



Highlights

- Home sales retreat after October bounce, prices drop
- Gains in multi-family units led the rebound in provincial housing starts
- B.C. manufacturing sales decline again for second straight month

November home sales crumble after October gain

Bryan Yu, Chief Economist

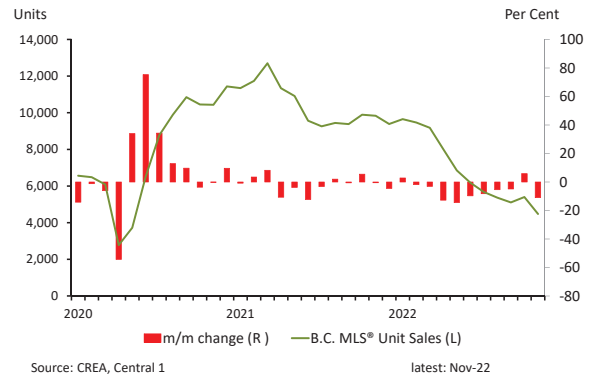
Following October's uptick, B.C. home sales cratered in November by 9.5 per cent to a seasonally-adjusted 4,849 units with actual sales down 50 per cent from a year ago. While this outsized decline partly reflects robust sales a year ago, levels are 25 per cent below pre-pandemic February 2020. Higher mortgage rates following Bank of Canada monetary policy tightening continues to push prospective buyers out of the market. In recent years, variable rate mortgages were increasingly popular given rock bottom levels but have climbed by 400 basis points this year.

Souring of home sales was particularly evident in the Greater Vancouver Real Estate Board area, where activity fell 13.3 per cent, with Fraser Valley sales down a more modest 8.7 per cent. Victoria area sales declined 11.7 per cent.

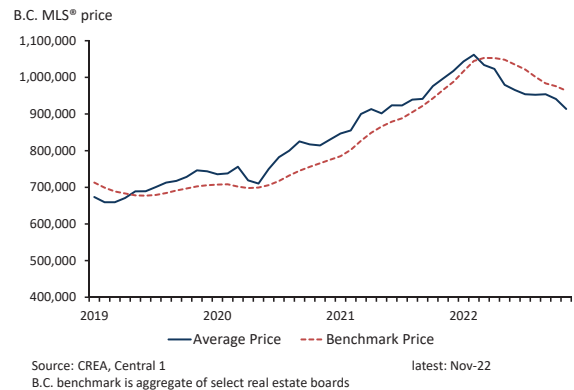
Year-to-date, B.C. sales have declined 34.1 per cent, the deepest among all provinces and likely reflects the province's distinction of having the highest debt-to-income ratio and sensitivity to interest rate hikes. Outside of the northeast quadrant, sales are down anywhere from 20 per cent in the northern interior to more than 40 per cent in the Fraser Valley as some of the high-flying markets have retraced.

Weaker transaction activity dwarfed further moderation in new listings, putting further downward pressure on prices. B.C.'s average price fell 2.5 per cent to \$913,974, and 14 per cent from peak. While compositional factors contribute, the MLS® housing price index for B.C.,

Housing headfake, sales slump after October gain



Average price continues to push lower



which adjusts for housing attributes, fell 1.3 per cent and is down 8.5 per cent from peak. This measure does lag turning points in average prices and underlying patterns are likely weaker. Single-family homes are slowing the quickest. The deepest retracements from peak have come in the Fraser Valley (-13.8 per cent) and Chilliwack (-20 per cent). That said, this comes after rapid pandemic gains, and for all markets covered, prices are still sharply higher than pre-pandemic levels.

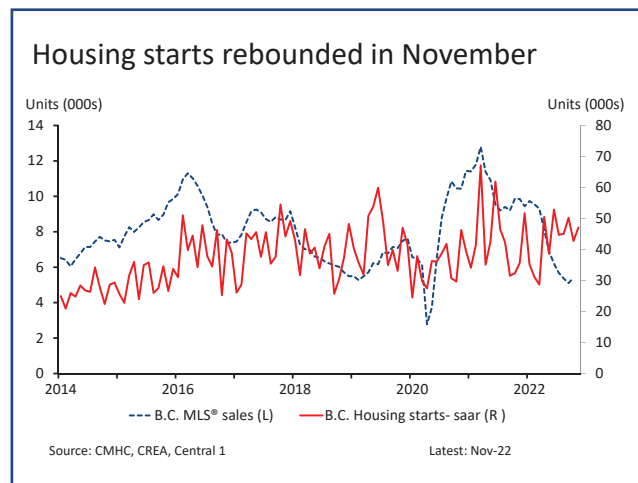
Challenging housing market conditions are anticipated to continue through the first half of 2023. Sales remain constrained by interest rates and weaker economic growth, while home sellers remain stubborn in pricing although levels will erode slowly. The combined effect of easing fixed rate mortgages through the course of the coming year, forecasted Bank of Canada rate cuts by early 2024 and robust population is expected to propel sales higher in the later stages of 2023.

