

## B.C. Housing Forecast 2011-2013

### Highlights

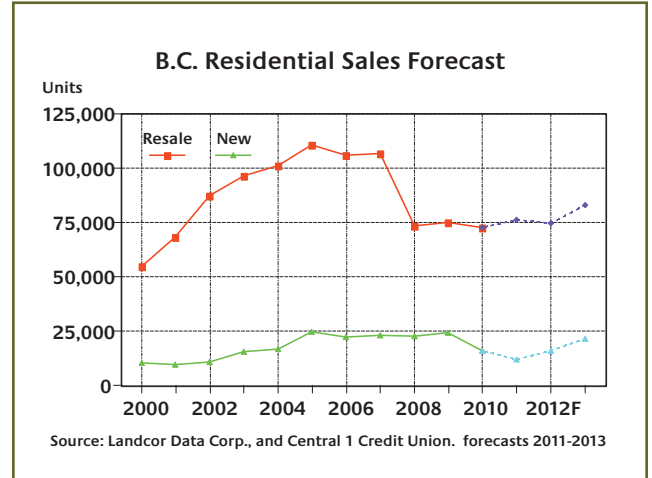
- Home sales in 2011 expected to decline slightly from 2010
- Median sales price will rise to \$417,000, up 6.8 per cent from 2010
- End of HST will result in purchases being delayed until 2013
- Vancouver not likely to suffer major price drop
- Housing starts to drop 2.2 per cent in 2011 to 25,900 units

The deck is stacked against resurgence in real estate market activity for the next two years as increased uncertainty regarding the pace of economic recovery, moderate employment and population growth, and the recent tightening of mortgage insurance rules weigh on real estate demand. However, activity is unlikely to erode further from the current pace, as a low price growth environment and downside pressure on already low mortgage rates maintains affordability – providing support to housing markets.

### Housing Sales

Total home transactions<sup>1</sup> are forecast to reach 88,200 units by the end of this year, a slight decline of less than 1% from 2010. While resale home transactions are forecast to end the year 4.7% ahead of 2010, new home transactions will lag by 26%. The drop in

<sup>1</sup> Market arms-length residential transactions include both new and resale home transactions as determined by land title transfers.



new homes sales reflects the recessionary dearth in housing starts observed in 2009, particularly in the multi-family market. New housing activity is reflected in transaction statistics after the unit has been completed and title is transferred.

Resale transaction growth, which provides a better indicator of recent market demand, will be led by stronger multi-family sales. This reflects higher demand for more affordable housing and a rebound from a sharper sales decline in 2010. Resale housing activity will be more heavily weighted to early-year sales, as a sub-set of buyers moved up their purchases before the tightening federal mortgage insurance underwriting criteria took effect in March. Given that this was a permanent policy shift, the post-March slump in sales, amplified by economic uncertainty, high home prices, and slow employment growth, is expected to persist into 2012. However, recent declines in fixed-term mortgage rates will provide some stimulus to the market.

Housing Forecast					
	2009	2010	2011	2012	2013
Residential Transactions, Units <sup>1</sup>	99,608	89,018	88,200	90,700	104,500
% change	3.0	-10.6	-0.9	2.8	15.2
Residential Median Transaction Price <sup>1</sup>	369,900	390,500	417,000	425,000	437,000
% change	2.2	5.6	6.8	1.9	2.8
Housing Starts	16,077	26,479	25,900	27,600	32,300
% change	-53.2	64.7	-2.2	6.6	17.0

Source: Landcor Data Corp., CMHC. Central 1 Credit Union forecasts

Next year, total transactions will remain subdued, rising only 3.4%. New home transactions will key off the post-recession rebound in housing starts and jump 33%, led by a 54% gain in new apartment condominium sales. In contrast, resale transactions are forecast to edge down 2.0%, reflecting a slow down in migratory gains since 2010, a slight uptrend in mortgage rates and continued economic uncertainty. In the second-half of 2012, the housing market should gain traction on stronger economic growth and increased migration, despite a mild increase in mortgage rates. This upswing will persist through 2013 and push total sales up 14%.

Through the forecast horizon, residential transactions will be close to the annual average observed from 1996 through 2010, but significantly below cycle-highs observed from 2003 through 2007.

**Harmonized Sales Tax**

The projected impact of B.C. residents’ August vote to extinguish the year-old harmonized sales tax has been incorporated into this forecast. The B.C. government expects to return to the previous PST/GST tax regime by March 31, 2013.

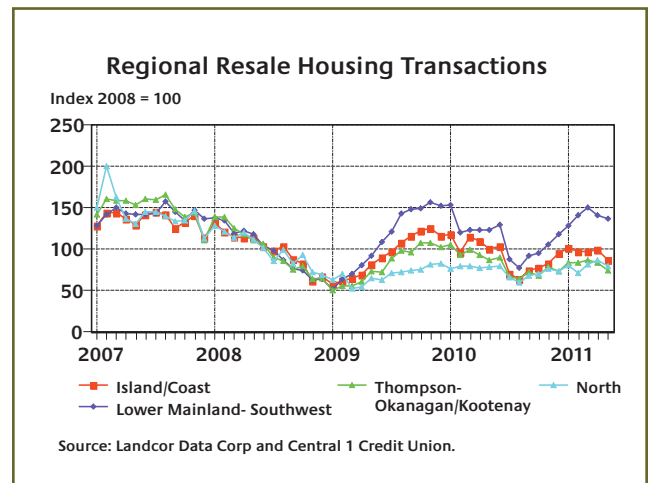
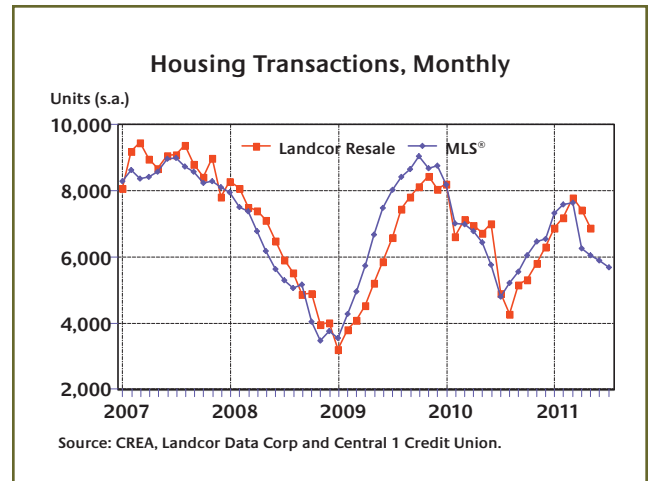
The impact on housing sales will primarily filter through the new home market and renovation sector in 2012 and 2013. In the new home market, some buyers of more expensive property will likely wait until the tax system reverts, before the purchase is made, to lower their tax burden. This will largely reflect less activity in the single-detached market in Greater Vancouver in 2012 and 2013. The degree of inter-year shifting of purchasing activity will be determined by transitional rules that remain to be established.

