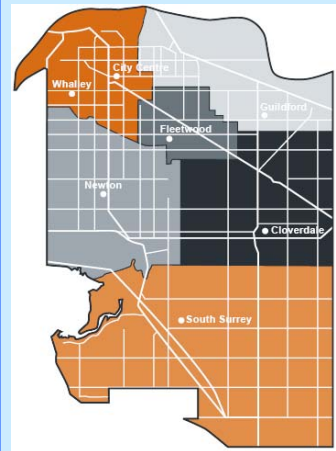


January 25, 2008

Long -Term Housing Demand



Overview

Surrey/White Rock benefits from its central location in the Lower Mainland, transportation links to the US, and a relative abundance of developable industrial/business park land. Its land area of 522 sq. km. is experiencing increasing pressure from a rapidly growing population. Residential density has increased 62 per cent over the past 15 years, rising from 780 to 1,290 persons per sq. km.

Between 2006 and 2031, the population is expected to grow by another 225,000 individuals, an increase of more than 50 per cent. By 2031, the Surrey/White Rock population will have ballooned to 90 per cent of the 2031 City of Vancouver population.

Household growth will increasingly be oriented toward older age groups. By 2026-2031, 71 per cent of additional households in Surrey/White Rock will be aged 65 or older.

Demand for new residential construction is projected to average 3,900 to 4,000 units per year through 2021, and then edge back to 3,400 units in 2026-2031. The composition of new home construction is projected to be increasingly high density, with multi-family construction reaching Metro Vancouver’s 2001-2006

relative proportion by 2026-2031.

The mix of semi-detached, attached and apartment construction depends largely on consumer preference and land use planning. If the mix mirrors the 2001-2006 period, ground-oriented multi-family will dominate residential construction over the next 25 years. However, if the mix trends toward that of Metro Vancouver as a whole, which recent activity suggests, apartment construction will garner 50 per cent of new housing activity by 2026-2031.

The spate of high-rise apartment projects under construction, pending and planned may well be the beginning of a radically changed skyline over Surrey/White Rock.

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Residential Construction (Units) (5-year annual average)

Period	Detached	Multi-family
1991-96	1,508	1,922
1996-01	1,250	880
2001-06	2,118	1,797
2006-11	1,803	2,204
2011-16	1,551	2,327
2016-21	1,415	2,628
2021-26	1,121	2,616
2026-31	1,020	2,381

Sources: CMHC, BCREA projection



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Population

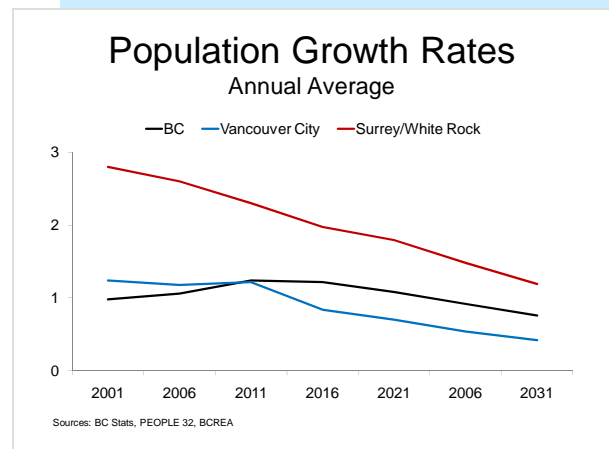
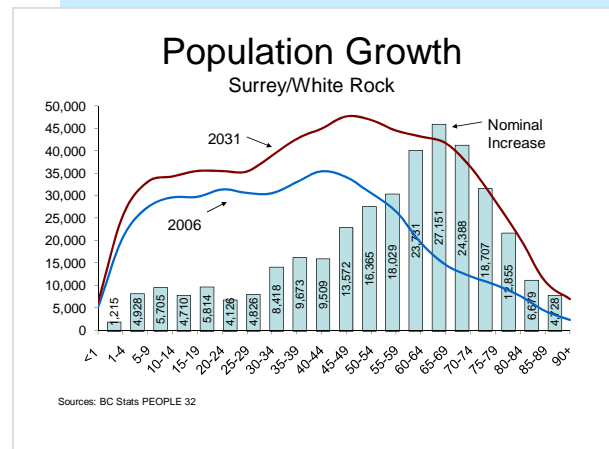
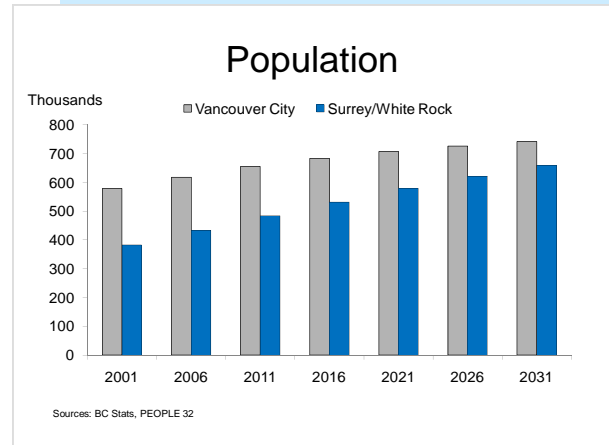
The City of Surrey has one of the most rapidly growing populations in Canada. Between 2001 and 2006, its population grew by 13.6 per cent to 394,980 residents. The City of White Rock is much smaller by comparison, and with an older population and little developable land, its population grew at a more modest rate of 2.8 per cent to 18,250 residents over the same period.

