

Economics

HOUSING FORECAST

April 2024

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Economic Outlook

After a slow start for the housing market in 2024, all eyes are on the Bank of Canada. Indeed, it appears that buyer confidence is hinging on seeing the Bank of Canada lower its policy rate returning to the market. BC home sales are tracking at a 65,000 unit annual rate through the first quarter of this year, essentially the same languid pace as the first quarter of last year. This is even though Canadian five-year fixed mortgage rates have already plummeted to start the year, falling from over 6 per cent in late 2023 to 5.09 per cent in the first quarter.

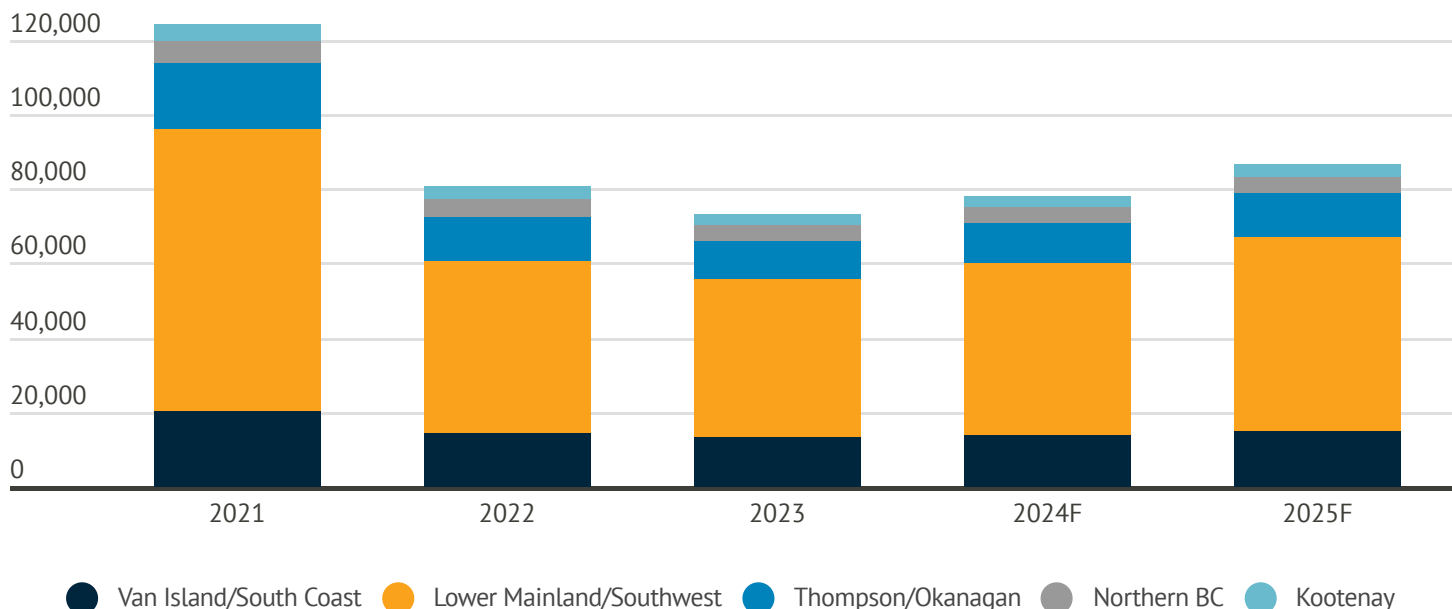
Therefore, the biggest question for the provincial housing market is when the Bank of Canada will lower its policy rate and by how much. The answer to that question depends on how the Canadian economy and, crucially, Canadian inflation will evolve in the coming months. The Canadian economy managed to eke out meagre growth in 2023 and narrowly avoid a technical recession, often defined as two consecutive quarters of negative real GDP growth. While not in a recession, a wide range of measures paint a portrait of a rather sickly Canadian economy. While Canada's falling real GDP per capita, or how much Canada is producing relative to its population, has been extensively covered, other alternative measures of growth are also underperforming. In particular, the growth of private domestic demand, which measures the strength of spending by Canadian firms and households, has been negative for two quarters,

While the growth of real gross domestic income, essentially the sum of Canadian wages and profits, only recently returned to positive territory. Moreover, job growth has slowed, and the unemployment rate finished the first quarter at 6.1 per cent, the highest level in three years.

Likewise, the BC economy is underperforming. We are tracking economic growth this year at around 1.5 per cent, following equally sub-par growth in 2023. Although the BC labour market is still producing jobs and very strong wage growth, households have simply not been in the mood to spend. Household consumption growth was about a third lower than normal in 2023 and is off to a slow start in 2024, with January retail sales down 1.5 per cent year-over-year. With headwinds from high interest rates and unfavourable market conditions hitting residential investment this year, we expect it to be another slow year for economic growth in the province.

Significant progress has been made over the past year to bring inflation back under control with headline CPI inflation falling from a peak of 8.1 per cent in the summer of 2022 to under 3 per cent now. More importantly, core measures of inflation have dropped significantly and are now well under 2 per cent on a three-month annualized basis, while the three-month measure of CPI-ex shelter has turned negative.

