



British Columbia

Signs of Improvement

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After a slightly better residential real estate market in 2013 compared to 2012, this year is also showing signs of improvement, with the overall outlook for the province's residential real estate market projected to be a healthier one.

Canada Mortgage and Housing Corporation (CMHC) First Quarter Housing Market Outlook for B.C., is forecasting housing starts at 27,800 in 2014, with about the same number expected for 2015. That's slightly better than the 27,465 new housing starts in 2012. In financial terms, in 2012 our industry provided \$15.8 billion to the local economy and \$6.7 billion in wages, making our industry the largest single wealth provider for many British Columbia families.

CMHC also expects a shift towards more single-detached homes in 2014. According to Carol Frketich, CMHC's regional economist for B.C., while the level of housing starts is projected to remain unchanged on an annual basis this year and next, expect a slight adjustment toward single-detached housing starts as the economy and labour market gain traction. However, multiple housing starts will remain relatively unchanged this year.

Needless to say, the city's housing market still remains, by far, the most costly in Canada, rising higher among all major markets in the country. Vancouver's residential real estate rose by 2.0 percentage

points to 84.2 per cent for bungalows, 1.4 percentage points to 87.4 per cent for two-storey homes and 1.1 percentage points to 41.9 per cent for condo apartments. However, it didn't stop consumers from investing \$39 billion in B.C.'s residential real estate in 2013, up 12.6 per cent compared to 2012. (Statistics from www.bcrea.bc.ca/).

Housing Affordability

According to the latest Housing Trends and Affordability Report issued by RBC Economics Research, there is reason for optimism. After reaching a four-year low earlier this year, home resales in Vancouver surged in the last two quarters by nearly 42 per cent, alleviating fears of a market crash.

British Columbia's housing activity gained momentum for the second consecutive quarter in the third quarter of 2013, despite housing affordability. On the upside, provincial resales bounced back by 13.6 per cent and 15.1 per cent in the second and third quarters, respectively, to reestablish market activity to levels that were seen preceding the most recent downturn, which began in late 2011.

With the good news that British Columbia's

economy is forecasted to grow at a slightly faster pace in 2014, compared to 2013, and the real GDP expected to increase 2.3 per cent in 2014, compared to 1.7 per cent in 2013, the year looks rosy indeed.

Given an overall healthy economic picture—a result of a combination of factors, such as low interest rates, growth in employment (employment is expected to grow 1.5 per cent in 2014 and 2.4 per cent in 2015) and incomes, improvements in labour markets and ongoing population growth and consumer demand for goods and services, including housing—it's

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expected that it will spark greater need for housing.

Housing affordability continues to be an issue, however the home building industry received some good news in the recently announced B.C. Budget 2014: the threshold for the \$7,500 exemption for first-time home buyers has increased from \$425,000 to \$475,000.

In addition, the BC Government will invest \$150 million over the next five years, in a cost-sharing partnership with the Federal Government, to help create more affordable housing options.

A combination of spending restraint and modest economic growth contributes to fiscal balance and allows government to make targeted investments. British Columbia, together with Saskatchewan, are the only two Canadian provinces to balance budgets this year.

