

Economic and Housing Outlook

Canadian Home Builders' Association - Victoria

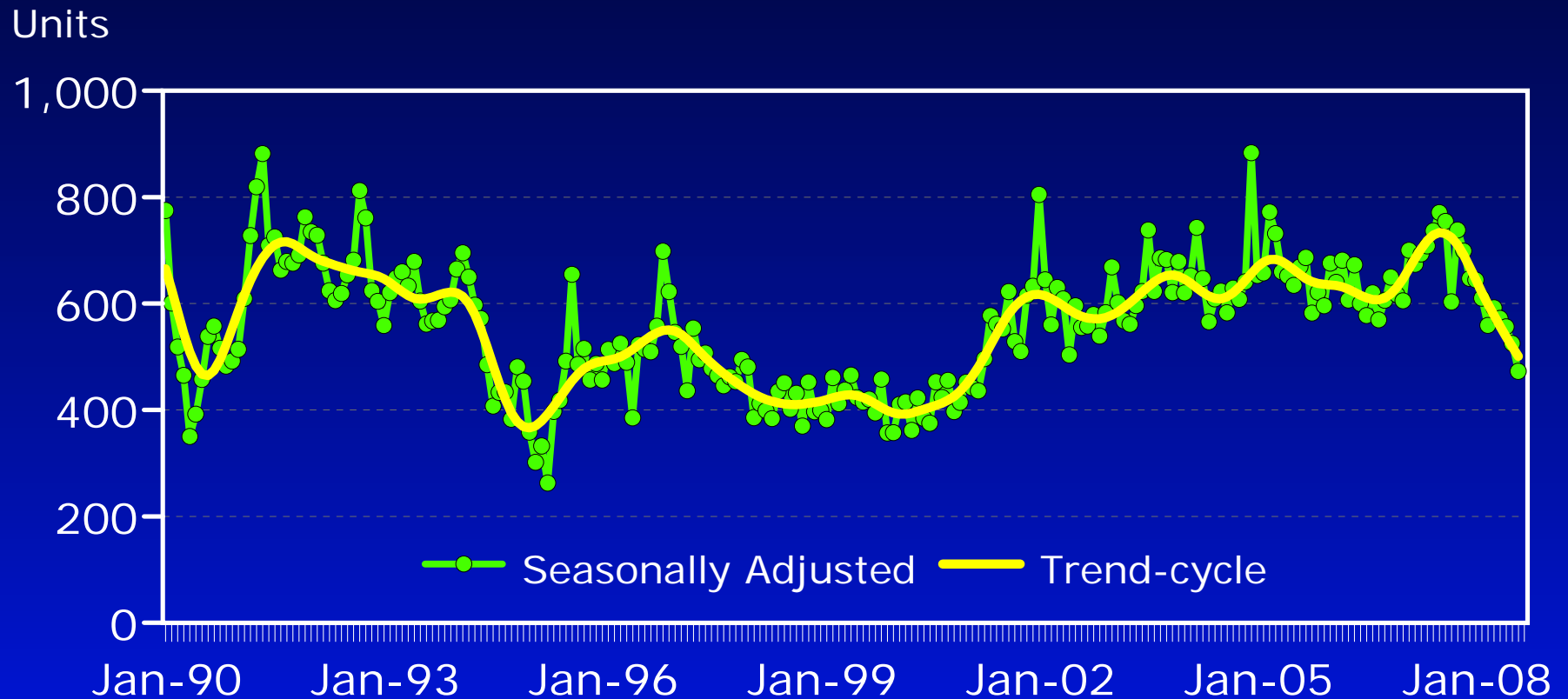
Wednesday, September 10, 2008

Prepared by:
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Chief Economist
Central 1 Credit Union



Monthly sales on downtrend since mid-2007

MLS Residential Sales, Victoria REB



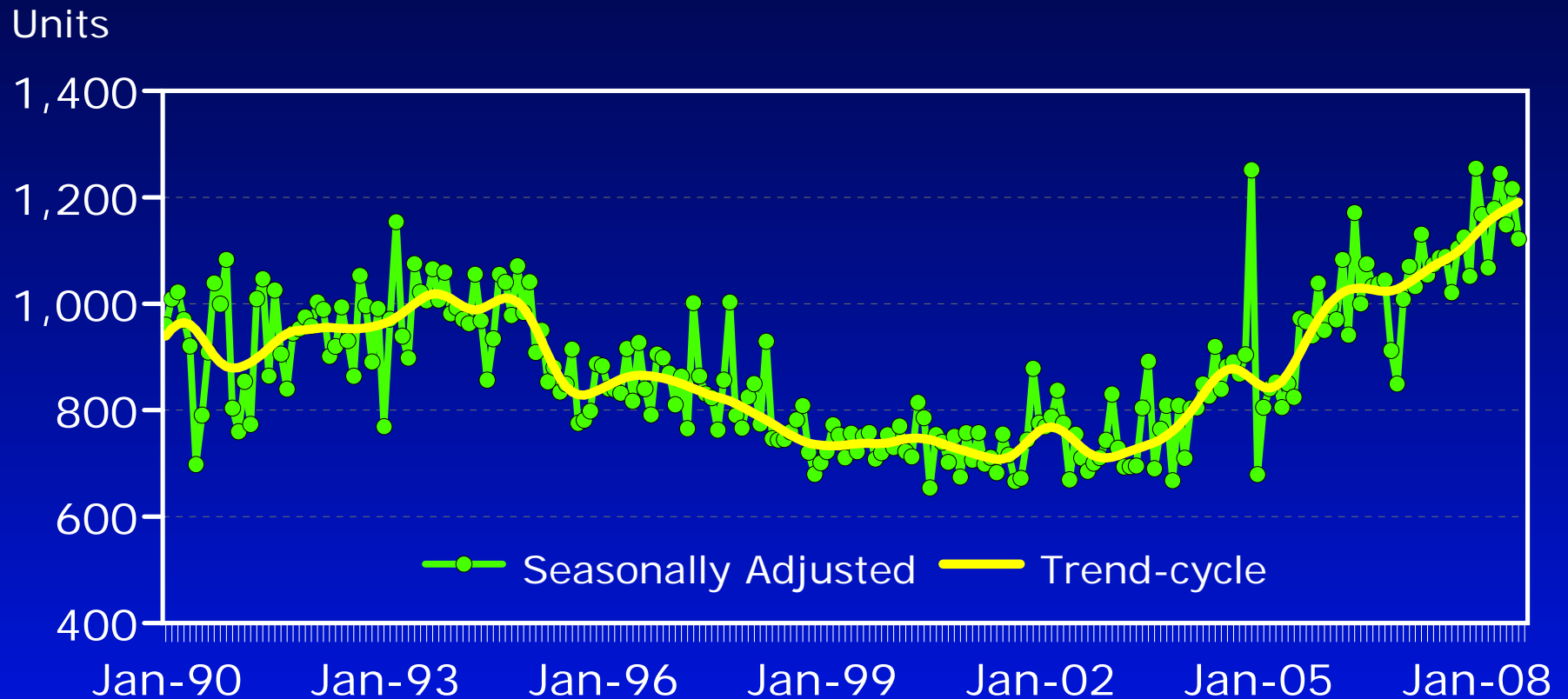
Source: VREB, C1CU.

Latest: Aug. 2008



More listings coming to market during recent sales decline

MLS Residential New Listings, Victoria REB



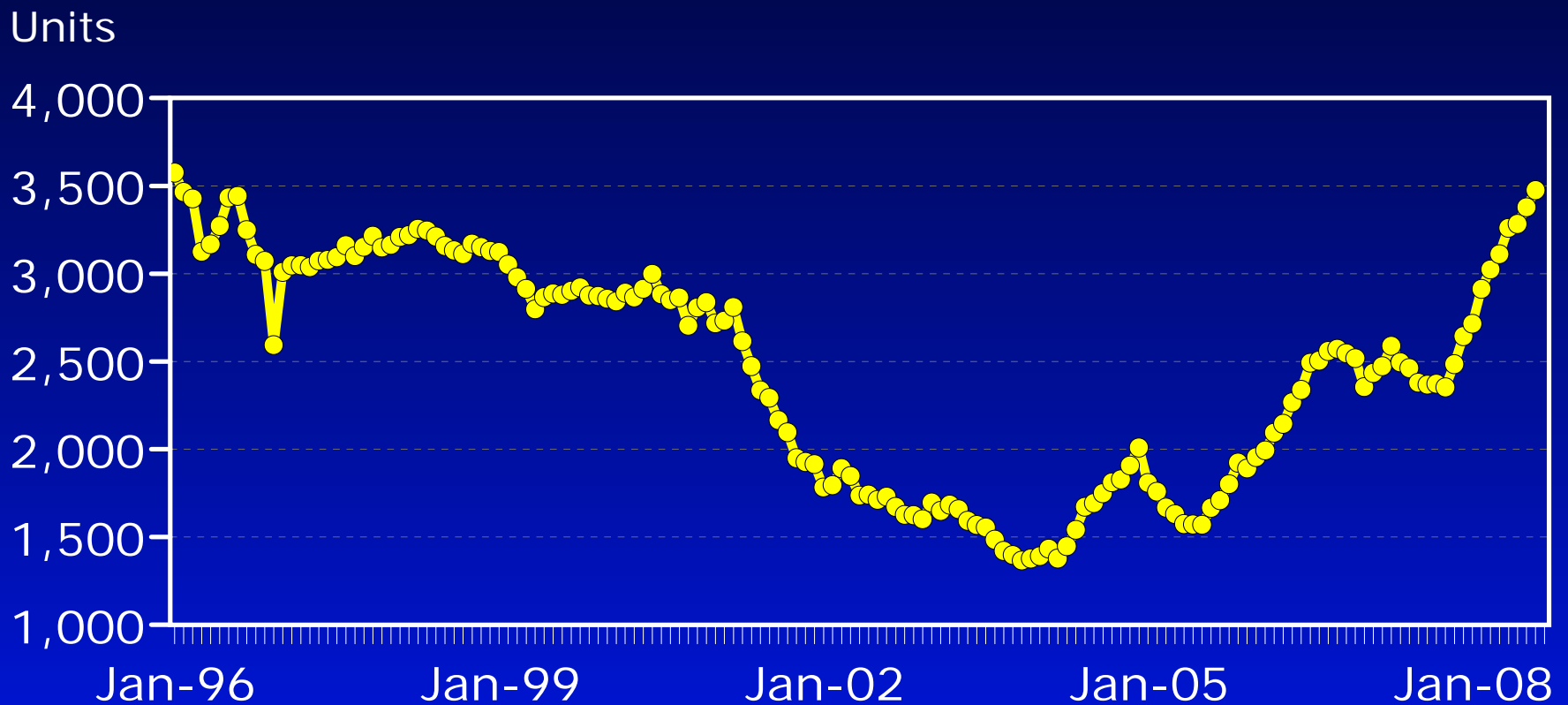
Source: VREB, C1CU.