MLS® Home Sales *British Columbia*





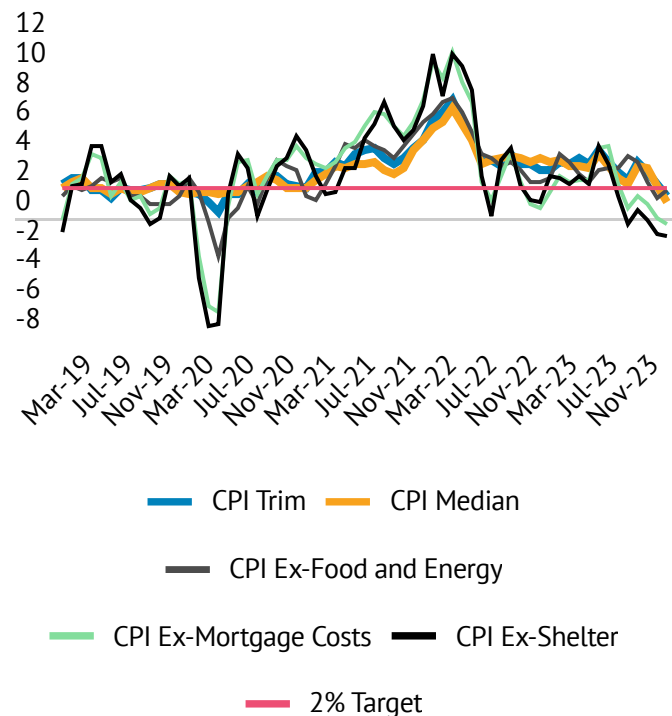
Economic Outlook

Clearly, the main driver of inflation is shelter costs, which are currently being propelled by high population growth and a lack of supply, neither of which are problems high interest rates can solve.

Weak economic growth, a slowing labour market, and a downward trend in inflation should be signalling to the Bank of Canada that it is time to start lowering its policy rate. We continue to forecast that the Bank will cut its policy rate starting in June, with as much as 100 basis points of cuts by the end of 2024. As a result, we expect home sales to pick up in the second half of the year ultimately rising 6.9 per cent over last year and heading into 2025 with strong momentum. On the supply side, slow home sales over the past year have translated to rising total inventory, though that rise was somewhat muted by very low new listings activity last year. The result is an essentially balanced market, though at a low level of overall market activity. With prices starting to trend up in recent months, it will be crucial for the supply of new listings to keep pace with sales to contain price growth at a time when affordability has never been more challenging. We anticipate that the average price in BC will tick slightly higher this year, rising 1.7 per cent followed by a 3.6 per cent rise in 2025.

Core Inflation

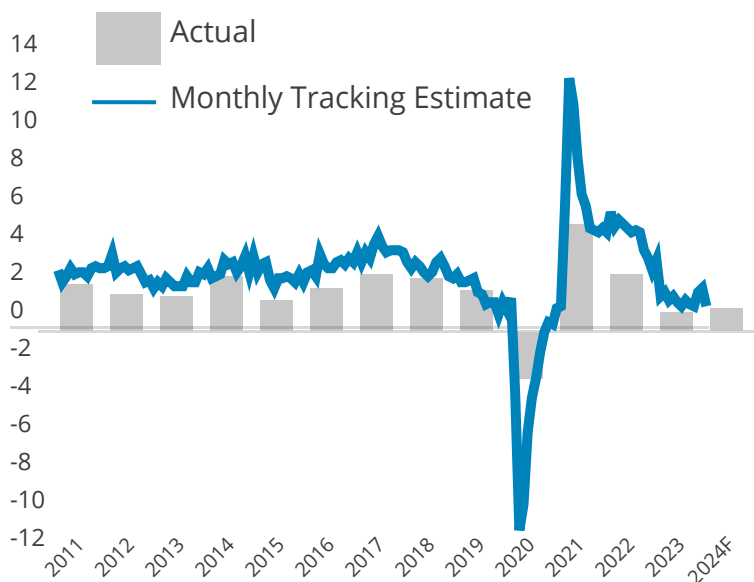
% Three-Month Annualized



BCREA Nowcast

(British Columbia)

% Year-Over-Year Real GDP Growth



Source: BCREA Economics

Mortgage Rate Forecast

(% Five-Year Fixed Rate)



Source: Rob McLister; BCREA Economics



BC Economic Outlook

	2020	2021	2022	2023	2024F	2025F
Real GDP Growth (%)	-3	7.1	3.5	1.2	1.5	2.4
Employment Growth (%)	-6.5	6.2	3.1	1.5	1.2	1.9
Unemployment Rate (%)	9	6.5	4.6	5.2	5.8	5.5
Personal Disposable Income Growth (%)	8.8	5	4.8	3.5	3.2	4.5
Weekly Wage Growth (%)	8.1	2.4	4.8	6	4.5	2
Retails Sales Growth (%)	1.2	12.6	2.7	1.5	2.5	4.5

BC Housing Outlook

	2020	2021	2022	2023	2024F	2025F
MLS® Unit Sales	93,368	123,982	80,525	73,101	78,825	86,575
% change	21.2	32.8	-35.1	-9.2	7.8	9.8
MLS® Average Price	\$782,419	\$927,334	\$996,800	\$970,800	\$987,600	\$1,022,600
% change	11.6	18.5	7.5	-2.6	1.7	3.5
MLS® Dollar Volume (\$billions)	\$73.05	\$114.97	\$80.27	\$70.97	\$77.85	\$88.53
% change	35.2	57.4	-30.2	-11.6	9.7	13.7
Housing Starts	37,734	47,607	46,721	50,490	45,500	46,000
% change	-16.02	26.2	-1.9	8.1	-9.9	1.1
Single	8,519	11,025	9,906	6,965	7,500	7,000
% change	-3.1	29.4	-10.1	-29.7	7.7	-6.7
Multiple	29,215	36,682	36,815	43,525	38,000	39,000
% change	-19.1	25.2	0.6	18.2	-12.7	2.6
Average Five-Year Fixed Mortgage Rate	2.4%	2.2%	4.5%	5.6%	5.2%	5%

Source: Statistics Canada; Rob McLister; BCREA Economics



Vancouver Island-Coast

(Vancouver Island Real Estate Board / Victoria Real Estate Board / Powell River and Sunshine Coast Real Estate Board)

