



## Highlights

- B.C. MLS® sales climb 5.8 per cent in October
- Price trends continue to erode
- Housing starts reverse September gains
- B.C. CPI inflation steady but high at 7.8 per cent

## Home sales bounce higher with sign of demand stabilization in October

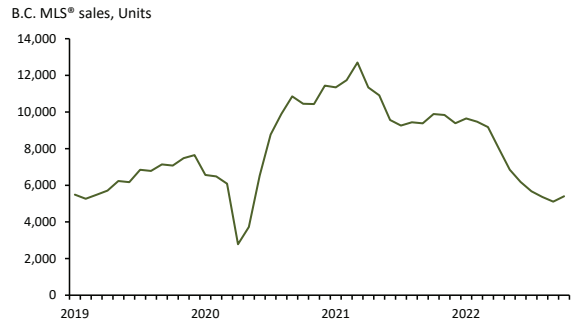
Bryan Yu, Chief Economist

Is the housing market downturn finding its floor? It is still too early to say, but October's MLS® data reported by the Canadian Real Estate Association provided some signal to this effect with a strong bump in activity of 5.8 per cent and the first monthly sales increase since January. Seasonally-adjusted sales reached 5,402 units, the highest since July. That said, sales flow can be erratic, and levels remained weak at 44 per cent below the pandemic peak and 17 per cent below pre-pandemic February 2020. Higher mortgage rates continue to price a large swath of buyers out of the market, but lower pre-approved rates, steady fixed rates and lower prices may be drawing some buyers into the market. A strong provincial labour market and robust population growth are also providing some tailwinds to buyer confidence.

Regionally, October gains were led by Vancouver Island with sales up nearly 20 per cent in Victoria and 13.7 per cent in other parts of the Island, while sales also increased in core areas of Metro Vancouver and the Okanagan. A surge in Island activity could reflect demand from equity-rich retirees moving from other regions.

Despite the sales uptick, market conditions are still subdued. New listings flow rose 4.7 per cent from September and lifted active listings higher for a tenth straight month. The latter is up 50 per cent on a year-over-year basis with gains particularly substantial on

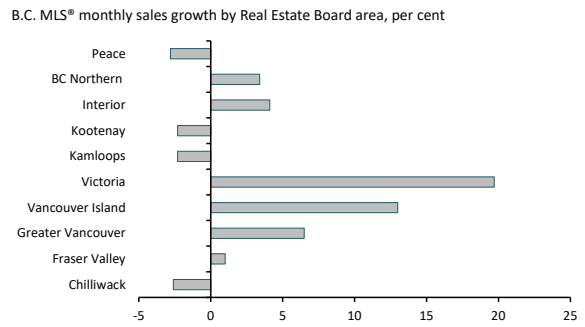
## Signs of stabilization - B.C. home sales rise for the first time since January



Source: Statistics Canada, Central 1

latest: Oct-22

## Vancouver Island leads sales uptick



Source: CREA, Central 1

latest: Oct-22

Vancouver Island. That said, levels are not particularly high with the upswing owing more to a dearth of listings a year ago, while homes on the market have sat unsold for longer. There has yet to be a flood of supply. The sales-to-active listings ratio which trends near 20 per cent does not point to an oversupply, although the rapid deterioration in sales trend has shifted purchasing power to buyers and significantly reduced sale prices.

The average sales price fell again in October by 1.4 per cent to \$941,050. This is 11 per cent below peak. Sales composition likely drove swings around the province including a 6 per cent increase on Vancouver Island outside Victoria and Kamloops, while prices

fell in Victoria and the Lower Mainland. That said, the trend remains negative. The quality-adjusted housing price index showed declines of 0.4 per cent in the Lower Mainland, 0.7 per cent in the Okanagan, 1.2 per cent in Victoria and 2.3 per cent in the rest of the Island. Over the past six months, the house price index is down more than 10 per cent in the Fraser Valley with more modest declines in other markets.

In our view, sales are likely at or near bottom with some downside risk in the event interest rates move higher than expected. Mortgage rates are likely to remain elevated through 2023 while the economy is forecast to slow. While many sellers will try to wait out the downturn and are unwilling to reduce prices, we anticipate lower purchasing power to ultimately erode average prices with a peak-to-trough decline of about 15 to 20 per cent with home sales remaining range-bound for most of 2023.

