



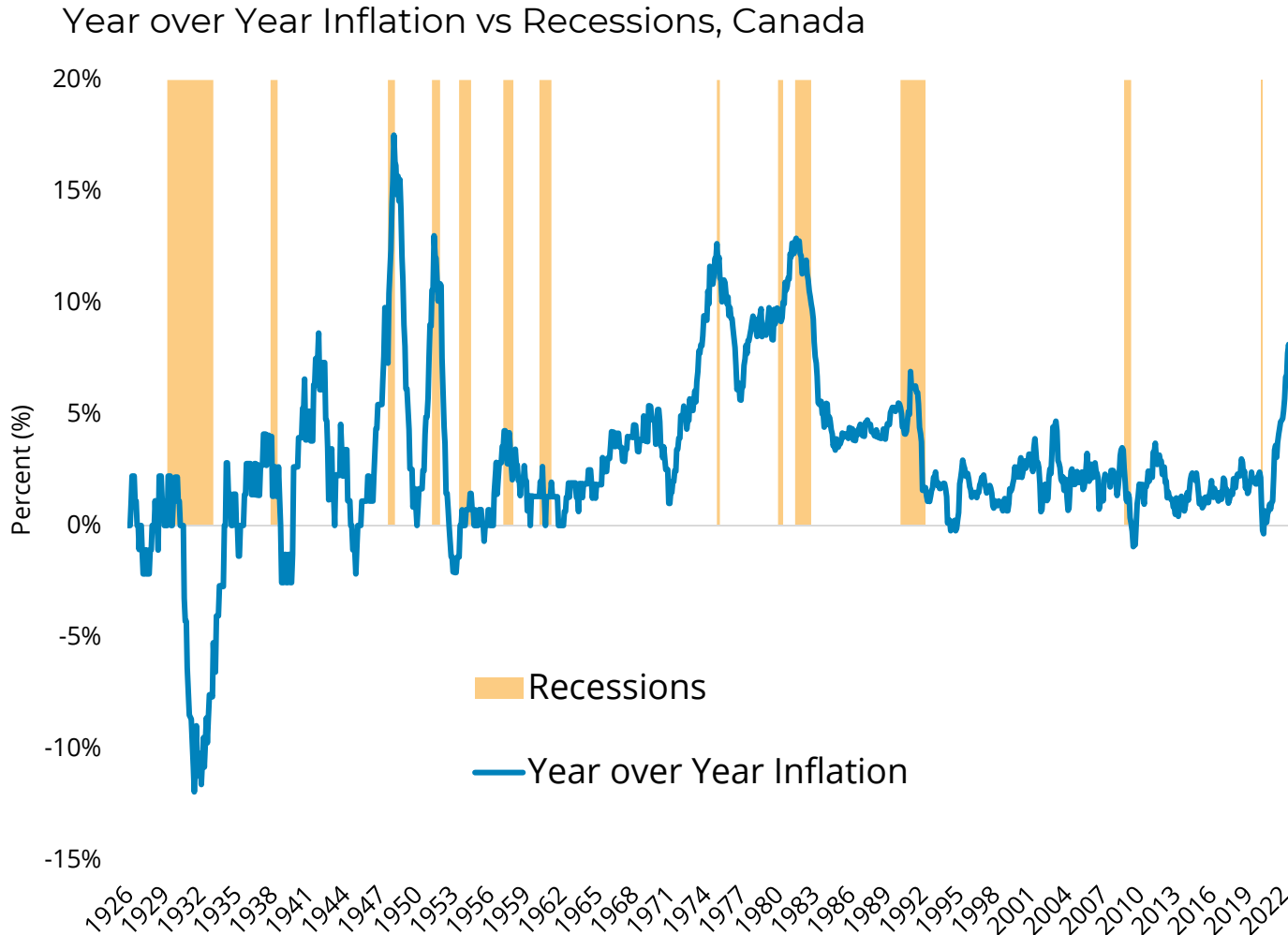
Questions for 2024

February 2024

1. No Recession in 2024?



Bringing Down Inflation without a Recession?



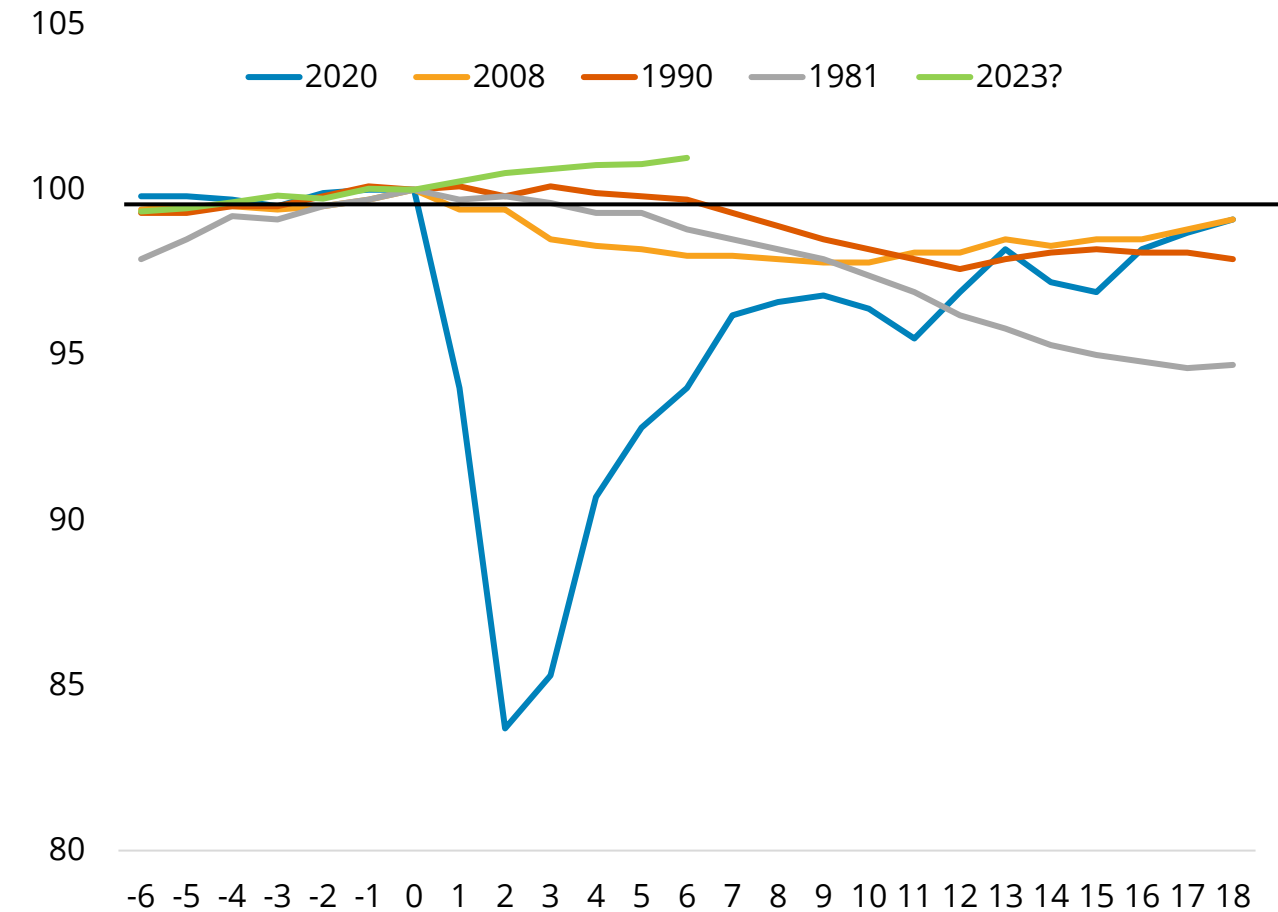
2022: 8.1% Inflation, 4.9% Unemployment

Now: 3.4% Inflation, 5.8% Unemployment

Canadian Growth and Employment

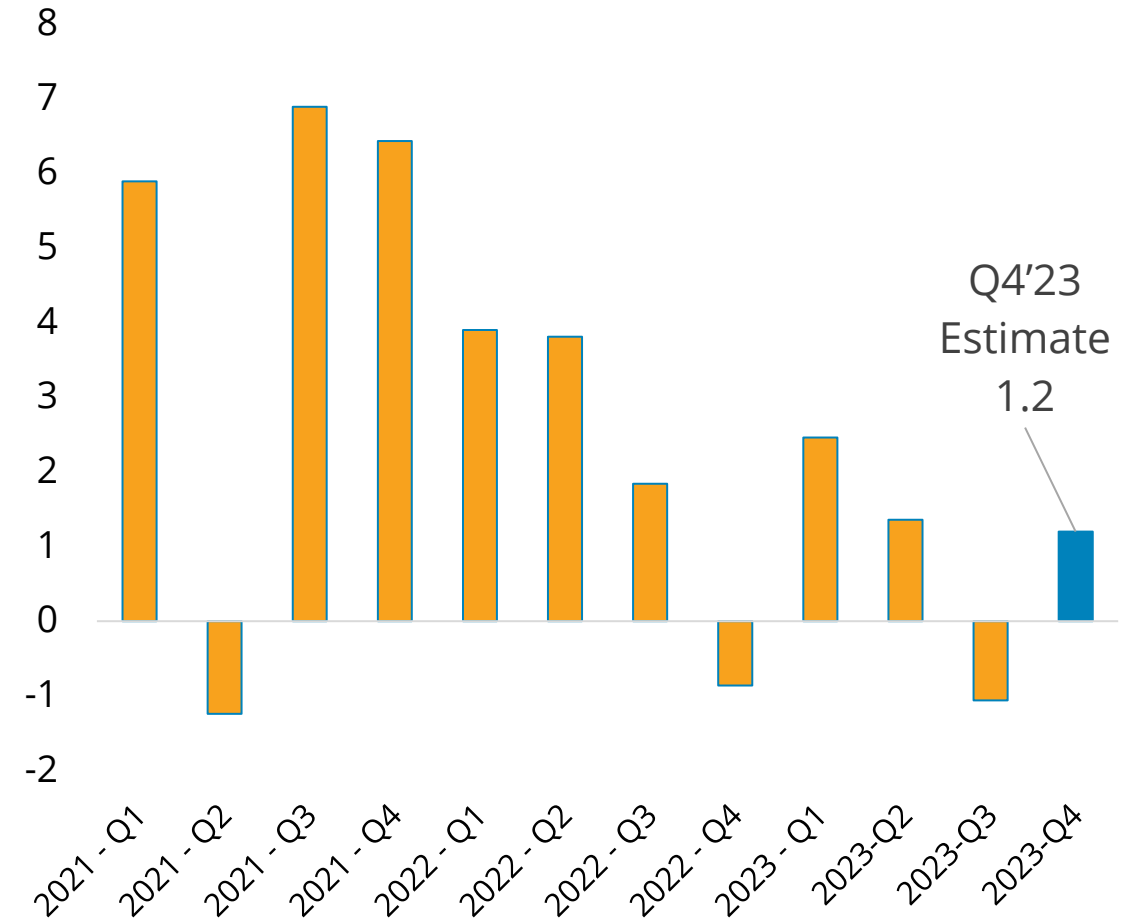
Employment in Past Recessions

Index: 100= Peak Employment



Fourth Quarter Growth Tracking Close to Zero

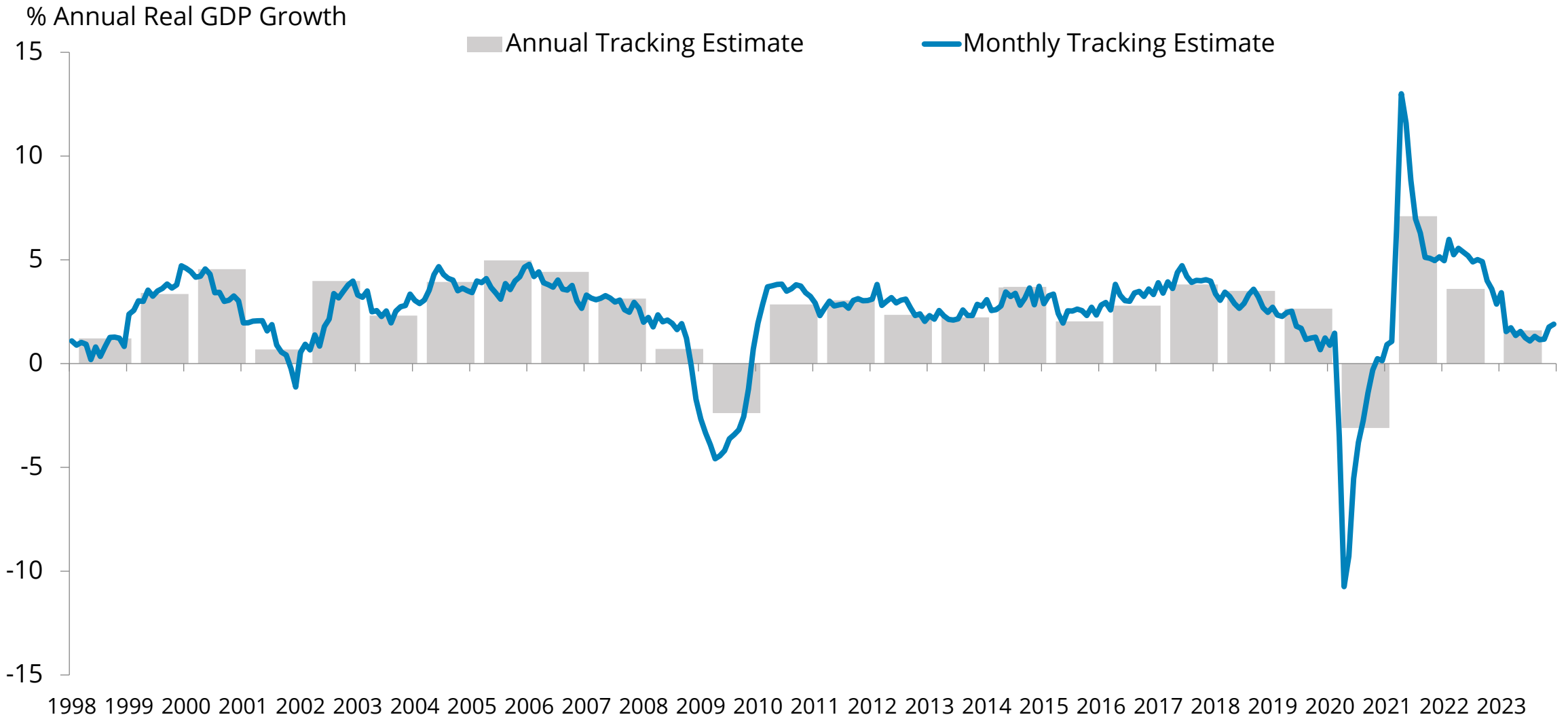
% Annualized Q/Q



BCREA NOWCAST

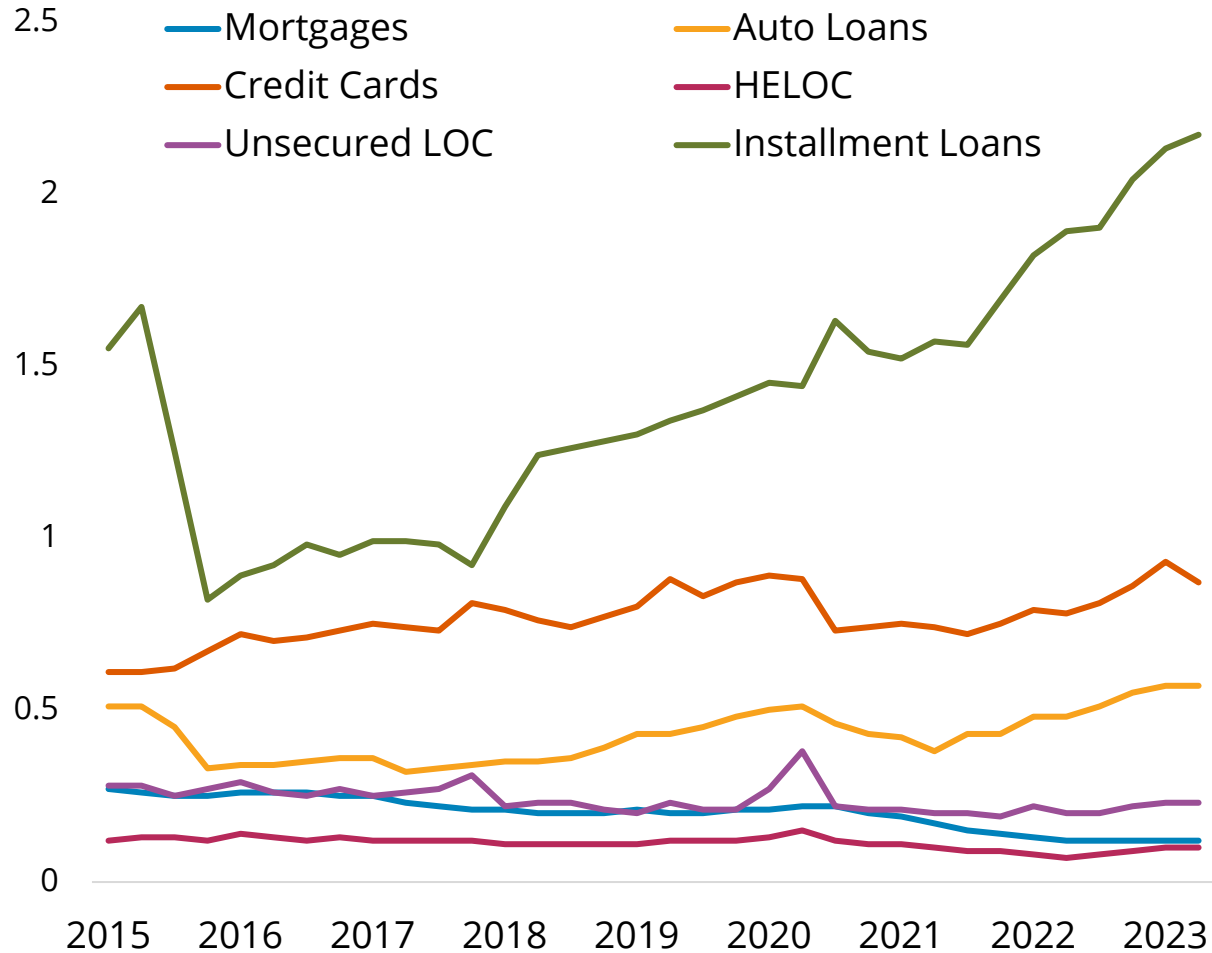


Estimate of Year-Over-Year Real GDP Growth



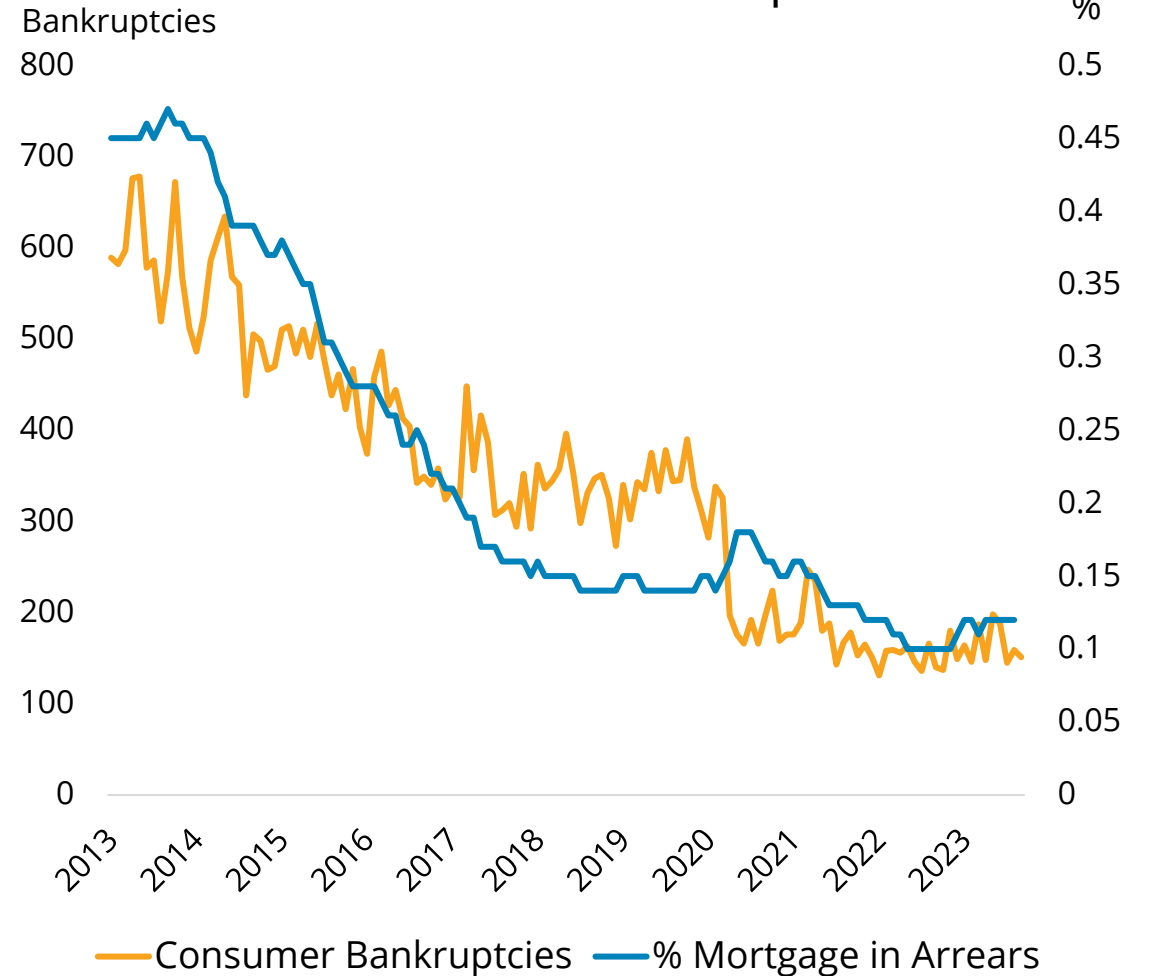
No Signs of Financial Distress

% in Arrears (at least 60 Days)



