

Third Quarter – August 2021

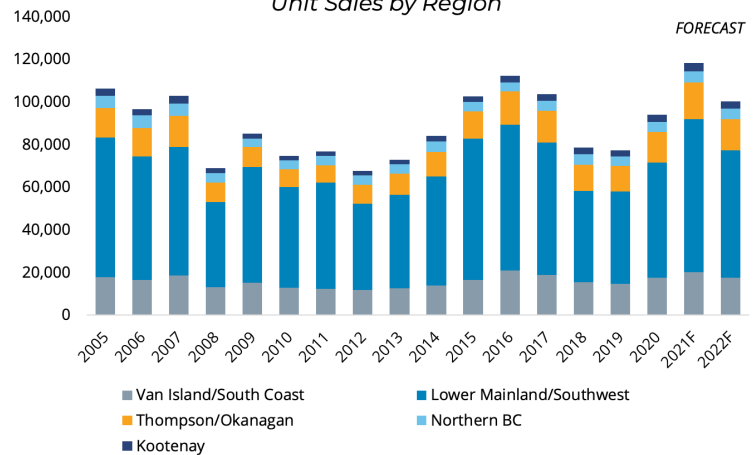
The pace of home sales in the province has slowed in recent months but an unprecedented start to the year still has BC on track for a record-breaking year.

An expected second-half slowdown has arrived, prompted by eroding affordability and a tightening of mortgage qualification rules. However, with the BC economy on track for very strong growth this year and next, along with the eventual return of normal migration flows, home sales are anticipated to remain well above long-run average levels into 2022.

Canadian mortgage rates have remained stable after rising from all-time lows earlier this year. At an average of just 2.14 per cent for a 5-year fixed rate and under 1.5 per cent for a variable rate, borrowing costs continue to be highly supportive of housing market activity. That said, the implementation of a new stress test rate, which is now the higher of a borrower's contract rate plus 200 basis points and 5.25 per cent for both insured and uninsured mortgages, has likely taken some demand out of the market. Even with sales moderating slightly in the second half of this year, we are forecasting that home sales in 2021 will set a new record of 118,350 units before slowing to 100,150 units in 2022.

With strong demand being supported by low mortgage rates and a rapidly rebounding post-COVID economy, the more significant concern is whether there will be an adequate supply of listings in the market. The supply situation is especially severe in markets outside the Lower Mainland, where new listings activity has been lacklustre. Even if sales come back down to long-run average levels, total listings would need to nearly double to bring markets back into balance. Prices are under significant upward pressure due to extremely tight market conditions, while buyer preferences are still tilted toward extra space and larger homes. As a result, the average price in 2021 is on track to post a second consecutive year of double digit gains. We are forecasting the provincial average price to rise 16.6 per cent to \$911,300 this year, followed by a 2.9 per cent gain next year to \$937,300.

MLS® Residential Sales British Columbia Unit Sales by Region



Source: BCREA Economics

MLS®	2020	2021F	2022F	Housing Starts ¹	2020	2021F	2022F
Sales	94,007	118,350	100,150	Total	37,7903	44,700	39,000
	21.5%	25.9%	-15.4%		-15.6%	17.9%	-12.8%
Avg Price	781,561	911,300	937,300	Single	8,601	10,800	10,700
	11.6%	16.6%	2.9%		-2.2%	25.6%	-0.9%
\$ Volume	73.5 Bil	107.9 Bil	93.9 Bil	Multiple	29,302	33,900	28,300
	35.6%	46.8%	-13%		--18.9%	15.7%	-16.5%

1. Sources: BCREA Forecast; CMHC

BC Economic Outlook	2020 ¹	2021F	2022F
Real GDP Growth (%)	(3.8)	6	4
Employment Growth (%)	(6.5)	6.5	3
Unemployment Rate (%)	9	6.8	5.5
Personal Disposable Income Growth (%)	(4)	5	4.5
Weekly Wage Growth (%)	8.1	2.2	2.5
Retails Sales Growth (%)	2	12.5	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 (\$)		
	2020	2021F	2022F	2020	2021F	2022F
Victoria	8,060 16.9%	9,300 15.4%	8,300 -10.8%	777,993 13%	890,000 14.4%	910,000 2.2%
Vancouver Island	9,055 20.1%	10,500 16%	8,900 -15.2%	531,086 8.6%	638,000 20.1%	655,300 2.7%
Powell River Sunshine Coast	416 29.6%	500 20.2%	400 -20%	420,586 15.8%	515,000 22.4%	535,000 3.9%
Greater Vancouver	31,611 23.1%	43,400 37.3%	36,000 -17.1%	1,066,199 8%	1,175,000 10.2%	1,200,000 2.1%
Fraser Valley	18,871 28.5%	23,600 25.1%	20,000 -15.3%	826,005 14.4%	993,900 20.3%	1,050,000 5.6%
Chilliwack and District	3,496 25.3%	4,600 31.6%	3,800 -17.4%	577,201 10.3%	698,000 20.9%	716,400 2.6%
Kamloops and District	3,044 6.4%	3,700 21.6%	3,100 -16.2%	458,827 9.6%	540,000 17.7%	565,000 4.6%
Interior*	11,370 20.4%	13,500 18.7%	11,500 -14.8%	586,444 11.7%	685,000 16.8%	710,000 3.6%
South Peace River**	332 -7.3%	450 35.5%	350 -22.2%	258,122 0.1%	283,000 9.6%	295,800 4.5%
Kootenay	3,480 17.4%	4,000 14.9%	3,200 -20%	383,924 11.3%	442,500 15.3%	465,000 5.1%
BC Northern	4,272 4%	4,800 12.4%	4,600 -4.2%	332,930 7.1%	377,000 13.2%	400,000 6.1%
BC Total	94,007 21.5%	118,350 25.9%	100,150 -15.4%	781,561 11.6%	911,300 16.6%	937,300 2.9%

*NOTE: 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®.

**The former Northern Lights Board, which was merged with SOREB in 2011, will now be called the South Peace River Region and is part of the new Association of Interior REALTORS®.

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 more than 23,000 REALTORS® in BC, focusing on provincial issues that impact real estate. Working with the province's ten real estate boards, BCREA offers 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.

Send questions and comments about the Housing Forecast to:

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

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