



Housing Forecast Update

MODERATE GROWTH IN HOUSING DEMAND THROUGH 2012

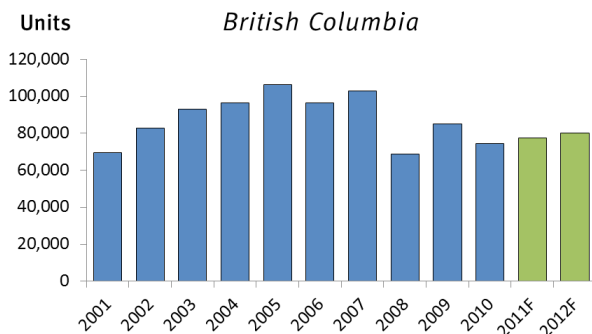
Multiple Listing Service® (MLS®) residential sales in the province are forecast to increase 4 per cent to 77,500 units this year. This reflects a slight downgrade from the second quarter forecast of 78,200 unit sales. Slower than expected economic growth will temper wage and job growth in BC both this year and next, keeping housing demand below long-term averages. However, recent volatility in global financial markets is keeping investors well anchored in bonds. As a result, mortgage interest

Moderate consumer demand and a larger than ideal new home inventory is expected to keep housing starts relatively unchanged this year, albeit down by 1 per cent to 26,250 units. In the existing home market, inventories also remain relatively high compared to pre-recession levels. As a result, market conditions are expected to range between buyers and balanced through 2012, leading to relatively stable home prices in most BC markets.

The average home price in BC increased dramatically over the first two quarters, leading to speculation that the market was over-heating. However, upward skewing of average price data was the result of a change in regional demand patterns and a shift in the mix of home types sold rather than a harbinger of a housing market correction. Indeed,

recent data points to a return to more typical regional sales patterns, which is reflected in our average price forecast. The average annual BC MLS® residential price is forecast to increase 11 per cent to \$559,800 this year, before edging back 2.5 per cent to \$546,000 in 2012. However, the price of a typical home in BC is expected to remain relatively unchanged through the balance of this year and through 2012.

MLS® Residential Sales



Source: BCREA

rates will not only stay lower longer than previously anticipated, they may also decline in the short term. We expect the 5-year fixed mortgage rate to continue acting as a stimulus for housing demand, ranging between a relatively modest 5.19 and 5.60 per cent through 2012. While BC home sales are forecast to increase

this year and next, they are expected to remain well below their 10-year average of 87,600 unit sales.



| MLS® | 10 | 11f | 12f |
|-----------------------------------|-----------|-----------|-----------|
| Sales | 74,640 | 77,500 | 80,300 |
| | -12.2% | 3.8% | 3.6% |
| Avg Price | 505,178 | 559,800 | 546,000 |
| | 8.5% | 10.8% | -2.5% |
| \$ Volume | 37.7 Bil | 43.4Bil | 43.8 Bil |
| | -4.9% | 15.1% | 1% |
| Housing Starts¹ | | | |
| Total | 26,479 | 26,250 | 27,450 |
| | 64.7% | -0.9% | 4.6% |
| Single | 11,462 | 9,250 | 10,350 |
| | 45.2% | -19.3% | 11.9% |
| Multiple | 15,017 | 17,000 | 17,100 |
| | 83.5% | 13.2% | 0.6% |
| | 10 | 11f | 12f |
| Real GDP Growth | 3.7% | 2.5% | 2.8% |
| Employment Growth | 1.7% | 1.3% | 1.7% |
| Unemployment Rate | 7.6% | 7.5% | 7.2% |
| Net Migration | 42,793 | 45,000 | 55,000 |
| 5-Yr Mortgage Rate Range | 5.19-6.25 | 5.19-5.69 | 5.19-5.60 |

1. Source: CMHC, BCREA Forecast

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

Housing Forecast Summary – Third Quarter

| Board Area | Unit Sales | | | Average MLS® Price (\$) | | |
|-----------------------------|--------------------------------|------------------------------|------------------------------|-------------------------------|--------------------------------|--------------------------------|
| | 2010 | 2011F | 2012F | 2010 | 2011F | 2012F |
| Victoria | 6,169 -19.5% | 5,885 -4.6% | 6,200 5.4% | 504,561 6% | 498,000 -1.3% | 500,000 0.4% |
| Vancouver Island | 6,549 -10% | 6,490 -0.9% | 6,700 3.2% | 327,179 3.5% | 327,500 0.1% | 328,000 0.2% |
| Powell River Sunshine Coast | 270 2.7% | 280 3.7% | 290 3.6% | 238,067 0.4% | 236,000 -0.9% | 240,000 1.7% |
| Greater Vancouver | 31,144 -14.1% | 33,600 7.9% | 34,500 2.7% | 675,853 14.1% | 769,000 13.8% | 742,000 -3.5% |
| Fraser Valley | 13,977 -10.7% | 14,800 5.9% | 15,300 3.4% | 451,221 6% | 505,000 11.9% | 498,000 -1.4% |
| Chilliwack and District | 2,046 -10% | 1,980 -3.2% | 2,075 4.8% | 304,081 2.5% | 299,000 -1.7% | 302,000 1% |
| Kamloops and District | 2,121 -9.1% | 2,060 -2.9% | 2,140 3.9% | 303,831 1.2% | 307,000 1% | 308,000 0.3% |
| Okanagan Mainline | 4,838 -14.8% | 4,910 1.5% | 5,200 5.9% | 394,481 3.9% | 385,000 -2.4% | 388,000 0.8% |
| South Okanagan* | 1,346 -12.9% | 1,340 -0.4% | 1,390 3.7% | 319,881 1.6% | 307,000 -4% | 309,000 0.7% |
| Northern Lights | 509 49.7% | 440 -13.6% | 475 8% | 205,154 -7.7% | 214,000 4.3% | 218,000 1.9% |
| Kootenay | 1,995 -5.9% | 1,850 -7.3% | 1,960 5.9% | 273,723 -0.1% | 264,000 -3.6% | 265,000 0.4% |
| BC Northern | 3,676 1.6% | 3,865 5.1% | 4,070 5.3% | 210,911 -0.4% | 218,000 3.4% | 221,000 1.4% |
| BC Total | 74,640 -12.2% | 77,500 3.8% | 80,300 3.6% | 505,178 8.5% | 559,819 10.8% | 545,964 -2.5% |

NOTE: The Northern Lights Real Estate Board (NLREB) became part of the South Okanagan Real Estate Board (SOREB) on January 1, 2011.

*Excluding Northern Lights

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

The British Columbia Real Estate Association (BCREA) represents 11 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, government relations, 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 communities with good schools and safe neighbourhoods.

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