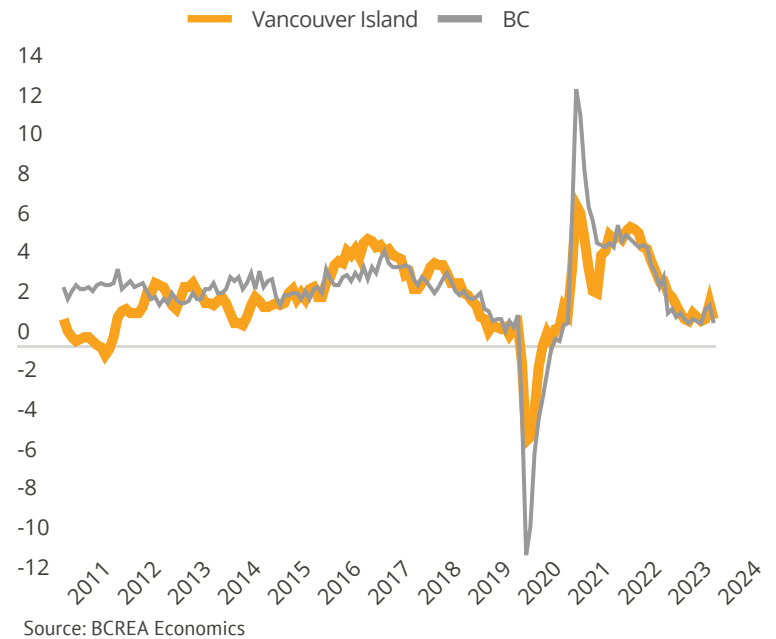
Home sales activity in the Vancouver Island Coast region started the year slowly, with the Victoria market and the rest of the Island registering below-average sales. A lack of overall market activity reflects the wider Island economy, which has seen growth slowing alongside the broader provincial economy.

However, we expect that much-anticipated Bank of Canada rate cuts this summer will provide certainty for borrowers and help to unlock significant pent-up demand, propelling home sales in the second half of this year. That should translate to a 9.5 per cent rise in unit sales for Victoria, a 4 per cent increase in the Vancouver Island board area, and a 29 per cent increase in Powell River.

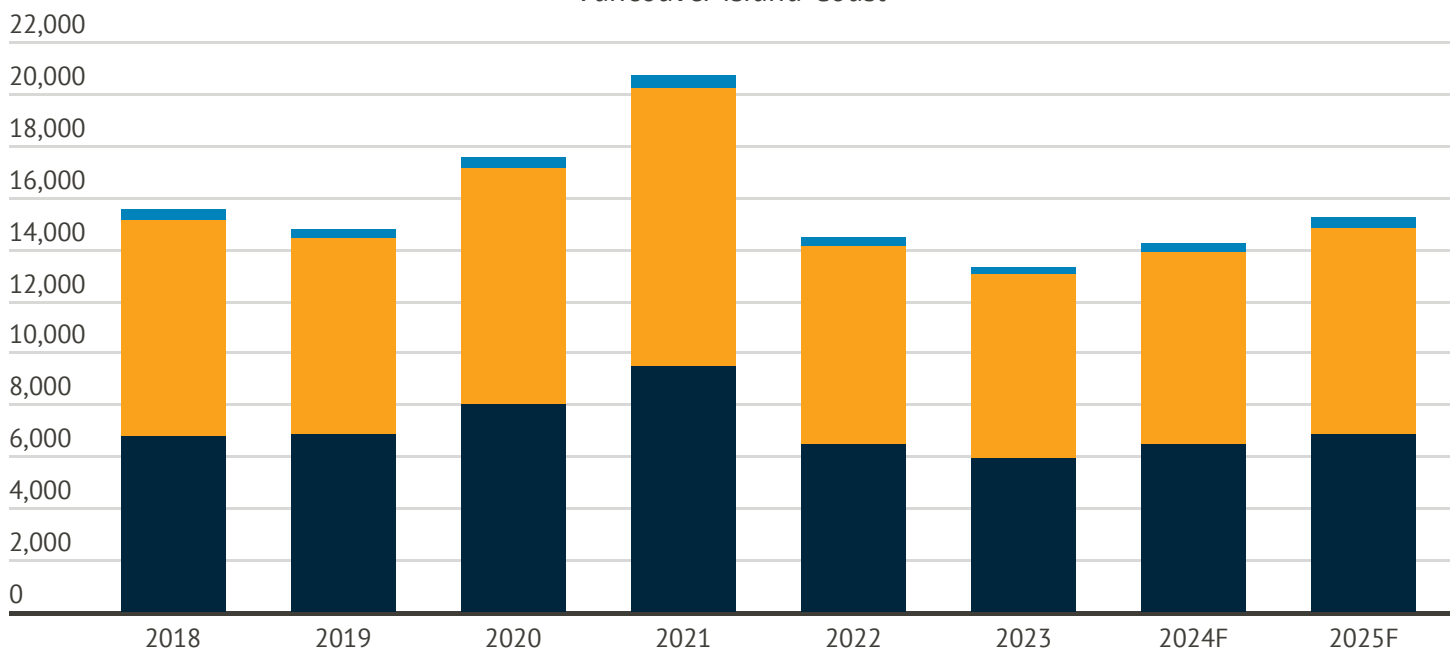
Home prices across the Vancouver Island and Coast region are expected to remain relatively flat this year as new listing activity rebounds and keeps total inventories in line with rising sales. The average MLS® price is forecast to rise 1.3 per cent in Victoria, 2.5 per cent in the Vancouver Island board area, and 2 per cent in Powell River. However, prices are forecast to rise in 2025 with growth ranging from 3 to 4 per cent in the region.

