

Market Recap & Outlook

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Housing market intelligence you can count on

Canada



Today's Talk

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- Housing Demand
- Resale Market
- New Home Construction



What Will Drive Resale Demand in 2010 & 2011

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Positive Factors



Rebounding Labour Market



Consumer Spending/Sentiment



Continued In-Migration

Negative Factors

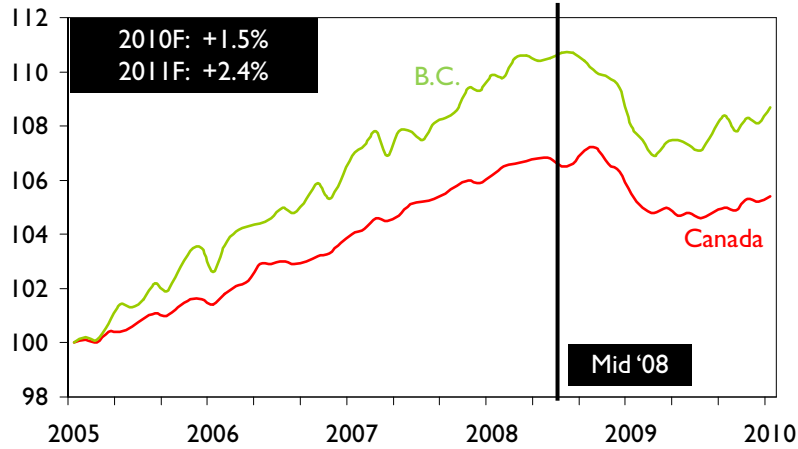


Mortgage Rates

BC Labour Market Improving

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Employment index, Jan. 2005 = 100

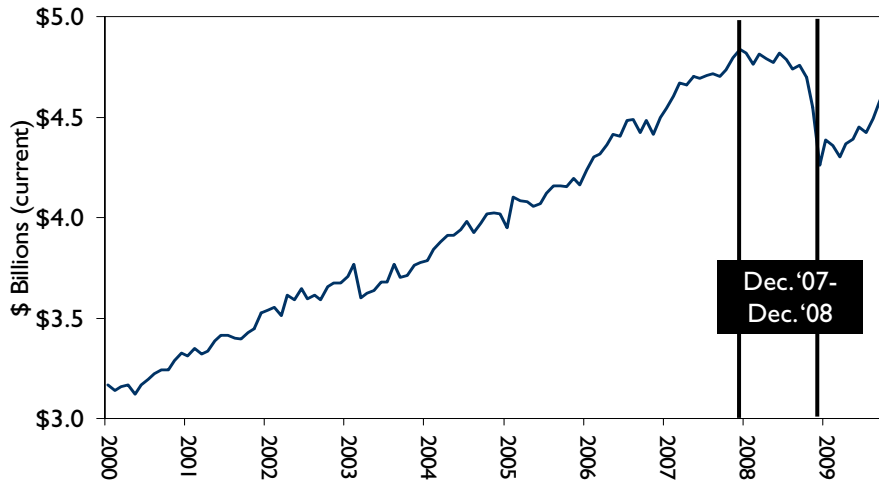


Sources: Statistics Canada Labour Force Survey and CMHC calculation

Retail Spending Bouncing Back

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B.C. Total Retail Sales (Monthly) – Seasonally Adjusted (Current Dollars)

