



B.C. HOUSING MARKET FORECAST 2006-2008

Gradual market adjustment ahead

Sales and housing starts forecasts in this report are revised modestly downward from six months ago, but the trajectory has definitely changed. Instead of higher unit sales and starts in 2007, this new forecast sees lower levels. This assessment is made on the basis of recent trends and assumptions about demand fundamentals in 2007. Of course, those assumptions could be off the mark, and if interest rates decline as some forecasters suggest, higher unit sales and starts would prevail and maintain their upward trajectory in 2007.

For a forecaster, this is a particularly difficult juncture because the market has been rising for the past six years, and every market ultimately reaches a point where supply growth exceeds demand growth. The housing market is no exception, as long as it operates unimpeded. Favourable demand conditions are anticipated during the next two years, except for the price affordability-squeeze on low-equity buyers. As a result, a gradual market adjustment process is the most likely outcome, unlike the sharper corrections of the past caused by negative demand fundamentals.

Forecast Highlights

- Housing market activity to remain high
- Affordability for low-equity buyers worsens
- Sales slip lower, price increases slowing
- Tighter rental market
- Soft-landing market adjustment ahead
- Lower-cost markets outperform higher-cost urban markets

Housing Forecast Summary: British Columbia

	2005	2006f	2007f	2008f
Residential Sales ¹ (units)	139,891	133,000	128,000	125,000
Residential MLS® Sales (units)	106,310	97,000	92,500	89,500
Residential MLS® Listings (units)	138,835	145,000	150,000	146,000
Residential MLS® Average Price (\$)	332,224	392,000	415,000	428,000
Housing Starts: Total (units)	34,667	37,000	36,600	34,900
Single-Family (units)	13,719	15,600	16,900	16,000
Multi-Family (units)	20,948	21,400	19,700	18,900
Rental Vacancy: Multi-Family (%)	2.0	1.2	0.8	0.6
Renovation Spending (million \$)	3,900	4,200	4,700	5,200

Source: Landcor Data Corp, CREA, CMHC, Statistics Canada, CUCBC forecasts.

¹ Arms-length transactions, single-unit ownership, improved properties excluding land and properties over 2 acres.

Current Market Conditions

Market conditions are shifting away from a tight seller's market. Considerable market price pressures remain, though it is not a balanced market at this time. Sales are off last year's highs and the rate of price increase is slowing. More supply is coming on to the market.

Sales - Housing sales continue to slide lower. Monthly B.C. Multiple Listing Service® (MLS) residential unit sales have been down on a trend basis for 14 straight months, following their high in July 2005. The run-up in mortgage rates between July 2005 and August 2006 is the main reason for the sales decline, along with the climb in prices resulting in worsening affordability.

This October's seasonally adjusted unit sales came in higher than in September, which could indicate an end to the trend decline, though it will take a couple more months of sales gains to alter the trend. October's sales gain is probably due to the mortgage rates cuts in September and October.

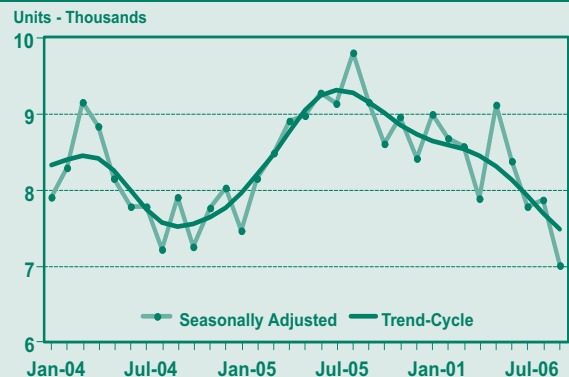
Overall, the sales decline is more widespread geographically than six months ago. Initially, it was centred in the Lower Mainland and Victoria markets, but it has since spread to most other regional markets. The B.C. Northern Real Estate Board (REB) and the Kootenay REB are currently the exceptions.

Annual 2006 sales are expected to fall in most REBs, led by Vancouver with a 15% decline from 2005, and a 10% drop in the Fraser Valley and Victoria areas. Gains are forecast for the B.C. Northern, Chilliwack, and Kamloops REB areas.

Total B.C. residential sales in 2006 look to decline by about 4%, while MLS® sales are projected to drop by nearly 9%. The MLS® market share tends to decline in the latter stages of a strong market. Total sales data are made available by Landcor Data Corp and originate from the B.C. Assessment Authority.

Listings - Units coming on to the market as measured by B.C. MLS® listings are generally rising, with some levelling out in the most recent

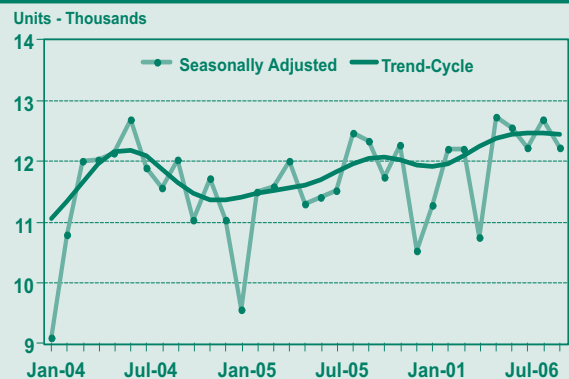
B.C. MLS® Residential Sales, Monthly



Source: CREA, CUCBC.