BCREA Nowcast

% Year-Over-Year Real GDP Growth



MLS® Home Sales Vancouver Island-Coast



Source: BCREA Economics

Victoria Vancouver Island Powell River



Vancouver Island-Coast

MLS® Unit Sales	2023	%	2024F	%	2025F	%
Victoria Real Estate Board	5,934	-8.7	6,500	9.5	6,900	6.2
Single Detached	2,774	-8.4	3,000	8.1	3,300	10
Apartment	2,056	-10.1	2,200	7	2,400	9.1
Townhouse	741	-3.8	800	8	950	18.8
Vancouver Island Real Estate Board	7,114	-6.6	7,400	4	7,900	6.8
Single Detached	4,402	-7.6	4,600	4.5	5,000	8.7
Apartment	869	-7.2	900	3.6	950	5.6
Attached	1,045	-0.9	1,100	5.3	1,200	9.1
Powell River Sunshine Coast Real Estate Board	256	-20.5	330	28.9	380	15.2
Single Detached	194	-22.1	300	54.6	304	1.3
MLS® Average Price	2023	%	2024F	%	2025F	%
Victoria Real Estate Board	982,350	-3.0	995,000	1.3	1,030,000	3.5
Single Detached	1,312,380	-2.7	1,278,000	-2.6	1,320,300	3.3
Apartment	628,729	-0.9	643,700	2.4	669,400	4
Townhouse	804,106	-5.8	845,400	5.1	883,300	4.5
Vancouver Island Real Estate Board	716,744	-6.7	735,000	2.5	765,000	4.1
Single Detached	868,588	-4.6	885,000	1.9	919,800	3.9
Apartment	406,938	-4.2	444,300	9.2	466,000	4.9
Attached	586,489	-2.1	607,200	3.5	643,500	6
Powell River Sunshine Coast Real Estate Board	632,576	-4.1	645,000	2	668,000	3.6
Single Detached	723,407	-1.9	760,000	5.1	787,101	3.6



Lower Mainland

(Greater Vancouver REALTORS® / Fraser Valley Real Estate Board / Chilliwack and District Real Estate Board)

The Lower Mainland tends to be the engine of the BC economy, and we are currently tracking economic activity at a pace well above that of the rest of the province. Though deteriorating affordability is and will remain a significant concern, particularly in the pricier markets of Greater Vancouver, we do expect sales activity to pick up significantly later this year.

A combination of falling fixed mortgage rates and strong population growth is forecast to drive sales higher this year and next. After a very slow 2023, we forecast sales in Greater Vancouver will rise 7.3 per cent this year, while the Fraser Valley will see sales rise 7.4 per cent, and Chilliwack sales are expected to increase 8.1 per cent.

After a 20-year low for new listings in 2023, we expect listing activity to normalize in 2024. That should help mute price growth this year, with all Lower Mainland markets seeing price growth in the 1 to 2 per cent range. However, the full impact of falling interest rates and a recovering economy is expected to buoy prices in the more affordable areas of the Lower Mainland in 2025, with prices rising 4 per cent or more in Chilliwack and the Fraser Valley.