For property below \$525,000, a rebate was already in place to mitigate the impact of the tax, so most buyers in this price range will largely be unaffected by the change.

Resale transactions should largely be unaffected as the additional costs of HST on broker commissions, appraisals, and other professional services were small, relative to the purchase price. A shift back to PST/GST will yield only minor cost savings for consumers.

**Regional Resale Activity**

A key characteristic of the post-recession housing market has been the divergent housing strength between the Lower Mainland and most other areas of



the province. While the Lower Mainland-Southwest and, to a lesser extent, the Capital region had shown relatively stronger post-recession sales activity, most other regions remained at recessionary levels. The impact of low interest rates was more beneficial for real estate markets in larger, diversified economies with a higher proportion of local area buyers. In addition, employment growth was generally weaker outside of the Metro Vancouver region.

In contrast, regions with significant exposure to recreational housing demand such as the Okanagan, Kootenay and parts of Vancouver Island remained weak, with sales trending at half of pre-recession highs observed during the middle of the last decade. Tempered discretionary demand for luxury items on the part of buyers from areas such as Metro Vancouver, Alberta, and other national and international markets has kept recreational demand tepid. The elevated Canadian dollar has also made U.S. recreational real estate all that more attractive. In B.C.’s northern markets, sales trends have also been weak, but mining, energy, and forestry activity have provided support to housing activity in some markets.

This performance gap has narrowed since March as the tightening of federal mortgage insurance criteria effectively eliminated 35-year amortization loan products from the market. This policy extracted a significant number of marginal buyers in the pricier Lower Mainland market from near-term homeownership; this policy will continue to constrain demand, moving forward.

While first-quarter strength will propel 2011 sales in the Lower Mainland-Southwest region to 50,000 sales, up 11.1% from 2010, the persistence of the recent slowdown will push resale transactions down 5% in 2012 to 47,500 before the market rebounds by 8.9% in 2013. Annual sales will trend slightly below the latest 10-year average over the forecast horizon.

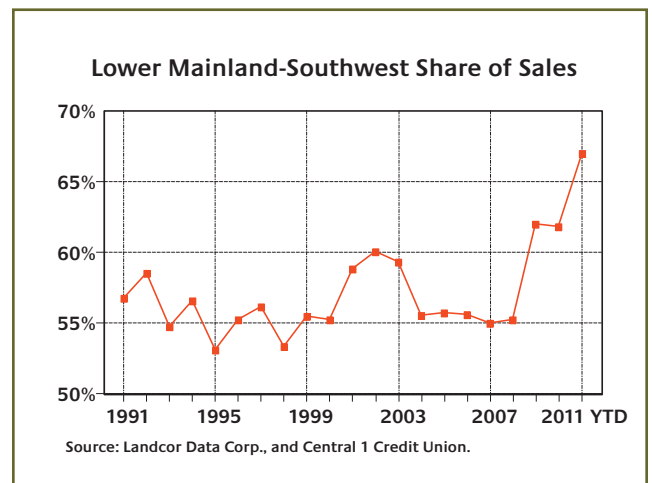
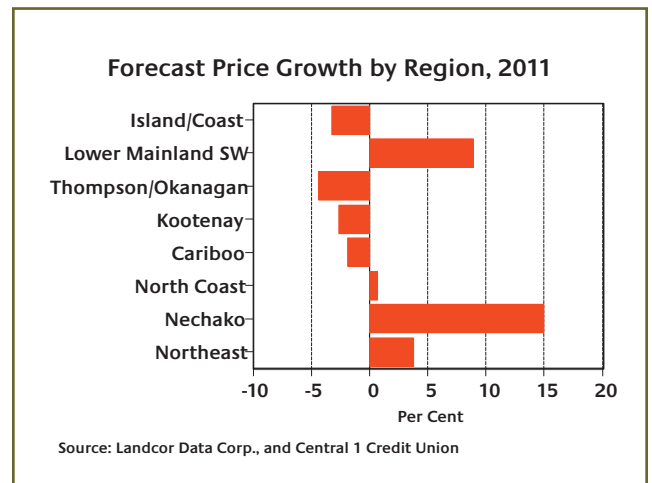
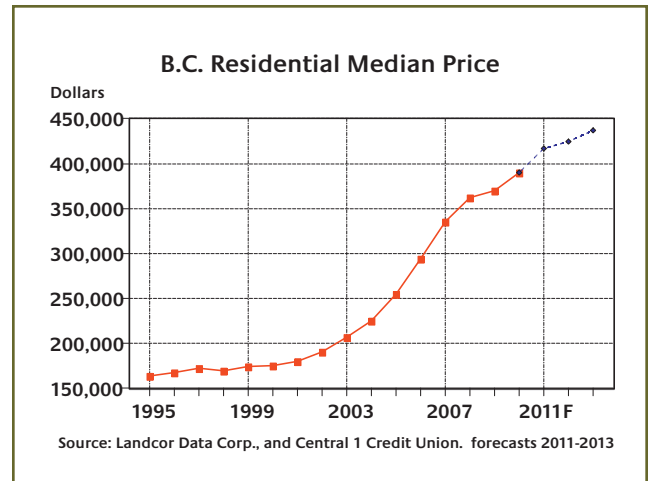
Sales in the Thompson-Okanagan, Kootenay, and Vancouver Island/Coast regions will drop for a fourth consecutive year in 2011. Each market will record at least a 6% decline in sales from 2010 on weak demand conditions. These markets will undergo strong gains in both 2012 and 2013, as external buyers creep back into these markets, but absolute sales will remain well shy of pre-recession levels. Recreational demand is not expected to fully recover until 2014 at the earliest.

