



# HOUSING FORECAST UPDATE

## HOUSING MARKET REACTS TO MORTGAGE STRESS TEST

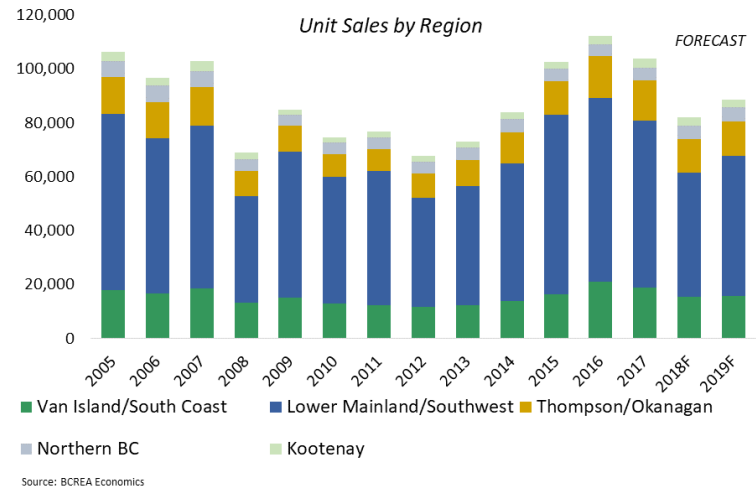
Multiple Listing Service (MLS®) residential sales in the province are forecast to decline 21 per cent to 82,000 units this year, after recording 103,768 residential sales in 2017. MLS® residential sales are forecast to increase 8 per cent to 88,700 units in 2019. The 10-year average for MLS® residential sales in the province is 84,800 units. The impact of stringent mortgage qualification rules on conventional mortgage borrowers introduced this year has severely eroded affordability and the purchasing power of many potential home buyers. The resulting shock to housing demand is expected to temper home sales through the rest of the year.

The BC economy remains on solid footing, with a low unemployment rate signaling a labour force nearly fully employed. However, after four consecutive years of 3 per cent or more real GDP growth, the economy is now expected to expand at a slower rate through 2019. Trend labour force growth, a policy-induced pullback in housing demand, slowing growth in consumer spending and a decline in construction activity is expected to slow BC economic growth to 2.8 per cent this year and 2.5 per cent in 2019.

Strong fundamentals continue to underpin housing demand. Demographics are highly favourable owing to the large cohort of millennials now entering their household-forming years. Low unemployment is leading to significant upward pressure on wages and, by extension, household incomes and consumer confidence. Against this backdrop, however, is the combined headwinds from the B20 stress test on conventional mortgages and higher mortgage interest rates, which are eroding affordability and purchasing power. This is especially acute given the already high price level in most BC regions.

The pullback in BC home sales is helping alleviate a chronic shortage of supply. After trending at decade lows last year, active listings in the province were up nearly 20 per cent in July. Even the supply-strapped Vancouver market has experienced a 30 per cent increase in active listings over the past year. The combination of slower housing demand and an increase in the inventory of homes for sale has trended most markets toward balanced conditions. This means more selection for home buyers, fewer multiple offer situations and less upward pressure on home prices.

### MLS® Residential Sales British Columbia



MLS®	2017 <sup>1</sup>	2018F	2019F	Housing Starts <sup>1</sup>	2017 <sup>1</sup>	2018F	2019F
Sales	103,768	82,005	88,730	Total	43,664	39,900	37,300
	-7.5%	-21%	8.2%		4.4%	-8.6%	-6.5%
Avg Price	709,577	723,200	761,600	Single	12,346	11,600	10,800
	2.7%	1.9%	5.3%		0.6%	-6%	-6.9%
\$ Volume	73.6 Bil	59.3 Bil	67.6 Bil	Multiple	31,318	28,300	26,500
	-5.1%	-19.4%	13.9%		5.9%	-9.6%	-6.4%

BC Economic Outlook	2017 <sup>1</sup>	2018F	2019F
Real GDP Growth (%)	3.9	2.8	2.5
Employment (millions)	2.467	2.489	2.526
Employment Growth (%)	3.7	0.9	1.5
Unemployment (000s)	133.9	126.6	136.5
Unemployment Rate (%)	5.1	4.9	5.2
Personal Disposable Income (\$billions)	183.8	192.2	200.3
Personal Disposable Income Growth (%)	4.9	4.6	4.2
Average Weekly Wage	936.4	978.6	989.5
Weekly Wage Growth (%)	1.7	4.5	2.0
Retail Sales (\$billions)	84.3	88.7	93.6
Retails Sales Growth (%)	9.3	5.2	5.5
Range of Posted 5-year Fixed Mortgage Rate	4.64- 4.99	4.99- 5.55	5.55- 5.90

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

## Housing Forecast Summary – Third Quarter

Board Area	Unit Sales			Average MLS® Price (\$)		
	2017	2018F	2019F	2017	2018F	2019F
Victoria	8,464 -16%	6,750 -20%	7,100 5%	\$652,928 11%	\$696,000 6.6%	\$701,000 0.7%
Vancouver Island	10,038 -5%	8,400 -16%	8,550 2%	\$431,255 13%	\$470,000 9.0%	\$475,000 1.1%
Powell River Sunshine Coast	406 -3%	330 -19%	340 3%	\$316,773 11%	\$370,000 16.8%	\$390,000 5.4%
Greater Vancouver	36,604 -10%	27,200 -25.7%	30,800 13%	\$1,030,000 1%	\$1,050,000 1.9%	\$1,085,000 3.3%
Fraser Valley	21,436 -7%	15,800 -26.3%	18,000 13.9%	\$701,842 4%	\$755,000 7.6%	\$792,000 4.9%
Chilliwack and District	3,983 -8%	3,050 -23%	2,900 -5%	\$464,897 17%	\$514,000 10.6%	\$515,000 0.2%
Kamloops and District	3,345 5%	3,050 -9%	3,150 3%	\$365,184 6%	\$388,000 6.2%	\$402,000 3.6%
Okanagan Mainline	9,053 -10%	7,500 -17.2%	7,800 4%	\$497,604 8%	\$539,000 8.3%	\$575,000 6.7%
South Okanagan*	2,433 -1%	2,025 -16.8%	2,050 1%	\$399,866 10%	\$425,000 6.3%	\$438,000 3.1%
Northern Lights	437 67%	425 -2.7%	365 -14%	\$248,718 7%	\$265,000 6.5%	\$268,600 1.4%
Kootenay	3,274 11%	3,100 -5.3%	2,975 -4%	\$307,051 9%	\$319,500 4.1%	\$337,000 5.5%
BC Northern	4,293 6%	4,375 1.9%	4,700 7.4%	\$274,131 4%	\$296,000 8.0%	\$317,000 7.1%
BC Total	103,768 -7.5%	82,005 -21%	88,730 8.2%	\$709,559 2.7%	\$723,200 1.9%	\$761,600 5.3%

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

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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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