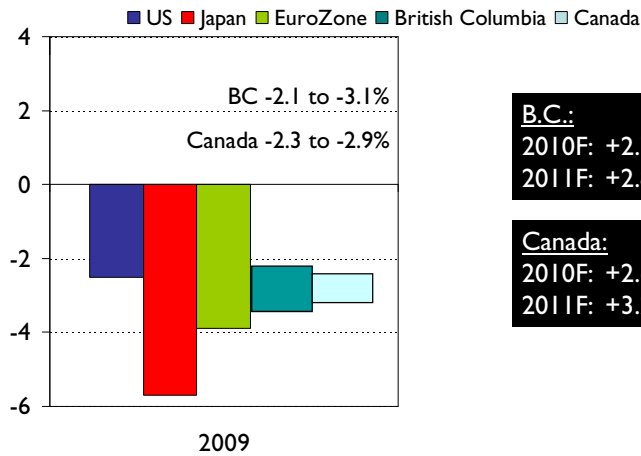


Sources: Statistics Canada

Consensus Forecast – A Global Recovery

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Annual Per cent in real GDP

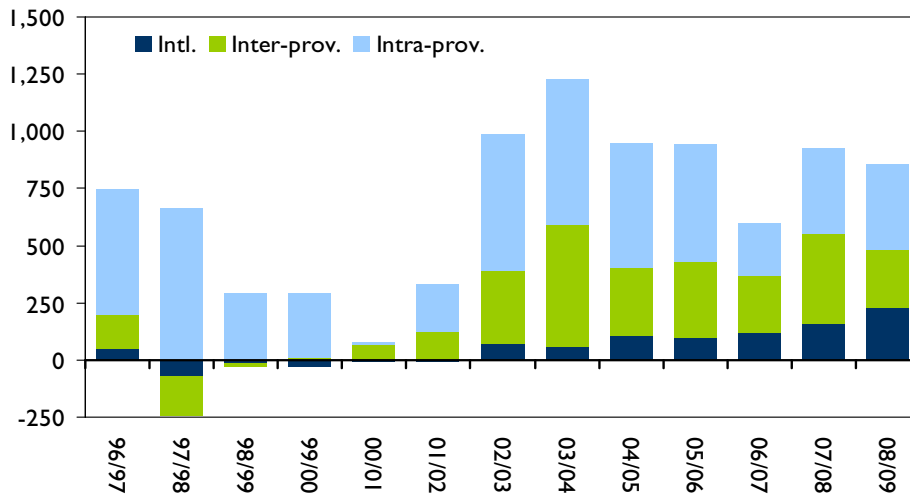


Sources: Consensus Forecasts, October 2009 and CMHC Q1 2010 Forecast for Canada and British Columbia

Migration Fuels Population Growth

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Net Population Gain to Cowichan Valley RD from Migration



Source: B.C. Stats

Mortgage Rate Outlook

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“The only constant is that the Bank will consistently set monetary policy appropriately in order to achieve the inflation target.”

Mark Carney

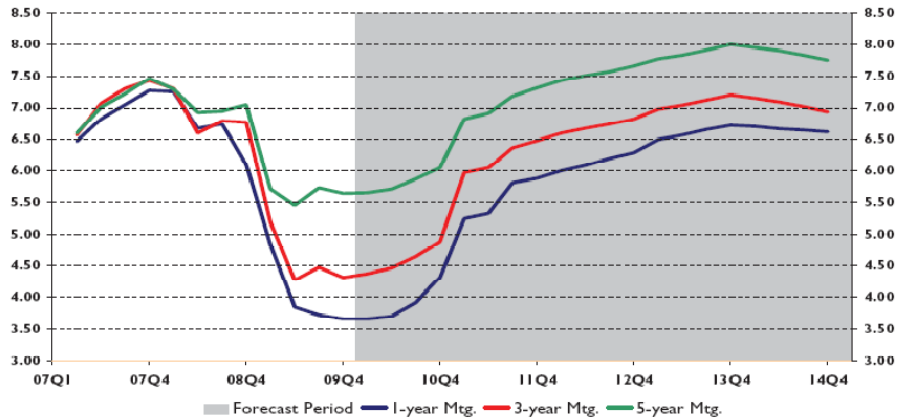
Governor of the Bank of Canada

Remarks to the Greater Victoria Chamber of Commerce,
September 28, 2009

Mortgage Rate Outlook

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Chart 2: CMHC Mortgage Interest Rate Outlook

