

Third Quarter – August 2020

The recession prompted by COVID-19 is on pace to be one of the worst on record for the BC economy. However, looking at recent data in the housing market, it would be difficult to tell there was a recession at all. While home sales initially fell to historic lows in April, sales have recently soared, more than regaining pre-pandemic levels. Consequently, the outlook for the housing market is much brighter following a stronger than expected summer.

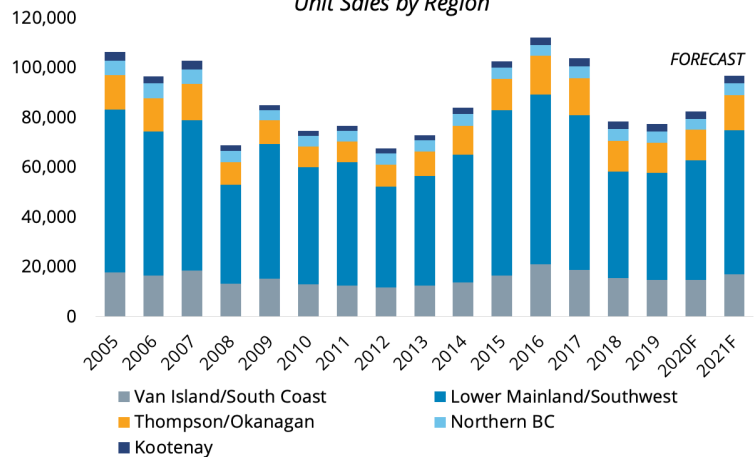
The explanation for the counter-intuitive performance of the housing market lies in the very unusual characteristics of the COVID-19 recession. Unlike in a typical recession, many of the job losses have been felt in lower-wage, frontline service sector jobs, typically held by younger workers. Meanwhile, higher-wage sectors that tend to drive the ownership market have seen employment levels fully recover. As a result, sales activity has spiked as record-low mortgage rates unleashed a wave of pent-up demand previously sidelined by the pandemic.

Moreover, while a recession typically means a build-up of inventory as job losses and falling incomes force households to sell, social distancing measures, mortgage deferrals and sellers' reluctance to move during the pandemic caused the supply of re-sale listings to decline through the spring.

The combination of strong home sales and an undersupplied market, along with a desire for more space on the part of buyers, has meant that many markets are now seeing sharply rising average prices despite a weak provincial economy.

While significant uncertainty remains, including the end or transition of key government supports and a concerning rise in COVID-19 cases, the unexpectedly swift rebound in the market means that BC home sales will almost certainly finish 2020 higher than 2019. We are forecasting total sales of 82,380 this year, before rising to 96,860 in 2021, as a recovering economy and low mortgage rates continue to drive demand. The average home price is forecast to rise 7.7 per cent this year and 3.7 per cent in 2021.

MLS® Residential Sales British Columbia Unit Sales by Region



Source: BCREA Economics

MLS®	2019	2020F	2021F	Housing Starts ¹	2019	2020F	2021F
Sales	77,351	82,380	96,860	Total	44,932	37,700	34,500
	-1.5%	6.5%	17.6%		10%	-16.1%	-8.5%
Avg Price	700,366	754,000	781,800	Single	8,792	8,800	8,500
	-1.6%	7.7%	3.7%		-21.2%	0.1%	-3.4%
\$ Volume	54.2 Bil	62.1 Bil	75.7 Bil	Multiple	36,140	28,900	26,000
	-3%	14.7%	21.9%		21.7%	-20%	-10%

1. Sources: BCREA Forecast; CMHC

BC Economic Outlook	2019 ¹	2020F	2021F
Real GDP Growth (%)	2.8	(5.2)	3.8
Employment Growth (%)	2.6	(6.5)	4
Unemployment Rate (%)	4.7	10	7.9
Personal Disposable Income Growth (%)	5	(4)	5
Weekly Wage Growth (%)	2.5	1	1.5
Retails Sales Growth (%)	0.6	(2.5)	4.5

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

Housing Forecast Summary – Third Quarter

Board Area	Unit Sales			Average MLS® Price (\$)		
	2019	2020F	2021F	2019	2020F	2021F
Victoria	6,892 1.8%	7,300 5.9%	8,500 16.4%	688,689 -1.7%	735,000 6.7%	760,000 3.4%
Vancouver Island	7,539 -10.2%	7,200 -4.5%	8,300 15.3%	488,848 5.1%	505,000 3.3%	520,000 3%
Powell River Sunshine Coast	321 -11.6%	330 2.8%	390 18.2%	363,099 0.6%	390,000 7.4%	400,000 2.6%
Greater Vancouver	25,681 2.5%	28,500 11%	34,500 21.1%	986,797 -5.9%	1,045,000 5.9%	1,070,000 2.4%
Fraser Valley	14,683 -1%	16,500 12.4%	20,000 21.2%	721,775 -3.5%	770,000 6.7%	790,000 2.6%
Chilliwack and District	2,790 -0.6%	2,950 5.7%	3,300 11.9%	523,333 1.3%	555,000 6.1%	570,000 2.7%
Kamloops and District	2,860 -3.8%	2,850 -0.3%	3,100 8.8%	418,712 7%	432,000 3.2%	445,000 3%
Okanagan Mainline	7,388 -2.2%	7,600 2.9%	8,700 14.5%	524,859 0.8%	565,000 7.6%	580,000 2.7%
South Okanagan*	1,768 -6.2%	1,900 7.5%	2,200 15.8%	429,677 2.7%	465,000 8.2%	480,000 3.2%
Northern Lights	358 -5.5%	350 -2.2%	370 5.7%	257,839 2.3%	260,000 0.8%	266,000 2.3%
Kootenay	2,965 -5.2%	2,850 -3.9%	3,000 5.3%	344,791 7.4%	362,000 5%	370,000 2.2%
BC Northern	4,106 -6.4%	4,050 -1.4%	4,500 11.1%	310,839 5.2%	327,000 5.2%	335,000 2.4%
BC Total	77,351 -1.5%	82,380 6.5%	96,860 17.6%	700,366 -1.5%	754,000 7.7%	781,800 3.7%

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

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