



Housing Market Outlook

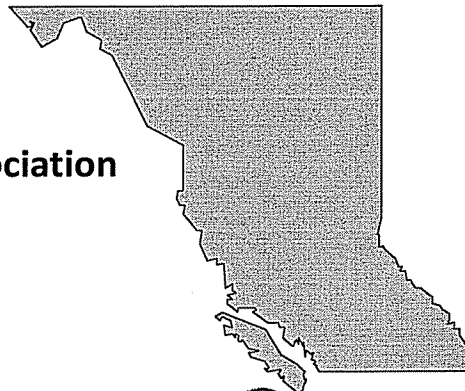
BC Expropriation Association

Vancouver, BC

October 23, 2009

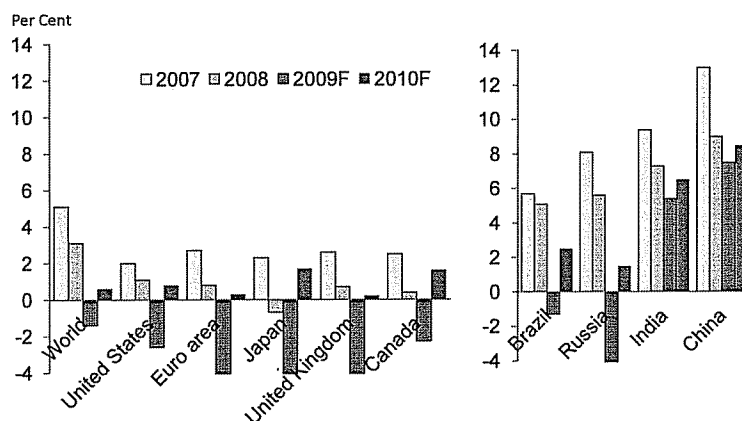
Cameron Muir

Chief Economist



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Global Recession Slow to End

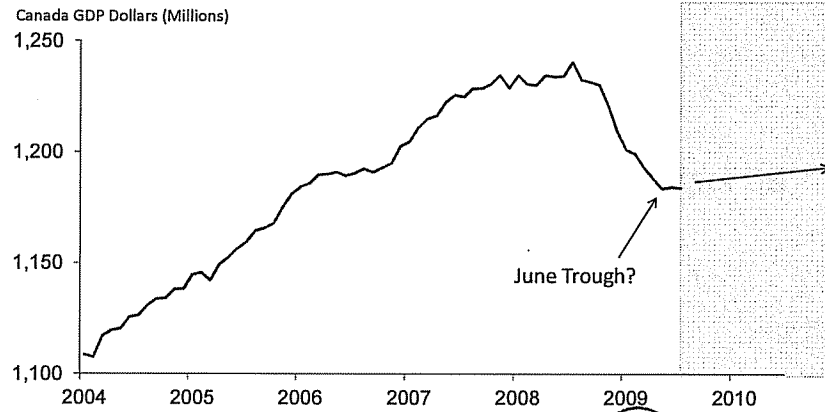


Sources: International Monetary Fund WEO (July 2009), BCREA
GDP Growth at Constant Dollars



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Slow and Choppy Canadian Recovery

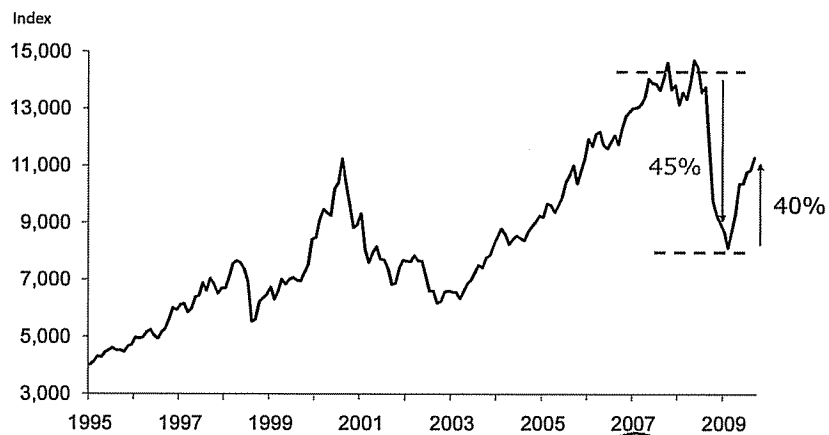


Sources: Statistics Canada, BCREA
Chained 2002 Dollars



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Equities Rally, But Still Recouping Loss

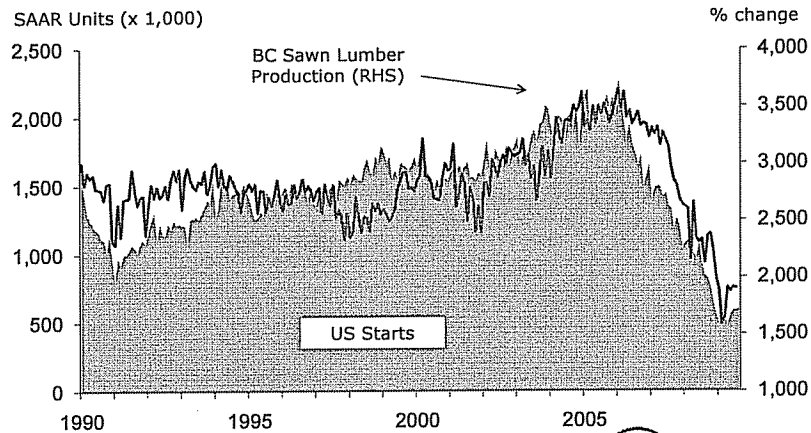


Sources: Statistics Canada, BCREA



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US Housing Bottoms Out, Slow Build

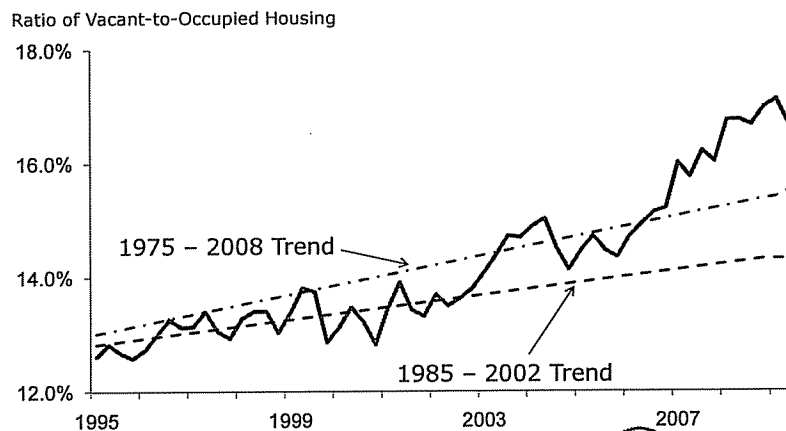


Sources: Statistics Canada, BCREA



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US Housing Remains Oversupplied