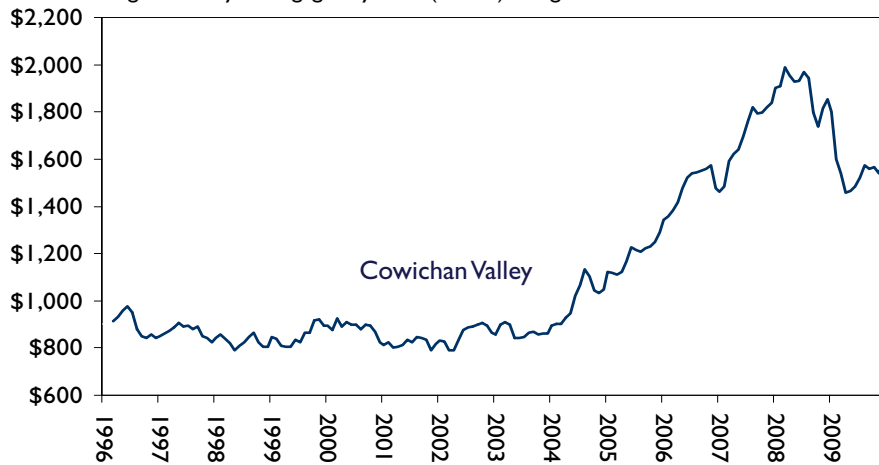


Sources: CMHC, Statistics Canada

Improved Buying Conditions Attracted Home Buyers

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Average Monthly Mortgage Payment (\$2009), Single-Detached Homes



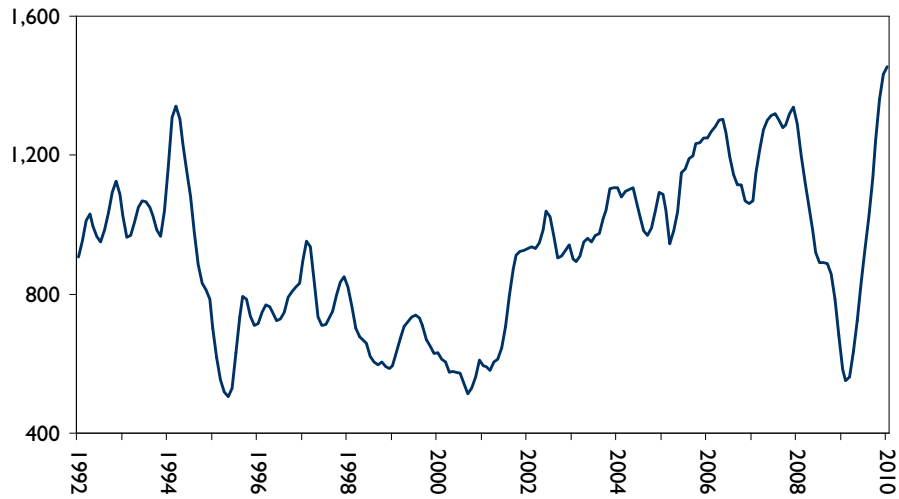
Assumes MLS® average monthly price, 25% down payment, posted 5-year mortgage rate, 25-year amortization

Sources: Vancouver Island Real Estate Board (VIREB), adjusted by CMHC (3-month moving average)

Resale Cycle

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MLS® Sales, Cowichan Valley SAAR

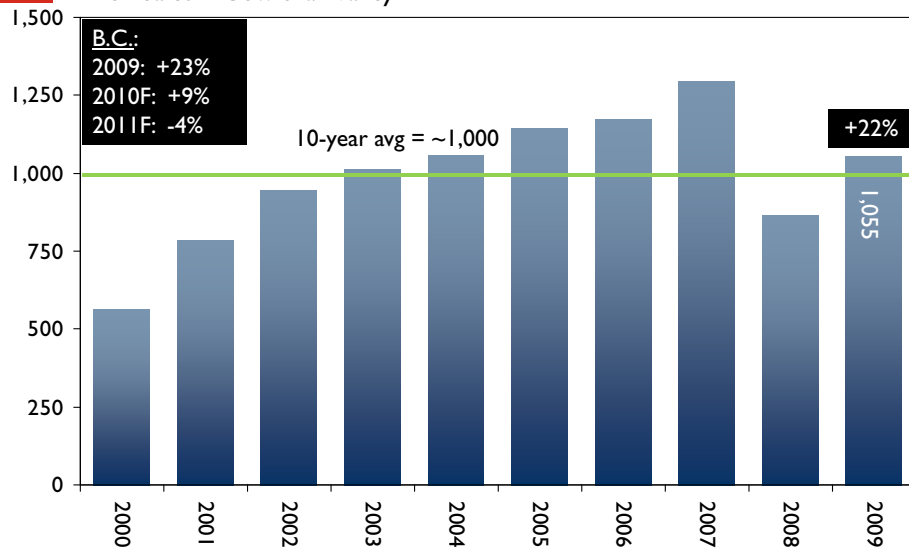


Source: VIREB, adjusted by CMHC (3x3 MA of SAAR monthly data)