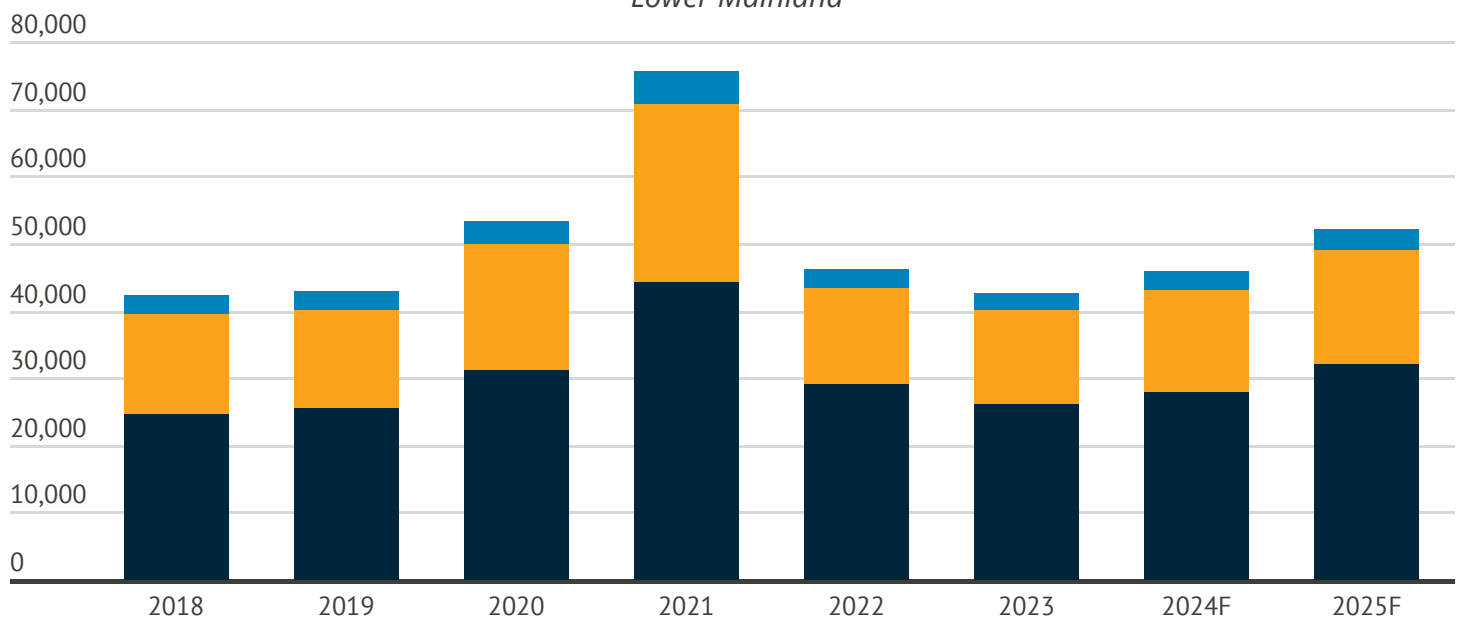
BCREA Nowcast

% Year-Over-Year Real GDP Growth



MLS® Home Sales

Lower Mainland



Source: BCREA Economics

Greater Vancouver Fraser Valley Chilliwack



Lower Mainland

MLS® Unit Sales	2023	%	2024F	%	2025F	%
Greater Vancouver REALTORS®	26,098	-10	28,000	7.3	32,000	14.3
Single Detached	7,425	-9.7	7,900	6.4	9,100	15.2
Apartment	13,694	-12.2	14,300	4.4	16,400	14.7
Townhouse	4,814	-3.2	4,900	1.8	6,000	22.4
Fraser Valley Real Estate Board	13,970	-4.1	15,000	7.4	17,000	13.3
Single Detached	5,140	-5.8	5,500	7	6,200	12.7
Apartment	4,649	-4.1	5,000	7.6	5,800	16
Attached	3,873	-3	4,100	5.9	4,600	12.2
Chilliwack and District Real Estate Board	2,591	1.1	2,800	8.1	3,000	7.1
Single Detached	1,396	4.8	1,500	7.4	1,600	6.7
Apartment	433	-11.3	500	15.5	550	10
Attached	630	2.6	700	11.1	800	14.3
MLS® Average Price	2023	%	2024F	%	2025F	%
Greater Vancouver REALTORS®	1,276,960	0.2	1,290,000	1	1,310,000	1.6
Single Detached	2,182,226	0.8	2,160,900	-1	2,215,900	2.5
Apartment	801,188	0.5	830,900	3.7	841,100	1.2
Townhouse	1,221,784	1.9	1,272,500	4.2	1,303,500	2.4
Fraser Valley Real Estate Board	1,016,856	-7.2	1,030,000	1.3	1,080,000	4.9
Single Detached	1,585,014	-5	1,590,000	0.3	1,633,900	2.8
Apartment	544,614	-2.2	563,700	3.5	585,600	3.9
Attached	841,258	-4	864,600	2.8	903,300	4.5
Chilliwack and District Real Estate Board	744,146	-8.3	755,000	1.5	785,000	4
Single Detached	947,856	-6.7	969,600	2.3	1,003,800	3.5
Apartment	392,384	-3.2	397,900	1.4	409,700	3
Attached	607,944	-6.7	622,900	2.5	644,100	3.4



Thompson-Okanagan

(Association of Interior REALTORS®)

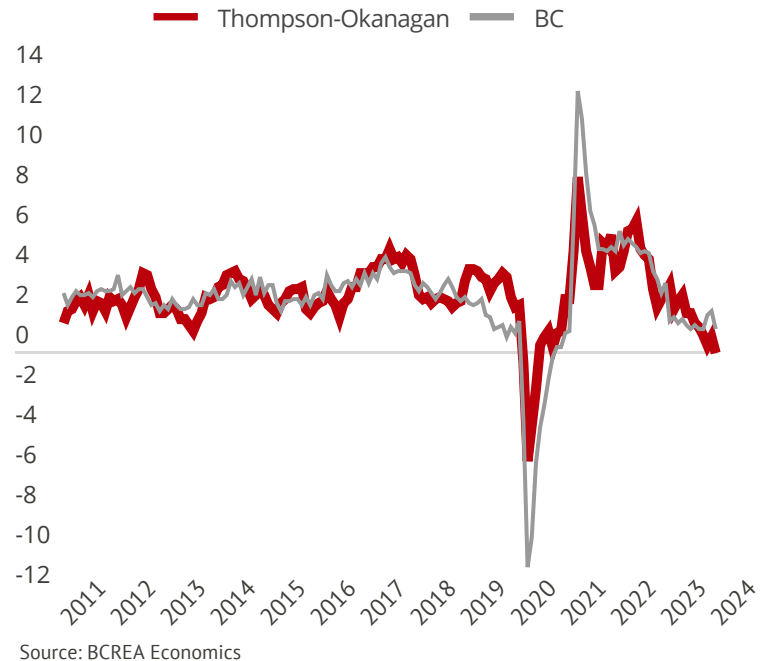
The economy of the Thompson-Okanagan region appears to be struggling to start 2024, and the housing market is struggling along with it. Indeed, the Thompson-Okanagan is currently the only region in BC where the economy is deteriorating according to our Nowcast measure, and it's also the one region where home sales in the first quarter have fallen behind 2023's already slow pace.

That said, we do expect things to turn around in the second half of 2024 as pent-up demand in the region is finally unleashed. We are forecasting home sales in the Okanagan region will rise close to 7 per cent this year and will pick up a further 6 per cent in 2025. Similarly, home sales in Kamloops are expected to rise 4 per cent this year, and 8 per cent in 2025.

Active Listings in the Okanagan have accumulated over the past year due to slow sales. Total inventory is now at its highest level in close to a decade. As a result, price growth will remain muted this year at just 1.4 per cent. Conversely, Kamloops' inventory remains severely depleted, and an expected recovery in sales is anticipated to drive prices about 4.5 per cent higher this year.

