



## HOUSING MARKET REBOUND TO EXTEND INTO 2014

Multiple Listing Service® (MLS®) residential sales in British Columbia are forecast to increase 6 per cent to 71,700 units this year. While home sales declined through most of 2012, consumer demand has picked up steam this year, culminating in a year-over-year increase of 43 per cent in September. However, rather than signaling a return of accelerated markets and frenetic home buyers, consumer demand is simply transitioning back to long term average levels.

Real GDP growth in the province is forecast to increase from 1.6 per cent this year to 2.6 per cent in 2014. Stronger economic conditions next year are expected to push MLS® residential sales up a further 6.3 per cent to 76,200 units.

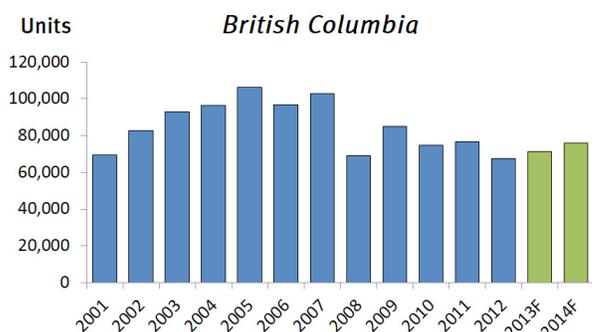
Housing market conditions have improved in most regions of the province. Rising consumer demand and total active listings down nearly 9 per cent has either pulled or is pulling BC housing markets into balanced conditions, where neither buyers nor sellers have the advantage. With a stronger than

expected pull-back of resale inventories, the average home price in the province is now forecast to rise by 4.3 per cent to \$537,100 this year. As consumer demand continues on an upward trajectory, many potential home sellers that have been holding off for stronger market conditions will likely decide to put their homes on the market, keeping the market well supplied. The average MLS® residential price

in the province is forecast to edge up 2.1 per cent to \$548,200 in 2014.

The housing stock is expected to expand less rapidly, with BC housing starts forecast to edge back 5 per cent to 26,100 units this year. Multiple starts are expected to be down 7.5 per cent and single detached starts remaining virtually unchanged with larger inventories causing some projects to be delayed. Housing starts are forecast to increase 3.8 per cent to 27,100 units next year.

### MLS® Residential Sales



Source: BCREA

Sluggish economic growth and the anaemic pace of job creation so far this year is expected to curb growth in housing demand over the next few quarters. Nevertheless, there are encouraging signs that the economy is improving. Housing demand has gained momentum since early in the year, pushing the provincial housing market

back towards balanced conditions. The US housing market has also exhibited nascent signs of recovery, spurring BC lumber exports into double-digit growth.



MLS®	12	13f	14f
Sales	67,637 -11.8%	71,700 6%	76,200 6.3%
Avg Price	514,836 -8.3%	537,100 4.3%	548,200 2.1%
\$ Volume	34.8 Bil -19.1%	38.5 Bil 10.6%	41.8 Bil 8.5%
<b>Housing Starts<sup>1</sup></b>			
Total	27,465 4%	26,100 -5%	27,000 3.4%
Single	8,333 -6%	8,400 0.8%	8,700 3.6%
Multiple	19,132 9.1%	17,700 -7.5%	18,300 3.4%
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1. Source: BCREA Forecast; CMHC

## ECONOMIC OUTLOOK

The BC economy is headed for a second straight year of disappointing growth. The proximate cause of a weak economy in 2013 is stagnant household spending, largely owing to meagre employment gains. Indeed, employment in BC is forecast to be virtually unchanged from 2012. As a result, retail sales are on pace to post their lowest growth rate since the 2009 recession and the BC economy is expected to expand just 1.6 per cent this year.

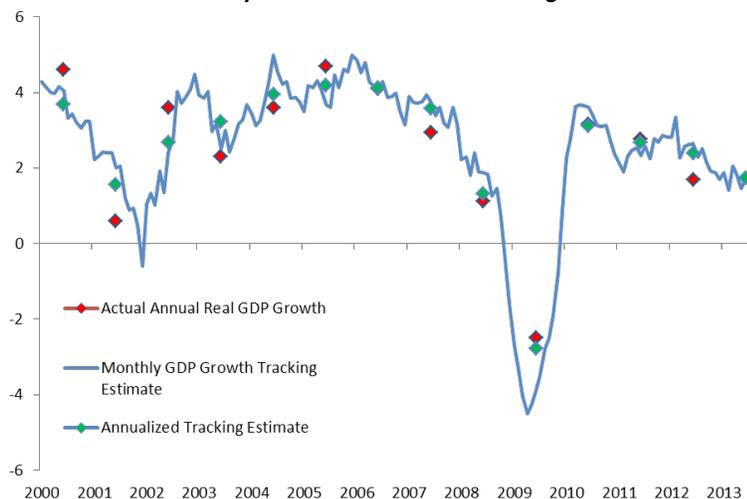
However, there are some encouraging signs that the economy is improving. Home sales have gained momentum since the spring, pushing the provincial housing market back towards balanced conditions. Residential investment has stabilized following a slow start to the year and a recovery in the US housing market has spurred BC lumber exports into double-digit growth.

Though a number of domestic and external challenges remain, we expect a significant improvement in economic growth next year. Domestically, business investment, particularly non-residential construction, should build this year's strength and provide a boost to growth in 2014. We also expect that employment growth will recover as increased confidence in the economy spurs hiring activity, which should in turn propel consumer spending higher.

BC exports should also receive a lift in 2014, particularly exports to the United States and Japan. Those economies, which represent two-thirds of the BC export market, have been mired in tepid economic recovery for years. However, the US economy, assuming its governing bodies can avoid further unnecessary misfortune, should post substantially better growth next year. Moreover, the Japanese experiment with Abenomics (named for the suite of stimulative policies implemented by Prime Minister Shinzo Abe) seems to be having the desired impact on economic growth.

### BC Economy Continues to Struggle

BCREA Monthly BC Economic Growth Tracking Estimate



Source: BCREA

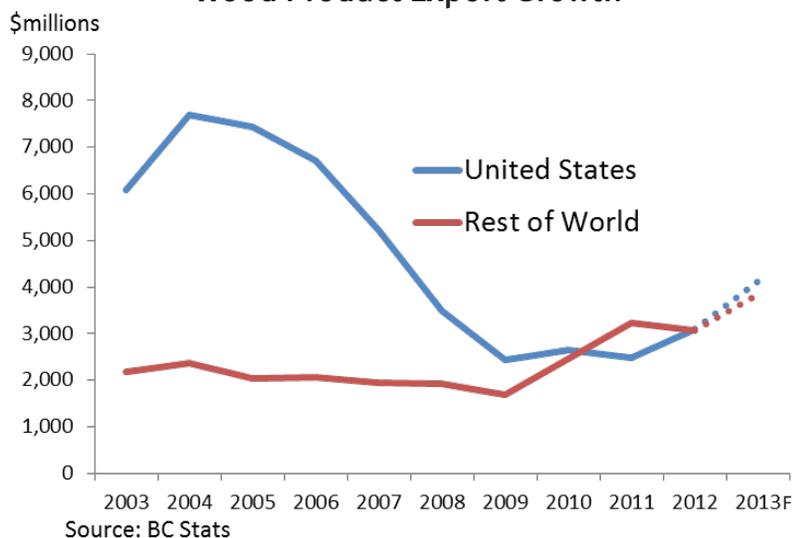
	2012f*	2013f	2014f
<b>Real GDP Growth*</b>	1.9%	1.6%	2.6%
<b>Employment (\$ millions)</b>	2.31	2.31	2.35
<b>Unemployment (000s)</b>	166.4	162.2	154.1
<b>Unemployment Rate</b>	6.7%	6.6%	6.3%
<b>Personal Disposable Income (\$ millions)**</b>	138.2	142.3	148.3
	4%	3%	4.2%
<b>Average Weekly Wage</b>	\$851	\$866	\$883
	1.6%	1.8%	2%
<b>Retail Sales (\$ billions)</b>	\$61.3	\$62	\$64.3
	2.2%	1.1%	3.8%
<b>Net International Migration</b>	32,052	37,500	38,000
	1.61%	17%	1.33%
<b>Net Interprovincial Migration</b>	-7,539	-5,000	-1,000
	-	33.68%	80%
<b>Total Net Migration</b>	24,513	32,500	36,500
	-23.98%	32.58%	12.31%

\*Data not yet available for 2012 has been estimated

\*\*Estimates of Personal Disposable Income were revised by Statistics Canada as part of its 2012 Historical Revision of the Canadian System of National Accounts

As growth in the global economy speeds up, we expect that long-term interest rates will increase, though the Bank of Canada is expected to remain on hold for all or most of next year. The positive effect of improved global economic growth on BC exports, alongside stronger provincial employment and income growth, should temper any negative impact of rising long-term interest rates. Overall, we forecast economic growth in the province will accelerate next year to 2.6 per cent.