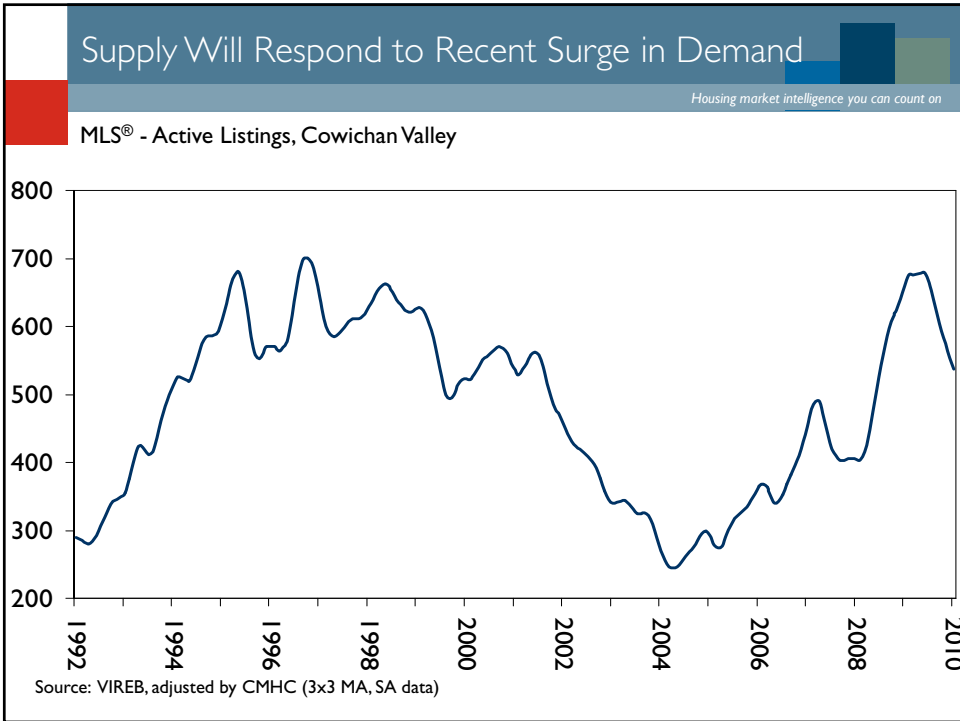
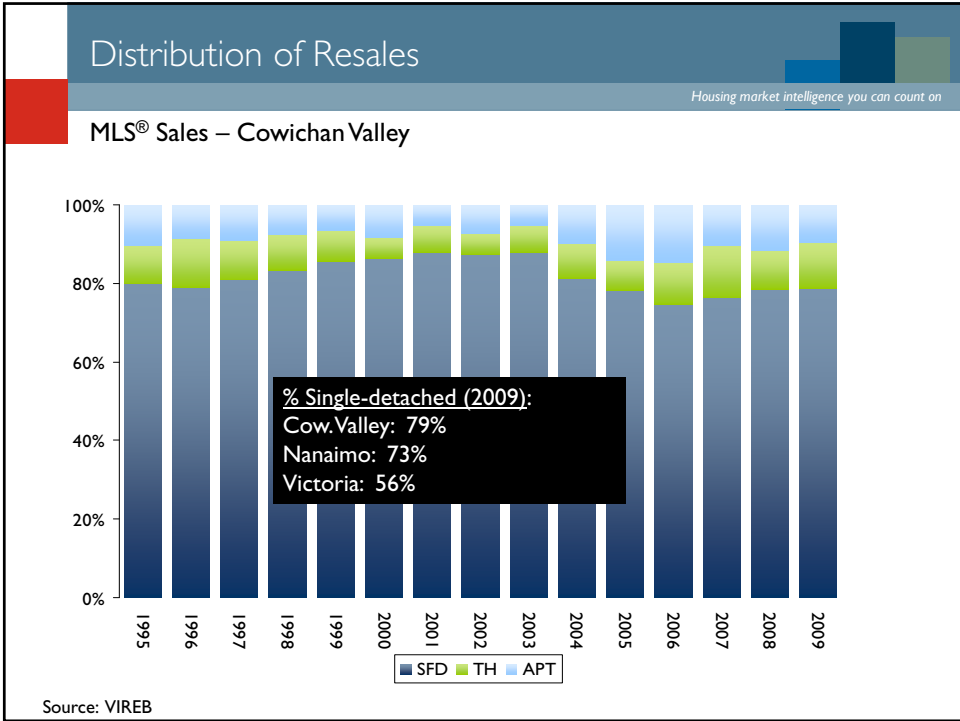
Balancing Act: Resales to Edge up in 2010

