

**Highlights:**

- Rock bottom mortgage rates continue to fuel buying activity
- Average home value up 13.5 per cent year-over-year; home price gain fueled by lack of inventory
- B.C.'s manufacturing sector posted a strong gain in August reflecting stronger forestry sector activity

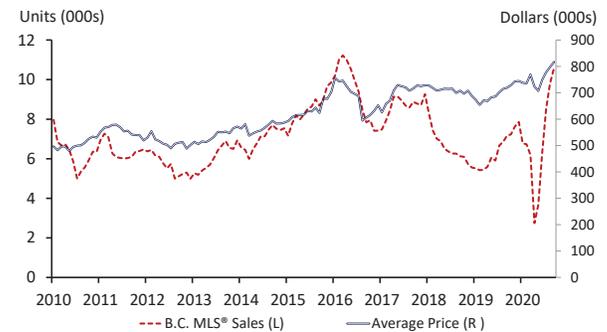
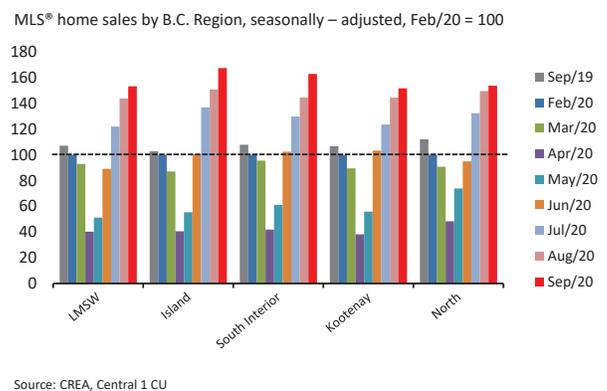
**B.C. home prices surge on robust demand and insufficient inventory**

Home sales in B.C. posted yet another staggeringly strong month in September as demand remained robust despite elevated levels of unemployment and virus-related economic uncertainty. Provincial MLS® sales rose eight per cent (784 units) from August to a seasonally-adjusted 10,586 units in September marking the highest single month performance since April 2016. Sales rose 47.7 per cent from same-month 2019.

Nearly all regional real estate boards in the province showed gains, except for Chilliwack (down 0.5 per cent). The main regional sales drivers were Greater Vancouver (up 10.5 per cent), Vancouver Island (excluding Victoria) (up 21 per cent), and those in the Thompson- Okanagan (up 12 per cent).

After bottoming in May, rocketing sales have more than made up for the spring downturn using February sales as a baseline trend. Undoubtedly, the lack of a spring market and pent up demand was a significant contributor to the rebound, but rock bottom mortgage rates continue to fuel buying activity due to improved affordability. Adding to this is a change in buyer behaviour. The pandemic has severely restricted recreational activity and travel, while normalizing work-from-home. These additional savings, and demand for space have lifted sales for larger ground-oriented units, while some households have also chosen to relocate to suburban markets and smaller urban areas due to remote employment.

While sales surge, supply remains an accelerant for pricing. New listings sank 15 per cent from August,

**Robust demand and low inventory driving B.C. home values higher****Spike across the province during pandemic**

with the strongest declines in the Lower Mainland and Vancouver Island regions. Interior markets recorded higher new listings. Broadly, sales outpaced the listings flow to push inventory lower and the sales-to-inventory ratio well into sellers' market territory at 34 per cent. The tightest markets are on Vancouver Island, the Fraser Valley and central Okanagan.

This lack of inventory is driving blowout gains in home prices. The average home value rose 2.4 per cent to \$816,843, marking a fourth straight monthly gain. Year-over-year, this was up 13.5 per cent. Among regions, the strongest year-over-year gains were in the Okanagan (17 per cent), Victoria (23 per cent), although double-digit per cent gains have been the norm. A shift to larger homes and ground oriented units means composition factors are lifting average values, but underlying price appreciation remains strong. Year-over-year price growth among constant-quality housing price indices point to a near six per cent gain in the Lower Mainland, near five per cent in the central Okanagan, and 2-3 per cent on the Island.