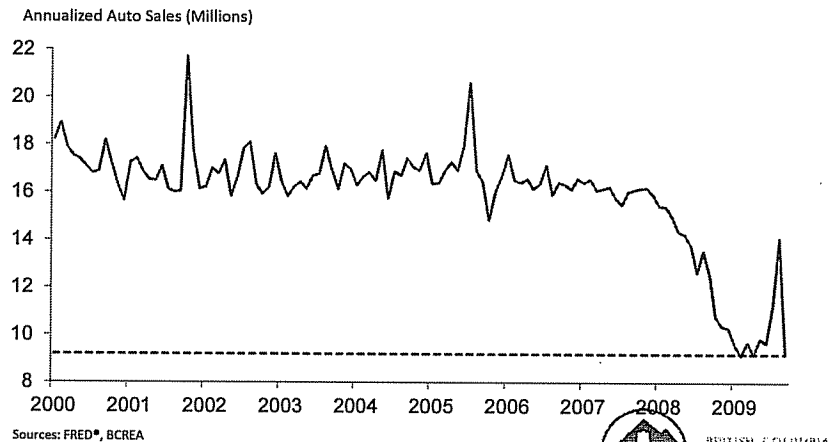


Sources: US Census Bureau, BCREA Estimates

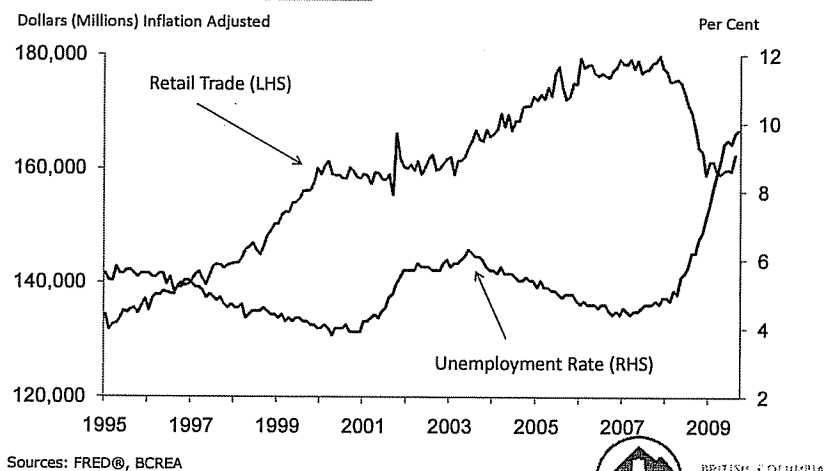


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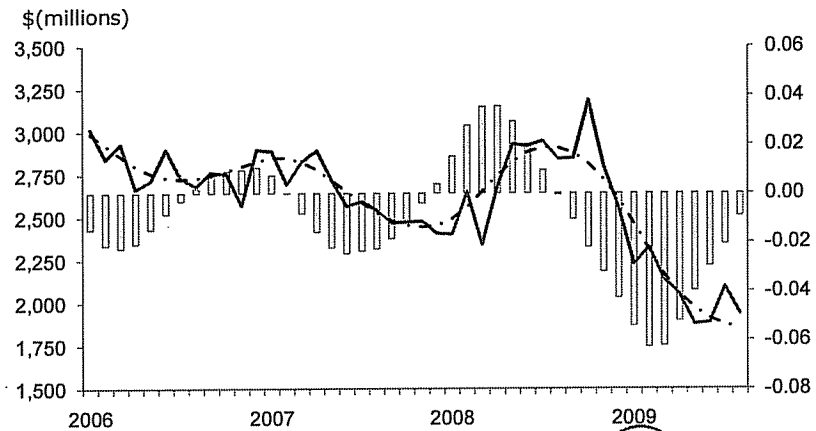
Cash for Clunkers – Temporary Reprieve



US Consumers



Exports Continue to Struggle

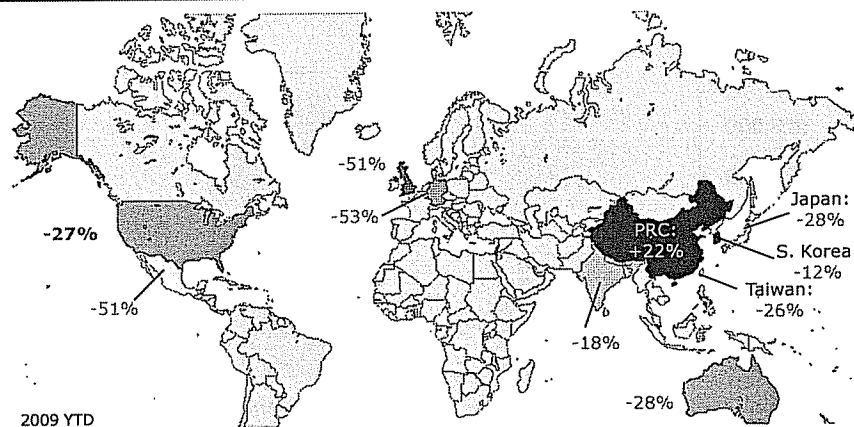


Sources: Statistics Canada, BCREA
Seasonally Adjusted



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Exports Growth Negative, China Exception



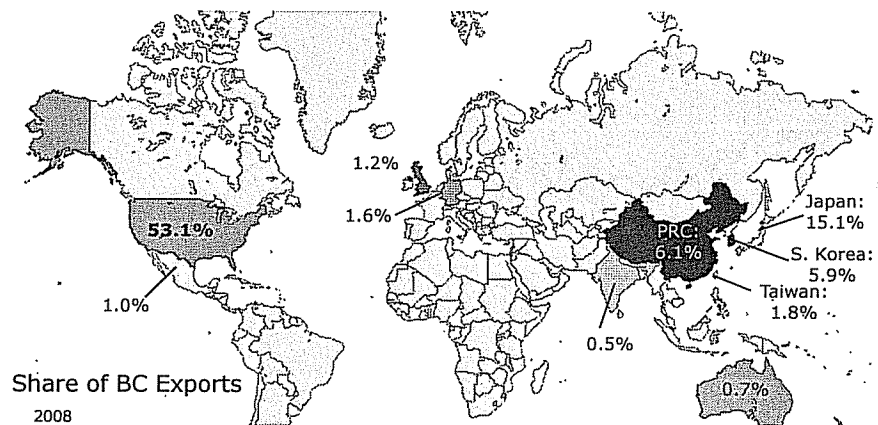
2009 YTD

Sources: english.freemap.ca, BC Stats, BC Real Estate Association



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But US Still BC's Key Market

