



## Highlights

- MLS® sales decline 15 per cent in June, average prices trend steady
- Manufacturing sales climbs to another record high in May
- Urban housing starts up 47 per cent through the first half

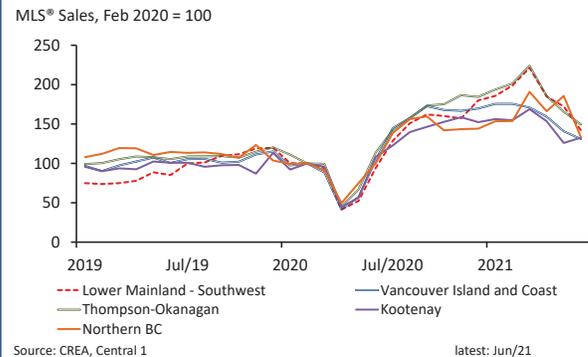
## B.C. housing activity retreats in June, home prices rise

Home sales continued to retreat in June in B.C. as buyers and sellers stepped back from the recent market frenzy. Seasonally- adjusted sales declined nearly 15 per cent from May to 9,126 units according to the latest Canadian Real Estate Association data. This marked a third straight month of declines and sales have fallen 33 per cent from the March peak. That said, sales remain high at 40 per cent above pre- pandemic levels, while unadjusted sales were up 35 per cent on a year-over-year basis, and 50 per cent higher than June 2019.

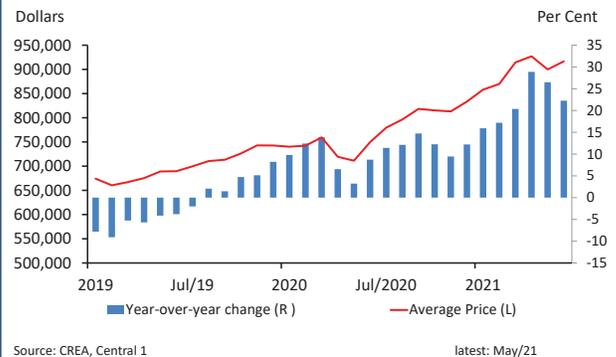
The sharpest monthly declines were observed in the Lower Mainland- Southwest (-17 per cent), while Thompson- Okanagan sales declined 10 per cent, and the Vancouver Island posted a drop of 7.4 per cent. Northern sales held steady, while the Kootenay edged higher.

A pullback after unsustainably high sales in the early spring is unsurprising and we are likely seeing a trend towards a more normal pace of activity. Buyer fatigue has set in alongside rapid price gains which have sharply eroded affordability for buyers, notwithstanding low mortgage rates, higher down payments from pandemic savings and gifting from parents. Meanwhile, vaccine progress and relaxation of social and economic restrictions is shifting the attention of would-be buyers and sellers away from the housing market which likely lasts through the summer months. Uncertainty around the future of remote work may also be tempering sales. That said, low mortgage rates will continue to support sales.

## Normalization of sales continues through June



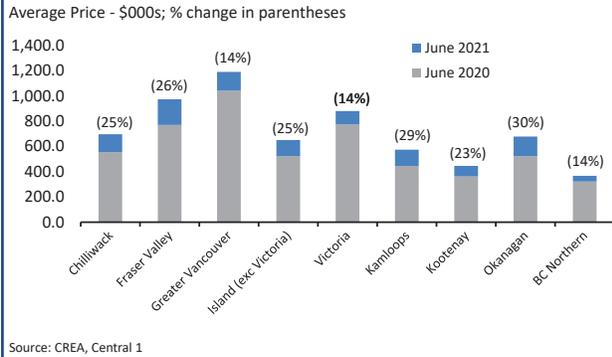
## Average price steady



Rotation from housing is also seen in lower new listings which fell five per cent in the latest month, although predominantly in the Lower Mainland. Shifting market momentum contributed to higher inventory but patterns were mixed. B.C.'s sales-to-inventory ratio remained in sellers' territory near 40 per cent with broad regional strength. Vancouver Island remains the hottest market with a ratio of more than 70 per cent in Victoria and 60 per cent in other parts of the Island. The Thompson-Okanagan also remains very tight, consistent with high levels of interprovincial migration and flow of urbanites to smaller centres.

The average price increased 1.9 per cent to a seasonally- adjusted \$916,523 which was 22 per cent (\$167k) above year ago levels. Monthly volatility is normal for average prices, but year-over-year growth has soared across the province, particularly in smaller urban areas

## Rapid price gains across regions over 12 months



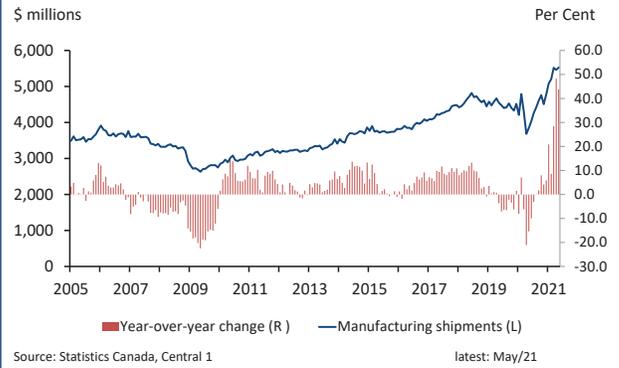
and recreational markets amidst a work-from-home craze and demand for vacation homes. Momentum looks to be slowing with benchmark prices in the Lower Mainland at 0.6 per cent m/m. While solid, this is down from 1.6 per cent growth in May. Hot pricing conditions continued for Island markets which rose 2-3 per cent while the Thompson-Okanagan rose about two per cent but levels should flatten as sales normalize.