Latest: Aug. 2008



Active listings climb sharply in 2008

MLS Residential Active Listings, Victoria REB



Source: VREB, C1CU. Note: Seasonally adjusted.

Latest: Aug. 2008



Weak market conditions: sales-to-active listings ratio low and declining

MLS Residential Sales-to-active Listings Ratio, Victoria REB

Per cent



Source: VREB, C1CU. Note: Seasonally adjusted.

Latest: Aug. 200



Housing prices no longer rising

MLS Residential Average Sales Price, Victoria REB

Dollars - thousands

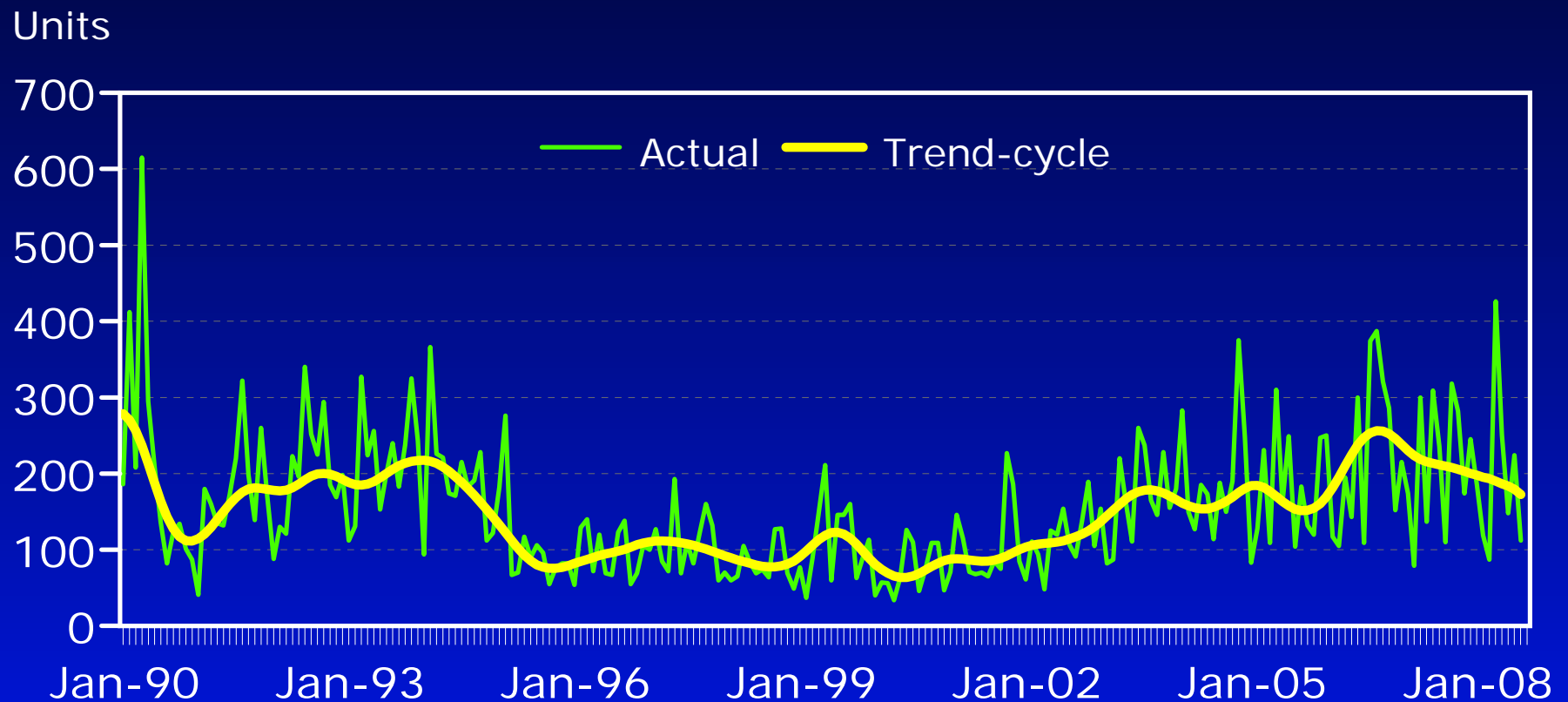


Source: VREB, C1CU. Note: Based on seasonally adjusted data. Latest: Aug. 2008



Housing starts on gradual downtrend

Housing Starts, Victoria CMA



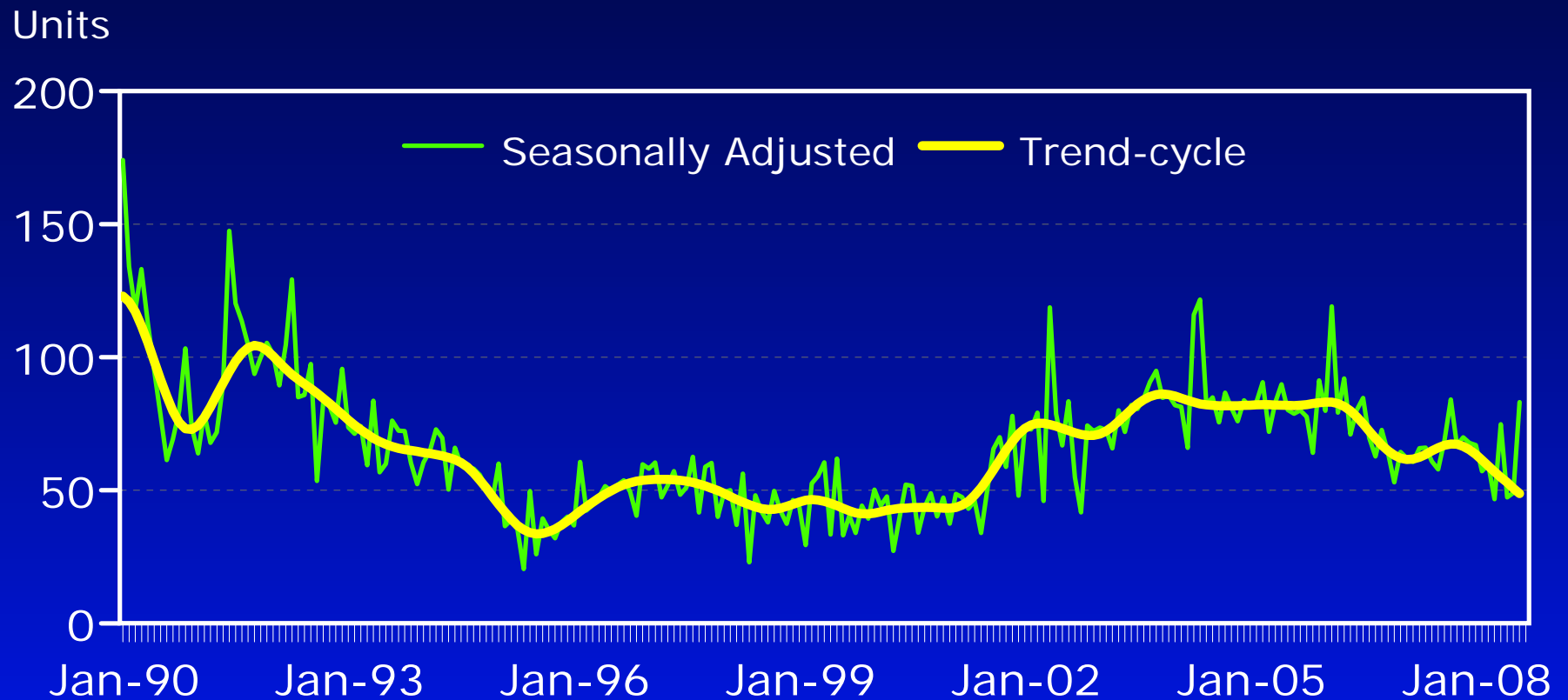
Source: CMHC, C1CU.

