

Highlights:

- B.C. recoups about 40 per cent of the COVID-19 related job losses but employment remains 9.2 per cent lower than February
- Pace of improvement to slow
- June home sales up 23.2 per cent – CMHC's July 1 tightening of mortgage insurance requirements may have pulled some sales forward
- B.C. housing starts forecast to decline 33 per cent this year before a mild rebound of 13 per cent in 2021

Labour market recovery picks up steam in June as economies restart

More Canadians returned to work in June as initial COVID-19 pandemic restrictions continued to ease. Nationally, employment surged by a record 952,900 persons or 5.8 per cent from May. While Canada has regained a large share of early pandemic job losses, employment remained 9.2 per cent below February levels (1.76 million persons.) COVID-19 related absences from work also declined but remained elevated at 1.33 million persons. Total hours worked rose 9.8 per cent, suggesting an increase as average hours increased alongside hiring, but remained 84.3 per cent of February levels.

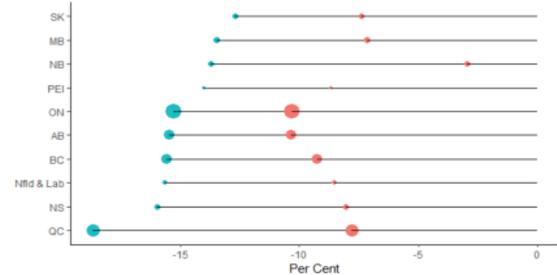
Sectors hardest hit by the pandemic health measures continue to experience deep employment losses and are slow to recover. Accommodations and food-services saw a 25 per cent rise in employment but remains 33 per cent below February and information and culture industries rose 10 per cent but remained 17 per cent below the baseline. Other private services, which include various personal services, remained 15 per cent below February. Goods industries have been less impacted. Sector patterns are important, as younger workers, females and lower paid segments remain particularly impacted.

B.C. employment climbs by 118,100 persons

B.C. employment figures followed the national pattern and began to improve as the province entered phase

Employment rebounds across country, levels remain sharply below pre-pandemic period

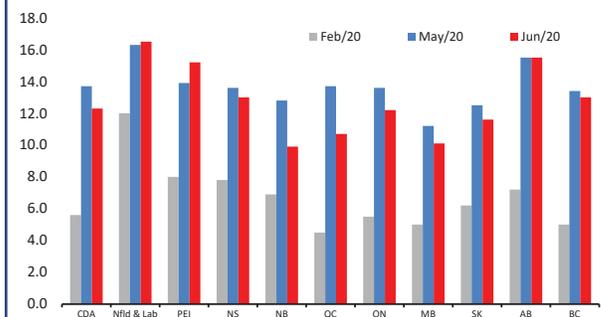
Employment change since February 2020



Source: Statistics Canada, Central 1

Unemployment rate remains elevated

Per Cent



Source: Statistics Canada, Central 1

2 of its restart plan on May 19. The re-opening of restaurants, various personal services, childcare, offices and recreation centres coupled with more of the economy ramping up and support from the Canadian Emergency Wage Subsidy program, resulted in a 5.4 per cent increase in employment (118,100 persons). Over the past two months, B.C. has recouped about 40 per cent of the job loss, although levels were still 9.2 per cent lower than February. Year-over-year, employment declined 10 per cent.

The bulk of June's gain came in the part-time sector which expanded by 101,700 persons (26.2 per cent) as full-time employment rose 16,400 persons (0.9 per cent). This reflects re-hiring in hard hit service sectors, while individuals are likely heading back at reduced hours, reflecting weakness in demand and limited openings of workplaces. From our calculations, total hours worked rose about five per cent, seasonally-adjusted, with year-over-growth of 8.7 per cent.

B.C. regains 40 per cent of pandemic job loss, still a long way to recovery

B.C. Labour Force Survey Employment, Persons (000s)



Source: Statistics Canada, Central 1

The largest provincial monthly employment gains came in accommodations and foodservices where employment rose 57 per cent as restaurants re-opened and hotels brought back workers in anticipation of re-openings. This sector contributed to nearly half of the net increase. Other sectors with notable gains included personal services (up 9.5 per cent), professional/scientific/technical services (up 8.1 per cent) and wholesale/retail trade saw notable gains (4.7 per cent). Overall, employment rose in 13 of the 16 sectors.

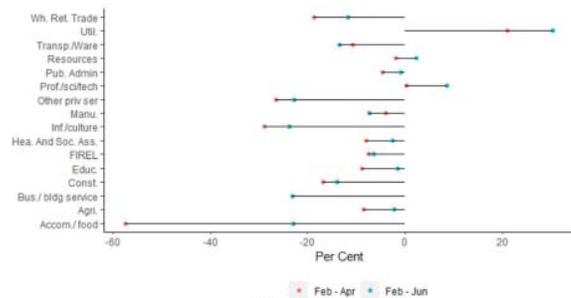
Despite the sharp increase in employment, the unemployment rate declined by only 0.4 percentage points to 13 per cent as more out of work individuals searched for employment during the month. The labour force participation rate had declined to 58.2 per cent in April before rising to 63.6 per cent in June which is still about one percentage point below February. B.C.'s unemployment rate exceeded the national rate of 12.3 per cent.