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MLS® Sales – Cowichan Valley



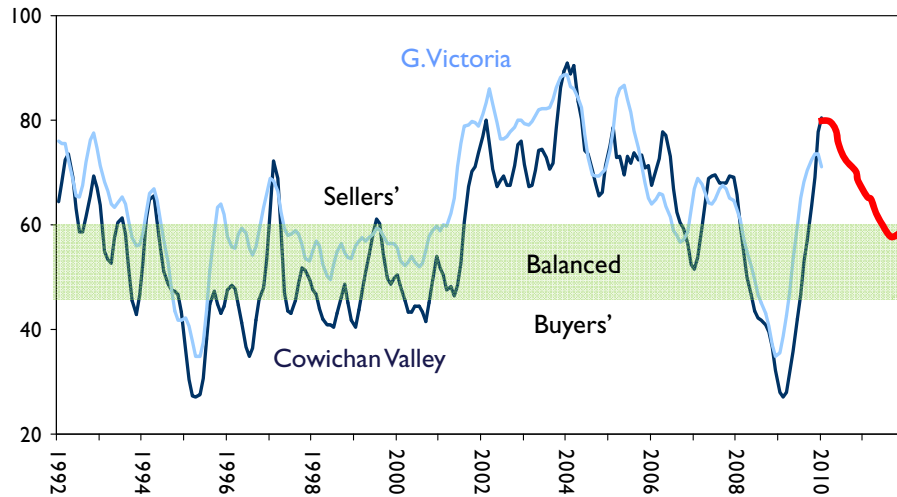
Source: VIREB



Expect Balanced Conditions

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MLS® Sales to New MLS® Listings ratio (%)

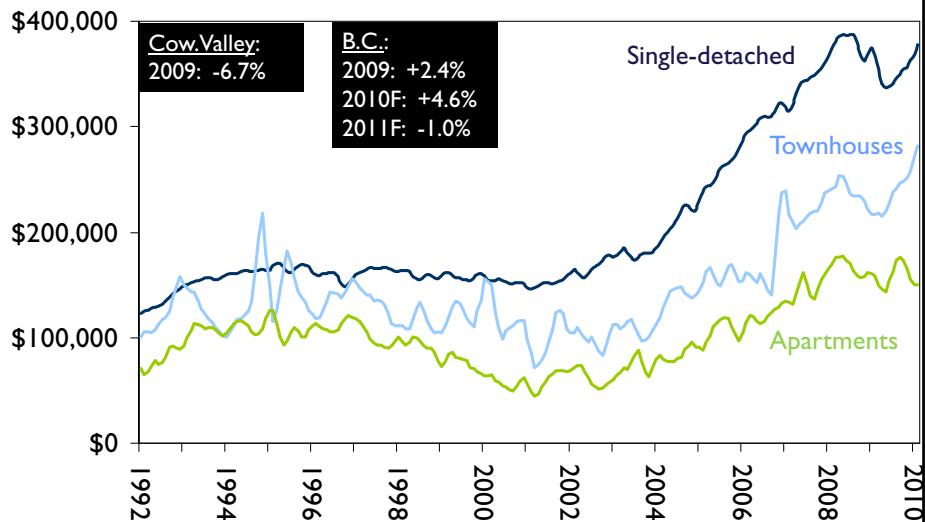


Source: CREA (monthly), adjusted by CMHC

Average Prices Bounce Back to Peak Levels

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MLS® Average Price, Cowichan Valley