Latest: Aug. 2008



Fewer single family housing starts since early 2006

Single Detached Housing Starts, Victoria CMA



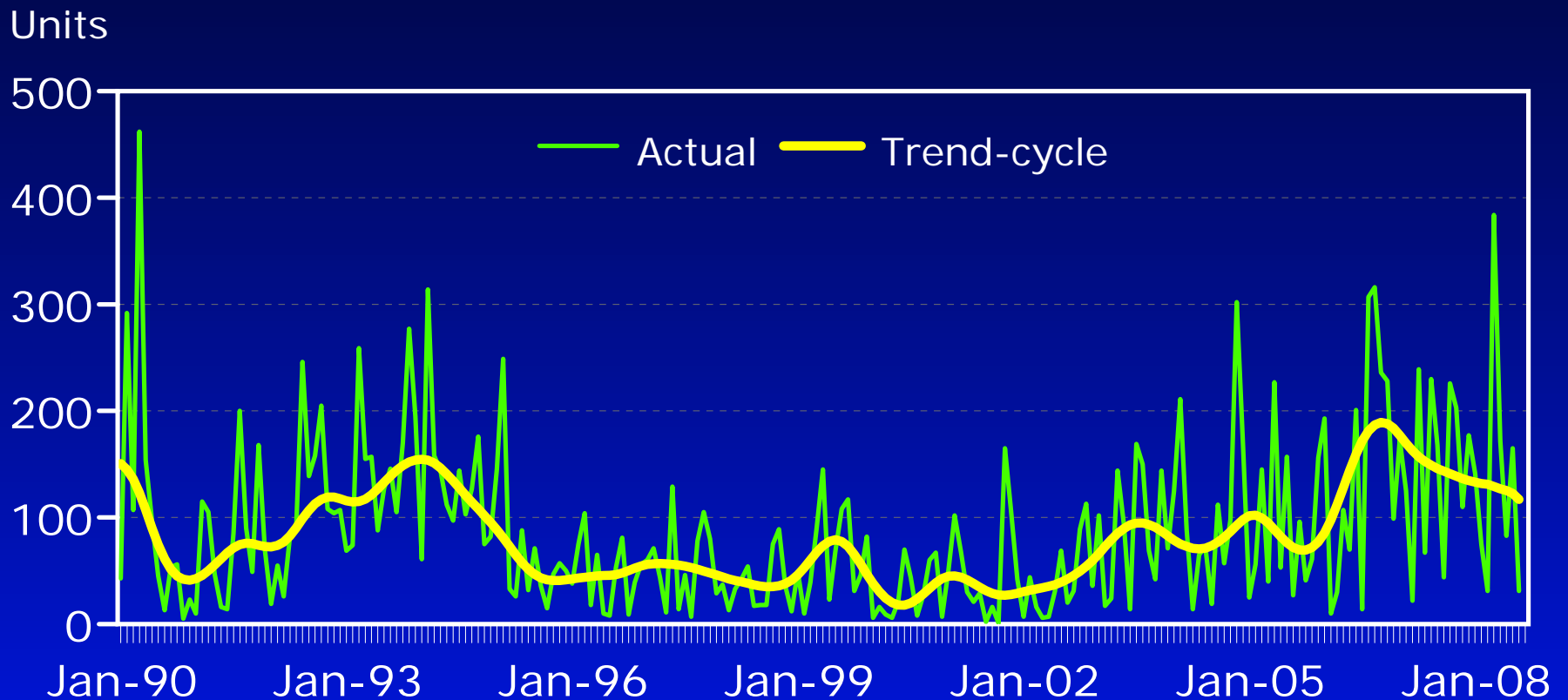
Source: CMHC, C1CU.

Latest: Aug. 2008



Multi-unit housing starts down from late 2006 high

Multiple-unit Housing Starts, Victoria CMA



Source: CMHC, C1CU.

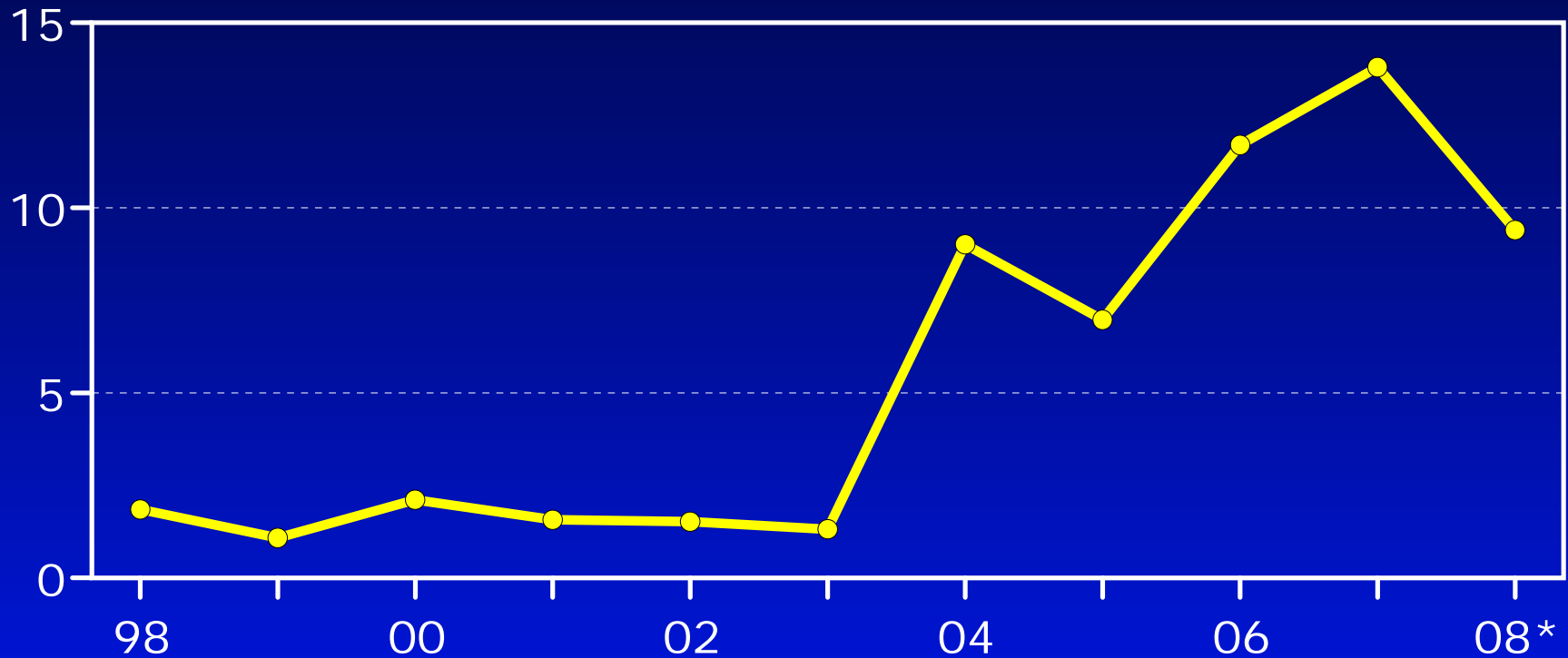
Latest: Aug. 2008



High construction cost increases since 2003, slowdown beginning?

Apartment Construction Cost Index, Vancouver CMA

Percentage change



Source: Statistics Canada.

*First half 2008



Construction employment down from 2007 high

Construction Employment, Victoria CMA

Persons - thousands



Source: Statistics Canada.

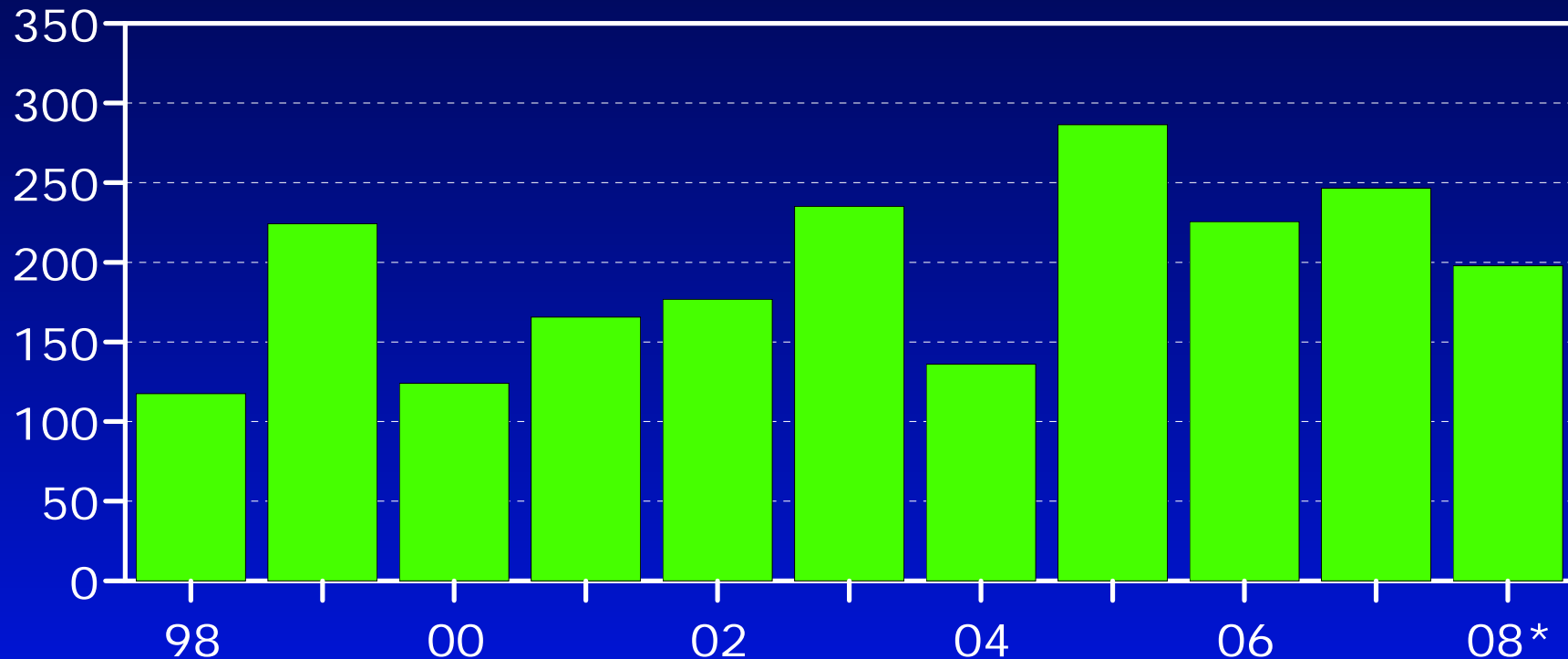
*Jan.- Aug. 2008



Less activity in non-residential building

Non-residential Building Permits, Capital Region

Dollars - millions



Source: Statistics Canada.