### Trade Diversification and US Housing Recovery Driving Wood Product Export Growth

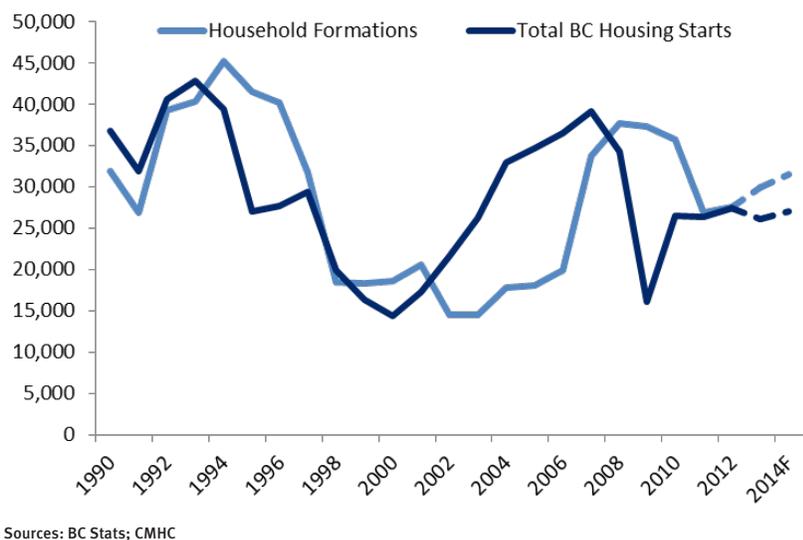


## HOUSING STARTS

New home construction in BC is forecast to soften in 2013, with total housing starts falling 5 per cent to 26,100 units. Slower than anticipated consumer demand in 2012 led to an accumulation of unsold new home inventory heading into 2013. That overhang of supply, particularly in the condo markets of larger metropolitan areas, is largely responsible for the pull-back in construction of multiple units which are forecast to decline by 7.5 per cent this year. Conversely, construction of new single detached homes is on pace to increase this year, albeit modestly by about 1 per cent. The slight uptick in single detached starts is primarily the result of a significant rebound in the Vancouver CMA where single detached starts are forecast to rise 11 per cent in 2013.

Household formations in BC are projected to increase at an average rate of about 30,000 new households per year. We anticipate that new home construction in BC will closely track that trend next year. Momentum in the provincial housing market through the second half of 2013 should help to absorb elevated new home inventory in coming

### Housing Starts to Closely Track Household Growth



months. A stronger economy in 2014 and a markedly improved labour market will provide a further boost to consumer demand and help to offset the impact of higher mortgage rates.

Given favourable demographic trends and the countervailing forces of higher interest rates and improving employment growth, we forecast a 3.4 per cent increase in housing starts in 2014 to 27,000 units.

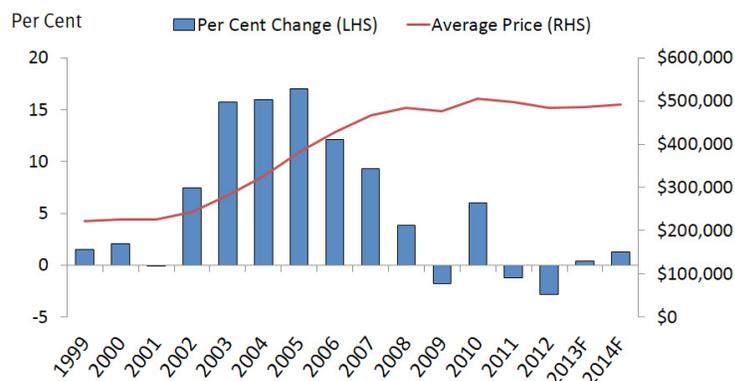
# VICTORIA REAL ESTATE BOARD

The Victoria housing market has transitioned from waning home sales and buyers' market conditions in 2012 to increasing consumer demand and more balanced conditions this year. While the short-term effect of last year's credit tightening for low equity homebuyers is now largely behind us, relatively muted economic growth and anaemic employment gains this year are expected to temper housing demand over the next few quarters. However, stronger economic conditions at home and abroad in 2014 will have the year finishing on another high note, with MLS® residential sales rising a further 4.3 per cent to 5,895 units. The ten-year average is 7,035 unit sales.

Total active residential listings in Victoria were down nearly 14 per cent in September compared to a year earlier, and down 15 per cent from the beginning of the year on a seasonally adjusted basis. More home sales combined with fewer home listings has pulled Victoria up to the margin of a balanced market, where buyers and sellers are on relatively equal footing. As a result, MLS® residential price is forecast to remain relatively unchanged this year, albeit up by 0.4 per cent to \$486,000. The Victoria housing market is expected to remain much closer to balanced conditions through 2014 contributing to a forecast 1.2 per cent increase in the average MLS® residential price.

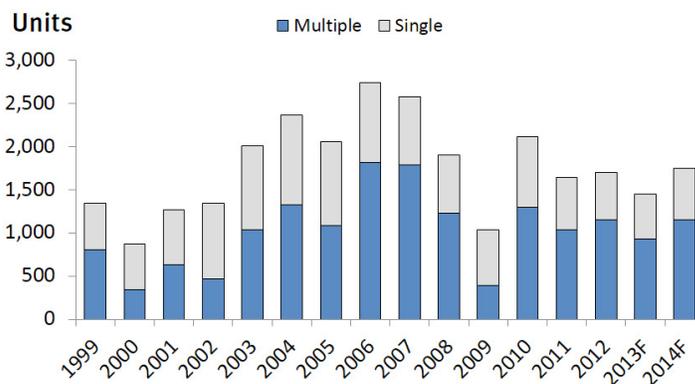
A relatively robust rate of new home construction in the Victoria CMA during 2012 was greeted with weak housing demand and slowing economic growth. This caused the inventory of complete and unoccupied new homes to grow. As a result, some builders and developers delayed new projects until their inventories were sufficiently drawn down. New construction activity in Victoria is well off last year's pace of 1,700 units. A marked slowdown in the construction of multiple units has contributed to a forecast decline of nearly 15 per cent in total housing starts this year to 1,450 units. As inventories are absorbed and the economy picks-up steam in 2014, we anticipate that housing starts in the Victoria CMA will bounce back to a total of 1,750 units.

## MLS® Residential Price Victoria



Source: BCREA

## Housing Starts Victoria



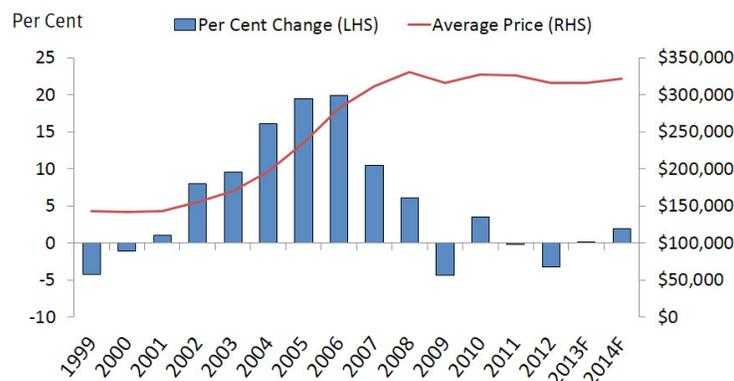
Source: CMHC, BCREA Forecast

	MLS® Sales				Avg Price				Housing Starts <sup>2</sup>		
	Total <sup>1</sup>	Detached	Attached	Apartment	Total	Detached	Attached	Apartment	Total	Single	Multiple
<b>12</b>	5,460	3,174	601	1,538	484,164	598,094	408,230	313,280	1,700	552	1,148
	-5.4%	-6.1%	-5.5%	-3.3%	-2.8%	-1.1%	-5.8%	-3.8%	3.5%	-9.4%	11.1%
<b>13f</b>	5,650	3,400	675	1,400	486,000	591,000	410,000	315,000	1,450	525	925
	3.5%	7.1%	12.3%	-9%	0.4%	-1.2%	0.4%	0.5%	-14.7%	-4.9%	-19.4%
<b>14f</b>	5,895	3,475	650	1,600	492,000	595,000	415,000	320,000	1,750	600	1,150
	4.3%	2.2%	-3.7%	14.3%	1.2%	0.7%	1.2%	1.6%	20.7%	14.3%	24.3%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
 2. Victoria CMA Sources: CMHC, BCREA Forecast