Northern markets will be supported by resource-related activity over the forecast horizon. While sales remain well shy of pre-recession levels, the trend has been stable since 2010. In the northeast, sales will dip slightly this year following a 19% gain in 2010. Energy related economic activity is forecast to keep housing activity stable in 2012, with significant gains by 2013. Sales activity in the Cariboo region will remain flat through 2012, before rising sharply in 2013.

**Median Prices**

B.C.'s annual median transaction price is forecast to reach a record high \$417,000 this year, up 6.8% from 2010, as resale price levels climb 7% and the new home median price increases 5.6% from 2010. Gains will be led by higher detached-home values which are forecast to exceed last year's level by 8.7%.

While this may seem like a substantial provincial gain given the slower pace of sales activity observed in many B.C. regions, the higher price almost entirely reflects activity in the Lower Mainland-Southwest and the Greater Vancouver region in particular. Following flat intra-year pricing for most of 2010, the Lower Mainland-Southwest median price level observed a



10% surge late last year and into early 2011, largely reflecting a sharp upturn in demand for detached homes. In addition, stronger relative demand in the region increased the Lower Mainland's proportion of provincial sales, further pushed up the median provincial price.

While the price trend in the Lower Mainland region has moderated in recent months, and could observe a short-term decline, the annual median resale price

will remain elevated and exceed 2010 by 8.9% this year. In contrast, weak recreational demand and high levels of new and resale inventory will be reflected in year-over-year declines in resale price levels in the Thompson-Okanagan, Kootenay and Vancouver Island/Coast regions.

In the northern markets, market stability related to the natural resource sector will reflect in higher price levels this year.

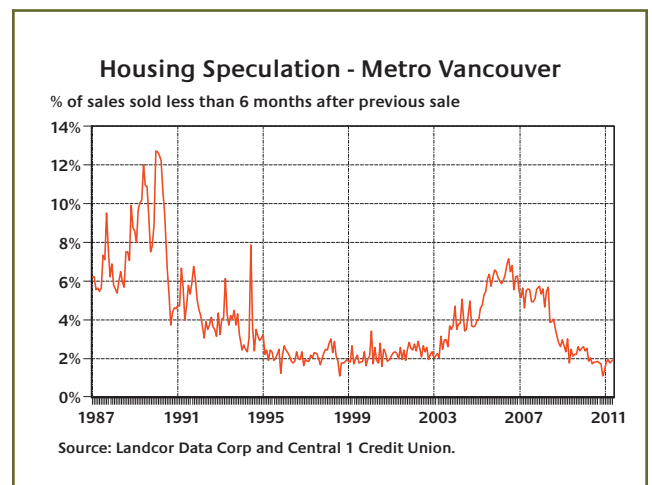
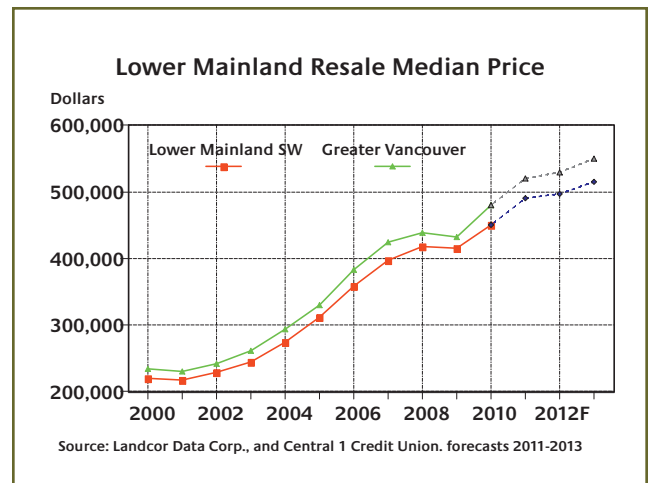
Subdued province-wide sales activity will result in slower median price growth over the next two years. B.C.'s median transaction price is forecast to rise by 1.9% in 2012 and 2.8% in 2013. Price levels in recreational markets are foreseen to grind lower in 2012, before a reversal in trend is established through 2013 on stronger demand and gradual reduction in excess inventory, which will push markets into balance from current buyers' market conditions. Price growth will largely remain on a moderate upward trend in northern markets over the forecast horizon.

**Lower Mainland-Southwest Price Forecast**

It has become fashionable to suggest that price levels in Lower Mainland-Southwest region of the province, and particularly Greater Vancouver, are set to correct substantially due to the significant price gains in recent years and a de-linking of home prices relative to income and rental rates. Central 1 does not subscribe to this view, but does expect price gains to slow considerably over the forecast horizon. While price levels may turn lower in the near term, the annual Lower Mainland-Southwest median resale price level in 2012 is forecast to surpass 2011 by 1.4% to reach \$497,000. A further gain of 3.6% is forecast in 2013.