Housing starts rebounded in November

Ivy Ruan, Economic Analyst

Housing starts rose in B.C. for the month of November, following a pullback observed the previous month. Starts came in at a seasonally-adjusted annualized pace of 47,034 units, up 10.0 per cent from 42,753 units. This monthly rebound brought the provincial housing starts to a level more comparable to the trailing 12-month average and remained surprisingly robust

All of November's increase reflected were from multi-family gains, offsetting the loss in single-detached units. B.C. multi-family starts gained 13.1 per cent to 39,643 units. Single-detached units fell again following October's drop, but to a lesser extent at 3.9 per cent in November to 7,391 units.



Amongst the Metro Areas, Vancouver saw an increase of 7.8 per cent to a seasonally-adjusted annualized pace of 28,083 units. Kelowna saw growth in housing starts of 37.2 per cent to 3,383 units. The cyclical gains in Vancouver and Kelowna balanced the minor losses reported in Abbotsford-Mission and Victoria.

Year-to-date, housing starts in B.C. are at 38,949 units, which is 0.5 per cent lower than where they were last year at 39,162 units. Single-detached units were down 4.5 per cent from 7,409 units to 7,073 units while multi-family units were flat from last year, up from 31,753 units to 31,876 units. Overall, this drag remained in the metro Vancouver area, down 4.1 per cent year-to-date and specifically in multi-family units, down 6.2 per cent. Single-detached unit growth remained strong year-to-date, up 12.3 per cent. Victoria year-to-date housing start units were up 8.3 per cent, with multi-family units up 13.9 per cent contrasted by single-detached units down 16.8 per cent. Kelowna starts were up 10.7 per cent with multi-family units up 26.8 per cent balanced by a 26.5 per cent drop in

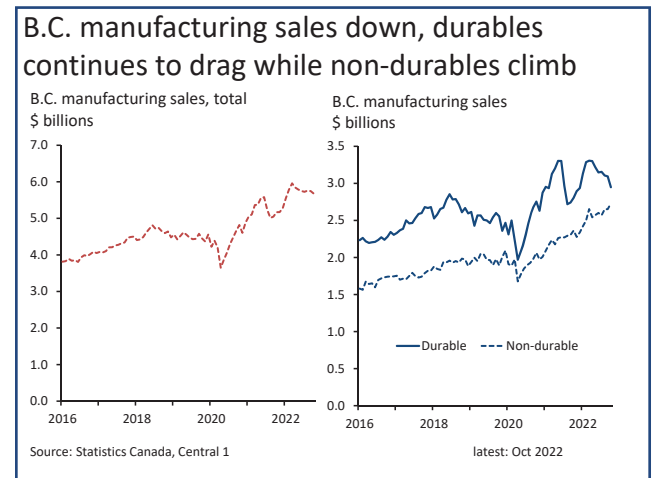
single-detached units. And finally, Abbotsford-Mission was up 48.9 per cent with multi-family units up 59.0 per cent and single detached units up 29.6 per cent.

While levels remain strong, patterns reflect prior development plans and the long lead times of multi-family projects as detached units have retreated. Current market weakness will flow through lower condominium sales, future project starts and rentals. Higher interest rates make rental construction more challenging for developers. Starts in both 2023 and 2024 are forecast to come in about 10 per cent lower than 2022.

B.C. factory sales edged down in October due to lower sales in durable goods manufacturing

Alan Chow, Business Economist

Manufacturing sales in British Columbia declined in October for the second straight month. Sales decreased 1.2 per cent over the previous month. Durable goods industries fell significantly, down 4.7 per cent over the previous month. On the other hand, non-durable goods industries were able to increase sales, up 2.9 per cent over the previous month representing a third consecutive month of increases.



Industries within the durable goods that dragged down sales were primary metal manufacturing, down 18.8 per cent, followed by machinery manufacturing, down 13.1 per cent. However, not all durable goods industries saw a decline in sales. Computer and electronic products manufacturing recorded an increase of 10.7 per cent in sales to \$207 million, a new high for the industry. Miscellaneous manufacturing also saw an increase of 10.0 per cent. On the other hand, the increase in non-durable goods recorded higher sales in food manufacturing, up 1.8 per cent. Paper manufacturing also saw an increase of 2.8 per cent in October over the most recent months of data.

Demand is expected to start decreasing in the coming months as rate hikes begin to work their way through the economy. Sales are expected to decline, albeit marginally, as inflation remains stubbornly high. Rate hikes are beginning to affect prices, especially on input prices as commodities costs continue to fall from peak earlier in the year.

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