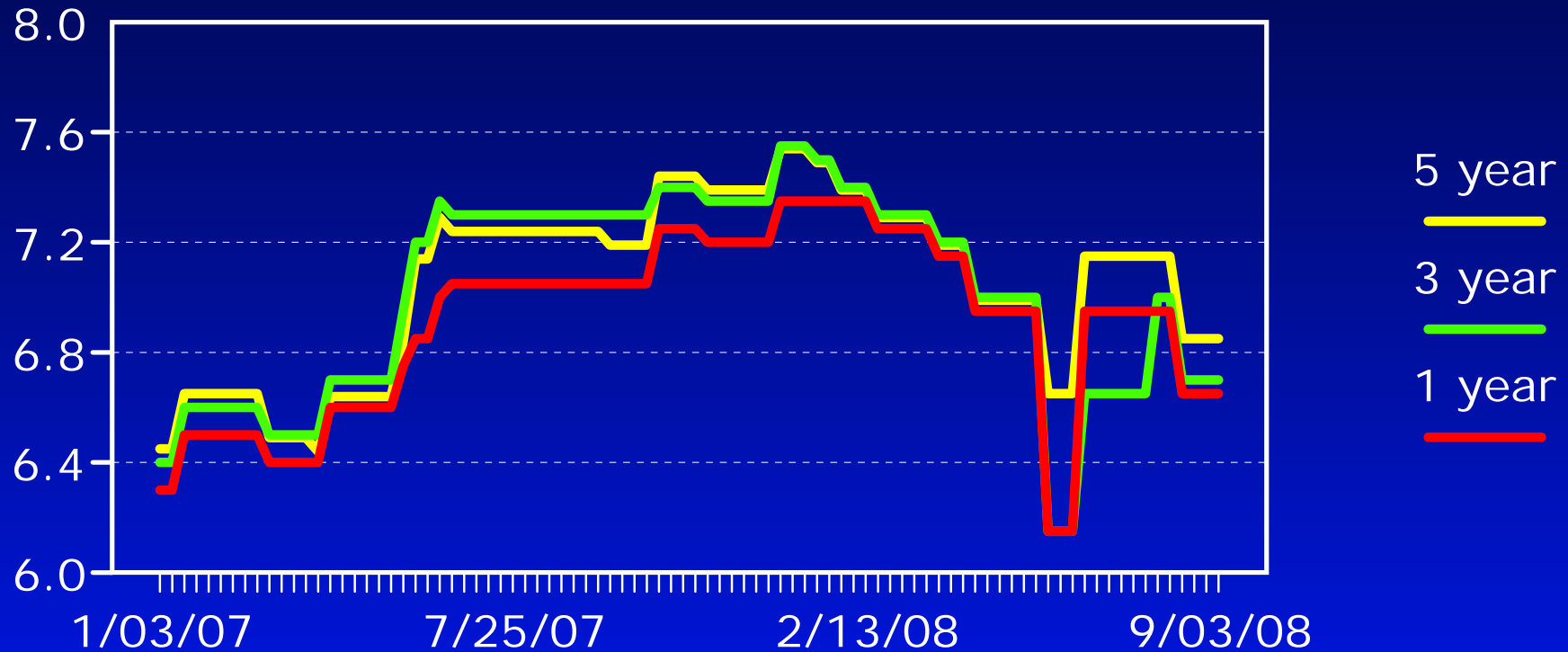
*12 months ending July 2008



Rising mortgage rates until early 2008, more volatility since May

Posted Mortgage Rates by Term, Weekly

Per cent



Source: Bank of Canada. Note: Typical chartered bank rates.



Low-equity buyer affordability no longer deteriorating

Capital Region Home Buyer Affordability Index, Quarterly

Ratio - Income/Principal & Interest Payment



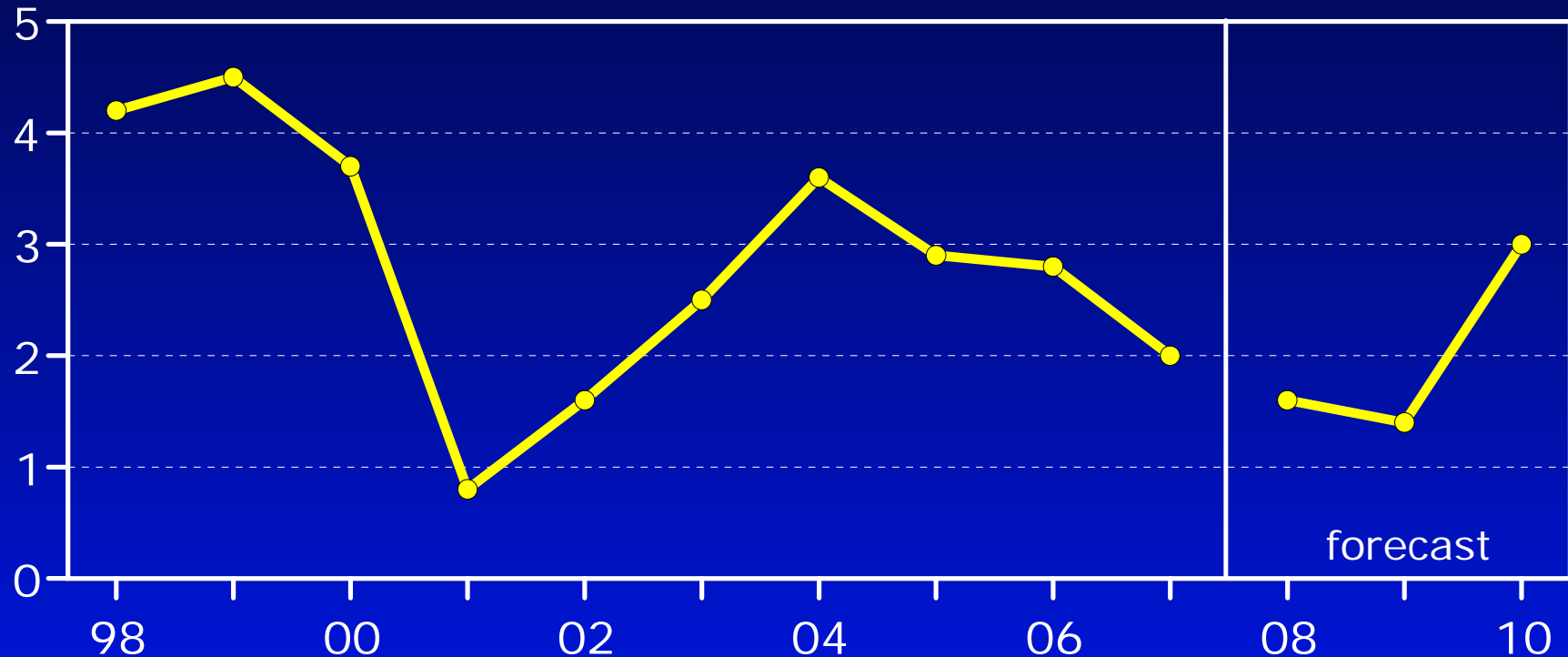
Source: CUCBC. Based on average sales price, 5 year mortgage rate, average weekly wages.
Note: A rise/fall indicates improving/deteriorating affordability. Latest: Q2-08



Growth slowdown underway in U.S. economy, pickup in 2010

Economic Growth, U.S.

