St. John	18	27	50	4	8	100	22	35	59
Kitimat	0	1	**	0	0	**	0	1	**
Parksville-Qualicum	58	65	12	2	60	**	60	125	108
Penticton	34	37	9	51	71	39	85	108	27
Port Alberni	6	8	33	6	16	167	12	24	100
Powell River	1	0	-100	0	0	**	1	0	-100
Prince Rupert	0	0	**	0	0	**	0	0	**
Quesnel	3	9	200	0	0	**	3	9	200
Terrace	3	3	0	0	0	**	3	3	**
Williams Lake	19	23	21	0	0	**	19	23	21
Cities 10,000 pop. +									
Salmon Arm	22	26	18	2	8	300	24	34	42
Squamish	7	11	57	41	29	-29	48	40	-17
Summerland	13	14	8	0	6	**	13	20	54
Total	2,960	3,609	22	3,137	5,399	72	6,097	9,008	48

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

Table 2**Housing Starts, Urban B.C.
January - June 2004 (ytd)**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2003	2004	% Chg.	2003	2004	% Chg.	2003	2004	% Chg.
Metropolitan Areas									
Abbotsford	291	287	-1	273	244	-11	564	531	-6
Vancouver	2,699	2,874	6	3,629	6,888	90	6,328	9,762	54
Victoria	423	526	24	394	572	45	817	1,098	34
CA's 50,000 - 99,000 pop.									
Chilliwack	109	234	115	74	134	81	183	368	101
Kamloops	83	142	71	16	64	300	99	206	108
Kelowna	596	728	22	427	441	3	1,023	1,169	14
Nanaimo	248	365	47	38	54	42	286	419	47
Prince George	40	73	83	0	0	**	40	73	83
Vernon	128	164	28	8	14	75	136	178	31
CA's 10,000 - 49,999 pop.									
Campbell River	44	64	45	2	41	##	46	105	128
Courtenay	26	195	##	0	75	**	26	270	##
Cranbrook	147	30	-80	55	0	-100	202	30	-85
Dawson Creek	7	11	57	10	0	-100	17	11	-35
Duncan	68	98	44	7	12	71	75	110	47
Fort St. John	19	28	47	6	8	33	25	36	44
Kitimat	0	1	**	0	0	**	0	1	**
Parksville-Qualicum	94	121	29	11	70	##	105	191	82
Penticton	53	65	23	69	109	58	122	174	43
Port Alberni	8	13	63	8	16	100	16	29	81
Powell River	7	0	-100	2	0	-100	9	0	-100
Prince Rupert	0	1	**	0	0	**	0	1	**
Quesnel	6	11	83	0	0	**	6	11	83
Terrace	3	3	0	0	0	**	3	3	0
Williams Lake	31	25	-19	0	33	**	31	58	87
Cities 10,000 pop. +									
Salmon Arm	28	39	39	4	8	100	32	47	47
Squamish	12	15	25	80	51	-36	92	66	-28
Summerland	20	20	0	0	6	**	20	26	30
Total	5,190	6,133	18	5,113	8,840	73	10,303	14,973	45

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

Table 3**April - June 2004**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
Units Completed							
Metropolitan Areas							
Abbotsford	143	16	0	6	42	0	207
Vancouver	1,210	240	13	725	1,156	86	3,430
Victoria	210	17	0	12	8	88	335
Large Urban Centres & Urban Agglomerations							
Chilliwack	68	4	0	70	0	0	142
Kamloops	49	12	0	8	0	0	69
Kelowna	357	28	0	5	0	67	457
Nanaimo	128	6	0	4	0	0	138
Prince George	28	0	0	0	0	0	28
Vernon	75	8	0	3	0	0	86
Total	2,268	331	13	833	1,206	241	4,892
January - June 2004							
Metropolitan Areas							
Abbotsford	319	26	0	15	98	60	518
Vancouver	2,407	364	35	1,177	2,361	150	6,494
Victoria	475	36	0	71	187	137	906
Large Urban Centres & Urban Agglomerations							
Chilliwack	143	12	0	134	0	0	289
Kamloops	100	18	0	8	0	0	126
Kelowna	572	44	0	8	94	113	831
Nanaimo	272	21	0	11	0	0	304
Prince George	58	0	0	0	0	0	58
Vernon	141	18	0	3	0	0	162
Total	4,487	539	35	1,427	2,740	460	9,688