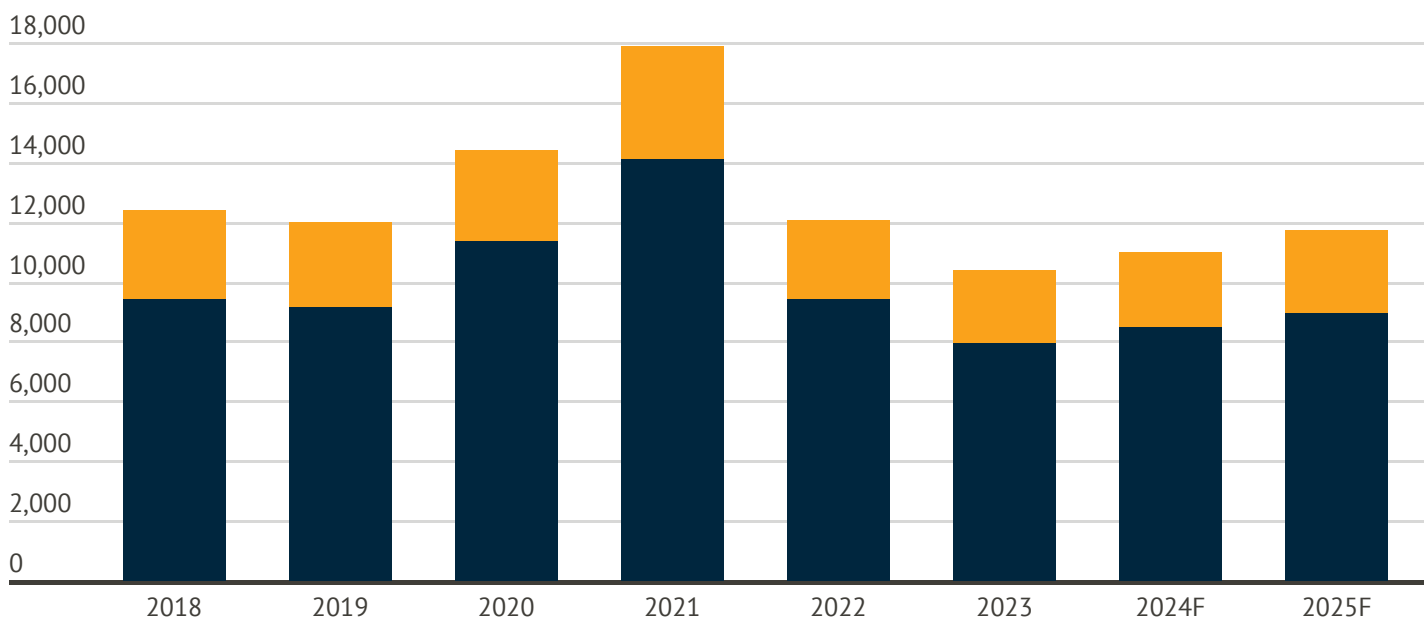
BCREA Nowcast

% Year-Over-Year Real GDP Growth



MLS® Home Sales

Thompson-Okanagan



Source: BCREA Economics

■ Okanagan ■ Kamloops



Thompson-Okanagan

MLS® Unit Sales	2023	%	2024F	%	2025F	%
Okanagan ¹	7,957	-15.8	8,500	6.8	9,000	5.9
Single Detached	4,541	-17.4	4,800	5.7	5,100	6.3
Apartment	1,722	-19.5	1,900	10.3	2,000	5.3
Townhouse	1,369	-11	1,450	5.9	1,500	3.4
Kamloops ¹	2,405	-8.2	2,500	4	2,700	8
Single Detached	1,416	-7.8	1,475	4.2	1,625	10.2
Apartment	314	-12.5	325	3.5	350	7.7
Attached	474	-2.5	475	0.2	550	15.8

MLS® Average Price	2023	%	2024F	%	2025F	%
Okanagan ¹	749,778	-5.2	760,000	1.4	785,000	3.3
Single Detached	914,800	-3.5	929,300	1.6	969,000	4.3
Apartment	461,900	-6.3	468,300	1.4	502,400	7.3
Townhouse	620,500	-3.7	633,900	2.2	646,800	2
Kamloops ¹	597,932	-6.2	625,000	4.5	640,000	2.4
Single Detached	714,200	-5.4	715,600	0.2	731,900	2.3
Apartment	375,800	-2.6	385,600	2.6	402,200	4.3
Attached	614,900	-4.3	620,900	1	638,600	2.9

1. The Okanagan Mainline Real Estate Board (OMREB) amalgamated with the South Okanagan Real Estate Board (SOREB) on January 1, 2021, to form the Association of Interior REALTORS®. In February 2022, the Association merged with the Kootenay and Kamloops real estate boards.



Northern BC

(BC Northern Real Estate Board / South Peace River)

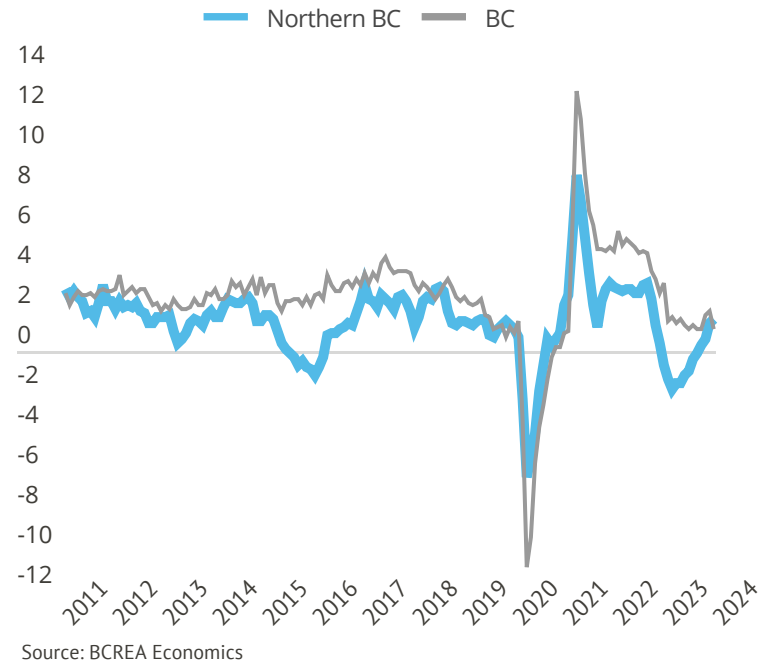
The economy of Northern BC, though diversifying in recent years, is still highly dependent on the resource sector. Consequently, the steep fall in commodity prices and the continued struggles of the forestry sector have taken their toll on employment in the area, and we estimate the North may have slipped into a mild recession in 2023 that it is now recovering from.

Reflecting those challenges, sales in the BC Northern region remained calm in the first quarter of 2024, with sales activity below the seasonal average for the region during most of the period. However, fixed mortgage rates have declined substantially recently as financial markets anticipate imminent Bank of Canada rate cuts. Those lower rates should provide a tailwind for sales in the region over the back half of 2024.