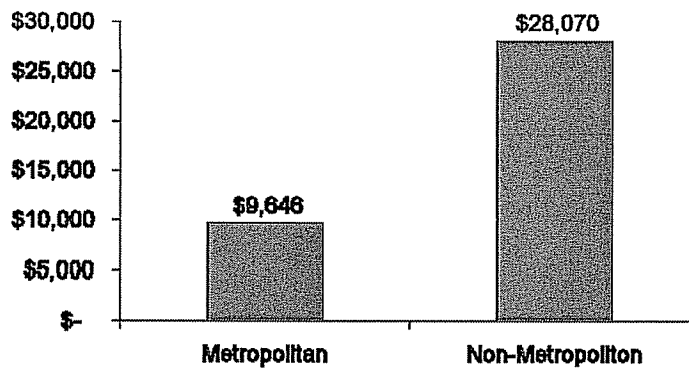


Sources: english.freemap.ca, BC Stats, BC Real Estate Association



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Export Revenue Per Capita

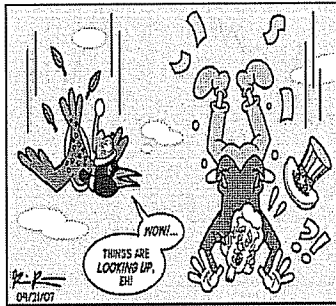


Source: Urban Futures – based on 2001 data

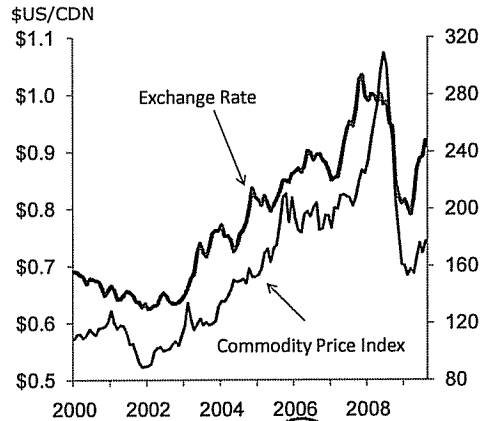


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Loonie Rises, Greenback Weakens

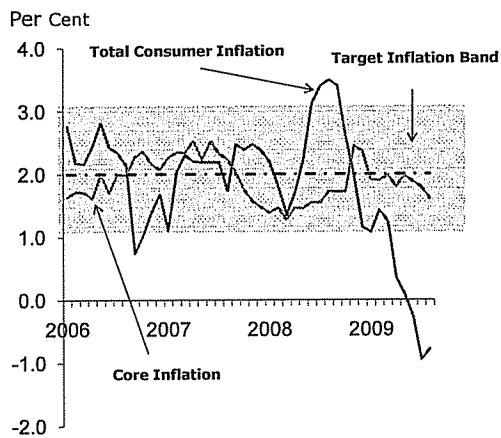


Sources: Statistics Canada, BCREA



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Low Inflation Dampens Rate Pressure



Sources: Bank of Canada, BCREA

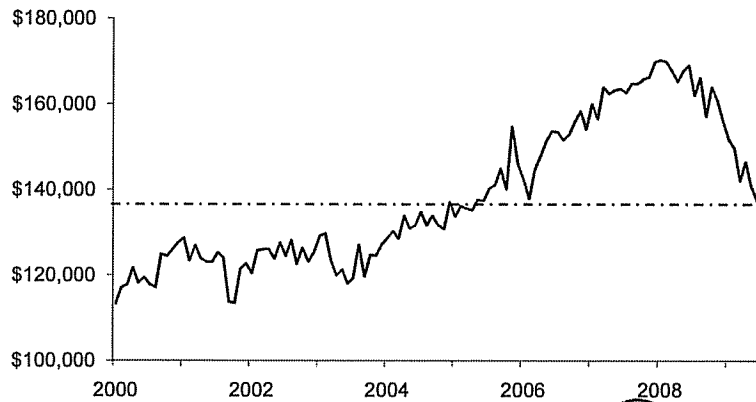
- Negative Inflation Signals Continuation of Low Rates
- Continued Slack and Tepid Growth to Keep Inflation Pressures Low in Short Term



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Tourism Demand Wanes

Room Revenues (Dollars x1,000)

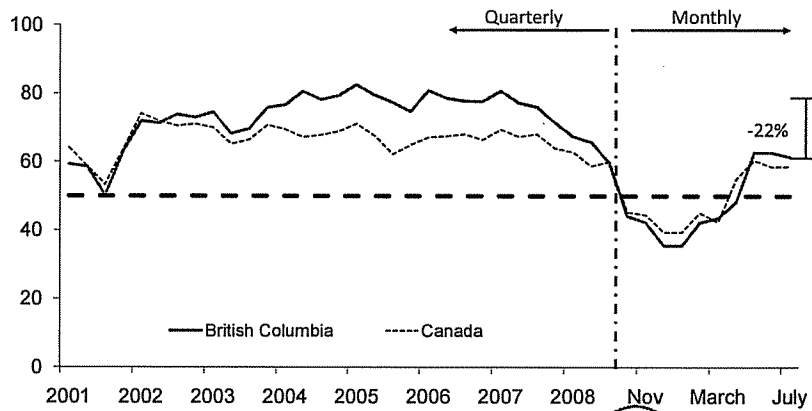


Sources: BC Stats, BCREA



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Business Outlook Improves

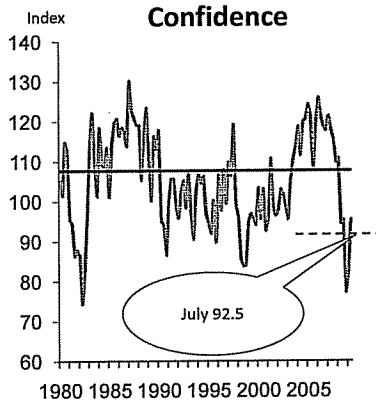


Sources: CFIB Business Barometer®, BCREA

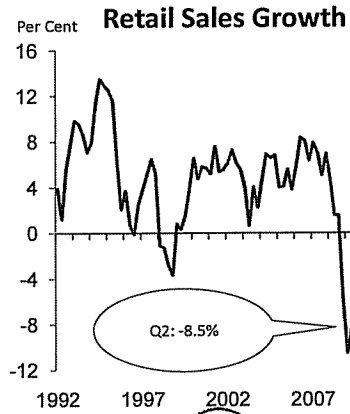


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Confidence Improving, Buying Flat

