Economics | Current Economic Trends

B.C. Economic Briefing

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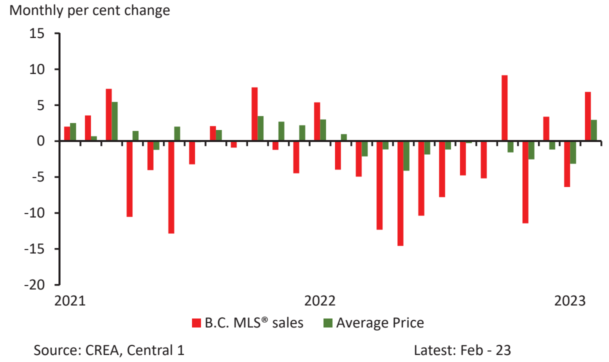
Economics

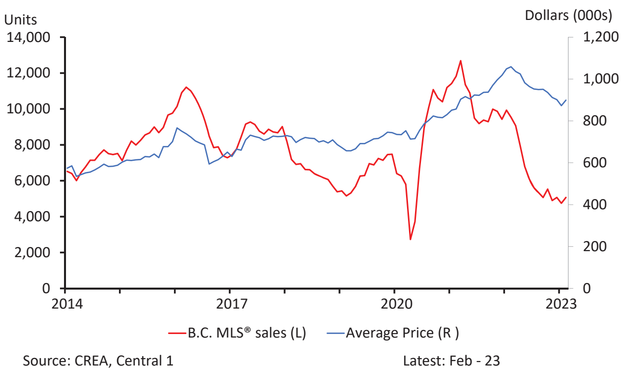
Highlights

- B.C. home sales rebound in February, average price climbs for first time in a year
- B.C. housing starts plunged 27.5 per cent following January's dip
- B.C. manufacturing rebounds slightly for January

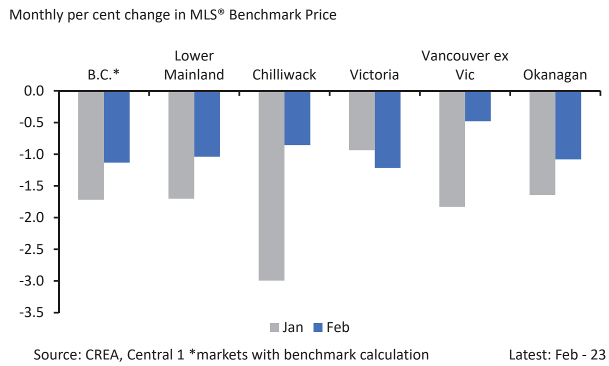
Home sales rebound in February, average price climbs for first time in a year



Housing trends remain shallow despite upturn



Benchmark prices fell again



B.C. housing market rebounds in February, but positive momentum uncertain

Bryan Yu, Chief Economist

Housing sales and prices rebounded from January's sharp retrenchment in a sign of traction for B.C.'s beleaguered market. However, it is too early to call this a shift in momentum given persistence of strained affordability, alongside both economic and interest rate uncertainty.

B.C. MLS® sales rose 6.9 per cent (seasonally-adjusted) to 5,067 units in February, reversing January's decline. Despite the notable increase, this remained within the weak range observed since November. Levels were half of the peak pandemic high and 20 per cent below the pre-pandemic trend. Erosion in prices and easing interest rate expectations may have contributed to the increase. Some of this rebound may reflect severe weather patterns in late-2022 which eroded early January sales and contributed to comparative strength in February.

Sales increased in most real estate board areas. Specifically, the Lower Mainland-Southwest led by Chilliwack (+11.5 per cent) and Greater Vancouver (+15.2 per cent) led the charge. The latter recorded the highest sales since October. Sales also rose in Victoria (+16.7 per cent) and Kootenay (+8.4 per cent). In contrast, sales in northern B.C. fell sharply, which could reflect the impact of announced sawmill closures.

Higher sales were not matched by supply. New listings fell 5.7 per cent after a stronger pickup in January, contributing to fewer month-end active listings (-5.2 per cent, seasonally-adjusted). This was driven primarily by the Lower Mainland-Southwest.

Insufficient supply is maintaining balanced conditions in most markets and for sellers' conditions in Victoria. Average home prices recovered 2.9 per cent to $898,777 to near December's level, albeit still 15 per cent lower than peak. Composition does play a role in monthly fluctuations.

Adjusted for seasonal effects, seasonally-adjusted benchmark prices continued to decline in February. On an aggregate B.C. basis, the benchmark price fell 1.1 per cent, marking a twelfth straight monthly contraction although the pace of contraction slowed. This is 12 per cent below peak but 30 per cent higher than the pre-pandemic levels. The benchmark price for the Lower Mainland and Okanagan fell 1 per cent, while Victoria fell 1.5 per cent and the rest of the Island decreased by 0.5 per cent. Benchmark prices tend to lag turning points in the market and prices are likely stabilizing. That said, affordability remains a severe constraint to buyers and economic growth is expected to erode. Upside risk for sales and prices remain strong population growth, while uncertainties in financial markets driven by the failure of a several U.S. banks has sharply reduced bond yields and interest rate expectations which could curb mortgage rates going forward.

