BC Economy and Housing Market

BC Expropriation Association
Vancouver, BC
October 17, 2008

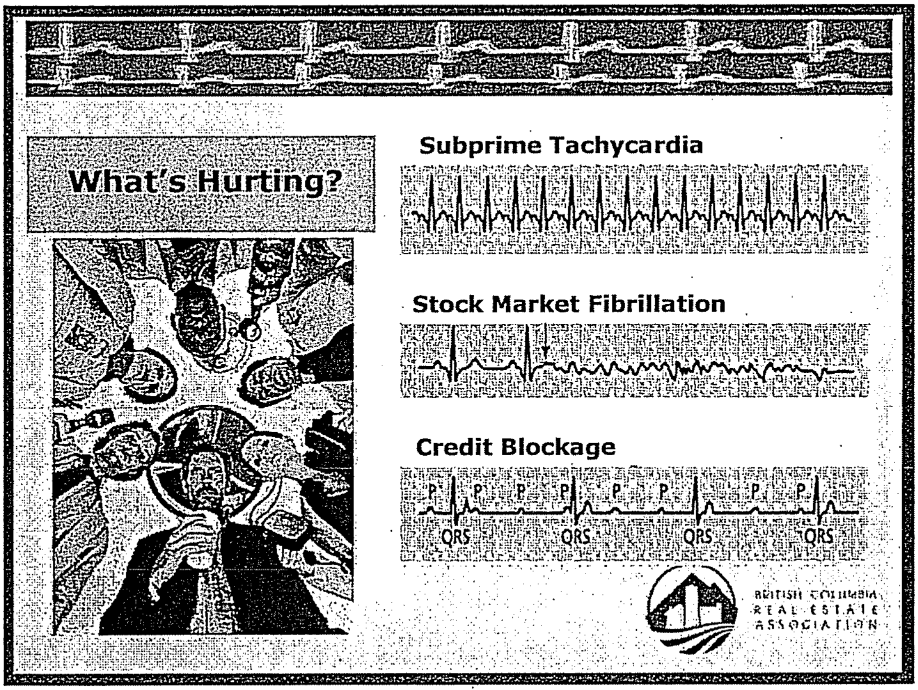
Cameron Muir
Chief Economist

British Columbia Real Estate Association

Three things you're going to hear a lot in the next hour...

1. The US economy has an impact on BC.
2. Our economy is weakening.
3. Consumer confidence is important.

British Columbia Real Estate Association


What's Hurting?
Subprime Tachycardia
Stock Market Fibrillation
Credit Blockage
P P P P P P P P P
QRS QRS QRS QRS
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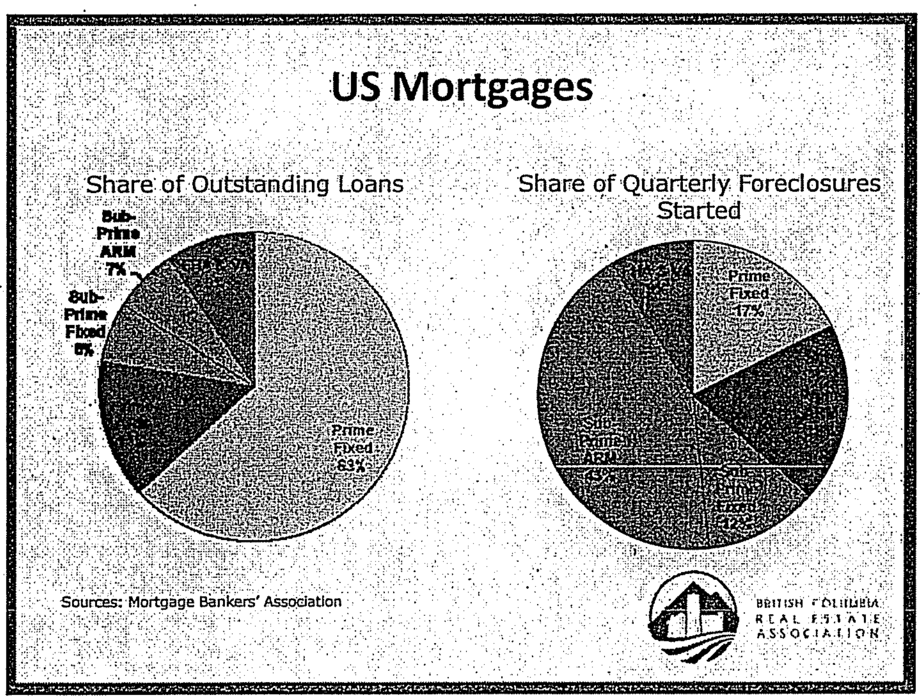
US Mortgages
Share of Outstanding Loans
Sub-Prime ARM 7%
Sub-Prime Fixed 6%
Prime Fixed 63%
Share of Quarterly Foreclosures Started
Prime Fixed 17%
Sub-Prime ARM 43%
Sub-Prime Fixed 12%
Sources: Mortgage Bankers' Association
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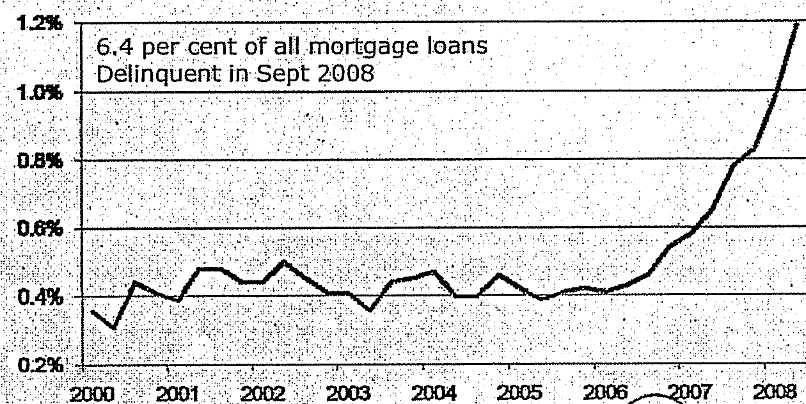
US Foreclosures Started

Foreclosures and Delinquencies Rise



Sources: Mortgage Bankers Association – US, BC Real Estate Association

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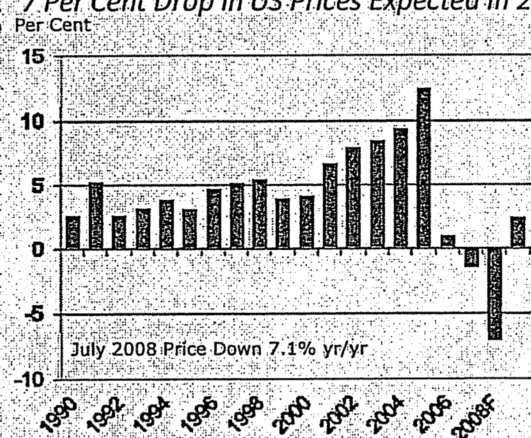
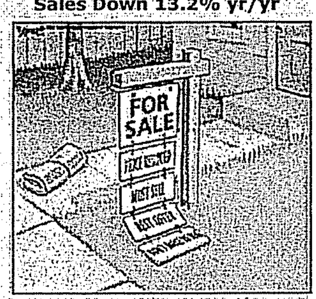
US National Home Price Growth

7 Per Cent Drop in US Prices Expected in 2008, Rebound in 2009



July Inventory up 2.4% yr/yr
Months of Supply = 11.2
Sales Down 13.2% yr/yr



Sources: National Association of Realtors®

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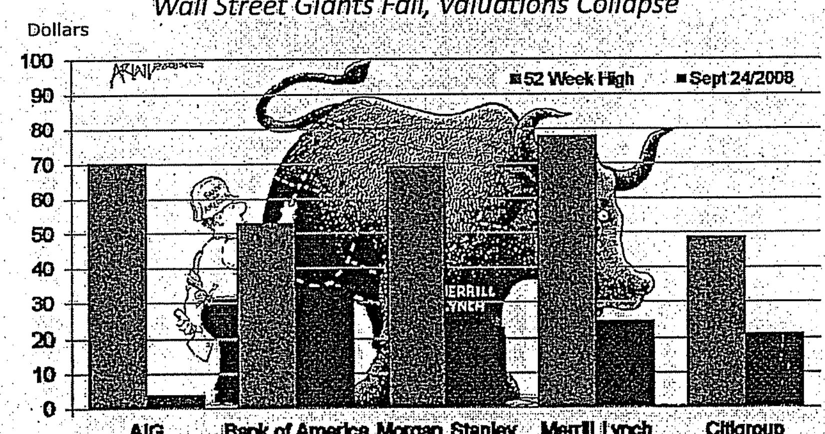
Upheaval in Financial Markets

