



The Impact of the BC HOME Partnership Program on Metro Vancouver Home Prices

Summary Findings:

- Our analysis indicates that the BC HOME Partnership program (HPP) contributed to an annualized increase of 0.55 per cent to the market price of an apartment and an increase of 0.57 per cent to the market price of a townhouse in Metro Vancouver over the first three-quarters of 2017.
- The HPP either paid or approved a total 1,395 transactions as of September 2017. This represented 1.7 per cent of total BC home sales and 0.9 per cent of the dollar volume.
- Approximately one-third of the HPP paid or approved transactions occurred in Metro Vancouver, comprising 1.2 per cent of total home sales.
- Nearly all the HPP paid or approved transactions (96%) in Metro Vancouver were for apartments or townhouses.

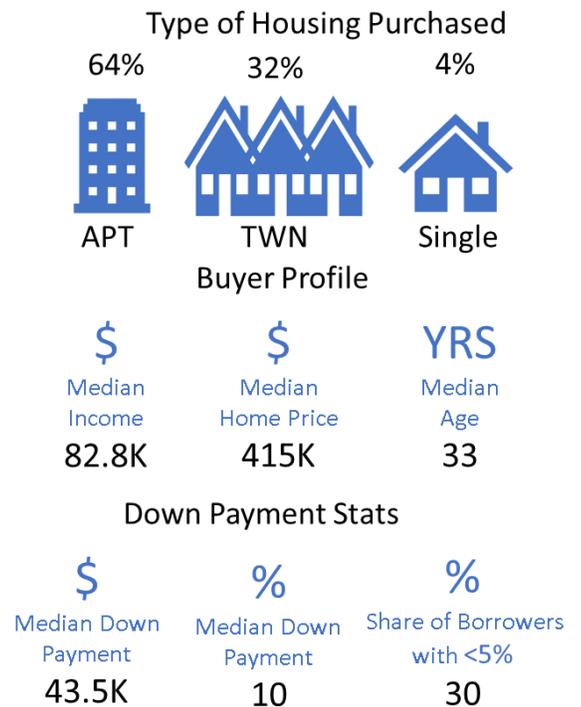
Analysis:

In December 2016, the BC government announced the creation of the BC HOME Partnership program (HPP) to provide down-payment assistance for prospective BC homebuyers. The assistance was in the form of a second loan that is interest and payment-free for the first 5 years, with interest accruing and principal/interest payments beginning in the 6th year. Using program data provided by BC Housing, we analyzed the impact of HPP on home prices over its first nine months.

As of September 2017, the HPP either paid or approved 1,395 transactions representing 1.7 per cent of total BC home sales and 0.9 per cent of dollar volume. Those purchases were widely dispersed around the province with BC's four largest cities accounting for close to half of purchases facilitated through the program.

Approximately one-third of total HPP transactions by count and 40 per cent by dollar volume were in the Metro Vancouver area, accounting for 1.2 per cent of total home sales. The next highest participating region was Victoria, which accounted for just 6 per cent of the total HPP transactions.

Metro-Vancouver HPP Data



Source: BC Housing



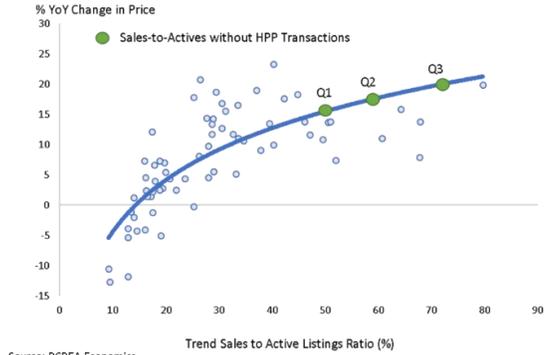
In Metro Vancouver, the typical successful HPP applicant was as expected. Most were relatively young first-time homebuyers, purchasing homes within their financial means. The median buyer in the first nine months of the program was 33 years of age with an income of about \$82,800. The median home price of HPP funded purchases was \$415,000, with a down payment of 10 per cent, half of which was provided through the HPP. Approximately 30% of those buyers in Metro Vancouver had less than the 5 per cent down payment required before accessing the HPP funds. Of the total number of HPP funded purchases in Metro Vancouver, about 96 per cent were in the apartment or townhouse segment of the market, which is the focus of our impact analysis.

