



Highlights

- Lower Mainland home sales rebound, but level remains low
- Multi-family homes' building permits were down 27.9 per cent in January, leading the contraction in the total value of building permits

B.C. Lower Mainland home sales and prices experience a lift in February

Bryan Yu, Chief Economist

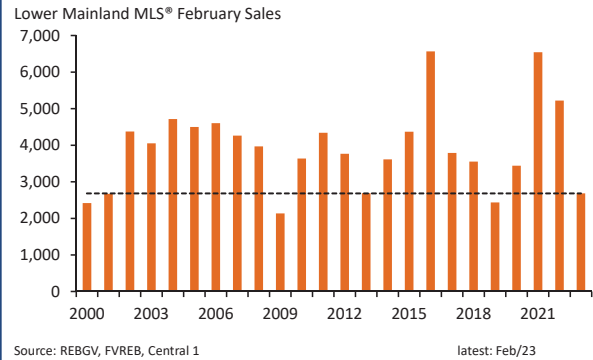
Is the housing market turning the corner after 2022's severe slump? It is still too early to say but Lower Mainland home sales gained some traction and prices notched higher in February in a sign that lower housing prices, greater interest rate stability (including lower fixed rates) and buyer impatience may have triggered a bump in activity, albeit at still low levels.

MLS® home sales in the Metro Vancouver/Abbotsford-Mission area reached 2,683 units in January according to the latest real estate board statistics. This was still 49 per cent lower than a year ago but comparable to a 55 per cent decline recorded in January. Adjusting for normal seasonal factors, we calculated a significant increase in monthly sales of 10 per cent, although the Canadian Real Estate Association data at mid-month will provide final confirmation. Nevertheless, sales remain low on a same-month basis. Since 2009, only February 2019 saw fewer sales at 2,436 units, and sales were consistent with same-month 2013.

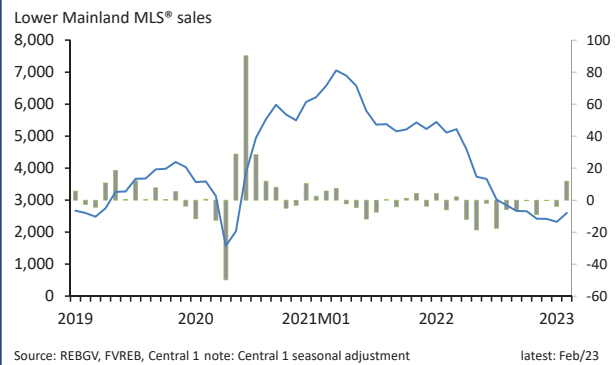
February's pick up in activity was likely triggered by interest rate expectations and government policy. The Bank of Canada signaled a conditional policy interest pause which likely provided greater certainty for buyers, and buyer speculation that rates could decline later this year which could ease payments. Easing bond yields and fixed-rate mortgage rates also incentivized buying. Government policy to unlock restrictions related to rental restrictions and age restrictions in strata buildings likely added to demand.

Higher sales led to a rise in prices during the month. The average price rose six per cent to \$1.13 million, although sales composition likely played a role. The benchmark price rose 0.9 per cent after nine consecutive declines. Both measures are down about 15 per

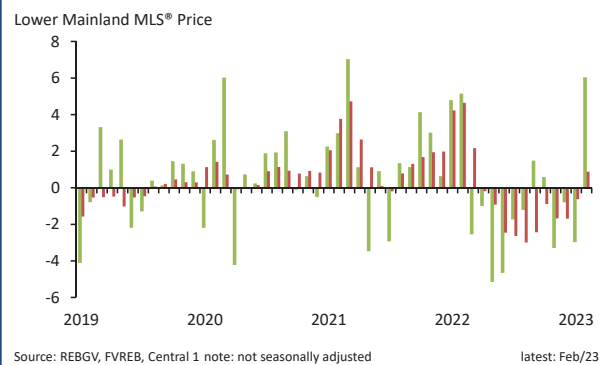
Second fewest February home sales since 2009



