

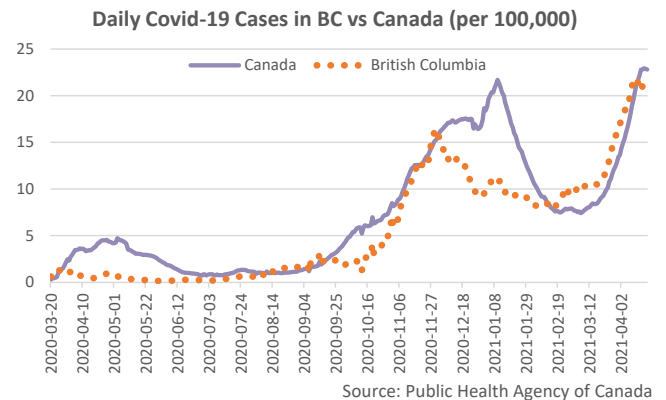
# FIRST QUARTER 2021 HOUSING MARKET DIGEST BRITISH COLUMBIA



## Are You Staying Safe?

The province of British Columbia is experiencing a high rate of Covid-19 infections. As is illustrated in this chart, the current average rate of new diagnoses is 20 per 100,000 people, just slightly lower than the rate (22) for all of Canada. This chart shows data up to April 19. Current data can be found here:

<https://health-infobase.canada.ca/src/data/covidLive/covid19.csv>



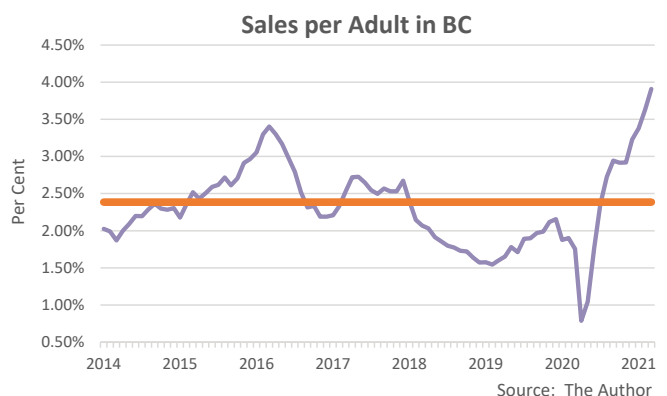
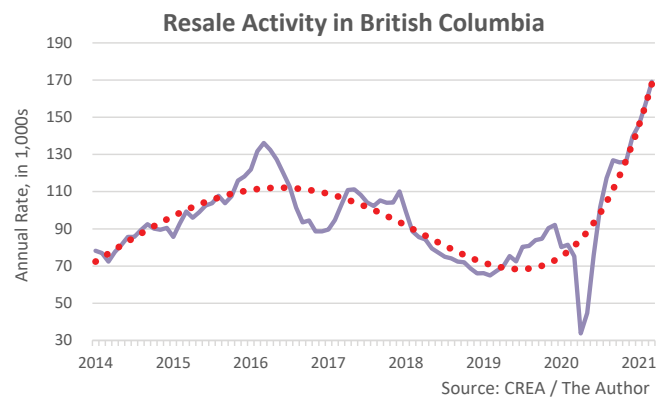
## Resale Market

BC has set two consecutive quarterly sales records. For the first quarter of 2021, the rate was 157,000. A combination of low interest rates and favourable affordability, along with healthy employment and strong desires to change housing situations, is resulting in increasingly strong sales.

Looking at sales rates over the past two decades and then making an adjustment for population growth, I calculate that an average rate is now about 103,000. On this population-adjusted basis, the province's sales rate for the first quarter was 53% above the long-term average.

This demand increment is slightly larger than for all of Canada, where the sales rate in the first quarter was 47% above the long-term average.

Looking at the entire period since January 2018, total sales in BC have been substantially (39,000, or 12%) below the population-adjusted average.