Our analysis indicates that the HPP was helpful to many homebuyers, but not popular enough to cause a significant impact on market conditions, given the program timing coincided with already constrained supply conditions. As an analytical framework, we incorporated a measure of market conditions known as the sales-to-active listing ratio (SALR). This ratio captures the relative balance between supply and demand in a housing market. Using this simple but powerful framework, the relationship between home sales and the supply of homes on the market is directly linked to changes in the market price of homes.¹

A very high SALR typically means that supply is falling short of demand and that home buyers are bidding up home prices. A very low SALR typically brings declining home prices as excess supply causes home sellers to bid down their asking price to attract a relatively scarce number of home buyers. To account for the impact of the HPP, we control for what the sales-to-active listings ratio would likely have been without the HPP. In effect, home sales (demand) would be lower while the number of homes for sale (supply) would be higher, resulting in a lower SALR and, therefore, slower growth in prices.

Home Prices vs Sales-to-Active Listings Ratio

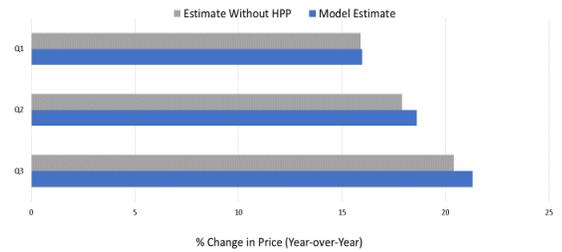
(Metro-Vancouver Apartments)



Source: BCREA Economics

Impact of HOME Partnership Plan

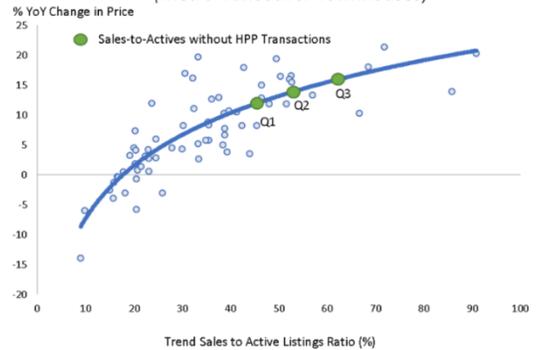
Metro-Vancouver Apartments



Source: BCREA Economics

Home Prices vs Sales-to-Active Listings Ratio

(Metro-Vancouver Townhouses)



Source: BCREA Economics

¹ Previous research by BCREA Economics on what constitutes a buyer's, balanced and seller's market can be found here: <http://www.bcrea.bc.ca/docs/economics-publications-archive/2014-05-bulletin-article.pdf?sfvrsn=2>



For example, from January to September 2017, the six-month trend in the Metro Vancouver apartment SALR was 65.4 per cent. At this level, the SALR model would predict annual apartment price growth of approximately 18.6 per cent. Adjusting for the impact of the HPP by pulling out those transactions and adding back the supply, the SALR would fall to 62.3 per cent, a level that correlates with an annual home price growth of approximately 18.06 per cent. This suggests that the annualized impact of the HPP on Metro Vancouver apartment prices was about 0.55 per cent over the period.

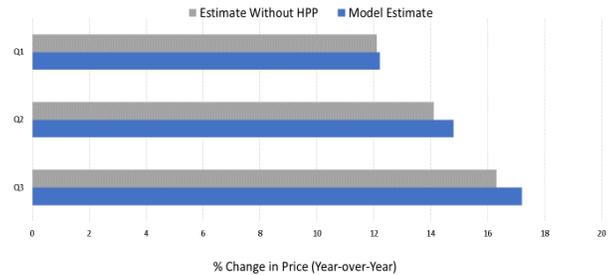
Similarly, in the townhouse segment, we estimate that without transactions through the HPP, growth in home prices would have been reduced by 0.57 per cent on an annual basis. This analysis incorporates the most liberal assumption that all successful HPP applicants would not have purchased a home without the added assistance of the program. Even under this discipline, we find the program was not a significant driver of price appreciation in the Metro Vancouver housing market.

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Impact of HOME Partnership Plan Metro-Vancouver Townhouses



Source: BCREA Economics

Metro-Vancouver	Townhouse	Apartment
(a) SALR*	57.3	65.4
(b) SALR less HPP	54.6	62.3
Difference (a) minus (b)	2.70	3.10
(c) Annualized % Change in Price based on SALR Model	14.75%	18.61%
(d) Annualized % Change in Price based on SALR Model less HPP	14.18%	18.06%
Difference (c) minus (d)	0.57%	0.55%
*Based on SALR model average Jan.-Sept. 2017 Source: BC Housing, BCREA Economics calculations		