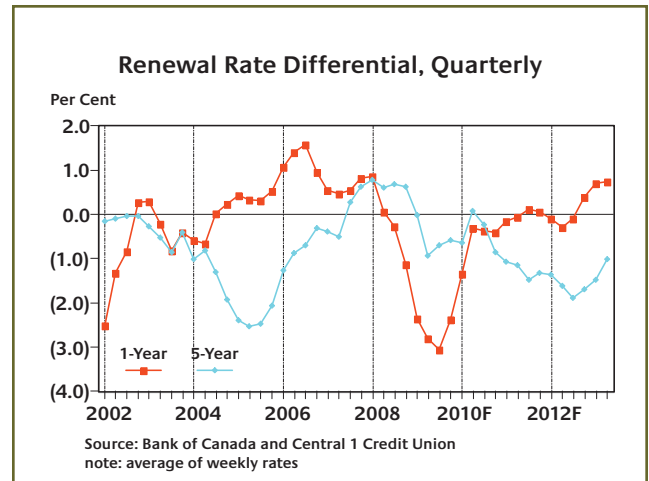
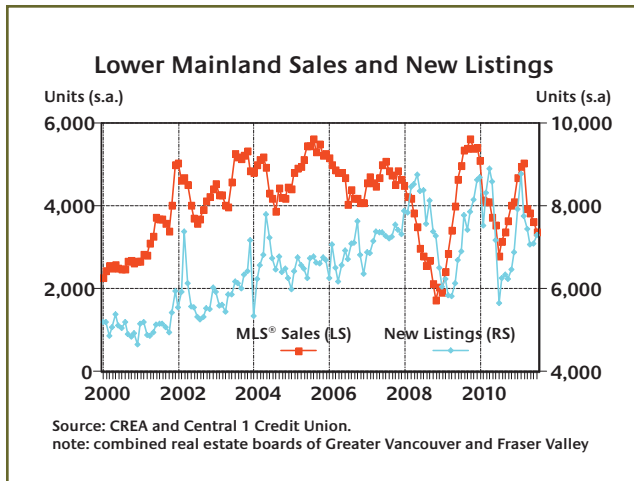
Central 1 deems a significant price correction in the Lower Mainland-Southwest to be unlikely for various reasons. First, much of the price growth in the region has been attributed to disproportionately strong demand for higher priced single-detached product in localized regions such as the west side of the City of Vancouver and Richmond. In contrast, price gains have been less substantial in other markets and product types, meaning this has not been a region-wide price surge. Moving forward, demand will likely remain stable as economic growth, albeit slow, persists and mortgage rates remain low.

In addition, speculative demand in the region remains low. The proportion of units re-sold within six months



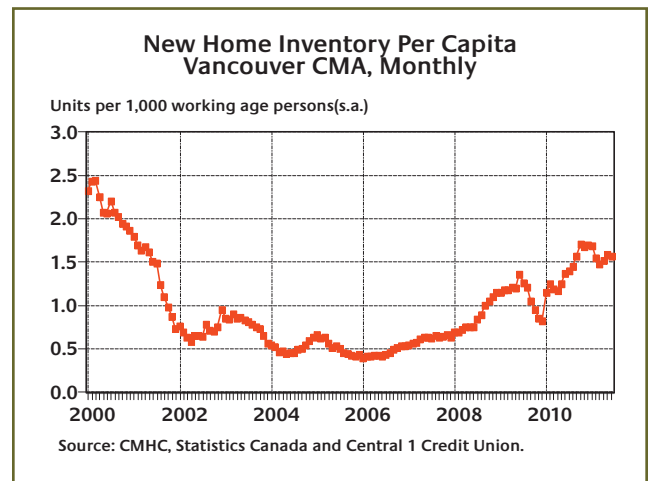
of purchase can be used a proxy for speculative activity. In theory, speculators look to gain through capital appreciation over a shorter time-frame relative to home-owner occupiers. In a period of higher speculation, which is generated by strong market activity and price gains, this proxy generally rises. However, this metric has exhibited a declining trend since early 2008, currently hovers near 2% and operates near normal levels. In contrast, this proxy surpassed 10% in the late 1980s, and was closer to 6% in 2006 when markets were overheated. The lack of excessive speculation suggests that we are unlikely to see a speculation-induced bust in pricing.

Meanwhile, price levels will be further supported by supply-side adjustments. Sales activity and the flow of new listings are positively correlated – when demand increases, new listings tend to follow in the months that follow. The opposite is also true. This reflects the tendency of sellers to capitalize on strong markets and rising prices, and sit tight when market conditions weaken. In the absence of any major shock in the economy such as a large and unexpected increase in interest rates or another recession, Central



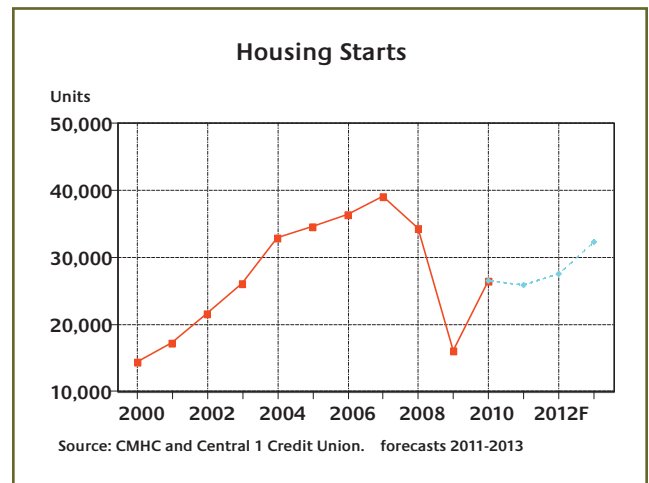
1 expects the recent slowdown in demand to be met by declining listings activity, which will mitigate growth in standing inventory of resale product.