Source: Bank of Canada

BC Arrears and Bankruptcies



Consumer Bankruptcies % Mortgage in Arrears

#BoneyardMatch

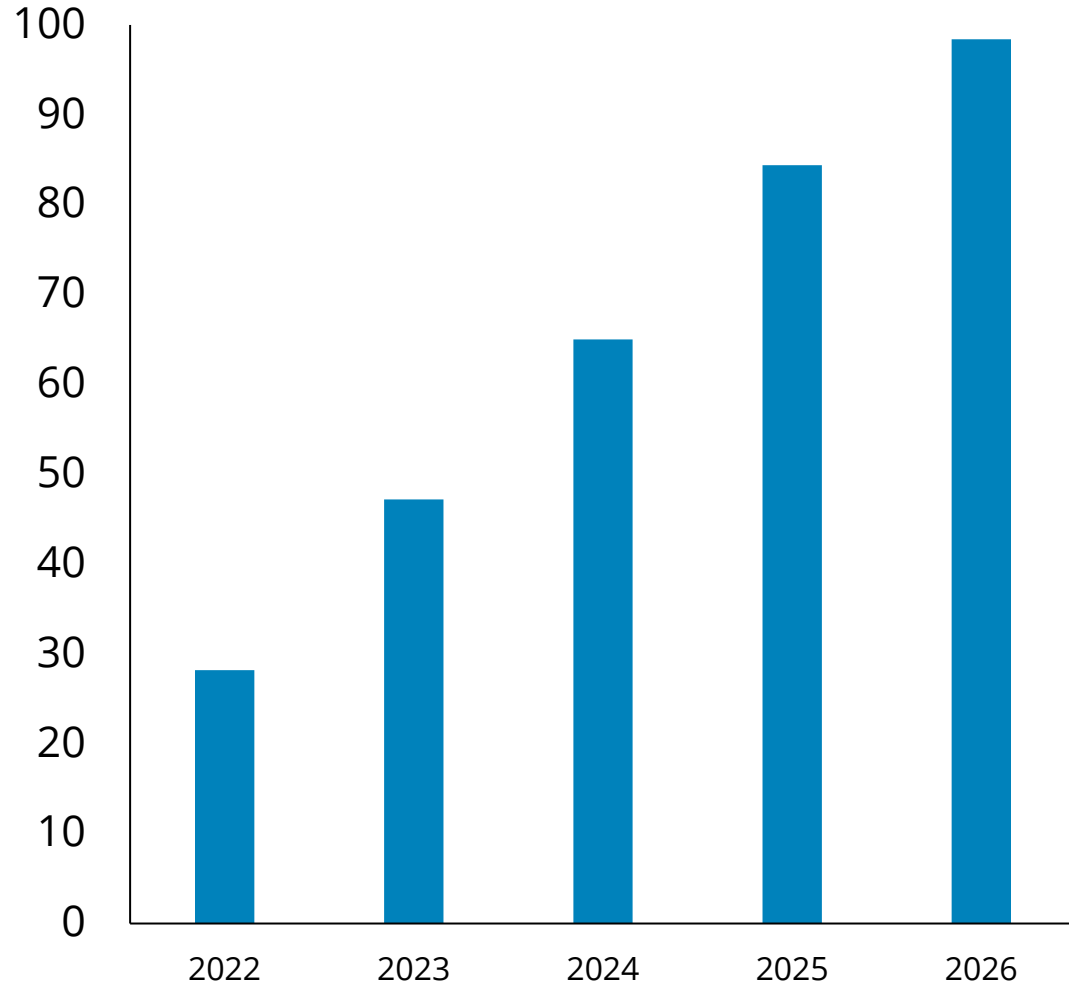
Mortgage Renewals

**Canadian
Economy**

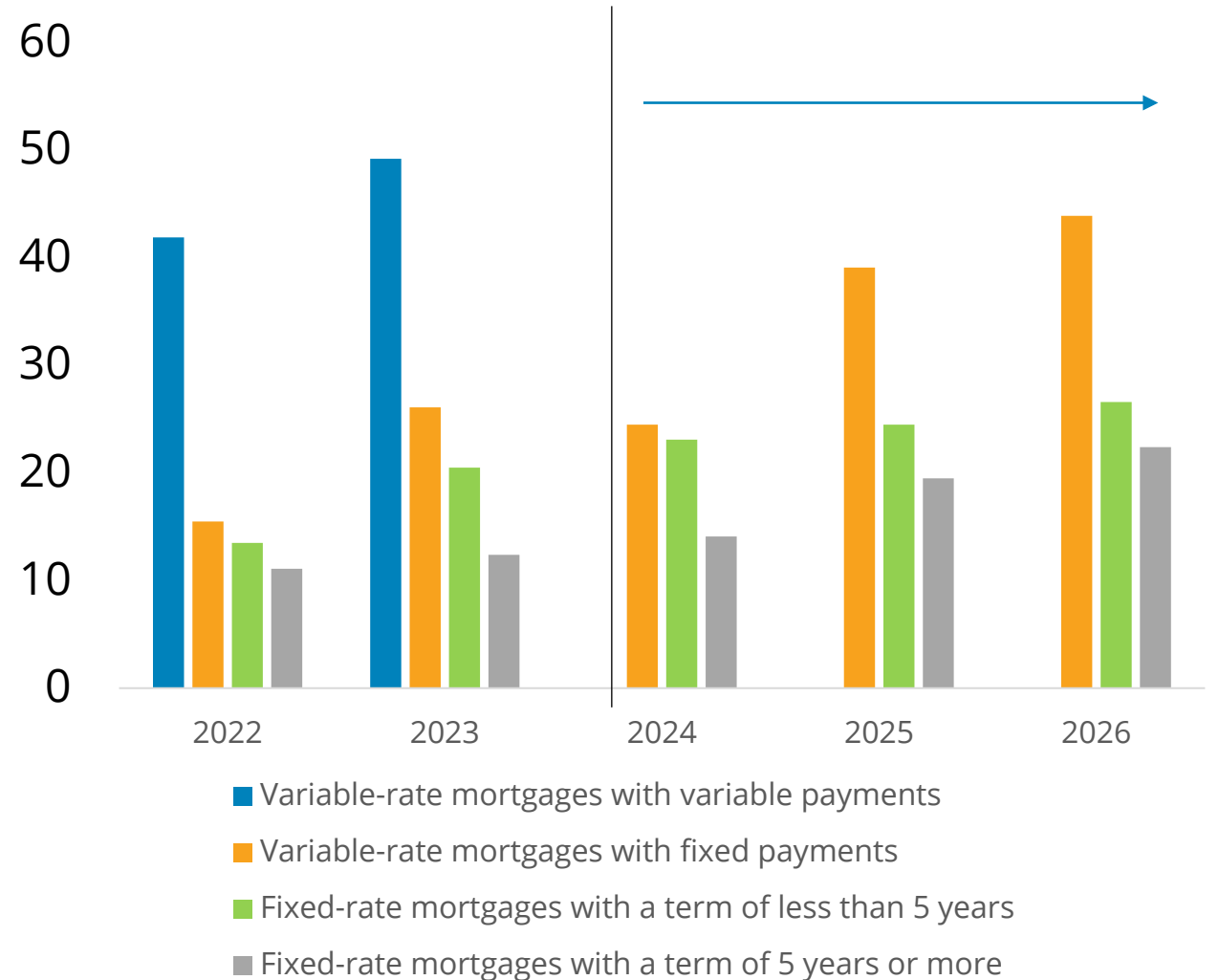


Mortgage Resets Coming

% Cumulative Share of Mortgages Up for Renewal

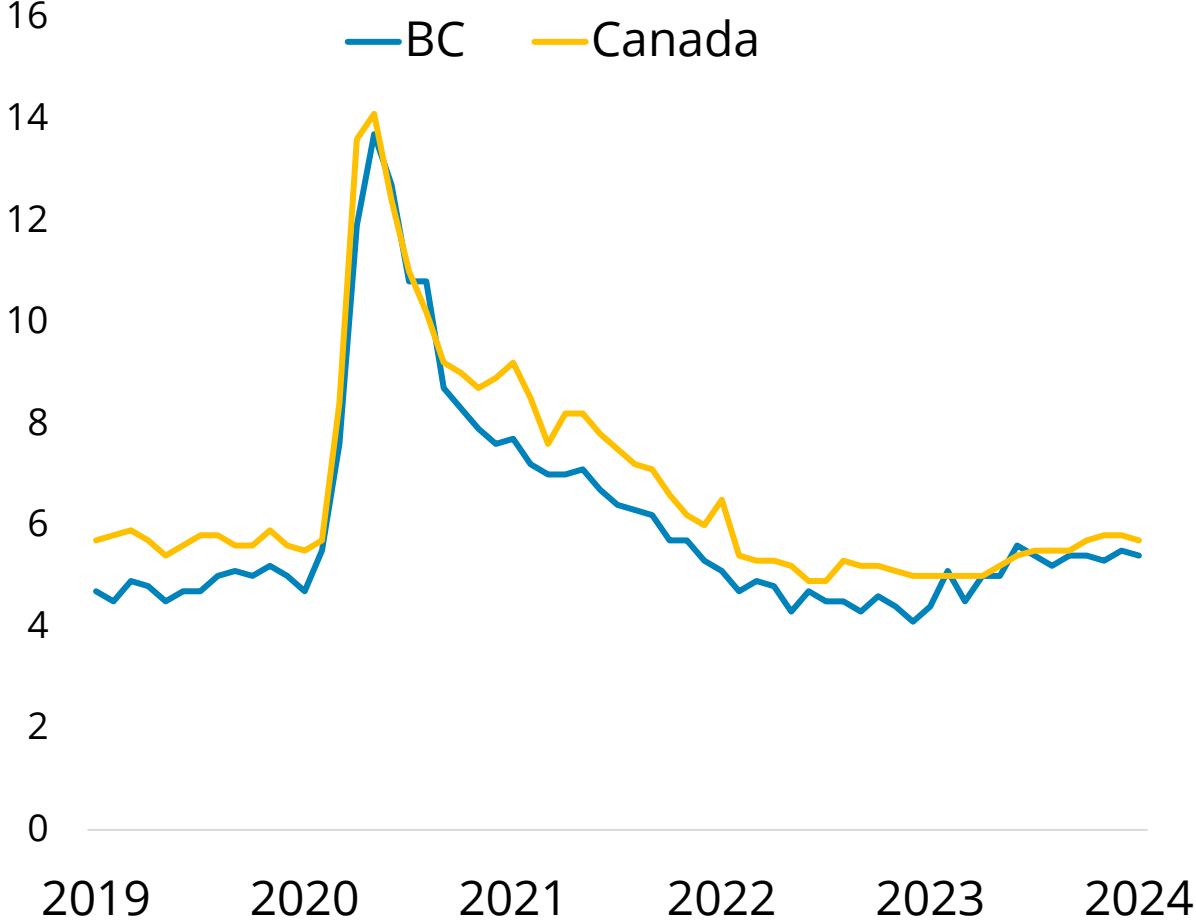


Average % Increase in Payment

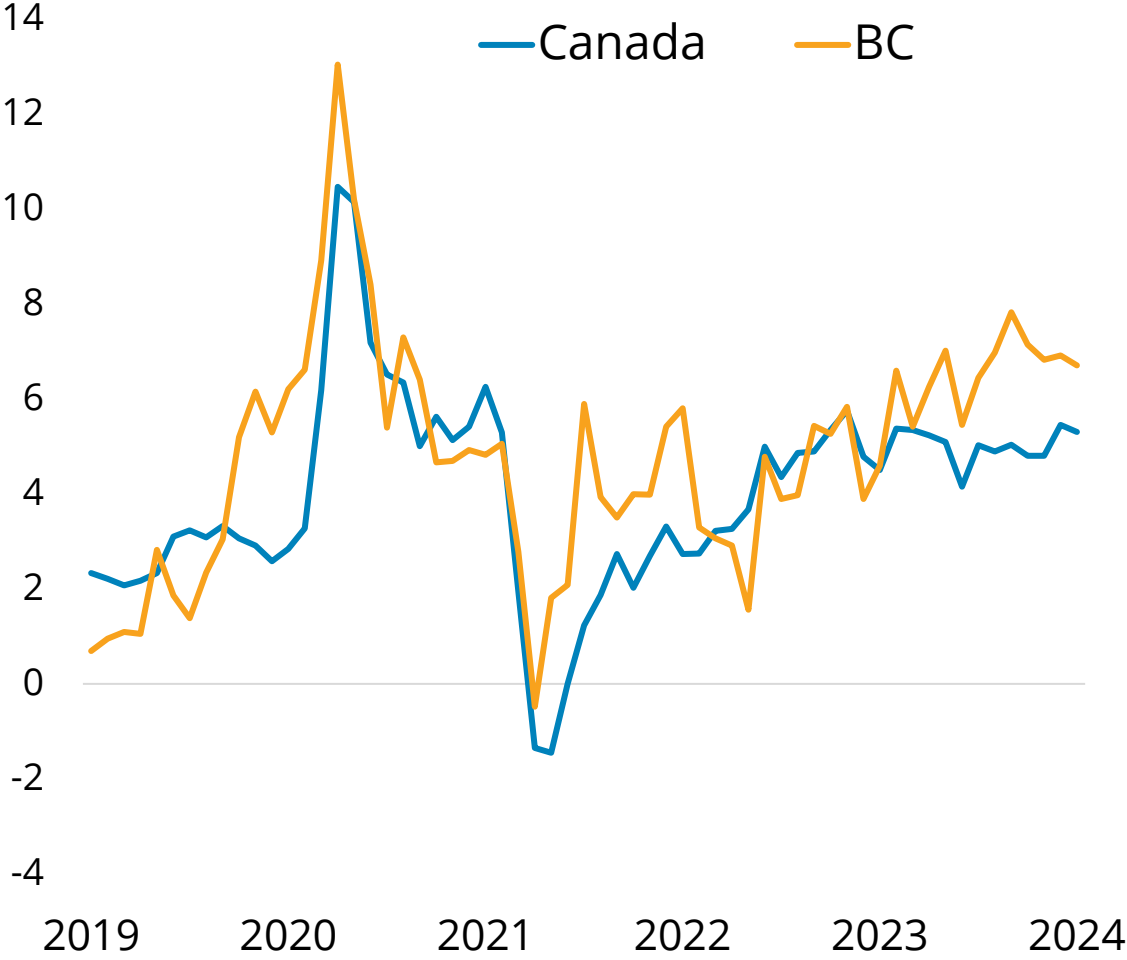


Labour Markets Still Tight, Wages Growing Rapidly

% Unemployment Rate

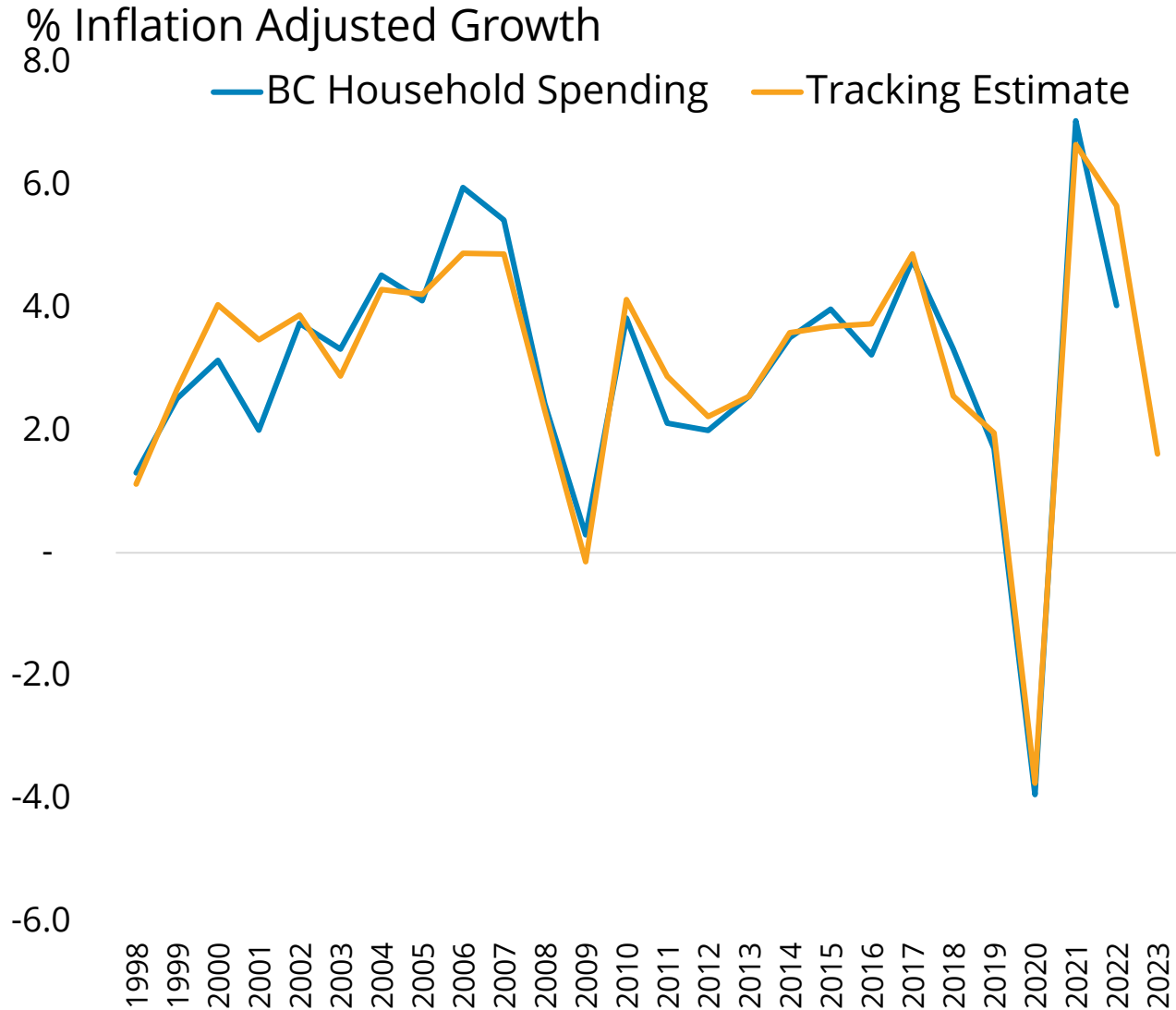


% Wage Growth



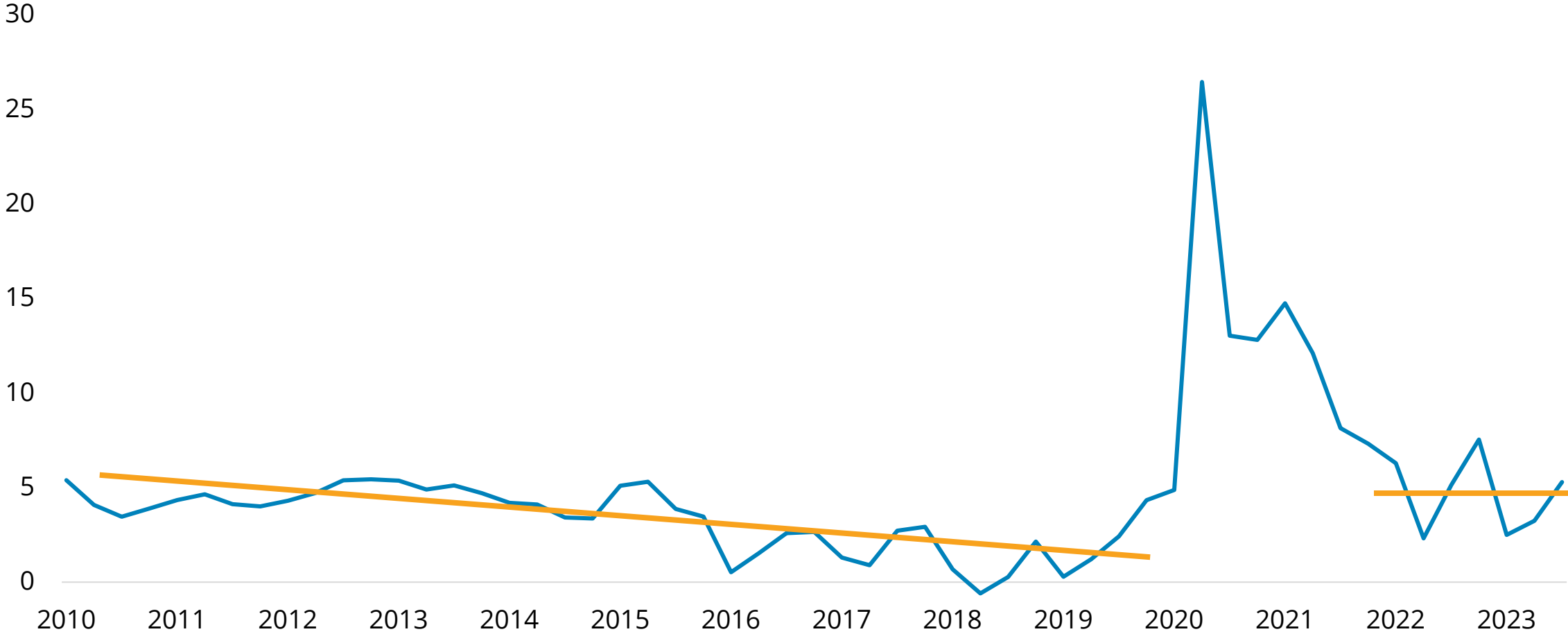
Source: Statistics Canada

Consumer Spending Slowing



