

Highlights:

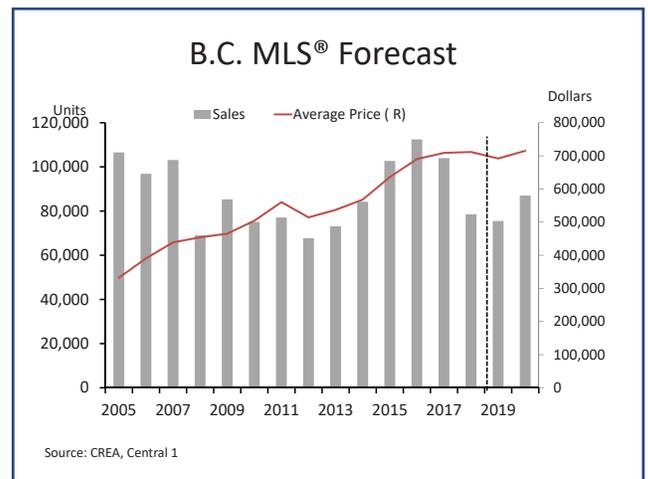
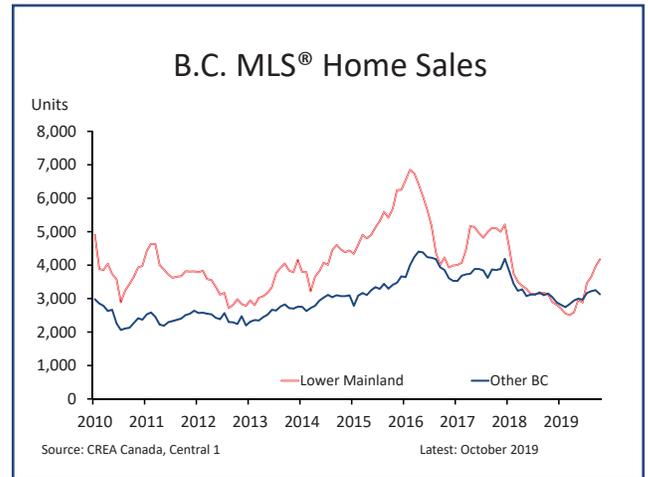
- MLS® sales rise 1.3 per cent, for fourth straight gain
- Market conditions firm in most areas of B.C.
- Non-residential construction trends gain sharply from 2018

Home sales rise, market tightens in October

B.C. home sales remained on an upswing in October with MLS® sales climbing for a fourth straight month and seventh over the past eight. Sales rose 1.3 per cent from September to a seasonally-adjusted 7,304 units, marking a 16 per cent year-over-year gain. Momentum since the spring months has lifted activity to the highest level since January 2018.

Performances were mixed across regions. Sales growth was led by the Lower Mainland which posted a gain of five per cent; Kamloops (up 7.7 per cent), and north and central Vancouver Island (up five per cent). In contrast, sales slipped by five per cent in Victoria, the Okanagan markets, and northern B.C., while sales also retrenched in Chilliwack after a prior month surge. Despite declines in some areas, the trend remains positive in most markets as low mortgage rates, modest economic growth, and rising populations underpin demand for housing. Forestry woes and weakness in other commodity sectors are likely tempering activities in some interior and northern markets.

Sales growth and fewer new listings is putting upward pressure on the sales-to-inventory ratio (SALR), pointing to tightening of market conditions and rising price pressure. Provincially, the SALR rose to 21 per cent (seasonally adjusted) which is firmly planted in a balanced market, with Vancouver Island and the Fraser Valley favouring sellers. The Greater Vancouver board area (which excludes markets such as Surrey and Langley) is flirting with sellers' territory, although strength is in the more affordable multi-family sector. Other regions are generally balanced.



Firming market conditions are contributing to higher prices. The average provincial MLS® price rose 1.4 per cent from August to \$729,024 and 3.8 per cent from a year ago. Composition effects are a factor due to the stronger sales pick up in higher priced markets. Nevertheless, average prices have risen in many markets reflecting the tightening of market conditions following more than a year of softness. The MLS® housing price index (seasonally adjusted) - which adjusts for housing characteristics - points to an upturn in recent home values in the Lower Mainland after a near 10 per cent decline over the past year, while Victoria home values are also up. Prices in other parts of Vancouver Island took pause following a series of gains.

Annual MLS® sales are forecast to come in mildly lower than 2018 by 3.8 per cent, with upward momentum lifting 2020 sales to 87,000 units. The average provincial price settles at \$692,000 with a gain of 3.3 per cent to \$715,000 forecast next year.

B.C.'s big build continues

Let's call this the big build. Non-residential construction in B.C. continued to trend at a strong pace according to the latest data. The value of building permits issued in September reached \$655.1 million, marking a 63 per cent bounce back following an August decline. While monthly permit data is notoriously volatile, and is normal given the impact large projects and structures can have on values, the trend remains significantly higher than a year ago.

Year-to-date, volume rose 35 per cent through the first three quarters of 2019, with the Vancouver CMA (up 37 per cent) and Kelowna (up 40 per cent) driving much of the increase. Commercial construction in the province surged 48 per cent to drive most of this increase, while government building permits rose 21 per cent.

Sharp gains in non-residential construction contrasts with a slowdown in the broader B.C. economy, specifically in exports, commodities and to a lesser extent consumer spending. The latest jump reflected an increase in office construction in the Vancouver region. Growth in service industries, including technology, and low vacancy rates and rising employment is driving demand for office and other commercial space. Government investment in schools and health care facilities is also adding to the increase.

The impact of recent gains in permits will support economic growth into 2020 as projects build out, countering weakness in other parts of the economy. Adding to building construction will be work on other investment infrastructure related to liquefied natural gas projects and public works projects.

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