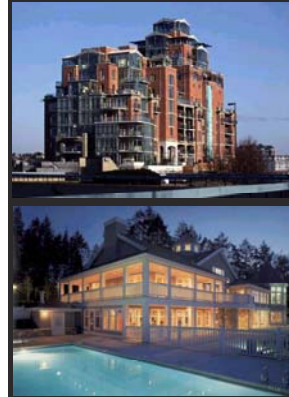


BRITISH COLUMBIA HOUSING MARKET OUTLOOK



*CAROL FRKETICH
REGIONAL ECONOMIST, BC AND YUKON
JUNE 22, 2004*



Prolonged recovery in BC housing sector

- ✓ Demand fundamentals look good
- ✓ Low inventory levels
- ✓ Constraints on supply will draw out demand



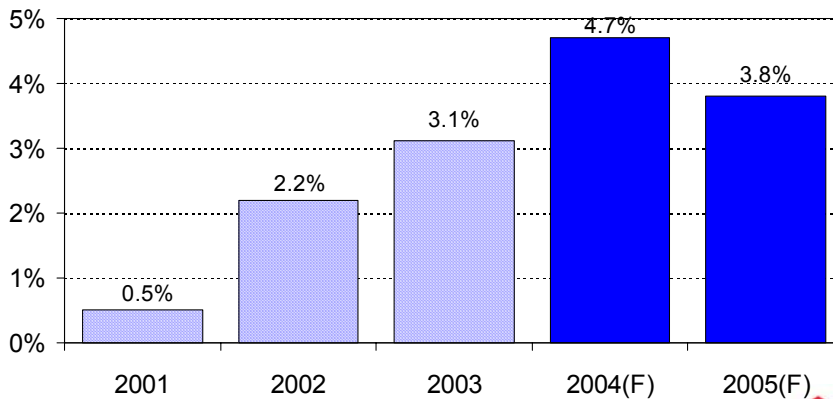
Key drivers of housing demand and supply

- ✓ Economic growth
- ✓ Interest rates
- ✓ Employment and consumer confidence
- ✓ Population growth
- ✓ Resale activity
- ✓ Inventories



