

H

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British Columbia - May 2005

Canada Mortgage and Housing Corporation

2005 First Qtr. Highlights

The provincial housing sector recorded a solid start to 2005 with new home construction exceeding year-ago levels and resale activity only slightly below the previous year's peak.

Key drivers of housing demand point to a sustained high level of activity in 2005. Low mortgage interest rates, improving labour market conditions, growth in incomes, high levels of consumer confidence and growth in the population continue to support housing demand. The unemployment rate averaged just 6.7 per cent during the January to March period down from the 7.6 per cent recorded during the same period of 2004.

Improving labour market conditions contributed to consumer confidence reaching an 18-year high.

Canada Mortgage and Housing Corporation's Starts and Completions Survey shows that the forecast for new home construction is unfolding as expected. Housing starts to date in 2005 have been concentrated in multiple-unit developments, while single-detached starts appear to have reached a plateau.

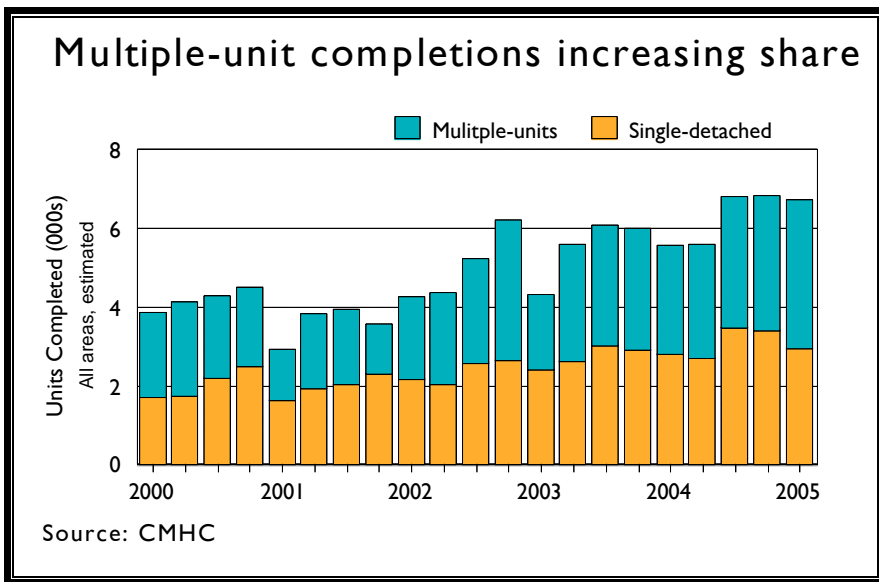
During the first quarter of 2005, there were 2,172 single-detached homes started, down from 2,522 one year-ago. Semi-detached, row and apartment starts increased 14 per

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cent compared to the first quarter of 2004. The increasing popularity of this type of housing product both from a buyer and from a builder perspective, has resulted in an increase in multiple-unit developments. The share of multiple-units completed was 56 per cent compared to 50 per cent a year ago. Although completions are rising, inventories of completed and unoccupied units remain low.

Areas with more than 10,000 population excluding Vancouver, Abbotsford, Victoria, and Kelowna recorded a 16 per cent increase compared to the first quarter of 2004. Housing starts in rural British Columbia were down from year-earlier levels.



BC Housing Indicators ... In Detail

The Economy and Interest Rates

The housing sector continues to be an integral part of the Canadian and British Columbian economies. Residential investment contributed to growth in provincial gross domestic product in 2003 and 2004. Construction employment accounted for just over half of total employment gains last year.

So far in 2005, both the provincial economy and housing sector appear to be off to a good start. Key economic indicators recorded year-over-year growth across the board. Employment, retail sales, manufacturing shipments, merchandise exports, the value of building permits (both residential and non-residential) and the average weekly wage rate were all above year-earlier levels during the early part of 2005.

Looking ahead, the British Columbia economy is forecast to expand 3.2 per cent in 2005. Residential investment will continue but will not provide the same lift to overall growth as the growth of housing starts moderates.

Low interest rates will continue to support the interest sensitive sectors of the economy, particularly consumer spending and housing. Mortgage rates are trending up very gradually but remain low by historical standards. The posted one-year conventional mortgage rate was 5.05 per cent at the end of March 2005, up from 4.3 per cent a year earlier.

The Bank of Canada's recent *Monetary Policy Report* noted that given the current outlook for slightly higher growth in the Canadian economy during 2006, a "gradual reduction in monetary stimulus will be required over time". CMHC anticipates the gradual increase in interest rates will have an eventual dampening effect on the housing sector which may be partly offset by other key housing demand drivers.