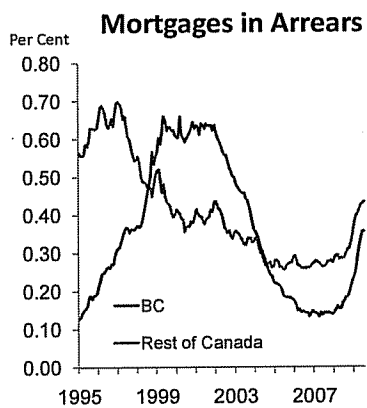


Sources: Statistics Canada, BCREA



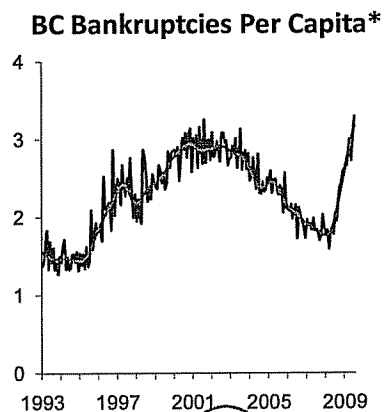
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Financial Balancing Act for Consumers



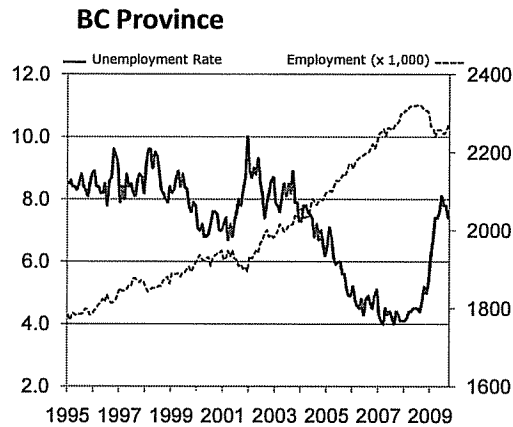
Sources: Canadian Bankers Association, Statistics Canada
BCREA

*Annualized, Population denotes those aged 15+



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Labour Market Patterns Stabilizing



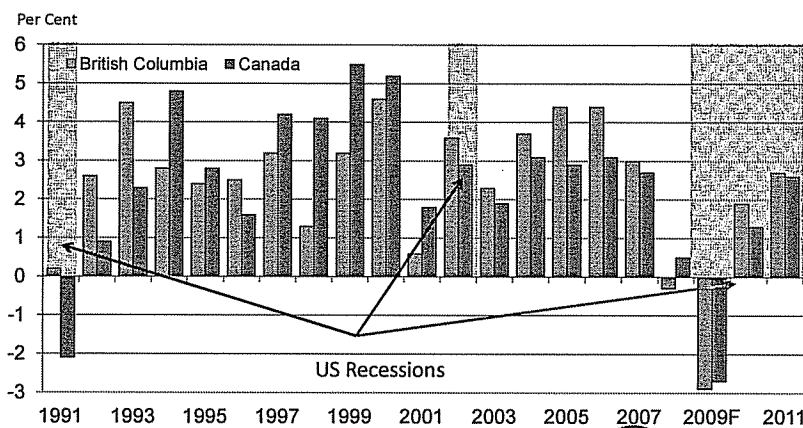
Sources: Statistics Canada, BCREA

- Unemployment Rate Stabilizes
- Full-Time Employment Down as Part-Time Gains – Hours Cut
- Healthcare Sector Strong Y/Y Growth
- Pressure on Public Administration
- Losses in Tourism and Discretionary Sectors



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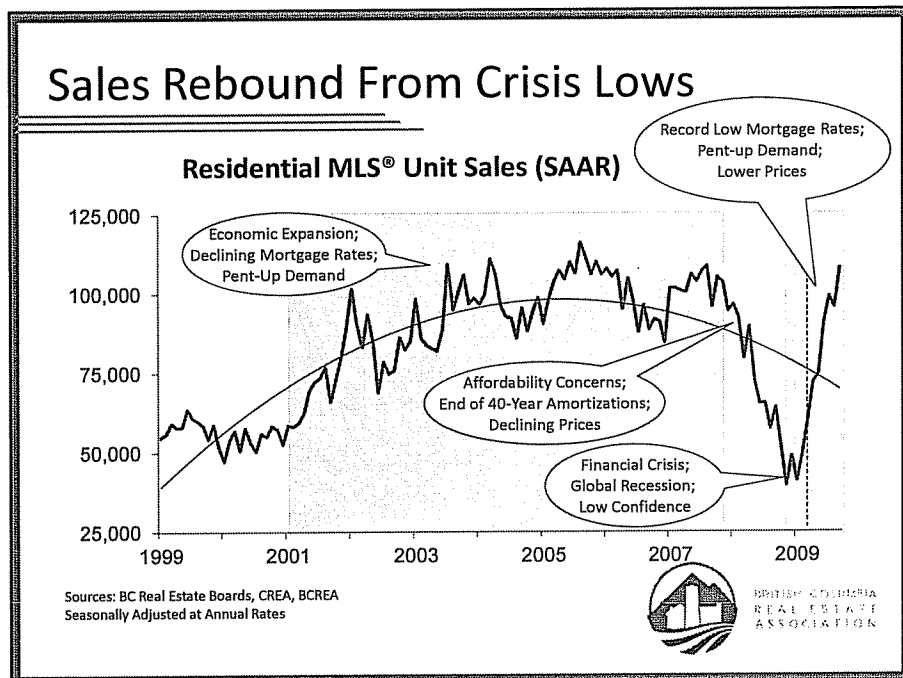
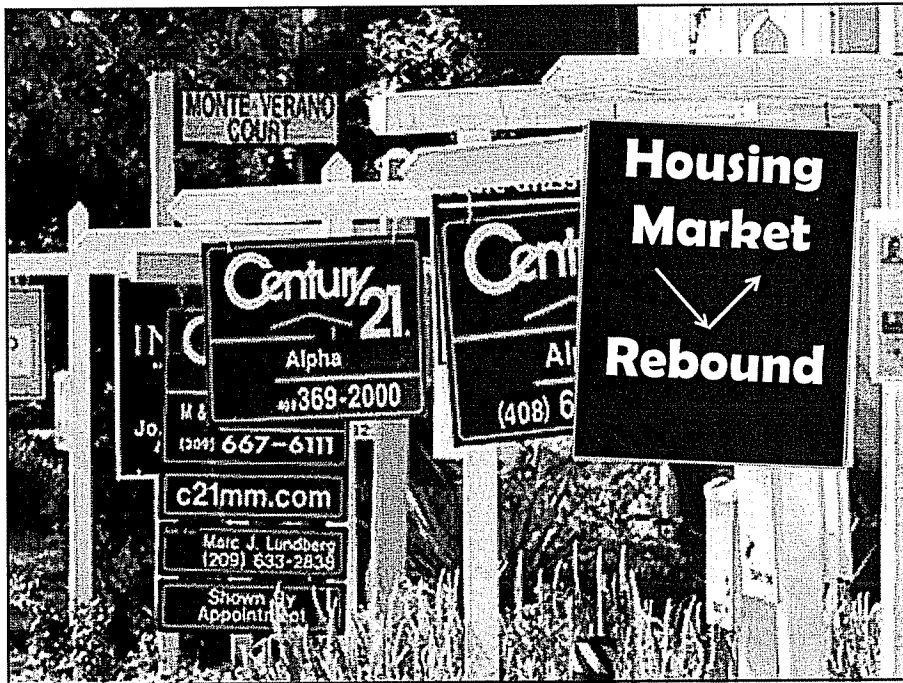
BC Economy To Improve in 2010