Wall Street Giants Fall, Valuations Collapse



Sources: Qtrade Financial

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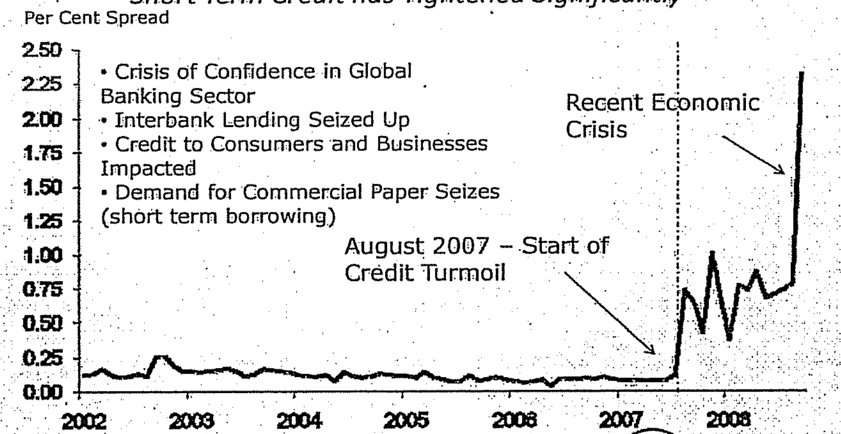
Credit Risk Premiums Sky High

Short Term Credit has Tightened Significantly



Sources: Bloomberg, BC Real Estate Association

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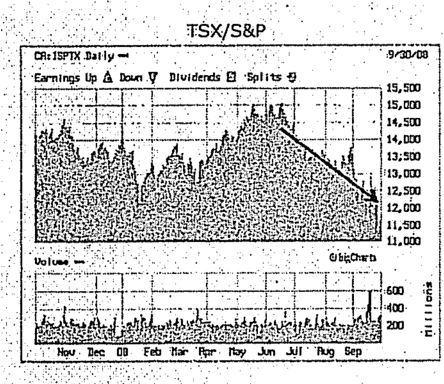
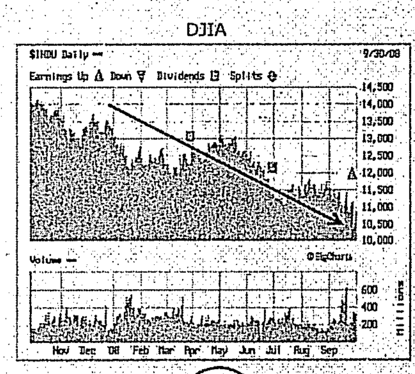
Equity Markets – 1 Year Activity

Significant Losses in Equity Could Curb Spending





Sources: Qtrade

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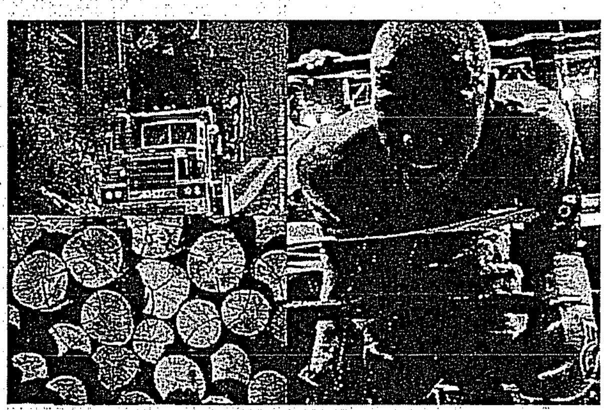
State of the Forest Industry



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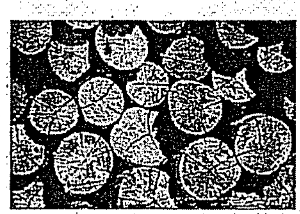
BC Exports



BC Exports Are Largely Dependent on Resource Sector

•Wood Products	39 %
•Pulp and Paper Products	16 %
•Solid Wood Products	23 %
•Energy Products	19 %
•Metallic Mineral Products	10 %
•Machinery and Equipment	10 %

- Higher Canadian Dollar vis-à-vis US has hurt exporters
- Minerals and Metals Sector has been helped by higher commodity prices
- Dampened Prices, High Loonie and Pine beetle have hurt lumber companies

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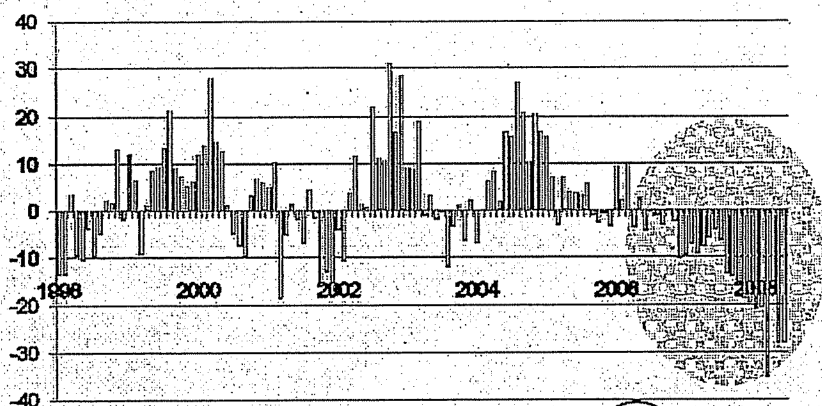
BC Sawn Lumber Production

Production Continues to Tumble As US Shows Few Signs of Rebound



Sources: Statistics Canada; Latest Data: Nov 2007

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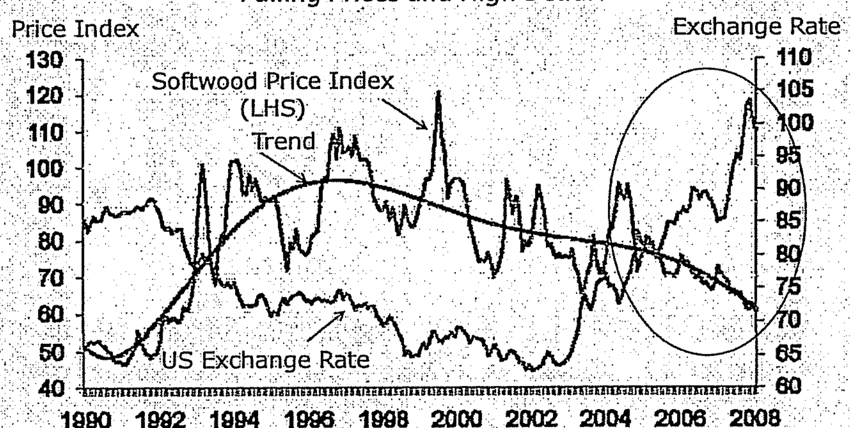
Softwood Producers in Double Trouble

Falling Prices and High Dollar



Sources: Statistics Canada, BOC, BC Real Estate Association

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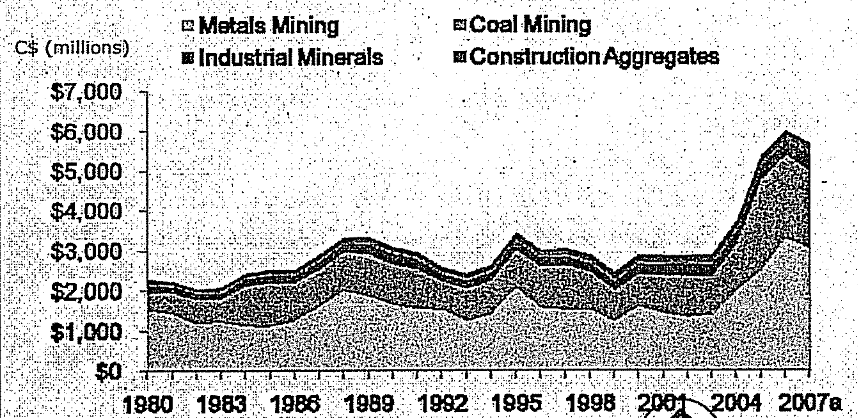
BC Mineral Sales



Source: Ministry of Energy, Mines and Petroleum Resources

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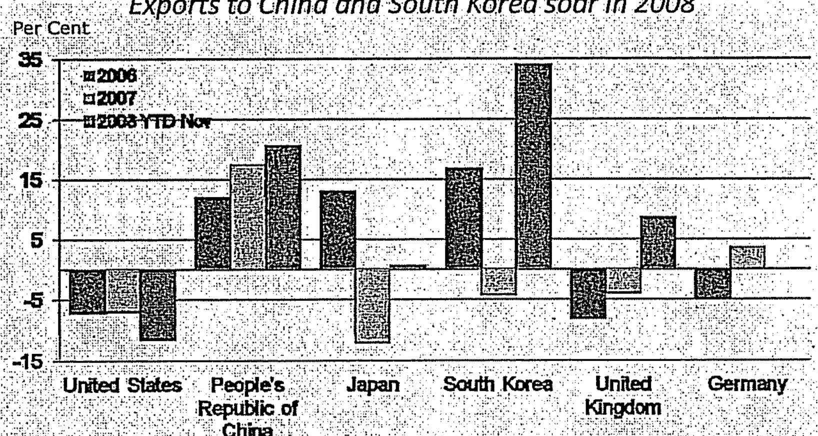
B.C. Export Growth by Destination