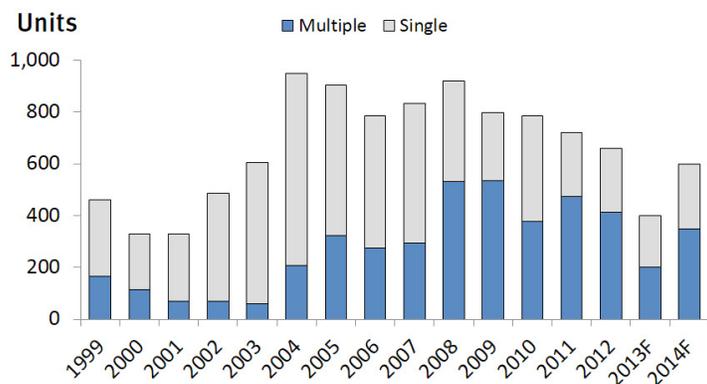
## VANCOUVER ISLAND REAL ESTATE BOARD

## MLS® Residential Price Vancouver Island



Source: BCREA

## Housing Starts Nanaimo



Source: CMHC, BCREA Forecast

The Vancouver Island housing market posted a marked rebound since the beginning of the year. After declining 5.6 per cent in 2012, MLS® residential sales through the Vancouver Island Real Estate Board are forecast to increase 5.7 per cent to 6,350 units this year. Stronger consumer demand for housing is a return to a long-term average level of home sales rather than a signal of an accelerating market. While mortgage interest rates ticked marginally higher during the summer months, they remain near historic lows. In addition, robust economic and job growth in Alberta will ensure this important market segment remains active. However, the BC economy is posting sluggish growth and the number of jobs has remained virtually unchanged over the first three quarters. While stronger growth in these fundamentals is expected in 2014, home sales are forecast to increase at a more modest pace of 2.4 per cent to 6,500 units.

Market conditions on Vancouver Island have improved over the last year. Rising unit sales combined with a nearly 9 per cent decline in active listings has stabilized home prices. The Vancouver Island housing market is expected to remain tilted slightly in favour of home buyers over the next few quarters, with balanced conditions emerging later next year. This means home prices will exhibit little change. The average MLS® residential price is forecast to remain unchanged at \$316,000 this year, before increasing 1.9 per cent to \$322,000 in 2014.

The Nanaimo CA continues to benefit from robust rates of household formation which has helped support steady homebuilding activity. However, a dip in consumer demand led to an accumulation of inventory in 2011 and 2012 which has tempered growth in housing starts. Indeed, total housing starts posted modest declines over the past two years as an elevated inventory of condominiums caused some projects to be postponed. We expect a further easing of multiple starts which will limit total housing starts to 665 in 2013 and 625 in 2014.

MLS®	Sales				Avg Price				Housing Starts <sup>2</sup>		
	Total <sup>1</sup>	Detached	Attached	Apartment	Total	Detached	Attached	Apartment	Total	Single	Multiple
12	6,008	4,256	421	471	315,644	350,062	237,327	187,597	659	248	411
	-5.6%	-0.1%	6.3%	-12.5%	-3.3%	-1.9%	-7.4%	-7.5%	-8.5%	0.8%	-13.3%
13f	6,350	4,450	365	470	316,000	347,600	239,000	188,000	400	200	200
	5.7%	4.6%	-13.3%	-0.2%	0.1%	-0.7%	0.7%	0.2%	-39.3%	-19.4%	-51.3%
14f	6,500	4,550	420	490	322,000	350,000	240,000	189,200	600	250	350
	2.4%	2.2%	15.1%	4.3%	1.9%	0.7%	0.4%	0.6%	50.0%	25%	75%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
 2. Nanaimo CA Sources: CMHC, BCREA Forecast

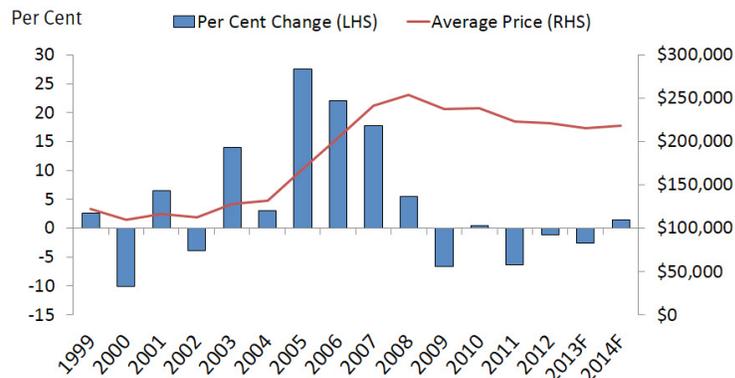
# POWELL RIVER SUNSHINE COAST REAL ESTATE BOARD

MLS® residential sales in the Powell River board area are forecast to reach 260 units this year, compared to 266 units in 2012. Tighter credit regulation for high-ratio mortgage financing introduced last year has pulled back home sales during the first two quarters and consumer demand is just now recovering from the erosion of affordability. In addition, relatively weak provincial economic growth has created few jobs this year and will act as a drag on the housing market over the next few quarters. However, more robust employment growth is forecast for 2014 and stronger consumer demand for housing is expected to manifest in the second half of the year.

Housing market conditions have improved in Powell River this year. The area's relative affordability and unique lifestyle opportunities should continue to be a popular magnet for a growing number of retirees from the Lower Mainland and other areas around BC. While consumer demand is roughly on par with year ago levels, the total number of active listings is down approximately 6 per cent. This suggests that home prices have stabilized and that the market is in relative balance. As a result, the average MLS® residential price is expected to edge down 2.6 per cent to \$215,000 this year, before increasing 1.4 per cent to 218,000 in 2014.

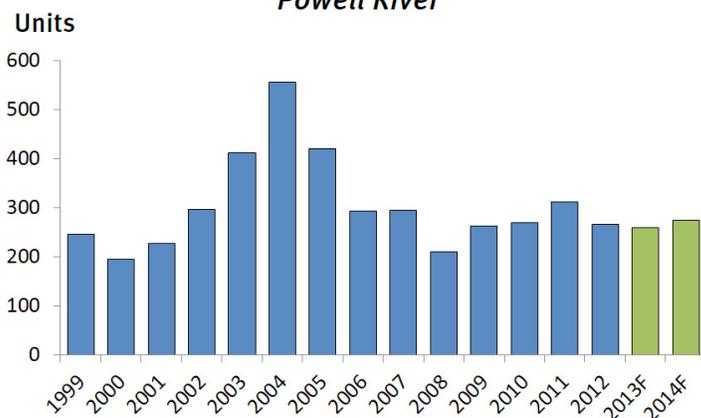
Housing starts in the Powell River CA are forecast to be virtually unchanged from 2012 at around 25 total units. Similar to last year, there have yet to be any recorded multiple unit starts in 2013. A stable population base is a major factor in the slow expansion of the housing stock. We are forecasting new home construction will remain close to its five-year average in a range of 20 to 30 units over the next two years.

## MLS® Residential Price Powell River



Source: BCREA

## MLS® Residential Sales Powell River



Source: BCREA

MLS®	Sales			Avg Price			Housing Starts <sup>2</sup>
	Total <sup>1</sup>	Detached	Condo	Total <sup>1</sup>	Detached	Condo	Total
<b>12</b>	266	216	30	220,773	247,781	129,406	21
	-15%	-10.7%	-44.4%	-1.1%	0.1%	-28.1%	10.5%
<b>13f</b>	260	205	35	215,000	244,000	138,000	25
	-2.3%	-5.1%	16.7%	-2.6%	-1.5%	6.6%	19%
<b>14f</b>	275	215	35	218,000	249,100	142,400	30
	5.8%	4.9%	0%	1.4%	2.1%	3.2%	20%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
 2. Powell River CA Sources: CMHC, BCREA Forecast

## MORTGAGE RATE FORECAST

Mortgage Rate Forecast								
	2013				2014			
Term	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F
1-Year	3.00	3.10	3.14	3.14	3.14	3.30	3.30	3.45
5-Year	5.14	5.15	5.22	5.34	5.44	5.64	5.85	5.85

Sources: Bank of Canada; BCREA

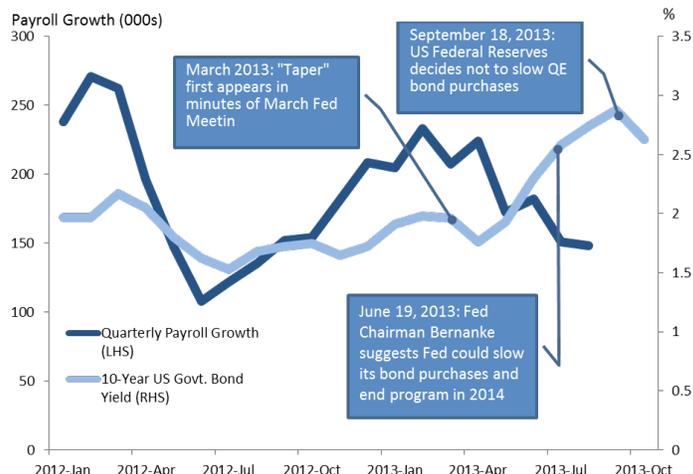
Rapidly rising Canadian bond yields and limitations on mortgage back security (MBS) issuance are the primary factors driving mortgage rates in the third quarter. In response, lenders have raised both discounted contract rates and the all-important five-year fixed qualifying rate which now stands at 5.34 per cent.