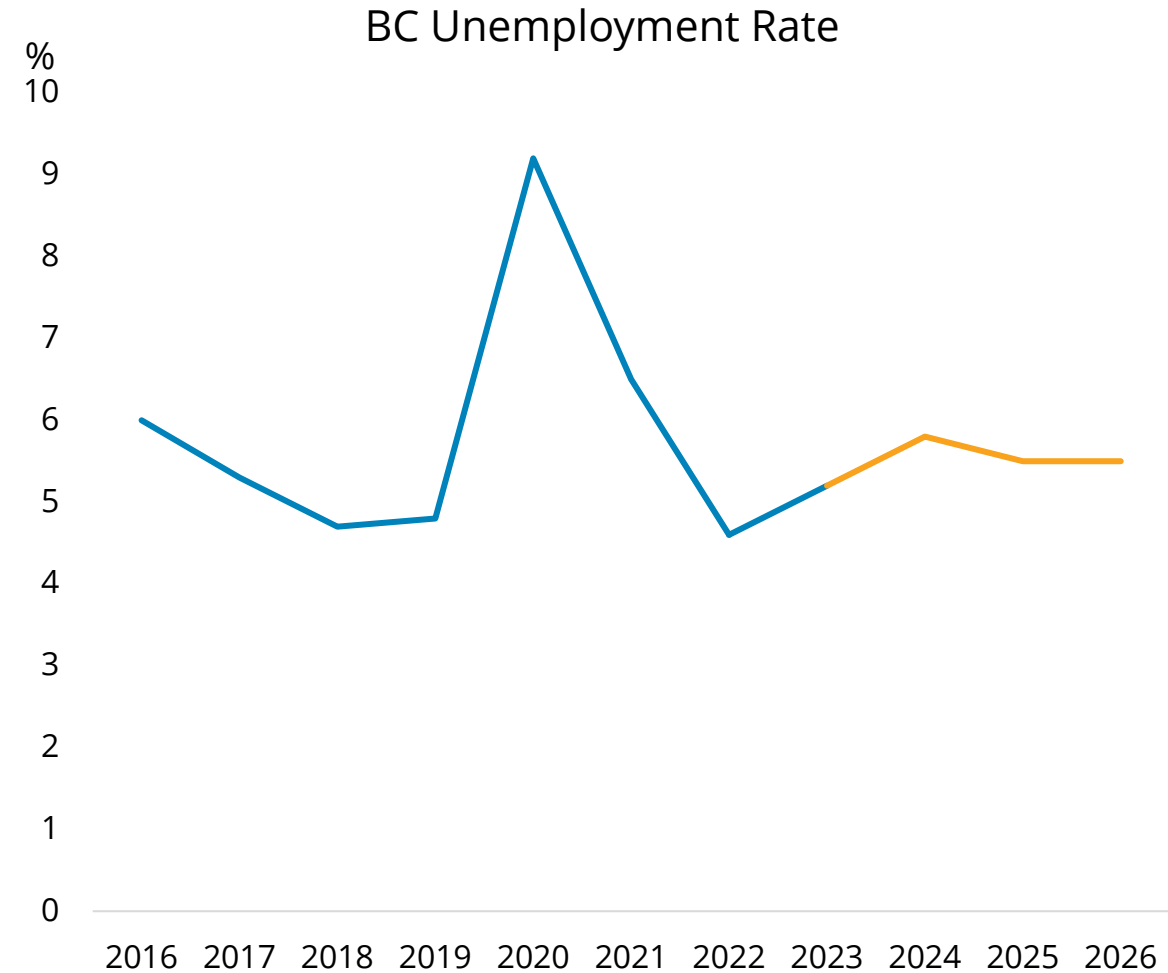
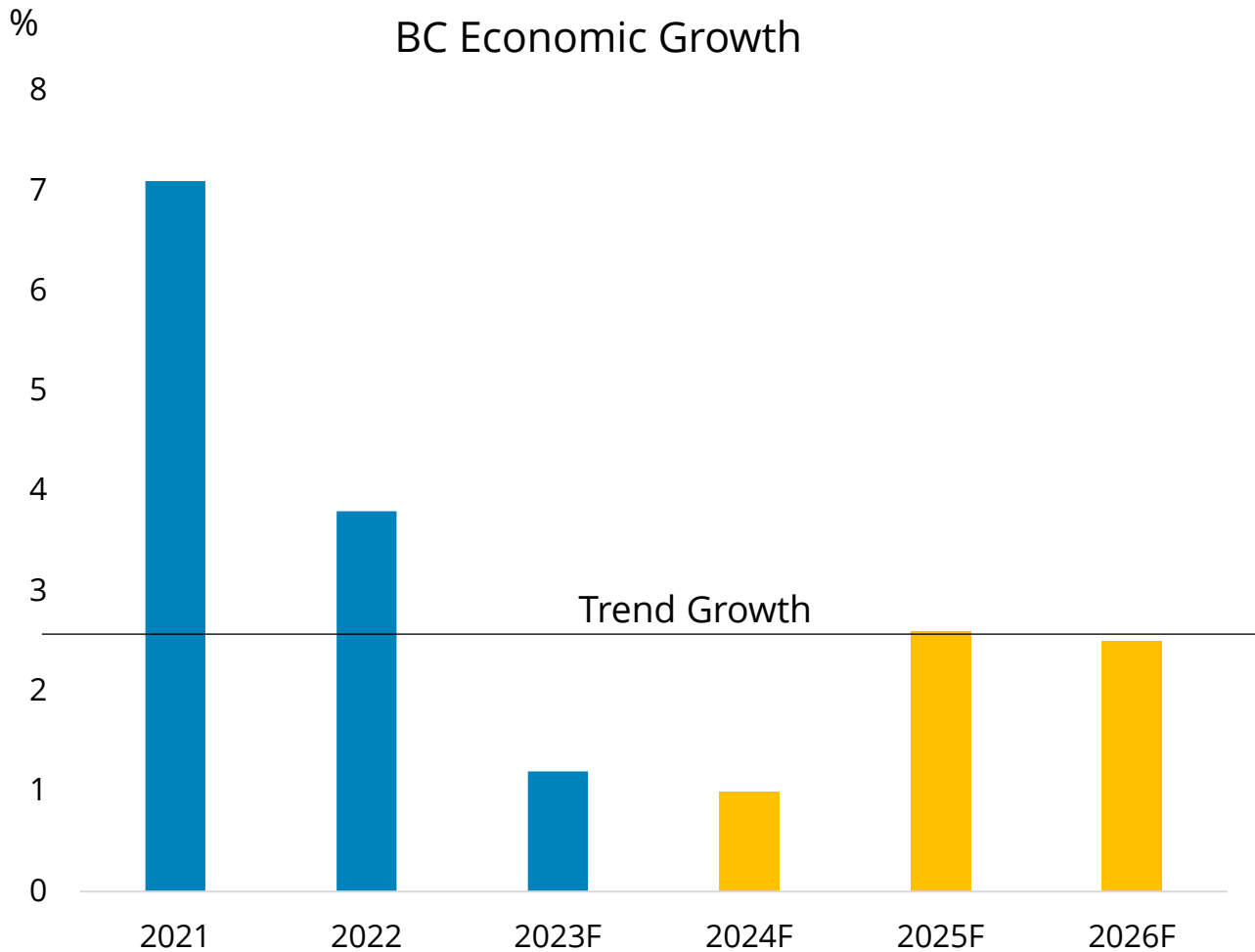
Households Have Ramped Up Saving

% Canadian Household Savings Rate

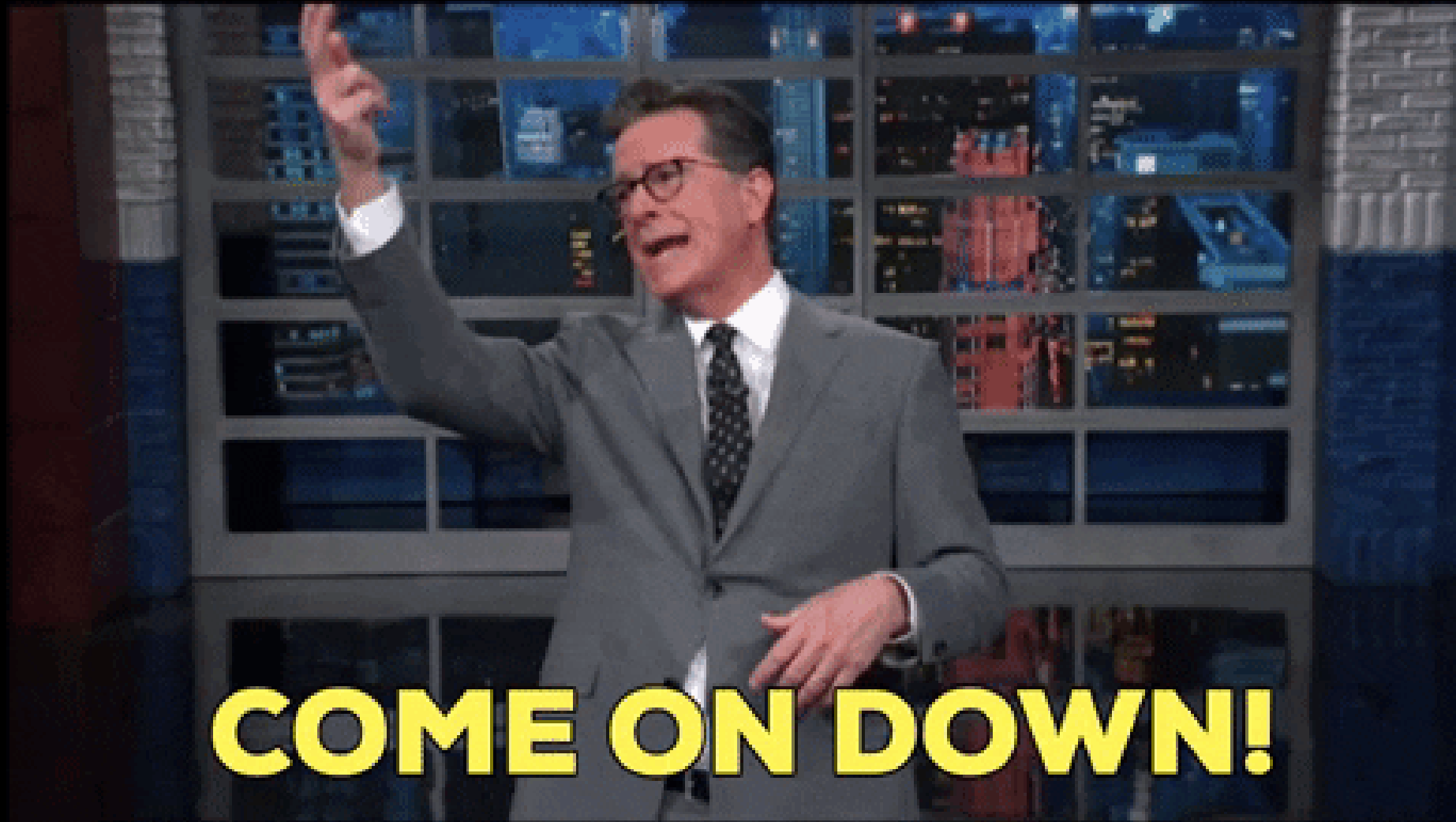


-5
Source: Statistics Canada

Soft-Landing for the Economy?

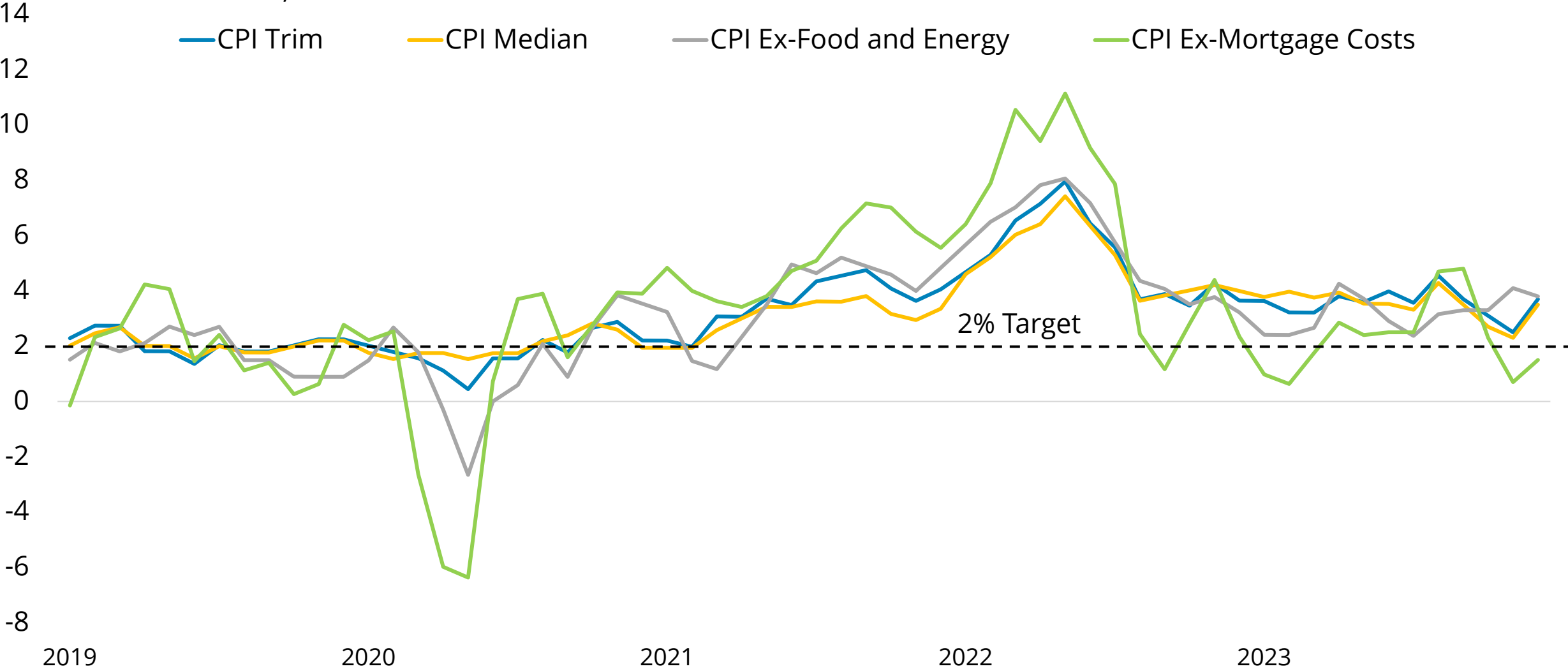


2. Elevated Inflation is Over?



Core Inflation Trending Has Been Trending Lower

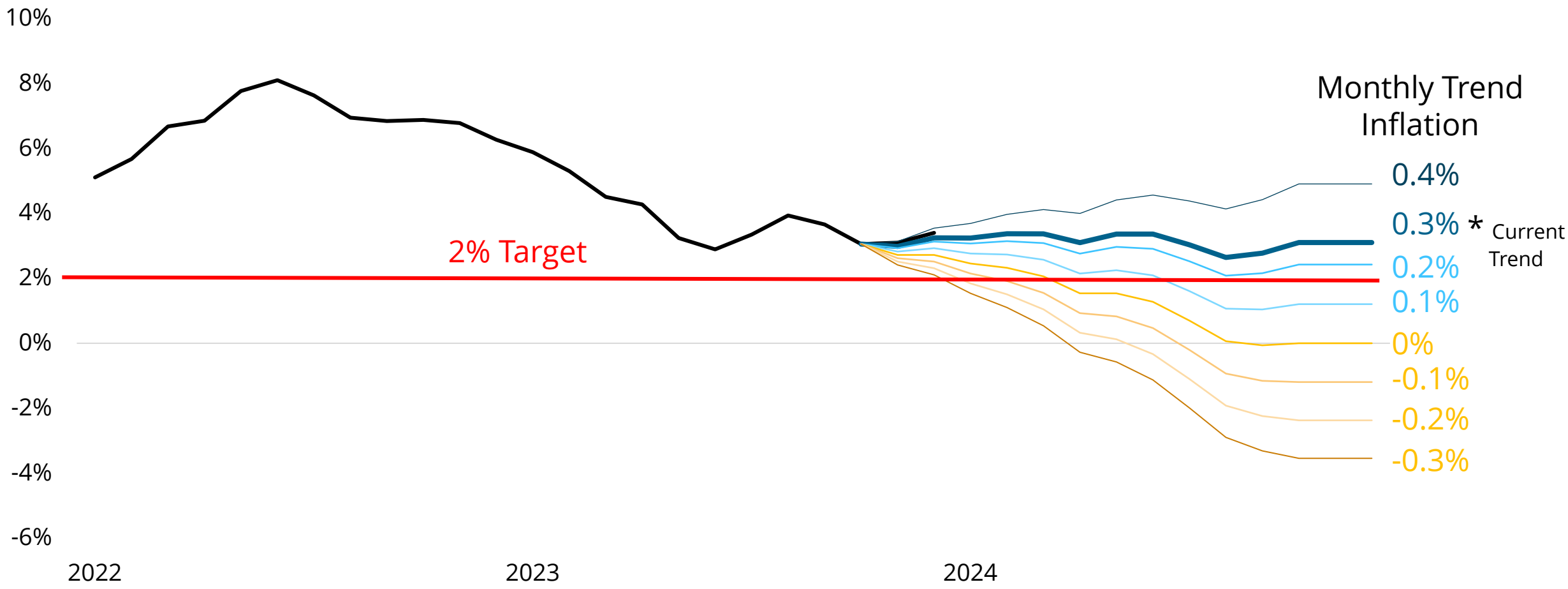
% 3-month Inflation, annualized



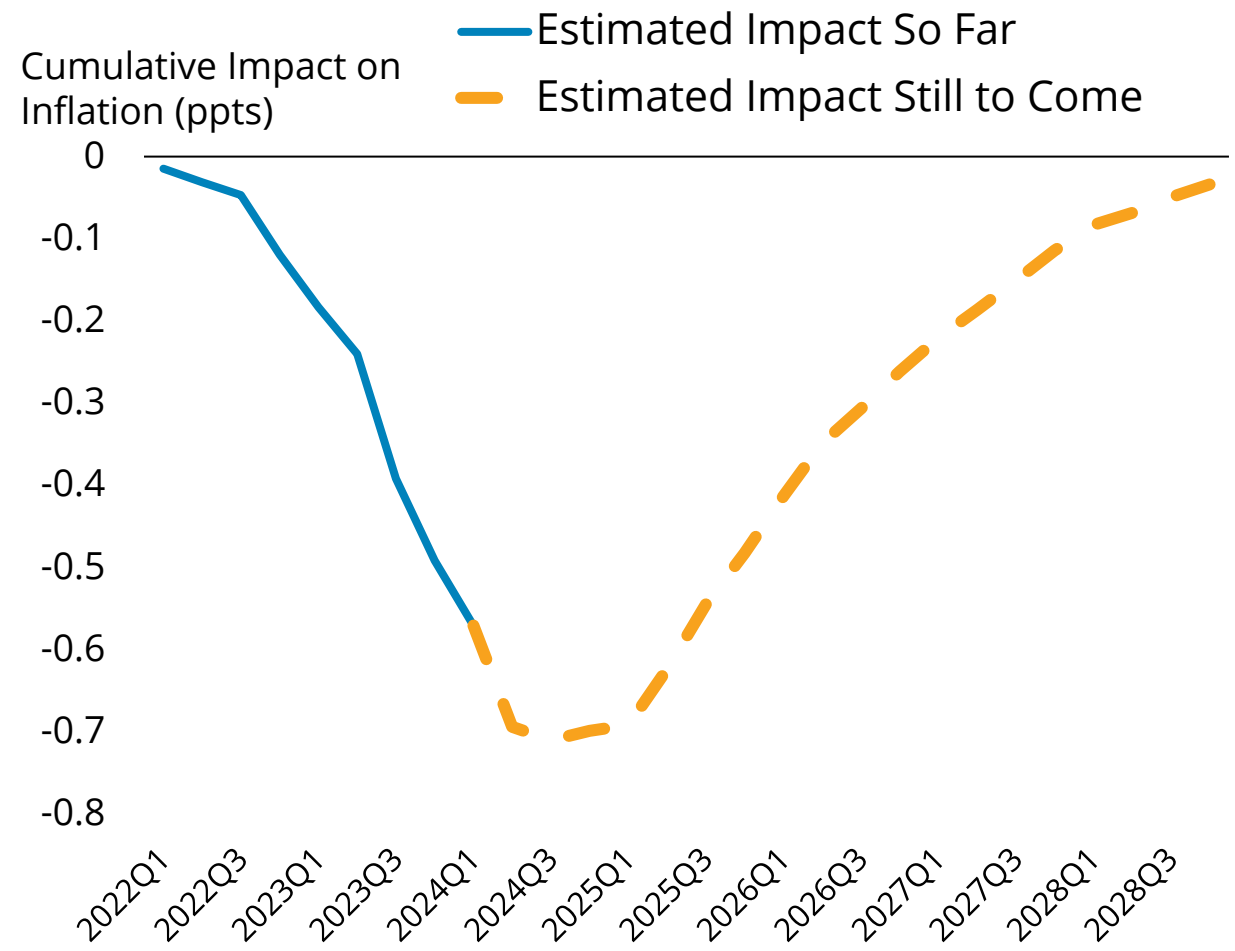
Source: Statistics Canada

Likely Path of Inflation in 2024

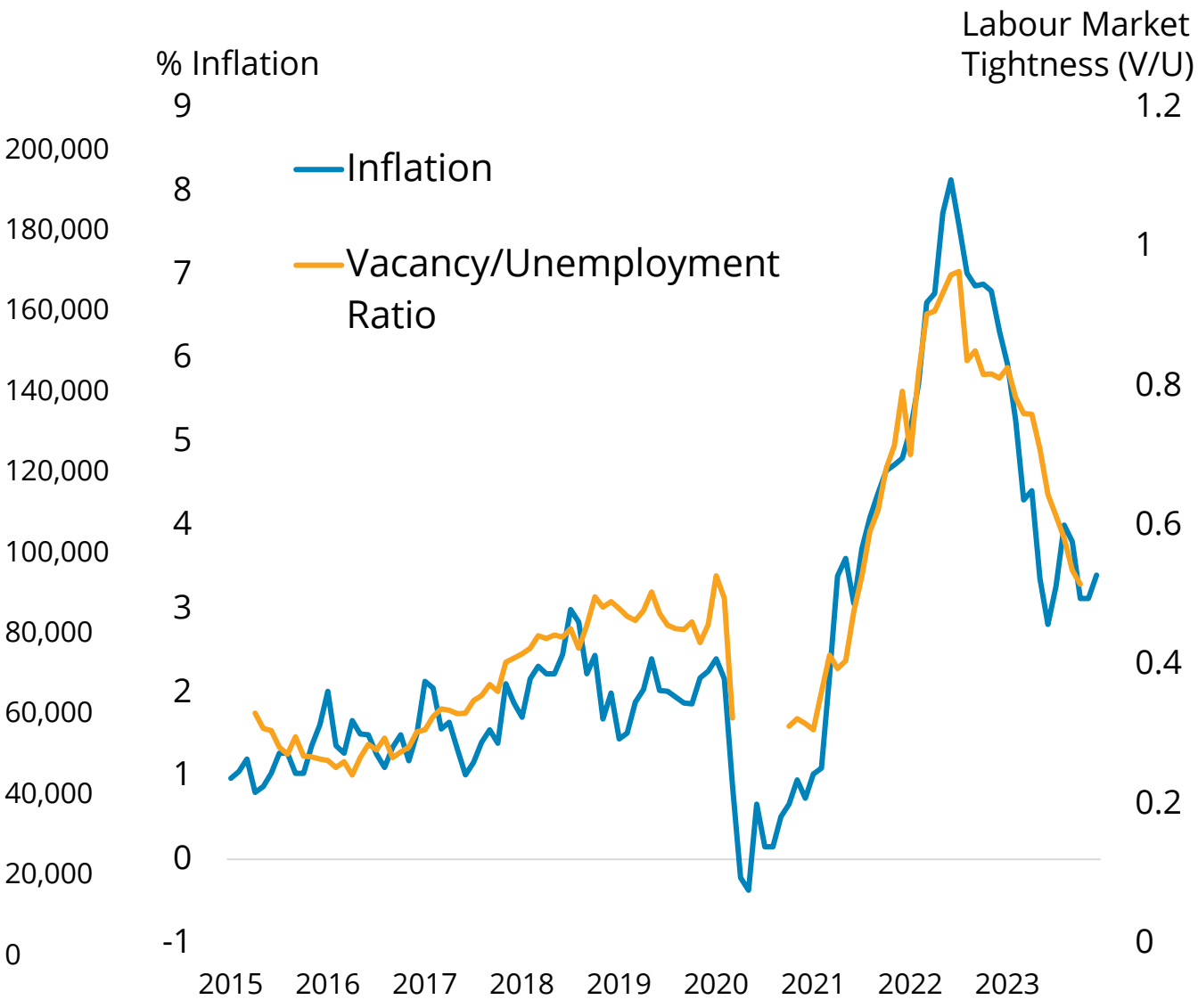
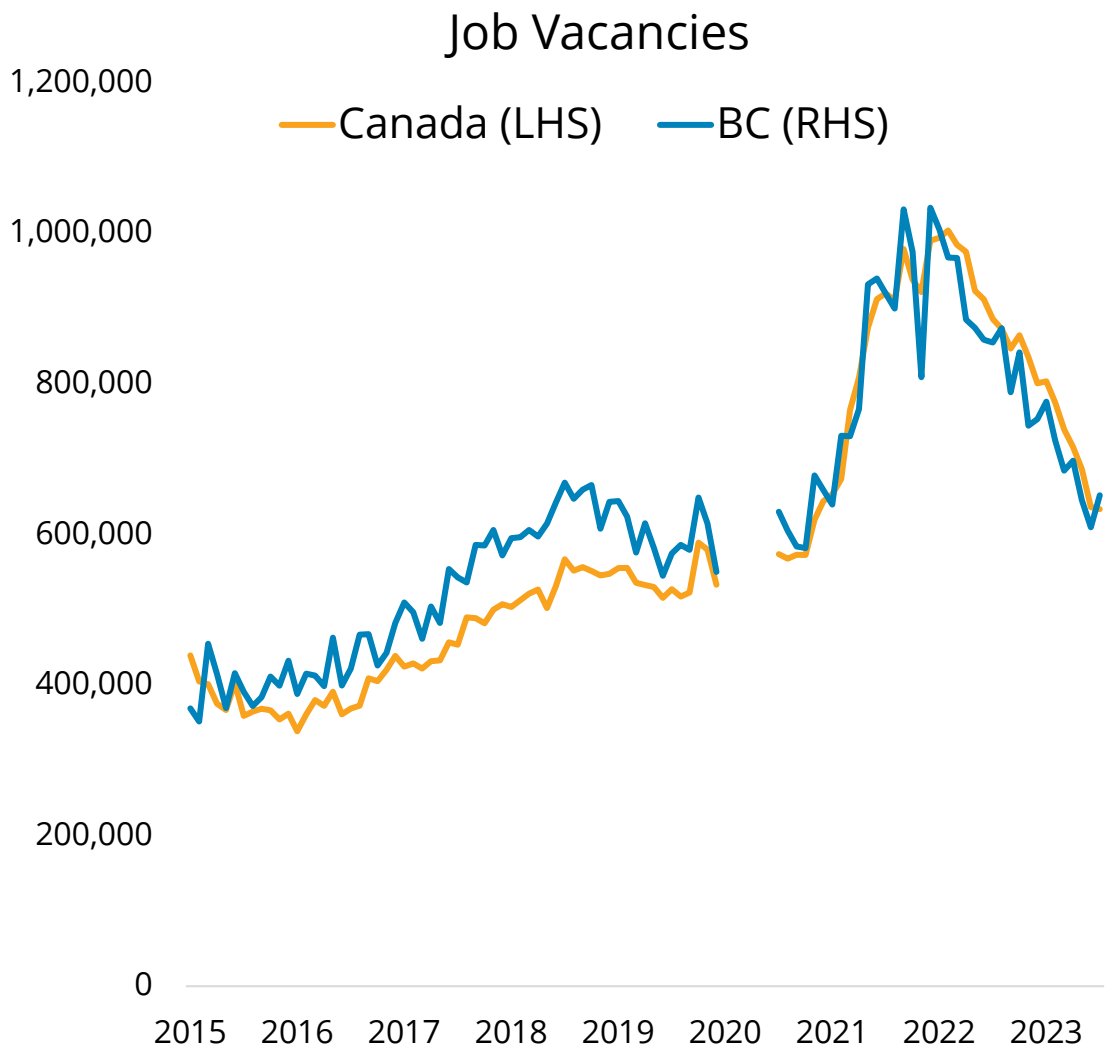
YoY Inflation