The combined population of Surrey and White Rock* is converging with that of the City of Vancouver. The proportion is expected to increase from 66 per cent of the City of Vancouver’s population in 2001 to 90 per cent in 2031. Surrey/White Rock is expected to welcome an additional 225,000 residents between 2006 and 2031, a 52 per cent increase and equivalent to today’s combined populations of Kelowna and Vernon.

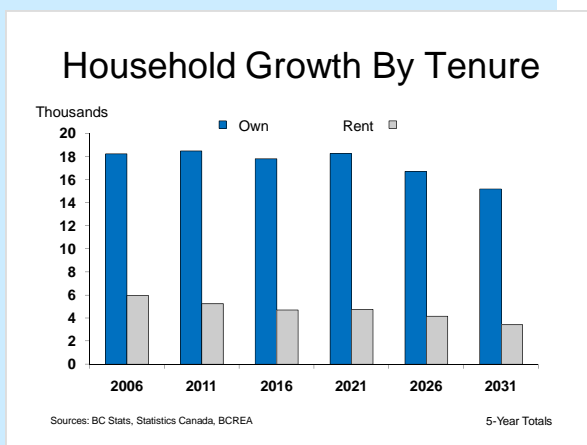
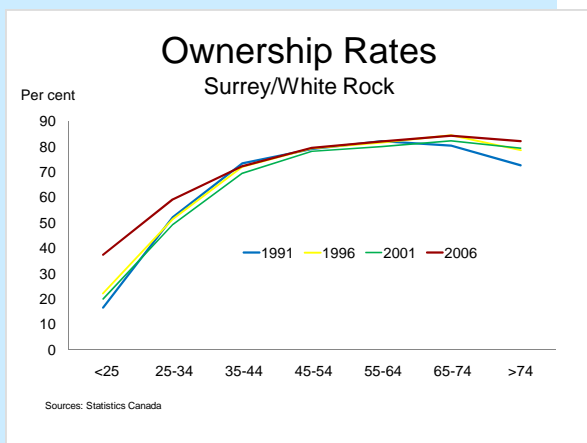
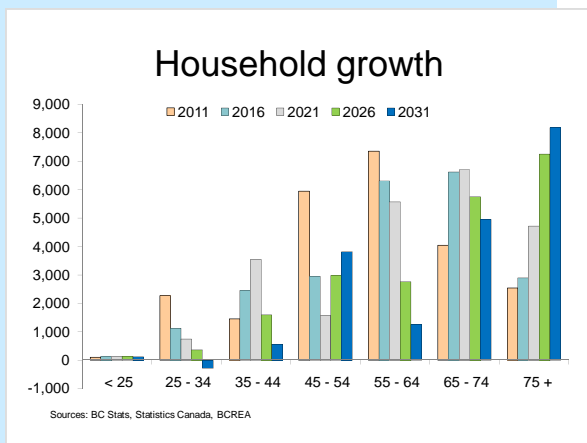
Population growth in the area will increasingly rely on migration, as the natural rate of increase (births minus deaths) is expected to fall below 1,000 individuals a year by 2031. The City of Surrey has been attractive to immigrants, who comprised 38 per cent of the population in 2006; over half took residence after 1991. Despite the additive impact of international, interprovincial and intraprovincial migration, the aging of the population is expected to slow the rate of increase through 2031. The rate of population growth is projected to slow from 2.8 per cent in 2001 to 1.2 per cent by 2031, near the growth rate of the City of Vancouver in 2006.