In August, the Canada Mortgage and Housing Corporation announced that, because lenders were nearing the annual limit, it had capped *National Housing Act* (NHA) MBS issuance at \$350 million per lender per month in anticipation of a formal allocation process. That meant that some lenders needed to fund mortgage issuance through more costly alternatives to the NHA MBS and higher costs would likely be passed through to mortgage rates.

It appears that limitations on MBS issuance are only having a small impact on mortgage costs. A larger factor in the rising interest rate environment of last summer was expectations that the US Federal Reserve would slow, or “taper” its long-term bond purchases. According to economic theory, long-term interest rates are determined by a combination of two factors: 1) expectations of future short-term rates and 2) a term premium to compensate for uncertainty and risk. The US Federal Reserve’s bid to push long-term rates lower via purchase of long-term bonds has put significant downward pressure on term premiums in recent years. However, the prospect of those bond purchases slowing, or indeed ending, had pushed term premiums, and therefore long-term interest rates, higher even though the Fed is not expected to tighten monetary policy until 2015 at the earliest. Importantly, the decision to taper has always been very much contingent on an improving US labour market and overall economic

conditions. Slowing job growth and uncertainty in the US economy, propagated by a government shutdown and a looming fight over the debt ceiling, prompted the Fed to hold off on tapering in September until it could better read the direction of the economy. That announcement has sent bond yields tumbling, with the five-year Canadian government yield falling 30 basis points.

### To Taper or Not to Taper: US Job Growth Slowing as Rates Rise



Source: St. Louis Federal Reserve

The five-year fixed mortgage rate is currently sitting where we thought it would finish the year, at 5.34 per cent. Uncertainty in the US economy, makes forecasting the direction of interest rates even more challenging. Our baseline forecast assumes one more ten basis point increase before the end of 2013, which would bring the five-year fixed rate to 5.44 per cent. One-year mortgage rates have held steady at 3.14 per cent, but may start to creep higher in early 2014 on expectations of a Bank of Canada rate-hike.

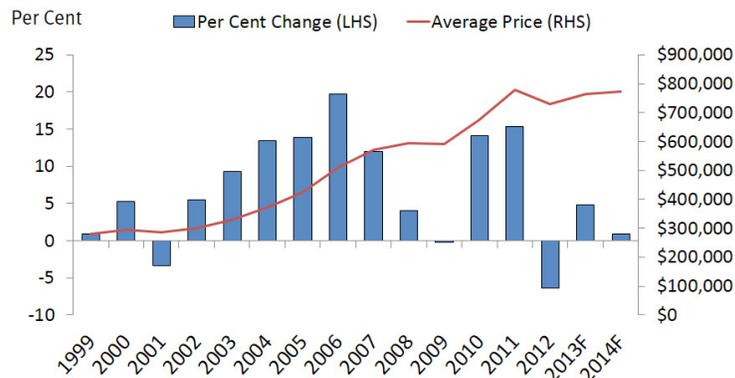
# REAL ESTATE BOARD OF GREATER VANCOUVER

Consumer demand in the province’s largest market has rebounded after declining for most of 2012. The impact of tighter credit conditions for low equity home buyers has dissipated and potential home buyers once concerned about market risk are now focused on locking in a low mortgage rates before the next uptick. While home sales were 64 per cent higher in September than a year ago, consumer demand has simply returned to the long-term average and is a return to normalcy, rather than a signal of accelerating market conditions. However, strong as the recovery has been, consumer demand is expected to flatten out as weak economic growth and anaemic employment gains impact the market.

Market conditions in Vancouver have remained in relative balance over the past several months. Stronger consumer demand combined with a nearly 12 per cent reduction in the number of homes for sale has contributed to relatively stable home prices. The average MLS® residential price is forecast to increase 4.8 per cent to \$765,000 this year. However, about half the increase will be due to a compositional change in the types of homes sold. Next year, the average MLS® residential price is forecast to edge up a further 0.9 per cent to \$772,000.

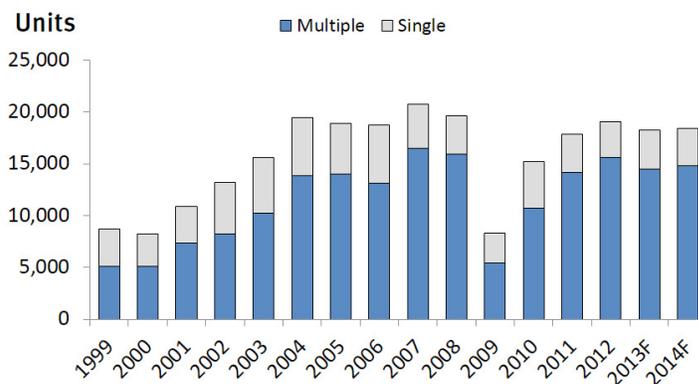
Although total housing starts are lagging behind 2012 construction activity, single detached starts have increased over last year, rising 13 per cent year-to-date. We expect single detached starts to finish the year 11 per cent higher than 2012 at 3,750 units, which will help to partially offset a forecast 8 per cent decline in multiples to 14,500 units. Total housing starts are forecast to fall 4 per cent in 2013 to 18,250 units. Stronger demand in the resale housing market, as well as a rebound in employment growth next year, should help to temper the drag from higher expected interest rates. Total housing starts are forecast to edge up 1 per cent next year to 18,450 units.

## MLS® Residential Price Greater Vancouver



Source: BCREA

## Housing Starts Vancouver



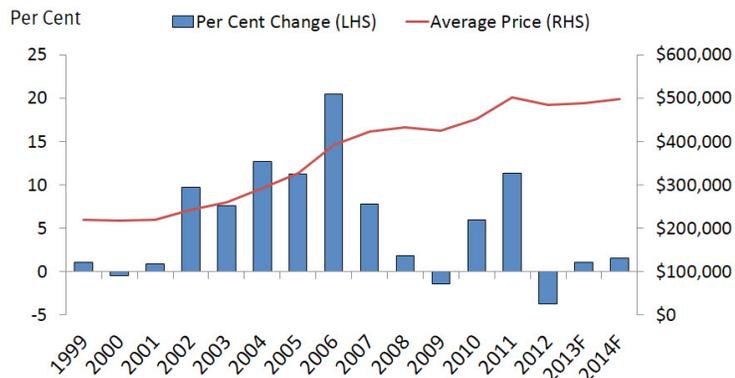
Source: CMHC, BCREA Forecast

MLS®	Sales				Avg Price				Housing Starts <sup>2</sup>		
	Total <sup>1</sup>	Detached	Attached	Apartment	Total	Detached	Attached	Apartment	Total	Single	Multiple
12	25,445	10,065	4,388	10,625	730,063	1,114,026	561,235	439,525	19,027	3,381	15,646
	-22.7%	-28.5%	-19.8%	-17.5%	-6.4%	-4.5%	-0.4%	-3.2%	6.6%	-8.3%	10.4%
13f	28,400	11,600	5,050	11,400	765,000	1,169,700	572,460	443,920	18,250	3,750	14,500
	11.6%	15.3%	15.1%	7.3%	4.8%	5%	2%	1%	-4.1%	10.9%	-7.3%
14f	30,900	12,600	5,250	12,650	772,000	1,189,600	578,200	449,250	18,450	3,650	14,800
	8.8%	8.6%	4%	11%	0.9%	1.7%	1%	1.2%	1.1%	-2.7%	2.1%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
 2. Vancouver CMA Sources: CMHC, BCREA Forecast