Latest: September 2006

B.C. MLS® Residential New Listings



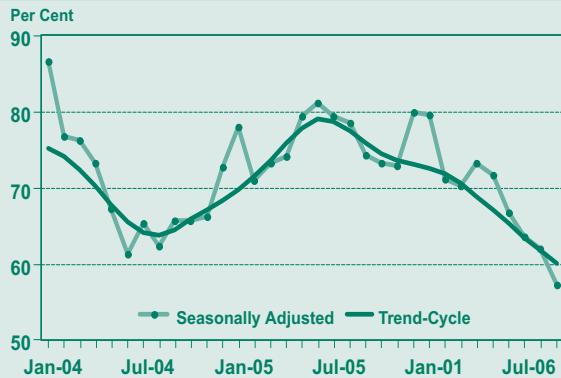
Source: CREA, CUCBC.

Latest: September 2006

months. Listings will close out the year up about 5% over 2005. Most REBs are seeing a rising trend in units listed each month, driven mainly by higher prices.

Market Balance - Sellers' market conditions are subsiding with the combination of fewer sales and more listings. The sales-to-new listings ratio was around 60% in September, down from 80% at the high point in June 2005 and the lowest mark since 2001. Another measure, Vancouver REB's sales-to-active listings ratio, was down to 24% in October from over 40% in July 2005. Market conditions remain tight but are considerably looser, and this means less price pressure going forward.

B.C. MLS® Residential Sales-to-New Listings Ratio, Monthly



Source: CREA, CUCBC.

Latest: September 2006

Most regions in B.C. exhibit this change in market conditions, with the exception of the B.C. Northern, Chilliwack, and Kootenay REB areas.

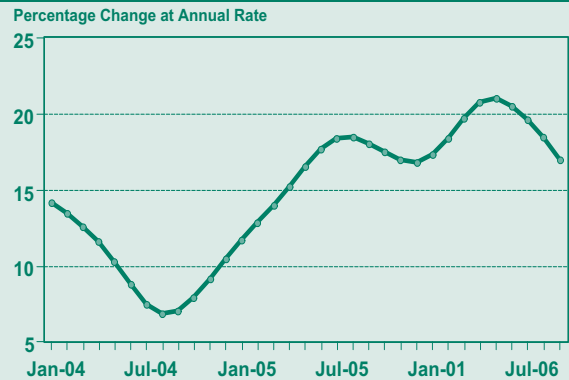
Prices - A slowing rate of increase is evident in MLS® sales prices. Prices were rising at roughly a 17% annual rate in September compared to just over 20% a few months earlier, and will continue slowing for several more months. This slowing trend is present in most markets.

For 2006, the residential MLS® average sales price looks to rise by 18% to \$392,000, compared to last year's 15% gain in B.C. Most REB areas mirror the provincial gain, with the highest increase seen in Kamloops at 24% and the smallest in Victoria at 12%.

The MLS® residential average sales price topped \$400,000 in September for only the second time in its history. This overstates prices because the MLS® captures relatively more higher-priced homes. Landcor Data Corp. data reveals an average sales price about 10% lower than the MLS® average price. Moreover, September's median sales price of \$313,000 was a further 10% lower, or 20% lower than the MLS® average.

New Construction - Housing starts are trending down from their February 2006 high. Both single-detached and multi-unit starts in urban B.C. centres are lower. Housing starts for the year, however, will finish about 7% higher than last year, at 37,000 units for all of B.C. Most of this gain is in the

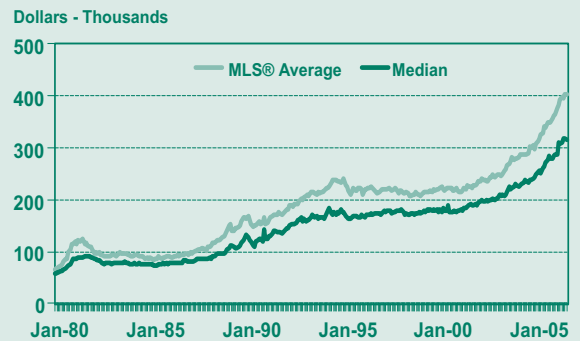
B.C. MLS® Residential Average Sales Price Increases



Source: CREA, CUCBC.