The large cohort of aging baby boomers will drive population growth in Surrey/White Rock over the next 25 years. Between 2006 and 2031, the population aged 75 or over is projected to increase 178 per cent, whereas those aged less than 35 will grow just 19 per cent. The largest nominal increase will occur in the 55-79 age group, accounting for 50 per cent of total population growth between 2006 and 2031. The median age in Surrey/White Rock is projected to rise from 36 to 45 years over the same period.

*The City of Surrey and the City of White Rock are combined to match BC Statistics Local Health Area demographic projections.



Households



Growth of the number of households in Surrey/White Rock will concentrate in older age groups over the next 25 years. The age group with peak household growth to 2011 will be 55-64 years olds, followed by 45-54 year olds. After 2011, a large proportion of overall household growth will be dominated by the nearly retired, semi-retired and retired, those aged 55-64 and 65-74. By 2031, 44 per cent of additional households will be aged 75 and over. The 65 and over group will form 71 per cent of additional households by 2031.

In the 25-34 age group, household growth peaks between 2006 and 2011. These are the boomers' children, the echo generation, and their numbers are reflected through 2011 as 25-34 year olds, to 2021 as 35-44 years olds, and to 2031 as 45-54 years olds. As the boomers' children age, household growth in the 25-34 age cohort is projected to fall, with a small decline in total households occurring between 2026 and 2031.

The rate of home ownership for the young and the old has increased dramatically in the last 15 years. For those under the age of 25 the rate went from 20 per cent in 2001 to 37.5 per cent in 2006. However, because the under 25 headship rate is low, they would form only 94 households between 2006 and 2011 if the rate held constant, of which 35 would be ownership tenure.

Home ownership is dominant in Surrey/White Rock. Between 2006 and 2031, the ownership rate is projected to increase from 78 to 81 per cent. Additional rental households are projected to decline from nearly 6,000 households in 2006-2011 to 3,400 households in 2026-2031. The decline is due to higher ownership rates in households aged 65 years and older, fewer single detached homes being built that are conducive to secondary suites, and the relative saturation of suites in the existing stock. However, a marked increase in condominium investors may bolster the rental supply. In addition, increased consumer demand for assisted living accommodation can impact the number of rental households near 2031, but the impact will likely not be significant until after 2031.

Housing

Household growth does not necessarily translate into an equal number of housing starts. New households can rent vacant apartments, which can reduce the vacancy rate and not impact the housing stock. Secondary suites can also absorb many newly formed households. As a result, demand for new residential construction is projected to stay below household growth in Surrey/White Rock through 2031, albeit with a narrowing gap. Fewer detached housing starts suitable for suites and a capacity limit of suites in the existing stock will induce a trend toward parity.

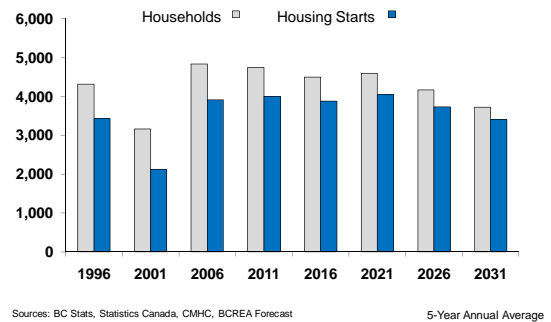
Demand for new residential construction is projected to average 3,900 to 4,000 units a year through 2021. While housing starts reached 5,170 units in 2007, they can be variable, falling as much as 50 per cent from peak to trough in the last cycle. Strong household growth is expected to underpin residential construction through 2021.

