

February sees housing sales rebound

Housing sales bounced back in February after cold weather depressed January sales. Sales rebounded more strongly than anticipated and more than made up for delayed activity in January. Seasonally adjusted sales shot up to 2,939 units in February from 2,577 in January, resulting in a larger-than-normal increase. Actual sales hit 3,076 units in February, up 80% from January rather than the usual 55% increase between those two months.

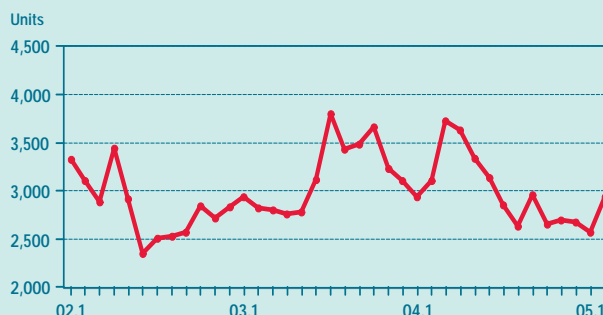
Sales are responding positively to lower mortgage rates and other economic factors, and to the mild weather pattern. The sales trend is firming after a five-month decline last year, when mortgage rates rose by roughly one percentage point. The five-year posted mortgage rate is down to 6.05% compared to 6.70% last June. The one-year rate is slightly higher at 4.80%. Vancouver's economy continues to post job and income growth, providing a supportive underpinning to the market. Rising in-migration also adds to sales activity.

More balanced market conditions likely make it more attractive for potential buyers to enter the market as there is greater choice and less pricing pressure. The sales-to-active listings ratio bounced up to its highest point since last June, at 26.2% from 22.4% in January, showing the impact of February's sales rebound. In the sellers' market of early 2004, this ratio exceeded 40% and was accompanied by plus-20% annualized price increases.

Price increases are subsiding from their hectic pace of a year ago. Detached house prices are little changed during the past several months and are increasing at about a 2% annual rate. The year-over-year measure shows a 9.4% increase, but that does not adequately

Sales rebound in February

MLS Housing Sales, Seasonally Adjusted, REBGV, Monthly



Source: REBGV, CUCBC.

Latest: February

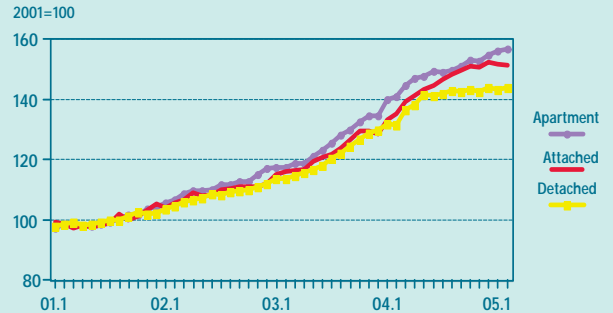
capture the change in market conditions during the intervening 12 months. Attached unit prices are following a similar pattern to detached units, although at a slightly stronger pace. However, apartment prices are increasing at a plus-7% rate, reflecting tighter market conditions.

Sales are forecast to slip back in March, due mainly to some unwinding from February's strong rebound. Had January's sales been not subjected to abnormally bad weather, February's sales would have been lower by about 150 units. For March, seasonally adjusted sales are forecast at 2,850 units, which translates to 3,350 actual sales, up from February's actual. There is a fair chance that March sales could be higher than forecast.

The monthly sales trend is expected to firm during 2005 and into 2006, owing to favourable and improving demand factors. Housing prices will remain on a modest upward trajectory for most of the year, with apartments likely to outperform the more expensive ground-oriented units. For the year, a small rise in total sales is forecast, followed by a larger increase in 2006.

Detached and attached prices levelling out, apartment prices still rising

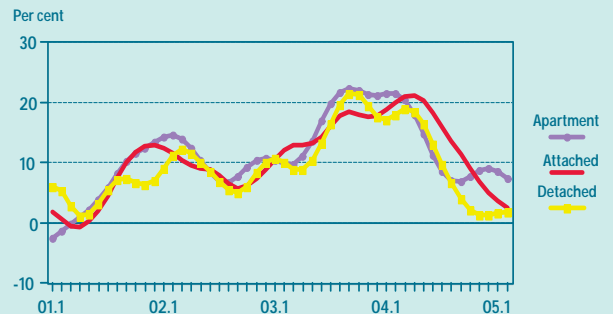
Housing Price Trends by Dwelling Type, REBGV, Monthly



Source: REBGV, CUCBC. HPI-Housing Price Index, seasonally adjusted. Latest: Feb.

Lower price increases

Change in Housing Prices by Dwelling Type, REBGV, Monthly



Source: REBGV, CUCBC. Note: Percentage change at annualized rate. Latest: Feb.