Latest: September 2006

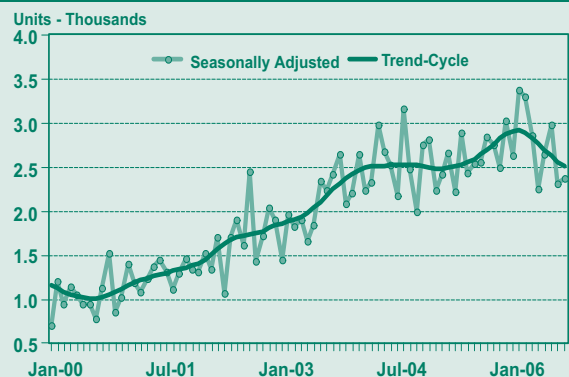
B.C. Residential Median and MLS® Average Sales Price



Source: Landcor Data Corp, CREA.

Latest: September 2006

Urban B.C. Housing Starts, Monthly



Source: CMHC, CUCBC.

Latest: September 2006

single-detached sector, with multi-unit starts set for a small gain, barring a fourth-quarter resurgence.

Each of the seven development regions in B.C. has contributed to the overall gain. The largest percentage gains this year are in the northern regions such as the Cariboo, Northeast, and North Coast-Nechako, though the latter is off a very low baseline.

Housing Speculation - The Speculation Indicator or flipping rate is up to 6% in B.C., which is up slightly from six months ago. The percentage of units purchased and held for less than six months is on a modest uptrend that began in 2003. The current level is well below the highs seen at the previous market peaks of 20% in 1981 and 10% in 1990.

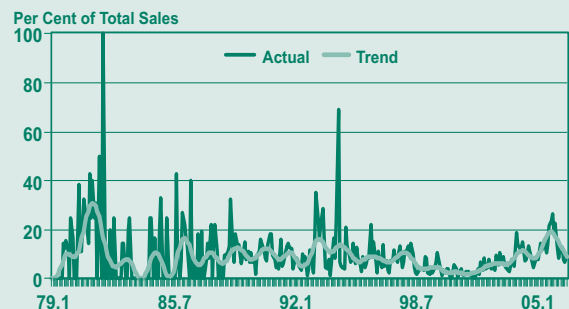
The downtown Vancouver apartment condominium market still has relatively more speculation activity than other B.C. markets, at about 10% in recent months. This, however, is down from six months ago when it reached 20%.

The Speculation Indicator understates overall speculative activity since it excludes sales of units under construction or at the marketing stage. Pre-selling of units and reselling those purchase agreements is not captured in this database. Consequently, comparisons to the past are skewed by the prevalence of pre-selling in this market compared to earlier times, when pre-selling was uncommon or non-existent. In contrast, this indicator overstates flipping since some purchasers might perform renovations on their property and then resell within six months, and still other purchasers might sell for reasons other than a quick flip, such as a job transfer.

Forecast of Housing Demand Factors

Demand fundamentals are expected to remain quite favourable for the next couple of years. Stronger income growth is the primary catalyst, along with still reasonable interest rates and modestly higher migration to B.C. Poor affordability among potential low-equity buyers is the main demand negative going forward. Availability of financing is not a constraint.

Downtown Vancouver Condominium Sales Held for Less Than Six Months



Source: Landcor Data Corp, CUCBC. Latest: September 2006
Note: Excludes presales prior to construction completion.

Interest Rates -With short rates in the neutral zone and no significant slowdown or acceleration in Canada's economic growth likely, little change in the prime lending rate is expected. The Bank of Canada is currently in a holding pattern and would adjust rates downward if growth slows more than expected. Some economists see the Bank cutting rates two or three times in 2007 based on much slower growth. Should this materialize, it would boost housing sales.

While little or no change in the prime rate is foreseen in the next two years, some movement in longer-term rates is inevitable. The spread between long and short rates is abnormally low and occasionally negative, which is an unsustainable position. Long bond yields need to be higher than current levels to normalize the risk-reward relationship. Bond yields fluctuate on economic news and expectations, and unless the economy slows substantially, long bond yields will not fall any farther beyond temporary fluctuations.

The five-year posted mortgage rate, currently at 6.80%, is forecast to rise to 7.00% in 2008. The five-year bond yield will rise by more than 20 basis points, but since the spread between the posted mortgage rate and the bond yield is higher than usual, some spread compression is expected.

Economy - Above-average growth is predicted for B.C.'s economy during the forecast period, with real GDP growth at 4.0% in 2007 and 3.5% in 2008. Our forecast for 2006 is 4.2%, which

follows 3.5% growth in 2005. B.C.'s economy is in a robust growth phase, which is driven by domestic demand and aided by energy and mining export strength, but held down by weakness in forestry and international tourism exports. The current growth phase is the strongest since the late 1980s and early 1990s.

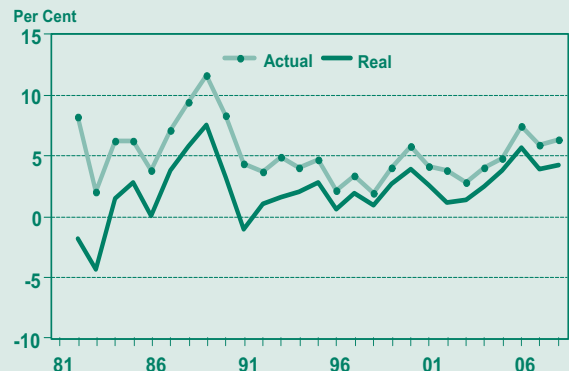
Labour Market - Net job growth is likely to slow under increasing labour supply constraints, but result in accelerating wage and salary gains. Unless net migration or the labour force participation rate rise more than expected, net job growth looks to slow to 2.7% in 2007 and 2.2% in 2008. The unemployment rate will fall to 3.3% in 2008 if these forecasts pan out. This year's will average 4.4% with 3.2% job growth. Another way to increase the labour supply is by working more hours, and average weekly hours worked are projected to inch steadily upward.