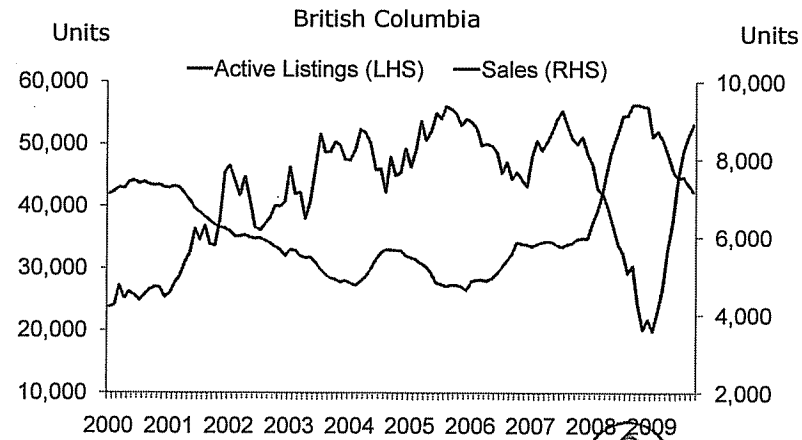
Sources: BC Stats, BC Government September Update Budget and Fiscal Plan, BCREA, NBER



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Residential Supply & Demand

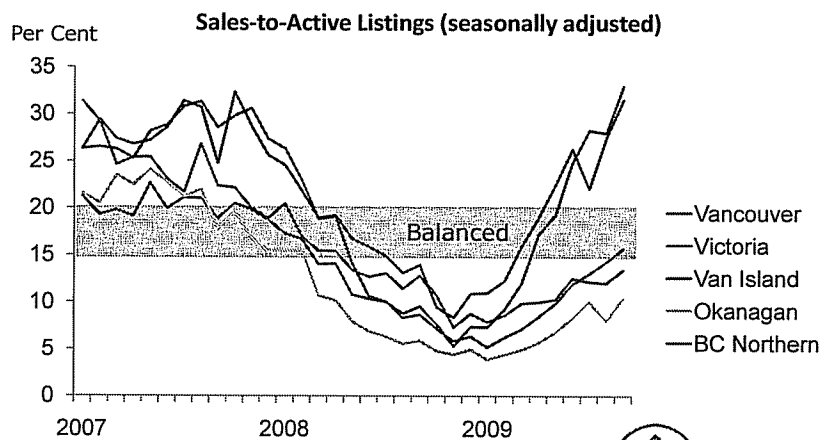


Source: BCREA Economics



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Regional Differences Significant