Improvements in indicators associated with financial strain such as bankruptcy and mortgages in arrears rates suggest that, for the most part, owner-households will not need to divest of properties due to economic hardship. In addition, homebuyers who purchased in recent years will not observe a significant bump in fixed interest rates upon renewal, and could, in fact, renew at even lower rates.



Standing inventory in the new home market is also not excessive and unlikely to place significant downward pressure on prices. Although levels are near decade highs, and hover near 3,000 units in Metro Vancouver, per-capita inventory remains well below levels observed in the latter half of the 1990s and units in the construction pipeline are at levels observed in 2004.

While price levels in the Lower Mainland-Southwest are high, the imbalance will rectify over the longer-term through income growth and product shift, rather than a substantial price decline. Fundamentally, the regional land supply is tight relative to demand growth, which supports rising/high prices. Free-hold single-detached housing will continue to become a smaller and expensive component of the market as communities intensify and more-affordable multi-family apartment condominiums and attached housing become the norm.



#### Housing Starts

Provincial housing starts are forecast to remain relatively unchanged in 2011, edging down 2.2% to 25,900 units following a 65% gain recorded in 2010.

While aggregate starts will remain stable, an increase in construction in multi-family units will offset lower single-detached units.

In 2012, housing starts will rise 6.6% to 27,600. This forecast is lower than would be expected under an HST tax environment as some buyers are expected to delay purchases to 2013 in order to pay less tax under the PST/GST system. This will largely impact the

single-detached market in the Lower Mainland, but developers may find some minor difficulty in selling larger, more expensive units in multi-family structures given this transition.

With the time profile altered, housing starts will remain modest until the March 31, 2013 implementation date of the 12% PST/GST system. The policy tax shift will provide a lift to housing construction after this date, and push 2013 starts up 17% to 32,300 units.

### **Renovation Market**

Similar to the time profile of the new home market, constant dollar renovation spending growth in B.C. will be modest this year and next. This reflects the slowdown in resale market demand and the shift back to the PST/GST system slated for 2013. Tax on contractor renovations will drop with this shift and, given that a substantial portion of home renovation activity is discretionary or time-insensitive, renovation activity is likely to be delayed to 2013. Renovation spending is forecast to rise 0.5% this year and 1.5% next. In 2013, spending is forecast to increase 6.2%.

### **Vacancy Rates**

The average vacancy rate in B.C. will remain elevated over the forecast horizon, rising from 2.8% in 2010 to 3% in 2011. The increase reflects the slow pace of growth in employment and elevated unemployment rates, particularly for youth. The provincial unemployment rate for the 15-24 age grouping was 13.8% in July; nearly double the provincial rate for the entire labour force. High levels of unemployment delays the pace of household formation, as younger individuals either stay in the family home for a longer period due to economic reasons or opt to cohabitate. Additionally, the slowdown in net migration to the province will also mean weaker demand for rental units, as new migrants typically rent upon arrival, prior to moving into homeownership.

While the economy is less supportive of rental demand, the tightening of mortgage insurance rules pushed some buyers out of the homeownership market, in the short-term. As a result, these households will likely rent for longer than originally intended, providing support for rental demand.

In 2012 and 2013, the vacancy rate is forecast to edge down to 2.7% and 2.3%, reflecting modest employment gains and the strengthening economy.

### **Economic Environment**

The global economic slowdown is lasting longer and is more severe due to the natural disaster in Japan earlier this year, the worsening of the European debt crisis and the U.S. debt ceiling political wrangle negatively affecting confidence and equity markets. Also, unseasonable weather in the U.S. affected economic activity in the first half of 2011.

These global factors will contribute to slower provincial Gross Domestic Product (GDP) growth of 2.4% in 2011, down from an estimated 3.8% in 2010. A moderate growth performance is in store for 2012 at 2.8%. B.C.'s economy will gain momentum in 2013 at 3.5% and stays above 3% annually to 2015. The strengthening growth profile in latter forecast years reflect improved global economic conditions and the domestic demand lift from the reinstatement of the 12% PST/GST.

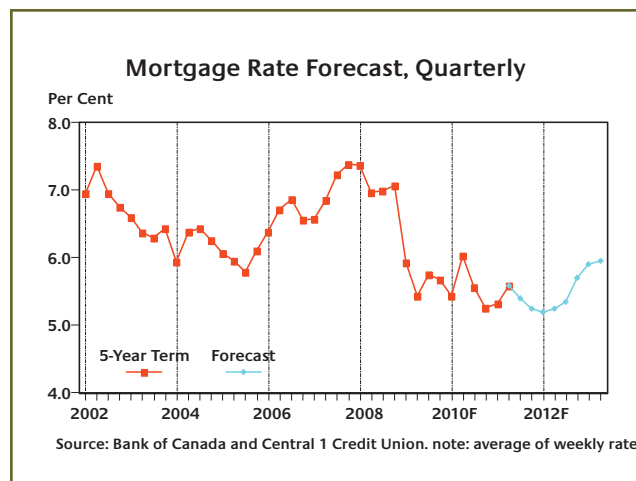
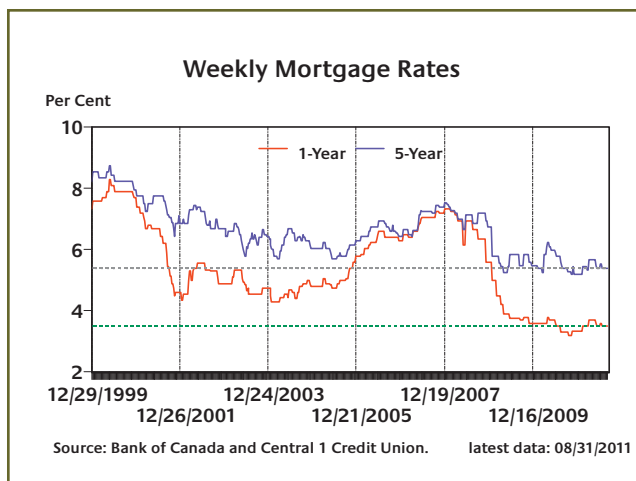
B.C.'s economic recovery will enter its third year in the second half of 2011, assuming no U.S. or global economic recession occurs during the remainder of the forecast period. There is a risk of recession of about 20% to 30% due to external factors, some of which are non-economic, but it is difficult to determine timing and causes. A financial crisis in Europe is currently at the top of the list.