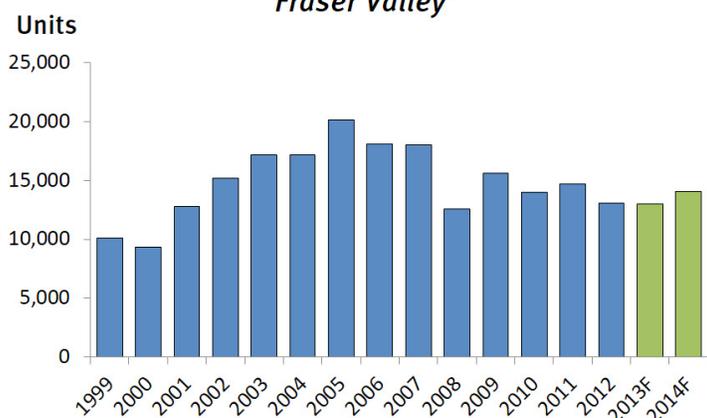
## FRASER VALLEY REAL ESTATE BOARD

### MLS® Residential Price Fraser Valley



Source: BCREA

### MLS® Residential Sales Fraser Valley



Source: BCREA

Home sales in the Fraser Valley are trending higher, after declining for most of 2012. While Fraser Valley home sales are expected to end the year at a higher level than in 2012, the annual total is expected to be roughly equal to last year at 13,050 units. The upward pace of consumer demand is expected to slow, however, as relatively weak growth in the provincial economy and anaemic job growth tether the market. That said, economic growth at home and abroad is expected to gain momentum in 2014, leading to more robust employment growth and housing demand. MLS® residential sales in the Fraser Valley are forecast to increase 8 per cent to 14,100 units next year.

Market conditions in the Fraser Valley have improved this year and are trending close to balance between buyers and sellers. Total active listings were down nearly 6 per cent in September, with home sales up 36 per cent from a year ago. As a result, after declining 3.7 per cent in 2012, the average MLS® residential price is forecast to edge up 1.1 per cent to \$489,000 this year, and a further 1.6 per cent to \$497,000 in 2014.

Following three very challenging years, the new home construction market in the Abbotsford CMA has bounced back with renewed vigor. Total housing starts through the first eight months of the year have already reached 448 units, exceeding 2012's annual total of 371 units. Total housing starts are forecast to rise 102 per cent in 2013 to 750 units, led by a more than doubling of multiple starts. Given that housing starts in the Abbotsford CMA have lagged behind estimated household formation for several years, and because of anticipated stronger economic growth next year, we expect that construction activity will remain strong in 2014. Total Abbotsford CMA housing starts are forecast to rise a further 2 per cent in 2014 to 765 units.

MLS®	Sales				Avg Price				Housing Starts <sup>2</sup>		
	Total <sup>1</sup>	Detached	Attached	Apartment	Total	Detached	Attached	Apartment	Total	Single	Multiple
<b>12</b>	13,083	7,086	3,288	2,343	483,730	597,699	342,811	215,494	371	198	173
	-11.2%	-14.3%	-2.9%	-7.7%	-3.7%	-2.7%	-2.3%	-4%	-30.9%	-19.2%	-40.8%
<b>13f</b>	13,050	7,100	2,900	2,350	489,000	606,700	339,400	217,100	750	200	550
	-0.3%	0.2%	-11.8%	0.3%	1.1%	1.5%	-1%	0.7%	102.2%	1%	217.9%
<b>14f</b>	14,100	7,650	3,200	2,650	497,000	619,404	345,800	220,100	765	240	525
	8%	7.7%	10.3%	12.8%	1.6%	2.1%	1.9%	1.4%	2%	20%	-4.5%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
 2. Abbotsford CMA Sources: CMHC, BCREA Forecast

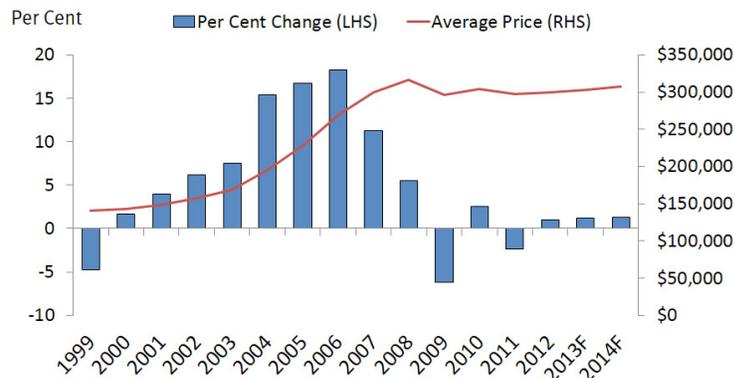
# CHILLIWACK AND DISTRICT REAL ESTATE BOARD

Consumer demand for housing has improved in Chilliwack since the beginning of the year. The shock of reduced high-ratio mortgage amortizations in 2012 has largely dissipated in the market, while fear of a housing correction has given way to a sense of urgency to lock in a mortgage before interest rates normalize. Home sales were up nearly 27 per cent in September compared to a year earlier. However, sales levels are expected to flatten over the next few quarters as weak economic and employment growth in the province put a tether on consumer demand. MLS® residential sales in Chilliwack are forecast to edge up 0.6 per cent to 2,020 units this year, before rising 4 per cent to 2,100 in 2014

While market conditions continue to favour home buyers, more balanced conditions are emerging in Chilliwack. Elevated sales activity combined with a 6 per cent decline in total active listings has firmed up home prices. The Chilliwack market is expected to remain at the margin of a buyer's to balanced market through 2014, with home prices remaining relatively unchanged. As a result, the average MLS® residential price is forecast to edge up 1.2 per cent to \$303,000 this year, and a further 1.3 per cent to \$307,000 in 2014.

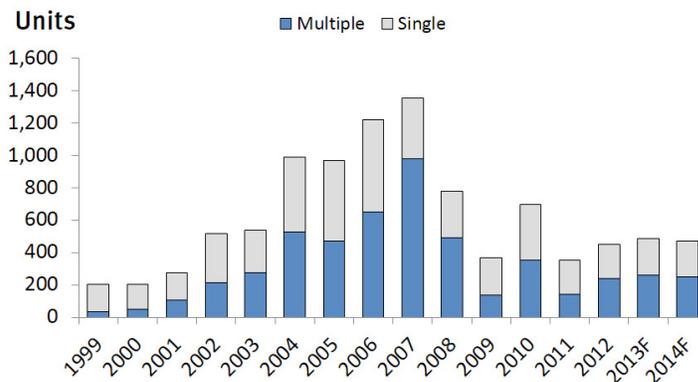
Momentum from last year's recovery in Chilliwack CA new home construction has carried through to 2013. Driven by balanced growth in the construction of single and multiple units, total housing starts are currently on pace to finish the year 7 per cent higher at 260 units. Following two years of strong growth in housing starts, we expect new home construction activity will edge back modestly in 2014, declining 3 per cent to a total of 470 units.

## MLS® Residential Price Chilliwack



Source: BCREA

## Housing Starts Chilliwack



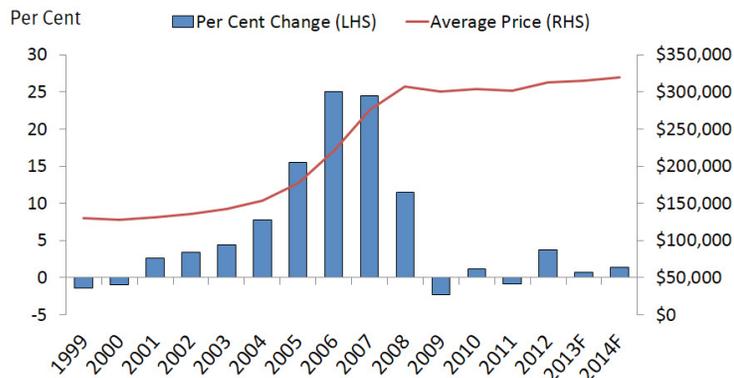
Source: CMHC, BCREA Forecast

MLS®	Sales				Avg Price				Housing Starts <sup>2</sup>		
	Total <sup>1</sup>	Detached	Attached	Apartment	Total	Detached	Attached	Apartment	Total	Single	Multiple
<b>12</b>	2,007	1,104	492	209	299,537	339,659	240,863	143,827	452	211	241
	-0.9%	-7.2%	5.4%	-5%	1%	5.2%	0%	-6%	27.7%	0%	68.5%
<b>13f</b>	2,020	1,100	470	250	303,000	356,000	249,000	142,000	485	225	260
	0.6%	-0.4%	-4.5%	19.6%	1.2%	4.8%	3.4%	-1.3%	7.3%	6.6%	7.9%
<b>14f</b>	2,100	1,160	510	240	307,000	358,200	249,500	147,000	470	220	250
	4%	5.5%	8.5%	-4%	1.3%	0.6%	0.2%	3.5%	-3.1%	-2.2%	-3.8%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
 2. Chilliwack CA Sources: CMHC, BCREA Forecast