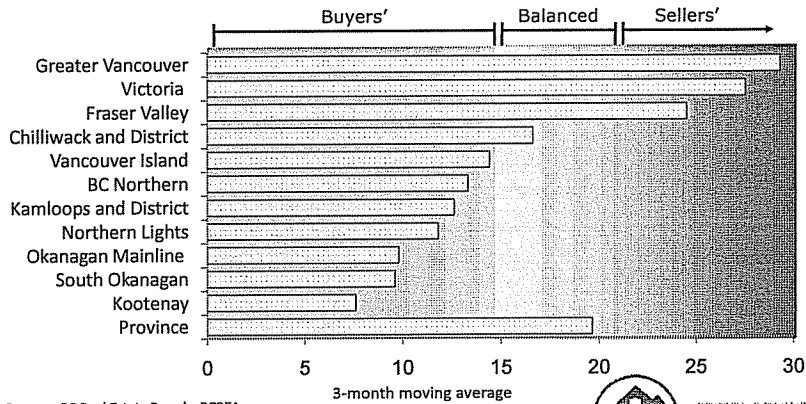
Source: BCREA Economics



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Large Urban Centres Rebound

Sales-to-Active Listings

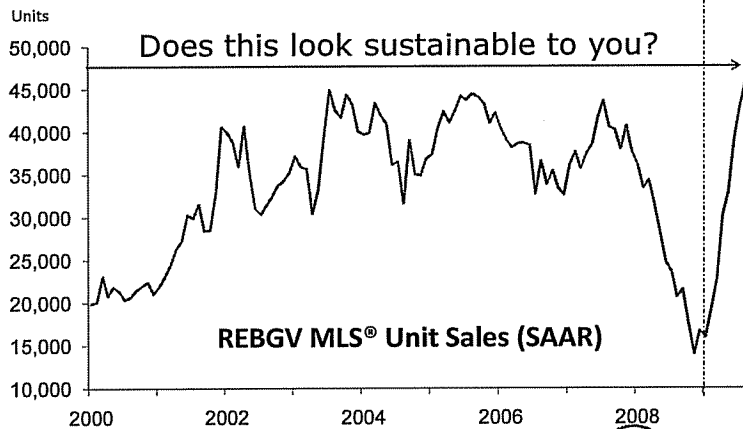


Sources: BC Real Estate Boards, BCREA



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Sales Outpace Expectations

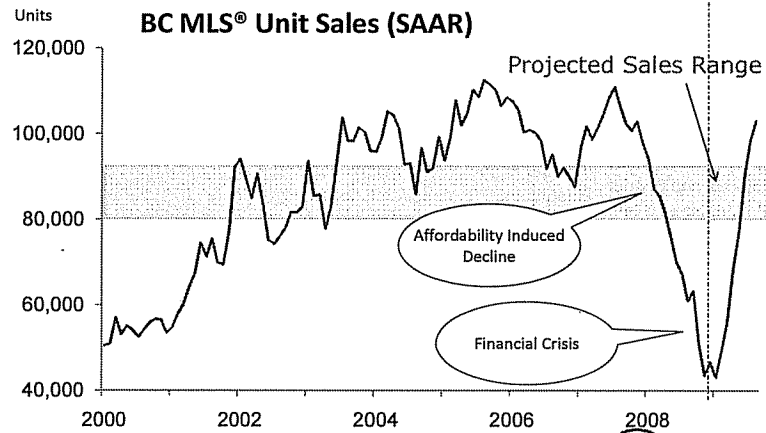


Sources: CREA, BCREA
Seasonally Adjusted at Annual Rates



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Sales Outpace Expectations



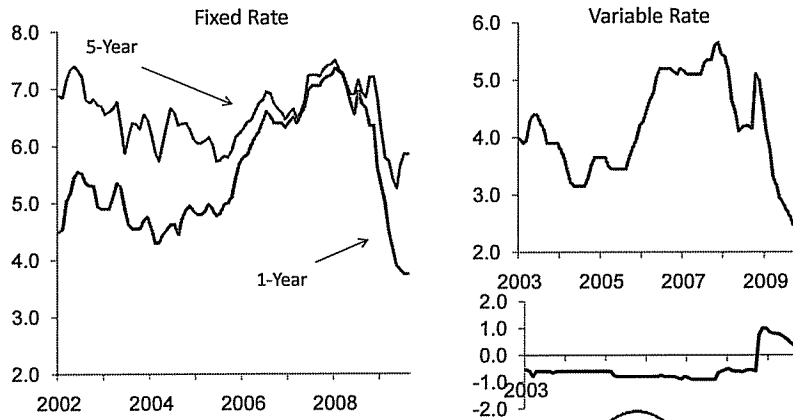
Sources: CREA, BCREA
Seasonally Adjusted at Annual Rates



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Mortgage Rates to Rise Modestly in 2010



Sources: Bank of Canada, BC Real Estate Association



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Housing Affordability – Spring 2009

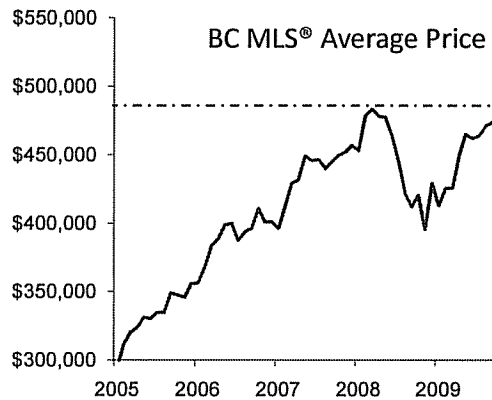
Mortgage Payment*	Mar-09	Mar-08	Change \$	Change %	Lowest Since
Victoria	\$2,166	\$2,873	-\$707	-25%	Feb. 2006
Vancouver Island	\$1,483	\$1,839	-\$356	-19%	Jan. 2007
Powell River Sunshine Coast	\$1,221	\$1,339	-\$118	-9%	Apr. 2007
Greater Vancouver	\$2,604	\$3,512	-\$908	-26%	Mar. 2006
Fraser Valley	\$1,927	\$2,527	-\$600	-24%	Feb. 2006
Chilliwack	\$1,426	\$1,921	-\$495	-26%	Feb. 2006
Kamloops	\$1,308	\$1,729	-\$421	-24%	Jan. 2007
Okanagan Mainline	\$1,692	\$2,372	-\$680	-29%	Mar. 2006
South Okanagan	\$1,452	\$2,037	-\$585	-29%	Apr. 2006
Kootenay	\$1,209	\$1,582	-\$373	-24%	Jan. 2007
Northern Lights	\$1,063	\$959	+\$104	+11%	-
BC Northern	\$960	\$1,169	-\$209	-18%	Sept. 2006
BC Total	\$2,081	\$2,754	-\$673	-24%	Mar. 2006

*Based on the average MLS® residential sales price, 20% down-payment, 25 year amortization and the average posted 5-year fixed mortgage rate for the month.



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Prices Reaching for Record Highs



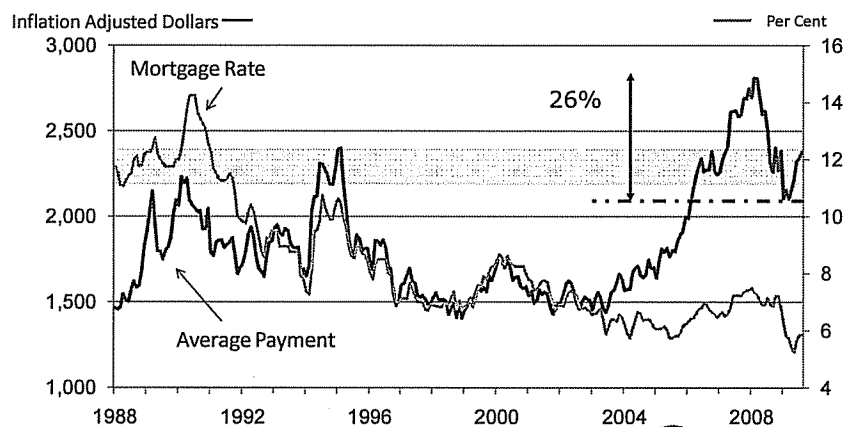
- Single-Detached Home Sales Driving Price Growth
- Provincial Figure Reflects Rebound in Large Urban Areas

Sources: CREA, BCREA



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Affordability Ceilings Tested



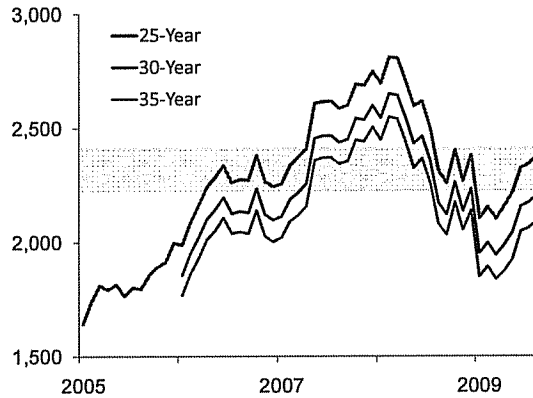
Sources: Statistics Canada, CREA, BCREA



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How Close Are We Affordability Ceiling?

Inflation Adjusted Dollars



Sources: Bank of Canada, BCREA

What Are the Risks?