Table 4**April - June 2004**

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. * Condo	Apt. Rental	Total
Absorption of Newly Completed Units							
Metropolitan Areas							
Abbotsford	148	13	0	5	54	0	220
Vancouver	1,302	226	11	738	1,125	152	3,554
Victoria	228	23	0	19	20	103	393
Large Urban Centres & Urban Agglomerations							
Chilliwack	72	4	0	70	0	15	161
Kamloops	45	14	0	8	1	0	68
Kelowna	334	24	0	6	2	48	414
Nanaimo	135	8	0	2	1	0	146
Prince George	38	0	0	0	0	0	38
Vernon	69	9	0	1	0	0	79
Total	2,371	321	11	849	1,203	318	5,073
January - June 2004							
Metropolitan Areas							
Abbotsford	337	24	0	15	122	60	558
Vancouver	2,518	355	33	1,211	2,438	328	6,883
Victoria	483	36	0	77	188	129	913
Large Urban Centres & Urban Agglomerations							
Chilliwack	149	12	0	140	0	15	316
Kamloops	100	21	0	8	3	0	132
Kelowna	554	39	0	7	119	84	803
Nanaimo	269	22	0	9	2	0	302
Prince George	66	0	0	0	0	0	66
Vernon	127	16	0	1	0	2	146
Total	4,603	525	33	1,468	2,872	618	10,119

CMHC

* May include homeowner apartments

British Columbia Housing Monitor by CMHC

2nd Quarter 2004

Carol Frketich, Regional Economist

	<u>Recent Statistics 2003</u>	<u>Likely Direction Over the Next 12 Months</u>	<u>Forecast for 2004</u>	<u>Forecast for 2005</u>	<u>These Numbers Indicate the Housing Market This Year Will</u>
<u>BC Housing Starts</u>					
Total (units)	26,174	▲	31,700	32,400	Improve
year-over-year % change			21.1%	2.2%	
Singles	12,252	▲	14,000	14,100	Improve
			14.3%	0.7%	
Multiples	13,922	▲	17,700	18,300	Improve
			27.1%	3.4%	
<u>BC Resale Market</u>					
MLS Sales (Units)	93,095	▼	100,000	95,000	Weaken
			7.4%	-5.0%	
Avg MLS Price (\$)	259,990	▲	292,000	308,000	Improve
			12.3%	5.5%	
<u>BC Economic Indicators</u>					
Real GDP (% change)	2.2	▲	3.0	3.3	Improve
Personal Disp. Income (% change)	1.9	▲	3.2	4.1	Improve
Population Growth Rate (%)	1.0	↔	1.0	1.0	Hold Steady
Net Inter-provincial Migration	2,094	▲	2,900	3,700	Improve
Net International Immigration	27,251	▲	30,000	31,500	Improve
Employment (% change)	2.5	↔	2.2	2.0	Hold Steady
Unemployment Rate (%)	8.1	▼	7.6	7.3	Improve
3 year Mortgage Rate (%)	5.82%	↔	5.00 - 5.75%	5.75 - 6.50%	Rise
Inflation: CPI (%)	2.1	↔	1.9	2.0	Hold Steady
Building Permit Values:					
Residential (\$ Millions)	4,514	▲	5,400	5,600	Improve
Non-Residential (\$ Millions)	1,877	▲	1,800	1,950	Hold Steady

The British Columbia economy is on track to record growth of 3.0% in 2004, up from 2.2% in 2003. Improvements on the trade side of the economy will combine with continued momentum in consumer spending and residential investment to drive overall growth higher. Improving labour market conditions are contributing to high levels of consumer confidence. Mortgage interest rates have begun to drift up but the rise is expected to be gradual. New home construction in BC leads the country in growth in 2004, with starts projected to increase 21.1% to 31,700 units. In 2005, BC is the only province expected to record growth in housing starts. Resale activity will hit a record 100,000 in 2004. This combination of low interest rates, an improving overall economy, employment growth and high levels of resale activity mean the province's housing expansion will continue through 2005.