



Highlights

- B.C. labour market steady in May after April employment declines;
- May home sales see 217 per cent year-over-year increase in the region spanning Metro Vancouver and Abbotsford-Mission on base year effects and elevated current demand but trend easing;
- Market conditions set to rebalance in the second half of the year with sales cycle to slow further;
- Building permits decline following recent strength

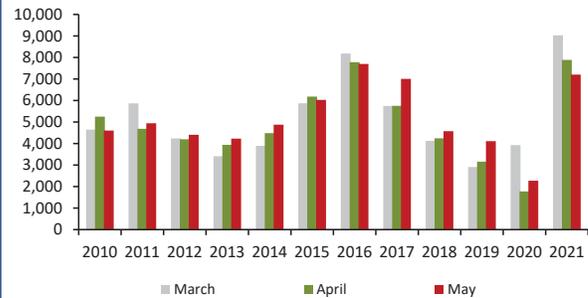
B.C. employment flat in May as restrictions continue through mid-month

As anticipated, B.C.'s "circuit breaker" restrictions related to the pandemic's third wave continued to constrain B.C.'s labour market recovery in May but relaxation of measures near month-end and a clear restart plan for the economy bodes well for June and beyond. Provincial employment edged down by a negligible 1,900 persons (or 0.1 per cent) to extend April's decline of 43,100 persons (1.6 per cent). B.C. compared favourably to the national decline of 0.4 per cent as restrictions in many provinces continued, while rising COVID-19 counts triggered additional restrictions in Alberta and Manitoba, while Nova Scotia entered a province-wide shutdown on April 28th.

Beneath the headline, B.C.'s labour market continued to hold up well. Full-time employment growth gained traction with a one per cent gain from April, marking the strongest one-month gain since December. A four per cent decline in part-time work offset this gain. Job losses in restriction sensitive sectors contributed to the latter decline, but this also signals increased intensity of work due to a broader economic recovery as employers shift employees to full-time hours. Total hours worked edged higher in May. The latest moves narrowed the gap in full-time employment from February 2020 to 1.2 per cent, while part-time employment came in at 0.2 per cent. Total employment was one per cent below February 2020.

Lower Mainland sales slow in May but remain robust

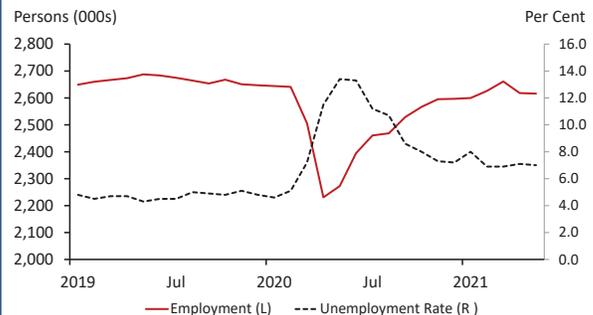
Lower Mainland MLS® Sales, unadjusted



Source: REBGV, FVREB, Central 1

latest: May/21

B.C. employment and jobless rate steady in May after April labour market pullback



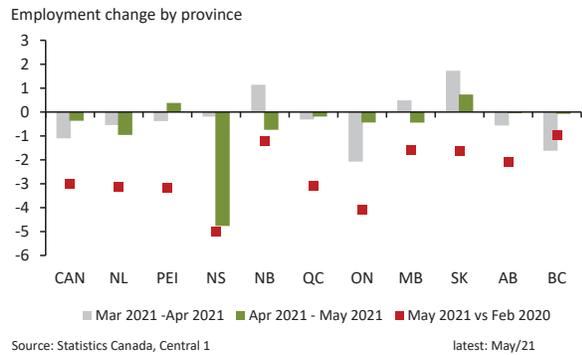
Source: Statistics Canada, Central 1

latest: May/21

Metro Vancouver employment rose 0.6 per cent to outpace the rest of the province in May but remained below February 2020 by 1.2 per cent. B.C.'s unemployment rate edged down 0.1 per cent to 7.0 per cent as the labour force slipped by a comparable amount. Metro Vancouver's unemployment rate was considerably higher at 8.2 per cent. Labour market slack persists with unemployment rates still well above pre-pandemic levels while employment relative to the population remains tempered.

On an industry basis, month-to-month changes were generally insignificant, although there were some noteworthy moves. Sectors with the sharpest April declines partly bounced back, with information/culture/recreation employment climbing 14,100 persons (12.2 per cent) after a 16,900 (12.8 per cent) decline in April. Accommodations/foodservices inched higher by one per cent after a 12 per cent decline in April but remained constrained.

B.C. employment losses mild compared to peers, rebounds quicker to pre-pandemic level



Retail and wholesale trade held steady. Manufacturing pulled back 2.1 per cent (or 3,800 persons), while agriculture fell 7.9 per cent but effects were negligible on a level basis.