The Housing Outlook

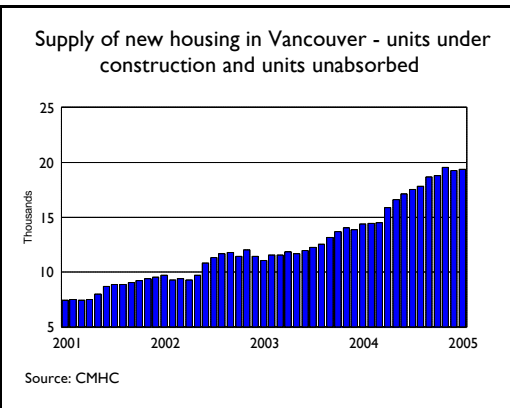
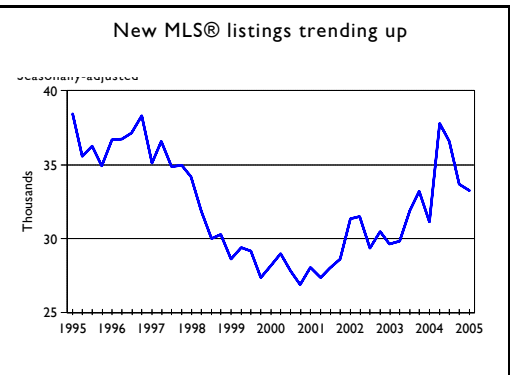
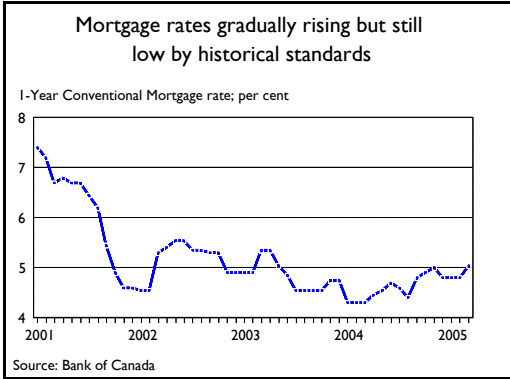
In this environment of moderate economic growth, recent job gains, confident consumers and low but gradually rising interest rates, the housing outlook is for an ongoing high but moderating level of activity both in existing and new home markets in 2005.

This year will see MLS® resale activity fall slightly short of last year's peak while new home construction will exceed the level recorded in 2004. A total of 31,600 new homes will be built in 2006, a decline from the previous year, but still above the historical average and demographic requirements.

Resale Markets

Resale markets remain very active despite a slight decline early in 2005. During the first quarter, 24,300 existing homes changed hands, a 2 per cent decline from year-earlier levels.

The number of new listings has been trending up since 2001, alongside growing demand. The sales to new listings ratio, a



BC Housing Indicators ... In Detail

measure of market conditions, points to markets favouring sellers, with ongoing demand exceeding current supply. This has placed upward pressure on prices. The average resale price was approximately \$306,600 in the first quarter of 2005, up 10 per cent from the first quarter of 2004. As the supply of existing homes on the market increases, market conditions will become more balanced, easing pressure on prices.

The ongoing high level of activity in resale markets will fuel new construction activity through 2005 and 2006 as buyers turn to new product to meet their housing needs.

Building Permits

While not every building permit results in a housing start, permits issued provide an indication of future construction activity.

The value of residential building permits was 5.9 per cent higher during the first two months of 2005 compared to the same period of 2004. This mainly reflects an increase in building construction costs, as the number of units for which permits were issued declined 10 per cent.

During January and February, a 31 per cent decline in the value of residential building permits issued in Vancouver was more than offset by increases in the rest of the province, including a 25 per cent increase recorded in Victoria.

BC Housing Supply

Housing supply in British Columbia remains low as increasing construction activity has been met with higher absorption levels. There were 5,586 units completed in metropolitan areas and large urban centres (population of 50,000+) of the province during the first quarter of 2005, a 16 per cent increase from year-earlier levels.

Inventory levels of new homes are relatively low. At the end of March 2005, there were 1,699 newly completed units in inventory, compared to 1,217 units at the end of March 2004. Construction was underway on 24,199 units, a 31 per cent increase from year-earlier levels. This will boost inventory levels when units are completed.

Rural Housing Starts

Rural areas of the province recorded a lower level of new residential construction during the first quarter of 2005. Unusually severe weather during January may have been a contributing factor. The number of housing starts outside the province's urban centres fell 11 per cent during the first quarter of 2005 compared to year-earlier levels. A 30 per cent decline in single-detached rural starts more than offset a 72 per cent increase in the number of new semi-detached, row and apartment starts. Rural housing markets will continue to benefit from growth in the province's resource sector.