US economic growth picks up

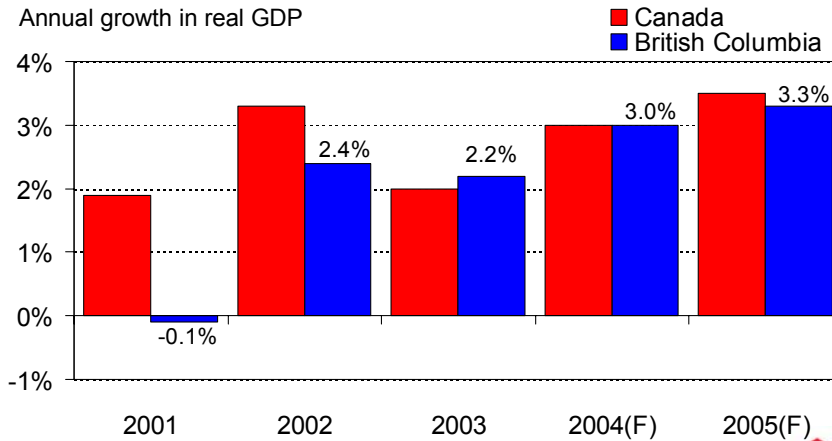
Annual growth in real GDP



Source: Consensus Forecast, June 2004



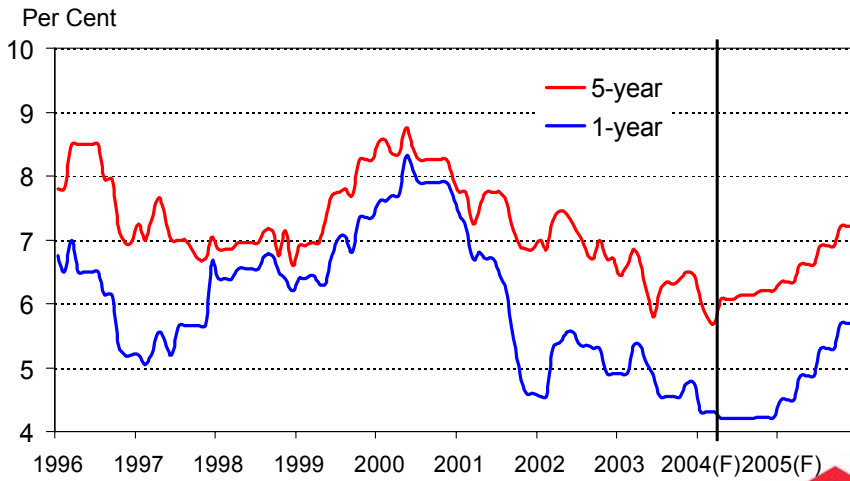
BC economy rebounds in 2004



Source: CMHC, adapted from Statistics Canada (CANSIM II), CMHC Forecast



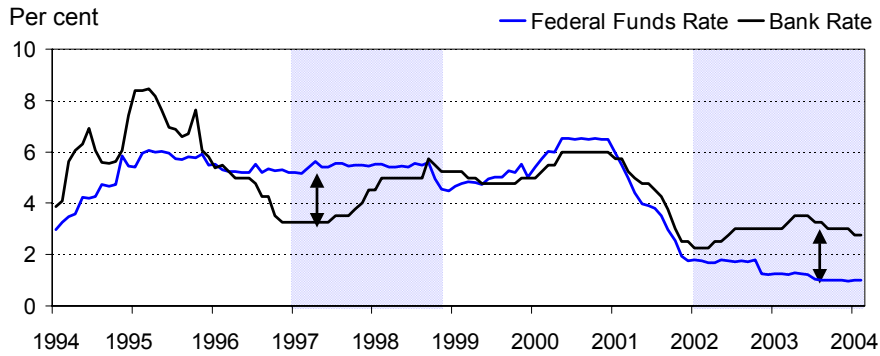
Canada - mortgage rates rise in 2005



Source: Bank of Canada, CMHC Forecast



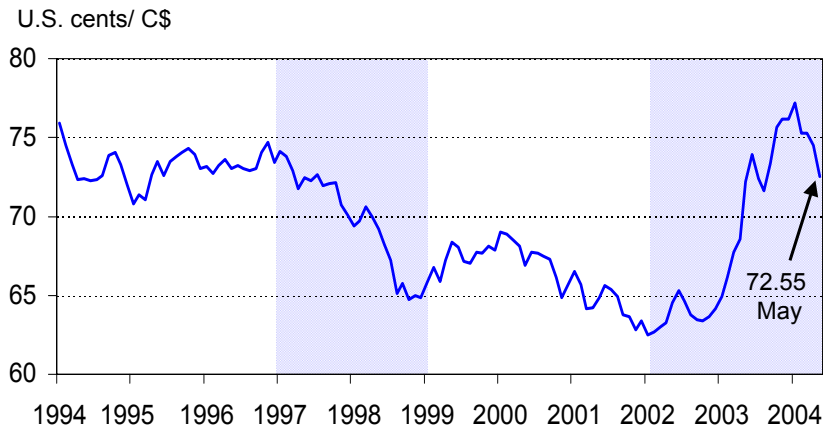
Interest rate differential remains positive and wide



Sources: US Federal Reserve Bank and the Bank of Canada



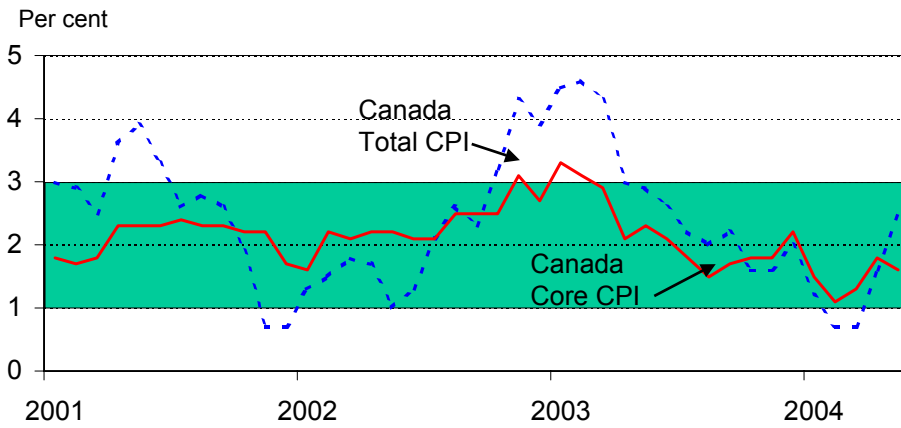
Exchange rate – expect less volatility in 2004



