

Housing Market Downtrend Continues into April

The recent downtrend in **housing market activity** continued into April, as home sales transacted through the Multiple Listing Service® (MLS®) fell by 2.8% to an annualized rate of 80,300 units. Transaction activity has declined since late 2009 when the market peaked above 111,000 sales. Sales are now trending at 2002 levels and are more in line with economic fundamentals.

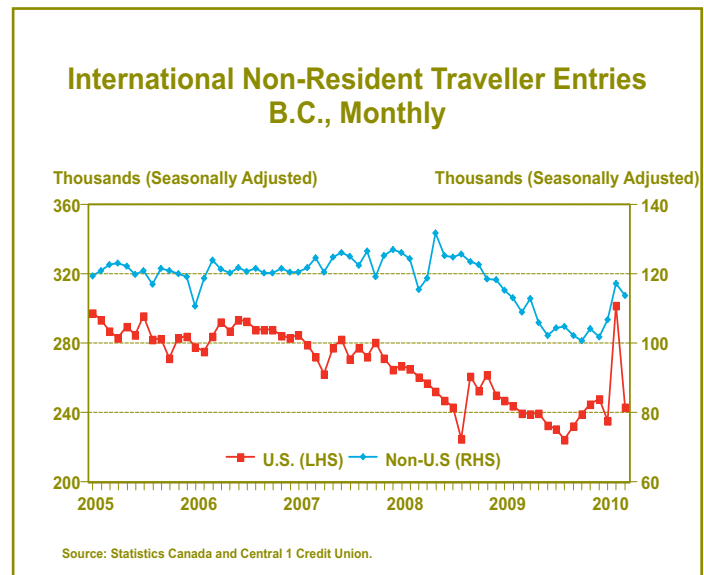
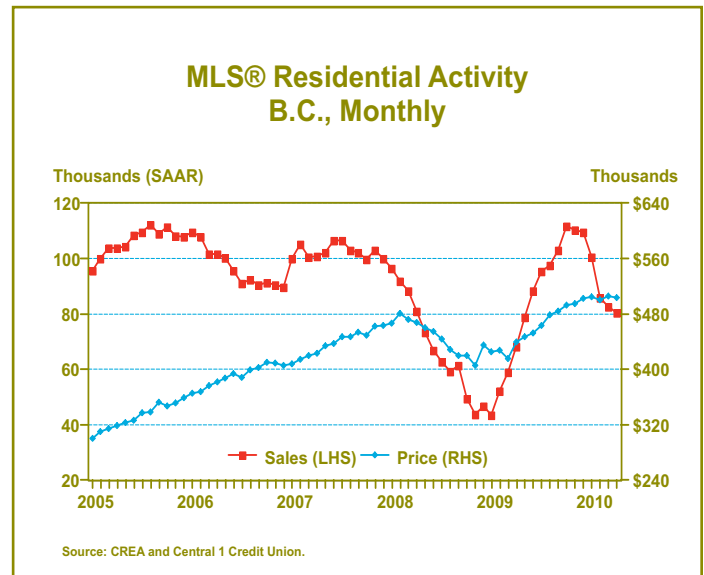
While sales activity has declined, new listings have ramped up to a record high level, rising 2% in April, adjusted for seasonality, to 16,090. During the first four months of 2010, new listings were up 35% over the same period in 2009. A higher flow of new listings and lower demand suggests downward price pressures could be observed in the quarters ahead. The average MLS® price in April, adjusted for seasonality, fell by 0.4% from March.

A further dampening in demand will have a relatively larger impact on interior markets and those with a greater reliance on recreational property buyers. The pull-back in demand has pushed larger urban markets in the Lower Mainland-Southwest and the Victoria capital region into balance from strong sellers' market conditions in 2009. In contrast, housing markets elsewhere in province did not fully recover from the recessionary downturn, due to weak discretionary spending on the part of recreational buyers. The recent slip in local demand has pushed these markets back into buyers' territory. Persistence of buyers' market conditions will put downward pressure on prices.

Central 1 Credit Union forecasts that B.C. MLS® residential unit sales will decline 5% on an annual basis this year and increase by 5-10% in 2011. The average annual B.C. MLS® home price this year is forecast to exceed 2009's level slightly. However, prices are expected to edge lower over the course this year and into 2011.

Tourism Off Sharply After Olympics

As expected, **international non-resident traveller entries** to British Columbia fell sharply in March after an



Olympic-induced spike in February. Total entries to B.C., adjusted for seasonal factors, fell to 357,096, representing a drop of 15% from January. Despite the decline, entries were still higher than in pre-Olympic months. It is unclear whether this reflects an underlying upward trend in tourist visits or the temporary impacts of the Paralympic Games in March.



An interesting note is that while U.S. traveller entries essentially returned to pre-Olympic levels in March, gains in non-U.S. international entries have remained largely intact. After rising by 10% in February, non-U.S. international entries fell by only 3% in March.

Tourism activity is unlikely to record a significant rise in the short to medium term. The secular trends of a higher Canadian exchange rate, increased border security, along with weak U.S. consumer and business spending, have made travel to B.C. and Canada less attractive.

Retail Sales Edge Up

Retails sales in British Columbia, adjusted for seasonal factors, rose 0.6% to \$4.87 billion in March, extending a general upward trend that began in early 2009. However, for a fourth straight month, sales growth in B.C. underperformed the national figure, which came in at 2.1%. While part of this underperformance reflects stronger gains in B.C.'s sales earlier in the recovery phase, it is clear that retail sales growth has slowed in recent months. Significant contributors to growth in March included gasoline stations, electronics and appliance stores, and motor vehicle and parts dealers.

Consumer Price Index Rises

According to the latest estimates from Statistics Canada, **consumer prices** in British Columbia rose 0.5% in April, reversing the prior month's decline. On a year-over-year basis, consumer price inflation reached 1% in April. Despite the latest increase, B.C.'s consumer inflation remains well below the 20-year average of 1.8%.

Most components of the Consumer Price Index saw increases in April. Public transportation prices rose 2.8%, while water, fuel and electricity increased 5.8% and was up 9% from a year earlier. Fresh fruit and vegetables were significantly higher than in March, but remained lower than the previous year. Gasoline prices rose again by 1% and were 12% above April 2009. Clothing and alcoholic beverage and tobacco prices provided the only significant downward pressures in April, dipping 1.1% and 0.5%, respectively.

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