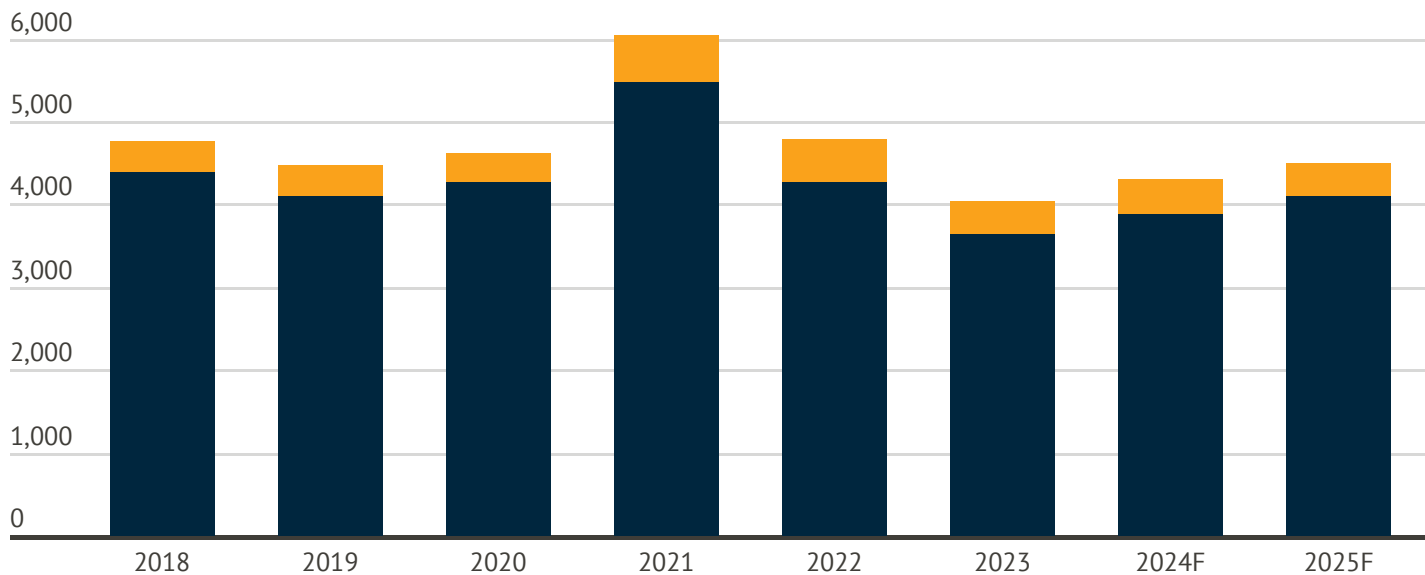
Active listings in the North continue to trend upwards, though the current level remains well short of the level needed for the market to be balanced if sales return to their historical norms. The average sale price in the BC Northern board area declined by 1 per cent to roughly \$404,000 in the first quarter, but as sales recover, we expect prices to rise about 2 per cent in a year and close to 5 per cent in 2025.

BCREA Nowcast

% Year-Over-Year Real GDP Growth



MLS® Home Sales Northern BC



Source: BCREA Economics

BC Northern South Peace River



Northern BC

MLS® Unit Sales	2023	%	2024F	%	2025F	%
BC Northern	3,644	-14.6	3,900	7	4,100	5.1
Single Detached	2,565	-15	2,800	9.2	3,000	7.1
South Peace River ¹	399	-24	400	0.3	400	0
Single Detached	335	-24.9	340	1.4	340	0
MLS® Average Price	2023	%	2024F	%	2025F	%
BC Northern	411,607	-0.7	420,000	2	440,000	4.8
Single Detached	471,350	-0.5	478,100	1.4	498,100	4.2
South Peace River ¹	288,322	6.8	290,000	0.6	295,000	1.7
Single Detached	318,580	6.3	320,000	0.4	325,000	1.6



Kootenay

(Association of Interior REALTORS®)

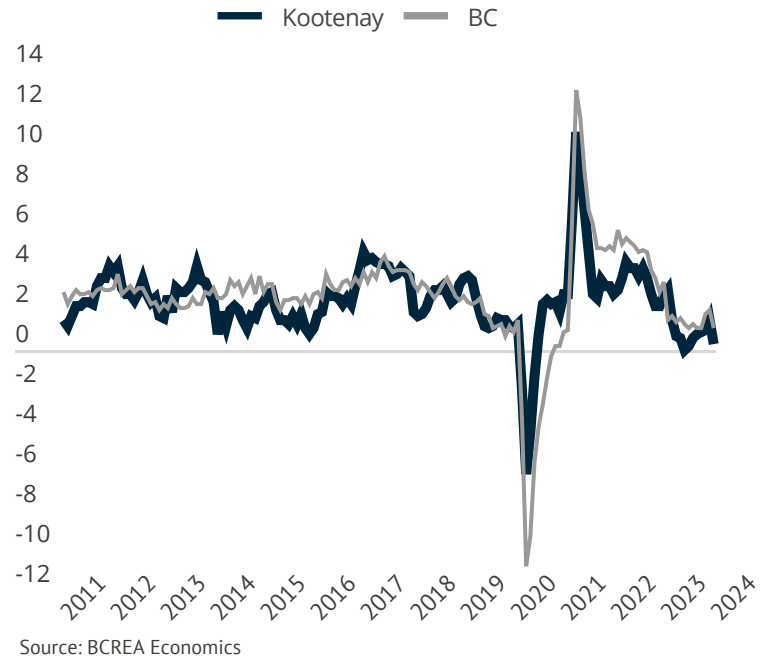
While our tracking measure of the Kootenay economy showed the region struggling through much of 2023, growth appears to be converging to the slow, but above zero growth of the wider provincial economy. Despite a challenging regional economy and elevated mortgage rates, home sales in the Kootenay have essentially tracked their long-run average in recent months.

Given that 2023 home sales in the Kootenay are already tracking at normal seasonal levels while other regions have somewhat languished to start the year, our forecast is for a more modest uptick in home sales this year to 2,800 before strengthening to over 3,000 sales for the first time since 2022.

The inventory of homes available for sale in the Kootenay was on a decade-long pre-pandemic downturn and has only come back to 2020's still severely depleted level in recent months. Given a normal pace of sales and very low listings, market conditions in the Kootenay are tighter than most regions around the province. That lack of supply has translated to double-digit price growth for four consecutive years. While we do not expect that trend to continue in 2024, we forecast close to 5 per cent growth in home prices this year.