Through the first three quarters, sales rose 12.5 per cent from the same period in 2019. The average price was 11 per cent higher.

In the current environment of low interest rates and low supply, further ongoing sales strength and price appreciation is likely. Rising COVID-19 counts and potential for a retracement in economic activity and employment are negative risks for the housing market.

## B.C. manufacturing sales buck national slowdown in August

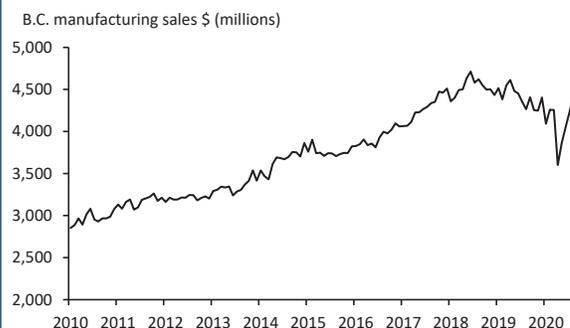
B.C.'s manufacturing sector posted a strong gain in August sales to contrast with an Ontario driven pull-back in national activity. Dollar-volume factory sales in B.C. reached a seasonally-adjusted \$4.45 billion, up 5.1 per cent from July and 4.5 per cent year-over-year. Nationally, sales declined two per cent from July. B.C. sales have climbed for four straight months following a 15 per cent decline in April, lifting activity well above pre-COVID-19 levels and highest since April 2019.

The latest upward trend continues to reflect stronger activity in the forestry sector. Wood product manufacturing rose 11 per cent from July to make up 45 per cent of the net manufacturing increase. Year-over-year, sales rose 34 per cent, reflecting firm demand for new housing in Canada and the U.S, and high prices due to supply bottlenecks. Other key drivers included transportation equipment manufacturing (up 26 per cent from July), which has owed to recent rebounds in auto manufacturing. Paper manufacturing rose 2.7 per cent from July but fell 18 per cent year-over-year. There is insufficient data to examine trends related to coal and natural gas.

Despite the recent pick up, weak early year activity continued to contribute to an eight per cent deficit from same-period 2019. A 23 per cent drop in paper manufacturing sales contributed nearly 30 per cent of the net decline, with a six per cent decline in wood products making up 15 per cent. Declines of 12 per cent in primary metals and fabricated metal manufacturing, and a 14.7 per cent drop in machinery shipments made up another 30 per cent of the drop, reflecting a weaker global business/capital investment and commodity markets.

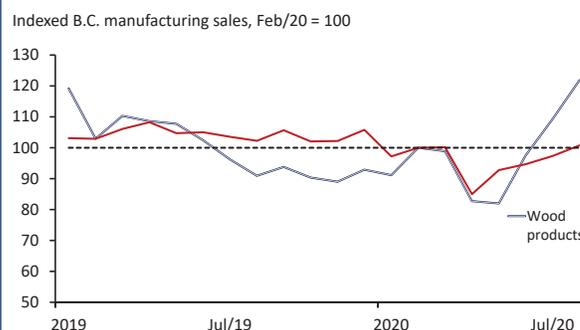
Manufacturing was less impacted by pandemic health measures due to natural physical distancing and high levels of automation. That said, growth in the sector will continue to be hampered by the trajectory of the broader economy. Rising COVID-19 trends both in Canada and abroad have forced authorities to re-introduce various suppression measures, including

## Manufacturing sales trend firms in August



Source: Statistics Canada, Central 1, Latest: Aug 2020

## Wood product sales post stronger gains



Source: Statistics Canada, Central 1, Latest: Aug 2020

businesses closures and curfews. This stop-start recovery will slow global growth, exports, and re-introduce uncertainties for businesses, in turn slowing demand for intermediate manufactured products and final goods.

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