Source: Bank of Canada



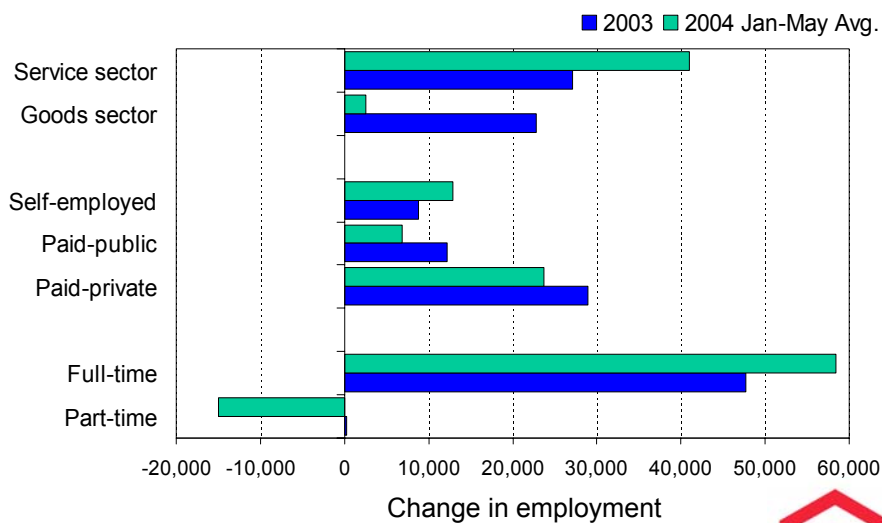
Inflation within Bank of Canada's target range