Incomes - Faster labour income growth is occurring due to the tight labour market, with annual growth of above 7% expected in each of the next two years. Personal income and personal disposable income growth are expected to rise to about 6% per year in 2007 and 2008. After adjusting for inflation, real income gains of about 4% will prevail. Income growth contributes to ownership housing demand, with a time lag of two years or longer, and it has a shorter positive impact on rental demand.

The average income of B.C. families is projected to grow at a faster pace, climbing to \$76,600 in 2008 from an estimated \$69,700 in 2006. The most recent Statistics Canada estimate is \$64,100 in 2004. For two-parent families with children and two earners, the average income is considerably higher, at \$82,800 in 2004, and is projected to climb to \$99,000 in 2008. A large portion of home buyers are two-income households.

Population - Higher net migration to B.C. will push overall population growth modestly higher to 1.4% in 2008. Alberta's higher wage rate continues to attract the majority of mobile workers in Canada, which limits interprovincial in-migration to B.C. This leaves immigration as B.C.'s main source of population growth.

B.C. Disposable Income Growth, Actual and Inflation-Adjusted



Source: CUCBC. Note: Forecast commences 2006

B.C. Net Migration



Source: Statistics Canada, CUCBC. Notes: As of July 1 each year, forecast 2006

Affordability - Purchasing affordability is the poorest since this housing recovery began in 2000. First-time buyers are most negatively impacted by these affordability trends and the outlook sees further worsening in 2007 and 2008, though at a decelerating pace. The B.C. Home Purchase Affordability Index, which mainly reflects conditions for lower-equity buyers, will decline further due to rising home prices.

Higher-equity buyers, mainly existing homeowners and investors, are much less affected by deteriorating affordability because they benefit from rising home prices. These buyers are more adversely affected by the cost of financing than by higher prices.

Financing Availability - Readily available financing with many new options helps keeps buyer activity at a high level. Financing options to address affordability have expanded to include zero down-payment mortgages, interest-only mortgages, and longer amortization mortgages. While interest rates are higher than before, some of these new mortgage features keep monthly payments lower than otherwise.

According to a survey of B.C. credit union loans managers, lending criteria have not changed materially in the past six months. A slight tilt towards tightening is evident, but not enough to make a material difference. It is reasonable to conclude that financing for principal residences is just as available now as six months ago.

Pent-up Demand - After more than five years of rising home sales and new housing construction, pent-up demand is lower now than at any time since this expansion began. However, pent-up demand is rising among first-time and low-equity buyers since their ability to exercise demand will be limited for the rest of this cycle. They will not re-emerge as a greater force in the market until affordability is significantly improved, likely at the beginning of the next up-cycle. Current options for this buyer group are lower-priced units like apartment condominiums, older units, or units located in lower-cost land markets.

Investor Activity - Investor demand is difficult to track and assess without a reliable database. Rising prices usually bring more investors into the market until price expectations change. Investor activity is likely shifting to markets in B.C. that have not yet seen a large run-up in prices. U.S. investors are less active in this market due to the depreciation in their currency. More favourable currency movements for European and Asian investors could translate into more investment in B.C. real estate.

Forecast of Housing Supply Factors

Rising construction and land costs will prevail well into the forecast period. This will put a floor under new housing prices and push them higher. More listings coming onto the market will help contain price increases.

B.C. Home Purchase Affordability Index

Ratio - Monthly Income/Monthly Principal & Interest Payment



Source: CUCBC. Based on average sales price, 5 year mortgage rate, average weekly wages. Note: A rise/fall indicates improving/deteriorating affordability. Latest: Q3 2006

B.C. Annual Net Household Formation, Estimated and Forecast

Households - Thousands

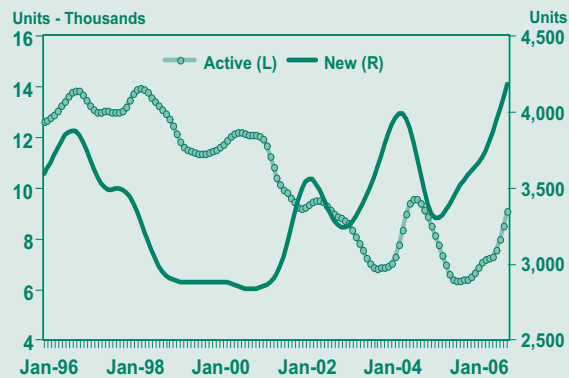


Source: CUCBC. Note: Forecast commences 2006

Existing Housing Listings - As long as high prices prevail and prices do not decline, more listings are brought onto the market. A significant change in the rate of price increase will also affect the pace of listings. The current divergence between a rising listings trend and declining sales trend has lasted much longer than normal. It is rare to see the listings and sales trends diverge for a more than one year, and based on their historical relationship, listings could begin to turn downward in the near future. However, if housing prices hold up longer than usual, listings may well climb for many more months.