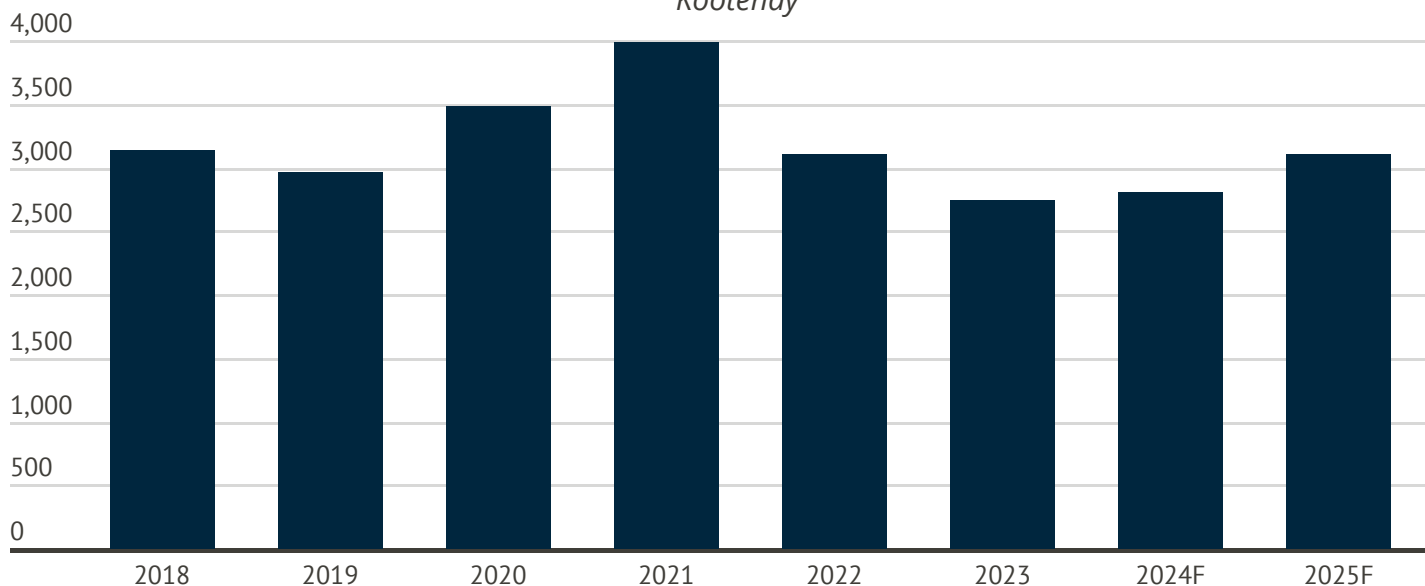
BCREA Nowcast

% Year-Over-Year Real GDP Growth



MLS® Home Sales

Kootenay



Source: BCREA Economics

— Kootenay



Kootenay

MLS® Unit Sales	2023	%	2024F	%	2025F	%
Kootenay ¹	2,733	-11.8	2,800	2.5	3,100	10.7
Single Detached	1,860	-9.1	1,900	2.2	2,050	7.9
Apartment	431	-12	450	4.4	500	11.1
Townhouse	285	-21.3	300	5.3	350	16.7
MLS® Average Price	2023	%	2024F	%	2025F	%
Kootenay	511,454	1	535,000	4.6	555,000	3.7
Single Detached	595,401	-0.7	604,400	1.5	615,600	1.9
Apartment	263,486	0.6	276,200	4.8	291,000	5.4
Townhouse	465,396	8.2	473,400	1.7	493,700	4.3

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Housing Forecast Summary – Second Quarter

Board Area	Unit Sales			Average MLS® Price (\$)		
	2023	2024F	2025F	2023	2024F	2025F
Victoria	5,934 -8.7%	6,500 9.5%	6,900 6.2%	982,350 -3%	995,000 1.3%	1,030,000 3.5%
Vancouver Island	7,114 -6.6%	7,400 4%	7,900 6.8%	716,744 -6.7%	735,000 2.5%	765,000 4.1%
Powell River Sunshine Coast	256 -20.5%	330 28.9%	380 15.2%	632,576 -4.1%	645,000 2%	668,000 3.6%
Greater Vancouver	26,098 -10.0%	28,000 7.3%	32,000 14.3%	1,276,960 0.2%	1,290,000 1%	1,310,000 1.6%
Fraser Valley	13,970 -4.1%	15,000 7.4%	17,000 13.3%	1,016,856 -7.2%	1,030,000 1.3%	1,080,000 4.9%
Chilliwack and District	2,591 1.1%	2,800 8.1%	3,000 7.1%	744,146 -8.3%	755,000 1.5%	785,000 4%
Association of Interior REALTORS®:						
Okanagan	7,957 -15.8%	8,500 6.8%	9,000 5.9%	749,778 -5.2%	760,000 1.4%	785,000 3.3%
Kamloops and District	2,405 -8.2%	2,500 4%	2,700 8%	597,932 -6.2%	625,000 4.5%	640,000 2.4%
Kootenay	2,733 -11.8%	2,800 2.5%	3,100 10.7%	511,454 1%	535,000 4.6%	555,000 3.7%
South Peace River	399 -24.0%	400 0.3%	400 0%	288,322 6.8%	290,000 0.6%	295,000 1.7%
BC Northern	3,644 -14.6%	3,900 7%	4,100 5.1%	411,607 -0.7%	420,000 2%	440,000 4.8%
BC Total	73,101 -9.2	78,130 6.9	86,480 9.8	970,800 -2.6	987,600 1.7	1,022,600 3.5



BCREA is the provincial association for BC REALTORS®. As a champion for the real estate sector, BCREA advances REALTOR® professionalism and ensures the REALTOR® voice is heard, for the benefit of consumers and communities, across BC. By working in collaboration with the province's real estate boards, our mission is to provide professional development opportunities, advocacy, economic and policy research, and standard forms so REALTORS® are trusted, respected, and proud of their profession.

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Additional economics information is available on BCREA's website at: bcrea.bc.ca.

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