Lower Mainland home sales rebound, but level remains low



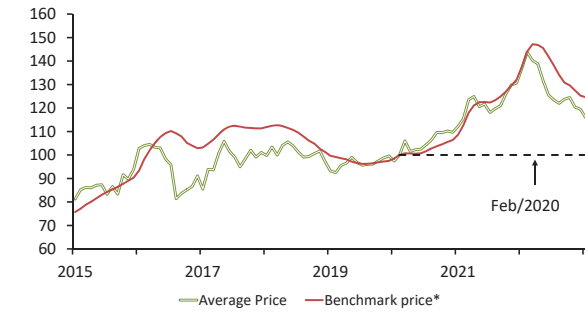
Prices perk higher in February, still 15 per cent off peak



cent from peak. The increase in benchmark home value was led by more affordable segment of the market with townhomes (up 1.2 per cent) and apartments (up 1.5 per cent) outpacing a 0.6 per cent increase in detached markets. Higher prices reflect the dearth of inventory that persists. New listings were steady, while higher sales further cut inventory. This pushed the

Benchmark and average prices retreat

Lower Mainland MLS® price, Index, Feb/20 = 100



Source: REBGV, FVREB, CREA, Central 1

latest: Jan/23

*CREA adjusted for latest regional benchmark change

sales-to-active listings ratio above 20 per cent for the first time since July and levels are firmly in balance, if not favouring sellers during the month.

While market conditions firmed this does not guarantee a rebound in sales and prices in the first half of the year. Financial conditions have tightened with bond yields up sharply following stronger than expected U.S. inflation and likelihood of more aggressive interest rate increases that last longer. The Bank of Canada's conditional rate hold is temporarily safe given falling inflation and slower economic growth observed heading into 2023, but a wider interest rate differential with the U.S. could put downward pressure on the Canadian dollar, drive higher import inflation, and lead to further tightening by the Bank of Canada.

Multi-family residential building permits plunged in January

Ivy Ruan, Economic Analyst

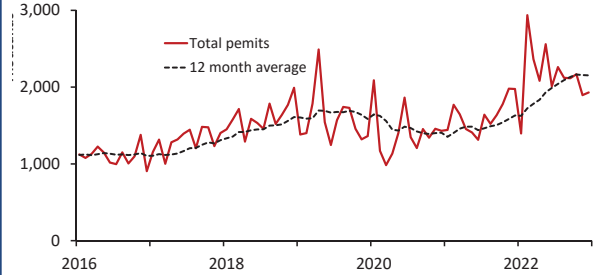
Following the rebound in December, dollar-volume permits in B.C. dropped to a seasonally adjusted \$1.76 billion in January, 9.6 per cent below last month. This was led entirely by multi-family homes' building permits which were down 27.9 per cent from December.

Total residential construction intention was down 21.3 per cent in January to a seasonally adjusted \$1.10 billion, marking the lowest reading since February 2022. While the monthly decline was driven by fewer multi-family units, single-detached homes had 0.6 per cent more permits issued during the same period. Despite the large monthly decline, the total dollar-volume of multi-family construction permits in January was still 38.6 per cent higher than in the same month in 2022. Overall residential building intentions remained 18.7 per cent above January 2022. That said, a slower underlying momentum in the residential sector would continue and residential building intentions are expected to decline further in 2023.

Non-residential permit volume rose 20.8 per cent from last month to \$654 million, with broad increases

Non-residential building permits led the December monthly rebound

Building permit volumes (MM \$) – British Columbia



Source: Statistics Canada, Central 1

latest: Dec/22

spreading among sectors. Construction intentions in the institutional sector saw the largest proportional growth (43.8 per cent) in January as Kelowna issued an \$87 million permit for an educational building. Government spending on major projects will likely support building activities in the new year, while a slowing economy could temper private sector activities.

Among Census Metropolitan Areas (CMA), the declines of residential building permits in Vancouver CMA (-14.3 per cent m/m) and Kelowna CMA (-54.5 per cent m/m) led the contraction in provincial residential sector. Having the recent decreases counted in, Vancouver CMA, Kelowna CMA and Victoria CMA still reported higher volumes compared to the same month last year in the total value of building permits.

For more information, contact economics@central1.com.