Rate Hikes Will Have Their Largest Impact on Inflation in 2024

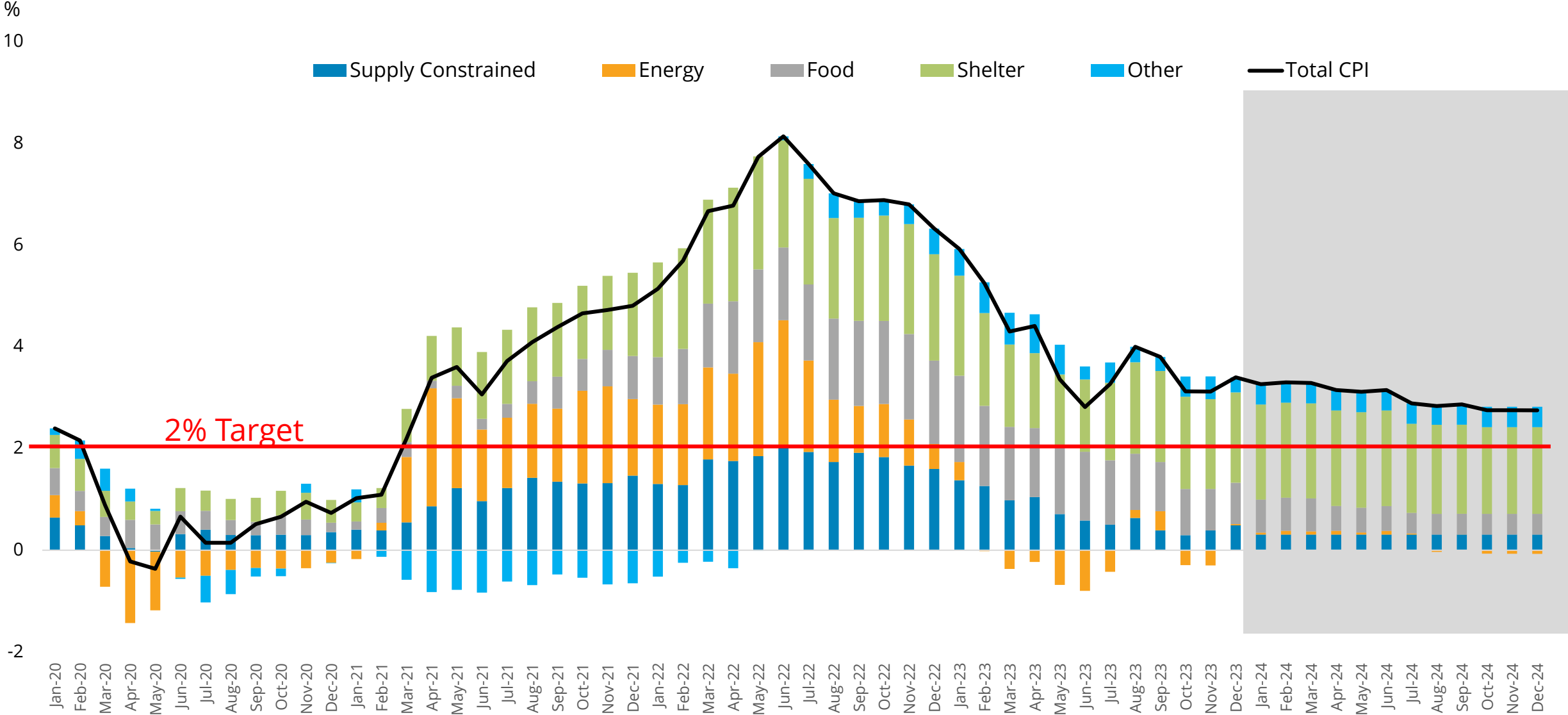


Normalization of Vacancies Will Help Lower Inflation



Source: Statistics Canada

Shelter Costs are Driving Inflation



Source: Statistics Canada; BCREA Economics

3. BoC Rate Cuts - Will They or Won't They?

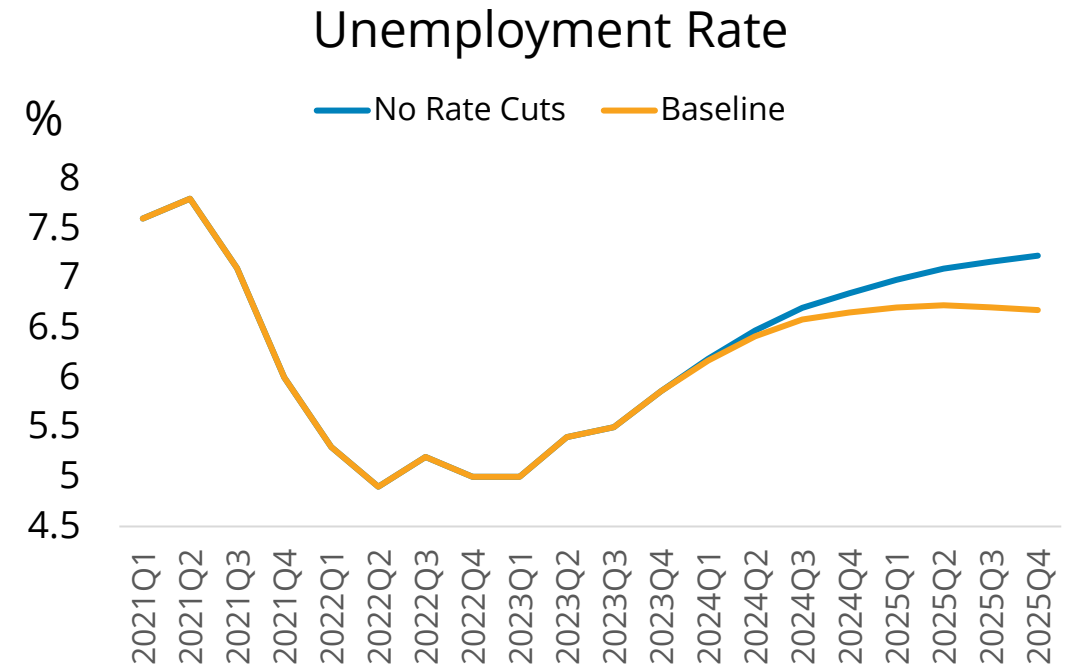
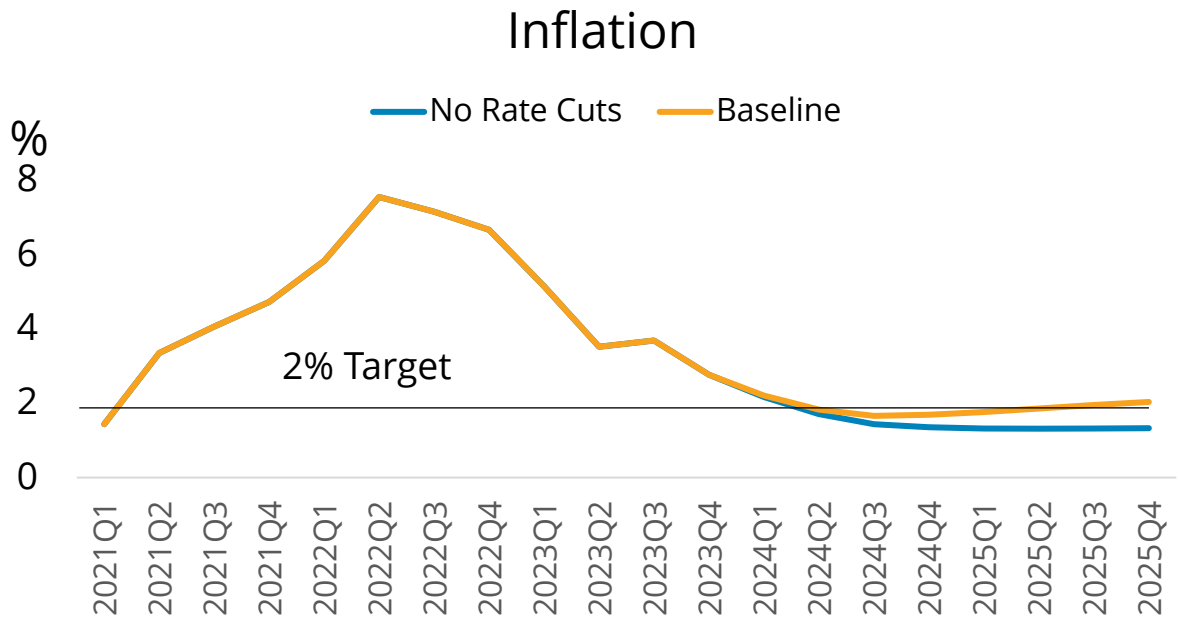


Danger of Policy Being Too Tight?



$$Y_t = E(Y_{t+1}) - \gamma(r_t - r^*) + \varepsilon_t$$

Growth
Expectations for Growth
Bank of Canada Rate - "Neutral Rate"

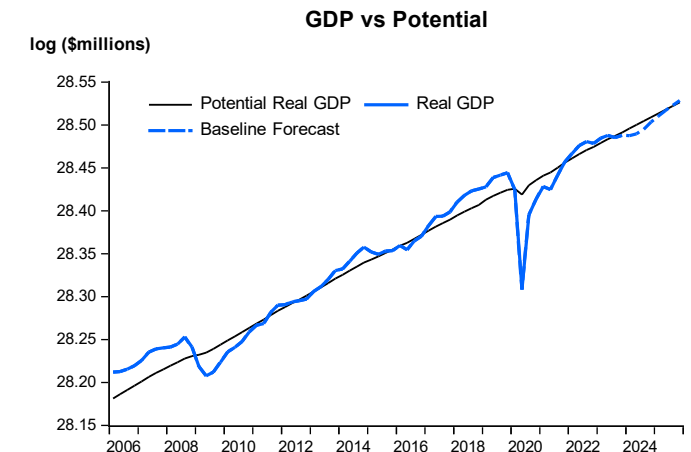
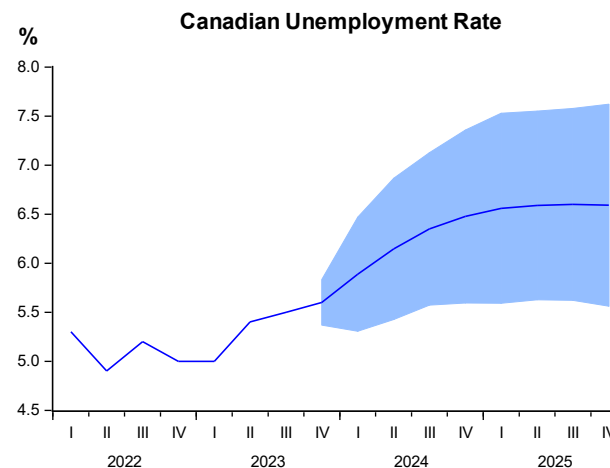
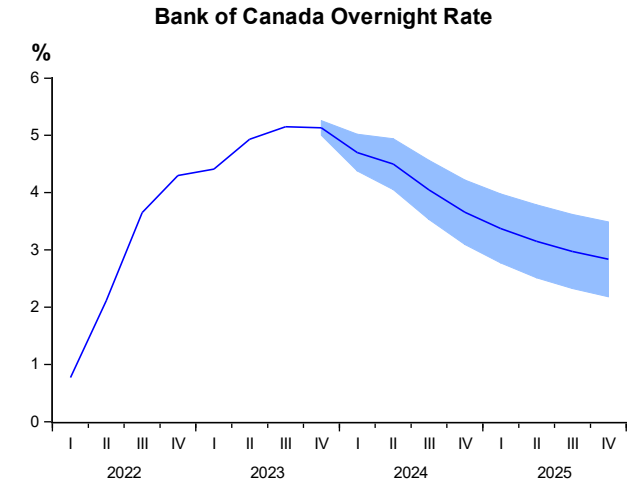
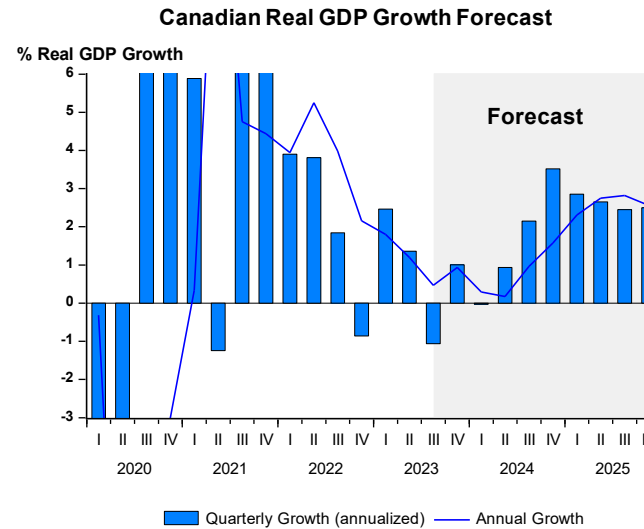


Bank of Canada Expects a Soft Landing

- January MPR:
 - Real GDP
 - 2024: 0.8%
 - 2025: 2.4%
 - Inflation
 - q4/q4'25: 2.1%

- Our Model:
 - Real GDP
 - 2024: 0.7%
 - 2025: 2.6%
 - Inflation
 - q4/q4'25: 2.0%

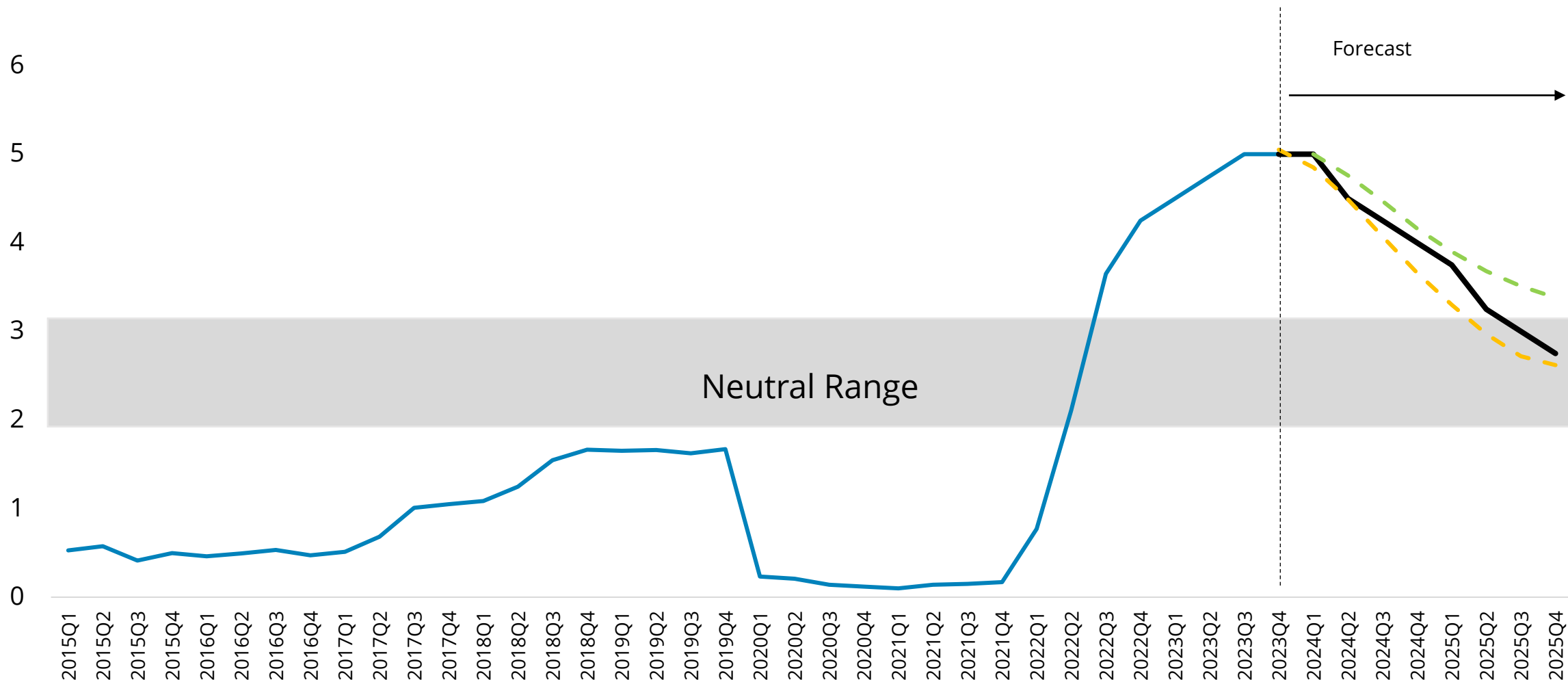
- What Rate Path Gets us There?



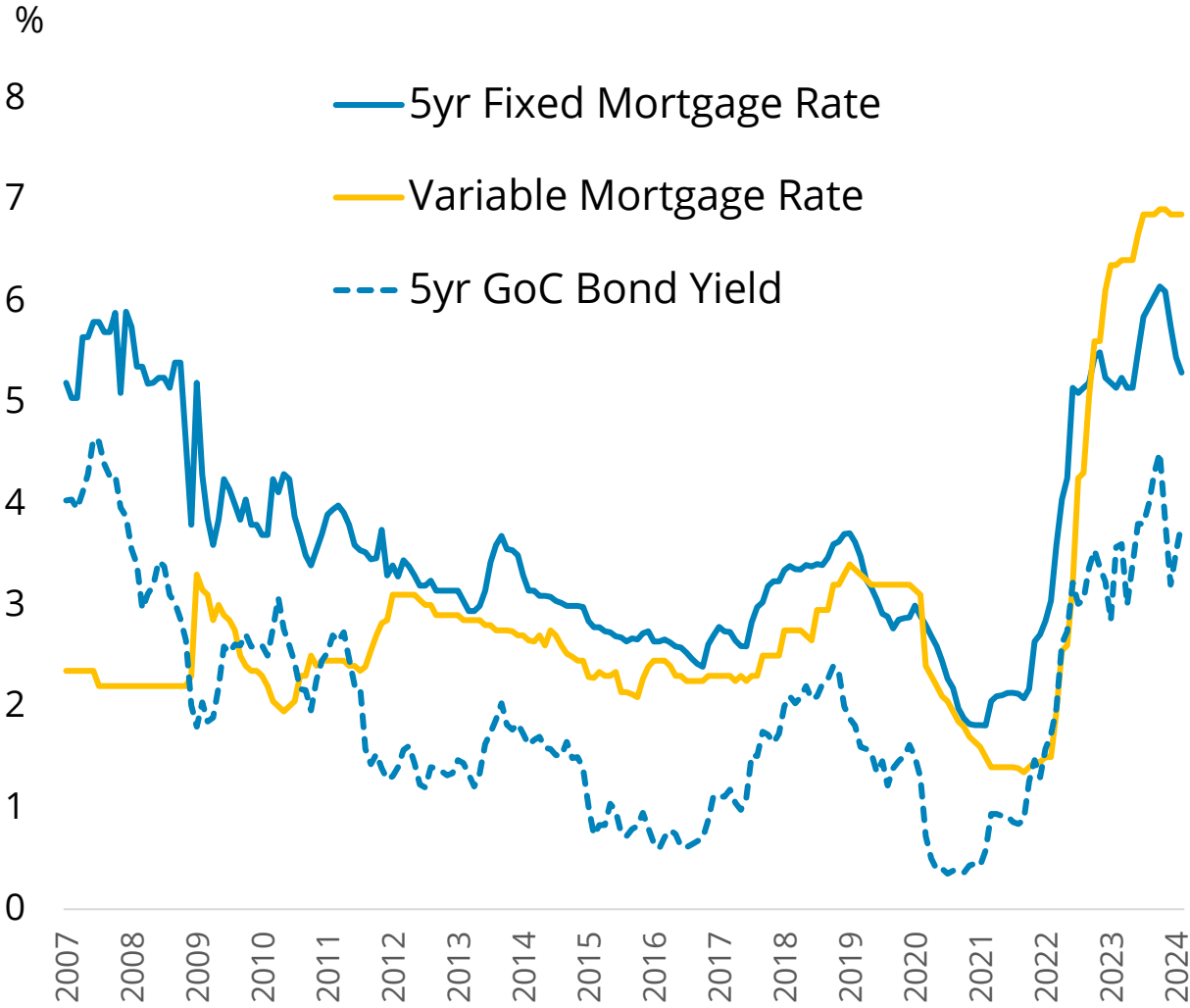
Rates Will Come Down, But How Fast and to Where?