Metro Vancouver employment accounted for more than half of provincial gains in June, with 67,600 individuals back to work or 5.6 per cent. That said, the region has experienced steeper job losses than the rest of the province with employment still 13 per cent lower than February and an unemployment rate of 14.2 per cent. This reflects an economy more heavily weighted to tourism and other heavily impacted service sectors.

The recovery is heading in the right direction but there remains much ground to recover. Outside a handful of sectors which have expanded or held steady, reflecting infrastructure projects and natural physical distancing, employment remains sharply lower in most sectors. Improvements will continue through July as businesses continued to ramp up and Stage 3 of the

Hardest hit sectors rebound but losses still substantial

B.C. employment by industry since February 2020



Source: Statistics Canada, Central 1

re-start plan kicked in late June, relaxing non-essential travel through the province, leading to more hotel re-openings and restarts of the TV and film sector. That said, the pace of improvement will slow and crest as the economy moves to a new normal which will continue to promote physical distancing, reduced capacity at retail and restaurants and ongoing international travel restrictions that will choke the tourism industry. This means younger workers will continue to bear the brunt of the downturn. Also in the horizon is the question of school re-openings and how that could play out in the B.C. Anything less than a full return for kids will place a burden on parents ability to work, and potentially limit the rebound.

Buyers return to the market in June but retracement expected

Lower Mainland buyers returned to the market in June as home sales surged after a pandemic-induced slump in April and May. MLS® sales in the region spanning Metro Vancouver and Abbotsford-Mission rose to 4,116 units, which was up 23.2 per cent on a year-over-year basis, compared to declines of more than 40 per cent the previous two months. While this partly reflects an exceptionally weak performance in 2019 when same-month sales were the lowest since 2000, sales are up from pandemic lows. We calculate a 75 per cent monthly gain in monthly seasonally-adjusted sales. That said, levels were 80 per cent of the 10- year average for the month.

The strong rebound comes as a surprise given continued effects of the pandemic on the economy and roiling of the labour market. Although given that job losses were concentrated in lower paying sectors, renters were more affected by the downturn than prospective homeowners. Much of the sales increase likely reflects pent up buying activity over the past

two months as government measures suppressed activity and mobility, while homeowners took pause from listing properties. Low interest rates remained a strong incentive to purchases. Tightening of mortgage insurance requirements on the part of CMHC in effect on July 1 may have pulled some sales forward.

Sales improved across segments, albeit with the strongest gains came in the detached (up 21 per cent year-over-year) and townhome (up 29 per cent) markets and concentrated in the Fraser Valley. While early, this may reflect a pivot on the part of buyers towards increased space amidst the pandemic and work from home shift. Time will tell.

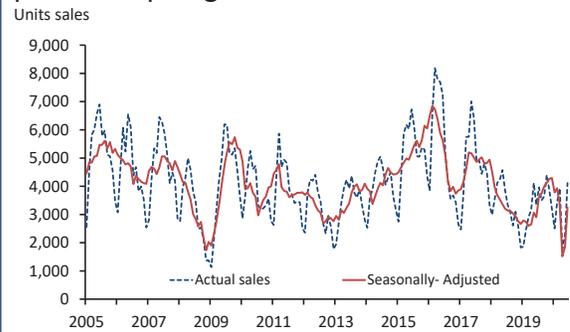
Like sales, the flow of new listings also rose as sellers became increasingly comfortable with selling. New listings rose 22 per cent on a year-over-year basis, which was similar to sales growth. With sales absorbing many of these units, the sales-to-inventory ratio came in at 21 per cent which is at least temporarily in line with sellers' market conditions. Price metrics held steady, with the average price up 0.2 per cent from May and 5.8 per cent year-over-year at \$943,285. The benchmark price index was unchanged from May, but still trending slightly lower. Price trends for ground-oriented dwelling were stronger than condo apartments.

Despite this positive surprise, we expect a roll back in sales in July and lower sales trends through the remainder of 2020. The economy remains in a weak state and the longer-term impacts of the pandemic on labour markets, business destruction and incomes has yet to crystallize given federal income support measures and allowance of mortgage deferrals. Population growth is also set to slow temporarily due to border restrictions and immigration processing delays, while fewer international students can be expected. Persistent softness in the economy will limit demand and is expected to place downward price pressure in the fall months while listings rise.

