

## Home Sales Per Capita Suggest Latent Demand

By Cameron Muir, BCREA Chief Economist

Home sales in BC were up 6.6 per cent in March compared to February, on a seasonally adjusted basis. However, this statistic belies the fact that the housing market is in the midst of a cyclical low. On a per capita basis, consumer demand currently mirrors the low level experienced in the late 1990s. Only during the height of the financial crisis were home sales lower.

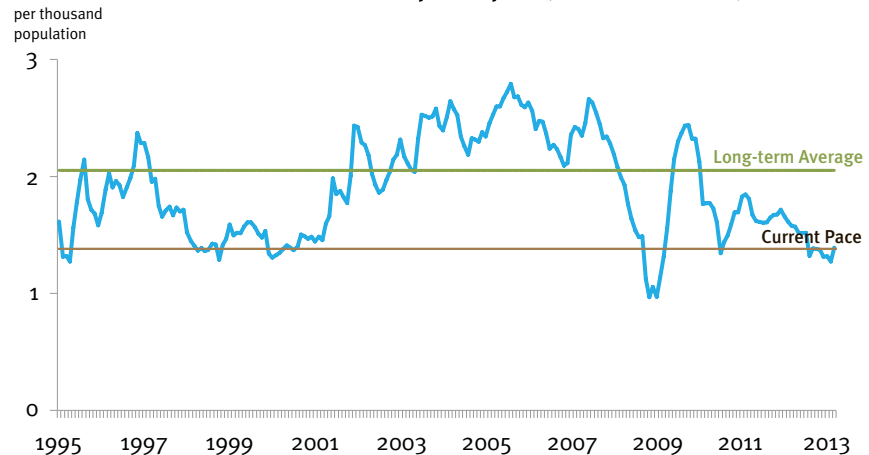
A little over a year ago consumer demand began to trend lower. This trend became a full scale downshift last summer as tighter credit regulations on high-ratio mortgages eroded affordability and reduced the purchasing power of many first-time and early move-up buyers. Reducing the maximum amortization from 30 years down to 25 years had a much larger impact than any of the previous changes. This downward shift in consumer demand has

bled into 2013. However, the current pace of sales is likely to be short-lived as market fundamentals suggest that some pent-up demand is latent.

2013 can be characterized as a transition year. The global economy is expected to

post much stronger growth in 2014/2015, with more robust domestic demand emanating from both China and the US. The resulting spin-offs of employment and wage gains will underpin housing demand.

### MLS® Residential Sales per Capita (British Columbia)



Source: CREA, BCREA \* Seasonally adjusted