This forecast sees listings at a moderately higher level in 2007 and somewhat lower in 2008. The

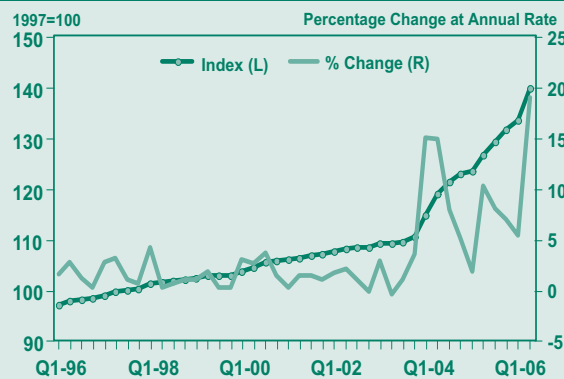
MLS® Existing Housing Listings Trends, Real Estate Board of Greater Vancouver



Source: REBGV, CUCBC.

Latest: September 2006

Apartment Construction Cost Index, Vancouver Metropolitan Area



Source: Statistics Canada.

Latest: Q2-2006

short-term trend will continue upward for the next several months, and then decline in the second half of next year. The forecast error is likely toward more rather fewer listings.

Construction Costs - Costs continue to climb, with industry sources estimating labour and materials cost increases at well over 12% annually. Land costs have risen by even more. This puts considerable upward pressure on new housing prices.

According to Statistics Canada, construction costs for apartment buildings in the Vancouver metropolitan area were up by 10.3% year-over-year in the second quarter of 2006. One year earlier, costs were increasing by 6.5%. Available cost data

from Statistics Canada tends to lag behind and understate actual cost increases.

Materials prices face a mixed outlook, with recent lower lumber and panel board prices expected to last into 2007 before stabilizing and posting gains in 2008. Lower energy prices provide some relief for concrete prices. By 2008, however, higher natural gas prices are widely predicted.

Labour costs will continue to rise at a high pace due to tight market conditions. According to Statistics Canada Labour Force Survey data, the average weekly wage rate in construction is up 3.4% this year through to September, compared to same period of last year. But based on industry information, that is a substantial understatement of actual wage increases. However, most recently, this wage measure has accelerated, posting a 9.7% year-over-year gain in September.

Land price data is not readily available and the data published by Statistics Canada is not credible for the Vancouver market. As of August, the year-to-date land component of the New House Price Index was up 3% and just over 9% since 2000 in the Vancouver region. Data for the Victoria region are more realistic, with a 13.6% gain this year and 49.4% since 2000. Land prices for developers are expected to continue rising.

Capital - Interest rates are forecast to rise modestly and remain favourable for builders and developers. Capital availability is generally abundant and not a constraint.

HOUSING CYCLE

The six-year housing up-cycle is losing its forward momentum, as unit sales slip steadily lower. The 14-month slide in unit sales from the July 2005 peak marks an important cyclical development. It is possible that a reversal could occur in the next few months but without a substantial improvement in demand fundamentals, primarily lower mortgage rates, July 2005 could well mark the long-awaited top of the sales cycle.

This market has the earmark of a cyclical 'soft landing', which is a metaphor for a gradual market

adjustment process. The moderate decline in unit sales should result in an extended period of moderate price adjustment. Thus far, after a year-long decline in unit sales, prices are still rising, with the only sign of adjustment being a slower rate of increase. A soft landing could ultimately produce declining prices after a long adjustment period.

Such a soft landing cycle peak would be the first in B.C.'s housing market history. The moderate rise in mortgage rates and the decline in buyer affordability are countered by rising employment, faster income growth, and some net migration gains. In past declines in the sales cycle, these demand factors turned uniformly more negative, both more quickly and more deeply.

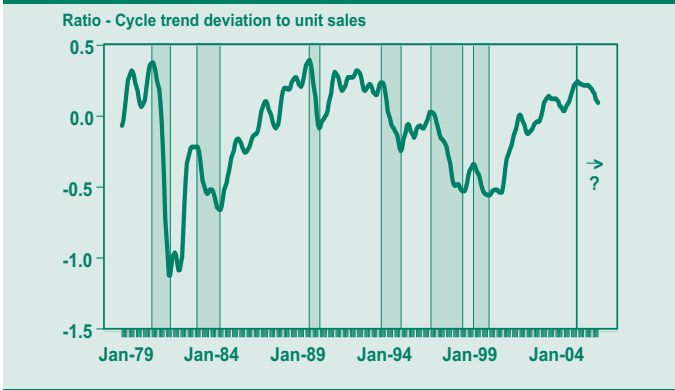
A housing cycle is usually measured by investment spending, which is mainly housing starts activity. However, the cycle is in effect a combination of activity such as prices, sales, and investment spending or housing starts. Residential construction investment or housing starts are most often used as the measure, due to the availability and lengthy history of data. While housing prices receive the most attention due to their high profile and widespread impact, it is useful to look at all three related measures.

