



## November housing sales halt slide

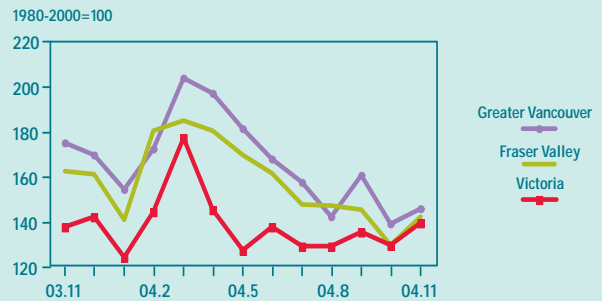
**H**ousing sales firmed in November after a seven-month slide. Residential MLS® sales in B.C.'s three largest real estate boards posted a rise in seasonally adjusted sales from October. While one month does not necessarily mark the beginning of a new trend, it is likely that the recent drop in mortgage rates is beginning to stimulate more sales. Add in the substantial change in pricing conditions, which resulted in price declines in some markets, and potential purchasers are facing a much improved affordability situation.

Year-over-year sales, the more widely reported and followed measure, are down in November by 17% in the Real Estate Board of Greater Vancouver (REBGV) and 13% in the Fraser Valley Real Estate Board (FVREB). The Victoria Real Estate Board (VREB) eked out a 1% gain. There is a good chance that the VREB will see another positive year-over-year comparison in December. For the REBGV or the FVREB, however, a drop of about 10% can be expected. The year-over-year measure will continue to show declines at least through to next April, and possibly May, until after the peak in 2004 sales is used as the base.

Market conditions have softened to the point where prices, at least for detached homes, are slipping lower. The House Price Index (HPI) for REBGV detached units is down for the third straight month. This reflects the rather sharp downshift in the detached sales-to-active list-

### November sales turn up

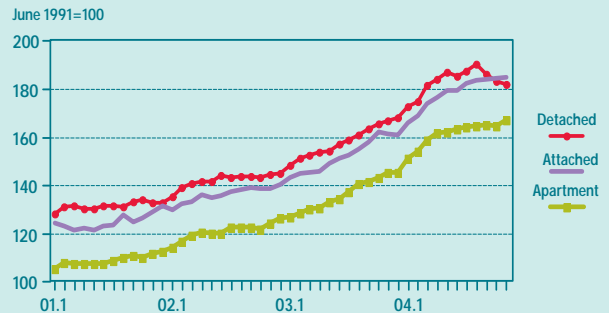
Residential MLS Sales Trends by Real Estate Board



Source: FVREB, REBGV, VREB, CUCBC. Latest: November 2004.  
Note: MLS - Multiple Listing Service. Data are seasonally adjusted.

### Prices slipping for houses, increases moderating for attached and apartment units

Housing Price Trends by Dwelling Type, Greater Vancouver REB



Source: REBGV, CUCBC. Note: seasonally adjusted. Latest: November 2004.

ings ratio to less than 20%, after being over 30% at the March sales peak. Market conditions are also weaker in the attached and apartment markets, but not to the same extent, with sales-to-active listings ratios above 20% and moderating price increases.

Year-over-year price comparisons, whether based on average sales prices or the HPI data, are up 6% to 17%, depending on dwelling type. Detached units are at the lower end of the range.

With the prospect of some further slippage in mortgage rates and prices in the next few months, the sales trend is expected to continue rising. Whether 2005 sales exceed 2004's level or not is a close call at this point. Our current forecast puts 2005 B.C. sales slightly lower than in 2004. However, the more important aspect of the forecast is not the year-over-year result, but rather the performance of the sales trend during 2005, which is anticipated to rise for most of the year.

### Housing starts driven up by multi-units

November housing starts shot up to over 2,700 units seasonally adjusted from less than 2,100 units in October, due to a surge in multi-unit starts. Single-detached starts edged lower in November. Most of the multi-unit surge occurred in the Vancouver metropolitan area. The impact of the higher development levies in Vancouver City on multi-unit starts is probably winding down and November could be one of the last months influenced by that change.

