



Highlights

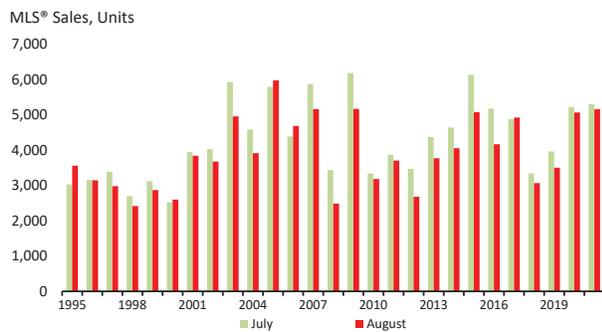
- Lower Mainland home sales up 1.8 per cent year-over-year in August as downward trend stabilizes
- Housing market remains robust, market conditions tight on low inventory
- Building permits surge on increased residential activity
- Lumber price correction hits B.C. international goods exports in July

Low inventory, steady demand support home prices in August

Bryan Yu, Chief Economist

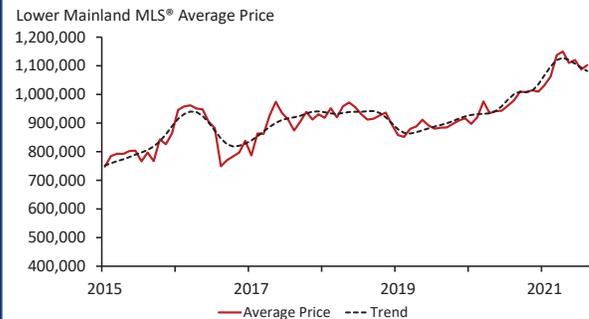
After a scorching pace of early year activity, housing demand in the Lower Mainland looks to have stabilized at a lower but still robust level. August MLS® sales for the combined Metro Vancouver – Abbotsford- Mission region came in at 5,154 units which was up 1.8 per cent year-over-year and consistent with July gains.

Lower Mainland home sales remain elevated despite slide from peak



While the sales trend has declined about 35 per cent below March, which was by a far a record high, levels remain elevated and in line previous with cycle highs from the mid-2000s. Unadjusted August sales were nearly 50 per cent higher than same- month 2019 and 35 per cent higher than the August average for 2010 – 2019. This was the highest since 2009. Buying activity

Slowdown in sales momentum moderates price growth



Low inventory keeps market tight, supports elevated prices



remains supported by low interest rates, pandemic demand for space (although this may be waning), and signs of higher condo apartment demand as investors look to the return of immigrants, students and tourists. At the same time, affordability erosion has priced more buyers out of the market, while less restrictive public health measures have pivoted attention away from the market.

Greater Vancouver real estate board data showed a 21 per cent year-over-year increase in apartment condos sales as detached and townhome sales fell from a year ago.

Price growth has slowed with the declining sales cycle but has remained well supported due to low inventory. The average price came in at \$1.1 million in August. This was up 1.4 per cent from July, but the trend has slightly eased since the spring. This partly reflects

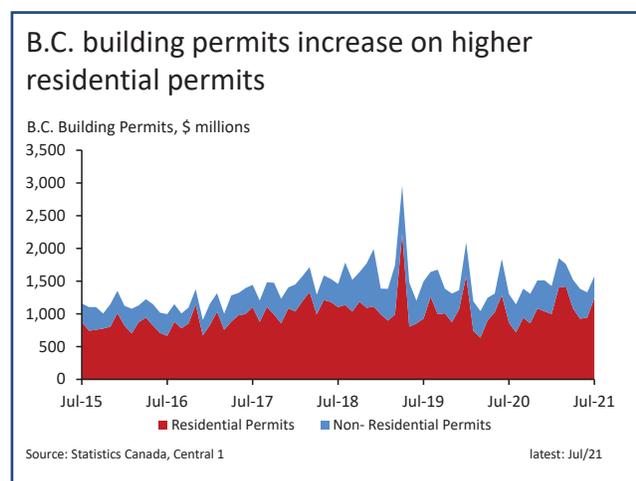
types of homes sold and was still 12.5 per cent higher than a year ago. The benchmark home value which adjusts for quality of homes sold rose 0.5 per cent from July and came in 17 per cent above year ago levels. Apartments (up 9.4 per cent year-over-year), lagged ground-oriented gains of 20 per cent or more.

New listings have declined alongside sales as both buyers and sellers took a step back. Active inventory is sitting at four-year lows, which has kept the market firmly in favour of sellers and supportive of prices. The fall months could bring a substantial increase in listings as more owners take advantage of high prices and re-engage with the market, but unlikely sufficient to drive a price correction.