**Housing starts slowdown in October**

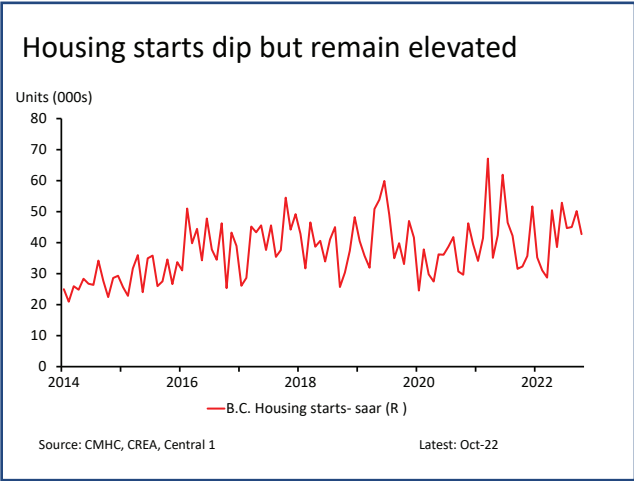
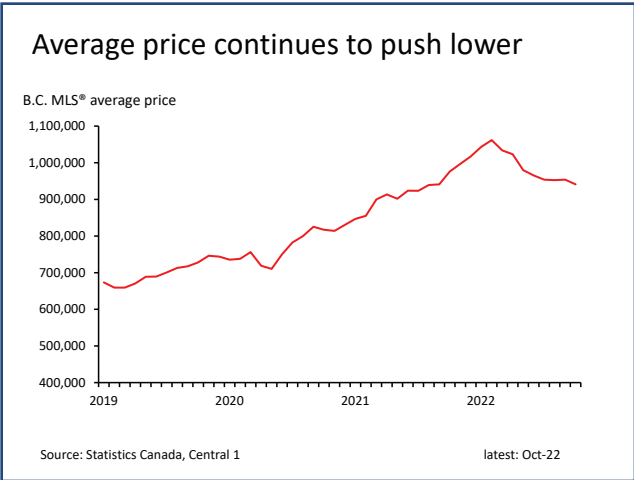
*Alan Chow, Business Economist*

Housing starts fell in B.C. for the month of October, reversing all the gains seen in September. They came in at a seasonally-adjusted annualized pace of 42,754 units, down 14.8 per cent from 50,191 units. However, this was preceded by three consecutive months of increases and as a result, brings it to a level comparable to the trailing 12-month average.

As most of September’s increase was from multi-family units, so was the decrease for October. B.C. multi-family unit starts fell 16.8 per cent down to 35,021 units. Single-detached units also saw a decrease, but to a much lesser extent and not enough to fully erase September’s increase. They fell 4.4 per cent to 7,733 units from 8,089 units.

Amongst the Metro Areas, Vancouver saw a decrease of 18.9 per cent, larger than that seen in the rest of the province. Kelowna and Abbotsford-Mission also saw a decrease in housing starts of 19.1 per cent and 59.6 per cent respectively. Balancing this out was Victoria, which saw a big jump, up 126 per cent, likely due to the beginning of a major multi-unit project.

Year-to-date, housing starts in B.C. are at 35,036 units, 3.1 per cent lower than where they were last year at 36,162. Single-detached units were down 4.9 per cent from 6,788 to 6,457 while multi-family units fell 2.7 per cent, from 29,374 units to 28,579 units. This overall drag remains in the metro Vancouver area, which is down 7.7 per cent year-to-date and specifically in multi-family units, 10.0 per cent lower. Single-



detached unit growth remains strong year-to-date, up 9.5 per cent. Victoria year-to-date housing start units are up 2.4 per cent, with multi-family units rising 7.3 per cent while single-detached units fell 18.1 per cent. Kelowna is up 19.2 per cent owing to multi-family units up 35.2 per cent and single-detached units down 17.8 per cent. Abbotsford-Mission starts are up 51.9 per cent pulled by multi-family units up 61.9 per cent and a 31.3 percent rise in single-detached units.

**B.C. inflation holds sharply above national figure in October**

*Bryan Yu, Chief Economist*

While national headline inflation held steady at 6.9 per cent in October, B.C. consumers found their wallets a little lighter than most as inflation came in nearly a full point higher at 7.8 per cent (albeit little changed from September).

Gasoline prices continued to propel price levels with a 4.7 per cent increase from September to lift year-over-year growth to 29 per cent, well above the national increase of 17.7 per cent. That said, even without the lift of gasoline and other energy prices, CPI inflation in B.C. was still 7.0 per cent. While little changed from

September, households continued to face pressure in grocery aisles. The cost of food purchased from stores was 10.2 per cent higher than a year ago, as meat and bakery goods prices soared. Shelter costs rose 0.8 per cent from September but year-over-year growth held steady at 7.5 per cent. Rent has increased at a slower pace than ownership costs which have been lifted by higher mortgage interest rates, offsetting flow through of lower home values.

Consumers did see some relief in furniture prices, although levels were still 13.7 per cent above those a year ago. Clothing prices rose 0.8 per cent m/m but were still down from a year ago. A weak Canadian dollar and return to social events may be boosting these prices. There was little change in health care costs with levels up 3.4 per cent from a year ago, while hotel costs fell in a normal seasonal pattern although still 27 per cent higher than a year ago.

High inflation which is eroding real incomes remains a pain for consumers. Inflation is likely to decelerate in 2023, but households will continue to face the shock of higher prices and interest rates on their budgets.

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