Unit sales lead both the price and housing starts cycles, and in this opinion is the most important of the three measures. Its lead time over prices and housing starts varies, and when demand fundamentals turn negative quickly and sharply, the three measures tend to move together for a short period. In more moderate downturns, there is more variation, though the lead-lag relationship still holds.

The recent cyclical sales decline is occurring in most but not all markets in B.C. The exceptions are the Northern B.C., Chilliwack, and the Kootenay REB areas. The most notable declines are the Vancouver, Fraser Valley, and Victoria REBs and it is no coincidence that these are the highest-priced markets. Affordability for low-equity buyers is lowest in those markets.

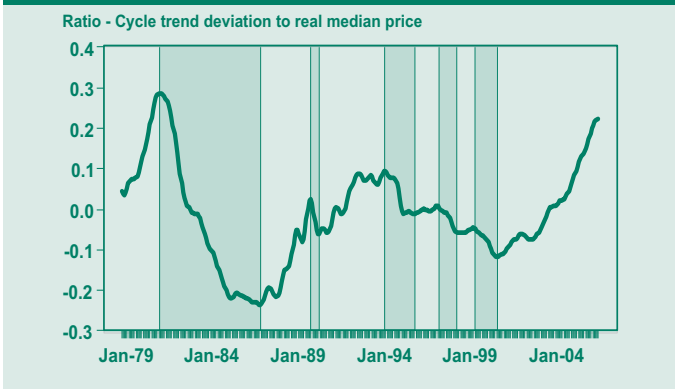
That unit sales are probably past their peak in this cycle does not necessarily mean the market has reached the top, but it does imply that peaks in prices and housing starts are on the horizon.

B.C. Housing Units Sales Cycle



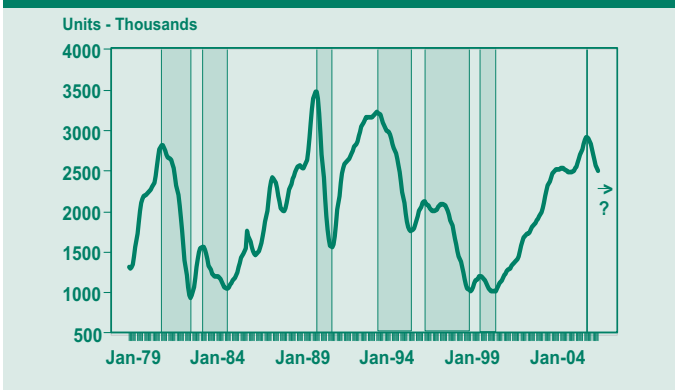
Source: CUCBC. Shaded areas are cycle contractions. Latest: Sept. 2006

B.C. Real Median Housing Price Cycle



Source: CUCBC. Shaded areas are cycle contractions. Latest: Sept. 2006

B.C. Housing Starts Cycle



Source: CUCBC. Shaded areas are cycle contractions. Latest: Sept. 2006

Prices, measured as real (inflation-adjusted) median housing prices, are less cyclical than unit sales and housing starts. This is a natural occurrence, since quantities respond more quickly to changing market conditions, particularly on the downside. Prices tend to move more slowly in one direction for a longer period and there is some downward stickiness to housing prices. The last three price cycle contractions (mid-1990s onwards) could be viewed as one long six-year slide, since the intervening upward phases were weak and short.

Housing starts appear to have hit a high in February 2006, though it is too early to make a definitive call due to their considerable short-term variability. Should starts decline for another three to four months, it will be safe to declare February 2006 as the peak. The recent decline is fairly broad-based, with the exception of single-detached starts outside the four largest B.C. markets.

The unique nature of this cycle makes it more difficult to forecast accurately, since there is no reference point. The soft landing process should play out over the next couple of years. And, there is a possibility that the market could break from recent trends and turn higher, thereby extending the cycle. The soft landing cyclical assessment is based on recent trends and on the forecast assumptions for the key demand drivers.

B.C. Market Outlook

Housing Sales – Unit sales in B.C. are forecast to remain at a high level during the next two years, although trending lower. Total residential sales are forecast to dip by 5% to 133,000 units this year and 128,000 and 124,000 in 2007 and 2008, respectively. This is a gradual decline, in line with the still favourable demand fundamentals. A small increase in mortgage rates and higher prices will further erode affordability for low-equity buyers, but a stronger uplift from income growth and migration provides a solid underpinning to the market.

These forecasts are lower than envisioned six months ago because the current sales decline has been longer and steeper than expected. Sales are squeezed by deteriorating affordability among low-equity buyers, who are not entirely replaced by

other buyers. The previously expected upturn in the sales trend by the end of the summer has yet to materialize, though a potentially positive early sign is the higher seasonally adjusted sales in October.