— Actual — Forecast - - Market Expectations - Jan - - Market Expectations - Feb

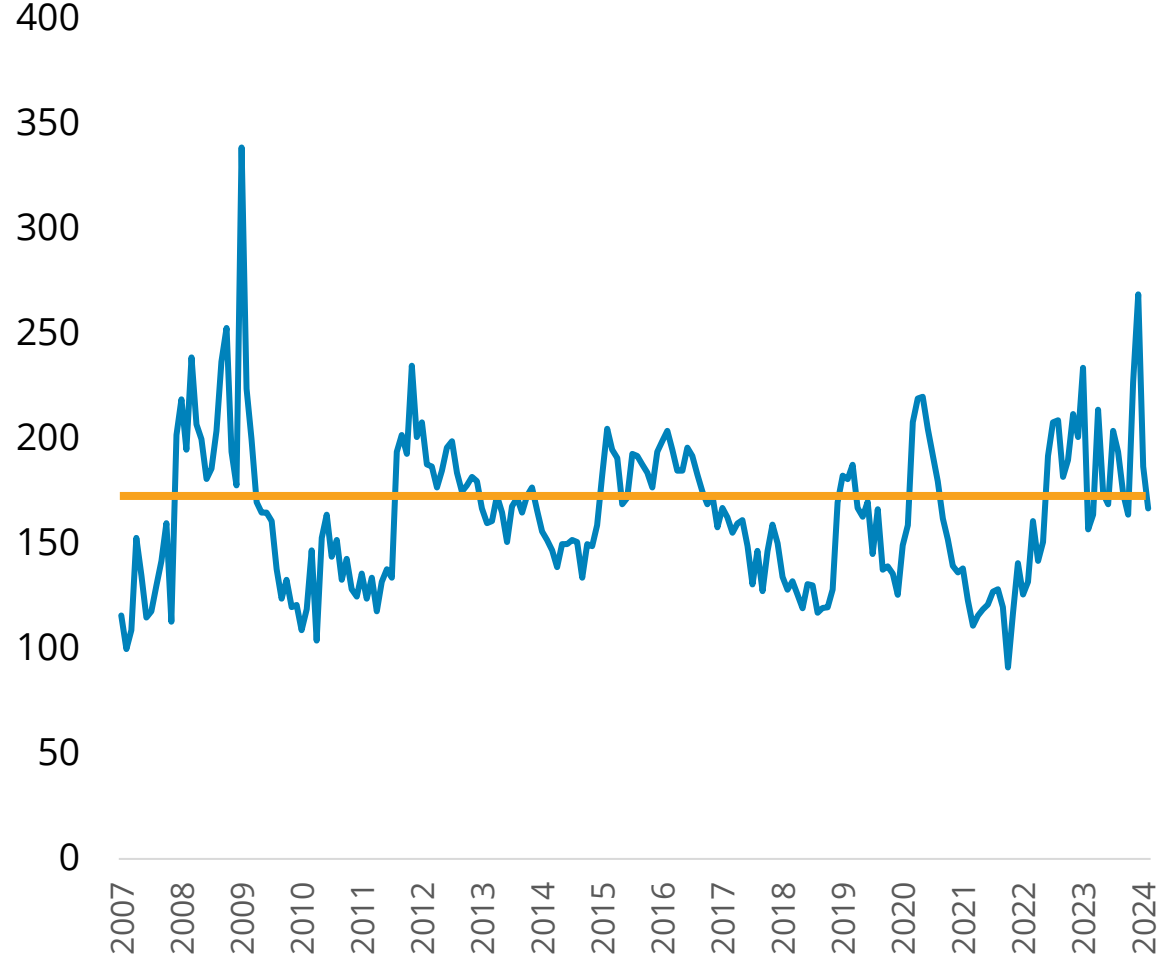
% Overnight Rate



Canadian Fixed Rates Fell Sharply to Start 2024

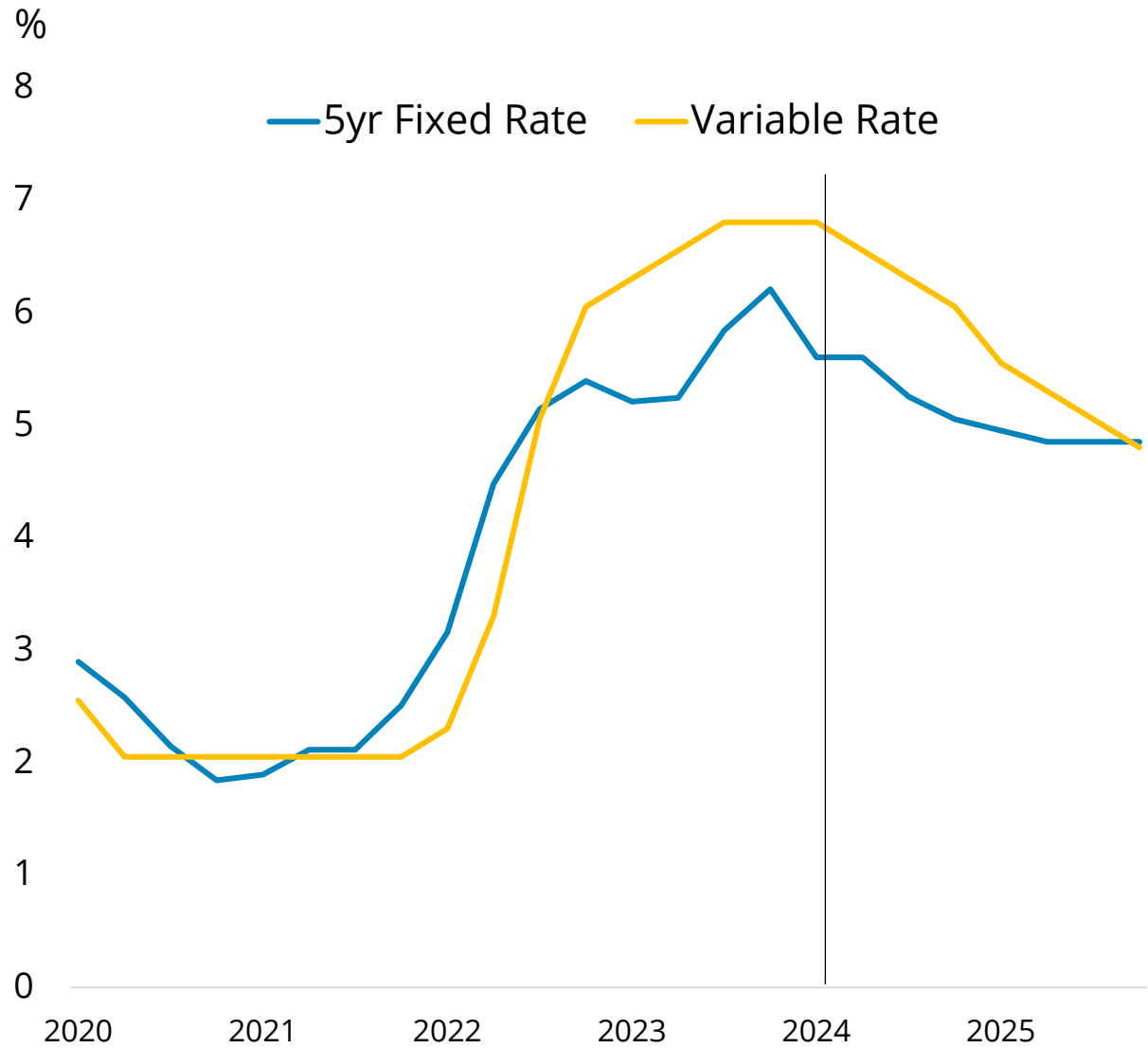


Mortgage Spread (Fixed Rate - 5yr Yield) (bps)

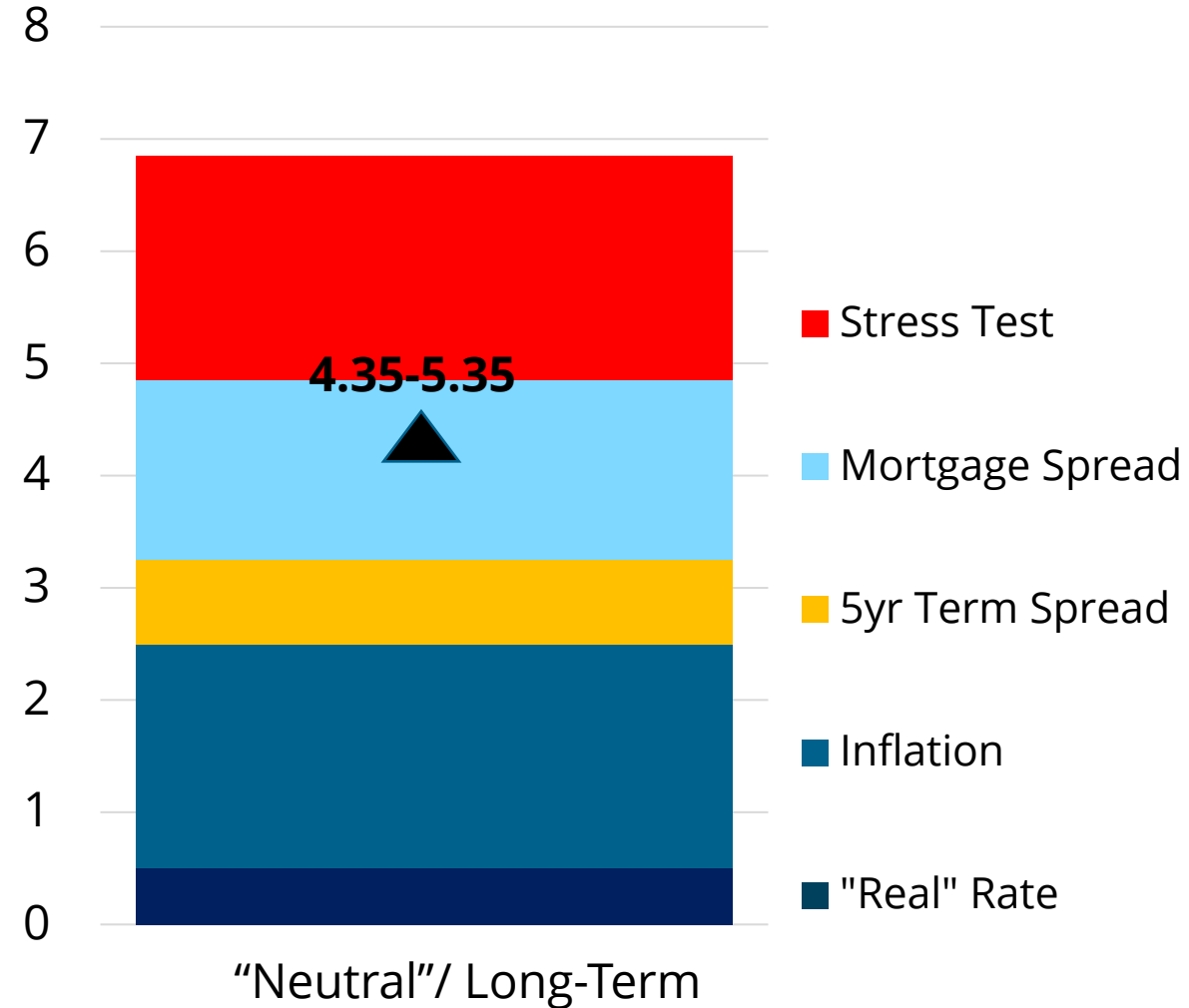


Source: Bank of Canada; BCREA Economics, Rob McLister

How Much Might Mortgage Rates Fall?



Where Will Fixed Rates Settle?

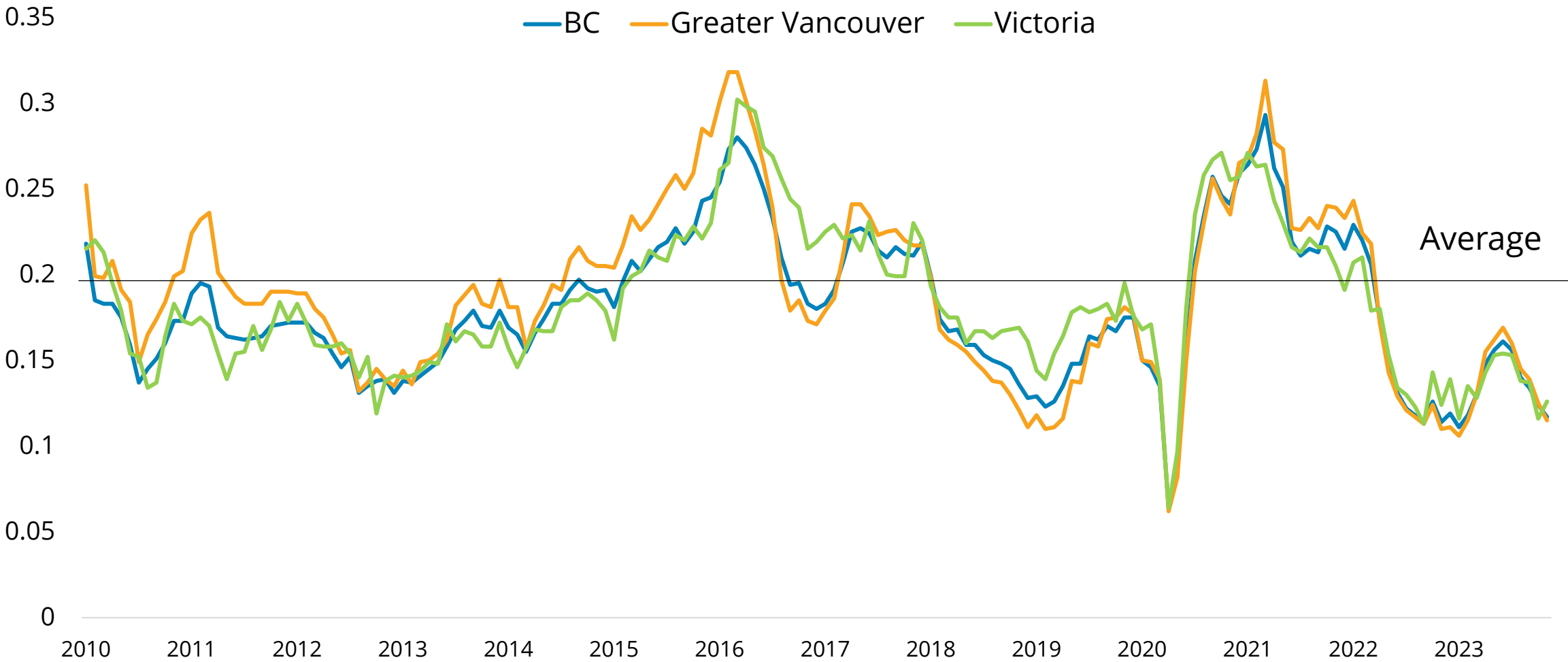


4. What is the Likeliest Path for Home Prices?



Significant Pent-up Demand

Sales per 100 People 15+

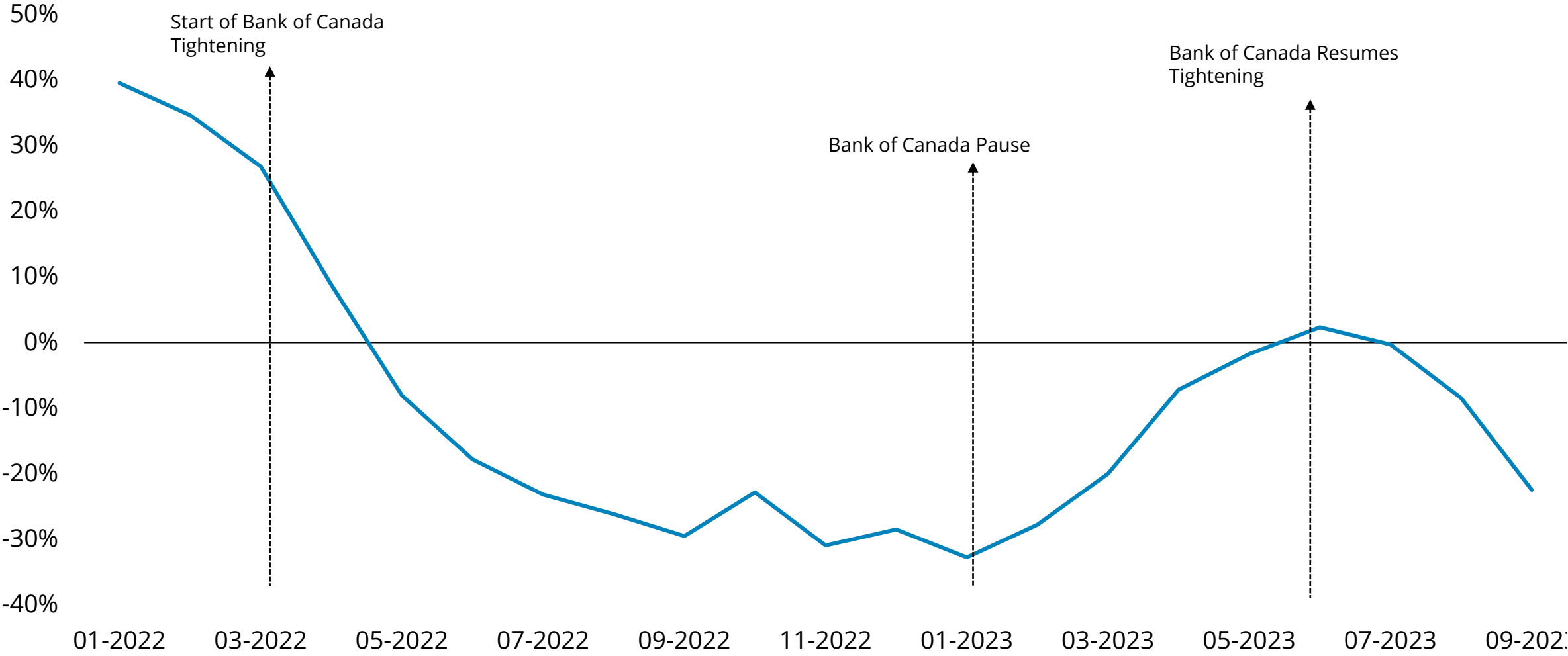


Source: BCREA Economics

Resale Market Reacts Quickly To Rate Announcements

BC Home Sales Compared to Historical Average *(Seasonally Adjusted)*

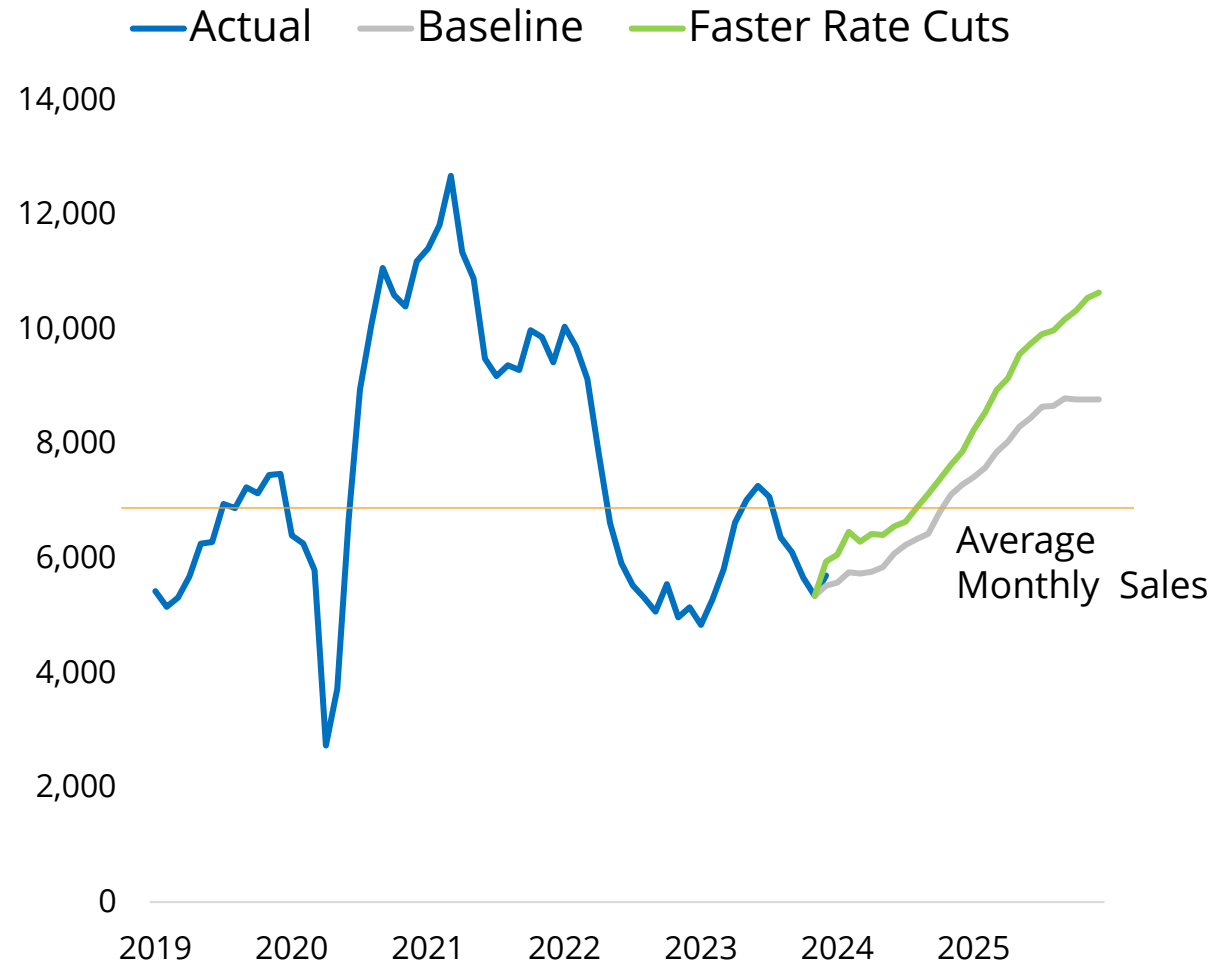
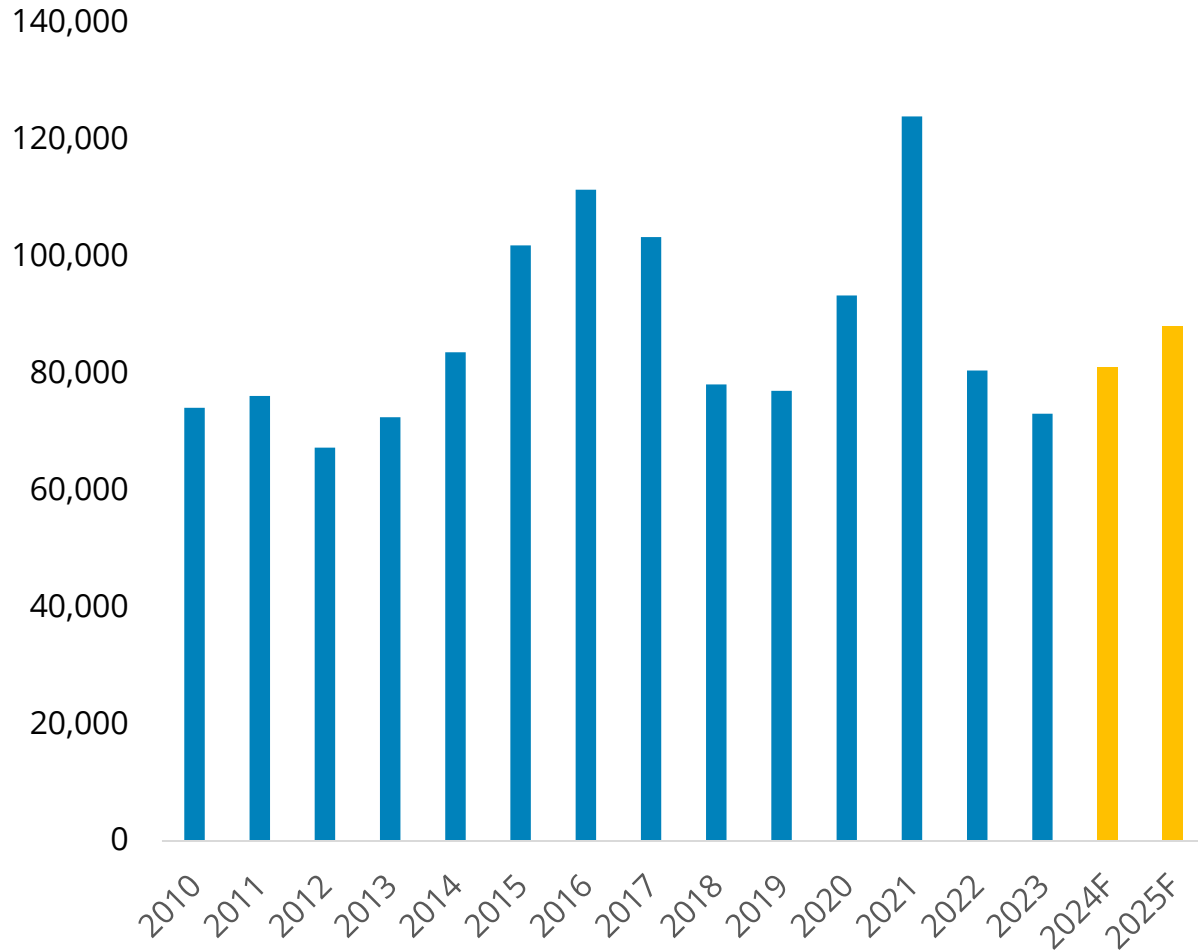
Difference from Average Sales



