



## Highlights

- B.C. home prices continue surge in December despite sales decline
- Manufacturing sales slip in November as flooding derails progress
- New home sectors posts record year for housing starts, gains across the province
- B.C. consumer price inflation jumps to 40-year high
- Retail spending gains in November in advance of Omicron

## Home sales slow in December but prices continue ascent

*Edgard Navarrete, Regional Economist*

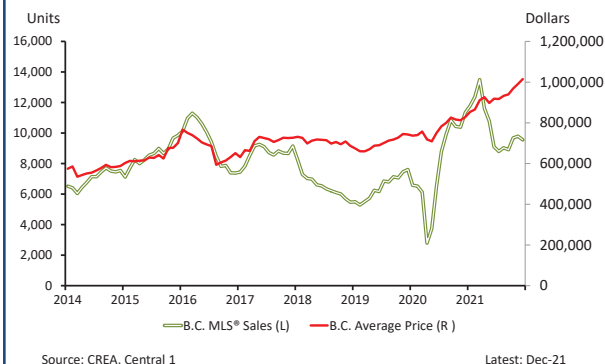
British Columbia home sales slipped in December after two consecutive months of gains due to factors such as buyer fatigue, affordability erosion, inclement weather and lack of supply slowed activity. That said, overall demand remained robust to cap off the year.

December sales fell 2.4 per cent to a seasonally- adjusted 9,554 units while new listings fell 3.9 per cent. Above average sales continued to whittle down supply, cutting active listings by 40 per cent from a year ago marking a new record low level and. The sales-to-active listings ratio rose to 56 per cent as market conditions continued to tighten.

Tight market conditions have driven prices higher into 2022 as buyers and investors scrounge for the limited available homes for sale. The average price increased for a fifth consecutive month in December. In December, the average resale home in B.C. moved up an additional 2.4 per cent to a record \$1.02 million.

Like other parts of Canada that saw their resale homes market activity heat up as household needs and preferences shifted, B.C. was no different. All metrics had strong double-digit growth in 2021 over 2020. Sales and new listings increased by 32.9 per cent and 11.0 per cent respectively while the average price increased 17.5 per cent, surpassing the already robust growth posted last year of 12.0 per cent.

## Average home price jumps 2.4 per cent in December surpassing \$1.0 million



Of the twelve regions in B.C., sales fell in all but three areas in December: Chilliwack (up 1.1 per cent), Fraser Valley (up 6.4 per cent), and Powell River (up 46.4 per cent). Sales remained unchanged in Vancouver Island. That said, sales growth in 2021 was strong across the board. Greater Vancouver and Vancouver Island posted 42.0 per cent growth and 18.5 per cent growth respectively.

Each month the Canadian Real Estate Association (CREA) releases a constant quality housing price index (HPI) for B.C. regions. Month-over-month HPI growth in December ranged from 1.3 per cent in Greater Vancouver to 2.4 per cent in Vancouver Island and Fraser Valley. Across all regions the HPI averaged 2.0 per cent in December up from 0.6 per cent in November. Likely, greater demand for low-rise housing and strong competition is lifting prices.

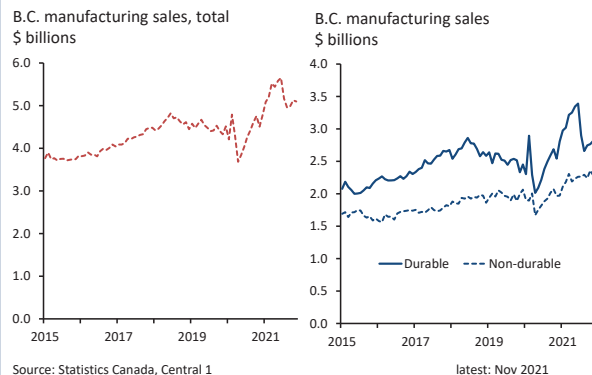
## B.C. flooding's aftermath kicked in and paused the manufacturing recovery in November

*Ivy Ruan, Economics Research Associate*

Manufacturing sales increased in seven provinces in November, yet B.C. reported a slight drop (\$2.2 million) in its provincial sales amidst historic flooding. Total sales of goods manufactured in November remained essentially unchanged at \$5.096 billion, albeit 13 per cent above year-ago levels.

November's decline in manufacturing sales owed to lower non-durable goods output (down 3.4 per cent) which offset the increase from the previous month, whereas durable sales saw a 2.9 per cent increase.

