

There was lots of economic news this week out of Washington and London, as the U.S. administration and G20 leaders continue to grapple with a deepening global recession. Despite all the bail-out, stimulus and regulatory actions and proposals, it remains likely a floor in world economic output is at least several quarters away and a return to normal growth much more distant than that.

Closer to home, the Lower Mainland's housing market is showing signs of finding a floor. Meanwhile, lumber production in B.C. continues to slide, while population growth accelerates slightly.

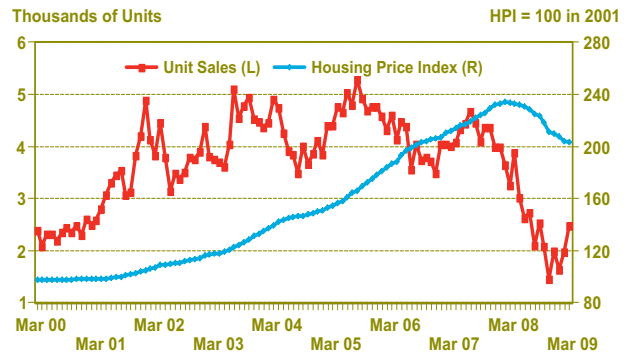
Housing sales in the Lower mainland via the Multiple Listing Service (MLS) jumped 25% in March, month-over-month, seasonally adjusted, according to the latest Housing Price Index (HPI) statistics released by the Greater Vancouver and Fraser Valley real estate boards. Sales have begun to rebound from the latest low reached in November 2008, but remain 53% below the cyclical peak in August 2005.

Meanwhile, **housing prices** in the Lower Mainland continued a 13-month slide. The overall MLS Housing Price Index (HPI) declined 0.34% in March, month-over-month, seasonally adjusted. March's HPI indicates the price of a typical residential property has dropped 13.3% from the cyclical peak in February 2008.

The local residential property market remains way over-supplied and downward price pressure will continue for at least the next several months. Even with unit sales rising in three of the past four months, active and recently expired listings represent perhaps a two- or three-year supply at current sales rates. However, rising sales and slowing price deflation indicate that excess supply has likely passed its peak.

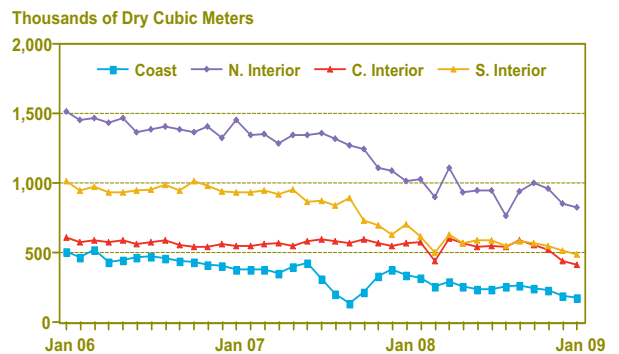
Statistics Canada's latest estimate of **sawn lumber production** in B.C. shows a continuing decline in output. Production totalled 1.87 million dry cubic metres in January, seasonally adjusted, down 5.6% from December. Hardest hit was the Coast region, which saw a 9.8% drop in seasonally adjusted output. Meanwhile, lumber production fell 5.2% in the Southern Interior, 4.9% in the Central Interior and 3.3% in the Northern Interior.

MLS® Residential Property Sales
Lower Mainland, Monthly, Seasonally Adjusted



Source: Real Estate Board of Greater Vancouver, Fraser Valley Real Estate Board, C1CU.

Sawn Lumber Production, B.C.
Monthly, Seasonally Adjusted



Source: Statistics Canada with C1CU seasonal adjustment.

B.C.'s lumber manufacturing industry continues to be depressed by dismal housing markets in the U.S. Last week, the U.S. National Association of Realtors reported that **sales of existing homes** increased 5% in February, month-over-month, but remained near a 10-year low at 4.72 million units, on a seasonally adjusted annualized rate (SAAR) basis. Unfortunately, February's sales increase was



matched by a listings increase, leaving the market way over-supplied and continuing to push prices down.

Meanwhile, **sales of new homes in the U.S.** also increased 5% in January, month-over-month. However, sales had dropped by more than that in December and remain extremely low by historical norms.

Home sales in the U.S. will need to trend upward before housing asset prices bottom out and thus set the stage for a rebound in new home construction. Despite January's uptick, there is no clear sign that the U.S. housing market has reached bottom. Thus, the outlook for lumber manufacturing in B.C. remains negative. Central 1 Credit Union forecasts sawn lumber production in B.C. will drop a further 5% this year, following year-over-year declines of 23% in 2008 and 11% in 2007.

British Columbia's **population** totalled 4,419,971 residents as of January 1 this year, according to the latest estimate from Statistics Canada. That's a gain of 73,773 residents (1.7%) from one year earlier. Year-over-year growth in B.C.'s population has averaged 1.65% for the past four quarters and has accelerated from 0.5% in the first quarter of 2003. B.C.'s relatively healthy economy over the past several years has contributed to rising net in-migration.

On a seasonally adjusted basis, B.C.'s population growth rate in the fourth quarter of 2008 was 1.78% annualized. That's on par with growth of 1.74% in the third quarter. While the current population growth rate is well below the long-term historical average of 2.34% per year since 1952, it remains near the highest since late 1997.

Total net migration to B.C. in the fourth quarter last year was estimated at 17,916 new residents, seasonally adjusted. That's up from estimated growth of 15,270 in the third quarter. Currently, about 88% of net migrants to B.C. are from other nations, while 12% are from other provinces. Net international migration continued to rise in the fourth quarter, while net interprovincial migration was up for the first time in a year.

Central 1 Credit Union forecasts that B.C.'s population growth rate will slow slightly over the next few years as a result of slower real economic growth. Even so, B.C.'s attractive natural endowments and stable political environment, combined with Canada's aging population, will continue to attract migrants.

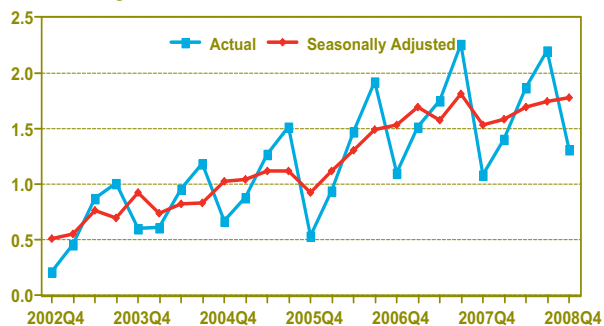
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Population Growth British Columbia, Quarterly

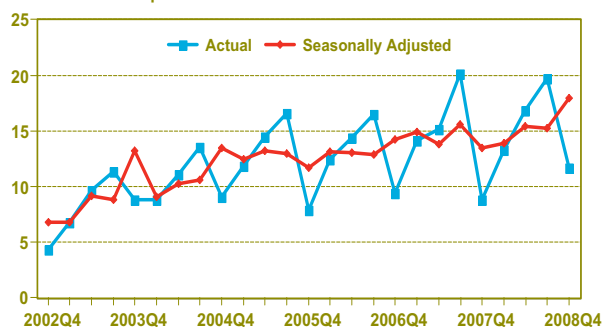
Percent Change at Annual Rate



Source: Statistics Canada, CUCBC.

Total Net Migration British Columbia, Quarterly

Thousands of People



Source: Statistics Canada, CUCBC.