Source: Bank of Canada



New job gains continue in full-time

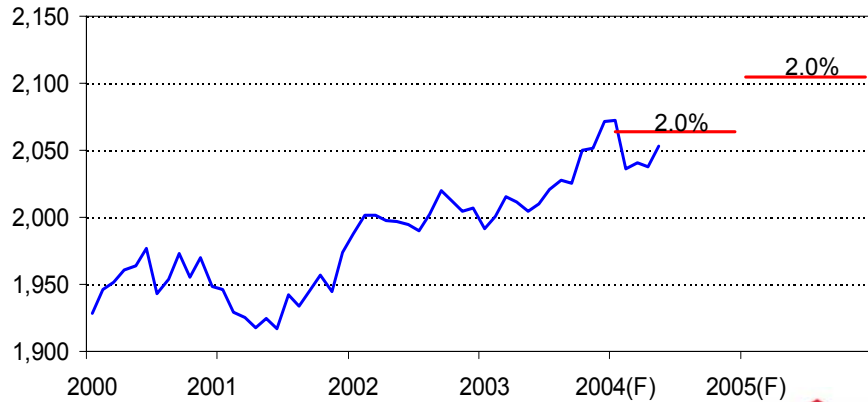


Source: Statistics Canada, Labour Force Survey



Employment gains will continue

Thousands employed

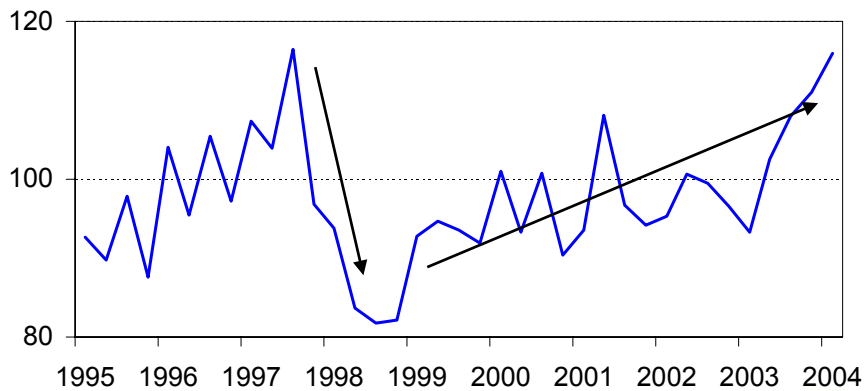


Sources: Statistics Canada, CMHC forecast



BC consumers are confident about the future

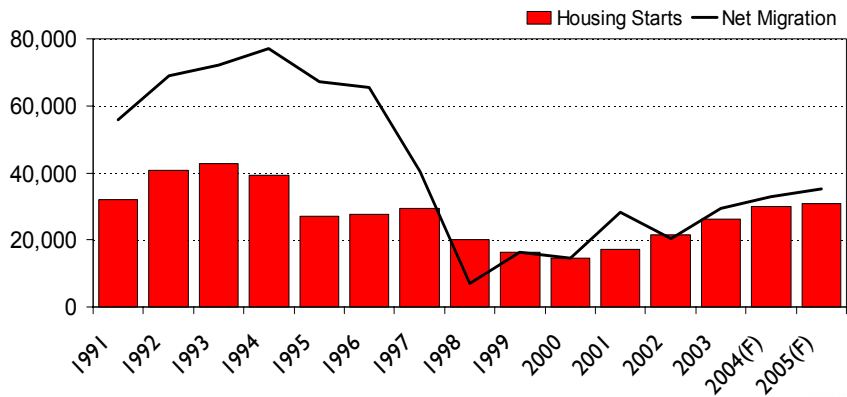
1991=100



Source: Conference Board of Canada



Household formation reflects changes in net migration



Sources: Statistics Canada and CMHC Forecast

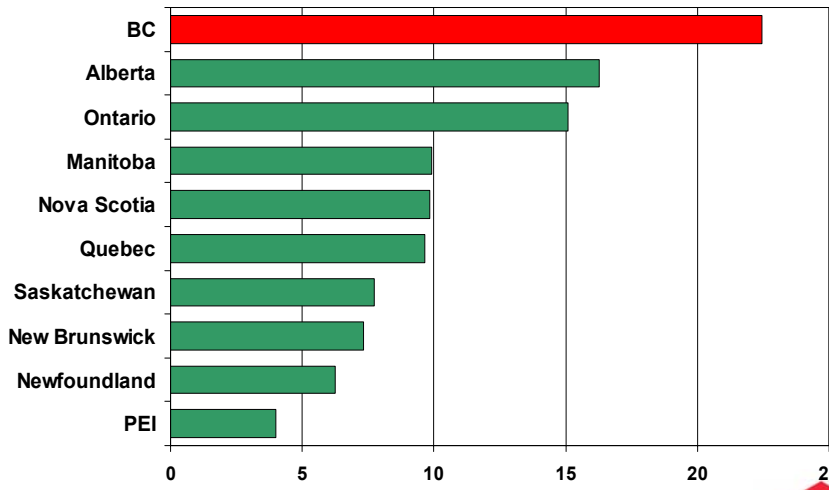


Housing update and forecast

- ✓ High level of resale activity
- ✓ Upward price pressure
- ✓ Real prices at or approaching previous peak
- ✓ Inventory levels low
- ✓ New construction to increase



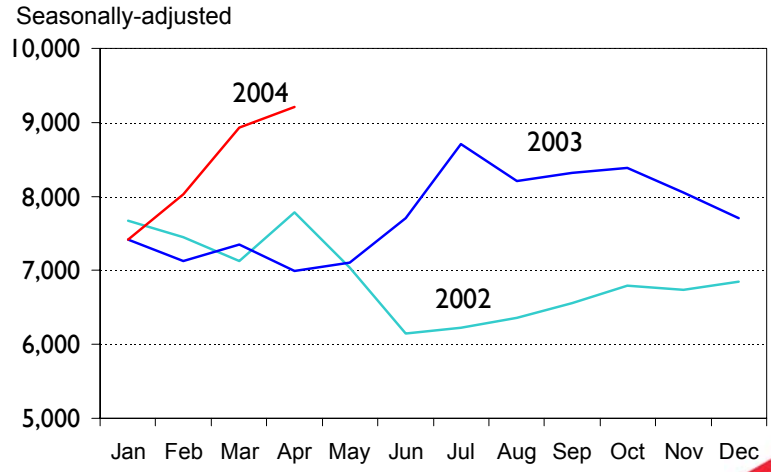
BC has the most active resale market in Canada



