

February 2019

### HOUSING MARKET ADJUSTS TO MORTGAGE STRESS TEST

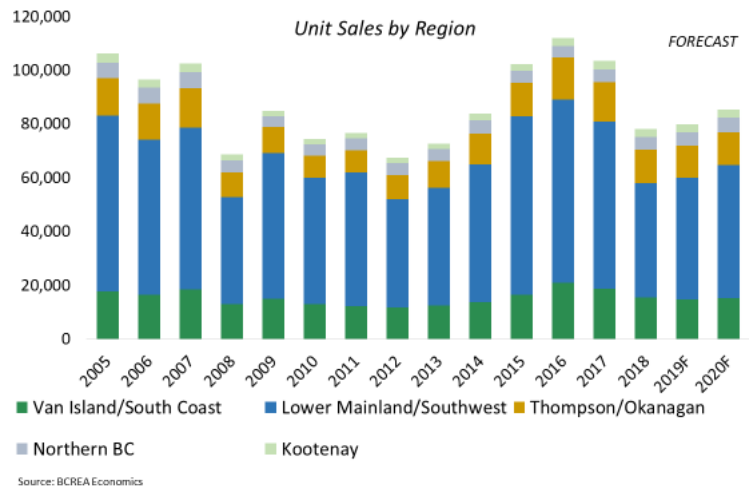
Multiple Listing Service (MLS®) residential sales in the province are forecast to increase 2.1 per cent to 80,000 units this year, after recording 78,345 residential sales in 2018. MLS® residential sales are forecast to increase a further 6.9 per cent to 85,500 units in 2020. The 10-year average for MLS® residential sales in the province is 85,800 units. The negative shock to affordability and purchasing power created by the B20 stress test on mortgage borrowers is expected to continue constraining housing demand in the province this year.

The BC economy continues to be highly supportive of housing demand. After five consecutive years of above-trend economic growth, the province now boasts the lowest unemployment rate in the country. However, with many sectors near full employment, job growth is expected to slow over the next two years, being more closely tied to gradual expansion of the labour force. In addition, the policy-induced slowdown in housing demand will negatively impact home renovations as they are highly correlated with home sales. As a result, Real GDP growth is expected to slow to 2.6 per cent this year.

The lower level of housing demand has contributed to an increase in total active residential listings across the province. Most BC regions have now experienced a shift in market conditions from sellers' to balanced and buyers' categories. In addition, the record number of new homes currently under construction is expected to provide significant expansion of the housing stock, alleviating any supply shortages in the near term.

Markets conditions are expected to provide little upward pressure on home prices this year, with the average annual residential price forecast to remain essentially unchanged, albeit up 0.5 per cent to 716,100. Modest improvement in consumer demand is expected to unfold over the next two years as households further adjust to the mortgage stress test.

**MLS® Residential Sales**  
British Columbia



MLS®	2018F	2019F	2020F	Housing Starts <sup>1</sup>	2018F	2019F	2020F
Sales	78,347	80,000	85,500	Total	40,857	34,900	30,000
	-24.5%	2.1%	6.9%		-6.4%	-14.6%	-14%
Avg Price	712,504	716,100	736,700	Single	11,163	10,400	8,000
	0.4%	0.5%	2.9%		-9.6%	-6.8%	-23.1%
\$ Volume	55.8 Bil	57.3 Bil	63 Bil	Multiple	29,694	24,500	22,000
	-24.1%	2.6%	9.9%		-5.2%	-17.5%	-10.2%

1. Source: BCREA Forecast; CMHC

BC Economic Outlook	2018 <sup>1</sup>	2019F	2020F
Real GDP Growth (%)	2.8	2.6	3.0
Employment (millions)	2.494	2.536	2.584
Employment Growth (%)	1.1	1.7	1.9
Unemployment (000s)	123.3	118.6	112.2
Unemployment Rate (%)	4.7	4.5	4.3
Personal Disposable Income (\$billions)	192.0	200.0	208.8
Personal Disposable Income Growth (%)	4.4	4.2	4.4
Average Weekly Wage	974.8	999.2	1,019.2
Weekly Wage Growth (%)	4.1	2.5	2.0
Retail Sales (\$billions)	86.2	89.7	94.2
Retails Sales Growth (%)	2.3	4.0	5.0
Range of Posted 5-year Fixed Mortgage Rate	5.14-5.34	5.34-5.34	5.45-5.55

1. Values have been estimated where data has not yet been released.  
Source: BCREA Economics, Statistics Canada

## Housing Forecast Summary — First Quarter

Board Area	Unit Sales			Average MLS® Price (\$)		
	2018	2019F	2020F	2018	2019F	2020F
Victoria	6,770 -20%	6,500 -4%	6,700 3.1%	\$700,630 7.3%	\$703,000 0.3%	\$711,000 1.1%
Vancouver Island	8,391 -16.4%	8,000 -4.7%	8,200 2.5%	\$465,124 7.9%	\$480,000 3.2%	\$491,000 2.3%
Powell River Sunshine Coast	351 -13.5%	340 -3.1%	350 2.9%	\$359,046 13.3%	\$365,000 1.7%	\$370,000 1.4%
Greater Vancouver	25,051 -31.6%	26,500 5.8%	30,000 13.2%	\$1,048,435 1.6%	\$1,020,000 -2.7%	\$1,030,000 1%
Fraser Valley	14,837 -30.8%	15,800 6.5%	16,700 5.7%	\$747,725 6.5%	\$750,000 0.3%	\$760,000 1.3%
Chilliwack and District	2,829 -0.3%	2,900 2.5%	3,000 3.4%	\$516,843 11.2%	\$520,900 0.8%	\$535,000 2.7%
Kamloops and District	2,984 -10.8%	3,000 0.5%	3,050 1.7%	\$390,668 7%	\$405,000 3.7%	\$409,000 1%
Okanagan Mainline	7,400 -0.2%	7,125 -3.7%	7,300 2.5%	\$526,200 5.7%	\$530,000 0.7%	\$545,000 2.8%
South Okanagan*	1,886 -0.2%	1,800 -4.6%	1,850 2.8%	\$418,246 4.5%	\$425,000 1.6%	\$432,000 1.6%
Northern Lights	377 -13.0%	360 -4.5%	400 11.1%	\$252,139 1.5%	\$258,000 2.3%	\$263,500 2.1%
Kootenay	3,065 -6.4%	2,975 -2.9%	3,000 0.8%	\$321,123 4.6%	\$330,000 2.8%	\$344,000 4.2%
BC Northern	4,404 2.6%	4,700 6.7%	4,950 5.3%	\$295,428 7.8%	\$326,000 10.3%	\$345,000 5.8%
BC Total	78,345 -24.5%	80,000 2.1%	85,500 6.9%	\$712,508 0.4%	\$716,100 0.5%	\$736,700 2.9%

NOTE: The Northern Lights Real Estate Board (NLREB) became part of the South Okanagan Real Estate Board (SOREB) on January 1, 2011.

\*Excluding Northern Lights

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

The British Columbia Real Estate Association (BCREA) is the professional association for about 23,000 REALTORS® in BC, focusing on provincial issues that impact real estate. Working with the province's 11 real estate boards, BCREA provides continuing professional education, advocacy, economic research and standard forms to help REALTORS® provide value for their clients.

To demonstrate the profession's commitment to improving Quality of Life in BC communities, BCREA supports policies that help ensure economic vitality, provide housing opportunities, preserve the environment, protect property owners and build better communities with good schools and safe neighbourhoods.

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