Source: VIREB, monthly data adjusted by CMHC (SA 3x3 MA)

Distribution of Sales

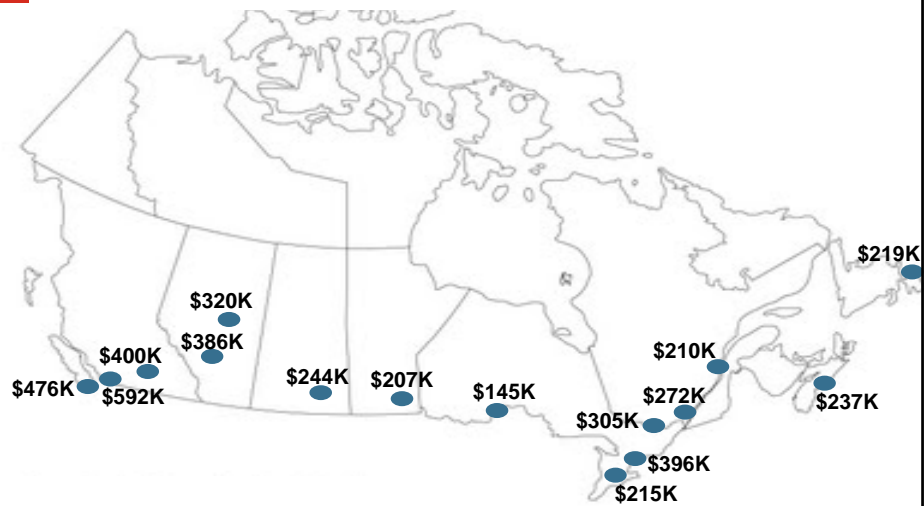
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Region	'09 Sales	% of Sales	Most Common Price Range
Duncan	375	35%	\$350-400K
Ladysmith	174	16%	\$300-350K
Cowichan/Cobble Hill	156	15%	\$400-450K
Shawnigan	102	10%	\$300-350K
Lake Cowichan/Honeymoon/Youbou	86	8%	\$200-250K & \$250K-300K
Mill Bay	64	6%	\$400-450K & \$450-500K
Chemainus	57	5%	\$250-300K
Crofton	31	3%	\$250-300K
Saltair	28	3%	\$300-350K
TOTAL	1,076	100%	\$300-350K & \$350-400K

Source: VIREB

A Cross-Country Look at Resale Prices

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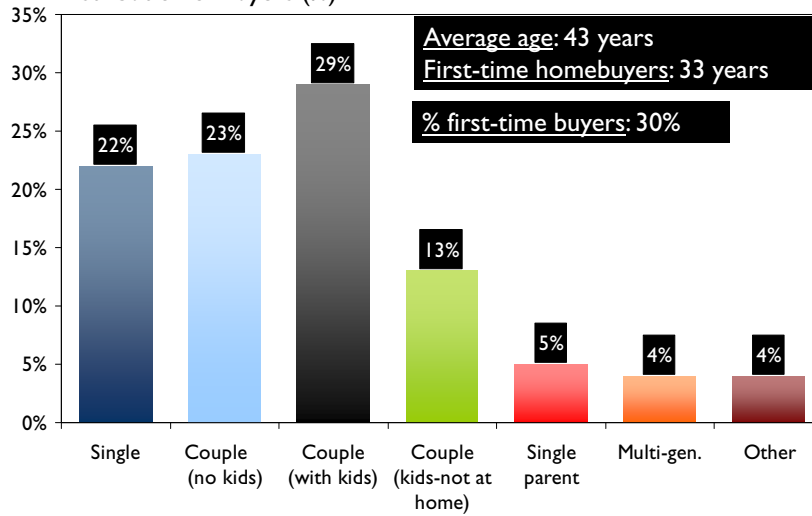


Source: VIREB, CREA. Includes all dwelling types.

Who is Buying?