Source: BCREA

BC Housing Forecast, 2024-2025

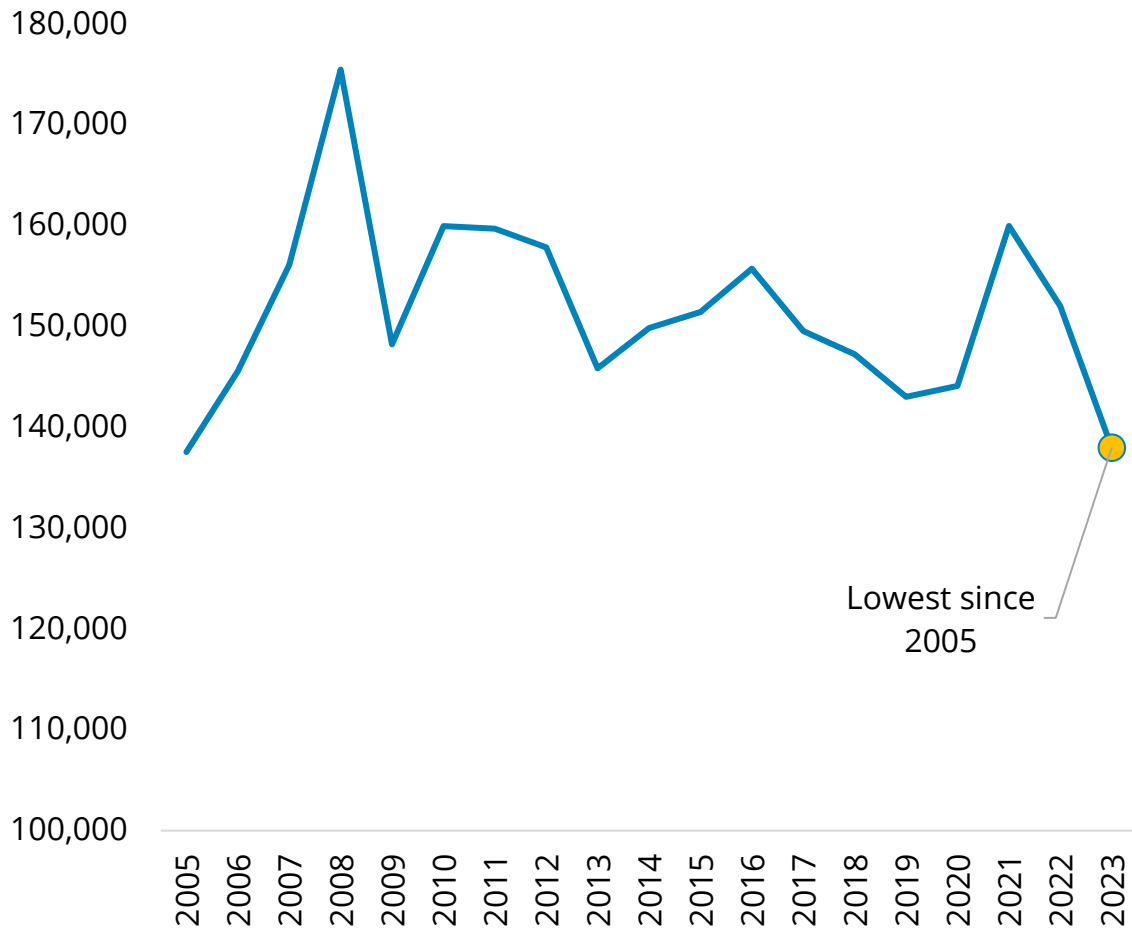
MLS® Unit Sales



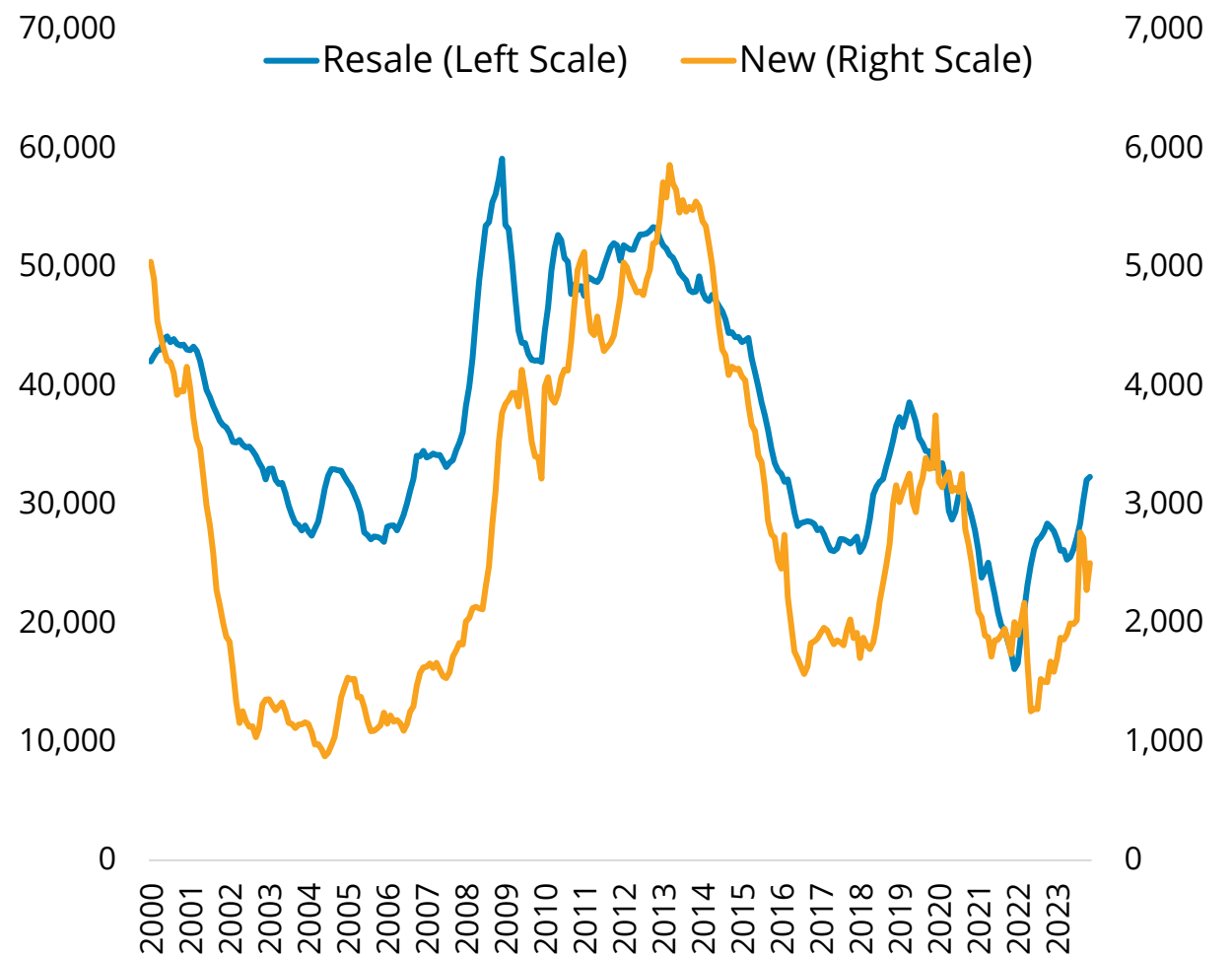
Source: BCREA Economics

Housing Market Listings and Inventory

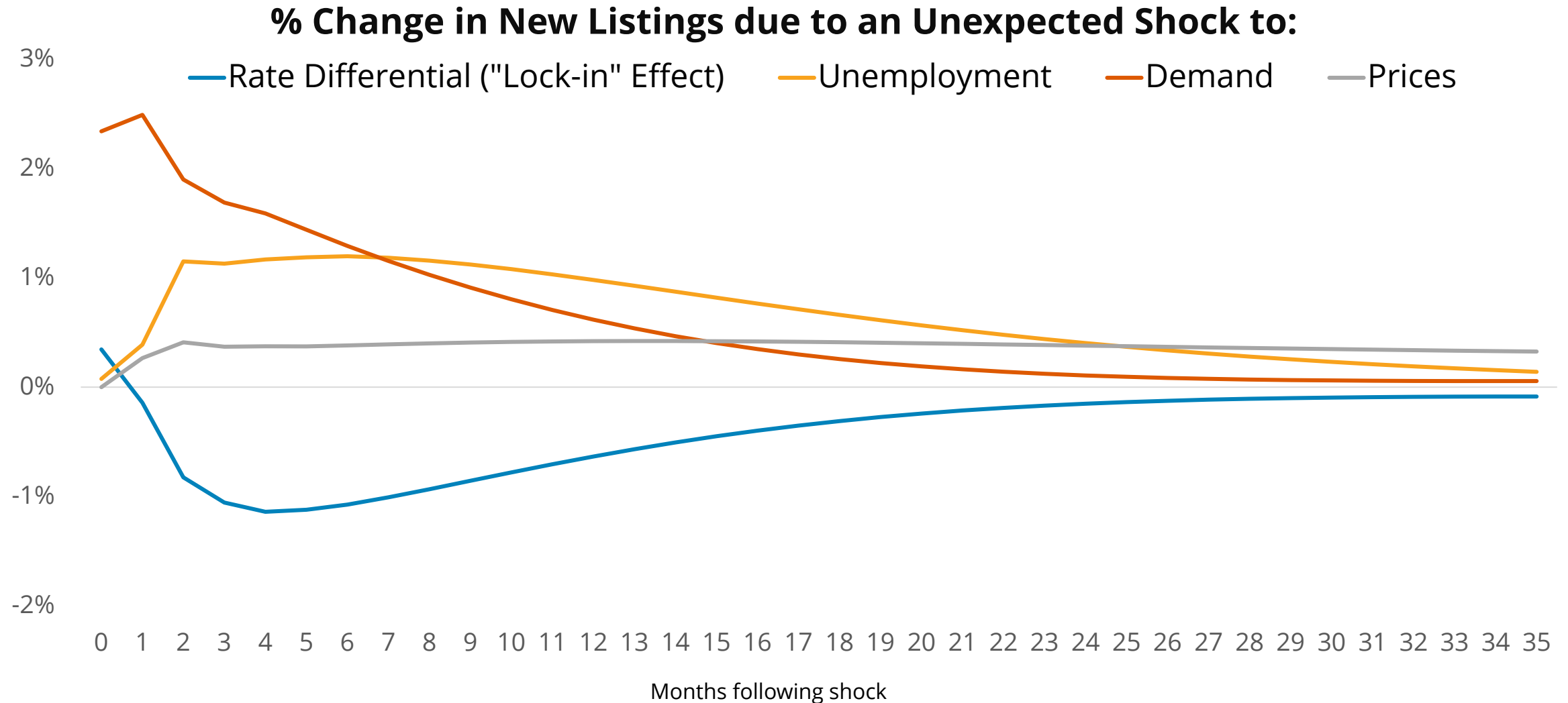
New Listings Were Very Low in 2023



Total Inventory of Available Housing is Just Returning to Pre-Pandemic Levels

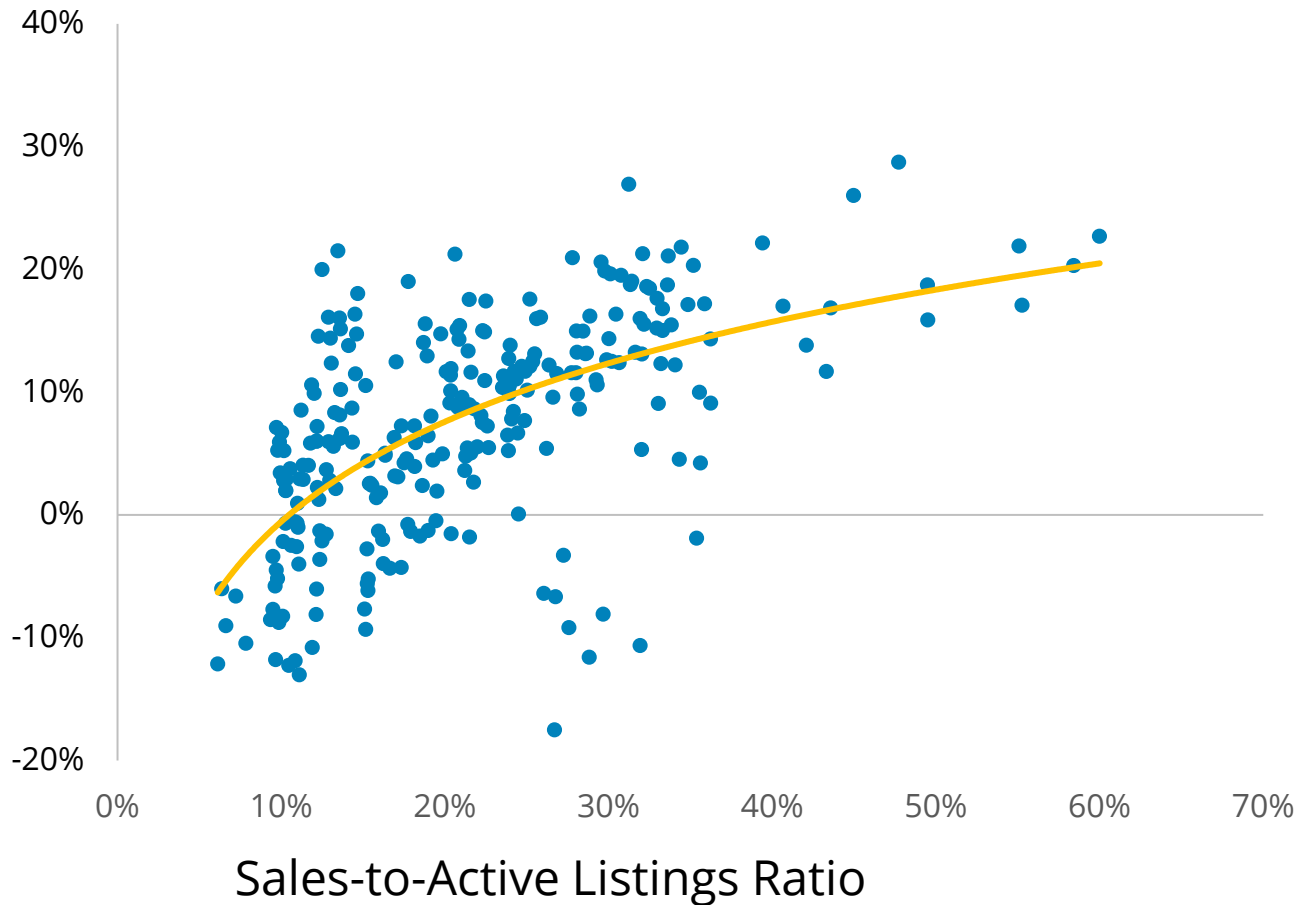


What Will Happen to Listings in 2024?

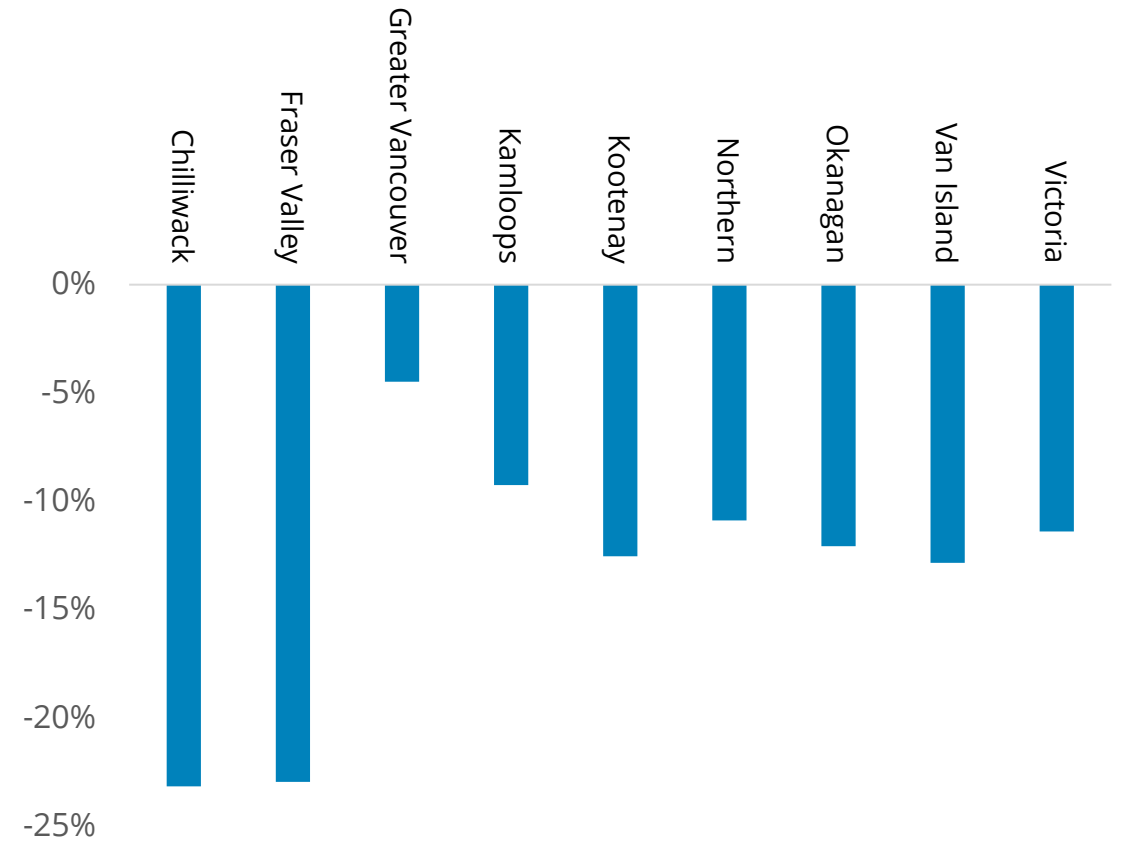


Market Conditions Could Tighten Quickly, But How Much Room for Prices to Run?

% YoY Change in Price



Distance from Peak Price



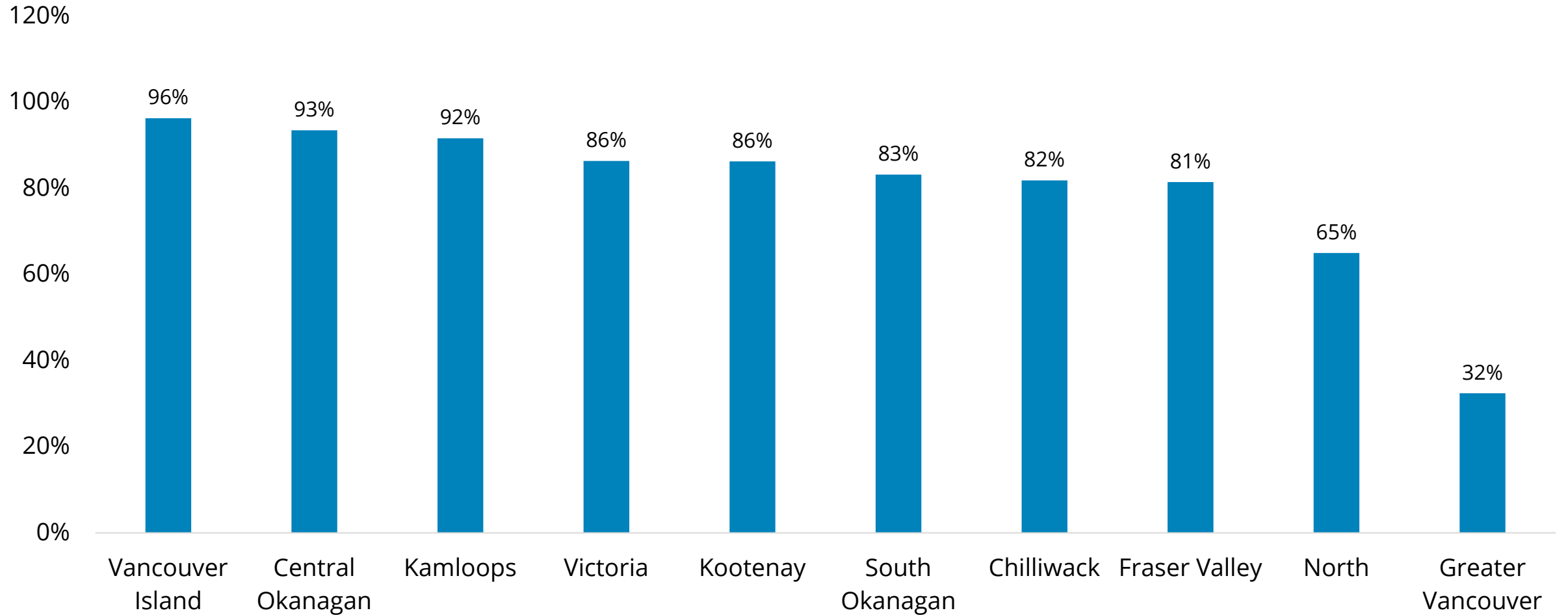
5. Will Affordability Improve?