Percentage change in real GDP



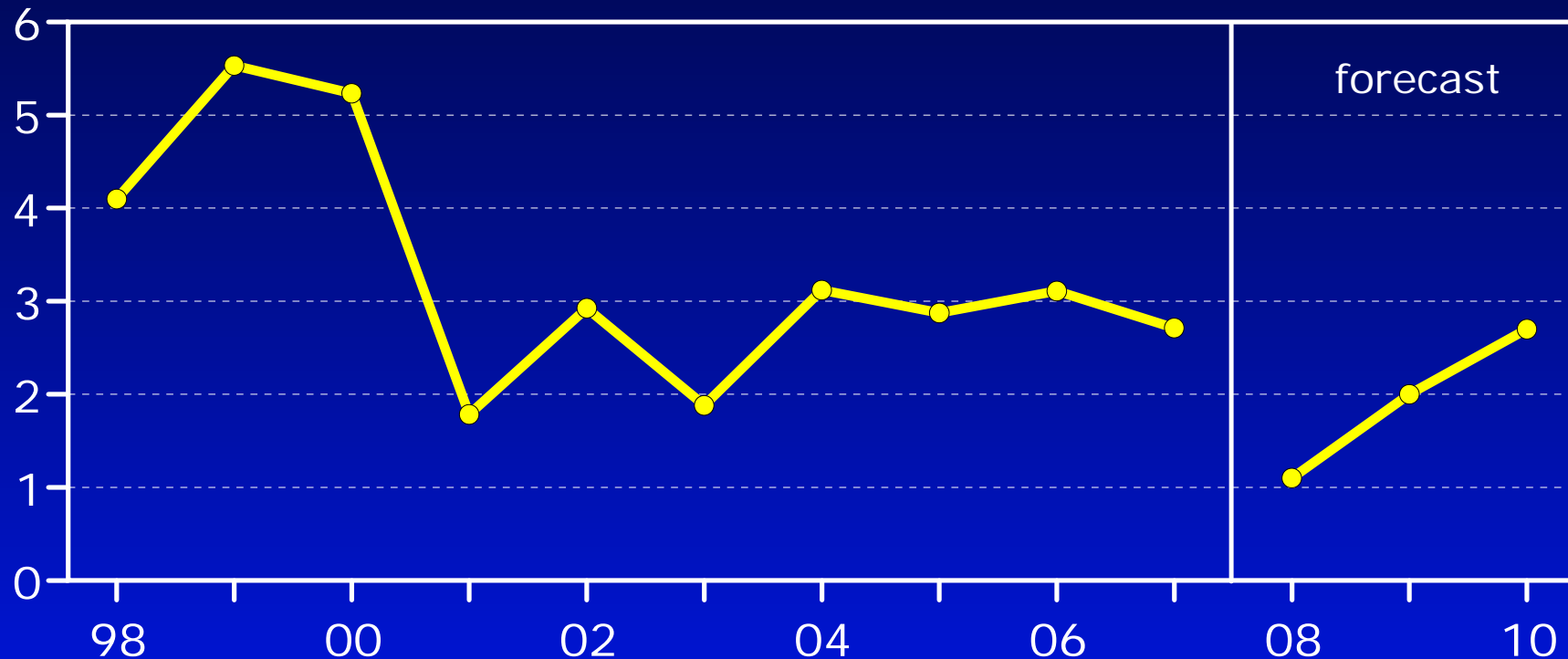
Source: US BEA, Consensus Forecasts.



Near recession in 2008, normal growth rate not until 2010

Economic Growth, Canada

Percentage change in real GDP

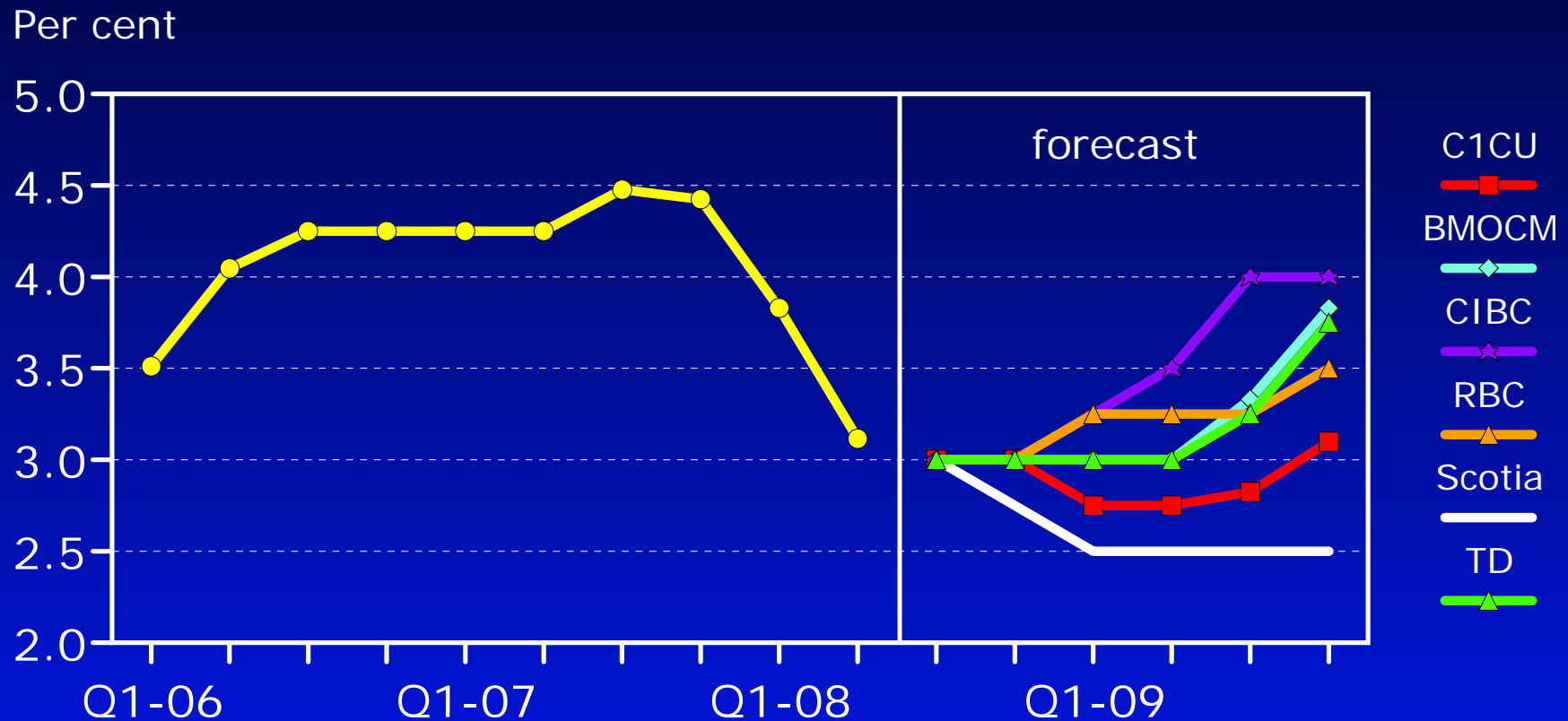


Source: Statistics Canada, Consensus Forecasts.



Bank of Canada on hold rest of 2008, rate cut likely in early 2009

Canada Overnight Target Rate, Quarterly



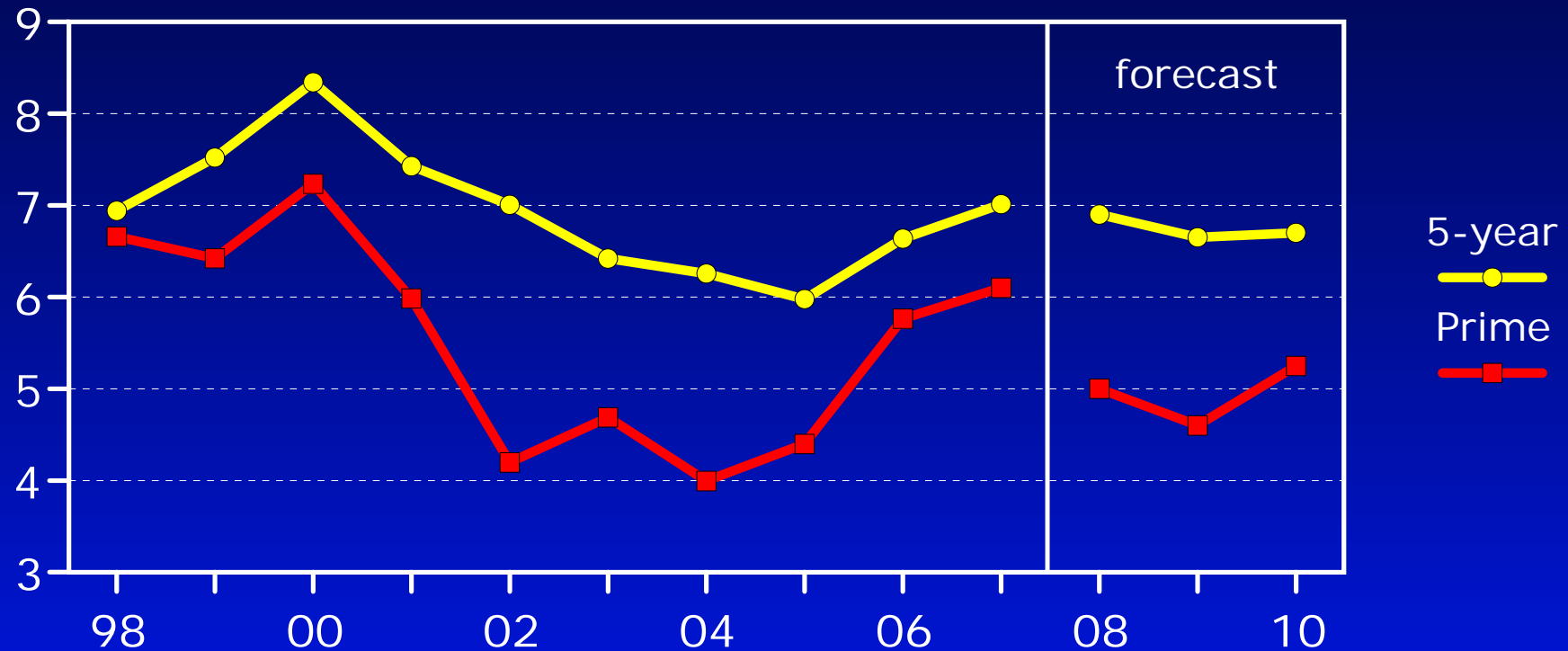
Source: Bank of Canada, BMOCM, C1CU, CIBC, RBC, Scotiabank, TD.



Lower mortgage rates in 2009

Five-year Mortgage Rate and Prime Rate

Per cent



Source: Bank of Canada, C1CU.



Growth slowdown hits B.C., Olympic spike in 2010

Economic Growth, B.C.