The entire Metro Vancouver region is facing pressure on its land base. Rising residential density is commonplace. Between 2001 and 2031, the number of residents per sq. km. in Surrey/White Rock is expected to increase from 1,132 to 1,955. Pressure on its 522 sq. km. land area by residential development is increasing the population density and inducing much higher residential development densities.

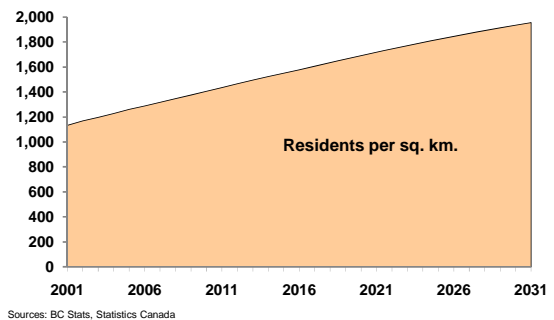
Surrey/White Rock has experienced two significant waves of multi-family development over the past 15 years, during the early 1990s and today. In and around the year 2000, residential construction dropped dramatically across the province. While the economic fundamentals were weak, building envelope failures had a disastrous effect on apartment construction activity.

Multi-family housing starts averaged 45 per cent of total housing starts between 2001 and 2006. The trend is toward high-density development increasing as a proportion of total housing starts. In 2007, for example, 69 per cent of housing starts were multi-family. The combination of population pressure, community planning efforts, eroding home affordability and consumer preferences are driving up multi-family residential construction.

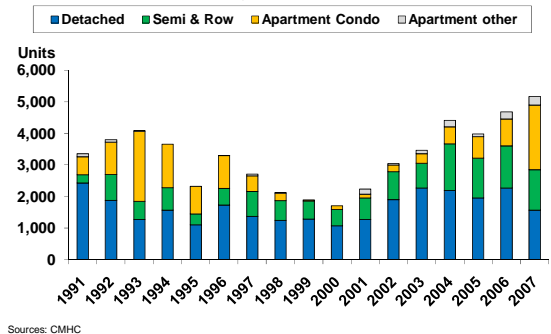
Household Growth & Residential Construction



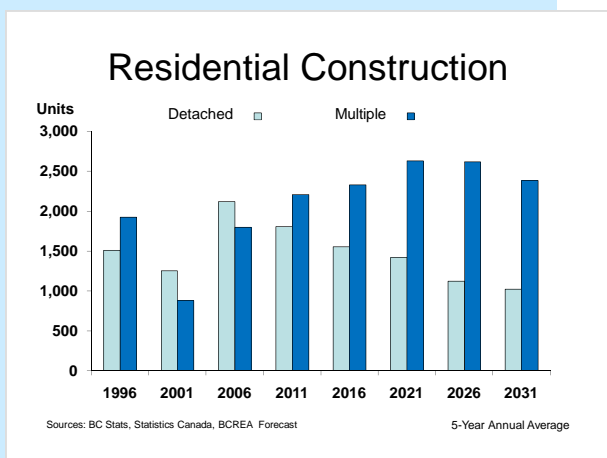
Population Density Surrey/White Rock



Housing Starts Surrey/White Rock

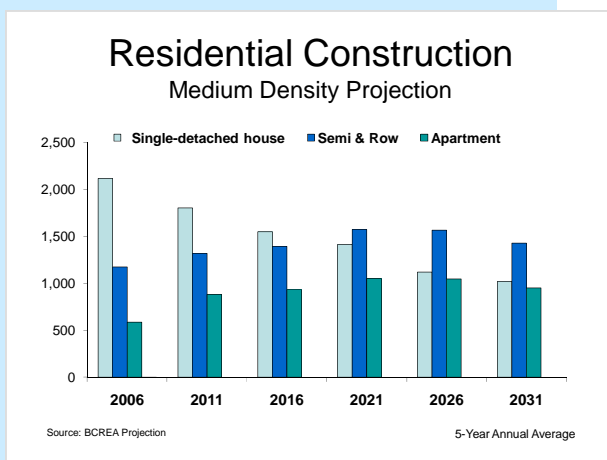


Residential Construction



Estimating residential construction activity over the long term is not an exact science. A lot can change in 25 years. There are two assumptions worth noting in this section: first, residential density will continue to accelerate; second, the proportion of detached housing starts to total housing starts will fall to the 2001-2006 Metro Vancouver proportion of 30 per cent by 2026-2031.