## Manufacturing activity climbs to a new high in May

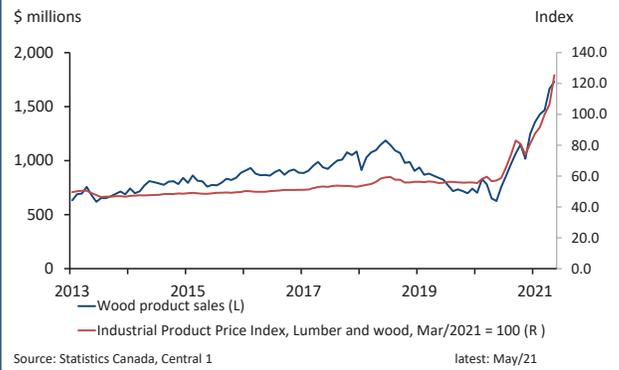
Manufacturing sales held near record high levels in May, propelled again by the stratospheric rise in wood product prices. Total factory shipments rose 1.2 per cent to a seasonally-adjusted \$5.52 billion, which more than reversed April's decline. Year-over-year sales were a stellar 43.8 per cent higher than a year ago. Nationally, sales were down 0.6 per cent from April, but up a similar 42.6 per cent year-over-year.

May's increase was largely driven by resource-oriented sectors which were buoyed by improved global demand and housing markets. Wood product sales which reached \$1.73 billion, up 3.9 per cent or \$65 million, which was equivalent to the total gain in manufacturing sales for the month. This was the sixth straight monthly increase, and 11th in 12 months. Year-over-year sales rose by 176 per cent driven by strong price gains and elevated demand for housing and renovations during the pandemic. Lumber and other wood product prices surged 18 per cent in May and were up 120 per cent from same-month 2020. Among other sectors, performance was mixed. Primary metal manufacturing rebounded sharply by 18 per cent or \$48 million after a sharp April decline, while paper sales increased 6.1 per cent or \$24.7 million. Offsetting these gains were sharp declines in fabricated metal

## Manufacturing sales hold at record high



## Wood product sales surge on high prices



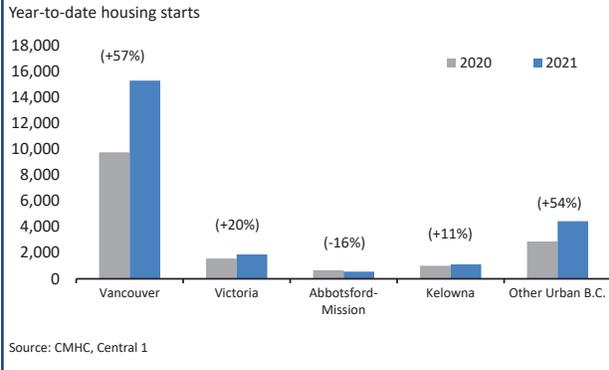
(9.4 per cent or \$26.3 million), machinery (7.2 per cent or \$20.6 million) and transportation equipment (7.9 per cent or \$15.5 million). Global semi-conductor shortages may be factoring into broader manufacturing as supply chains are interrupted.

With the latest gain, year-to-date sales growth reached nearly 30 per cent, marking the strongest start to a year on record. A more than doubling of wood products has accounted for two-thirds of the rebound. Firm global growth and commodity prices will keep manufacturing sales elevated but a recent correction in lumber prices will likely contribute to a declining trend in the back half of this year.

## Builders post another stellar month for housing starts

B.C.'s new home construction market saw a burst of activity in June. Total urban-area starts jumped to an annualized rate of nearly 62,000 units compared to an already robust 42,520 units in May. Growth entirely reflected a surge in multi-family starts which rose to an annualized rate of 54,200 units from 34,762 units in May, while detached starts held unchanged. B.C.'s

## Housing starts surge in 2021



largest urban markets all reported large gains in starts, with Metro Vancouver starts up 47 per cent, Victoria up 84 per cent, and more than doubling of starts in Kelowna and Abbotsford- Mission. Net starts in smaller urban markets were unchanged from May.

While monthly starts are volatile, B.C.'s residential builders are starting new projects at a record pace reflecting a period of rapid demand, pre-sale sell through of condo projects and demand for housing in smaller markets. Through the first half, starts rose 47 per cent from 2020, albeit consistent with a boom in starts across the country. National urban- area starts rose 41 per cent over the same period. Metro Vancouver starts are up 57 per cent, Victoria are up 20 per cent, and Kelowna is 11 per cent higher. Abbotsford- Mission starts are 16 per cent lower. Starts in smaller urban markets rose 54 per cent. Going forward, the pace of starts will moderate as the pandemic fueled boom dissipates.

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