Housing Listings – More listings should come onto the market in response to higher prices, but this supply response has regularly underperformed expectations. This year's MLS® residential unit listings count looks to be slightly lower than last year's, but should post a 4% gain in 2007. Newly-built unit listings will increase more quickly than listings from the larger existing housing stock. Should existing-unit listings continue their muted response, market conditions will remain tighter and not ease much until sales fall further.

Housing Prices – Market conditions will keep pushing housing prices higher this year and next. The average sales price is forecast to climb by 18% in 2006 to \$392,000 from \$332,224 in 2005, which saw a 15% rise over the previous year. A 6% increase is projected for 2007, bringing the average sales price to \$415,000, followed by a further increase to \$428,000 in 2008. The forecast error in the past has been to underestimate price increases. Median sales prices are forecast at \$325,000 in 2007 and \$335,000 in 2008, following a 15% increase in 2006 to \$306,000.

Market conditions will move steadily away from a seller's market to balanced market conditions later in 2007 and 2008. Some markets could witness price declines in some months, especially in 2008. All of the price forecasts are on an average annual basis and those averages mask intervening monthly movements.

Housing Starts – Housing starts are forecast to edge downward to 36,600 units in 2007 and 34,900 in 2008. Multi-unit starts are seen slipping lower in the next two years, with single-family starts holding up. Larger production increases outside the large high-cost metropolitan markets are expected.

The current forecast reflects a downward revision from our forecast of six months ago, owing to the year-long decline in overall sales. Should sales expectations be exceeded, more housing starts than forecast would be seen.

New housing prices are forecast to rise well above 10% this year and next, due to input cost increases and market demand. According to Statistics Canada's New House Price Index, annual price rises are currently at about 10% in the Vancouver area, but have slowed to 1% in the Victoria area.

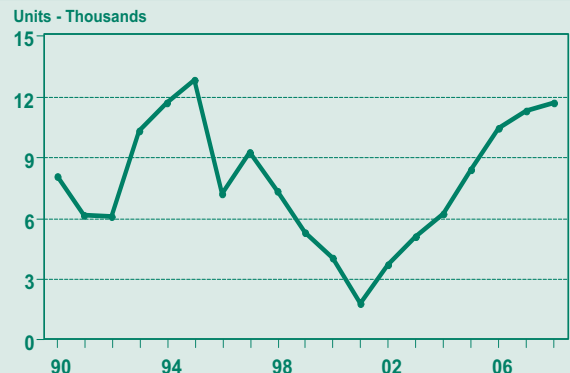
Constraints to higher housing production remain substantial, and include the shortage of skilled trades, high land costs, production nearing capacity limits, and increasing competition from the non-residential sector for many of the same resources.

Rental market – Tighter rental market conditions are predicted for this year and next, owing to strong job growth in the prime rental demand group and worsening affordability for first-time buyers. Rental supply additions remain limited mostly to investor-owned condominiums. The rental vacancy rate for apartments and townhouses is forecast to decline to 1.2% this October and to 0.8% in October 2007 and 0.6% in October 2008. Based on the rent index in the CPI, rents are predicted to rise more than 2% in 2008, compared with the current increase of less than 1%.

More newly completed rental condominium supply will enter the market, as units previously started are completed. How many of those investor-owner units will come onto the market is not known with certainty. Anecdotal reports put it at 30% or more for some new condominium projects. With well over 22,000 newly completed condominium units expected in the next two years, the addition to the rental stock could be significant. These units generally are not surveyed by CMHC, so their impact on the measured vacancy rate can only be seen indirectly. The actual overall market vacancy rate could well be higher than CMHC's measure.

Renovations – More spending on renovations will help to expand and upgrade the housing stock, and provide an alternative for homeowners looking to modify their living space without having to enter the housing market. Renovation spending is forecast to rise by 12% in 2007 and 11% in 2006 to \$5.2 billion. These figures include construction cost inflation.

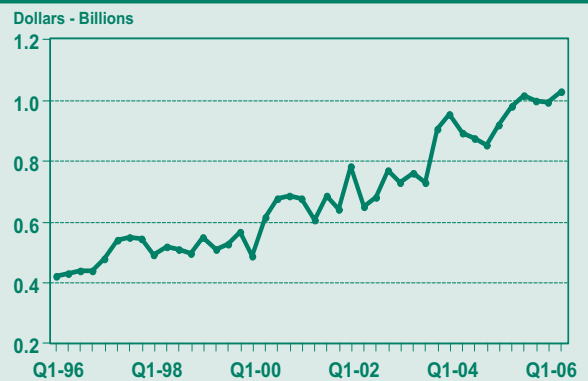
Apartment Condominium Units Completed, B.C. Centres 50,000+ Pop.



Source: CMHC, CUCBC.

Note: Forecast commences 2006

B.C. Residential Renovation Spending



Source: Statistics Canada.