Detached housing starts in Surrey/White Rock averaged 55 per cent of total housing starts in the 2001-2006 period. However, the trend is heading lower. The proportion fell to 49 per cent in 2005 and 48 per cent in 2006. In 2007, detached housing starts represented just 30 per cent of total housing starts. While 2007 may have been an exceptional year, the long-term projection that detached housing starts will fall to 30 per cent of total housing starts is not unprecedented.

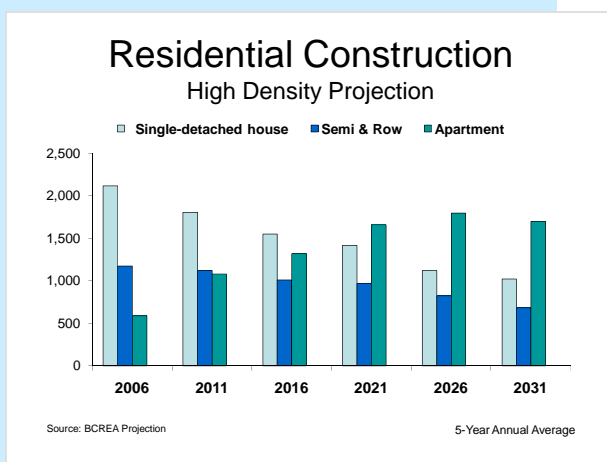


The mix of new multi-family construction depends on consumer preferences and land use zoning. There are two likely scenarios:

- The current mix of new attached and apartment units will continue through 2031, which means new multi-family construction will continue to be dominated by ground-oriented attached and semi-detached units. This medium density projection extends from actual construction activity between 2001 and 2006. It implies that neither land use nor consumer demand will change.

or

- The mix will trend toward that of Metro Vancouver in 2001-2006. This high-density scenario projects a more rapid increase in apartment construction, reaching a proportion of new construction in 2026-2031 equal to that of Metro Vancouver in 2001-2006. Apartment starts in Surrey/White Rock averaged 17 per cent of all starts in 2001-2006. More recently, they represented 23 per cent in 2006 and 45 per cent in 2007. The long-term projection estimates that one out of every two housing starts will be apartments by 2026-2031.



High Rise

Residential high-rise construction in the City of Surrey has only recently begun to take hold.

After building a modest number of units in the late 1980s and early 1990s, high rise construction virtually stopped between 1995 and 2005. The building envelope failures and high inventories in the overall apartment market during the late 1990s didn't help.

High-rise development depends largely on local government community plans, consumer preferences and land/construction costs. The Surrey Central Transit Village plan (among others) provides the necessary framework for high-rise development near its transit nodes. Consumer demand for apartment condominiums is at an all time high and, developers, weary of Vancouver land costs are now looking to Surrey as a place where lower finished prices can attract a large market segment.

Last year, over 400 high rise condominium units were started in the City of Surrey, more than at any time in the past 18 years. Currently, there are approximately 920 units under construction, 180 units pending and a further 2,064 units proposed. While the pending and proposed units are not a done deal, it does signal that there is a perceived market for, and builder interest in high-rise apartments in Surrey. The magnitude of future high rise construction is beyond our ability to estimate at this point, given the inconsistent history of development in the area. However, over the long term, high rise apartments will likely form a more significant portion of the housing stock.

The household projections in this report are based on population and other demographic factors. The report does not address the macro-economic environment which can fluctuate significantly over the long term.