# KAMLOOPS AND DISTRICT REAL ESTATE ASSOCIATION

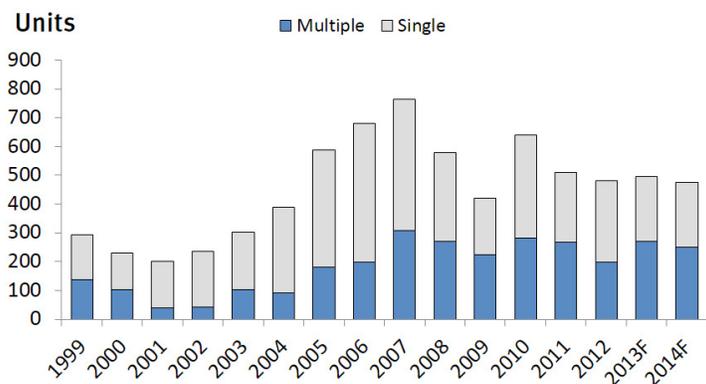
## MLS® Residential Price Kamloops



Source: BCREA

MLS® residential sales in the Kamloops area are forecast to climb nearly 10 per cent this year, after edging up 1 per cent in 2012. The region’s increasingly diversified economy has contributed to the housing market’s resilience over the past few years. In addition, the shock of reduced high-ratio mortgage amortizations in 2012 has largely dissipated in the market and consumers are now focused on locking in a mortgage before interest rates normalize. However, overall provincial economic growth has been tepid this year, with employment barely trading water. While stronger economic conditions are expected to manifest in 2014, some hangover from poor economic performance this year will likely impact home sales over the next few quarters. As a result, MLS® residential sales are forecast to remain relatively unchanged next year, albeit edging up 0.4 per cent to 2,310 units.

## Housing Starts Kamloops



Source: CMHC, BCREA Forecast

Market conditions improved in the Kamloops area over the first nine months of the year. Rising consumer demand combined with a nearly 5 per cent reduction in the inventory of homes for sale has kept the market close to balanced conditions. As a result, the average annual MLS® residential price is forecast to edge up 0.7 per cent to \$315,000 this year, and a further 1.4 per cent to \$319,500 in 2014.

Residential construction in the Kamloops area has been constrained in recent years by an elevated inventory of condominiums and a relatively modest pace of household growth. The inventory of new homes, while still elevated, has improved dramatically this year, with demand gaining strength through the second half of the year. As a result, new home construction in the Kamloops CA is on pace to record its first increase since 2010. We forecast an increase of 3 per cent in total housing starts this year to 495 units, and relatively little change in 2014, albeit a slight decrease to 490 units.

MLS®	Sales				Total	Avg Price			Housing Starts <sup>2</sup>		
	Total <sup>1</sup>	Detached	Attached	Apartment		Detached	Attached	Apartment	Total	Single	Multiple
12	2,097	1,472	284	177	312,710	352,323	273,919	190,815	481	283	198
	1%	4%	0.4%	6.6%	3.8%	3.1%	0.9%	-8.9%	-5.7%	16.9%	-26.1%
13f	2,300	1,610	275	210	315,000	354,500	277,000	188,000	495	225	270
	9.7%	9.4%	-3.2%	18.6%	0.7%	0.6%	1.1%	-1.5%	2.9%	-20.5%	36.4%
14f	2,310	1,630	280	185	319,500	359,000	278,100	194,000	490	240	250
	0.4%	1.2%	1.8%	-11.9%	1.4%	1.3%	0.4%	3.2%	-1%	6.7%	-7.4%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
 2. Kamloops CA Sources: CMHC, BCREA Forecast

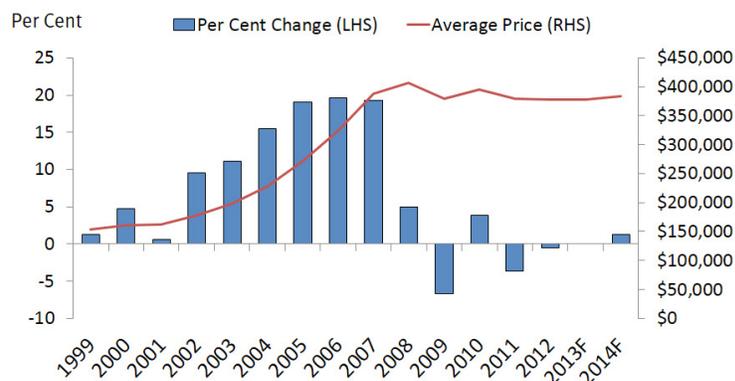
# OKANAGAN MAINLINE REAL ESTATE BOARD

Consumer demand continues on a long awaited upward trajectory in the Okanagan. After rising nearly 12 per cent in 2012, MLS® residential sales are forecast to increase a further 4.6 per cent to 5,650 units this year. However, while strong economic and employment growth in Alberta is expected to keep buyers from that province active in the Okanagan market, BC's economy has been relatively weak this year, with related job growth also disappointing. The impact is expected to limit growth in housing demand over the next few quarters. Next year, the provincial economy is expected to expand more rapidly and job growth should return to a more normal level. MLS® residential sales are forecast to increase 1.3 per cent to 5,725 units in 2014.

The inventory of homes for sale continues to trend lower, down 11 per cent over the past year and at its lowest level since early 2008. Fewer homes for sale combined with increased consumer demand have resulted in market conditions trending toward balance. This is providing greater stability in Okanagan home prices. As a result, the MLS® average residential price is forecast to remain unchanged this year at \$378,000. Further strengthening of market conditions is expected to lead an increase of 1.3 per cent to \$383,000 in 2014.

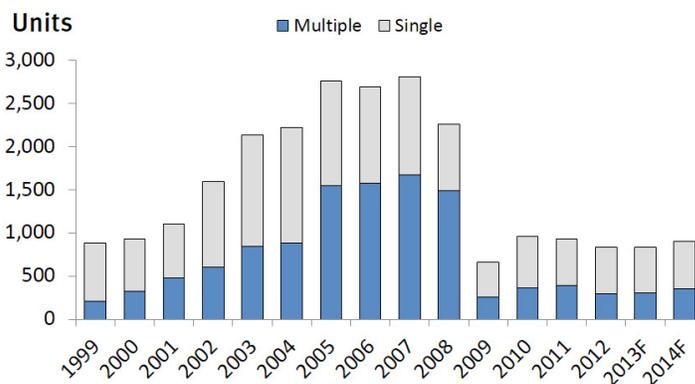
New home construction in the Kelowna CMA remains well below levels observed prior to the 2009 recession. While total housing starts in 2013 have posted 6 per cent growth through the first eight months of the year, we are forecasting that construction will slow in the final four months, finishing the year near the 2012 total. Single detached starts in the Kelowna CMA are projected to end the year 2 per cent lower at 525 units, while multiple starts are forecast to rise 3 per cent to 300 units. High inventory levels in the Kelowna CMA have been significantly reduced due to a sharp pullback in construction activity. We anticipate that this drawdown in inventory will support increased housing starts over the next few years. Total housing starts are forecast to rise 12.5 per cent to 900 units in 2014.