Housing starts unchanged in June but trending at lowest level since 2015 through first half

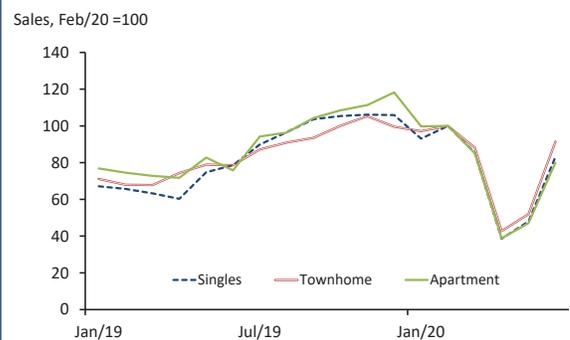
B.C. housing starts held steady at a moderately strong pace in June as construction stabilized after sharp declines in March and April. Total urban-area housing starts held virtually unchanged in May at a seasonally-adjusted annualized rate of 36,069 units. Similar patterns held for both detached and multi-family starts. While levels were down 40 per cent from a year ago and trend is negative after a blockbuster 2019, the monthly performance was only slightly below the 5-year average.

June MLS® sales rebound in June after pandemic plunge



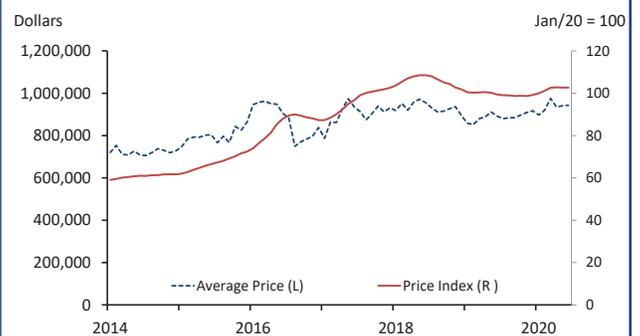
Source: REBGV, FVREB, Central 1

Sales rebound across spectrum, ground-oriented units in higher demand



Source: REBGV, FVREB, Central 1

Home values hold firm



Source: REBGV, FVREB, Central 1

Among B.C.'s largest metro areas, monthly starts fell in Vancouver (-5.3 per cent) and Victoria (-23.5 per cent) and offset by a sharp increase in Kelowna (60.7 per cent) and Abbotsford-Mission (18.4 per cent).

Monthly starts data is volatile, both at the provincial and local areas due to timing of construction and impacts of large projects in any given month. A portion the May/June rebound reflects catch up by builders after initial impacts of the pandemic on operations. Year-to-date starts came in at 15,876 units, marking a

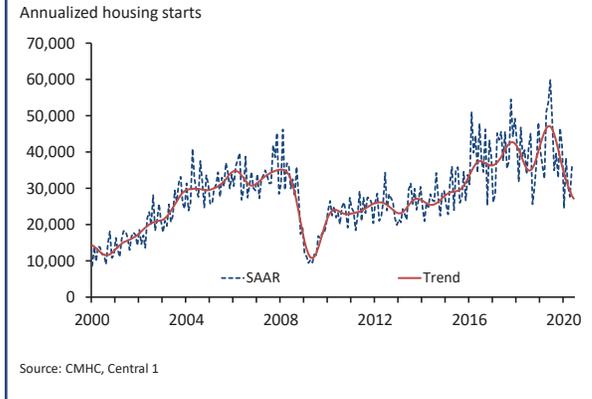
30 per cent drop from same-period 2019 and the few-est units started during the first half of the year since 2015. Multi-family starts declined 43 per cent, while detached housing starts fell 18 per cent. A 39 per cent decline in the Vancouver metro area has accounted for the bulk of this decline. Nationally, starts declined seven per cent over the first half of 2020, with B.C.'s the sharpest among large provinces.

The pandemic has influenced timing of starts in 2020 but is not the main driver of the drop this year. Unlike some of the provinces, construction sites were not ordered to close due to the pandemic. Housing starts were already deteriorating into 2020 as pre-sales dried up over the past year amidst tighter mortgage insurance regulations and other government policies which have contributed to a slowdown in multi-family construction. COVID-19 will further amplify this weakness. The economic recovery phase will be modest and higher permanent unemployment is likely to linger, while population growth is expected to decline sharply over the next year. This will curtail both homeownership and investment demand and, by extension, housing starts. B.C. housing starts are forecast to decline 33 per cent this year before a mild rebound of 13 per cent in 2021.

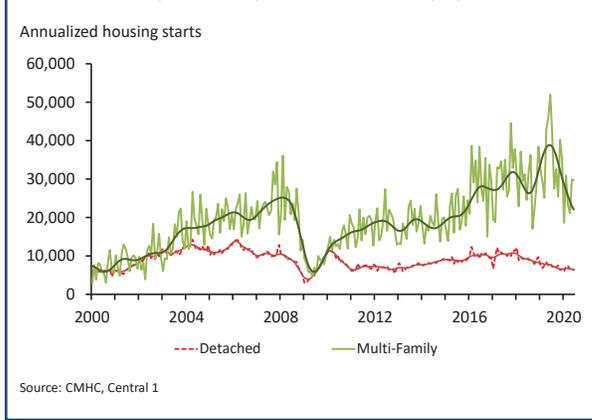
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Housing starts steady in June, trend negative after strong 2019



Multi-family starts pull back sharply



Vancouver CMA starts lowest since 2015, drives provincial decline