Exports to China and South Korea soar in 2008



Sources: BC Stats, BC Real Estate Association

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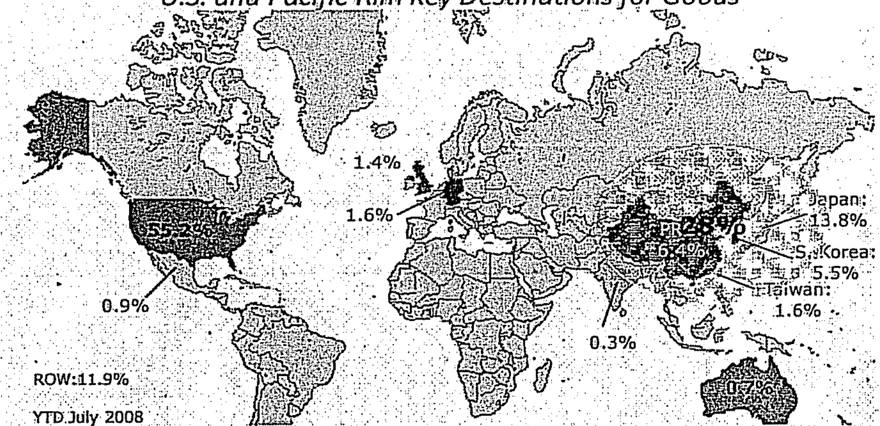
B.C. International Export Destinations

U.S. and Pacific Rim Key Destinations for Goods



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

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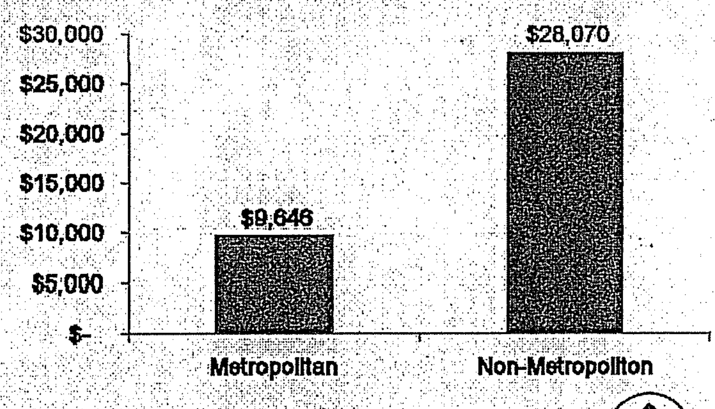
Export Revenue Per Capita

Victoria/Lower Mainland vs Rest of BC



Source: Urban Futures – based on 2001 data

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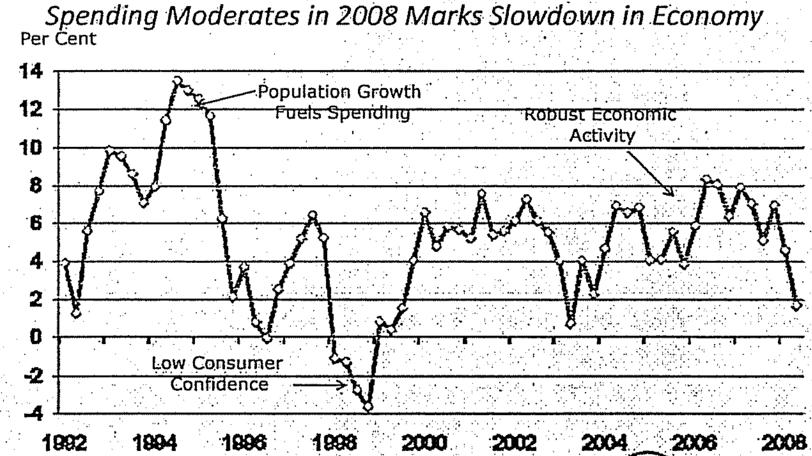
BC Retail Sales Growth

Spending Moderates in 2008 Marks Slowdown in Economy



Sources: Statistics Canada, BC Real Estate Association, y-o-y per cent change

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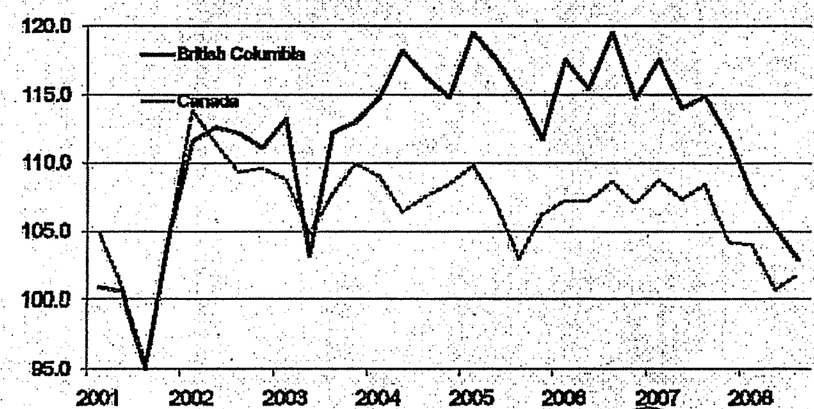
CFIB Business Barometer®

Business Expectations Trend Lower



Sources: Canadian Federation of Independent Businesses, BC Real Estate Association

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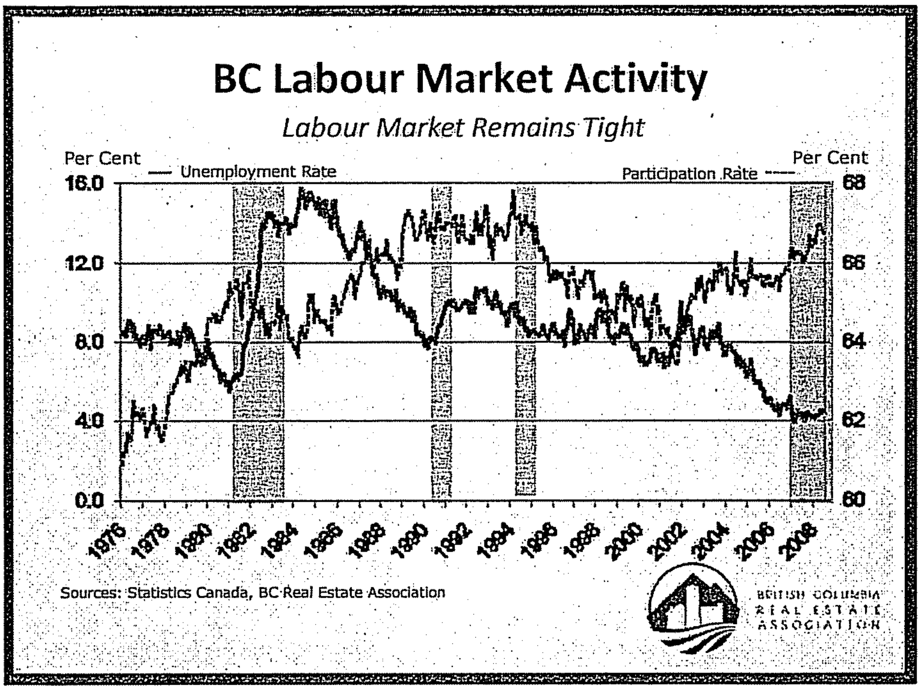
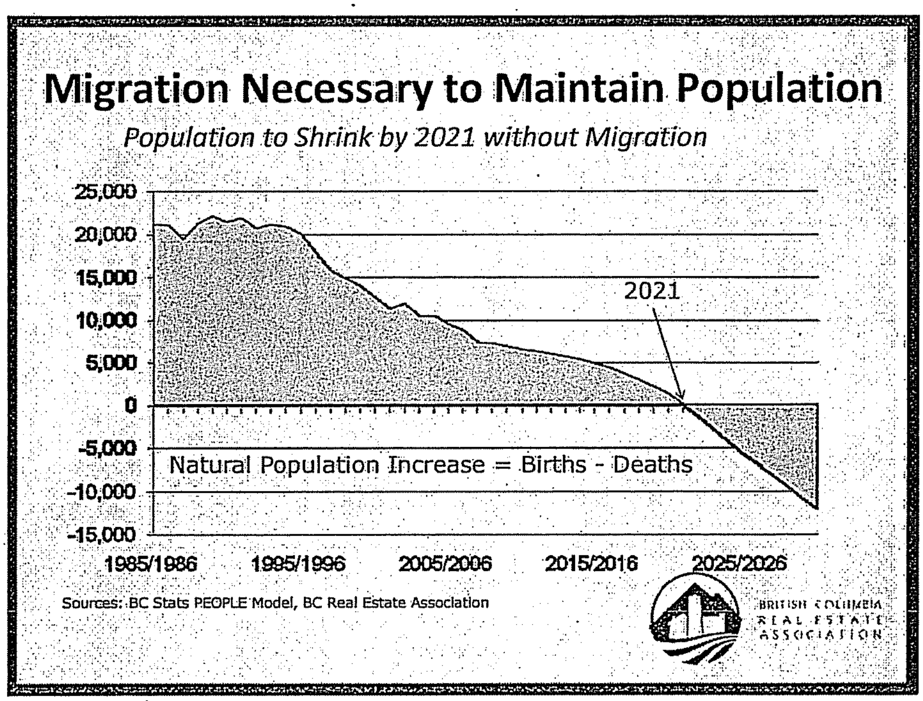
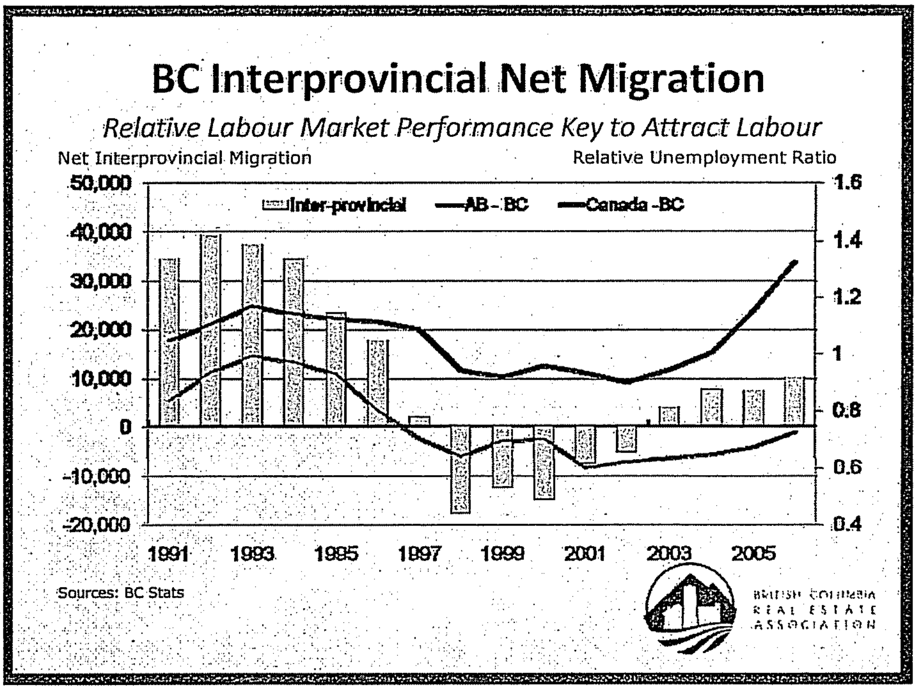
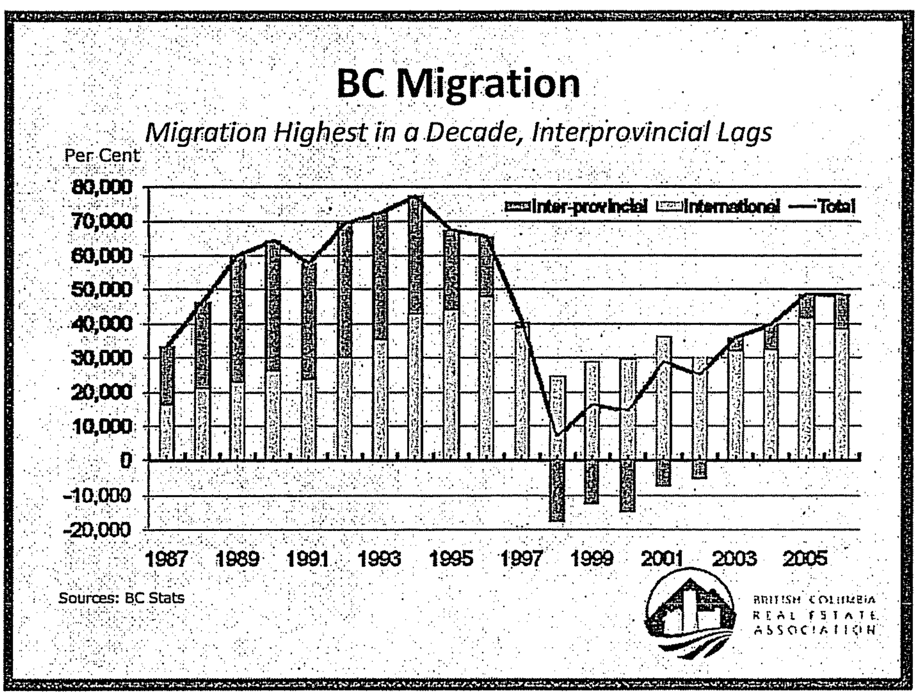