Source: Statistics Canada, CMHC Forecast and Calculation



Resale activity surpassing last year

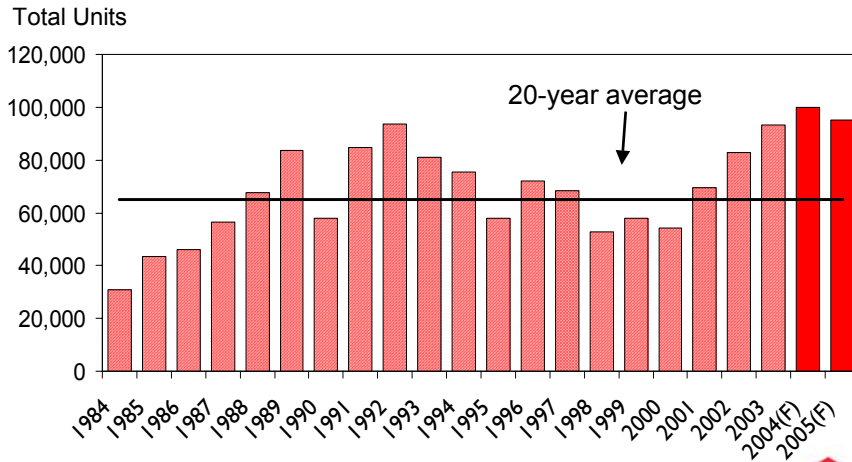


Source: CREA



MLS sales

Activity well above average

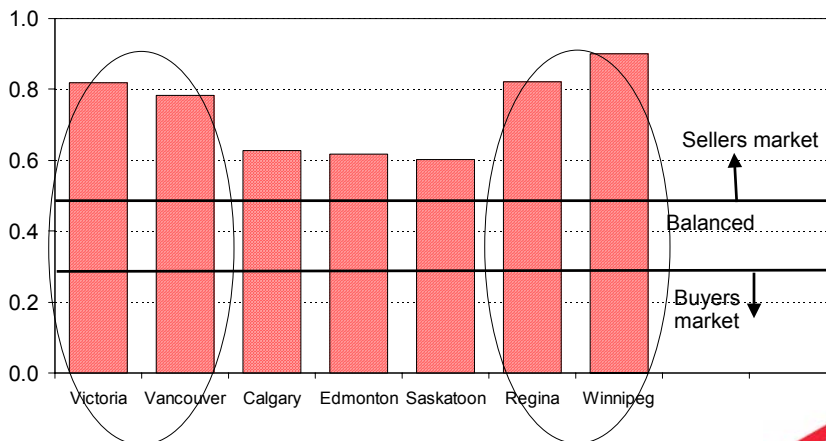


Source: CREA, CMHC Forecast



BC and the Prairie's CMA markets

April 2004 sales to new listings ratio

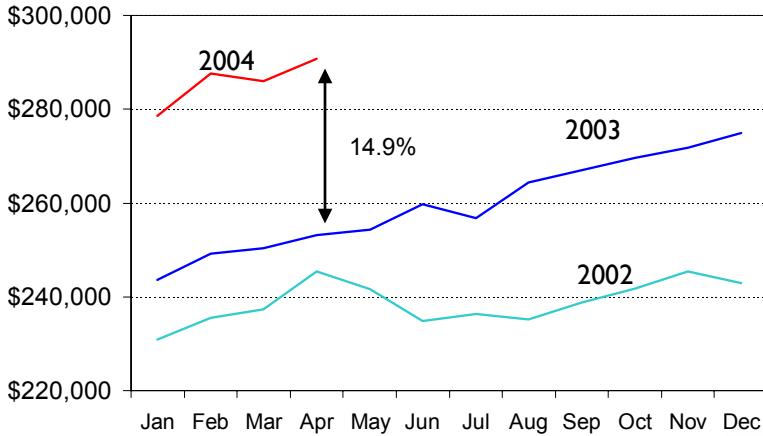


Sources: CREA, CMHC Calculation



Price gains reflect strong demand/low supply

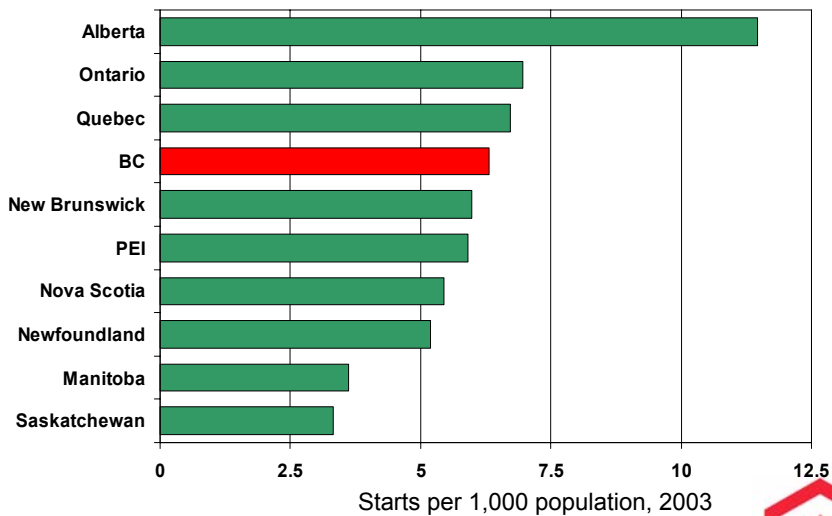
Average resale price, BC



Source: CREA



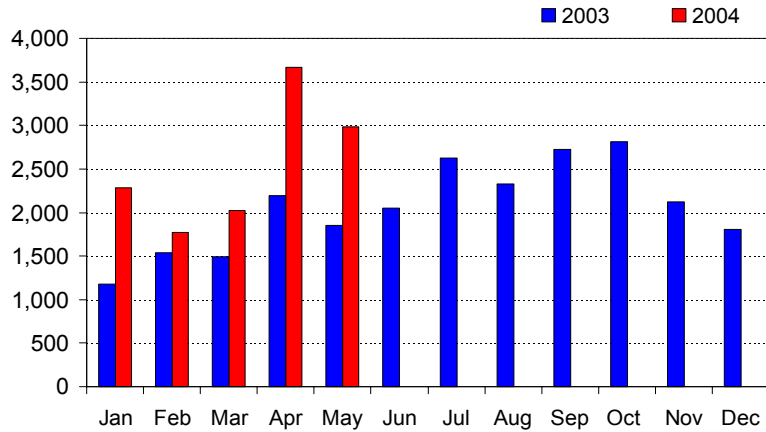
But BC lags other provinces in new construction