The moderate growth trajectory will contribute to a slow recovery in B.C.'s labour market. The unemployment rate is forecast to remain high and not fall below 7% until later in 2013. This year's unemployment rate will rise slightly to 7.7% from 7.6% in 2010, and there will be slightly more unemployed people in 2011. Job growth will amount to an anemic 0.8% from 2010 this year, before improving to 1.7% next year and 2% in 2013.

### **Population**

Weak population growth through 2013 will be a limiting factor for housing over the forecast horizon. The provincial population is forecast to expand at a lackluster rate of 1.1% this year, and fare only slightly better in 2012 and 2013 with 1.2% growth.

The slow pace of growth will reflect a drop in the number of landed immigrants to B.C. from international markets this year and increased net outflow of residents to other provinces, primarily Alberta, in 2012 and 2013. This interprovincial net outflow reflects the stronger rebound in Alberta's economy and improved labour market conditions.



**Interest Rates**

The long awaited upward march in mortgage rates has yet to materialize. While fixed-term rates are marginally higher than late 2010, borrowing costs have remained near recessionary lows, albeit with modest deviations from current levels. June increases in mortgage rates were retraced and fell back in July. At the end of August, the posted 1-year fixed term sat at 3.5% while the 5-year rate was 5.39%. In late 2007, both rates were closer to 7.2%.

Mortgage rates will remain low and edge up beginning in the latter half of 2012 and through the remainder of the forecast horizon. This reflects a compression of bond yields, which have recently declined sharply in the U.S., Canada, and Germany during the latest round of market concerns and volatility. The U.S. central bank has stated that it expects no rate increase until mid-2013 and only then if conditions warrant.

While there is less excess capacity in Canada, which means growth will use up this capacity sooner than in the U.S., Central 1 forecasts that the Bank of Canada will follow the U.S. lead, holding off on a rate hike until late 2012, when the rate normalization

process is re-ignited. The modest rise in posted fixed term mortgage rates reflects longer term growth prospects in the economy. Canadian monetary policy cannot deviate too much from that of the U.S., and Canadian policy rates and bond yields will remain low over the forecast horizon.

Additionally, competition among lending institutions for market share in a slowing housing market could mean lower pricing of mortgage products, through lower posted rates, more aggressive discounting or other non-price related incentives.

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**Terms**

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### Housing Forecast

		2009	2010	2011	2012	2013
Residential Transactions <sup>1</sup>	All Units	99,608	89,018	88,200	90,700	104,500
	% change	3.0	-10.6	-0.9	2.8	15.2
	Resale Component	75,016	72,794	76,200	74,700	83,000
	% change	1.8	-3.0	4.7	-2.0	11.1
	New Component	24,592	16,224	12,000	16,000	21,500
	% change	6.9	-34.0	-26.0	33.3	34.4
Median Price <sup>1</sup>	All Units	369,900	390,500	417,000	425,000	437,000
	% change	2.2	5.6	6.8	1.9	2.8
	Resale Component	363,000	386,000	413,000	420,000	435,000
	% change	1.6	6.3	7.0	1.7	3.6
	New Component	385,065	409,900	433,000	438,000	445,000
	% change	3.5	6.4	5.6	1.2	1.6
MLS® Activity	Sales	85,028	74,640	77,000	74,500	85,000
	% change	23.4	-12.2	3.2	-3.2	14.1
	Listings	149,044	161,104	163,000	158,000	160,500
	% change	-15.7	8.1	1.2	-3.1	1.6
	Average Price	465,725	505,178	570,000	550,000	560,000
	% change	2.4	8.5	12.8	-3.5	1.8
Housing Starts, Units	Total	16,077	26,479	25,900	27,600	32,300
	% change	-53.2	64.7	-2.2	6.6	17.0
	Single-Detached	7,892	11,462	7,600	8,300	9,500
	% change	-28.2	45.2	-33.7	9.2	14.5
	Multi-family	8,185	15,017	18,300	19,300	21,600
	% change	-64.9	83.5	21.9	5.5	11.9
Vacancy Rate		3.0%	2.8%	3.0%	2.7%	2.3%

Source: Landcor Data Corp., CMHC, CREA, Central 1 Credit Union forecasts

<sup>1</sup>. Arms-length market transactions, single-unit ownership, improved properties excluding land and properties over 2 acres;