BC Labour Market Activity
Labour Market Remains Tight
Per Cent
Unemployment Rate
Participation Rate
Per Cent
16.0
12.0
8.0
4.0
0.0
68
66
64
62
60
1976
1978
1980
1982
1984
1986
1988
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
Sources: Statistics Canada, BC Real Estate Association
BRITISH COLUMBIA REAL ESTATE ASSOCIATION

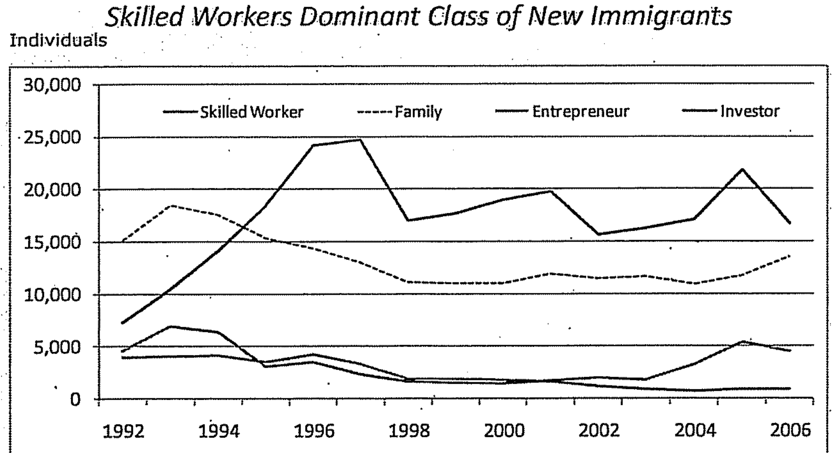

Migration Necessary to Maintain Population
Population to Shrink by 2021 without Migration
25,000
20,000
15,000
10,000
5,000
0
-5,000
-10,000
-15,000
2021
Natural Population Increase = Births - Deaths
1985/1986
1995/1996
2005/2006
2015/2016
2025/2026
Sources: BC Stats PEOPLE Model, BC Real Estate Association
BRITISH COLUMBIA REAL ESTATE ASSOCIATION


BC Interprovincial Net Migration
Relative Labour Market Performance Key to Attract Labour
Net Interprovincial Migration
Relative Unemployment Ratio
Inter-provincial
AB - BC
Canada - BC
50,000
40,000
30,000
20,000
10,000
0
-10,000
-20,000
1.6
1.4
1.2
1
0.8
0.6
0.4
1991
1993
1995
1997
1999
2001
2003
2005
Sources: BC Stats
BRITISH COLUMBIA REAL ESTATE ASSOCIATION


BC Migration
Migration Highest in a Decade, Interprovincial Lags
Per Cent
Inter-provincial
International
Total
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
-10,000
-20,000
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
Sources: BC Stats
BRITISH COLUMBIA REAL ESTATE ASSOCIATION

BC Immigration by Class

Skilled Workers Dominant Class of New Immigrants



Sources: BC Stats

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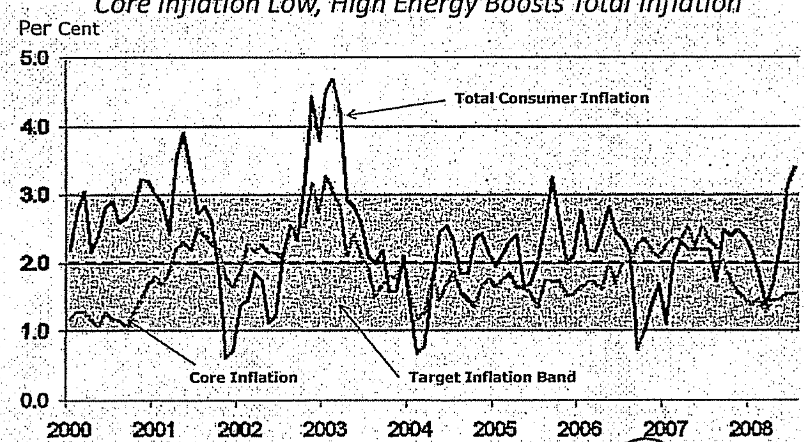
Canadian Inflation