## B.C. manufacturing recovery paused in November



The lost sales due to the floods in B.C. were modest in November, but largely impacted the wood (-0.8 per cent) and paper (-1.2 per cent) product industries. Paper manufacturing sales in November had the lowest sales amount since March 2021 measuring 11.8 per cent lower than the highest sales amount observed back in June. Drag was likely more pronounced in December, and with B.C. being a key supplier of North American lumber, the effects have already contributed to a rebound in lumber prices. These pressures should ease with reconstruction of transportation infrastructure.

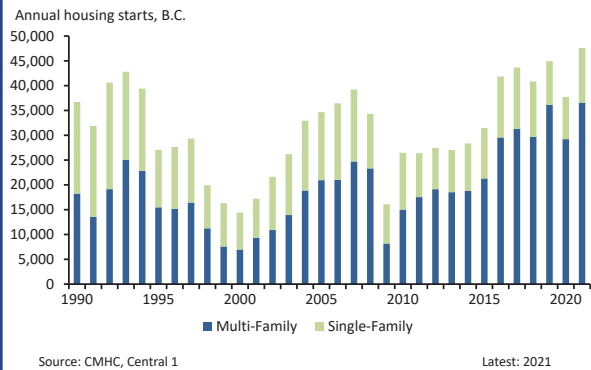
B.C.'s manufacturing sales in computer and electronic products sector fell 4.0 per cent following an October increase. Transportation equipment production was about the same level as the previous month. The ongoing global semiconductor supply disruption continued to impact the two industries. Consistent with the national trend, primary metal manufacturing sales in B.C. was up 7.7 per cent to its highest level since July 2021.

## Housing starts surge in December to cap off record year

*Bryan Yu, Chief Economist*

B.C. new home construction capped off 2021 with a flurry of activity as annualized urban-area housing starts popped higher to nearly 51,000 units (annualized) in December. This marked a 42 per cent increase from November's 35,800 unit pace and a 29 per cent increase from a year ago. Multi-family starts (up 48 per cent m/m) drove the increase, although single-detached units also jumped 20 per cent.

## December rebound drives record annual housing starts in B.C.



With December's increase, annual housing starts reached a new record high (going back to 1990) of 47,609 units, up 26.2 per cent from 2020 and six per cent higher than the previous high in 2019. Record starts have reflected broader market conditions of record housing demand spread across the province due to pandemic shifts in living and working, low interest rates and strong interprovincial migration to mid-sized urban and smaller markets in the province. Urban-area starts rose 24 per cent to 43,360 units during the year, while estimated rural activity jumped 49 per cent to 4,249 starts. This geographic dispersion of demand contributed to a 29 per cent annual increase in single-detached starts to 11,000 units and the highest since 2018. While multi-family starts rose 26 per cent, levels reached a record-high of about 36,600 units reflecting relative affordability of units.

B.C.'s metro markets generally saw significant increases in housing starts. The Vancouver Census Metropolitan Area (CMA) recorded a moderate 16 per cent increase to 26,013 units but represented more than a third of the overall increase. Kelowna starts reached increased 82 per cent to 3,266 units, while Victoria rose 50 per cent to 4,809 units. Abbotsford-Mission recorded a three per cent slip in activity.

Metro area gains were eclipsed by other urban areas with notable gains in Chilliwack (64 per cent to 1,362 units), Squamish (115 per cent to 303 units), Courtenay (55 per cent to 740 units), Penticton (250 per cent to 415 units), and Prince George (47 per cent to 665 units). In large part this reflects the stronger population increases outside Metro Vancouver.

Going forward, housing starts are expected to remain elevated in 2022 above 40,000 units. Affordability will further erode due to higher prices and interest rates and expected to slow demand, but higher immigration is forecasted to be an offset. Labour constraints will also be a factor limiting new project construction as a near record-high number of units were already under construction at year end.

## Provincial consumer price inflation hits record 40-year high in December in B.C.

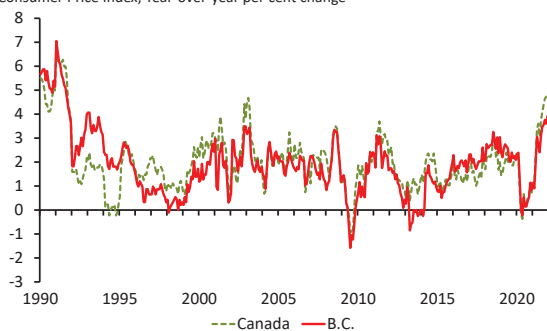
*Bryan Yu, Chief Economist*

Headline consumer price inflation in B.C. accelerated in December but consistent with recent patterns, remained well below the national print. Consumer prices in the province rose to a year-over-year gain of 3.9 per cent, up from 3.6 per cent in November and the highest since 1991. In comparison, national inflation came in at 4.8 per cent. Inflation is running ahead of wage growth in the economy and increasingly pinching consumer finances. That said, a portion of this reflects a catch-up in prices following low inflation at the onset of the pandemic. Two-year inflation reached 4.8 per cent or an annualized rate of less than 2.5 per cent.