Percentage change in real GDP



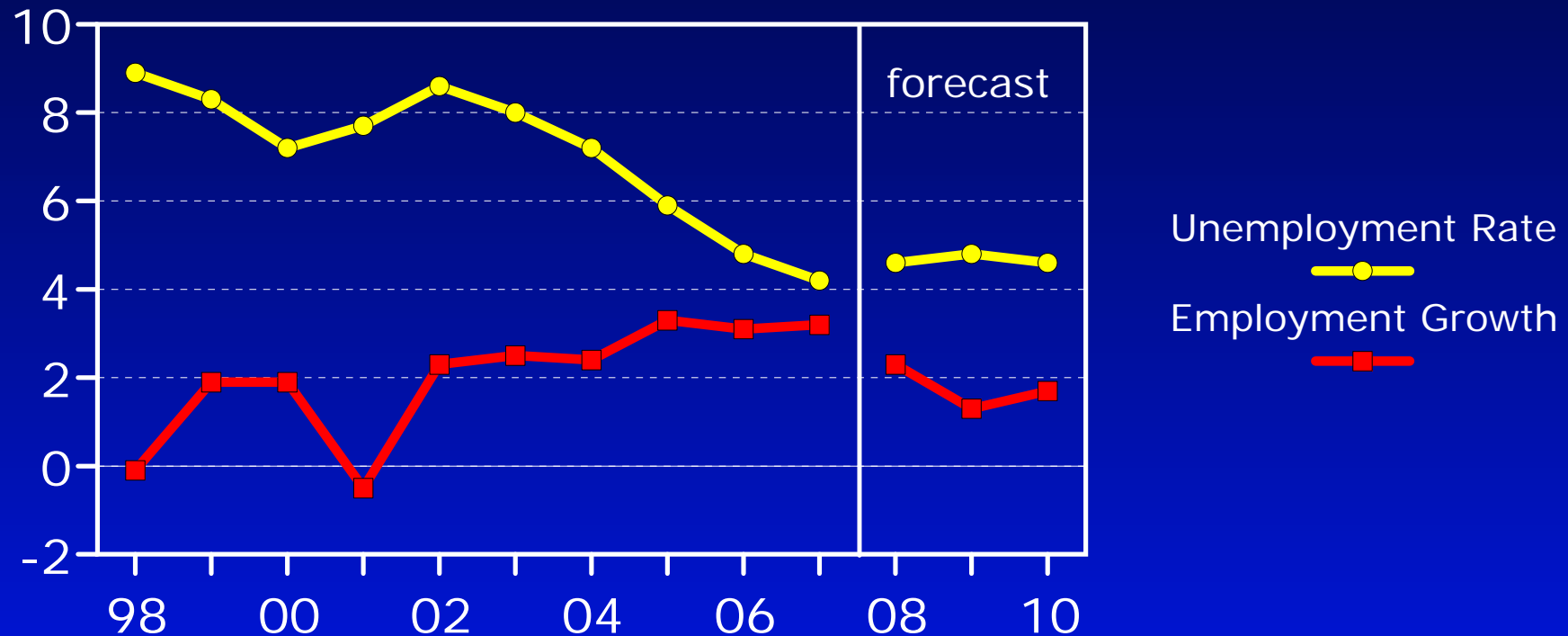
Source: Statistics Canada, C1CU.



Labour market conditions ease slightly

B.C. Labour Market

Per cent



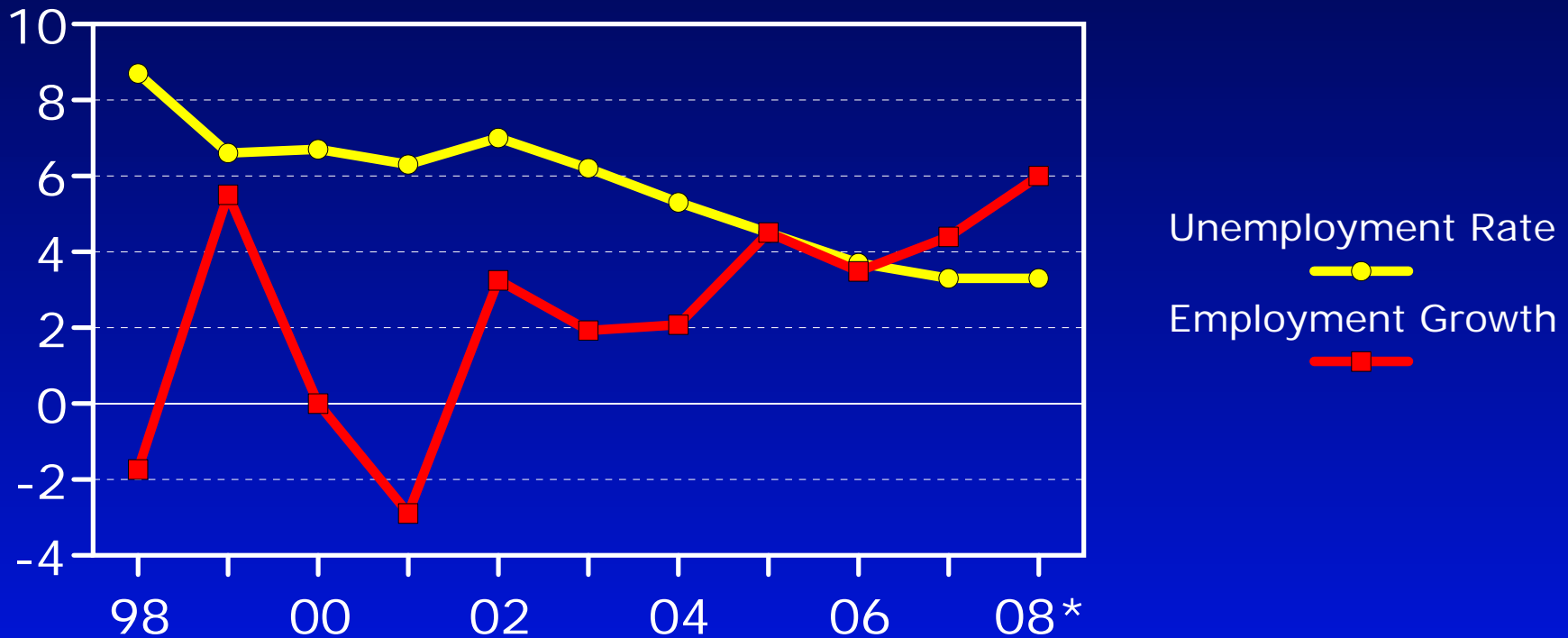
Source: Statistics Canada, CUCBC.



High job growth and low unemployment rate during 2008

Labour Market, Victoria CMA

Per cent

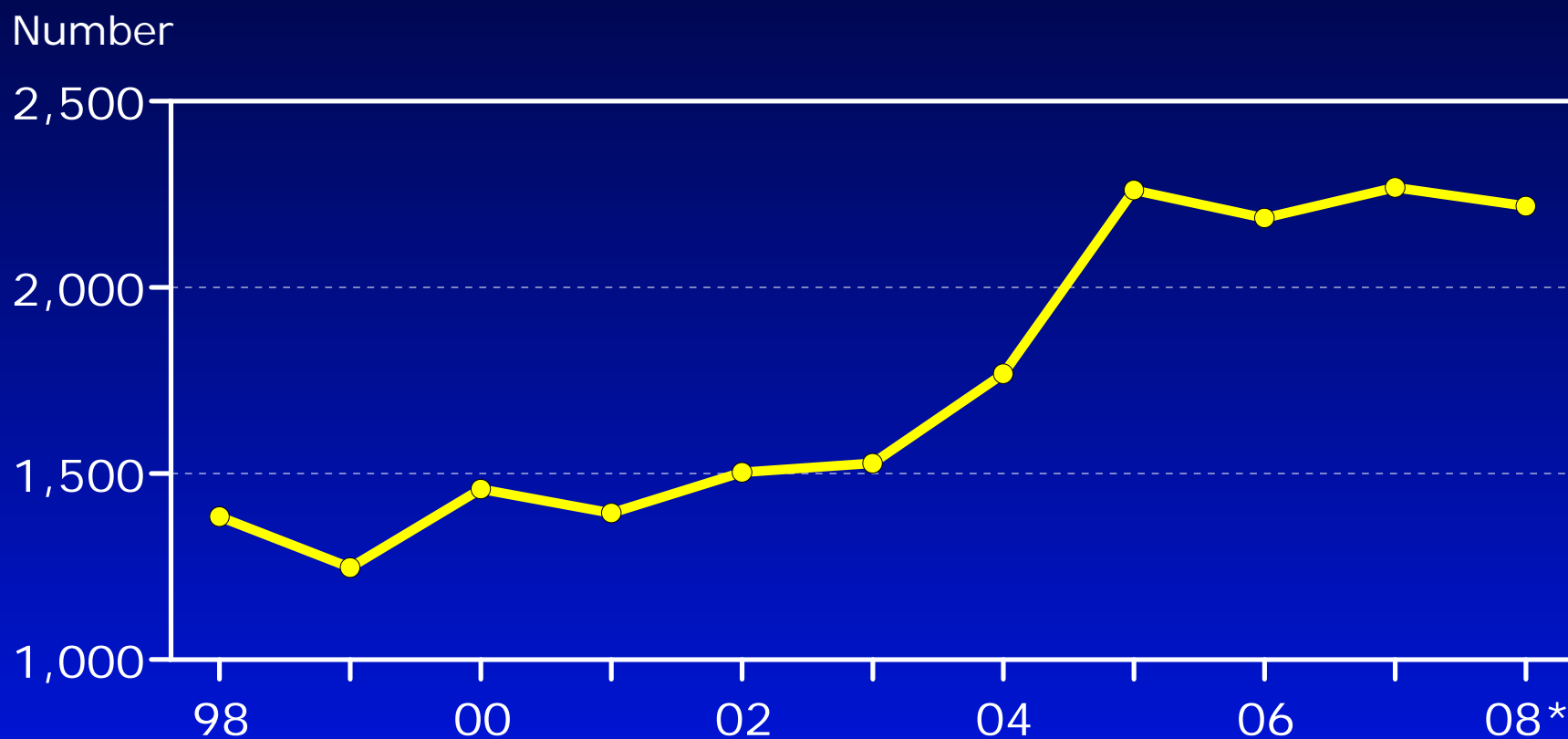


Source: Statistics Canada, CUCBC.