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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
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

Table I

**Housing Starts, Urban B.C.
January - March 2005**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2004	2005	% Chg.	2004	2005	% Chg.	2004	2005	% Chg.
Metropolitan Areas									
Abbotsford	139	63	-55	62	46	-26	201	109	-46
Vancouver	1,256	1,012	-19	2,442	3,100	27	3,698	4,112	11
Victoria	193	216	12	420	226	-46	613	442	-28
CA's 50,000 - 99,000 pop.									
Chilliwack	81	95	17	66	140	112	147	235	60
Kamloops	40	54	35	12	6	-50	52	60	15
Kelowna	325	212	-35	207	167	-19	532	379	-29
Nanaimo*	103	124	20	26	10	-62	129	134	4
Prince George	22	41	86	114	0	-100	136	41	-70
Vernon	51	64	25	7	24	243	58	88	52
CA's 10,000 - 49,999 pop.									
Campbell River	27	41	52	39	34	-13	66	75	14
Courtenay *	72	89	24	37	90	143	109	179	64
Cranbrook	9	13	44	0	0	**	9	13	44
Dawson Creek	2	1	-50	0	2	**	2	3	50
Duncan	38	33	-13	4	34	##	42	67	60
Fort St. John	1	4	300	0	6	**	1	10	##
Kitimat	0	0	**	0	0	**	0	0	**
Parksville-Qualicum	56	46	-18	10	34	240	66	80	21
Penticton	28	16	-43	38	72	89	66	88	33
Port Alberni	5	14	180	0	0	**	5	14	180
Powell River	0	7	**	0	0	**	N/A	7	**
Prince Rupert	1	1	0	0	0	**	1	1	0
Quesnel	2	1	-50	0	0	**	2	1	-50
Terrace	0	0	**	0	0	**	0	0	**
Williams Lake	2	1	-50	33	0	-100	35	1	-97
Cities 10,000 pop. +									
Salmon Arm	13	16	23	0	2	**	13	18	38
Squamish	4	6	50	22	76	245	26	82	215
Summerland	6	2	-67	0	0	**	6	2	-67
Total	2,522	2,172	-14	3,557	4,069	14	6,079	6,241	3

*Data for 2004 and 2005 have been modified to account for Statistics Canada boundary changes. Provincial totals have not been adjusted.
CMHC

Table 2

**Housing Starts, Year-to-Date, Urban B.C.
January - March 2005**

AREA	SINGLE DETACHED			MULTIPLES			TOTAL		
	2004	2005	% Chg.	2004	2005	% Chg.	2004	2005	% 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									

Table 3

Units Completed

	Single Detached	Semi Detached	Row Rental	Row Condo	Apt. Condo	Apt. Rental	Total
January - March 2005							
Metropolitan Areas							
Abbotsford	157	0	0	5	112	60	334
Vancouver	1,148	158	8	699	1,707	15	3,735
Victoria	243	41	0	42	243	0	569
Large Urban Centres & Urban Agglomerations							
Chilliwack	118	6	0	80	0	0	204
Kamloops	79	12	0	4	0	0	95
Kelowna	215	16	1	30	115	0	377
Nanaimo	118	12	0	3	0	0	133
Prince George	43	0	0	0	0	0	43
Vernon	79	12	0	5	0	0	96
Total	2,200	257	9	868	2,177	75	5,586
January - March 2005							
Metropolitan Areas							
Abbotsford							
Vancouver							
Victoria							
Not Applicable This Quarter							
Large Urban Centres & Urban Agglomerations							
Chilliwack							
Kamloops							
Kelowna							
Nanaimo							
Prince George							
Vernon							
Total							

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
January - March 2005							
Metropolitan Areas							
Abbotsford	103	0	0	4	107	60	274
Vancouver	1,163	167	8	673	1,733	74	3,818
Victoria	232	47	0	45	214	1	539
Large Urban Centres & Urban Agglomerations							
Chilliwack	115	6	0	83	0	0	204
Kamloops	80	14	0	4	2	0	100
Kelowna	229	12	1	22	99	0	363
Nanaimo	119	11	0	3	0	0	133
Prince George	43	0	0	0	0	0	43
Vernon	78	12	0	5	0	0	95
Total	2,162	269	9	839	2,155	135	5,569
January - March 2005							
Metropolitan Areas							
Abbotsford							
Vancouver							
Victoria							
Large Urban Centres & Urban Agglomerations							
Chilliwack							
Kamloops							
Kelowna							
Nanaimo							
Prince George							
Vernon							
Total							

**Not Applicable
This Quarter**

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

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