Core Inflation Low, High Energy Boosts Total Inflation



Sources: Bank of Canada, BC Real Estate Association

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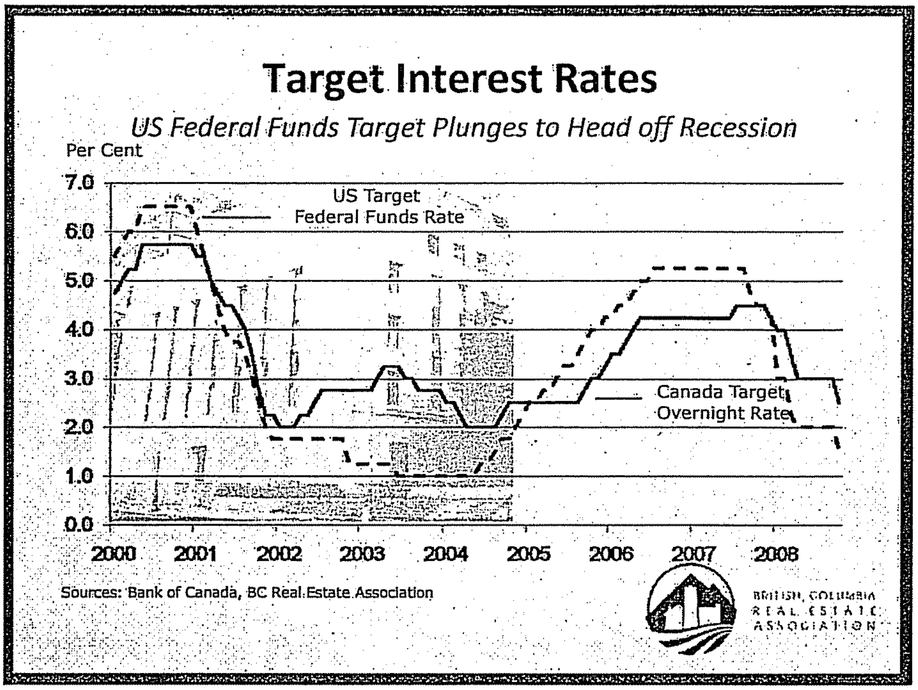
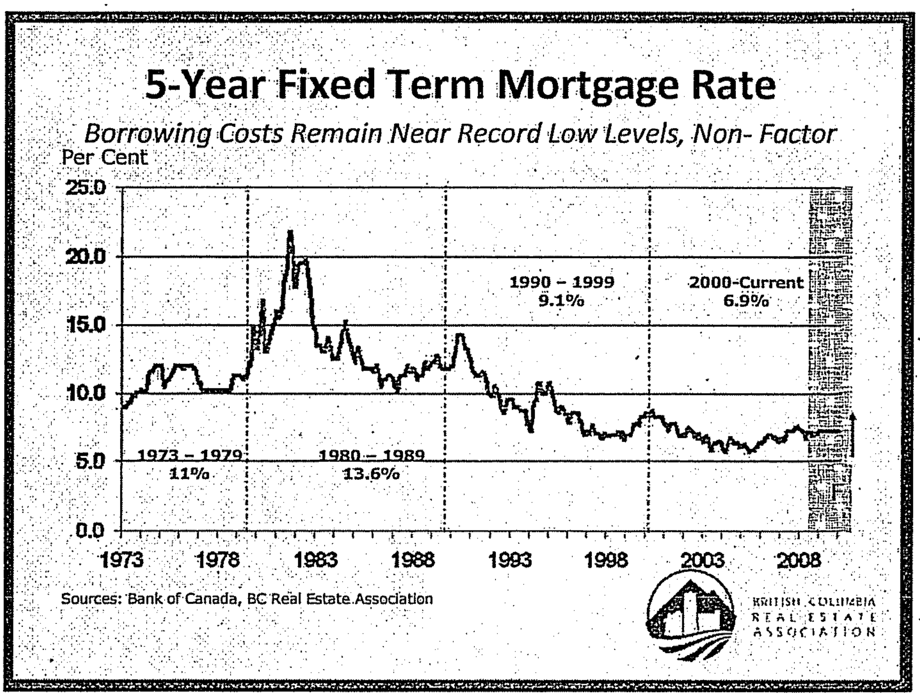
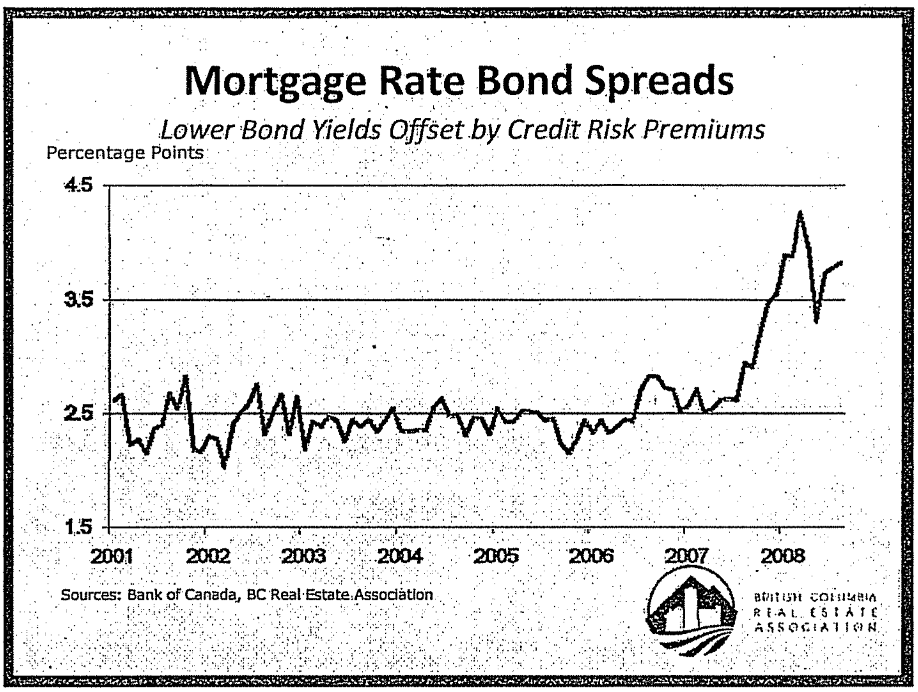
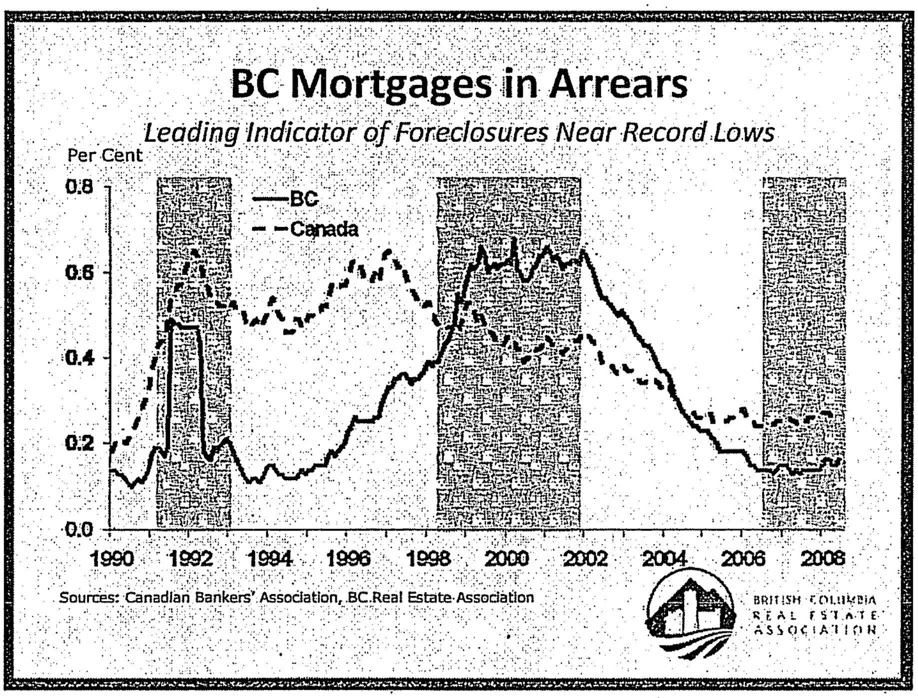
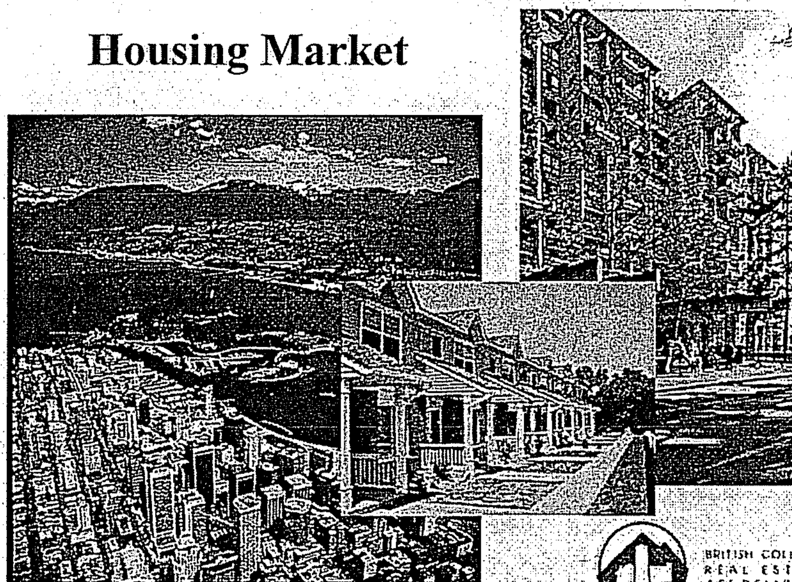

Target Interest Rates
US Federal Funds Target Plunges to Head off Recession
Per Cent
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
US Target Federal Funds Rate
Canada Target Overnight Rate
2000
2001
2002
2003
2004
2005
2006
2007
2008
Sources: Bank of Canada, BC Real Estate Association
BRITISH COLUMBIA REAL ESTATE ASSOCIATION


5-Year Fixed Term Mortgage Rate
Borrowing Costs Remain Near Record Low Levels, Non- Factor
Per Cent
25.0
20.0
15.0
10.0
5.0
0.0
1973 – 1979
11%
1980 – 1989
13.6%
1990 – 1999
9.1%
2000-Current
6.9%
1973
1978
1983
1988
1993
1998
2003
2008
Sources: Bank of Canada, BC Real Estate Association
BRITISH COLUMBIA REAL ESTATE ASSOCIATION