Source: Statistics Canada, CMHC Forecast and Calculation



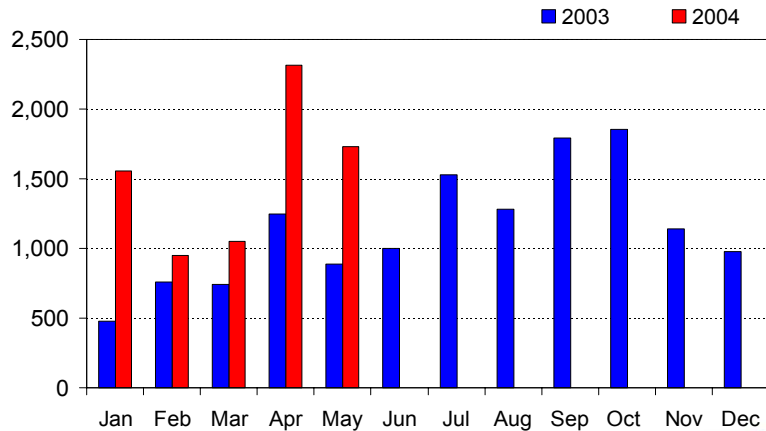
BC housing starts 10,000+



Source: CMHC



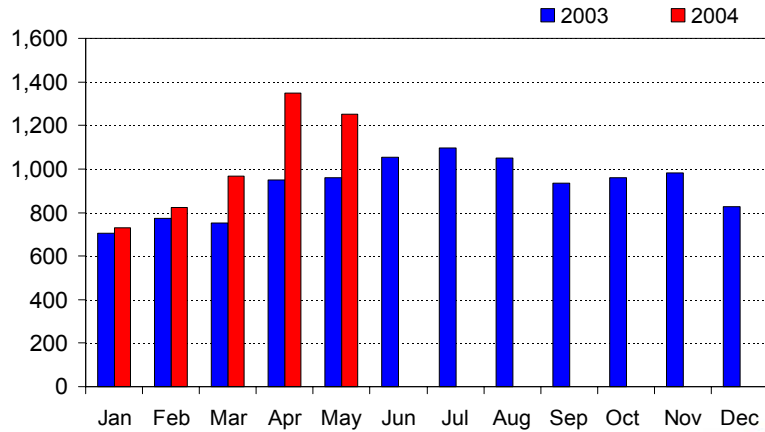
BC multiple-unit starts 10,000+



Source: CMHC



BC single-detached starts 10,000+

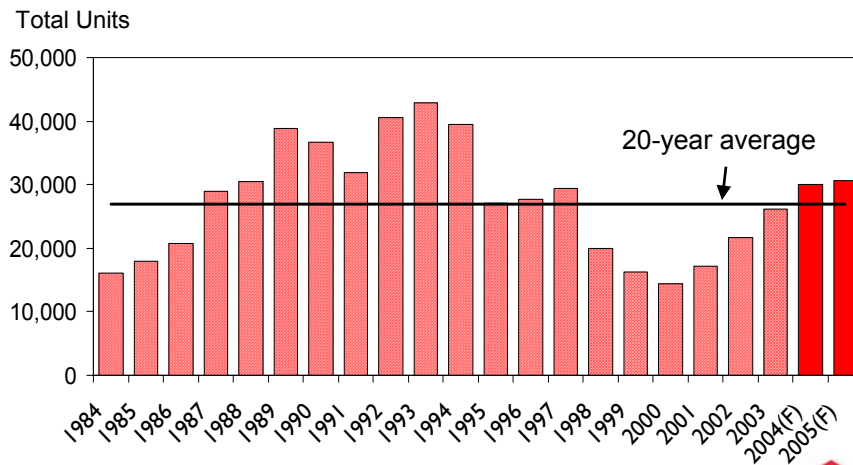


Source: CMHC



Housing starts

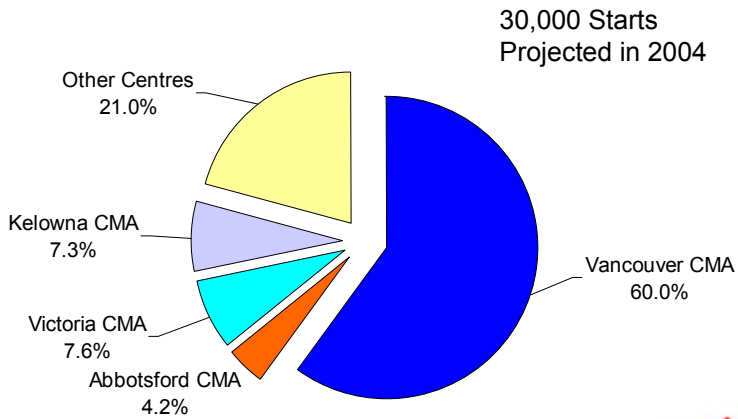
Moving above long-term average



Source: CMHC, CMHC Forecast



Vancouver dominates new home construction

