

# HOUSING FORECAST

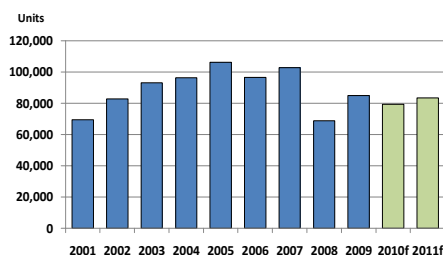
## THIRD QUARTER UPDATE

ECONOMICS JULY 2010

### HOME SALES TO RISE IN 2011

BC housing markets are returning to typical post-recession demand patterns. The dramatic rebound in consumer demand during 2009 and subsequent decline during the first two quarters of 2010 has set the stage for a gradual increase in home sales during the fall and through 2011. Resi-

BC MLS® Residential Sales



Source: BCREA

dential unit sales through the Multiple Listing Service® (MLS®) in BC are forecast to decrease 7 per cent to 79,500 units in 2010, before climbing 5 per cent to 83,400 units in 2011.

A slower than expected normalization of interest rates will temper erosion of affordability as economic output posts more moderate growth for the balance of this year and through 2011. Stronger corporate profits are triggering employment growth and a reduction in the unemployment rate is now underway.



A larger inventory of homes for sale has created the most favourable supply conditions for home buyers in more than a year. While tighter mortgage qualifications for low equity home buyers has negatively impacted demand, more borrowers are now channeling into 5-year fixed mortgages where discounted rates increase purchasing power.

The average MLS® residential price is forecast to increase 6 per cent to \$492,800 this year and edge down 1 per cent to \$489,500 in 2011. Some softness in home prices is expected through the summer months in most regional markets. However, inventory levels peaked in May and will likely edge lower in the coming months, leading to more balanced conditions in the fall with a commensurate firming of home prices.

After a sharp pull back in new home construction last year, home builders are gradually increasing production to meet demand. BC led the country in population growth over the last three quarters and with the inventory of complete and unoccupied units expected to decline, builders are adjusting production to match supply with household formation.

MLS®	09	10f	11f
Sales	85,028 23%	79,500 (7%)	83,400 5%
Avg Price	465,725 2%	492,800 6%	489,450 (1%)
\$ Volume	39.6 Bil 26%	39.1 Bil 1%	40.8 Bil 4%
<b>Housing Starts<sup>1</sup></b>			
Total	16,077 (53%)	23,100 44%	25,600 17%
Single	7,892 (28%)	10,000 27%	10,700 7%
Multiple	8,185 (65%)	13,100 60%	14,900 14%
	<b>09</b>	<b>10f</b>	<b>11f</b>
Real GDP Growth	(2.3%)	3.3%	2.9%
Employment Growth	(2.4%)	1.8%	2.1%
Unemployment rate	7.6%	7.5%	7.1%
Net Migration	58,571	62,300	64,100
5-Yr Mortgage Rate Range	5.25- 5.79	5.42- 6.00	6.10- 6.60

1. Source: CMHC, BCREA Forecast

2. Source: Statistics Canada, BC Stats, BCREA Forecast



## HOUSING FORECAST SUMMARY— QUARTER 3 2010

Board Area	Unit Sales			Average MLS® Price (\$)		
	2009	2010F	2011F	2009	2010F	2011F
<b>Victoria</b>	7,660 24.1%	6,800 (11.2%)	7,150 5.1%	476,137 (1.8%)	507,800 6.6%	505,000 (0.6%)
<b>Vancouver Island</b>	7,280 6.8%	7,250 (0.4%)	7,690 6.1%	316,118 (4.4%)	324,900 2.8%	332,400 2.3%
<b>Powell River Sunshine Coast</b>	263 25.2%	275 4.6%	280 1.8%	237,125 (6.7%)	244,000 2.9%	249,200 2.1%
<b>Greater Vancouver</b>	36,257 44.2%	31,900 (12.0%)	33,600 5.3%	592,441 (0.2%)	654,500 10.5%	644,000 (1.6%)
<b>Fraser Valley</b>	15,660 24.4%	15,300 (2.3%)	15,500 1.3%	425,796 (1.4%)	448,800 5.4%	446,000 (0.6%)
<b>Chilliwack and District</b>	2,274 11.7%	2,310 1.6%	2,400 3.9%	296,601 (6.2%)	312,100 5.2%	316,000 1.2%
<b>Kamloops and District</b>	2,334 4.4%	2,240 (4.0%)	2,410 7.6%	300,349 (2.3%)	309,500 3.0%	312,000 0.8%
<b>Okanagan Mainline</b>	5,678 4.0%	5,400 (4.9%)	5,850 8.3%	379,711 (6.6%)	389,000 2.4%	395,000 1.5%
<b>South Okanagan</b>	1,545 4.3%	1,540 (0.3%)	1,610 4.5%	314,833 (7.2%)	324,600 3.1%	329,500 1.5%
<b>Kootenay</b>	2,119 (6.4%)	2,250 6.2%	2,400 6.7%	274,118 (4.7%)	276,600 0.9%	279,500 1.0%
<b>Northern Lights</b>	340 (28.1%)	385 13.2%	410 6.5%	222,294 16.0%	218,000 (1.9%)	223,400 2.5%
<b>BC Northern</b>	3,618 (10.4%)	3,850 6.4%	4,100 6.5%	211,805 (1.6%)	217,500 2.7%	224,000 3.0%
<b>BC Total</b>	<b>85,028</b> 23.4%	<b>79,500</b> (6.5%)	<b>83,400</b> 4.9%	<b>465,725</b> 2.4%	<b>492,820</b> 5.8%	<b>489,454</b> (0.7%)

*BCREA Economics provides timely research, analysis and information on economic factors affecting British Columbia and its housing markets.*

### British Columbia Real Estate Association

BCREA represents 12 member real estate boards and their approximately 18,000 REALTORS® on all provincial issues, providing an extensive communications network, standard forms, economic research and analysis, applied practice courses and continuing professional education (cpe).

To demonstrate the profession's commitment to improving Quality of Life in BC communities, BCREA supports policies that encourage economic vitality, provide housing opportunities, respect the environment, and build better communities with good schools and safe neighbourhoods.

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