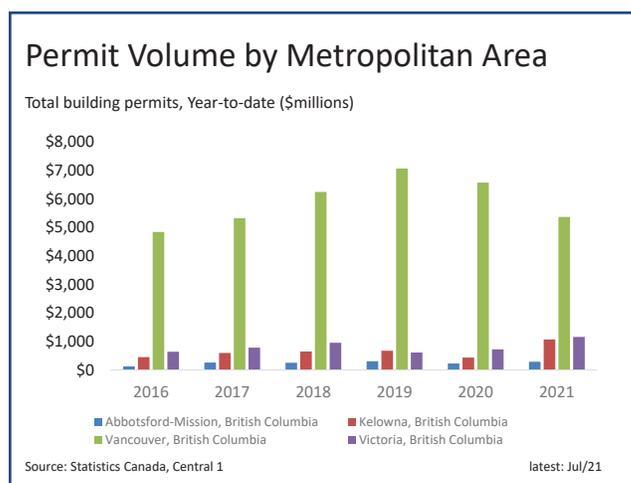
Permits gain on housing upswing in July

Alan Chow, Business Economist

B.C. building permit volume bounced back in July following four straight months of contractions. Dollar-volume permits increased 18.3 per cent in July to \$1.57 billion.



Residential permits led the way, up 31 per cent from June with multi-unit dwellings seeing the strongest increase, up 55 per cent. Metro Vancouver (up 71 per cent) and Victoria (up 29 per cent) highlighted the increase. While these numbers are up from the previous three months, levels are below the highs seen in February and March. Single unit residential saw a modest pull back of 6.4 per cent after peaking in June. Substantial monthly fluctuations are common given the effects of large apartment project construction in any given month.



Non-residential permits fell again in July by 13.6 per cent. Public sector activity fell sharply, followed by industrial. A bright spot was that commercial volumes have improved after two months of decline; up 7.1 per cent.

Overall, permit volumes are up 6.6 per cent over the same period last year with residential permits up 11.1 per cent, which was more than enough to offset the 4.6 per cent decline in non-residential permits. Residential volumes continue to reflect a robust construction cycle with housing starts on a record-setting pace, although renovation spending has likely pulled back. Economic uncertainty is holding back business investment.

Vancouver continues to lag previous years' volumes, down 18.3 per cent as compared to the same period last year but has improved over the previous month. Kelowna saw its permit volumes levels slow but the year to date is still up 145 per cent with strong residential numbers. Victoria saw year to date permit volumes up 60.3 per cent.

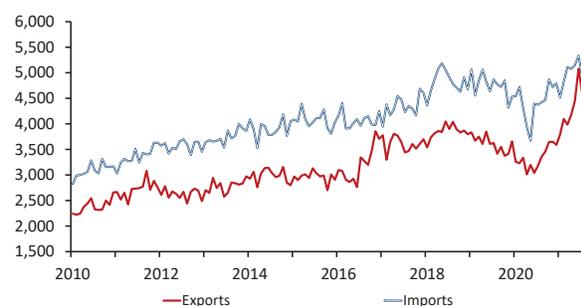
Exports recoil in July largely on lower lumber and related products

Edgard Navarrete, Regional Economist

B.C. international trade flows pulled back sharply in July pointing to a partial reversal of the strong upward trend observed through much of the pandemic. Based on Statistics Canada data, Central 1 calculated a 9.5 per cent decline in goods exports from June while imports fell 7.5 per cent. That said, trade volume far exceeds pre-pandemic levels, while year-over-year export growth reached 42.8 per cent, and imports gained 11.6 per cent.

B.C. international trade declines in July

B.C. international goods imports and exports, \$ (millions)



Source: Statistics Canada, Central 1 seasonal adjustment

latest: Jul/21

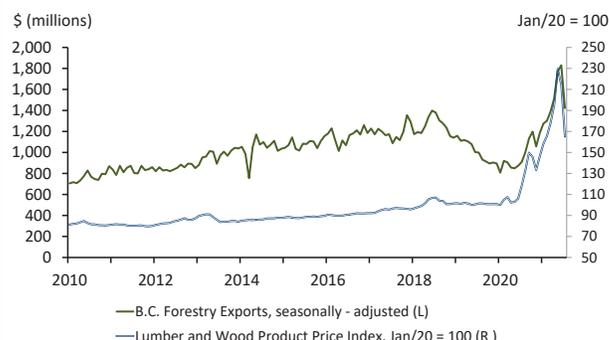
July's rollback largely reflected declines in resources-oriented shipments. Specifically, forestry products and building and packaging materials exports recoiled 22.3 per cent, owing largely to a correction in lumber prices. The industrial product price index fell 28 per cent from May through July, after doubling the previous 12 months. Meanwhile, metal ore and minerals, and related products also fell sharply in the most recent month owing mostly to lower physical shipments.

Of the eleven sectors surveyed, exports increased in five of the eleven areas in July:

- Farm, Fish, food (up 11.4 per cent)
- Energy (up 4.9 per cent)
- Industrial machinery, equipment and parts (up 4.2 per cent)
- Electronic and electrical equipment and parts (up 11.6 per cent)
- Consumer goods (up 3.4 per cent)

A near 30% decline in prices knocks forestry sales lower

\$ (millions)



Source: Statistics Canada, Central 1 seasonal adjustment

latest: Jul/21

Higher natural gas prices supported exports growth of energy products in July. Increased business investments helped lift industrial machinery, equipment and parts exports while increased demand for electronic parts from sectors such as auto and electronics lifted electronic and electrical equipment and parts exports also.

Despite July's decline, exports were still 36.1 per cent ahead of last year's pace with imports up 16.6 per cent. Momentum is likely to ease due to lower lumber prices going forward, while the fourth wave of the pandemic could moderate global demand. Nevertheless, trade should remain elevated through the pandemic recovery phase.

For more information, contact economics@central1.com.