

## Highlights

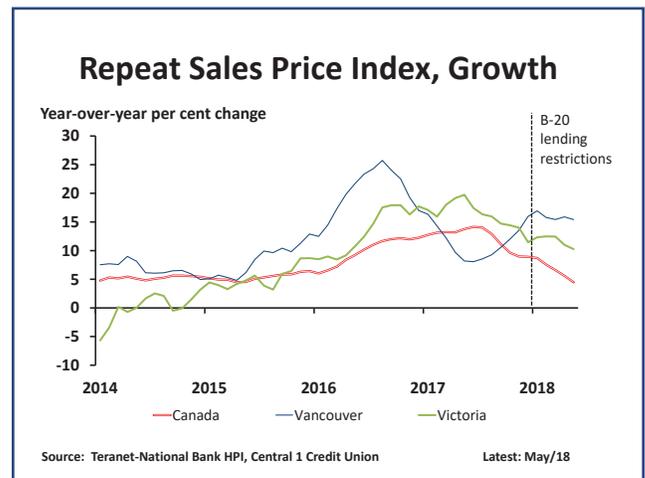
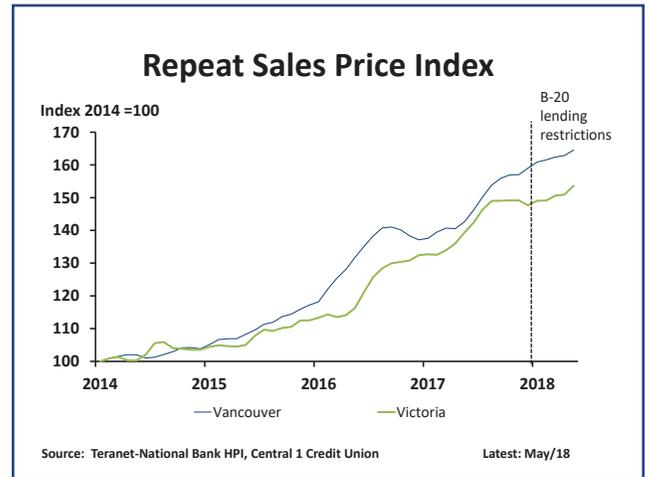
- the latest Teranet-National Bank repeat sales index pointed to housing price appreciation in May.
- B.C.'s population continued to expand at a solid pace during the first quarter

### Home prices rise in May according to repeat-sales index, expect slowdown going forward

While housing market conditions cool, the latest Teranet-National Bank repeat sales index pointed to housing price appreciation among B.C.'s largest urban markets in May. Both the Vancouver (up one per cent) and Victoria (up 1.8 per cent) metro areas, which are part of the national composite, experienced robust month-to-month price gains. Price growth in Abbotsford-Mission (up two per cent) was even stronger, with Kelowna up a mild 0.3 per cent. All gains are unadjusted for seasonal factors.

Year-over-year price growth is decelerating but remains robust. In the Vancouver metro area, growth reached 15.4 per cent in May, with a 10.3 per cent gain in Victoria, which slowed from an 11 per cent gain in April. The index values for Kelowna was up 10.1 per cent from same-month 2017 and 23 per cent in Abbotsford-Mission. Strong upward momentum in 2017 was a driving force behind current elevated year-over-year gains. The Vancouver metro area has been driven by the condo sector.

Robust price gains contrast with a sharp erosion in sales activity since the beginning of the year, which was triggered by tighter lending requirements and provincial policy uncertainty. Part of this positive price momentum reflects nuances in the data. The repeat sales index is based on closed sales registered with land titles which lags firm sales captured by MLS® information and is based on a three-month moving average of the data. As a result, this likely overstates current price strength. That said, sales-to-inventory conditions generally remain firm in balanced market



territory due to constrained active listings. Slower demand conditions, but within the context of a solid economy, have sellers also sitting on the sidelines. Expect the repeat sales price index flatten over the next two months reflecting the impact of tighter credit conditions on price growth.

### Moderately strong population growth continues in Q1

B.C.'s population continued to expand at a solid pace during the first quarter despite sluggishness in the net inflow of residents from other provinces. As of April 1, 2018, there were an estimated 4.862 million persons residing in the province. This was up a solid 1.4 per cent or 67,719 persons from one year prior, marking a similar year-over-year gain to the fourth quarter. Growth was roughly aligned with the national average, and fourth strongest among provinces.

Adjusted for seasonal effects, quarterly population growth slowed slightly from an annualized pace of nearly 1.6 per cent in the previous quarter to 1.3 per cent in the latest quarter.

While still growing at a moderate pace, drivers of migration have changed. Specifically, the gravitational pull from west of the Rockies has waned, while outflows to other provinces has also picked up. During the quarter, net interprovincial migration was 796 persons, which was the lowest Q1 performance since 2013. In 2017, same period net inflow had topped 3,770 persons. The trend has slowed since peaking in early-2016, with a sharper downtrend beginning mid-2017. This reflects the economic state of neighbouring provinces. The oil-induced recession pushed Albertans and other Canadians to B.C. in search of jobs given B.C.'s strong economy and labour market. Recovery in other provinces has reversed the trend, while higher home prices in B.C. are also a disincentive.

This downtrend has been offset rising international migration inflows. Excluding non-permanent residents, quarterly growth of 8,559 persons was up from 7,000 in same-quarter 2017. The flow of landed immigrants is rising, reflecting the attractiveness of B.C. globally. Net non-permanent inflows have trended sharply higher, with Q1 levels more than double same-quarter 2017 at 3,577 persons, reflecting both work and study permits and refugee counts.

Of the more than 60,000 additions to B.C.'s population from migration flows over latest four quarter period, only 12 per cent (7,227) was due to net interprovincial inflows. The remainder was split almost evenly between, net international flows (27,460 persons) and net non-permanent residents (25,600 persons).

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