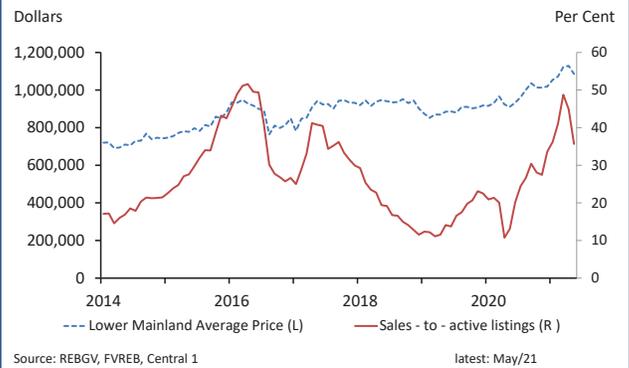
That said, key themes persist. Restriction sensitive sectors continue to reel with employment in accommodations/foods services down 21 per cent from last February, and business/building support services down 9.3 per cent, and wholesale/retail trade down 3.5 per cent. In contrast, remote workers has allowed many organizations to continue to expand while growth associated with positive in real estate, technology, professional services, and resources sectors remained positive.

Hiring growth will pick up in June as B.C. has re-opened restaurant dining rooms and relaxed some social restrictions. Contingent on vaccination thresholds and declining case counts, restrictions will be further relaxed through the end of the year which will boost hiring in service sectors.

Lower Mainland home sales declining and looks to moderate upward price pressure

There were more signs of housing market cooling in May although conditions remain very strong and prices continue to climb. MLS® sales in the region spanning Metro Vancouver and Abbotsford-Mission reached 7,205 units in May marking a 217 per cent year-over-year increase. While a stellar headline increase, this reflected the combination of still elevated current demand and base year effects of the pandemic freeze in sale early in the pandemic. This was the second highest sales for a month of May, trailing only 2016 by six per cent, but compared to year- ago sales of 2,272 units which was weakest May since 1990.

Moderation in average price driven by sales composition, market remains undersupplied



Sales have however climbed down from what looks like a March sales peak. Sales fell 8.7 per cent from April and while an April to May contraction is not unheard of, it is unusual as May typically marks the highwater mark for the sales season. Our estimates of seasonally- adjusted sales fell for a second straight month but remained 60 per cent above pre-pandemic levels.

The drop off reflects a natural pullback after a breakneck period of sales and price growth as buyers have become exhausted by bidding wars, while higher prices and mortgage rates have priced more buyers out of the market. Steadier sales in the Fraser Valley relative to core Metro Vancouver area suggests is consistent with affordability driven slowing of sales. Further declines are likely as more stringent mortgage stress tests further cut purchasing power.

Despite a mild slip in the sales-to- inventory ratio, price momentum in May remained strong as conditions continued to favour sellers. New listings pulled back from April, and while up 90 per cent from a year ago still lagged sales gains. While the average price fell back 3.5 per cent from April to \$1.11 million this was 18 per cent (\$168,800) higher than a year ago and the monthly decline likely reflected sales composition. Benchmark prices continued to climb with a robust 1.8 per cent m/m gain but decelerated from April's 3.2 per cent increase. May's growth was led by a more than two per cent in detached and townhome units.

We expect ongoing rebalancing of market conditions in the second half of the year. The sales cycle is likely to slow further. Sales are tempered by affordability, while vaccine deployment and move back to a more normal economy shifts spending and time away from the real estate market. Moreover, elevated new listings will likely persist as sellers continue to test the waters given elevated prices which is likely to moderate competition among buyers.

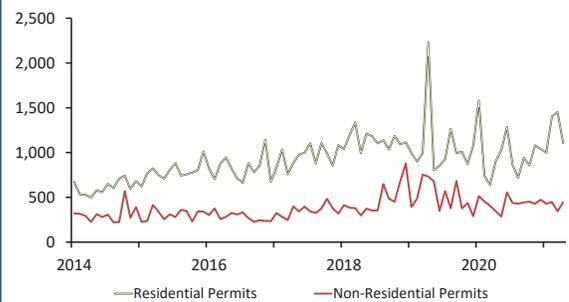
Building permits decline following recent strength

Building construction intentions in B.C. fell for a second straight month in April as builders continued to back off the February surge. Total building permit volume fell 13.6 per cent to \$1.55 billion but was up 24.4 per cent on a year-over-year basis.

Residential permits pulled back sharply after a March surge. Dollar-volume permits fell 23.7 per cent to \$1.1 billion owing to a drop in multi-family permit volumes. This is not surprising as multi-family construction tends to be volatile on a monthly basis. Both Metro Vancouver and Abbotsford-Mission posted sharp declines. That said, the residential trend remains positive as the strong resale market has pushed more condo projects into construction stage, while demand has risen for detached units in smaller urban markets. Year-over-year residential permits rose 23 per cent, with year-to-date permits up 30 per cent.

April building permit volume pulls back after recent gain

Building permits (\$ millions)



Source: Statistics Canada, Central 1

latest: Apr/21

Non-residential permits rebounded in April but remained range-bound. Permits reached \$442.9 million, which was 28.4 per cent higher than March, but in line with the trend seen since mid-2020. Permits were down 3.8 per cent on a year-to-date basis. While the economic restart is generating increased business optimism, investment in brick and mortar by both private and public-sector has been constrained by pandemic pressures. Improved economic conditions will likely trigger an increasing trend in non-residential building later this year and through 2022.

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