Transactions by Product		2009	2010	2011	2012	2013
Total Transactions <sup>1</sup>	All Units	99,608	89,018	88,200	90,700	104,500
	% change	3.0	-10.6	-0.9	2.8	15.2
	Detached	47,157	46,166	45,900	45,900	52,500
	% change	-0.4	-2.1	-0.6	0.0	14.4
	Condo Apartment	35,351	27,044	26,500	28,800	33,900
	% change	7.4	-23.5	-2.0	8.7	17.7
	Row/Duplex	16,659	15,275	14,700	15,400	17,400
	% change	4.7	-8.3	-3.8	4.8	13.0
Resale Transactions <sup>1</sup>	All Units	75,016	72,794	76,200	74,700	83,000
	% change	1.8	-3.0	4.7	-2.0	11.1
	Detached	41,855	41,224	42,000	41,950	47,300
	% change	-1.5	-1.5	1.9	-0.1	12.8
	Condo Apartment	20,664	19,507	21,000	20,300	22,400
	% change	8.2	-5.6	7.7	-3.3	10.3
	Row/Duplex	12,160	11,605	12,200	11,900	12,800
	% change	4.6	-4.6	5.1	-2.5	7.6
New Home Transactions <sup>1</sup>	All Units	24,592	16,224	12,000	16,000	21,500
	% change	6.9	-34.0	-26.0	33.3	34.4
	Detached	5,302	4,942	3,900	3,950	5,200
	% change	9.4	-6.8	-21.1	1.3	31.6
	Condo Apartment	14,687	7,537	5,500	8,500	11,500
	% change	6.2	-48.7	-27.0	54.5	35.3
	Row/Duplex	4,499	3,670	2,500	3,500	4,600
	% change	5.2	-18.4	-31.9	40.0	31.4

Source: Landcor Data Corp., Central 1 Credit Union forecasts

<sup>1</sup> Arms-length market transactions, single-unit ownership, improved properties excluding land and properties over 2 acres;

Median Price by Product		2009	2010	2011	2012	2013
All Transactions <sup>1</sup>	All Units	369,900	390,500	417,000	425,000	437,000
	% change	2.2	5.6	6.8	1.9	2.8
	Detached	438,000	460,000	500,000	508,000	521,000
	% change	3.3	5.0	8.7	1.6	2.6
	Condo Apartment	319,000	325,000	345,000	350,000	358,000
	% change	2.9	1.9	6.2	1.4	2.3
	Row/Duplex	348,000	363,900	377,000	386,000	396,000
	% change	-0.6	4.6	3.6	2.4	2.6
Resale Transactions <sup>1</sup>	All Units	363,000	386,000	413,000	420,000	435,000
	% change	1.6	6.3	7.0	1.7	3.6
	Detached	425,000	449,775	490,000	495,000	510,000
	% change	3.0	5.8	8.9	1.0	3.0
	Condo Apartment	295,000	315,000	339,000	335,000	348,000
	% change	1.4	6.8	7.6	-1.2	3.9
	Row/Duplex	334,000	356,000	377,000	385,000	395,000
	% change	-1.6	6.6	5.9	2.1	2.6
New Home Transactions <sup>1</sup>	All Units	385,065	409,900	433,000	438,000	445,000
	% change	3.5	6.4	5.6	1.2	1.6
	Detached	519,047	525,231	585,000	600,000	625,000
	% change	0.9	1.2	11.4	2.6	4.2
	Condo Apartment	350,250	359,660	366,900	375,000	395,000
	% change	4.3	2.7	2.0	2.2	5.3
	Row/Duplex	384,770	384,860	382,000	390,000	400,000
	% change	3.4	0.0	-0.7	2.1	2.6

Source: Landcor Data Corp., Central 1 Credit Union forecasts

<sup>1</sup>. Arms-length market transactions, single-unit ownership, improved properties excluding land and properties over 2 acres;

Annual Residential Resale Transactions					
Economic Region	2009	2010	2011	2012	2013
Vancouver Island/Coast	13,164	12,483	11,550	12,000	13,500
% change	-5.3	-5.2	-7.5	3.9	12.5
Lower Mainland/Southwest	46,561	45,013	50,000	47,500	51,750
% change	14.2	-3.3	11.1	-5.0	8.9
Thompson/Okanagan	8,997	8,752	8,100	8,500	9,750
% change	-12.3	-2.7	-7.4	4.9	14.7
Kootenay	2,296	2,303	2,150	2,300	2,750
% change	-25.5	0.3	-6.6	7.0	19.6
Cariboo	2,164	2,237	2,150	2,250	2,800
% change	-24.1	3.4	-3.9	4.7	24.4
North Coast	535	526	700	790	840
% change	-41.4	-1.7	33.1	12.9	6.3
Nechako	375	384	425	400	450
% change	-34.2	2.4	10.7	-5.9	12.5
Northeast	924	1,096	1,075	960	1,240
% change	-32.5	18.6	-1.9	-10.7	29.2
Province	75,016	72,794	76,200	74,700	83,000
% change	1.8	-3.0	4.7	-2.0	11.1

Annual Residential Resale Transactions					
Regional District	2009	2010	2011	2012	2013
Greater Vancouver	40,764	39,270	44,250	41,500	44,500
% change	18.6	-3.7	12.7	-6.2	7.2
Capital	6,432	5,897	5,350	5,600	6,250
% change	3.9	-8.3	-9.3	4.7	11.6
Central Okanagan	3,170	3,118	2,950	3,100	3,500
% change	-10.7	-1.6	-5.4	5.1	12.9
Fraser Fort-George	1,360	1,412	1,440	1,500	1,750
% change	-20.6	3.8	2.0	4.2	16.7
Fraser Valley	4,578	4,372	3,900	4,050	4,600
% change	-4.8	-4.5	-10.8	3.8	13.6
Nanaimo	2,886	2,841	2,540	2,700	3,000
% change	-8.4	-1.6	-10.6	6.3	11.1
Thompson-Nicola	2,119	2,090	1,975	2,050	2,350
% change	-14.7	-1.4	-5.5	3.8	14.6