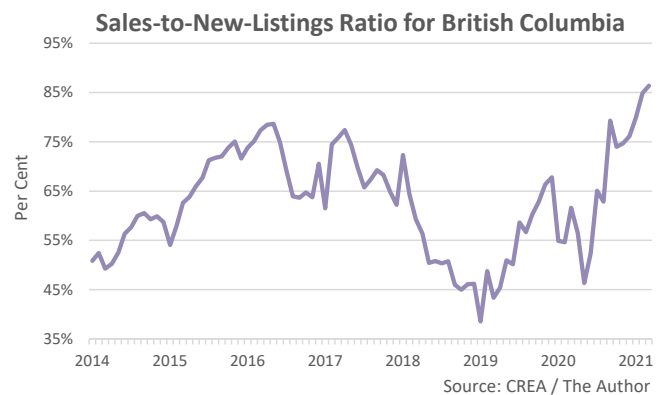
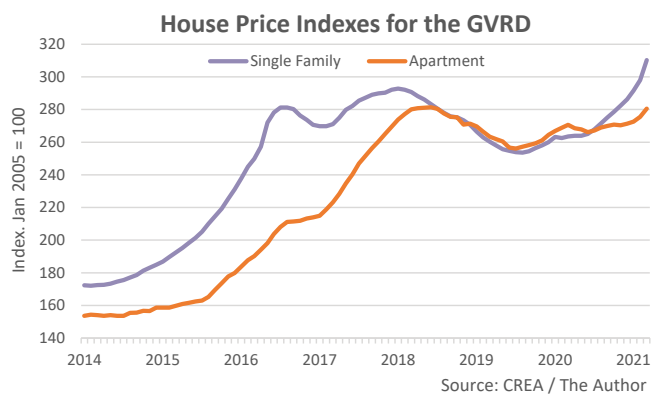
## Resale Market (Continued)

The flow of new listings into the market isn't keeping up with demand, which has caused the province's sales-to-new-listings ratio ("SNLR") to increase to a high level. The SNLR has averaged 79% during the past six months (very close to the national average of 80%).

It is above the threshold for a "balanced market", which for BC may be in the range of 47% - this is the level at which prices are expected to rise by 2% per year.

The sharp imbalance between supply and demand is now resulting in rapid price growth. CREA's house price indexes for the Greater Vancouver Regional District indicate that for the first quarter prices for single-detached homes were 14% higher than a year ago, although for apartments the increase is just 3%.

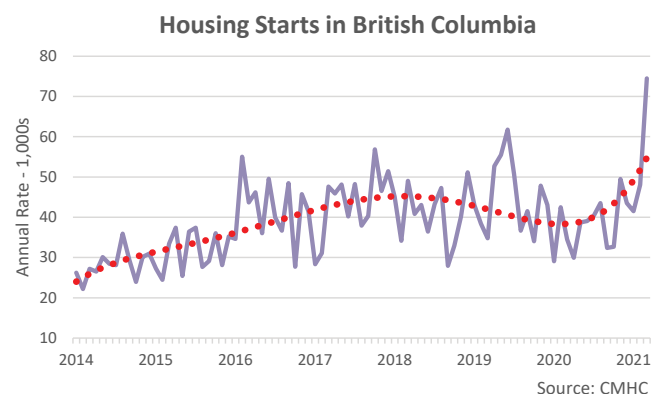
If more supply was available for low-rise housing, sales would very likely be stronger than they currently are, and price growth would be less extreme.



## Housing Starts

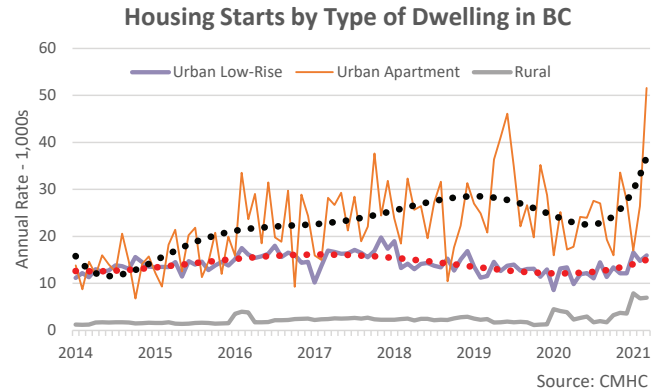
The trend of housing starts in BC is pointing upwards, but only because of an unusually large number in the final month (March).