**I'M GONNA MISS
BEING ABLE TO
AFFORD FOOD.**

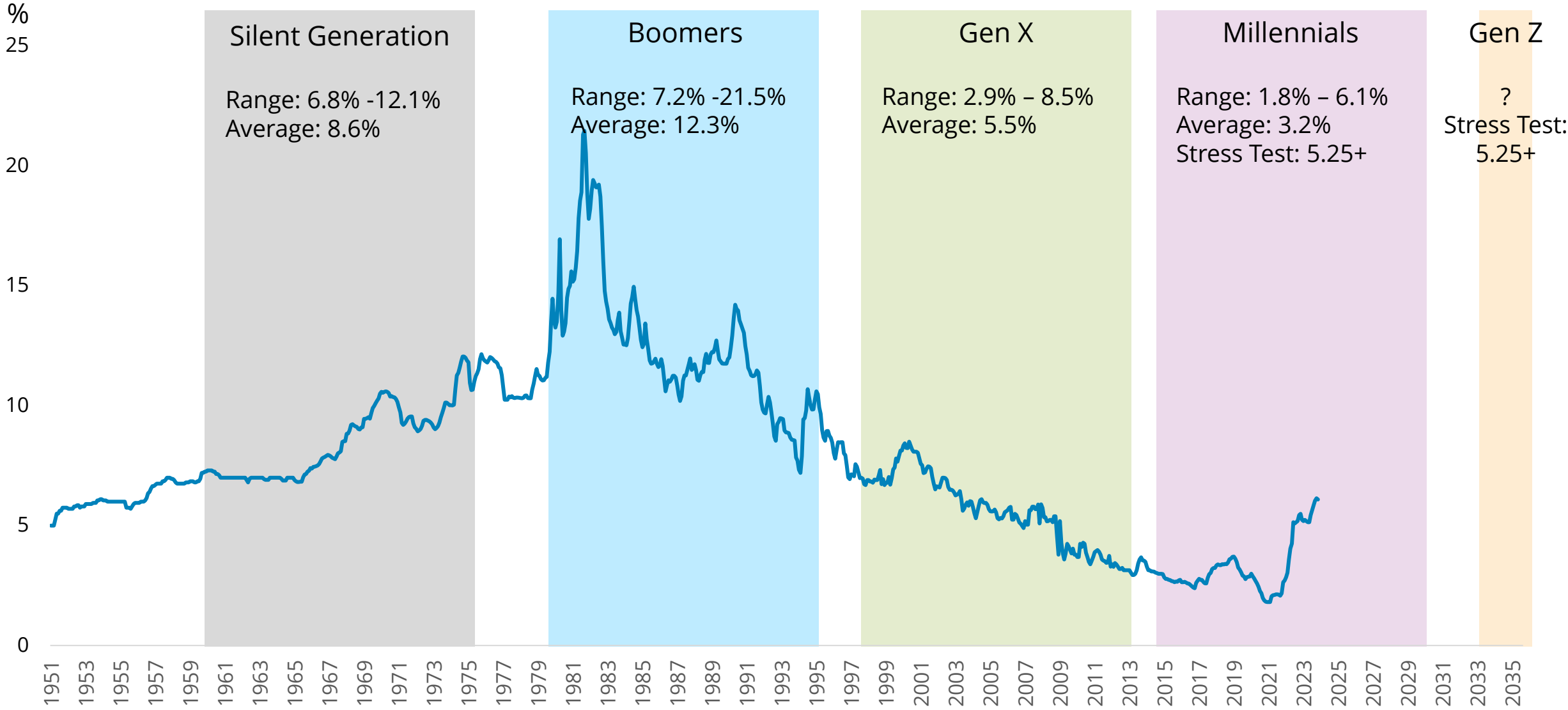
The Pandemic Completely Changed Affordability in BC

Change in Monthly Mortgage Payment – 2019 to 2023



Mortgage Rates By Generation

(Shaded Area Represents the Midpoint of When an Individual of that Generation is aged 25-40)



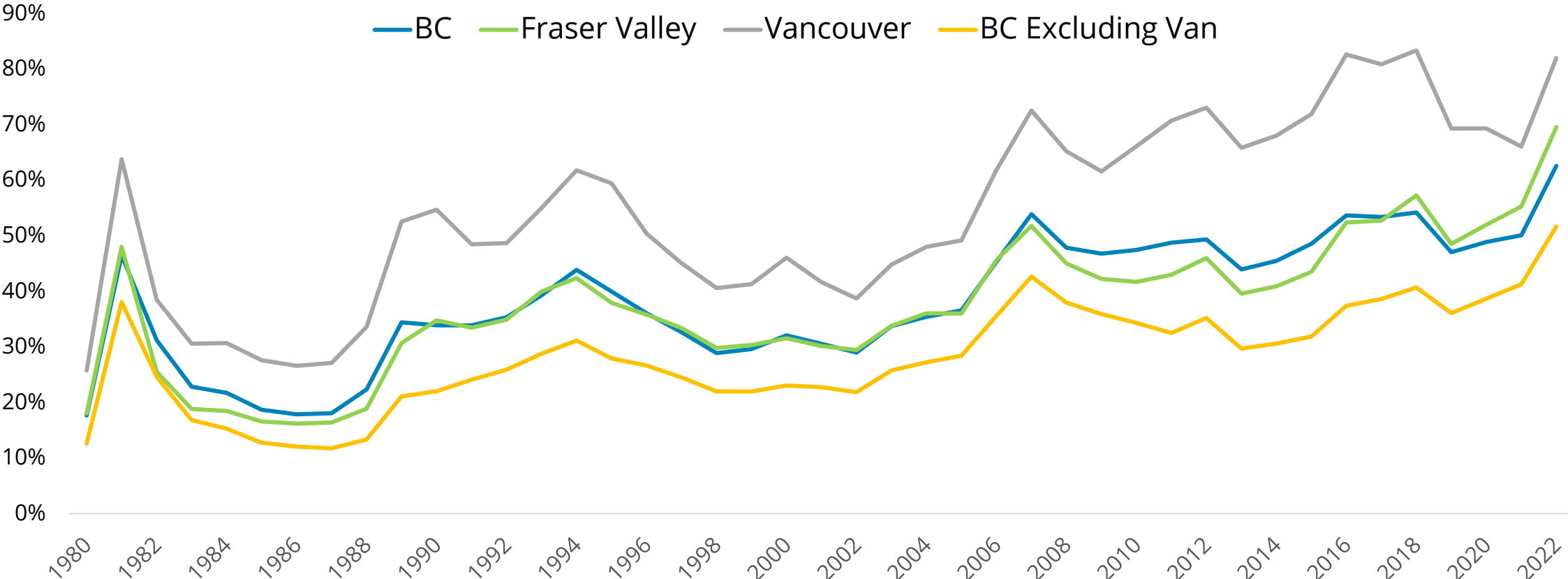
Source: Statistics Canada; BCREA Economics

Back in your day, you could buy a house with pocket change! Nowadays, I can barely afford avocado toast, let alone a down payment!"



Worst Affordability in 40 Years for Young People

Average Mortgage Payment,
As a Proportion of Dual Income 25-34 Year Old Household,
British Columbia



Source: BCREA Economics

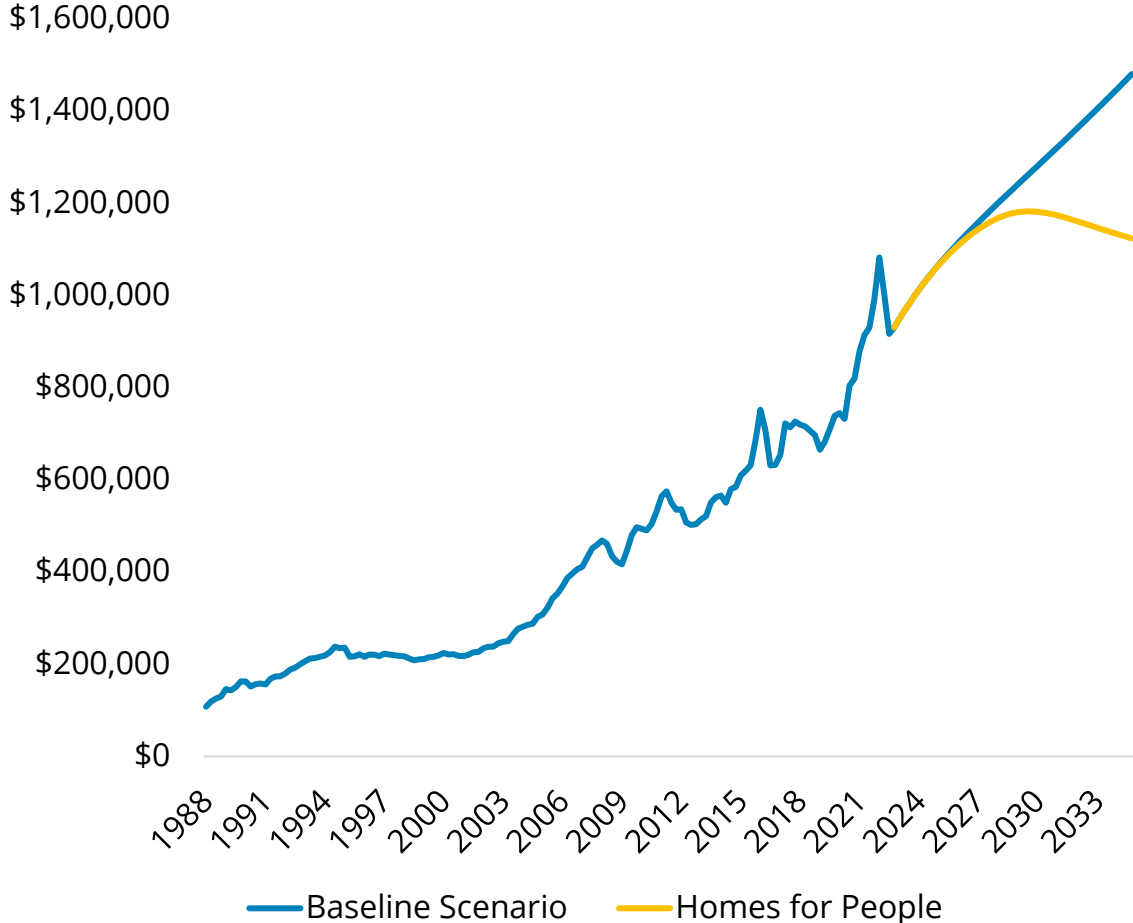
Flood of Housing Supply Policy in 2023

- Drop the GST on new rental
- Upzoning!
 - Permit Secondary Suites
 - Permit 3-4 units on single family lots
 - Permit 6 units on single family lots near transit
- Limit one-off public hearings for rezonings
- Move away from spot-zoning
- Speed up permitting/re-zoning
- High Density in Transit Areas
- Municipal targets



Updated Homes for People Impacts

Price Level
British Columbia



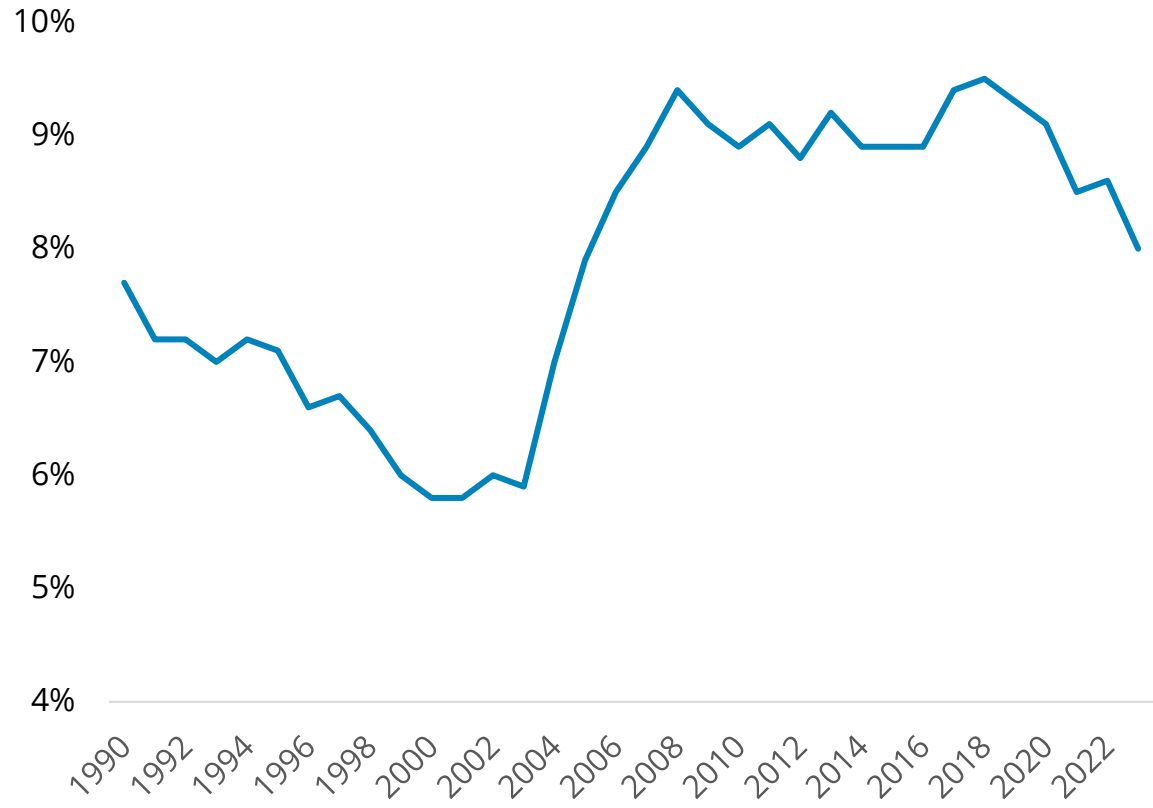
Affordability Index
(Mortgage Payment as a Share of Income)
British Columbia



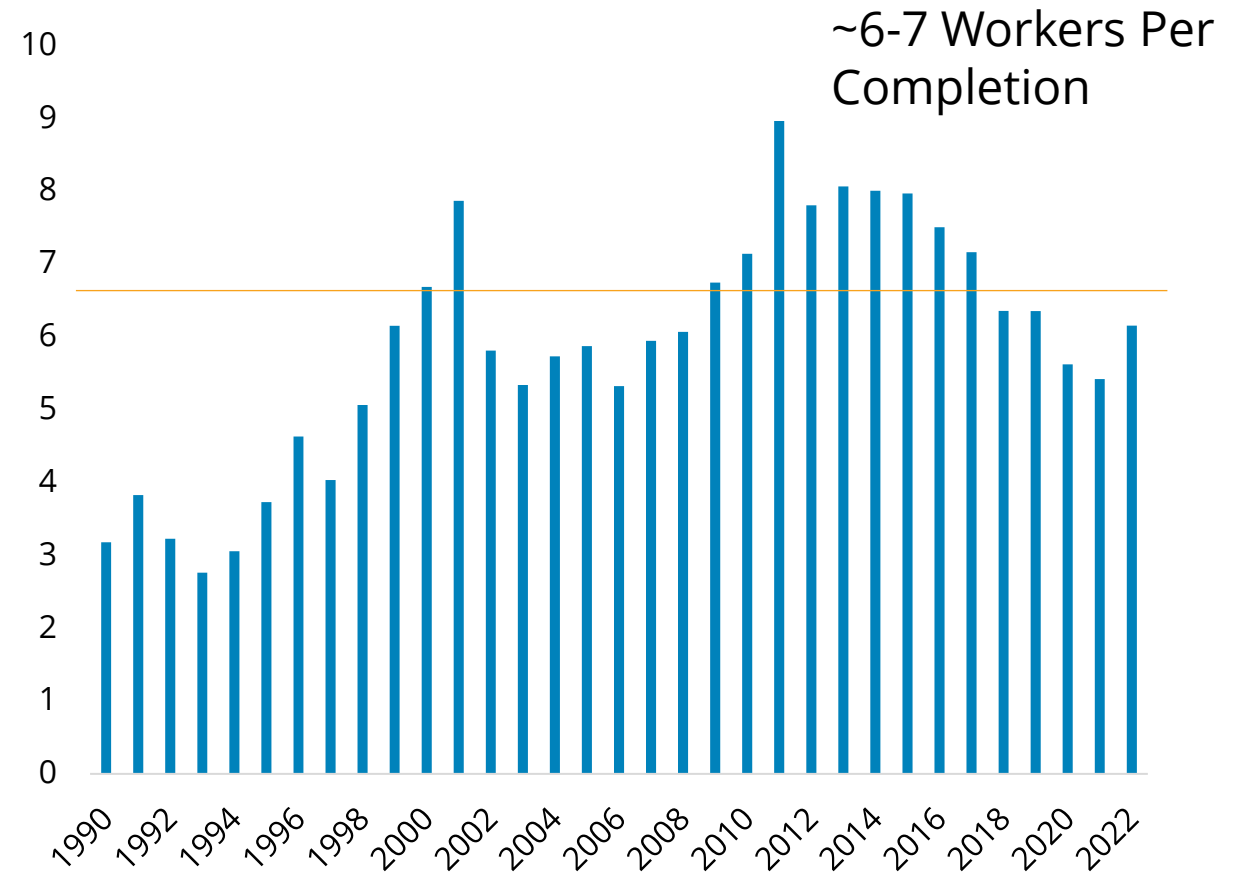
Source: BCREA Economics

Need More Workers and Improved Productivity/Efficiency

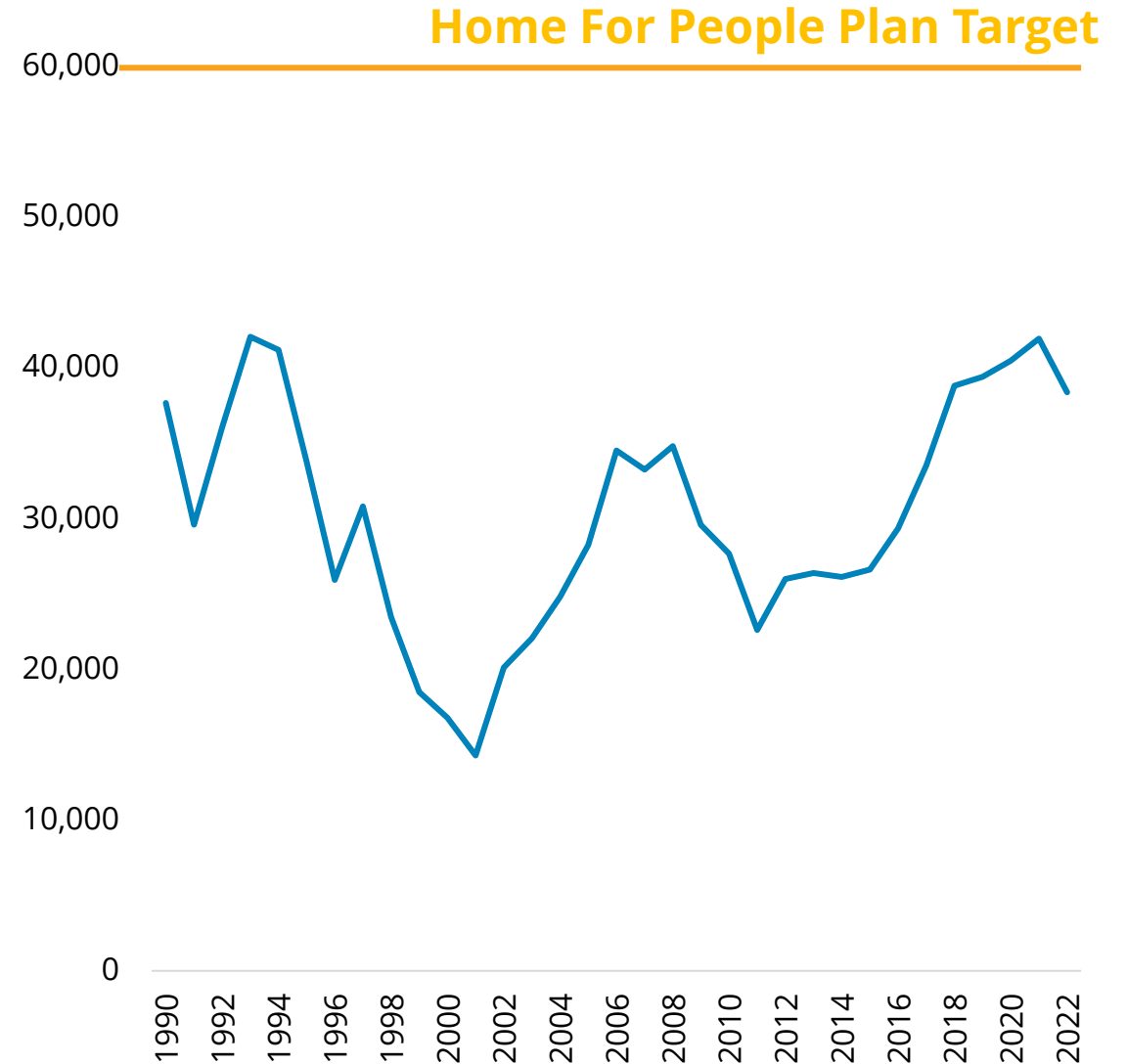
Construction Share of Employment



Workers Per Completion



It's All Noise Until We See Completions Happening



A man with dark hair and a mustache, wearing a black t-shirt with the word 'BEWARE' and a graphic, stands in a hallway. He has a confused or frustrated expression, with his eyes closed and a furrowed brow. The hallway has light-colored walls, a wooden door, and a small framed picture on the wall.

WHAT ARE YOU TRYING TO SAY?

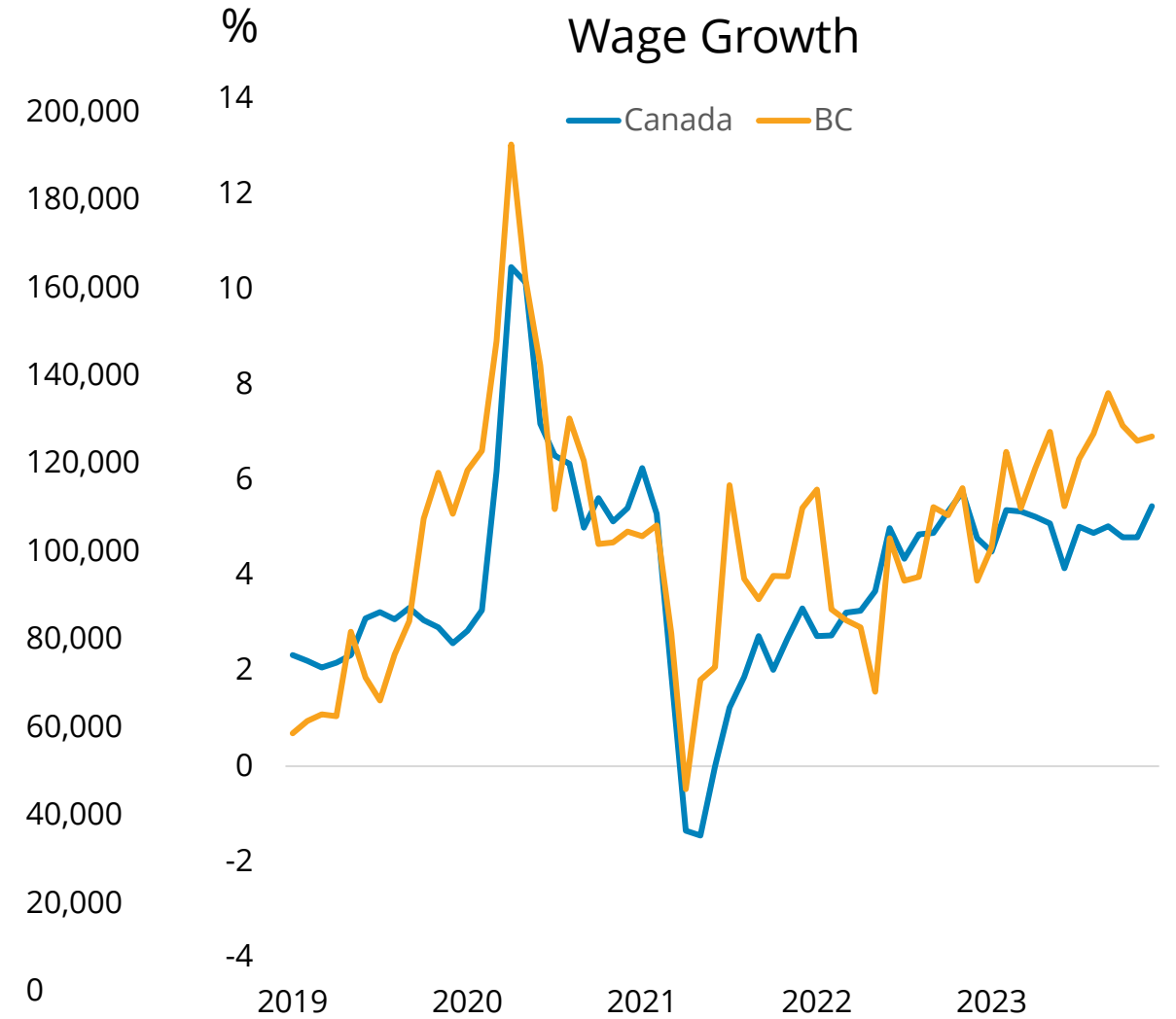
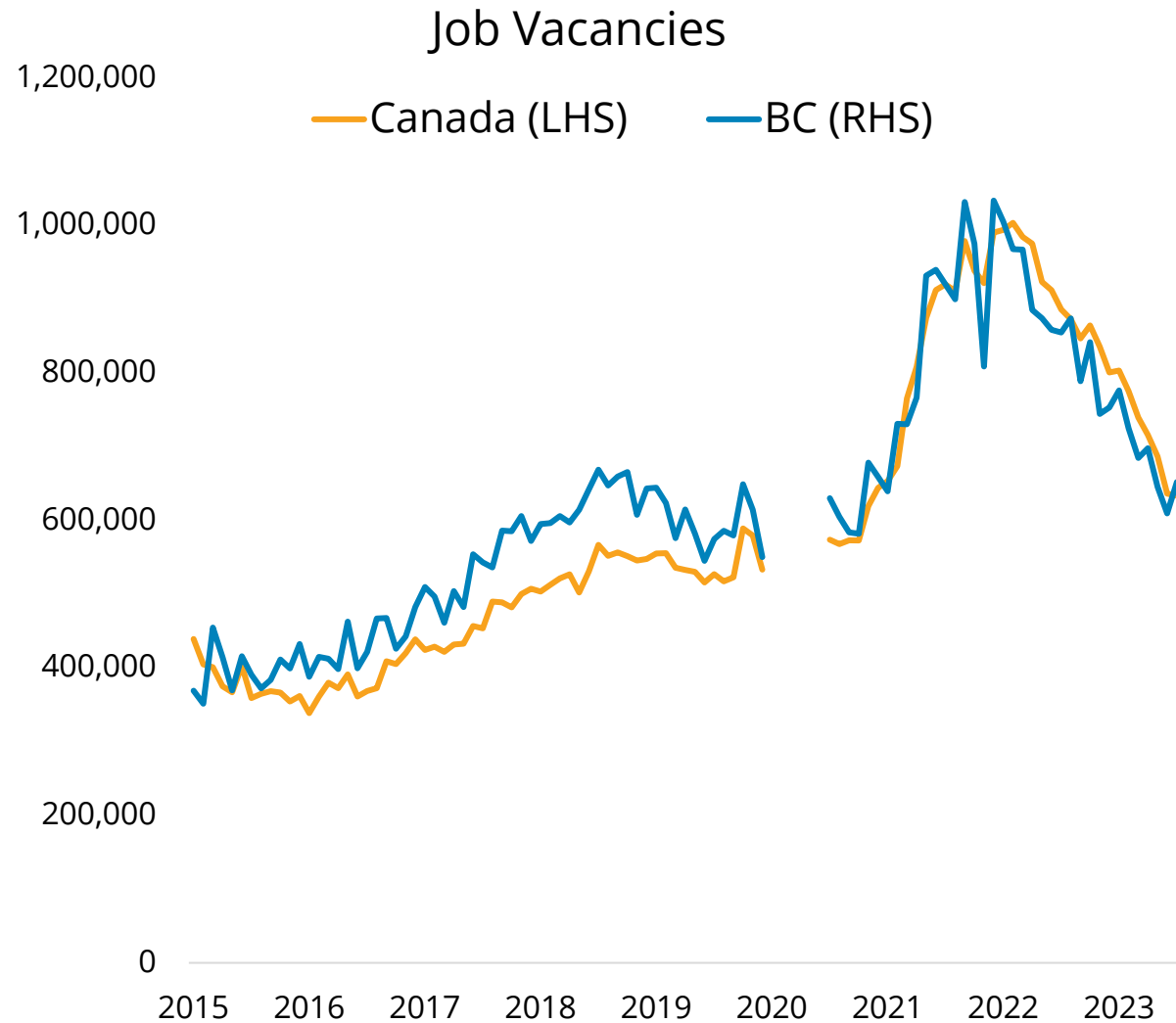
#SCHITTSCEEK