While B.C. inflationary pressure is relatively modest compared to the national picture, similar themes were observed. Costs adding to upward pressure during the month included rising shelter costs as rent growth rose (2.9 per cent from 2.0 per cent) and homeowners' replacement cost (which accounts for depreciation) which remained elevated at 11.5 per cent. Growth reflects the robust housing market and turnaround in the rental market. Meanwhile, supply chain impacts look to be lifting costs for household goods, furniture and appliances which were up 5.2 per cent.

### B.C. CPI Inflation climbs to multi-decade high, lags national reading

Consumer Price Index, Year-over-year per cent change



Source: Statistics Canada, Central 1

Latest: Dec-21

Consumers faced ongoing inflation for key staples but contribution to inflation declined. Food inflation remained high but held at 4.1 per cent on stronger price growth at grocery stores. Some relief came at the pump with gasoline prices down from November and contributed to downward pressure on growth, but levels were still 27 per cent above year-ago levels, while fuel oils were 32 per cent higher. Meanwhile, clothing prices fell 1.1 per cent year-over-year but was less of a drag than prior months. Excluding food and energy, inflation came in at 2.9 per cent.

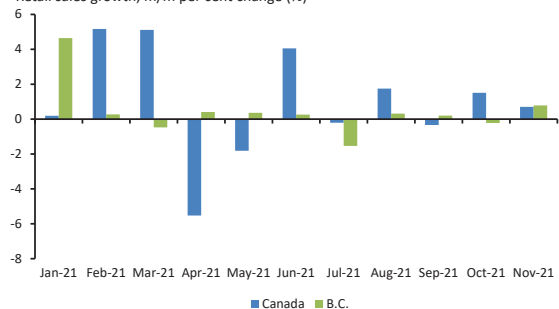
There are signs that inflationary trends may have peaked, but consumers are likely to experience elevated headline inflation through mid-2022.

## Retail sales moved up 0.8 per cent in November

*Edgard Navarrete, Regional Economist*

### Retail sales growth modest in November

Retail sales growth, m/m per cent change (%)



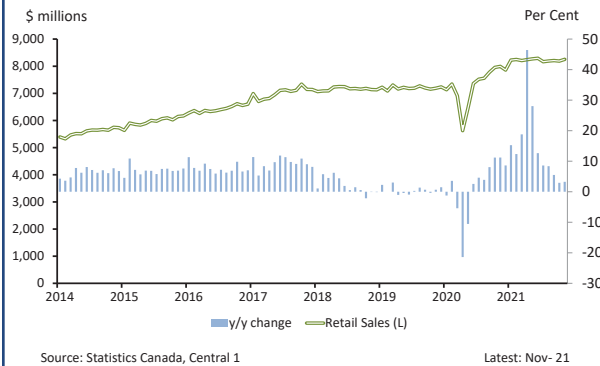
Source: Statistics Canada, Central 1

Latest: Nov-21

Retail sales in British Columbia (B.C.) increased 0.8 per cent in November to \$8.3 billion even as the province was facing some major natural disasters in the form of flooding and landslides impacting parts of the province heavily. This comes on the heels of a 0.2 per cent decline in sales in October. Sales in the Vancouver metro area increased 0.8 per cent in November, a much slower rate of growth than October which came in at 1.7 per cent while in the rest of B.C., excluding the Vancouver metro area, sales increased by 0.9 per cent in November after a decline of 1.2 per cent in October.

Leading the increase in B.C. were higher sales at gasoline stations and at food and beverage stores.

## Retail sales up sharply from 2020 but trend flat through 2021



Year-to-date, retail sales in B.C. remained ahead of last year's pace by 13.6 per cent, even higher than the 11.9 per cent national figure. Sales in the Vancouver metro area and B.C. excluding the Vancouver metro area remained 18.0 per cent and 10.1 per cent higher respectively. That said, much of this year-over-year momentum owed to a rising trend through 2020, with sales generally flat through 2021. Consumers are increasingly pivoting back towards services demand, notwithstanding COVID-19 restrictions, although higher prices are lifting dollar- volume sales

Despite strong retail activity earlier in the year, sales in December will likely scale back a bit as supply chain issues and increased inflation may keep shoppers to modest budgets in the month.

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