Mortgage Rate Bond Spreads
Lower Bond Yields Offset by Credit Risk Premiums
Percentage Points
4.5
3.5
2.5
1.5
2001
2002
2003
2004
2005
2006
2007
2008
Sources: Bank of Canada, BC Real Estate Association


BC Mortgages in Arrears
Leading Indicator of Foreclosures Near Record Lows
Per Cent
0.8
0.6
0.4
0.2
0.0
BC
Canada
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
Sources: Canadian Bankers' Association, BC Real Estate Association

Housing Market



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Average MLS® Residential Price ($)			
Real Estate Board	2007	2002	Change
Victoria	466,975	242,503	92 %
Vancouver Island	311,982	154,716	102%
Powell River Sunshine Coast	241,083	112,035	115%
Greater Vancouver	570,795	301,475	89%
Fraser Valley	423,760	241,954	75%
Chilliwack	299,590	157,286	90%
Kamloops	275,474	136,177	102%
Okanagan Mainline	387,523	177,755	118%
South Okanagan	325,667	145,227	124%
Kootenay	272,138	131,720	106%
BC Northern	195,487	113,168	72%
Northern Lights	175,818	89,993	95%

Sources: BC Real Estate Association

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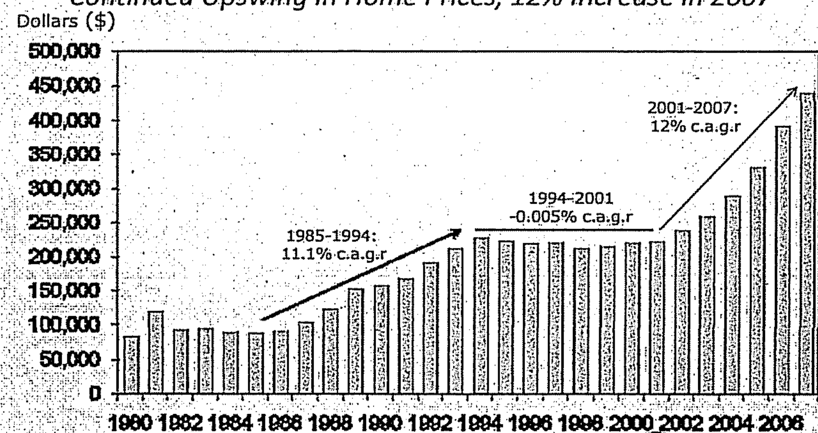
BC MLS® Average Residential Price

Continued Upswing in Home Prices, 12% Increase in 2007



Sources: BC Real Estate Association

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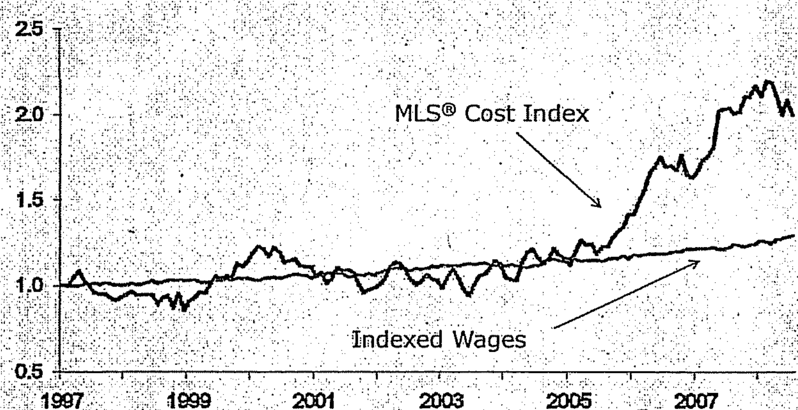
Housing Costs vis-à-vis Wages

Near Identical Relationship to Wage Gains



Sources: Statistics Canada, BC Real Estate Association

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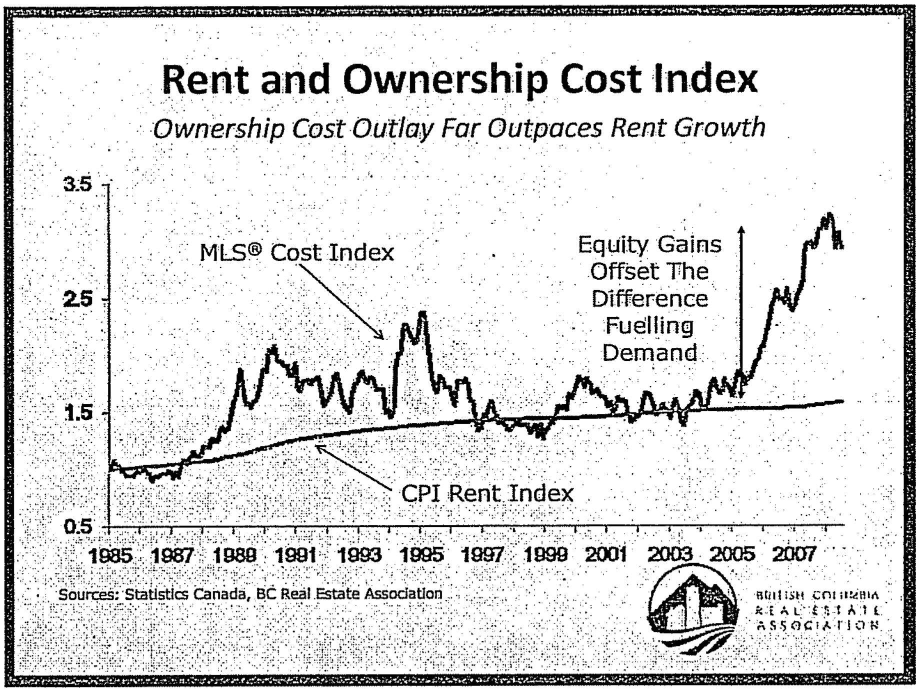
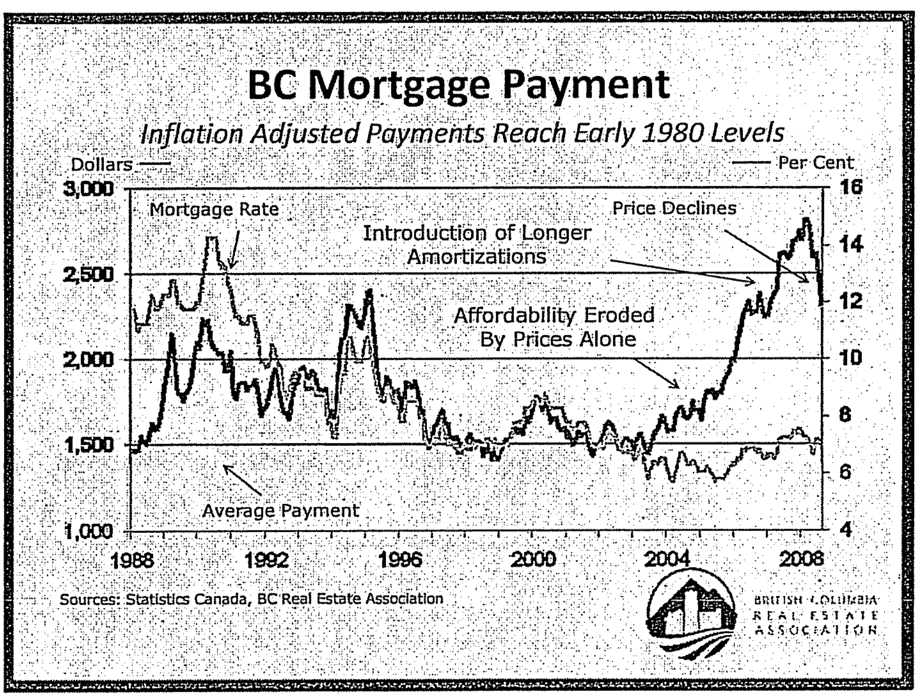
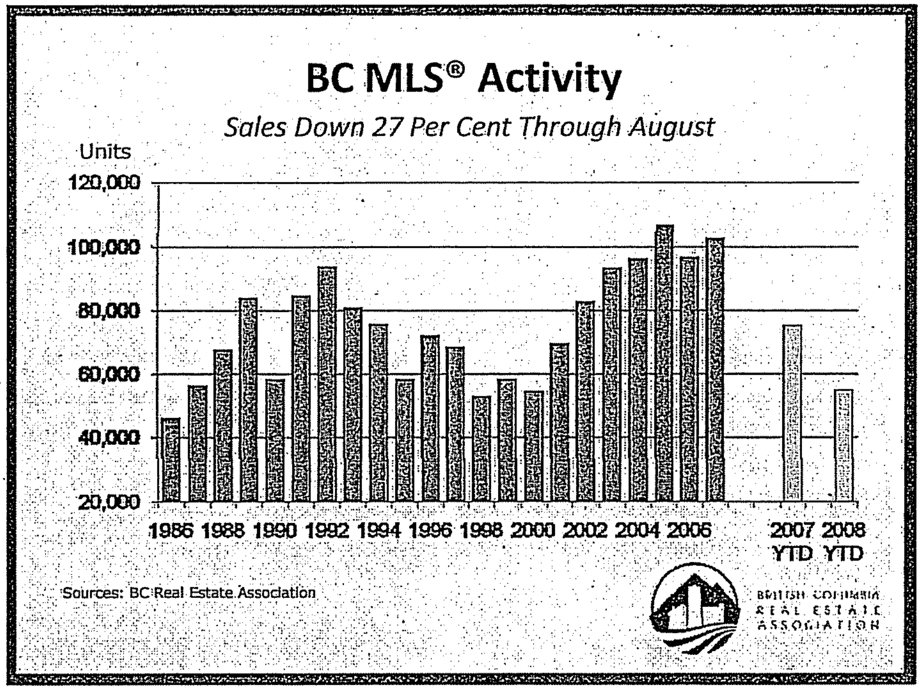
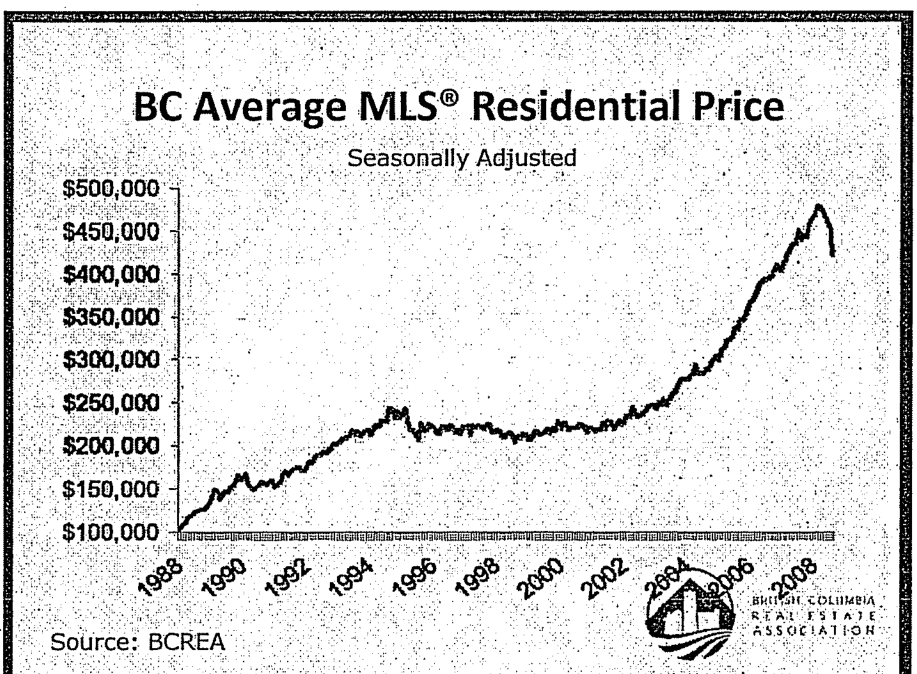