## MLS® Residential Price Okanagan Mainline



Source: BCREA

## Housing Starts Kelowna



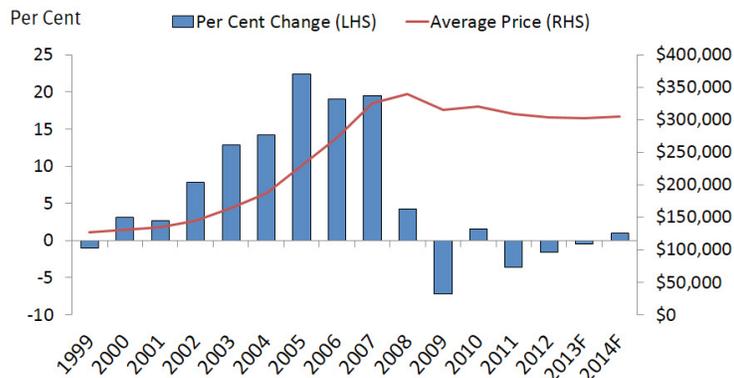
Source: CMHC, BCREA Forecast

MLS®	Sales				Avg Price				Housing Starts <sup>2</sup>		
	Total <sup>1</sup>	Detached	Attached	Apartment	Total	Detached	Attached	Apartment	Total	Single	Multiple
<b>12</b>	5,399	3,004	808	889	377,979	444,160	319,979	238,087	836	544	292
	11.8%	16%	18.6%	14.6%	-0.5%	-0.4%	-1.1%	0.2%	-10.5%	0.9%	-26.1%
<b>13f</b>	5,650	3,250	850	850	378,000	438,000	321,000	232,000	835	535	300
	4.6%	8.2%	5.2%	-4.4%	0%	-1.4%	0.3%	-2.6%	-0.1%	-1.7%	2.7%
<b>14f</b>	5,725	3,300	860	840	383,000	442,500	325,000	233,000	900	550	350
	1.3%	1.5%	1.2%	-1.2%	1.3%	1%	1.2%	0.4%	7.8%	2.8%	16.7%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
 2. Kelowna CMA Sources: CMHC, BCREA Forecast

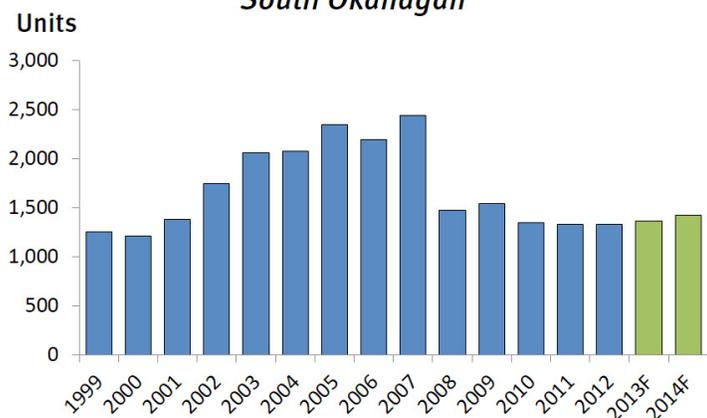
# SOUTH OKANAGAN REAL ESTATE BOARD

## MLS® Residential Price South Okanagan\*



\* Excluding Northern Lights  
Source: BCREA

## MLS® Residential Sales South Okanagan\*



\* Excluding Northern Lights  
Source: BCREA

MLS® residential sales through the South Okanagan Real Estate Board are forecast to increase 2.1 per cent to 1,365 units this year. After declining through most of 2012, home sales are up over 50 per cent from the beginning of the year, on a seasonally adjusted basis. However, with relative weak provincial economic growth and little gains in employment this year, consumer demand over the next few quarters is expected to level out. Stronger economic conditions are forecast in 2014 both at home and abroad, which will boost job growth and underpin housing demand. In addition, Alberta's rapidly expanding economy, strong employment growth and rebounding housing market will bolster housing demand in the South Okanagan. Stronger housing fundamentals in 2014 are expected to boost MLS® residential sales by 4.4 per cent to 1,425 units.

While the inventory of homes for sale remains relatively high, total active listings in the South Okanagan are down nearly 25 per cent from their peak in 2011 and 10 per cent from year ago levels. This, combined with increased consumer demand, has trended market conditions toward balance. The result is that home prices in the region are beginning to firm up and the average MLS® residential price is forecast to edge back just 0.5 per cent to \$302,000 this year after declining 1.6 per cent in 2012. Continued improvement in market conditions is expected to push the average MLS® residential price up by 1.0 per cent to \$305,000 in 2014.

Elevated levels of complete and unoccupied units are expected to limit overall expansion of the housing stock in the South Okanagan both this year and in 2014. New home construction activity in the Penticton CA is trending close to 100 total units this year, though we expect a modest decline in 2014 to 85 total units. However, given the small market size, this forecast could vary significantly from actual activity if just one additional new multi-family project comes online next year.

MLS®	Sales					Avg Price				Housing Starts <sup>2</sup>		
	South Okanagan				Northern Lights	South Okanagan				Northern Lights	Penticton CA	Dawson Creek CA
	Total <sup>1</sup>	Detached	Attached	Apartment	Total	Total	Detached	Attached	Apartment	Total	Total	Total
<b>12</b>	1,337	765	124	235	482	303,461	359,599	244,874	233,972	246,374	73	122
	1.5%	5.7%	-27.9%	2.6%	-5.7%	-1.6%	-2.7%	-9.8%	-4.5%	13.8%	-18.0%	76.8%
<b>13<sup>f</sup></b>	1,365	750	150	250	440	302,000	368,500	240,000	235,000	267,500	105	90
	2.1%	-2%	21.0%	6.4%	-8.7%	-0.5%	2.5%	-2%	0.4%	8.6%	43.8%	-26.2%
<b>14<sup>f</sup></b>	1,425	790	160	260	490	305,000	370,000	244,000	237,500	275,000	85	95
	4.4%	5.4%	6.7%	4%	11.4%	1%	0.4%	1.7%	1.1%	2.8%	-19%	5.6%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
2. Sources: CMHC, BCREA Forecast

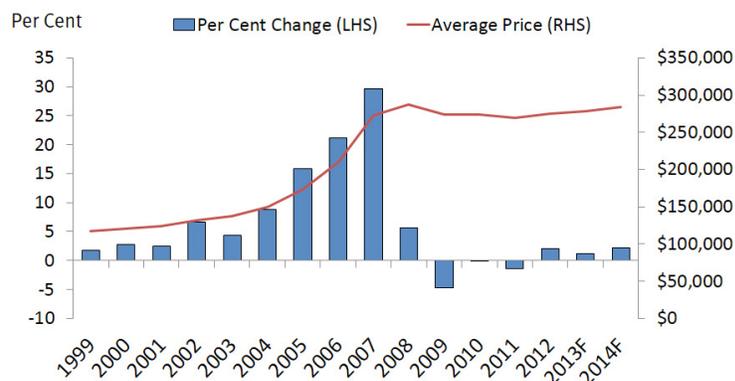
# KOOTENAY REAL ESTATE BOARD

MLS® residential sales through the Kootenay Real Estate Board are forecast to rise 1.5 per cent to 2,040 units this year after increasing 2.9 per cent in 2012. Slow economic and associated employment growth in BC this year are expected to tether growth in consumer demand over the next few quarters. However, Alberta, a large source of Kootenay buyers, is posting strong economic growth, with the highest job growth rate in the country. Alberta's influence is expected to moderate the impact of slow growth at home this year. BC's economy is expected to expand more rapidly in 2014, with employment rising closer to the long-term average. As a result, MLS® residential sales are forecast to increase a further 2.9 per cent to 2,100 next year.

While the inventory of homes for sale remains relatively high, active listings are down nearly 4 per cent this year. This combined with a modest increase in consumer demand has begun to trend market conditions toward balance. However, the Kootenays remains in buyer's market territory, which typically means little upward pressure on home prices. However, the average MLS® residential average price is expected to increase 1.2 per cent to \$278,000 this year, and a further 2.2 per cent to 284,000 in 2014.

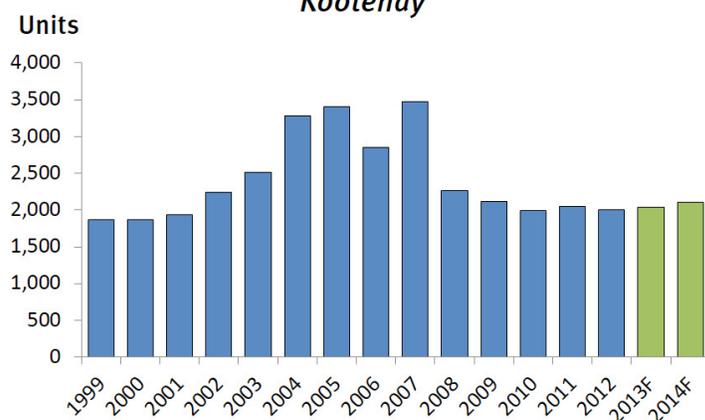
New home construction in the Cranbrook CA is on pace to match last year's level, with a total of 80 units. We anticipate total housing starts in the Cranbrook CA will stay on a 75 to 85 unit trend in 2014 with single-family homes accounting for the majority of new starts. However, given the small market size, this forecast could vary significantly from actual activity if just one additional new multi-family project comes online next year.