Housing Starts

High rise

2007	406
2006	345
2005	0
2004	34
2003	0
2002	0
2001	0
2000	0
1999	0
1998	0
1997	0
1996	108
1995	0
1994	127
1993	228
1992	150
1991	0
1990	90
1989	122

Source: CMHC



Household Growth by Tenure

5-yr total	Owner-ship	Rental
2001-2006	18,242	5,958
2006-2011	18,471	5,254
2011-2016	17,805	4,700
2016-2021	18,253	4,747
2021-2026	16,701	4,144
2026-2031	15,193	3,422

Source: Statistics Canada, BCREA projection

Apartment Condominiums

	Starts 07	U/C	Pending	Proposed
High rise	406	919	180	2,064
Low rise	1,424	1,641	822	3,358
Total	1,830	2,560	1,002	5,422

Source: CMHC, City of Surrey

Data Tables

Population Surrey/White Rock

Age	2006	2031	Net
<1	5,052	6,267	1,215
1-4	20,666	25,594	4,928
5-9	27,382	33,087	5,705
10-14	29,577	34,287	4,710
15-19	29,700	35,514	5,814
20-24	31,361	35,487	4,126
25-29	30,568	35,394	4,826
30-34	30,497	38,915	8,418
35-39	32,995	42,668	9,673
40-44	35,419	44,928	9,509
45-49	34,102	47,674	13,572
50-54	30,490	46,855	16,365
55-59	26,462	44,491	18,029
60-64	19,440	43,171	23,731
65-69	14,540	41,691	27,151
70-74	11,992	36,380	24,388
75-79	10,074	28,781	18,707
80-84	7,601	20,456	12,855
85-89	4,251	10,930	6,679
90+	2,262	6,990	4,728
Total	436,437	661,591	225,129

Source: BC Stats

Population Comparison

	Vancouver City	Surrey/White
2001	578,993	382,350
2006	618,469	434,431
2011	655,926	484,225
2016	683,686	532,034
2021	707,656	579,802
2026	726,702	622,523
2031	741,930	659,560

Source: BC Stats

Ownership Rates

Surrey/White Rock

Age	1991	1996	2001	2006
<25	17	22	20	38
25-34	52	51	49	59
35-44	73	72	70	72
45-54	79	79	78	80
55-64	82	82	80	82
65-74	80	85	82	84
>74	73	79	79	82

Source: Statistics Canada

Housing Starts

	Detached	Semi & Row	Apartment Condo	Apartment Other	Total
1991	2,425	259	573	92	3,349
1992	1,875	821	1,029	70	3,795
1993	1,278	572	2,219	13	4,082
1994	1,567	707	1,383	0	3,657
1995	1,098	348	868	0	2,314
1996	1,723	536	1,044	1	3,304
1997	1,371	790	495	50	2,706
1998	1,245	618	237	20	2,120
1999	1,283	571	33	0	1,887
2000	1,071	511	120	0	1,702
2001	1,279	675	122	162	2,238
2002	1,900	885	212	49	3,046
2003	2,270	780	299	111	3,460
2004	2,194	1,470	545	203	4,412
2005	1,958	1,258	678	86	3,980
2006	2,269	1,328	861	223	4,681
2007	1,567	1,279	2,055	269	5,170

Source: CMHC

Residential Construction (medium density scenario)				Residential Construction (high density scenario)			
Annual	Detached	Attached	Apartment	Annual	Detached	Attached	Apartment
2001-2006	2,118	1,175	587	2001-2006	2,118	1,175	587
2006-2011	1,803	1,322	882	2006-2011	1,803	1,123	1,082
2011-2016	1,551	1,396	931	2011-2016	1,551	1,008	1,318
2016-2021	1,415	1,576	1,052	2016-2021	1,415	970	1,657
2021-2026	1,121	1,569	1,046	2021-2026	1,121	822	1,794
2026-2031	1,020	1,428	952	2026-2031	1,020	680	1,700

Source: Statistics Canada, CMHC, BC Stats, BCREA projection

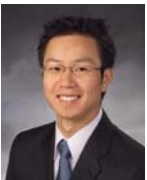
Household Growth						
Age	2011	2016	2021	2026	2031	
< 25	94	142	130	133	122	
25 - 34	2,274	1,124	742	368	-282	
35 - 44	1,457	2,455	3,547	1,603	566	
45 - 54	5,948	2,954	1,578	2,976	3,810	
55 - 64	7,368	6,311	5,579	2,764	1,261	
65 - 74	4,043	6,631	6,703	5,748	4,953	
75 +	2,541	2,892	4,727	7,257	8,186	
Total	23,725	22,509	23,005	20,848	18,616	

Source: Statistics Canada, BC Stats, BCREA projection

BCREA Economics provides timely research, analysis and information on economic factors affecting British Columbia and its housing markets.



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