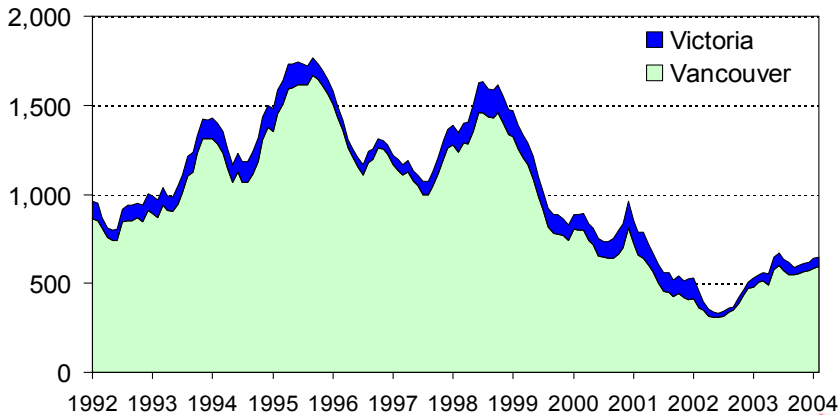


Source: CMHC Forecast



Inventories under control

Units completed and unoccupied,
Vancouver and Victoria CMAs

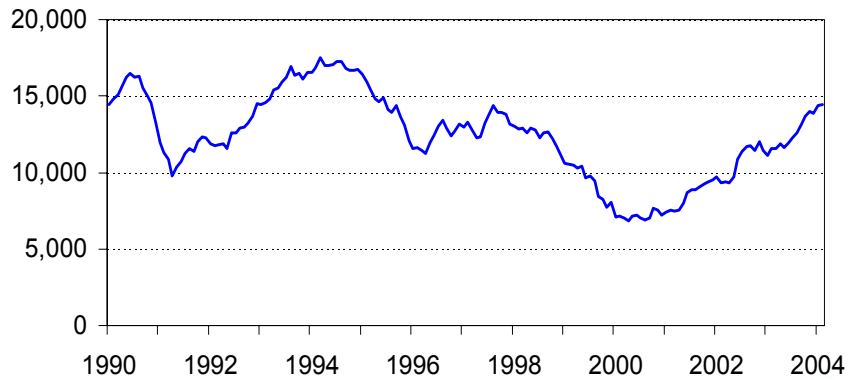


Source: CMHC



Under construction growing, but is supply actually rising?

Under construction and unabsorbed units, Vancouver CMA

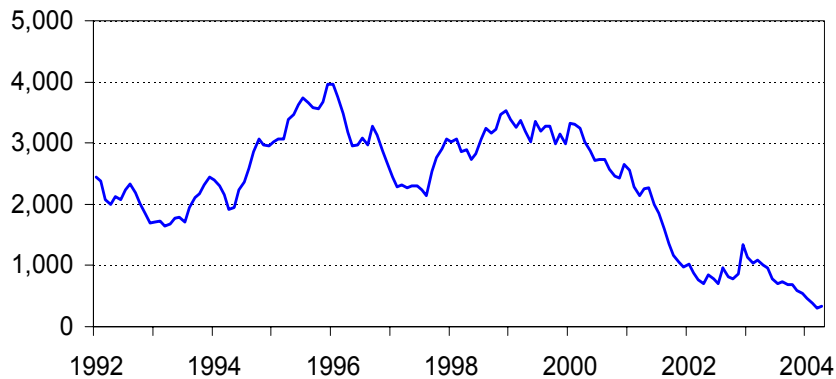


Source: CMHC



Inventories of available units low

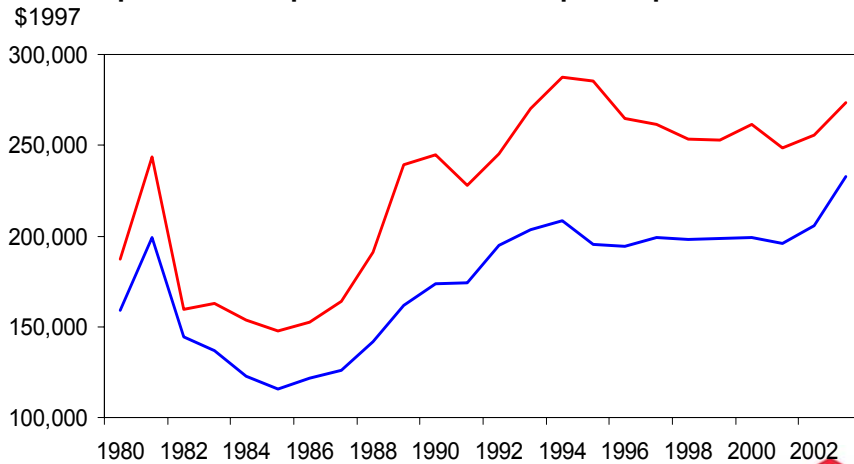
Completed and unoccupied row and apartment, Vancouver CMA