Otherwise, starts within the province have shown only a weak response to stronger demand. The annualized rate of starts was 53,500 in the first quarter.



## Housing Starts (Continued)

Starts remain extremely weak for low-rise homes in urban areas, but apartment activity is very robust.



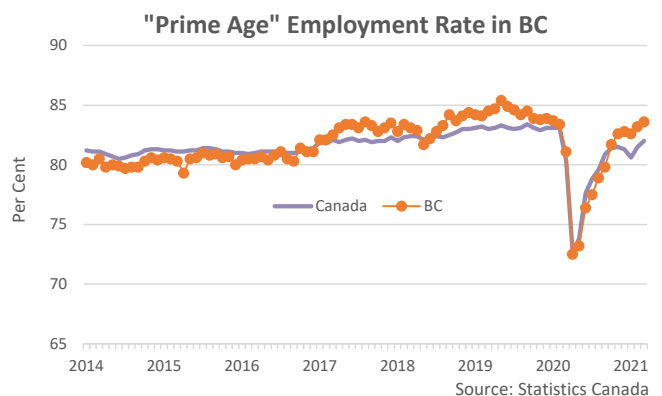
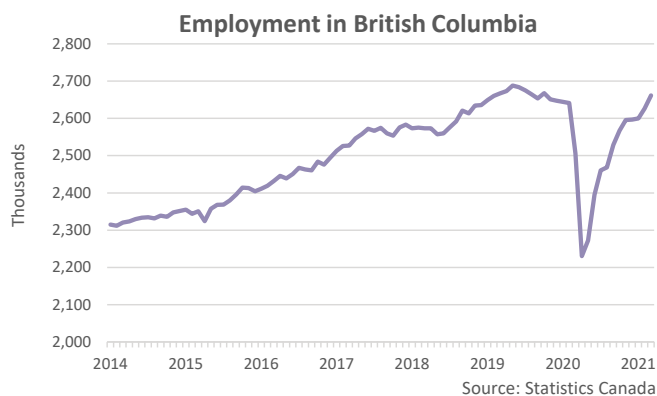
## Employment Trends

Employment estimates from Statistics Canada suggest that British Columbia has more than fully regained the Covid-19 job losses.

As of March, the estimated level of employment is 0.6% higher compared to the start of 2020. For all of Canada, employment is estimated to be 1.4% lower than in January 2020.

The next chart looks at the percentage of adults in the “prime working age” (25 to 54) who have jobs. Due to variations in the estimates, there is uncertainty about the true state of affairs for the “prime age” employment situation.

The employment rate in BC appears to be slightly below the peak seen in early 2019, but is quite healthy in historic terms. The current employment situation is providing considerable support for housing demand, in addition to the effect of low interest rates.



## Interest Rates

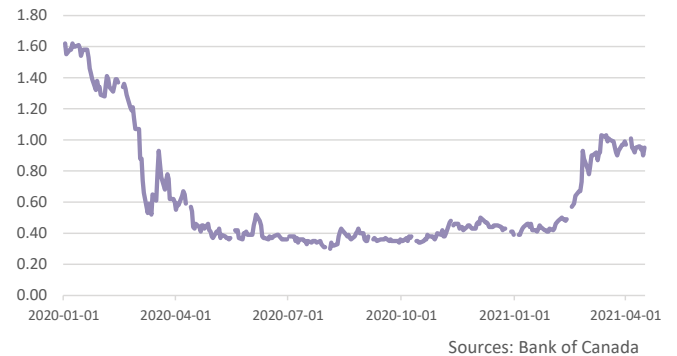
Interest rates rose sharply during late February into early March, but have shown little change since then. The yield for 5-year Government of Canada bonds has been just below 1.0% during the past four weeks, which is about 0.6 points higher than during the second half of last year.

Mortgage interest rates have now followed, rising by a similar amount. My opinion-estimate of a typical “special offer” mortgage interest rate (5-year fixed-rate, advertised by major lenders) is now 2.2% versus 1.65% at the end of last year.

For variable rates, my opinion-estimate is 1.3%.

During most of last year, rates were similar for fixed rate and variable rate mortgages. Variable rates are now considerably cheaper.

Yields for 5-Year GoC Bonds



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