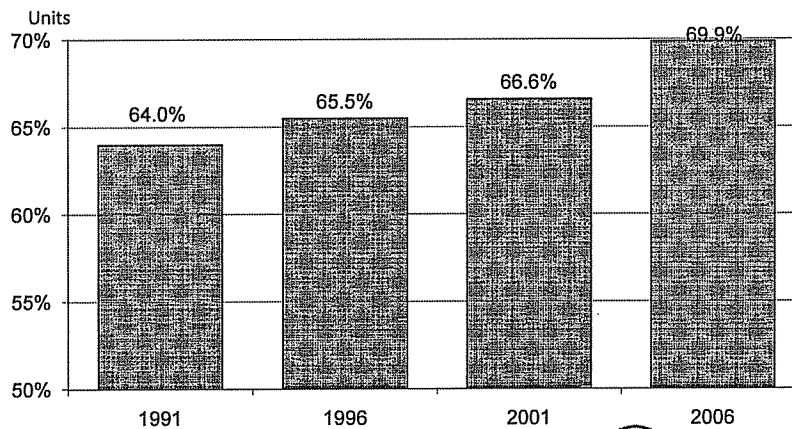
Price Risk ↑

Rate Risk ↑



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BC Homeownership Rates

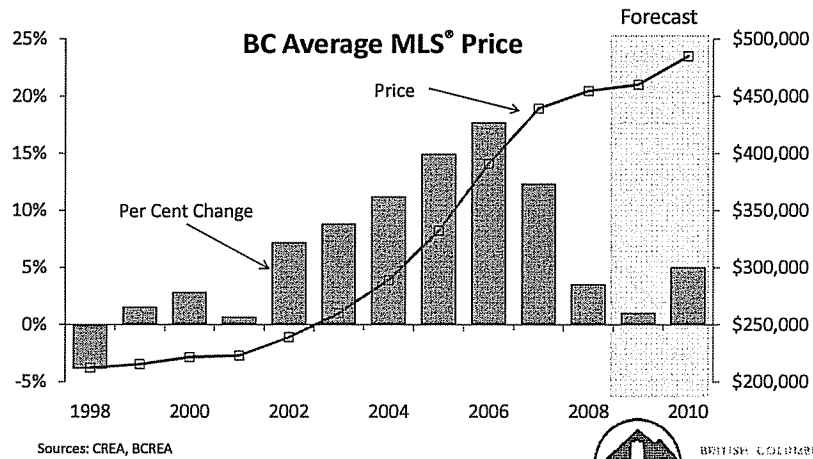


Sources: Statistics Canada, Urban Futures



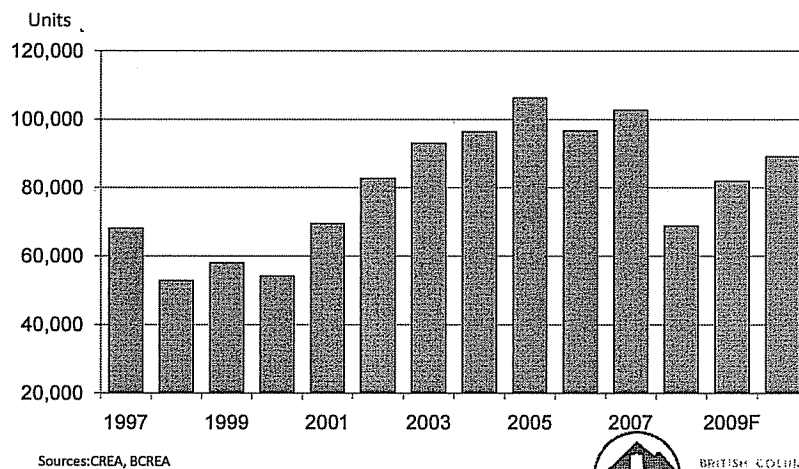
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MLS® Prices to Plateau



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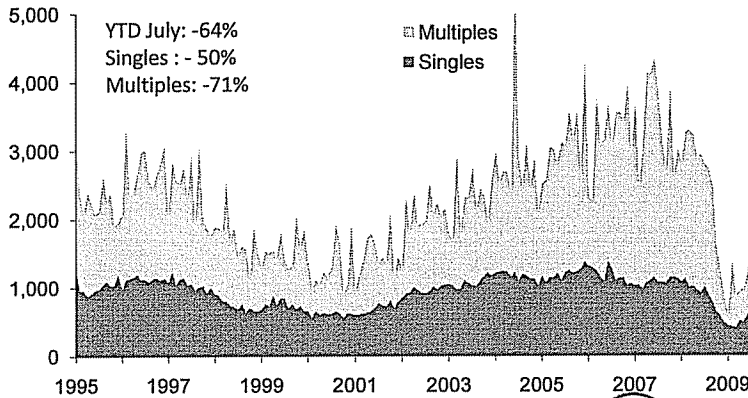
Sales To Remain at Healthy Levels



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Residential Building Low but Improving

Building Permits (Residential)



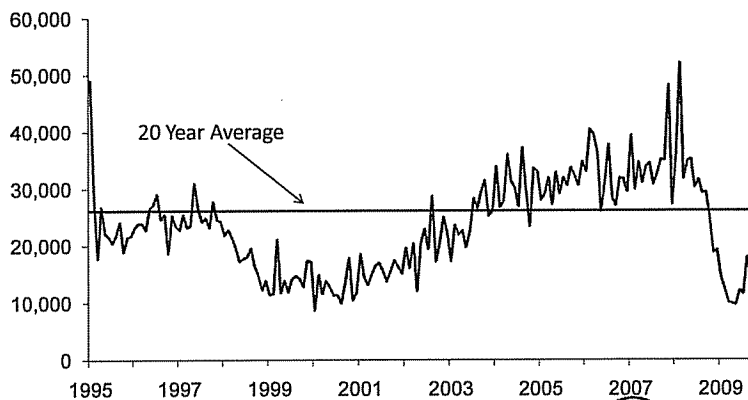
Sources: Statistics Canada, BCREA



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Urban Housing Starts 45 Year Low?

Building Permits (Residential)

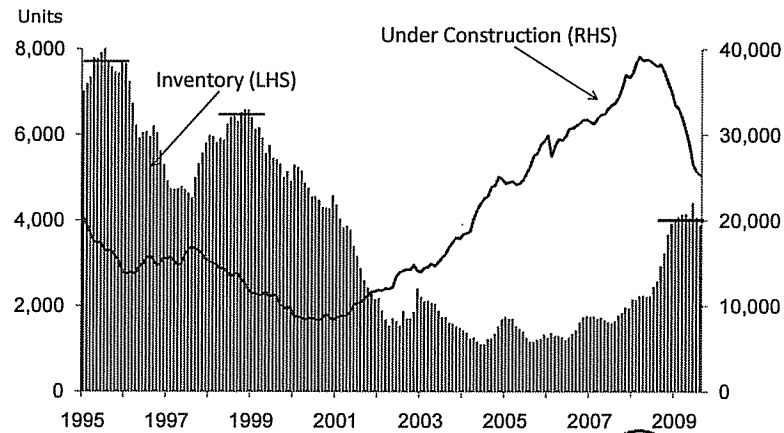


Sources: CMHC, BCREA



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Inventory Tops Below Previous Cycles