Pop TV

Thanks! Questions?

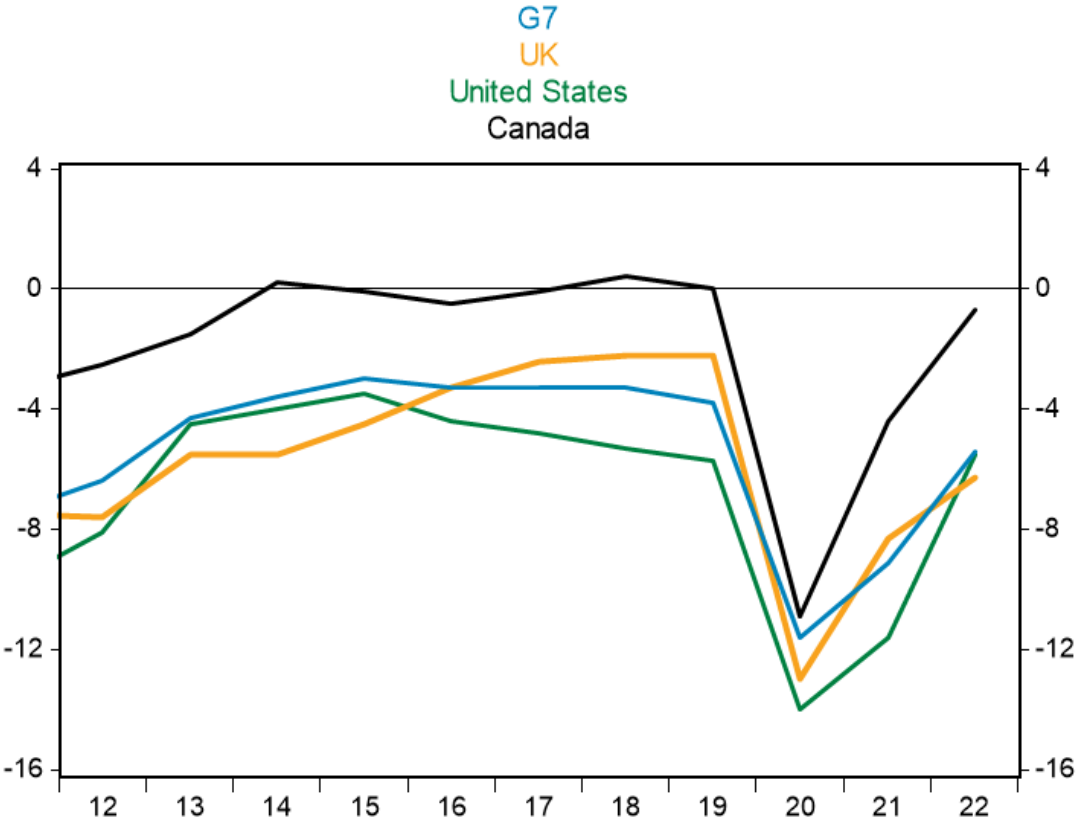


Job Vacancies Have Normalized, Wage Growth Should Slow



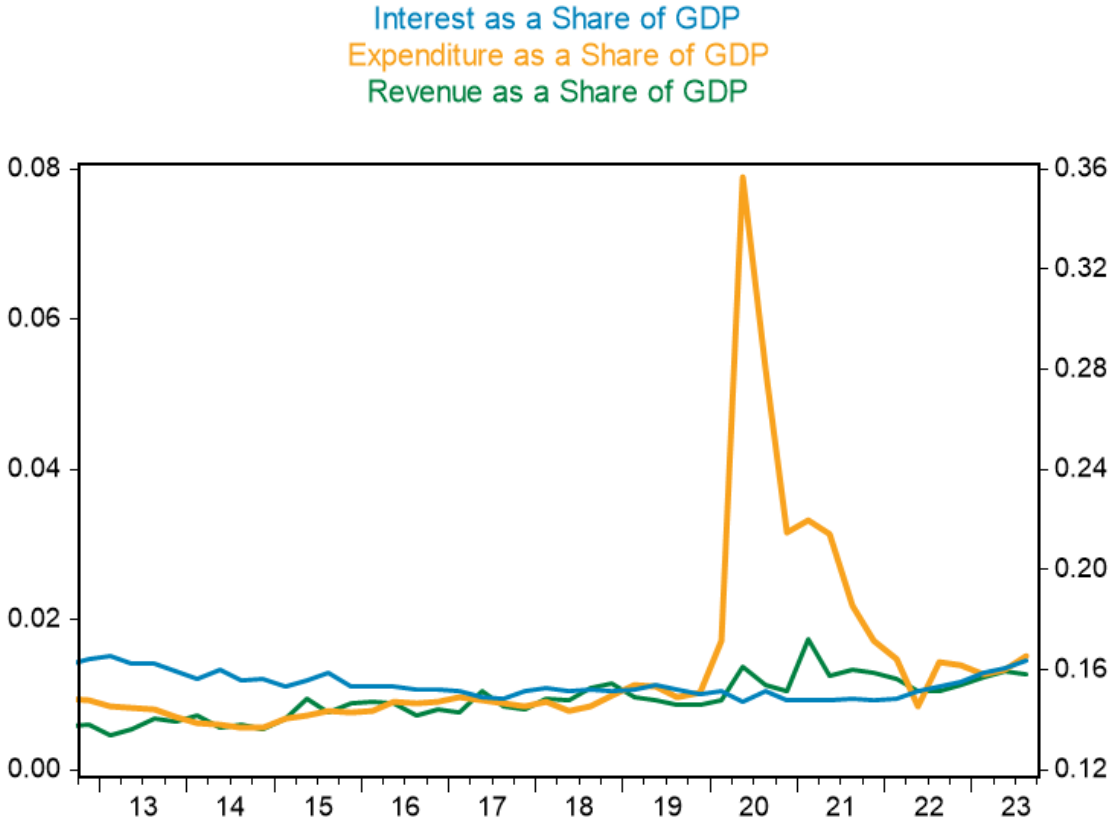
Fiscal Policy

Budget Balance as a Share of GDP (G7 Comps)



Source: Department of Finance Canada/Haver Analytics

Federal Expenditures and Revenues as a Share of GDP

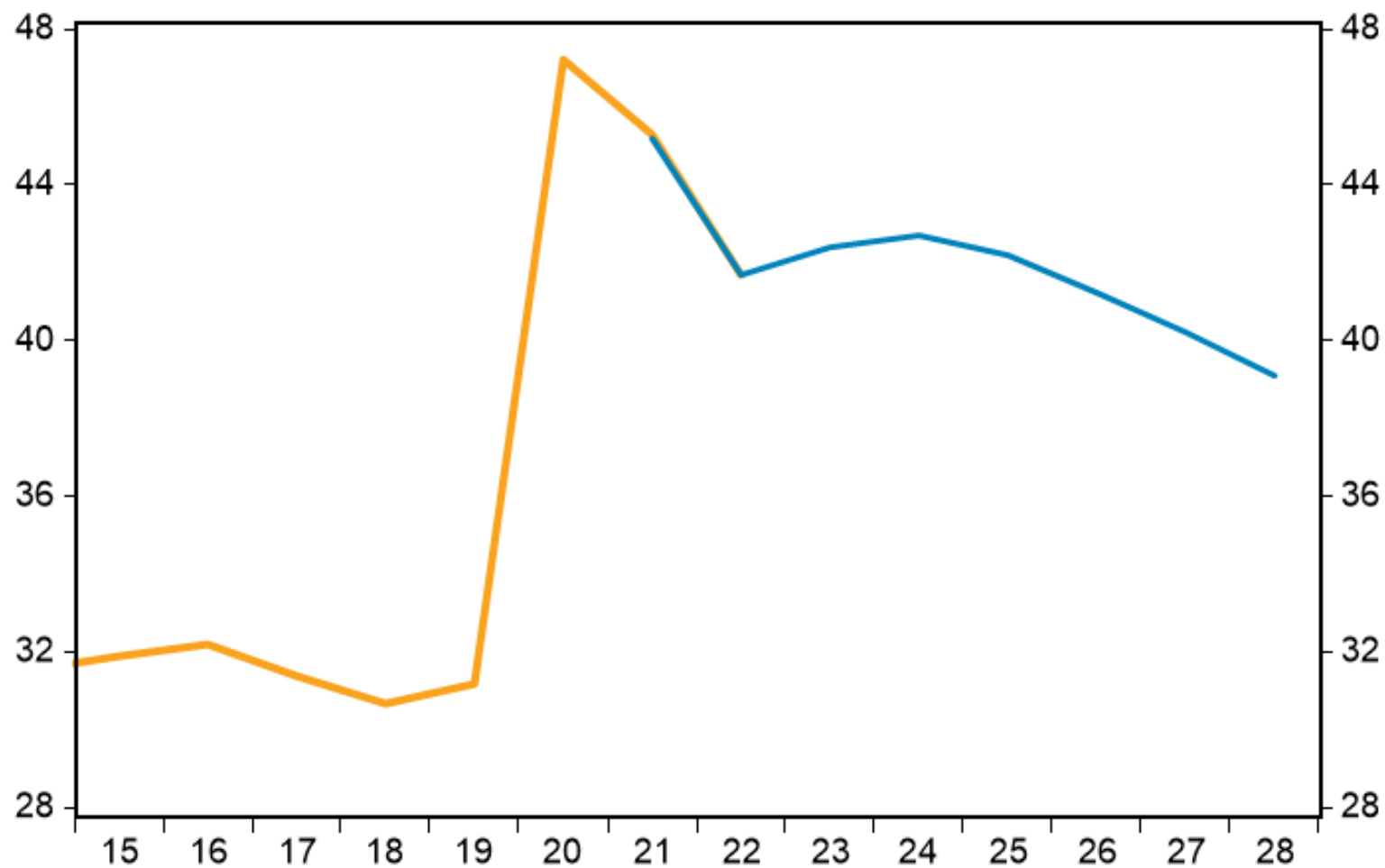


Source: Haver Analytics

Canada: Fiscal Projections: FY Federal Debt as a Percent of GDP

%

Actual Federal Debt to GDP



Source: Department of Finance, Canada/Haver Analytics



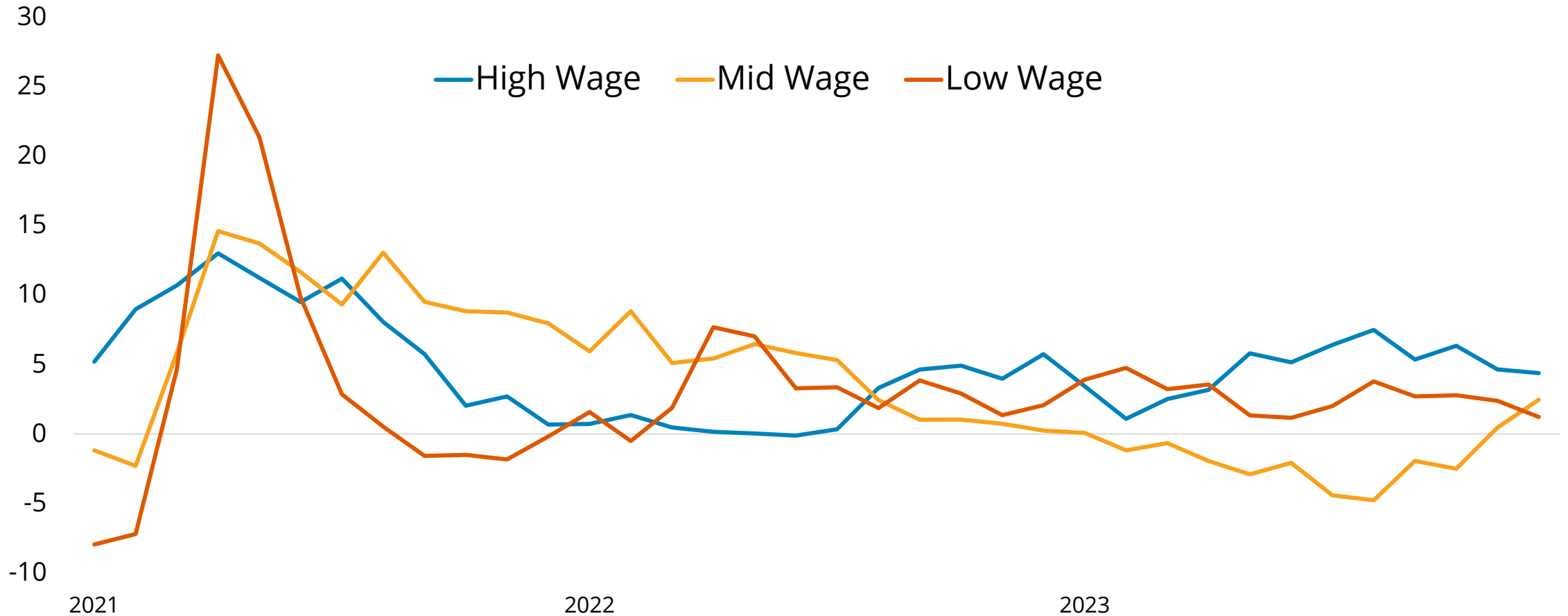
Leaving 2019



Entering 2024

BC Job Growth Tilted Toward High Wage Jobs

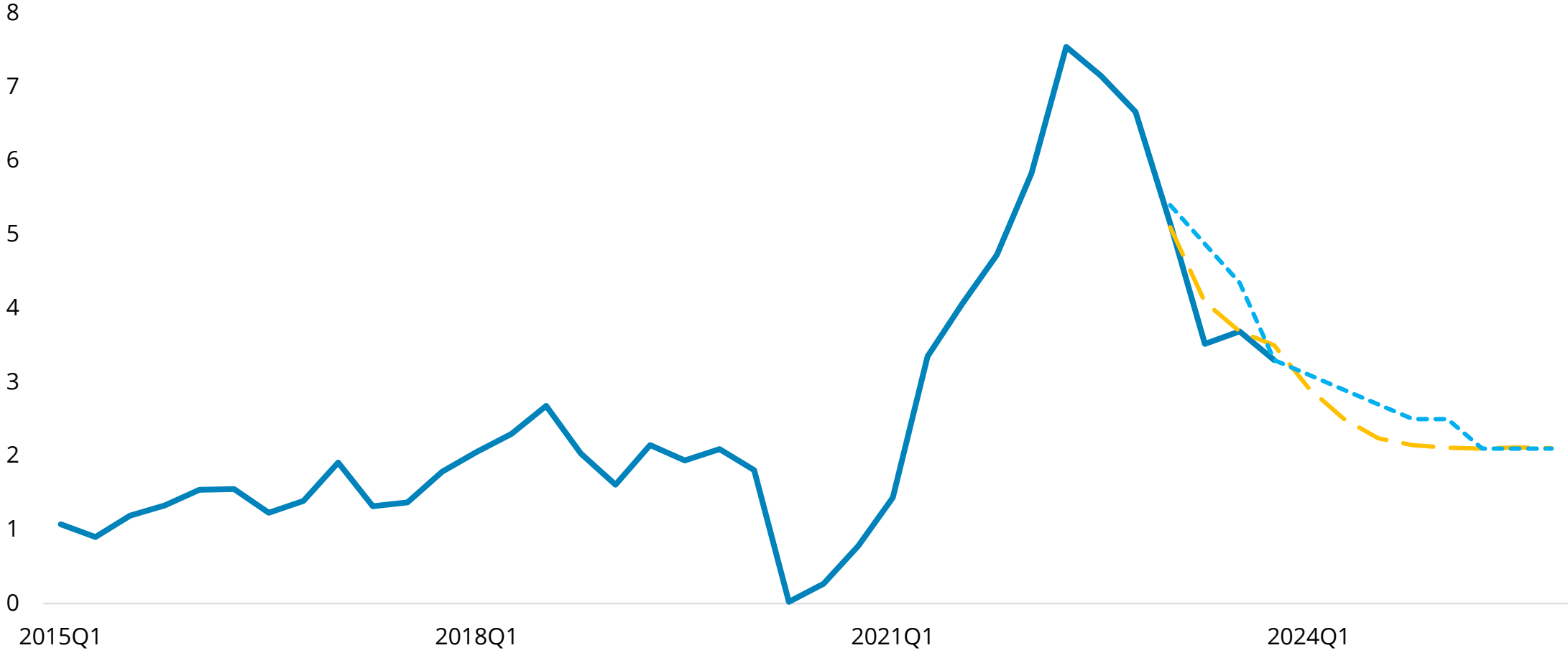
% Year-over-Year Change in Employment



Inflation Slightly Ahead of Forecast

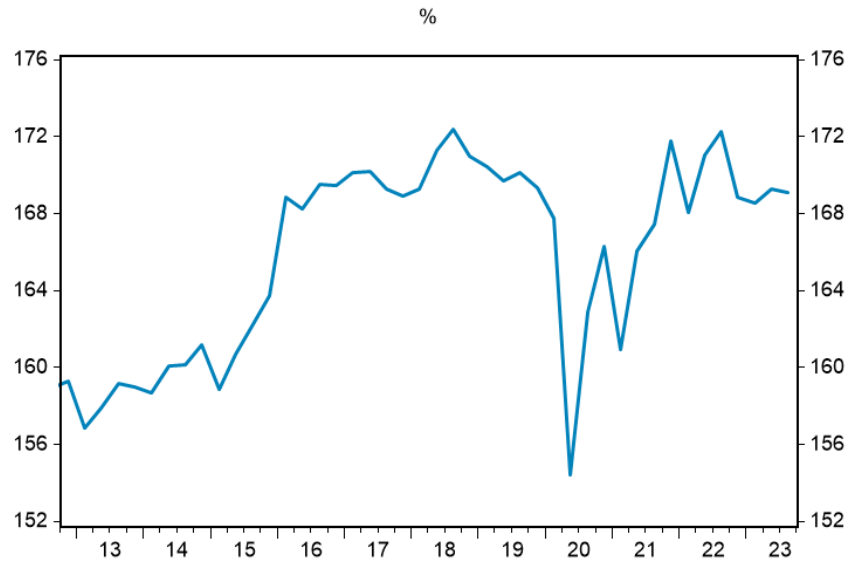
Year-over-Year % Change in CPI

CPI BCREA Forecast Bank of Canada Forecast



Source: BCREA Economics, Bank of Canada

Canada: HHs/Nonprofit Inst Debt Outstanding [Mkt Val] to SA Disposable In...



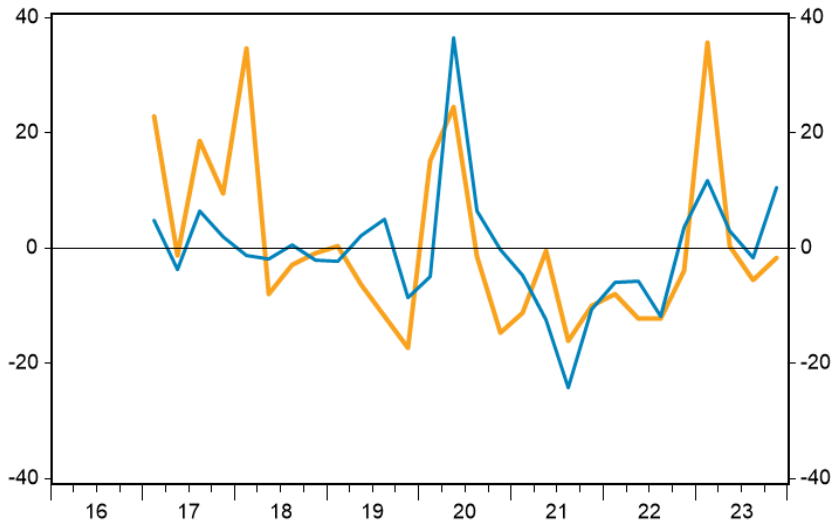
Source: Statistics Canada/Haver Analytics

Canada: Senior Loan Officer Survey: Nonmortgage Lending Conditions

%Bal

Canada: Senior Loan Officer Survey: Mortgage Lending Conditions

%Bal



Source: Bank of Canada/Haver Analytics

% in Arrears (at least 60 Days)