Source: Landcor Data Corp., Central 1 Credit Union forecasts

Arms-length market transactions, single-unit ownership, improved properties excluding land and properties over 2 acres;

Median Annual Residential Price					
Economic Region	2009	2010	2011	2012	2013
Vancouver Island/Coast	335,000	347,000	336,000	330,000	339,000
% change	-1.5	3.6	-3.2	-1.8	2.7
Lower Mainland/Southwest	415,000	450,000	490,000	497,000	515,000
% change	-0.6	8.4	8.9	1.4	3.6
Thompson/Okanagan	310,000	319,000	305,000	300,000	312,000
% change	-1.6	2.9	-4.4	-1.6	4.0
Kootenay	228,250	230,000	224,000	220,000	228,000
% change	-0.8	0.8	-2.6	-1.8	3.6
Cariboo	180,000	183,500	180,000	180,000	185,000
% change	5.3	1.9	-1.9	0.0	2.8
North Coast	135,000	144,000	145,000	143,000	147,000
% change	1.9	6.7	0.7	-1.4	2.8
Nechako	138,000	143,500	165,000	170,000	172,000
% change	13.3	4.0	15.0	3.0	1.2
Northeast	213,250	213,000	221,000	225,000	235,000
% change	6.9	-0.1	3.8	1.8	4.4
Province	363,000	386,000	413,000	420,000	435,000
% change	1.6	6.3	7.0	1.7	3.6

Median Annual Residential Price					
Regional District	2009	2010	2011	2012	2013
Greater Vancouver	432,000	480,000	521,000	530,000	550,000
% change	-1.6	11.1	8.5	1.7	3.8
Capital	430,000	460,000	452,000	439,000	444,000
% change	-2.3	7.0	-1.7	-2.9	1.1
Central Okanagan	363,850	376,750	365,000	357,000	371,000
% change	-7.9	3.5	-3.1	-2.2	3.9
Fraser Fort-George	192,750	195,000	186,000	187,500	196,500
% change	2.5	1.2	-4.6	0.8	4.8
Fraser Valley	305,000	314,000	298,000	295,000	305,000
% change	-4.7	3.0	-5.1	-1.0	3.4
Nanaimo	300,000	315,000	309,000	300,500	308,000
% change	-3.8	5.0	-1.9	-2.8	2.5
Thompson-Nicola	273,800	290,000	277,000	272,000	278,000
% change	-0.2	5.9	-4.5	-1.8	2.2

Source: Landcor Data Corp., Central 1 Credit Union forecasts

Arms-length market transactions, single-unit ownership, improved properties excluding land and properties over 2 acres;

Total Housing Starts <sup>1</sup>						
Economic Region		2009	2010	2011	2012	2013
Vancouver Island/Coast	Total	2,489	3,983	3,100	3,300	4,200
	% change	-42.6	60.0	-22.2	6.5	21.2
Lower Mainland/Southwest	Total	9,174	16,598	18,000	18,600	21,000
	% change	-58.3	80.9	8.4	3.3	7.0
Thompson/Okanagan	Total	1,558	2,213	1,600	1,800	2,200
	% change	-59.0	42.0	-27.7	12.5	22.2
Kootenay	Total	106	173	100	130	200
	% change	-49.5	63.2	-42.2	30.0	53.8
Cariboo	Total	259	302	315	375	420
	% change	-20.3	16.6	4.3	19.0	12.0
North Coast	Total	31	27	25	40	50
	% change	-52.3	-12.9	-7.4	60.0	25.0
Northeast	Total	173	309	250	300	320
	% change	-6.0	78.6	-19.1	20.0	6.7
Province <sup>2</sup>	Total	16,077	26,479	25,900	27,600	32,300
	% change	-53.2	64.7	-2.2	6.6	17.0

Source: CMHC. Central 1 Credit Union forecasts

<sup>1</sup> Regional starts include data for census metropolitan areas (CMA) and census agglomerations (CA)

<sup>2</sup> Provincial aggregate includes rural starts

**Forecast Summary: British Columbia**

	2009	2010	2011F	2012F	2013F
Real GDP, % chg.	-1.8	3.8	2.4	2.8	3.5
Nominal GDP, % chg.	-3.4	6.7	4.4	5.6	6.0
Employment, % chg.	-2.1	1.7	0.8	1.7	2.0
Unemployment Rate, %	7.7	7.6	7.7	7.3	7.0
Population, % chg.	1.7	1.6	1.1	1.2	1.2
Housing Starts, units, 000s	16.1	26.5	25.9	27.6	32.3
Retail Sales, % chg.	-4.4	5.3	2.4	4.2	5.8
Personal Income, % chg.	-0.1	4.9	4.1	3.9	4.2
Consumer Price Index, % chg.	0.0	1.4	2.3	1.7	1.4

Statistics Canada, Central 1 Credit Union

**Population components: British Columbia**

	2009	2010	2011F	2012F	2013F
Population, 000s	4460.3	4531.0	4580.3	4634.0	4690.4
% change	1.7	1.6	1.1	1.2	1.2
Net Migration, 000s	63.1	57.3	37.1	41.8	44.7
Net International, 000s	53.1	48.0	38.0	45.3	47.1
Net Interprovincial, 000s	10.0	9.4	-0.9	-3.5	-2.4

Statistics Canada, Central 1 Credit Union

**Posted Fixed Term Mortgage Rates**

	2009	2010	2011F	2012F	2013F
1-Year	4.08	3.49	3.48	3.46	4.17
3-Year	4.62	4.28	4.32	4.27	5.00
5-Year	5.70	5.57	5.39	5.37	6.00

Bank of Canada, Central 1 Credit Union