



Highlights

- Canada home sales up 80 per cent March 2020 - 2021;
- B.C. home sales up 7.8 per cent between February and March; sales more than double pre-pandemic February levels & are high across all regions of province;
- Average March 2021 MLS® price of B.C. home up 20 per cent from last year to \$915,464;
- Market to soften with vaccine deployment;
- B.C.'s February manufacturing activity sees ninth increase in 10 months.

Sales and prices swing higher in March

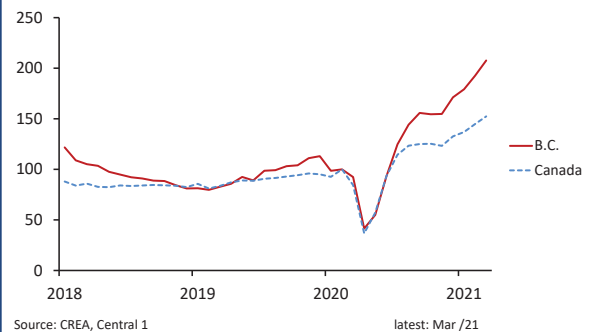
“Higher, higher” is not only the title of a favourite children’s book about the wonders of imagination, but more recently, it’s become the mantra for Canada’s unstoppable pandemic housing market. The real estate frenzy is as real as ever with astonishingly high sales and skyrocketing prices. Rapid price appreciation is likely feeding a further frenzy for homes and increasingly pricing out young buyers and triggering calls for the Government to step in with policies to temper growth.

Nationally, home sales set a fresh record in March at 69,421 units, marking a 5.2 per cent monthly gain and an 80.5 per cent year-over-year increase on March 2020. While base-year effects are a factor given a freeze in the housing market at the early stages of the pandemic, demand has surged with sales 50 per cent above pre-pandemic February 2020 levels. The average price has accelerated, breaching \$700,000 in the month, up 4.4 per cent from February and 32 per cent from a year ago as demand continues to outpace gains in new listings.

B.C.’s performance is aligned with the broader picture due to key drivers of low mortgage rates and pandemic era changes in preferences, including demand for additional space, and a move towards suburbs and smaller markets. Households looking to buy or move-up in future years may have also pulled forward purchases. Provincial sales reached a seasonally- adjusted 14,090 units, up 7.8 per cent from February and more than double pre-pandemic February levels. Regionally, the latest month

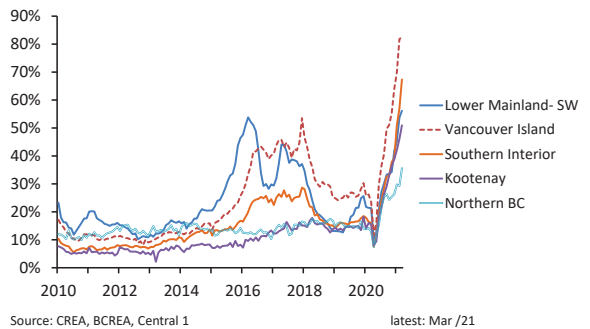
Surge in housing demand continues through March

CREA MLS® Sales, Index Feb/20 = 100



Supply constrained markets drive home prices higher

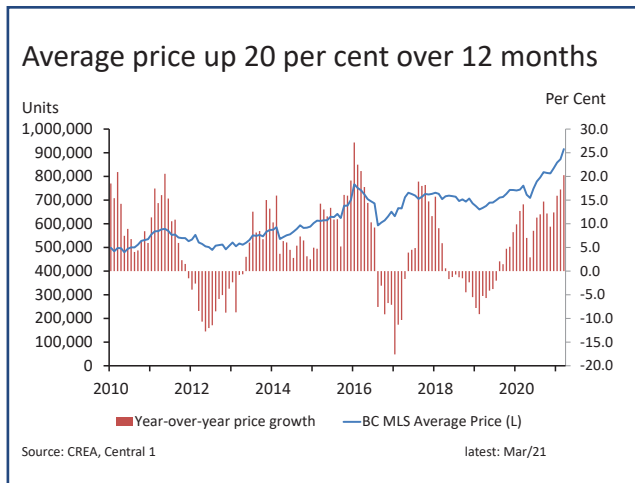
Sales-to-active listings ratio by region



saw a mix of performances among real estate board areas. Sales broadly rose with Greater Vancouver sales up 22 per cent as demand rotated away from the Fraser Valley after a huge February gain. Sales continued to rise in the northern and southern interior markets but eased on the Island. Nevertheless, sales are at record highs across the province.

Supply conditions remained tight amidst higher sales and a main driver of price acceleration. While more sellers are testing the market, modest listings growth is being far outpaced by demand. Sales-to-inventory ratios are well into sellers’ market conditions in all regions, with a provincial ratio above 60 per cent. Typically, a range of 15 – 20 per cent is considered a balanced market.

The average MLS® price reached a seasonally- adjusted \$915,464, marking a five per cent increase from February and 20 per cent (\$154,000) above year ago levels. A portion of this increase reflects sales of larger



homes and more detached product, but the quality-adjusted housing price index also shows year-over-year growth of more than 10 per cent in most markets, with an accelerating trend in recent months. Price gains remain concentrated in the detached market, but a pick up in apartment prices suggest buyers are turning their sights to more affordable options, while investor demand may also be on the rise.

Tight market conditions will continue to lift prices but market conditions are expected to soften. Vaccine deployment and normalization of broader trends will mean less emphasis on work from home and space considerations, while the rapid price gains have heavily eroded affordability, pricing more buyers out of the market. To the extent that sales were pulled forward, this also suggest a softening of future sales. A strengthening economy and recovery in immigration will support rental markets, and gradually flow into homeownership demand. That said, insufficient supply will keep prices elevated.

Policy measures to curtail demand are increasingly likely. OSFI already announced it is reviewing the minimum qualifying rate for mortgage stress test related to uninsured mortgages, and initial proposals are for a higher rate. Further price growth could trigger other regulatory changes related to higher down payment requirements, more stringent credit requirements, and possible tax measures. This would likely temper demand temporarily, although could have the unintended consequences of driving longer term price growth higher if new supply ends up being curtailed.

B.C. bucks the national drop in manufacturing sales in February

B.C. manufacturing activity continued to expand through February, marking a ninth increase in ten months. Dollar volume sales increased by 1.8 per cent



(\$90 million) to reach \$5.08 billion and compared to a national decline of 1.6 per cent during the month. Year-over-year, B.C. manufacturing rose 18.3 per cent, compared to a flat national reading.

Manufacturing sales in B.C. have ripped higher since the pandemic low in April. The province's outperformance primarily reflects the forestry sector rebound. A strong housing market in the U.S. and Canada has driven demand for lumber, with supply constraints sending prices to record highs. Wood product manufacturing rose 2.5 per cent month-to-month and 67 per cent from a year ago in February, largely owing to higher product prices as physical production has been relatively steady. Wood products contributed to about 70 per cent of the net year-over-year gain, and one third of the latest monthly increase. Natural gas production was likely a key driver during the latest month due to a spike in prices. Food products have also been a significant driver over the past year with a 10 per cent 12-month gain as households shifted budgets away from restaurants to store-bought foods.

Given the drivers of manufacturing, Metro Vancouver has lagged the rest of the province, with year-over-year sales of about five per cent.

Strong manufacturing sales will likely continue given elevated wood product prices although price-driven sales should not be confused with levels of real production which is only modestly higher. That said, a strengthening global economy, specifically related to the U.S. will support B.C.'s manufacturing sector into 2022.

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