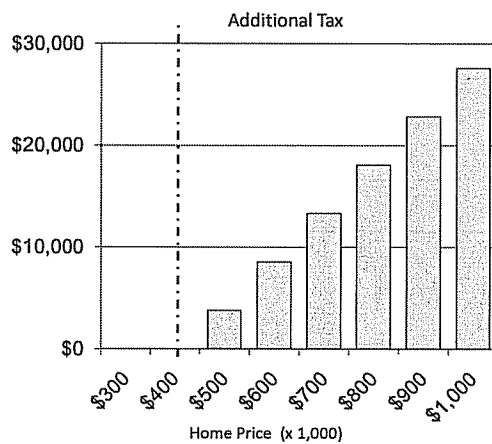


Sources: CMHC, BCREA
Figures reflect activity in 9 large BC markets



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Ready or Not – Harmonized Sales Tax



Sources: CHBA-BC, Altus Group, BCREA

CHBA-BC/Altus Group Report

2006 Censal Data
42.8 % of New Homes < \$400K

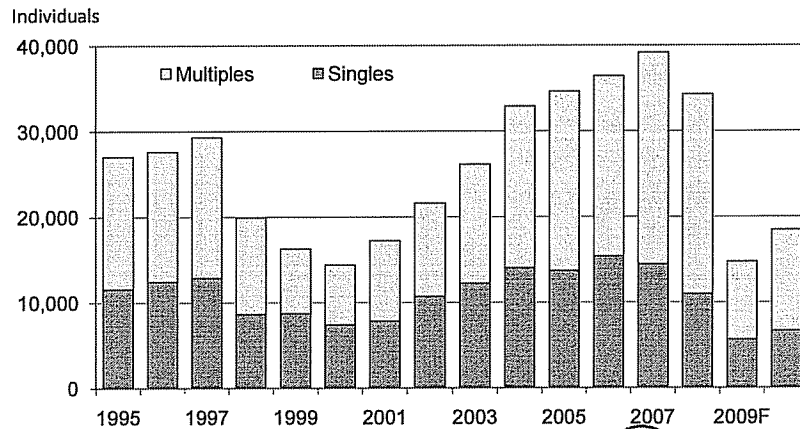
18.1% of New Homes \$400-\$500K
23.9% of New Homes \$500-\$750K
15.2% of New Homes > \$750K

57% of New Homes Above
Threshold



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Risk of Multi-Decade Low Starts

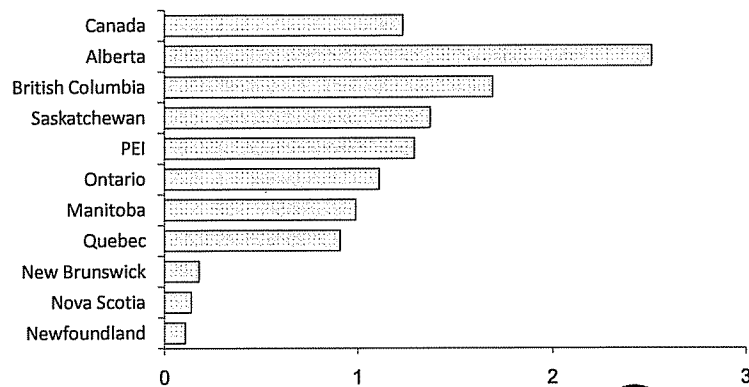


Sources: Statistics Canada, BCREA



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BC a Population Growth Leader

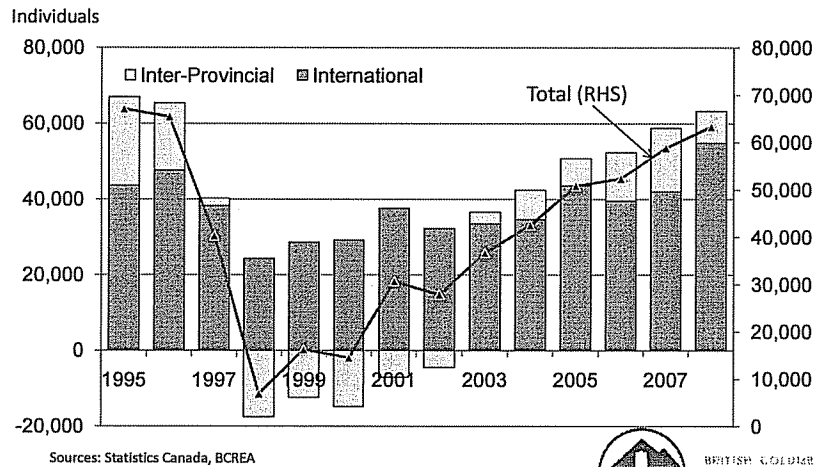


Sources: Statistics Canada, BCREA



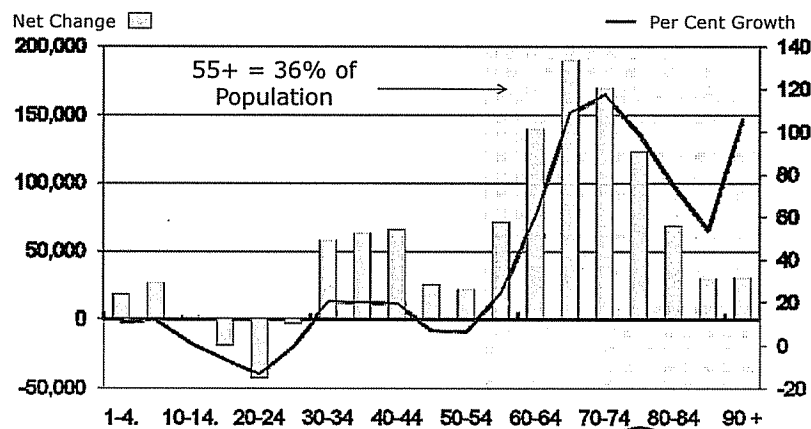
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Migration Still Strong Despite Recession



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BC Population Distribution - 2028



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Final Thoughts:

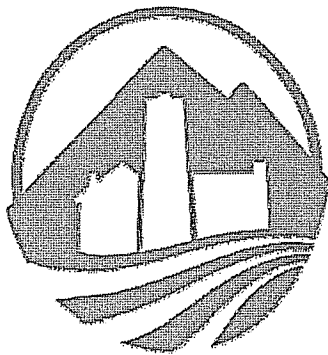
- Current market strength fuelled by pent-up demand and low mortgage rates
- Pull-back in sales activity from current high expected, but demand remains elevated
- Prices to remain firm on attractive mortgage rates, population growth, and lack of new home construction
- Underlying economy recovering, but slowly



Your Landlord



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