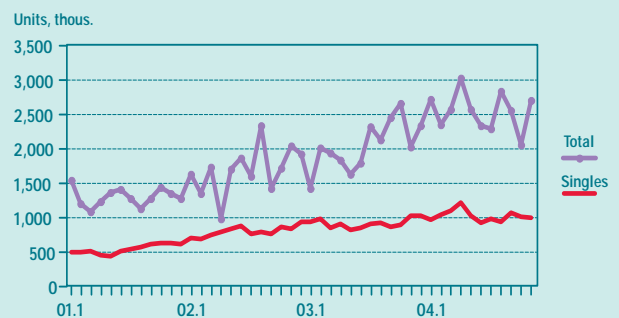
Over the past year, the trend in multi-unit starts has levelled out, notwithstanding the large monthly variations, and the expectation is for a temporary dip in starts. This is mainly predicated on two factors – the advancing of future starts to avoid the higher development levies introduced earlier this year and the recent sales slowdown in apartment and attached units in the Lower Mainland. Both of these factors weaken market conditions and may cause developers to take a pause.

In the longer term, multi-unit housing starts will continue to rise and capture a larger share of new housing construction in B.C. since it is a more affordable product than single-detached housing.

Housing starts are up 25% on a year-to-date basis over last year, led by a 35% jump in multi-unit starts and followed by a 13% increase in singles starts. Vancouver metro area starts are up 24% and Victoria metro is up 14%. The large percentage gains are in the smaller centres of the province, though their low comparison base boosts the figures. Housing gains are spreading to the smaller markets.

### Multi-unit starts boost November total

Housing Starts by Dwelling Type, B.C. Urban Centres



Source: CMHC, CUCBC. Note: seasonally adjusted. Latest: November 2004.

Housing starts for the year are forecast at 32,400 units. For next year, a similar though slightly lower level of 31,600 units is foreseen. This is a relatively small change and is due to a temporary dip in multi-unit starts. It is certainly possible that housing starts could be higher in 2005 if demand is stronger than expected. Sharply rising construction costs are another consideration since developer profit margins will be reduced, unless the market is strong enough to generate price gains to offset those increases.

### Non-residential building permits lower in October

Non-residential building permits issued in October in B.C. totalled \$113 million, down \$68 million from September. Permits for commercial buildings fell \$34 million from September's level, while permits for industrial structures dropped by \$13 million. Permits for government and institutional structures declined \$20 million.

While the actual value of non-residential building permits is normally volatile from month to month, the trend has been more or less level over the past three years. Building permit values are currently trending slightly lower for commercial, government and institutional structures, but the trend is slightly higher for industrial structures.

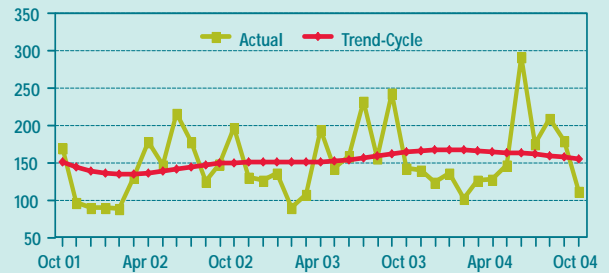
More specifically, permits in B.C. are trending upward for buildings used for retail and wholesale trade and well as manufacturing. Permits are on a downward trend for constructing hotels, restaurants and office buildings.

Non-residential building construction has ebbed in B.C. since 1999 and totalled less than \$2.3 billion in 2003. Credit Union Central forecasts that building permits issued for non-residential structures will rise by very little in 2004, before increasing to almost \$2.6 billion in 2005. Permits are expected to rise most quickly in the Okanagan Valley and on Vancouver Island, while the largest dollar gains through 2005 will be in the Mainland-Southwest.

### Non-residential building permits lower in October

#### Non-Residential Building Permits, B.C.

Millions of Dollars

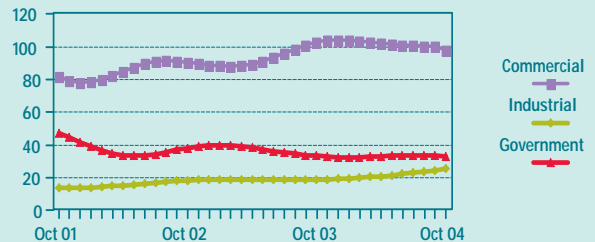


Source: Statistics Canada.

### Industrial building permits trending higher

#### Non-Residential Building Permits by Type Trend-Cycle, British Columbia

Millions of Dollars



Source: Statistics Canada.