Source: CMHC



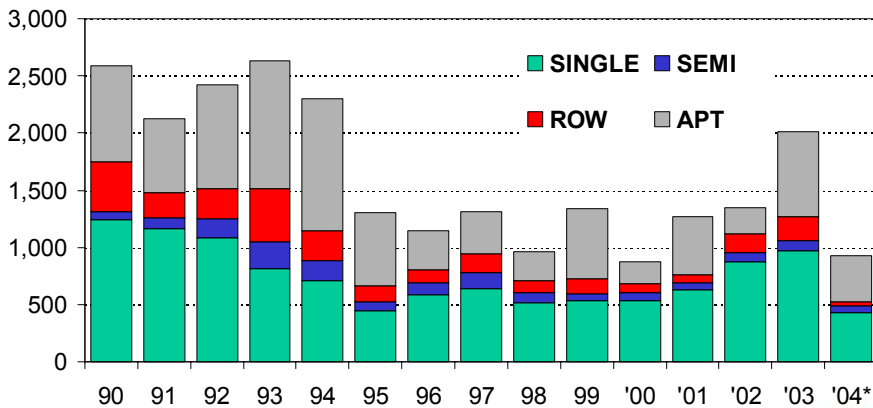
Vancouver real price approaches previous peak, Victoria past peak



Source: Statistics Canada, CREA and CMHC Calculation



Metro Victoria – New condos boost 2003 and 2004 homebuilding

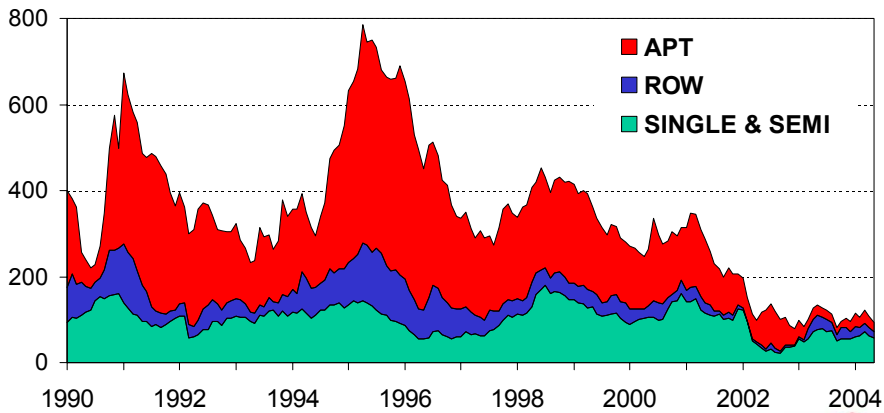


Source: CMHC

2004 data year-to-date, January to May only



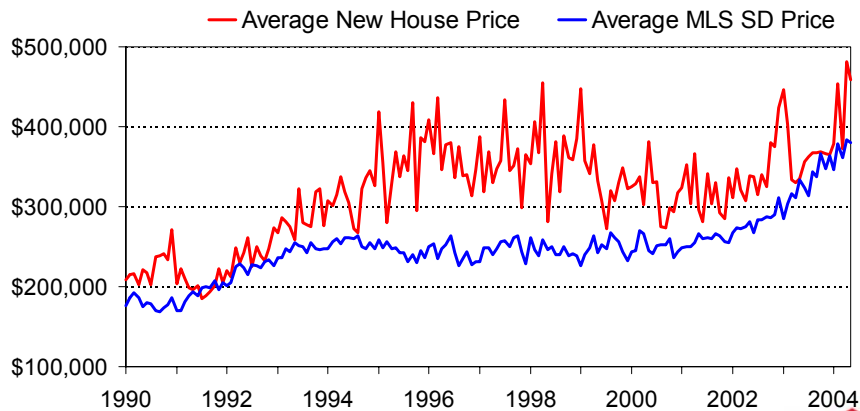
2003 and 2004 inventories low in Victoria



Source: CMHC



New and existing house prices in Metro Victoria



Source: CMHC and CREA



Issues facing housing in BC

- ✓ Rising construction costs
- ✓ Rising interest rates
- ✓ Decreasing affordability
- ✓ Constraints on supply

