



## Highlights

- MLS® sales fell for an eight consecutive month while average price held steady with a 0.3 per cent monthly gain in September
- B.C. manufacturing sales rose slightly and remained elevated to pre-pandemic level

## B.C. housing market continued to contract in September

Bryan Yu, Chief Economist

B.C.'s housing market slide deepened through September with another month of declining MLS® sales and prices. Further rounds of Bank of policy interest rate tightening are expected and resurgent bond yields points to higher mortgage rates which will further reduce buyer purchasing power.

MLS® sales in B.C. fell for an eight consecutive month in September to a seasonally-adjusted 5,068 units according to the latest data out of the Canadian Real Estate Association. This was a 4.3 per cent decline from August and like the national drop of 3.9 per cent. B.C. sales are not only down a staggering 50 per cent from excessive pandemic peaks but also 20 per cent below pre-pandemic February 2020 as soaring interest rates, equity market losses and pessimistic sentiment pushes buyers out of the market. Aside from the pandemic plunge, sales were the lowest since 2010.

Lower home sales were observed broadly among real estate board areas and regions. Combined sales in the Lower Mainland-Southwest fell 3.9 per cent despite a positive bounce in Chilliwack, while Vancouver Island area sales fell 6.1 per cent. Okanagan area sales fell 7.1 per cent. Affordability erosion, rather than local economic factors, is the dominant theme influencing markets at this point.

The sales slump has triggered a buyers' market reflected in downward price momentum. That said, we have been surprised by how supply has evolved. While inventory is clearly on the rise, with active listings up about 50 per cent from the beginning of the year, the flow of new listings has eased. This suggests a lack of panic selling and delayed listing as a tight labour market

### Sales continue to deteriorate



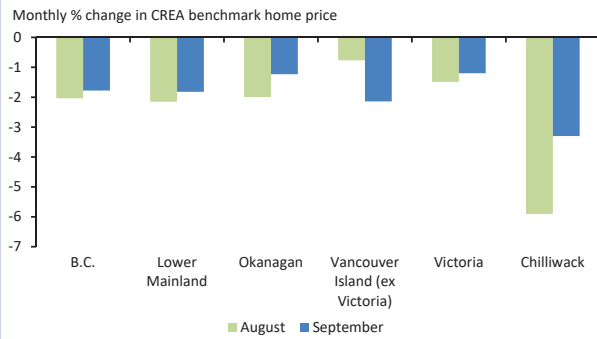
### Inventory rising but remain modest, new listings trend lower



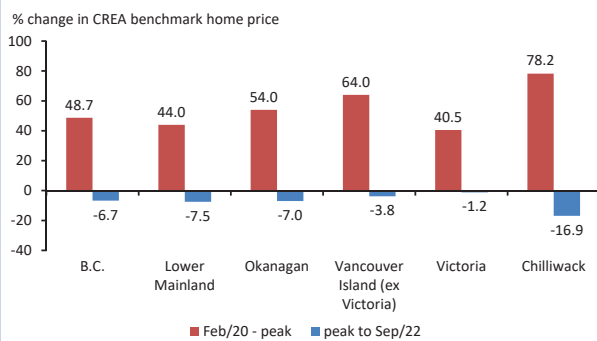
and strong rental demand allow for seller patience. Higher inventory reflects more homes staying on the market for longer and about one third lower than mid-2019 levels. Modest inventory growth in the Greater Vancouver area has tempered growth provincial trends, while levels have moved up more quickly in areas like the Vancouver Island and Fraser Valley.

After declining for months, the average price held steady with a 0.3 per cent monthly gain to \$957,157, marking the first increase since February which suggests stabilization in values, although geographic and product composition is contributed to the steady pace. Greater Vancouver real estate board prices rose 2.0 per cent, while prices fell across the rest of province including a 9.0 per cent decline in Chilliwack, about 2 per cent on the Island, and erosion in other areas. Benchmark prices, which adjust for composition but typically lag average price trends, fell more broadly with a near 2 per cent decline in the Lower Mainland, and pullbacks in Chilliwack (3.3 per cent), the Island (2.0 per cent) and interior (1.2 per cent).

## Benchmark prices decline again in September



## Benchmark prices down sharply in most markets



We anticipate further downward price pressure as interest rates continue to rise through to the end of the year, although sales are anticipated to stabilize. Supply of homes for sales may move up more quickly as higher interest rates create financial hardship for an increasing number of homeowners, while owners that delayed listing their homes for sales move forward, which would further curb prices.

## B.C. factory sales edged up in August due to increase in non-durable goods manufacturing

*Ivy Ruan, Economic Analyst*

B.C. manufacturing sales edged up in August following four consecutive months' decline. Dollar-volume sales at B.C. factories rose 0.5 per cent to a seasonally-adjusted \$5.77 billion. Factory sales remained elevated compared to a year ago and pre-pandemic levels, with 15.2 per cent higher sales above last August and 31.5 per cent higher than February 2020.

## Non-durable goods led growth in August's manufacturing sales



The increase in non-durable goods' sales (1.3 per cent) contributed to August's provincial increase in manufacturing sales. Consistent with the national trend, B.C. also reported rebound in food product manufacturing (2.9 per cent) and beverage and tobacco product manufacturing (3.9 per cent) in August. Data from the remaining industries is limited due to data privacy concerns, however, the increases in sales of food product and beverage and tobacco product offset the losses in other non-durable goods sectors. Meanwhile, durable goods manufacturing remained steady with a 0.1 per cent decline from last month, as the continuous growth in primary metal and transportation equipment manufacturing largely offsets the decline in wood product manufacturing (4.4 per cent). The decrease in wood product manufacturing retrieved its gain from July and brought the lowest level in wood product sales since January 2022.

While monthly data fluctuates, B.C.'s manufacturing sector continued to face challenges in resources-related production. Further rate hikes will likely continue to cut demand for housing in the U.S. and Canada, hence impact wood prices. Meanwhile, the persistent high inflation contributed to the growth in non-durable goods as consumers had to pay more for the necessities such as food products. On a constant dollar basis, non-durable goods' sales in real terms may drop further under the pressures of increases to prices and borrowing costs.

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