

This week's briefing report focuses on recent housing market activity and the release of provincial economic growth figures for 2009. Resale home transactions are stabilizing at lower levels after an aggressive rally in the second half of 2009. New home starts fell for the first time in four months. Real gross domestic product fell 2.3% in 2009 as the global recession severely impacted B.C.'s goods-producing industries.

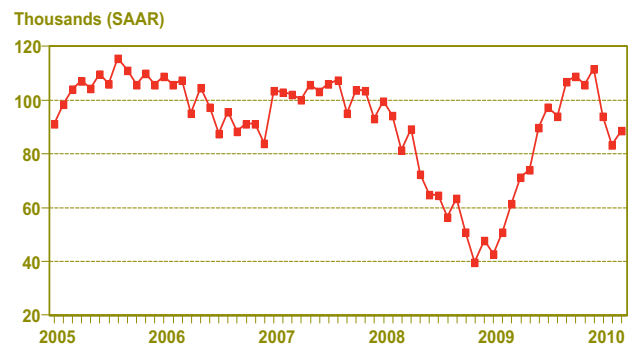
### Multiple Listing Service® (MLS®) Activity

The aggressive rally in the **existing home market** that characterized much of 2009 has quickly dissipated in 2010, leading to a more sustainable pace of housing sales through the first three months of the year. After peaking above an annualized rate of 111,000 home sales in December, transactions through the Multiple Listing Service® (MLS®) settled just below 89,000 units in March. Home sales, adjusted for seasonal factors, rose 6.4% in March on a month-over-month basis, following steep declines of 15.8% and 11.3% in January and February. This monthly uptick could be an Olympic effect, as some buyers likely stayed on the sidelines during the festivities, pushing sales out into March. Despite the recent dip, sales remain at elevated levels.

A confluence of factors will continue to temper housing activity moving forward. While the economic recovery continues, recent gains in home prices and a rising mortgage rate environment will further erode housing affordability. Meanwhile tighter federal mortgage insurance rules that require buyers to qualify for a five-year fixed rate term, regardless of product choice, will reduce purchasing power and housing attainability for some buyers. Low-equity and younger buyers will be most constrained by these factors.

Less vigorous demand and higher listing activity in the market are expected to dampen upward price momentum moving forward. Central 1 Credit Union

**MLS® Residential Home Sales  
B.C., Monthly**



Source: CREA and Central 1 Credit Union.

forecasts that B.C. MLS® residential unit sales will decline 5% on an annual basis this year, with an increase of 5-10% in 2011. This year's average annual B.C. MLS® home price is forecast to exceed 2009's level. However, it is foreseeable that prices may face some downward pressure over the course of this year and into 2011.

### New Home Starts

On the new home front, seasonally adjusted **housing starts in British Columbia** fell 16% in March, the first decline in four months, as construction activity declined in both the single-detached and multiple-family markets. Single-detached starts fell 5.3%, following an 8.1% drop in February. Multiple-family housing starts, which generally display greater monthly volatility, fell 25%.

Aggregate housing starts have yet to retrace pre-recession levels as multiple-family starts have lagged a rebound in single-detached home construction. Single-detached starts hit a five-year high in January, reaching an annualized rate of 12,100 dwellings. Favourable market conditions and the added boost



of buyers looking to beat the Harmonized Sales Tax contributed to this rise. In contrast, the lengthy construction period of large-scale projects, financing availability and uncertain economic recovery have likely constrained building activity in the multi-family market. The implementation of the HST, mortgage rate hikes and higher resale market supply could weigh on the recovery in the new home market in the near term. However, strong net migration and population growth will underpin the need for future housing stock expansion.

### Gross Domestic Product

Statistics Canada released estimates for 2009 provincial **real gross domestic product** (GDP) this week. British Columbia's industrial output shrank by 2.3% last year, led by a goods sector slowdown. A decline in export activity due to the global recession and lower activity in Canadian and U.S. new home markets severely curtailed forestry industry output for the second straight year. Manufacturing output fell 14%, reflecting lower global demand. While non-residential activity was stable, residential construction output dropped 15.8% as builders held back on new projects in response to the recession.

Service industry output growth was generally positive. A rally in the resale home market contributed to a 22% increase in the output of real estate agents and brokers. This growth -- along with output gains in public administration, education, healthcare, and other finance and insurance related activities -- offset declines in wholesale and retail trade.

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