Rent and Ownership Cost Index
Ownership Cost Outlay Far Outpaces Rent Growth
3.5
2.5
1.5
0.5
MLS® Cost Index
Equity Gains Offset The Difference Fuelling Demand
CPI Rent Index
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
Sources: Statistics Canada, BC Real Estate Association


BC Mortgage Payment
Inflation Adjusted Payments Reach Early 1980 Levels
Dollars
Per Cent
3,000
2,500
2,000
1,500
1,000
16
14
12
10
8
6
4
Mortgage Rate
Introduction of Longer Amortizations
Price Declines
Affordability Eroded By Prices Alone
Average Payment
1988
1992
1996
2000
2004
2008
Sources: Statistics Canada, BC Real Estate Association



BC MLS® Activity
Sales Down 27 Per Cent Through August
Units
120,000
100,000
80,000
60,000
40,000
20,000
1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006
2007 YTD
2008 YTD
Sources: BC Real Estate Association
BRITISH COLUMBIA REAL ESTATE ASSOCIATION



BC Average MLS® Residential Price
Seasonally Adjusted
$500,000
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008
Source: BCREA
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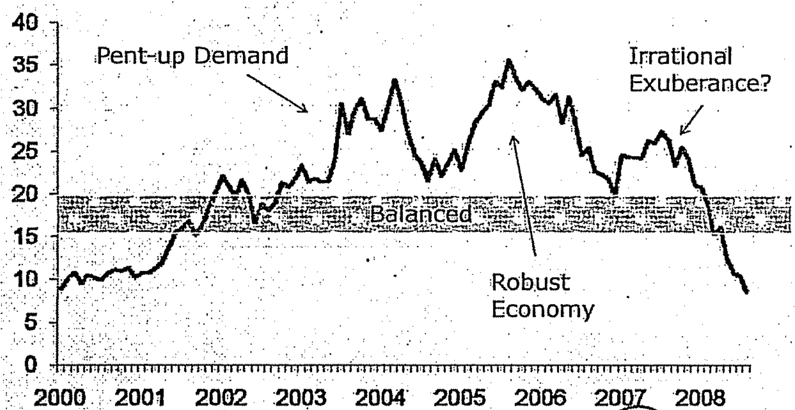
BC Housing Market Conditions



Source: BCREA

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Why would you need to sell?

1. Lost your job.
2. Interest rates too high.

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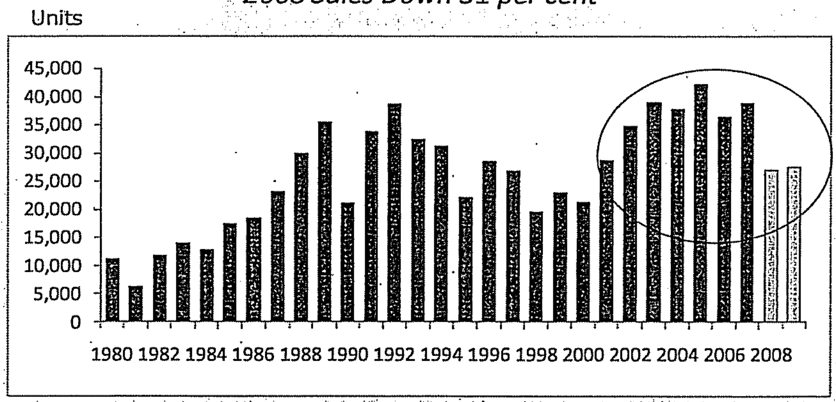
Vancouver MLS® Residential Sales

2008 Sales Down 31 per cent



Sources: BC Real Estate Association

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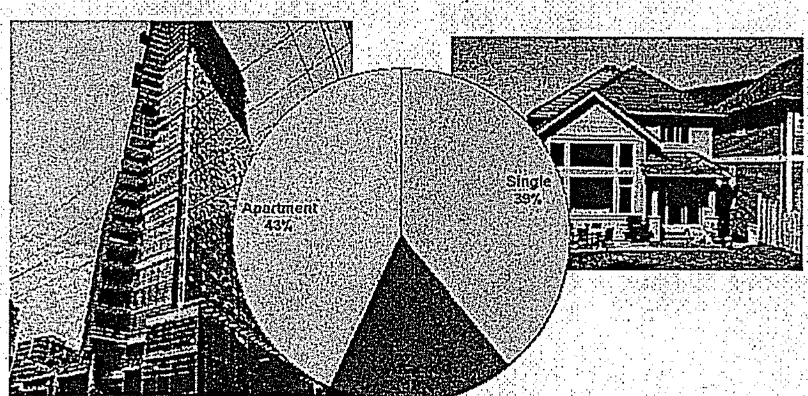
MLS® Sales by Unit Type

Multi-Family The Norm in Vancouver



Sources: REBGV

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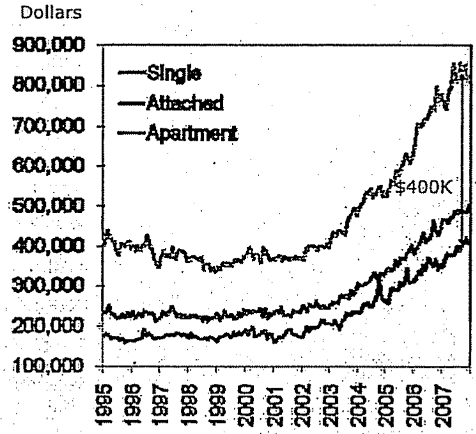
MLS® Price by Unit Type - REBGV

Multi-family is the only option for most first-time buyers



Qualifying Incomes

Apartment: $83,500

Attached: $102,000

Single-Detached: $165,271

Assumes 25% Down, 5 Year Fixed Rate, 25 Year Amortization

Sources: CMHC, BC Real Estate Association

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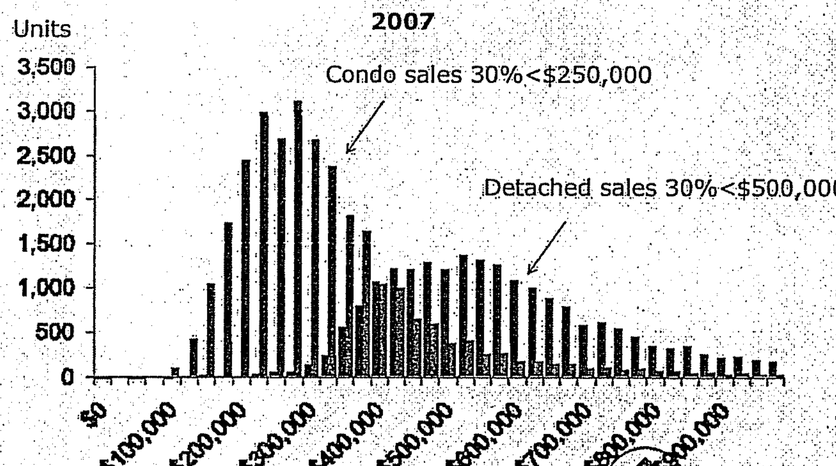
Vancouver CMA Home Sales