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Distribution of Buyers (%)

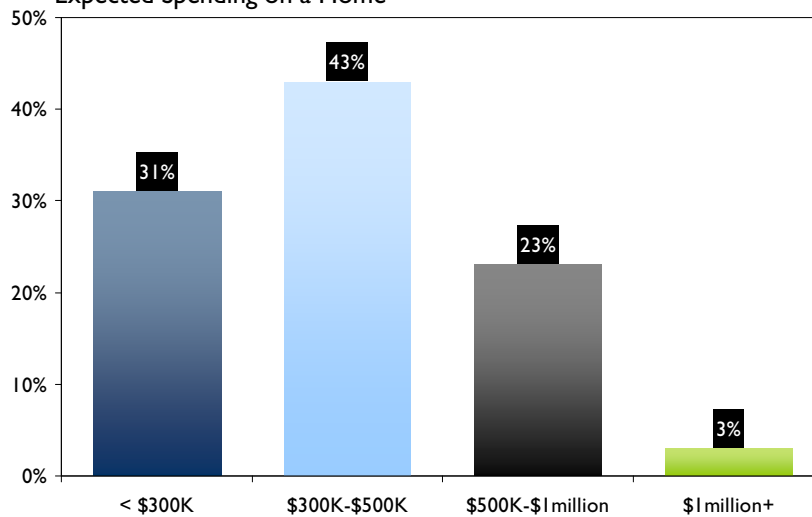


Source: Ipsos-Reid, BC Home Buyers Report 2009 – Quarter Three

Price Point is Key

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Expected Spending on a Home

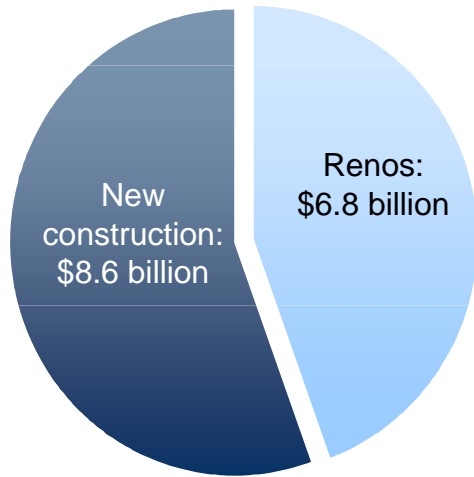


Source: Ipsos-Reid, BC Home Buyers Report 2009 – Quarter Three

Renovation Spending Strong

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Renovation & Construction Expenditures – B.C. 2008



Source: Statistics Canada

Residential Construction

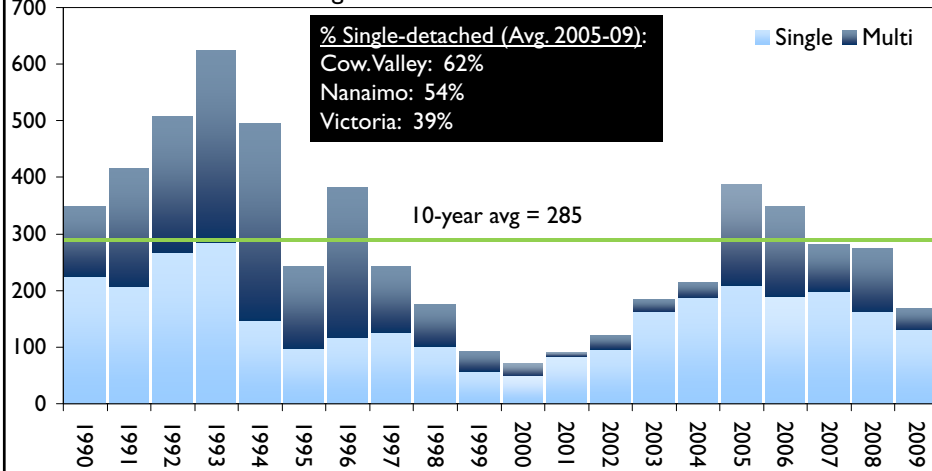
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Expect Starts to Pick Up in 2010