## MLS® Residential Price Kootenay



Source: BCREA

## MLS® Residential Sales Kootenay



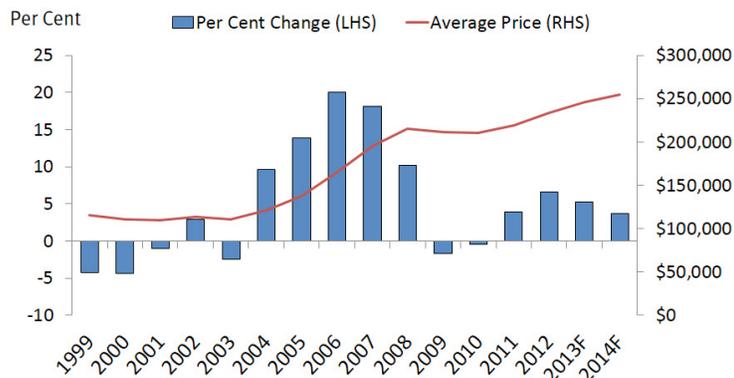
Source: BCREA

MLS®	Sales				Avg Price			Housing Starts <sup>2</sup>			
	Total <sup>1</sup>	Detached	Attached	Apartment	Total	Detached	Attached	Apartment	Total	Single	Multiple
12	2,009	1,293	90	158	274,578	289,071	285,012	182,417	73	62	11
	2.9%	13.4%	16.9%	1.9%	2.1%	-0.3%	18.2%	1.3%	-2.7%	-13.9%	266.7%
13f	2,040	1,300	90	160	278,000	292,000	278,000	181,000	80	70	10
	1.5%	0.5%	0%	1.3%	1.2%	1%	-2.5%	-0.8%	9.6%	12.9%	-9.1%
14f	2,100	1,325	95	165	284,000	296,000	279,000	182,300	85	75	10
	2.9%	1.9%	5.6%	3.1%	2.2%	1.4%	0.4%	0.7%	6.3%	7.1%	0%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
 2. Cranbrook CA Sources: CMHC, BCREA Forecast

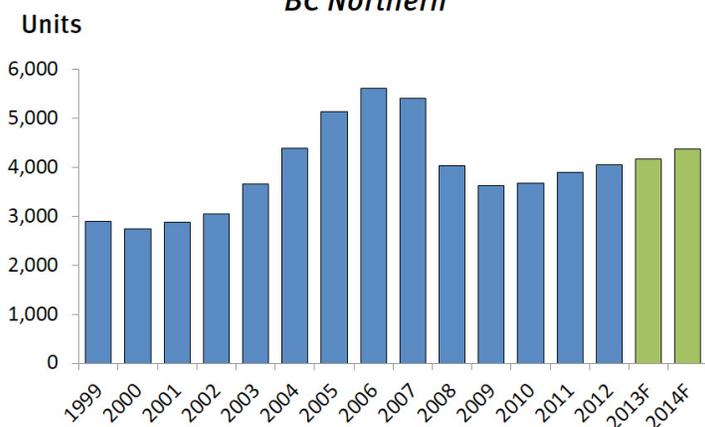
## BC NORTHERN REAL ESTATE BOARD

### MLS® Residential Price BC Northern



Source: BCREA

### MLS® Residential Sales BC Northern



Source: BCREA

The housing market in Northern BC has been the most resilient in the province during the post-recession period. Strong investment in mineral, oil and gas exploration as well as transportation infrastructure has been a significant economic driver. In addition, the forestry sector is beginning to benefit from renewed residential construction activity in the US. However, against this backdrop, the BC economy as a whole has posted relatively weak growth this year, with the employment level remaining virtually unchanged, which will likely act as a tether on consumer demand over the next few quarters. That said, stronger economic conditions both at home and abroad are expected in 2014, which will help underpin housing demand. MLS® residential sales are forecast to increase 3.2 per cent to 4,175 units this year, and a further 4.9 per cent to 4,380 units in 2014.

Market conditions across the BC Northern Real Estate Board area have improved. The combination of rising consumer demand coupled with a nearly 7 per cent decline in the inventory of homes for sale is keeping market conditions relatively strong. As a result, home prices are facing the most upward pressure in the province. The average MLS® residential price is forecast to increase 6.3 per cent to \$246,500. Improving economic fundamentals next year are expected to underpin a 3.7 per cent increase in the average MLS® residential price to \$255,000.

Growing housing demand in BC's north caused by a flourishing resource economy has led to strong growth in the region's housing stock. Housing starts in the Prince George CA increased more than 30 per cent in 2012, but changes to mortgage amortizations tempered demand midway through the year, resulting in some accumulated inventory. Consequently, new home construction in the Prince George CA is forecast to post a modest decline of about 5 per cent in 2013. However, ongoing strength in the regional economy and a robust housing market should stimulate growth in housing starts next year. We forecast total starts will rise 10 per cent in 2014 to 220 units.

#### BC Northern Real Estate Board

MLS®	Sales			Avg Price		
	Total <sup>1</sup>	Detached	House & Acreage	Total	Detached	House & Acreage
<b>12</b>	4,044	2,431	608	233,544	245,004	315,442
	3.9%	3.9%	12.4%	6.6%	5%	4.4%
<b>13f</b>	4,175	2,530	580	246,000	255,000	314,000
	3.2%	4.1%	-4.6%	5.3%	4.1%	-0.5%
<b>14f</b>	4,380	2,640	590	255,000	258,200	320,000
	4.9%	4.3%	1.7%	3.7%	1.3%	1.9%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
2. BC Northern Real Estate Board Sources: CMHC, BCREA Forecast

#### Prince George

MLS®	Sales	Avg Price		Housing Starts <sup>2</sup>	
		Detached	Detached	Total	Single
<b>12</b>	855	252,279	211	160	51
	0.9%	2.1%	34.4%	37.9%	24.4%
<b>13f</b>	910	261,000	200	110	90
	6.4%	3.5%	-5.2%	-31.3%	76.5%
<b>14f</b>	930	265,000	210	145	65
	2.2%	1.5%	5%	31.8%	-27.8%

1. Sum of product types may not match as total may include other property types; i.e., mobile, house and acreage  
2. Prince George CA Sources: CMHC, BCREA Forecast

## Housing Forecast Summary — Fourth Quarter

Board Area	Unit Sales			Average MLS® Price (\$)		
	2012	2013F	2014F	2012	2013F	2014F
Victoria	5,460 -5.4%	5,650 3.5%	5,895 4.3%	484,164 -2.8%	486,000 0.4%	492,000 1.2%
Vancouver Island	6,008 -5.6%	6,350 2.4%	6,500 4.1%	315,644 -3.3%	316,000 0.1%	322,000 1.9%
Powell River Sunshine Coast	266 -15%	260 -2.3%	275 5.8%	220,773 -1.1%	215,000 -2.6%	218,000 1.4%
Greater Vancouver	25,445 -22.7%	28,400 11.6%	30,900 8.8%	730,063 -6.4%	765,000 4.8%	772,000 0.9%
Fraser Valley	13,083 -11.2%	13,050 -0.3%	14,100 8.0%	483,730 -3.7%	489,000 1.1%	497,000 1.6%
Chilliwack and District	2,007 -0.9%	2,020 0.6%	2,100 4%	299,537 1%	303,000 1.2%	307,000 1.3%
Kamloops and District	2,097 1%	2,300 9.7%	2,310 0.4%	312,710 3.8%	315,000 0.7%	319,500 1.4%
Okanagan Mainline	5,399 11.8%	5,650 4.6%	5,725 1.3%	377,979 -0.5%	378,000 0%	383,000 1.3%
South Okanagan*	1,337 -2.2%	1,365 2.1%	1,425 4.4%	303,461 -1.6%	302,000 -0.5%	305,000 1%
Northern Lights	482 -5.7%	440 -8.7%	490 11.4%	246,374 13.8%	267,500 8.6%	275,000 2.8%
Kootenay	2,009 2.9%	2,040 1.5%	2,100 2.9%	274,578 2.1%	278,000 1.2%	284,000 2.2%
BC Northern	4,044 3.9%	4,175 3.2%	4,380 4.9%	233,544 6.6%	246,000 5.3%	255,000 3.7%
BC Total	67,637 -11.8%	71,700 6%	76,200 6.4%	514,836 -8.3%	537,100 4.3%	548,200 2.1%

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 18,500 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.

To demonstrate the profession's commitment to improving Quality of Life in BC communities, BCREA supports policies that help ensure economic vitality, provide housing opportunities, preserve the environment, protect property owners and build better communities with good schools and safe neighbourhoods.

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