New business start-ups at plateau level

Business Incorporations, Capital Region



Source: BC Ministry of Finance.

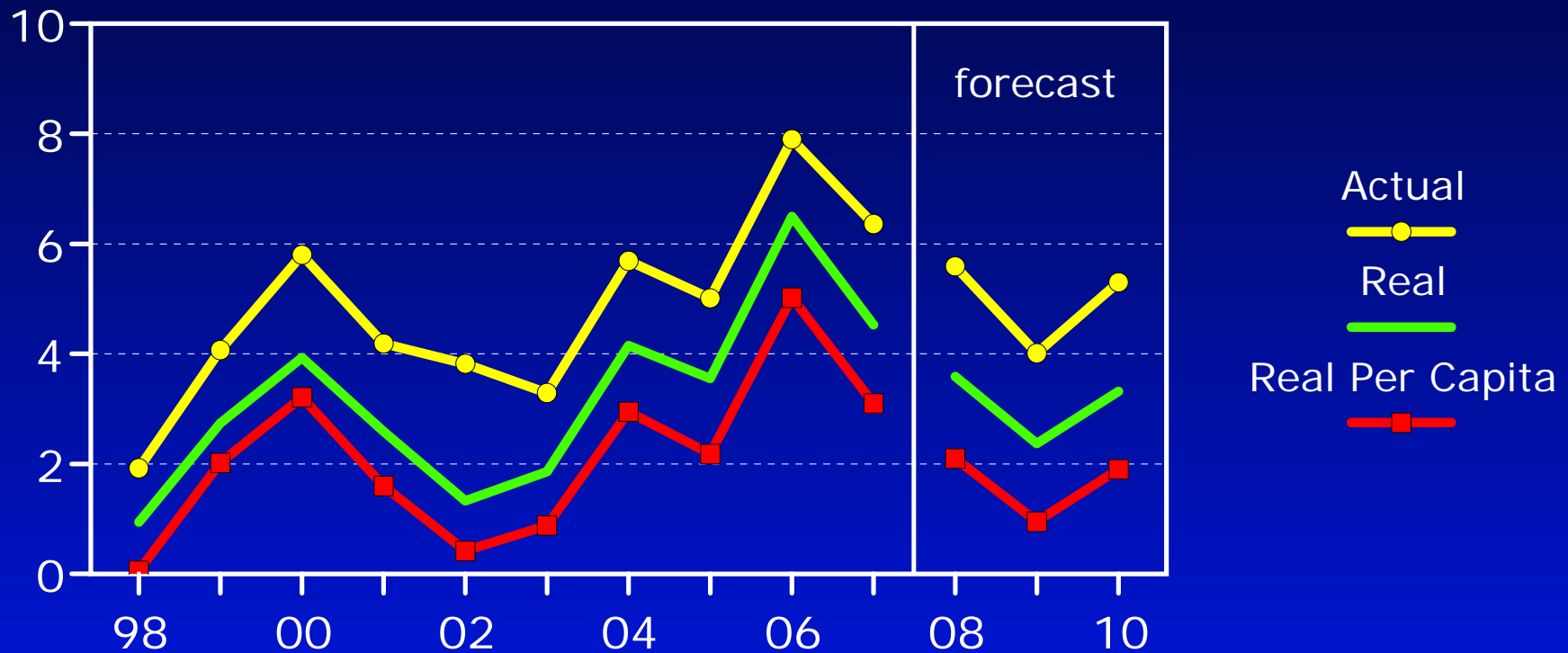
*12 months ending June



Slower income growth ahead

B.C. Personal Disposable Income Growth

Per cent

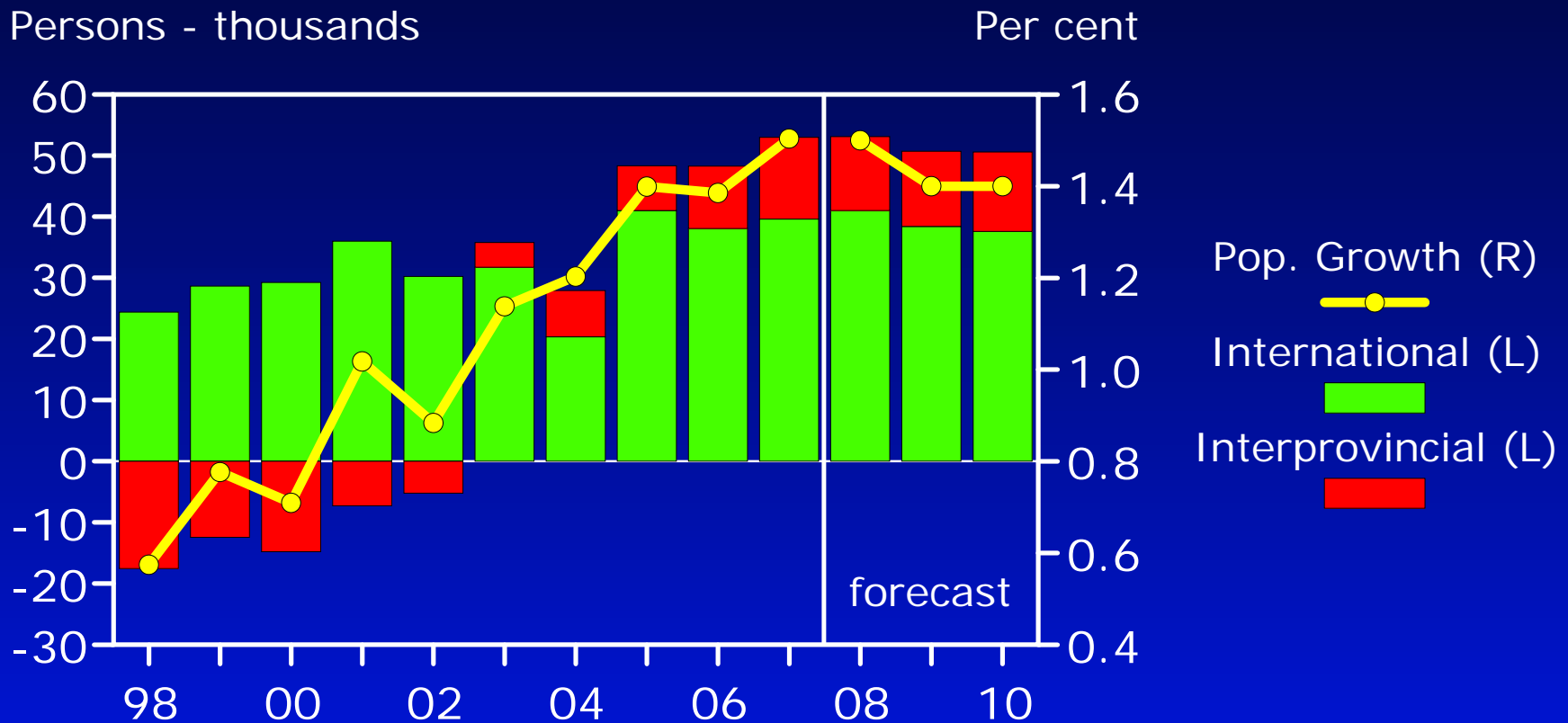


Source: Statistics Canada, C1CU.



