

HOUSING MARKET OUTLOOK

British Columbia Region Highlights



Canada Mortgage and Housing Corporation

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Source: CMHC Housing update Fourth Quarter 2007

Update in light of current development in the US:

We are forecasting that prices in Vancouver will continue rising in 2008, but at a slower rate (8-9%) compared to previous years (e.g. 2007: 12-13% price growth, 2006: 16-24% price growth).

The current volatility in the US was not unexpected when we formulated our forecasts in the fall. Of all the provinces in Canada, BC is less reliant on exports to the US and is therefore somewhat buffered from the impacts of the economic downturn. However the BC forestry industry has been taking a hit (job losses, etc.) due to the high Canadian dollar. Mortgage rates are expected to rise in the year ahead (in spite of recent rate cuts) as lenders face increased cost of capital due to waning investor confidence.

Bottom line is that borrowers will face higher mortgage interest rates in 2008 than in 2007, which combined with higher home prices, will dampen homeownership demand. So, we are forecasting moderation in home sales, housing starts and price growth. The Vancouver economy is diverse and has seen very strong job growth over the past year that will carry forward to sustain demand for housing this year. None of the indicators that we look at are pointing to falling prices.

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