Source: BC Assessment

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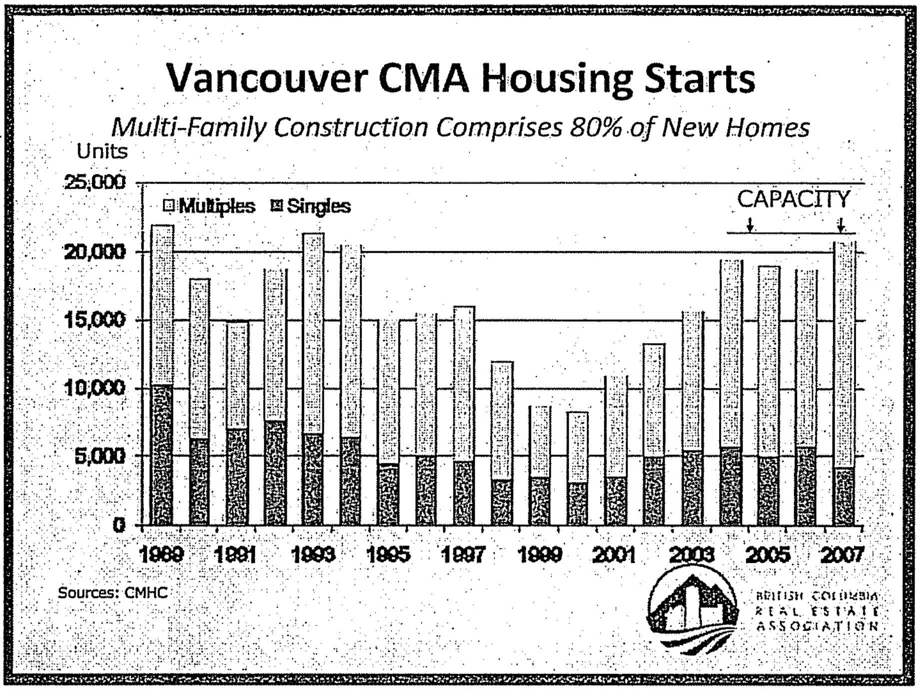
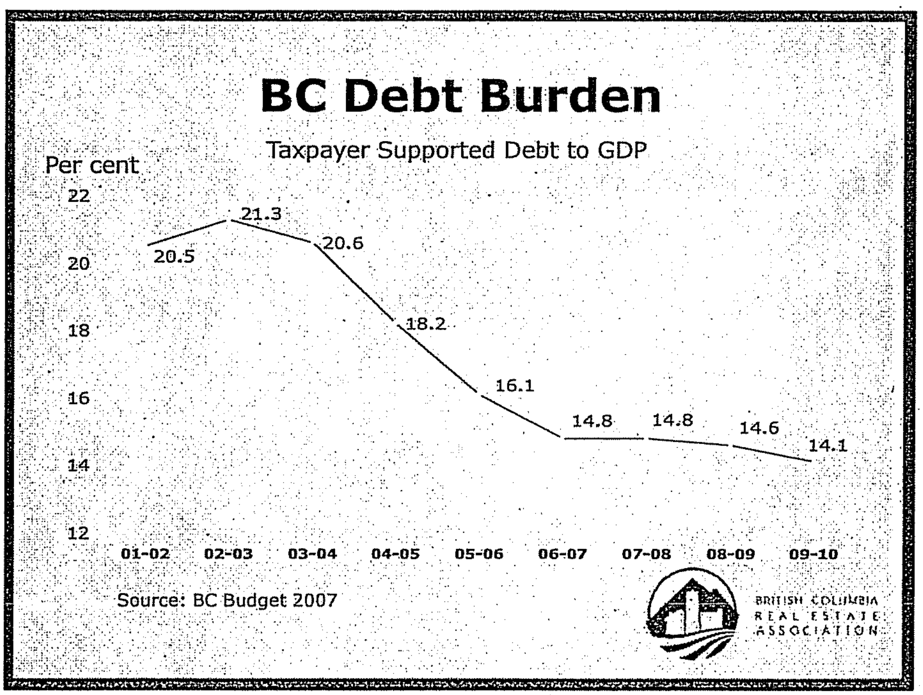
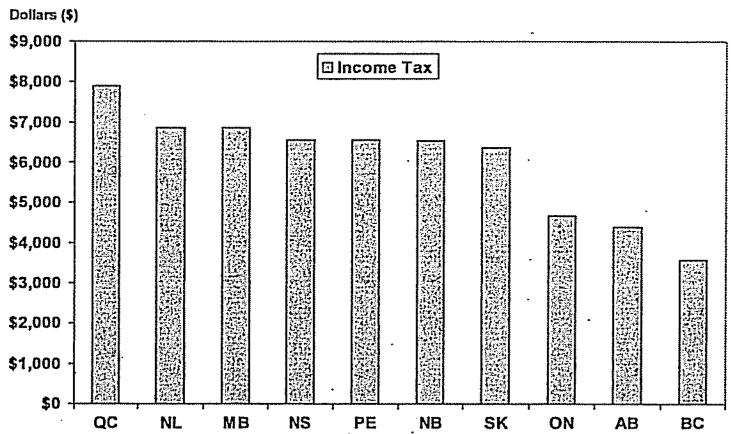

Vancouver CMA Housing Starts
Multi-Family Construction Comprises 80% of New Homes
Units
25,000
20,000
15,000
10,000
5,000
0
Multiples
Singles
CAPACITY
1989
1991
1993
1995
1997
1999
2001
2003
2005
2007
Sources: CMHC
BRITISH COLUMBIA REAL ESTATE ASSOCIATION


BC Debt Burden
Taxpayer Supported Debt to GDP
Per cent
22
20
18
16
14
12
20.5
21.3
20.6
18.2
16.1
14.8
14.8
14.6
14.1
01-02
02-03
03-04
04-05
05-06
06-07
07-08
08-09
09-10
Source: BC Budget 2007
BRITISH COLUMBIA REAL ESTATE ASSOCIATION

Income and Transfer Tax Burden*



Source: CREA, BCREA Calculation.

*Provincial basic personal income tax based on a couple earning $40,000 each. Property transfer tax based on Q2 2007 average MLS® price

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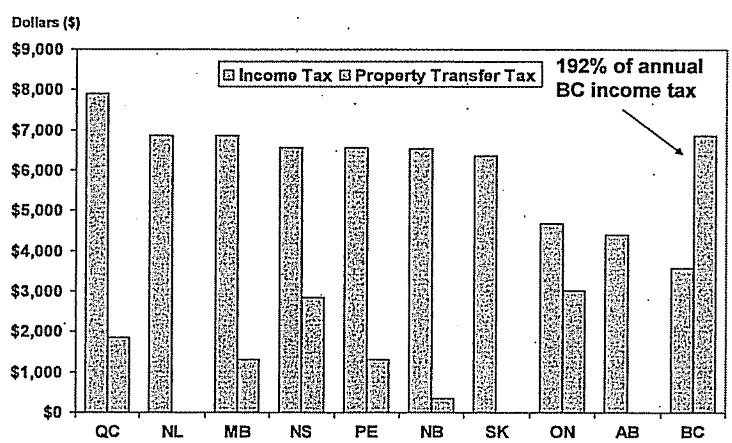

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Economic and Housing Outlook

- ✓ US weakness impacting our economy
- ✓ BC Households financially strong, but not confident
- ✓ Some Deterioration in BC Economy expected
- ✓ Imbalance Between Supply and Demand to Persist
- ✓ Home sales lower; downward pressure on prices

Watch the consumer!!

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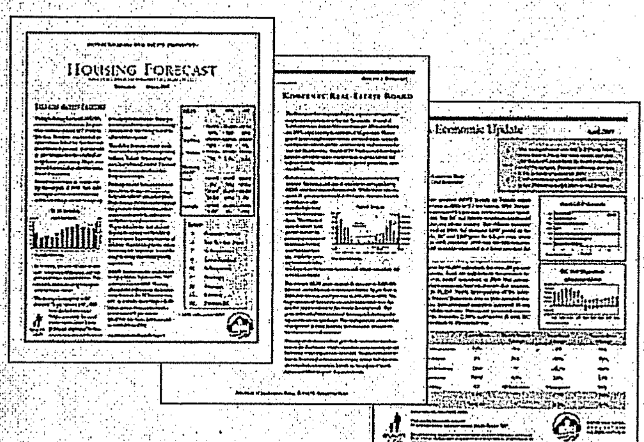

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British Columbia Expropriation Association

2007 FALL SEMINAR

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