Population growth stalls

B.C. Net Migration by Type and Population Growth Rate



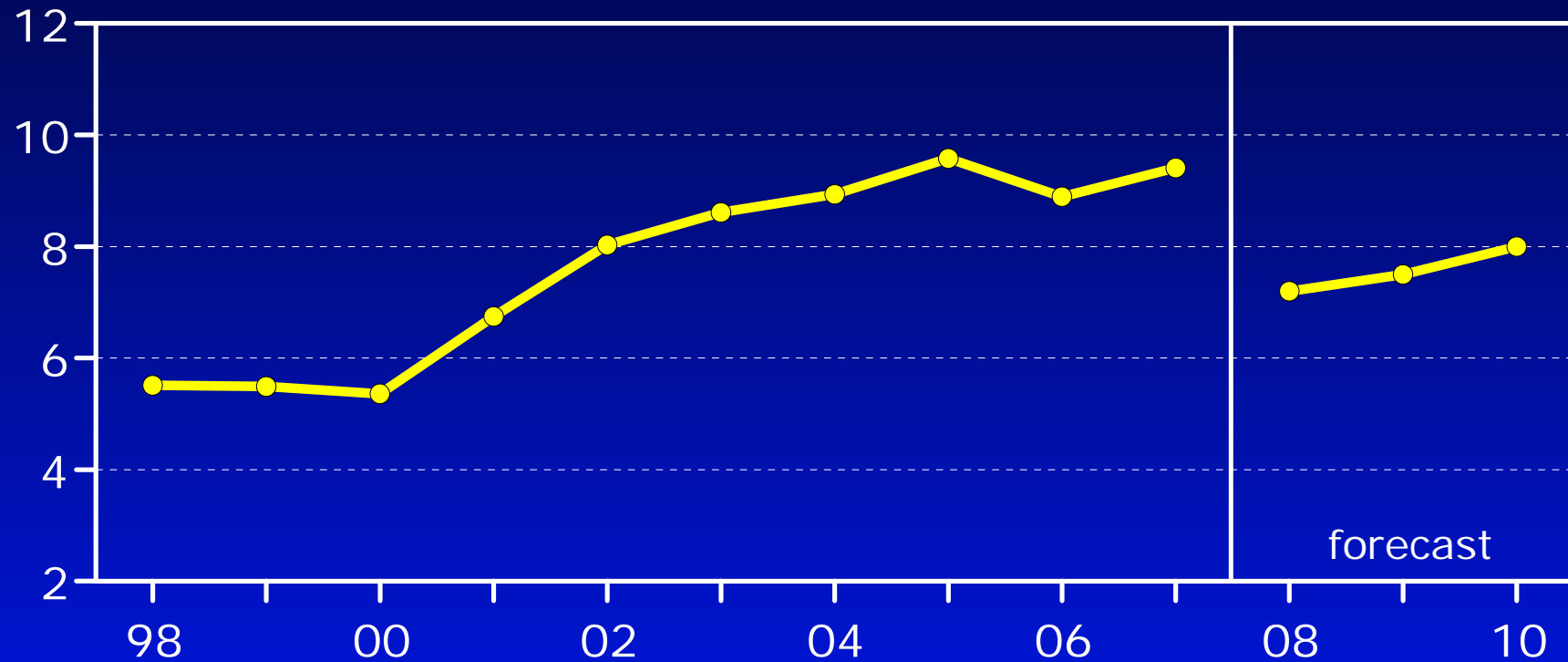
Source: Statistics Canada, C1CU.



Housing sales down 25% in 2008

Housing Sales*, Capital Region

Units - thousands



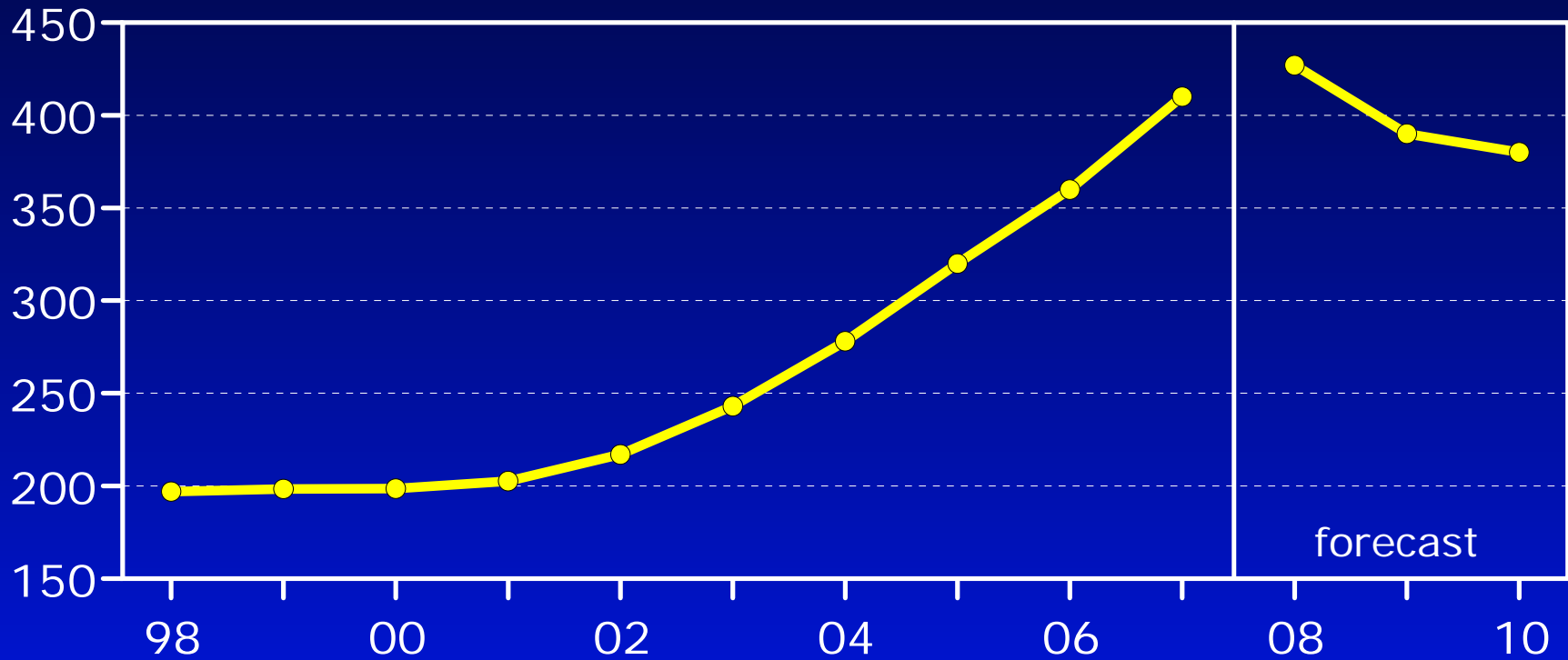
Source: Landcor Data Corp. *All market sales



Lower prices through 2009

Housing Median Sales Price, Capital Region

Dollars - thousands

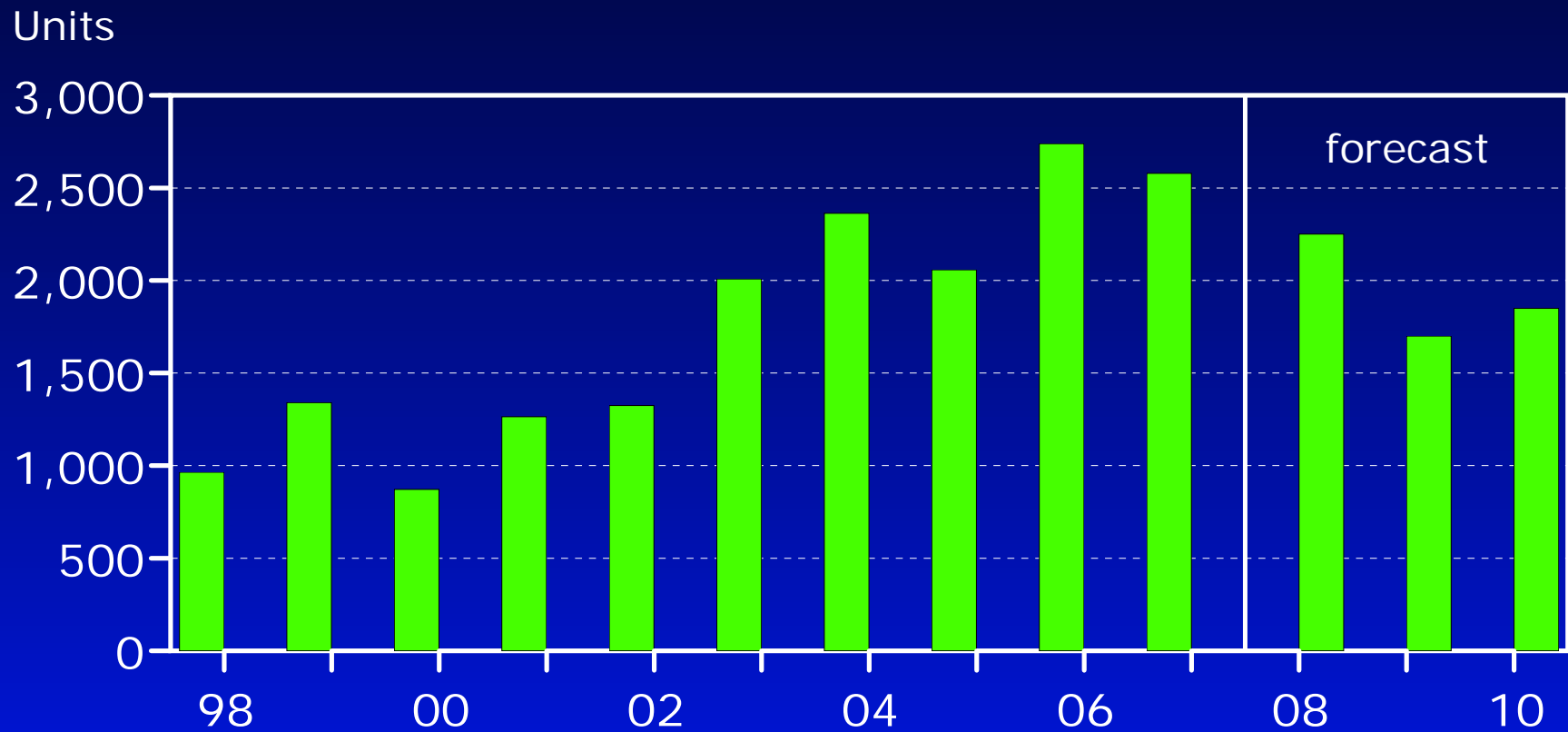


Source: Landcor Data Corp., C1CU.



Housing starts take large drop in 2009

Housing Starts, Victoria CMA



Source: CMHC, C1CU.



Summary:

- Economic growth slowdown extends to 2009
- Regional economy fares better than province
- Bank rate cuts likely, lower mortgage rates ahead
- Housing market correction phase extends into next year
- Housing volumes down 25% or more
- Housing prices off 10% to 15%
- Low-equity buyer affordability improves



For B.C. economic analysis and information visit our website at:

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