Latest: Q2-2006

Alternative Forecast Scenario

The forecasts are based on a number of assumptions concerning future interest rates, incomes, jobs, migration, and other factors affecting the economy. Other considerations come into play as well, but the housing forecasts are largely shaped by these economic drivers. Accordingly, it is useful to test the sensitivity of the forecast to different economic scenarios.

A key driver of the housing forecast is interest rates. What if interest rates came down in 2007, rather than rising by a small amount as the base case assumes? Several forecasters are calling for

central bank rate cuts in Canada and the U.S. in 2007. Lower rates would boost sales, lead to stronger pricing and more housing starts.

To see what might happen consider a rate cut scenario with a 6.50% five year mortgage rate in 2007 and 2008 instead of 7.00% and 7.25%, respectively, in the base case. Unit sales are higher by about 6,000 units in 2007 and 9,000 units in 2008. Housing starts are higher by about 1,000 to 2,000 units per year and housing prices are about 3% to 5% higher.

At the margin, it makes a considerable difference whether interest rates fall or rise during the forecast period. In the base case, the soft landing scenario is the main outcome, while with lower rates the market holds up and is slanted towards a sellers' market in 2007 and to a lesser extent in 2008.

Other scenarios are possible but the rate cut scenario is the most likely to play out, rather than the base case. If it does, then the housing cycle will continue in a more robust fashion in 2007 than in the base case.

Regional Forecasts

Regional housing markets outside the large metropolitan markets will continue to outperform the B.C. averages for unit sales and price increases. Their recently improved local economies and a later start to their housing upswing means there is considerably more growth potential than in the metropolitan markets.

MLS[®] residential sales in northern B.C., Kamloops, Kootenay and South Okanagan REBs are predicted to grow or hold up through 2008. Sales in the Vancouver, Fraser Valley, and Victoria REBs will contract, owing to the high prices in those areas having the largest negative impact on low-equity buyer affordability.

The strongest price increases look to be in the lower cost markets, such as B.C. Northern, Kootenays, Kamloops, Northern Lights, and South Okanagan. Lower price increases are expected in the Vancouver, Fraser Valley, and Victoria markets, particularly in 2008 when balanced market conditions will have prevailed for several prior months.

More robust housing construction activity is forecast for markets outside of the large metropolitan areas, in particular, northern B.C. and most other lower-cost markets. The high-cost Vancouver, Victoria, Kelowna, and Abbotsford markets are likely to see some declines during the next two years, since those markets have had high starts levels for a longer time and the affordability-demand squeeze is more acute.

Housing Starts: B.C. Development Regions				
	2005	2006f	2007f	2008f
British Columbia – Total	34,667	37,000	36,600	34,900
Development Region¹				
Lower Mainland & Southwest	21,140	22,200	21,000	19,400
Vancouver Island & Coast	4,864	5,200	5,550	5,400
Thompson & Okanagan	4,355	4,600	4,700	4,500
Cariboo	365	450	500	600
Northeast	193	250	300	250
Kootenay	187	175	200	200
North Coast & Nechako	15	25	50	50
Centres under 10,000 population	3,548	4,100	4,300	4,500

Source: CMHC, CUCBC Forecasts. ¹ Urban centres.

MLS® Residential Sales: B.C. Real Estate Boards

Real Estate Board	2005	2006f	2007f	2008f
BC Northern	5,130	5,700	5,800	6,100
Chilliwack	3,002	3,200	3,000	2,900
Fraser Valley	20,128	18,100	17,000	16,000
Greater Vancouver	42,222	36,500	34,400	32,500
Kamloops	3,153	3,300	3,200	3,300
Kootenay	3,410	3,400	3,300	3,500
Northern Lights	611	550	600	650
Okanagan Mainline	8,386	7,700	7,400	7,250
Powell River	421	300	350	400
South Okanagan	2,351	2,150	2,100	2,300
Vancouver Island	9,526	8,800	8,500	8,300
Victoria	7,970	7,300	6,850	6,300
British Columbia	106,310	97,000	92,500	89,500

Source: CREA, CUCBC forecasts.

**MLS® Residential Average Sales Prices:
B.C. Real Estate Boards**

Real Estate Board	2005	2006f	2007f	2008f
BC Northern	137,798	165,000	185,000	205,000
Chilliwack	227,794	269,000	290,000	310,000
Fraser Valley	326,312	395,000	425,000	435,000
Greater Vancouver	425,745	512,000	540,000	560,000
Kamloops	177,065	222,000	246,000	270,000
Kootenay	173,280	210,000	235,000	260,000
Northern Lights	119,449	145,000	165,000	180,000
Okanagan Mainline	271,605	326,000	355,000	375,000
Powell River	167,839	200,000	210,000	220,000
South Okanagan	229,036	272,000	300,000	320,000
Vancouver Island	235,095	285,000	305,000	325,000
Victoria	380,665	426,000	445,000	460,000
British Columbia	332,224	392,000	415,000	428,000

Source: CREA, CUCBC forecasts.

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