

# HOUSING FORECAST

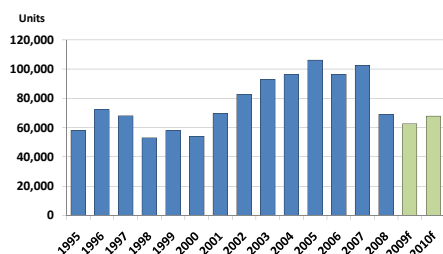
## FIRST QUARTER UPDATE

ECONOMICS FEBRUARY 2009

### RECESSIONARY CONDITIONS SLOW HOUSING MARKET

The global financial crisis and resulting world-wide recession will continue to take their toll on BC housing markets this year. Multiple Listing Service® (MLS®) residential unit sales in the province are forecast to decline 9 per cent to 62,650 units this year.

**BC MLS® Residential Sales**



Source: BCREA

With BC and Canada now in the midst of a recession, concern for job security and declining net worth are major factors keeping potential homebuyers on the sidelines. However, those households ready to buy homes this year will find favourable conditions with ample supply and flexible home sellers.

A continuing imbalance between supply and demand will put some additional downward pressure on home prices in 2009. The average MLS® residential price is forecast to decline 13 per cent to \$396,600 in 2009. However, the average annual residential price belies the

fact that home prices declined steadily during the last nine months of 2008, and that most of the correction in BC home prices may occur by the summer of this year.

BC housing starts are forecast to fall 45 per cent to 19,000 units this year. Rising inventories, weak consumer demand and tight credit conditions are strong signals to home builders to dramatically reduce new construction activity.

Next year, the economy and the housing market are expected to stabilize. Real GDP growth in the province is forecast to rise a modest 1.5 per cent and job losses in 2009 are expected to give way to some employment gains. Home sales are also forecast to rebound to 68,000 units, albeit to the relatively low level recorded in 2008. The ten-year average of MLS® residential sales in the province is 82,800 units. Home prices in the province are expected to be relatively stable in 2010, forecasted to average \$389,000.

Downward pressure on mortgage rates and lower home prices are providing much needed improvement in home affordability. Increasing affordability and significantly lower housing starts are setting the stage for a healthier market in the years to come.

MLS®	08	09f	10f
Sales	68,923 (33%)	62,650 (9%)	68,000 8%
Avg Price	454,599 4%	396,600 (13%)	389,000 (2%)
\$ Volume	31.3 Bil (31%)	24.9 Bil (21%)	26.6 Bil 7%
<b>Housing Starts<sup>1</sup></b>			
Total	34,321 (12%)	19,000 (45%)	18,500 (3%)
Single	10,991 (24%)	6,600 (40%)	6,200 (6%)
Multiple	23,330 (6%)	12,400 (47%)	12,300 (1%)

	08	09f	10f
Real GDP Growth	1.2%	(0.5%)	1.5%
Employment Growth	2.1%	(0.9%)	1.0%
Unemployment rate	4.6%	6.1%	6.4%
Net Migration	58,000	55,000	54,000
5-Yr Mortgage Rate Range	6.65- 7.54	5.25- 5.80	5.50- 6.10

1. Source: CMHC, BCREA Forecast

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



## HOUSING FORECAST SUMMARY— QUARTER 1 2009

Board Area	Unit Sales			Average MLS® Price (\$)		
	2008	2009F	2010F	2008	2009F	2010F
Victoria	6,171 (27%)	5,680 (8%)	6,170 9%	484,898 4%	435,000 (10%)	428,000 (2%)
Vancouver Island	6,817 (31%)	6,200 (9%)	6,800 10%	330,556 6%	290,000 (12%)	286,000 (1%)
Powell River Sunshine Coast	210 (2%)	190 (10%)	200 5%	254,117 5%	222,000 (13%)	218,000 (2%)
Greater Vancouver	25,149 (36%)	22,700 (10%)	25,000 10%	593,767 4%	508,000 (14%)	495,000 (3%)
Fraser Valley	12,588 (30%)	11,500 (8%)	12,400 7%	431,781 2%	390,000 (10%)	384,000 (2%)
Chilliwack and District	2,036 (38%)	1,860 (9%)	1,980 6%	316,229 6%	286,000 (10%)	278,000 (3%)
Kamloops and District	2,235 (35%)	2,010 (10%)	2,150 7%	307,369 12%	272,000 12%	266,000 (2%)
Okanagan Mainline	5,460 (37%)	4,960 (9%)	5,300 7%	406,647 5%	348,000 (14%)	340,000 (2%)
South Okanagan	1,481 (39%)	1,330 (10%)	1,425 7%	339,394 4%	302,000 (11%)	294,000 (3%)
Kootenay	2,265 (35%)	2,040 (10%)	2,150 5%	287,549 6%	244,000 (15%)	238,000 (2%)
Northern Lights	473 (6%)	450 (5%)	475 6%	191,685 9%	175,000 (9%)	174,000 (1%)
BC Northern	4,038 (25%)	3,730 (8%)	3,950 6%	215,358 10%	198,000 (8%)	191,000 (4%)
<b>BC Total</b>	<b>68,923</b> (33%)	<b>62,650</b> (9%)	<b>68,000</b> 8%	<b>454,599</b> 4%	<b>396,600</b> (13%)	<b>389,000</b> (2%)

*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 more than 18,000 REALTORS® on all provincial issues, providing an extensive communications network, standard forms, economic research and analysis, government relations, required courses and continuing education.

To demonstrate the profession's commitment to improving Quality of Life in BC communities, BCREA supports growth that encourages economic vitality, housing opportunities, environmental preservation, property owner rights and better communities.

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