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Duncan CA – Housing Starts

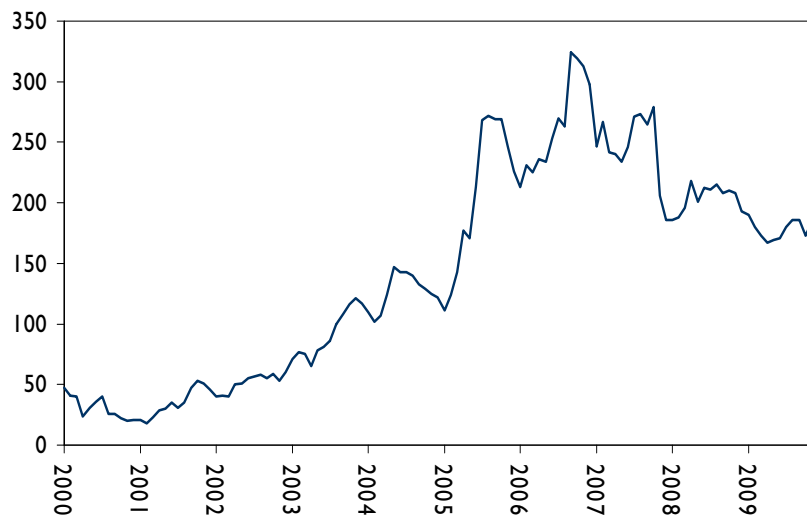


Source: CMHC

The Pipeline – Duncan CA

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Duncan CA – Units Under Construction

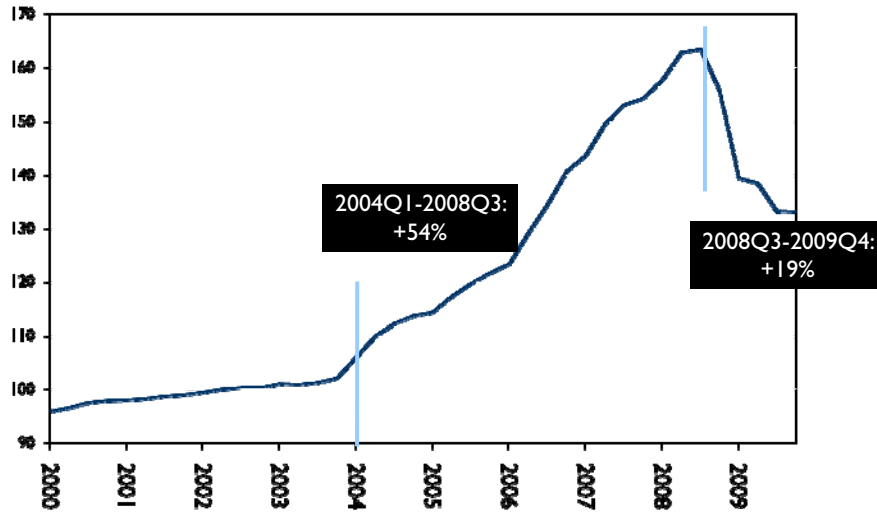


Source: CMHC

Construction Costs in B.C.

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Apartment & non-residential construction cost index – Vancouver CMA



Source: Statistics Canada

Large Projects in the Cowichan Valley

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- Business park in South Duncan (12-14 buildings) – proposed
- Arcadia @ Oyster Bay residential development – proposed
- Mill Bay marina & residential complex (160 units & 116 marina slips) – proposed
- VIU – Cowichan Place Campus (former fairgrounds) – u/c
- Terasen Vancouver Island LNG gas system upgrades & new storage facility – u/c
- **10-15** multi-family residential projects currently on hold!
 - Represents **~2,000-2,500** multi-family homes

Construction Costs in B.C.

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- Bottomed out in 2009 due to:
 - Weak economy
 - Low material costs (b/c fall in global commod. prices)
 - Decline in housing starts
- Will slowly increase in 2010 – infrastructure spending (Fed govt \$40 billion stimulus fund) & more starts
 - 2010F: 0-2%
 - 2011F: 2-3%
 - 2012F: 3-4%
 - 2013F: 3-4%

Source: BTY group

Summary

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- **Economy:** recovery is underway – expect continued growth through 2010 & 2011
- **Resale market:** demand will ease as mortgage rates rise, which will put less upward pressure on prices
- **New construction:** expect spill-over from the recent surge in resale demand in 2010