

# British Columbia

## Defining the housing market by the numbers



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Housing in British Columbia continues to be a key driver of the economy and it is projected that home building will represent a GDP of over \$20 billion in 2016.

According to the latest Monthly Housing Market Update from RBC Economics, it is likely that there will be another record-high year of home resales in Canada in 2016, with approximately 551,000 units expected. With British Columbia leading this increase, RBC Economics predicts an overall 9.0% increase in sales from 2015.

There is some change in the wind, however, after the May 2016 home resale activity eased for the first time in five months, according to the RBC report. The bulk of the decline was attributed to the British Columbia markets where home sales decreased 4.8% in the Vancouver area and 7.7% in the Fraser Valley respectively. This has been attributed to the idea by RBC Economics that fewer owners are putting their homes up for sale with the disincentive to move and join in on the bidding wars elsewhere. The Canadian Mortgage and Housing Corporation (CMHC) Second Quarter Housing Market Outlook for 2016 predicts that sales will be higher than levels in 2015, but will eventually slow and continue to decline in 2017 on an annual basis.

On the supply side, CMHC predicts single-detached home starts in British Columbia will range from 11,000 to 11,400 units in 2016, and between 10,200 and 10,800 in 2017. Rising prices are encouraging buyers to consider the new home market, and the number of starts is also supported by replacement housing for the aging housing stock and laneway housing. In the multi-family market, CMHC forecasts home starts that range from 24,200 to 25,400 units in 2016 across the province, and a wider range is possible in 2017.

However, the supply increases are met with strong demand in addition to population growth and net migration from other provinces. With this in mind, the overall price gains in British Columbia are unlikely to change anytime soon. CMHC indicated that the MLS average price province-wide will rise between \$718,000 and \$756,000 this year, contributing

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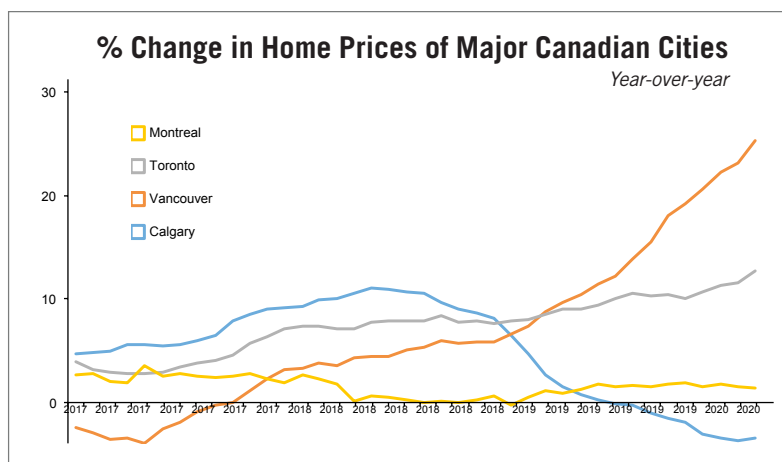
to the increase in the Canada-wide average price of \$474,200 to \$495,800 overall in 2016.

There are other benefits of a strong economy to consider as well. The Conference Board of Canada's Provincial Outlook: Spring 2016 indicated that British Columbia will continue to lead the country in growth, with 3 per cent increases in the real GDP expected in both 2016 and 2017. It is also forecasted in the same report that a strong economy is good for employment, with close to 50,000 jobs created province-wide that will keep unemployment below the Canada-wide average.

Overall in the homebuilding industry the indicators are positive, as the only way to meet the growing demand is more supply of all types, including more family-friendly housing alternatives. The BC Real Estate Association stated in its Housing Forecast for June 2016 that housing starts are at the highest level of production since 2007, but with the time delay between start and completion there won't be immediate changes to the sellers' market anytime soon.

The Canadian Home Builders' Association of British Columbia, in cooperation with Landcor Data Corporation, has embarked on a project that identifies and highlights the government imposed fees, charges, and taxes at all levels on housing in the various municipalities throughout the province. These fees—such as development cost charges, zoning fees,

school site charges and several taxes—add tens of thousands of dollars to the cost of a new home that are all ultimately passed on to the homeowner, and impacts affordability on new housing in many regions. As it stands, these costs are only projected to rise. We look forward to sharing this report with our local associations throughout the province, providing them with an important tool when meeting with government officials at all levels. 🏠



SOURCE: CREAA HOME PRICE INDEX