Housing starts dropped again in February as both single-detached and multi-family sectors contracted

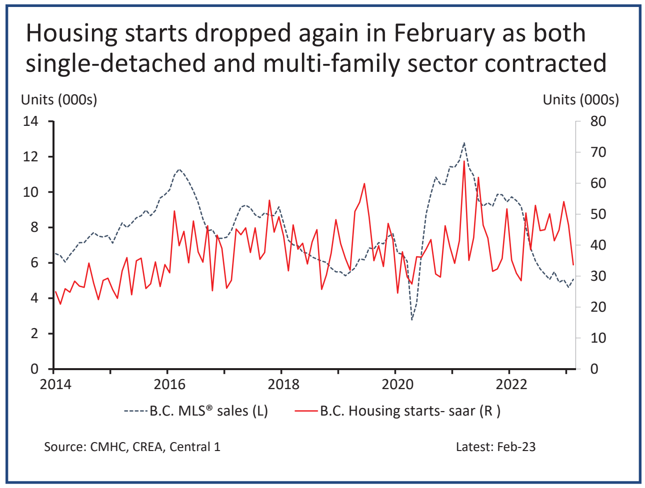
Ivy Ruan, Economic Analyst

B.C. housing starts fell again in February, following the large decrease observed in January. Starts plunged to a seasonally-adjusted annualized pace of 33,675 units, down 27.5 per cent from a revised 46,555 units in January. The consecutive sharp declines suggest the new home market is finally adjusting to weakness in the resale market and more challenging conditions for presale activity and financing.

Nearly all of February's decline in housing starts were from fewer multi-family starts, with a modest drop in single-detached units. B.C. multi-family starts fell 30.2 per cent to 28,367 units. Single-detached units dropped 496 units to 5,804 units in February.

Amongst Census Metropolitan Areas, of which there are now six with the inclusion of Chilliwack, Kamloops and Nanaimo, the decline of housing starts in Vancouver and Victoria drove the provincial contraction. Vancouver saw a decline of 43.2 per cent to a seasonally-adjusted annualized pace of 18,369 units, which was the lowest since March 2022. Reversing last month's surge, Victoria reported a decline of 35.3 per cent to annualized 3,656 units. In contrast, Abbotsford-Mission and Nanaimo regions' housing starts gained sharply to 1,199 annualized units (from 181 units in January) and 1,453 annualized units (from 204 units in January) respectively.

During the first two months of 2023, actual unadjusted B.C. housing starts (6,400 units) remained higher than last year during the same period, being 23.7 per cent above last year's reading, entirely thanks to more starts in the multi-family unit sector (5,713 units versus 4,220 units). Single-detached units were down 27.9 per cent from 953 units to 687 units. Metro Vancouver region reported a similar picture as the provincial results, with 30.4 per cent higher total starts driven by more new constructions in the multi-unit sector. The rest of the metro areas reported similar trend with the exception of Abbotsford-Mission, where both sectors recorded much lower starts than the year-to-date reading from last year.



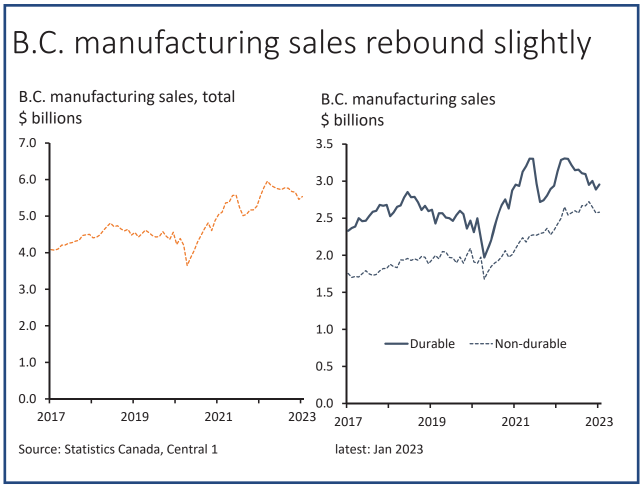
Housing starts are forecast to decline this year after a strong 2022 in response to weak market conditions. However, this is likely to amplify housing shortages and a rebound is anticipated as interest rates decline and pent-up demand drive future construction.

Durable goods sales are up while non-durable goods are flat

Alan Chow, Business Economist

Manufacturing sales in B.C. were slightly higher in January 2023 when compared to December 2022. On a seasonally-adjusted basis, sales rose 1.4 per cent. Most of the sales increase was in the durable goods industries, which saw an increase in sales of 2.3 per cent. Non-durable goods industry sales, on the other hand, were essentially flat, increasing by only 0.4 per cent. Unadjusted sales for January 2023 are up 1.1 per cent year-over-year with non-durable goods up 7.3 per cent while durable goods are down 3.6 per cent.

Among durable goods sectors, 9 out of the 10 saw an increase in sales. The increase in sales was relatively spread out between the industries with primary metal manufacturing (up 13.3 per cent), fabricated metal products manufacturing (up 7.4 per cent), non-metallic mineral products manufacturing (up 10.9 per cent), computer and electronic products manufacturing (up 14.5 per cent), and furniture and related products manufacturing (up 22.1 per cent) leading the way. The lone durable goods industry experiencing lower dollar volume sales was wood products manufacturing, which declined for the second straight month and



is the largest durable goods industry in B.C. in term of sales. It saw sales decline 10.8 per cent over the previous month reflecting broader challenges of lower prices and sawmill closures. In non-durable goods, food manufacturing experienced a 2.7 per cent decline in sales.

The Vancouver metro area experienced a slightly higher increase in manufacturing sales. On a seasonally-adjusted basis, sales were up 3.8 per cent with durable goods sales climbing even higher at 6.4 per cent. This was balanced by a smaller increase in non-durable goods sales, which were up 1.6 per cent.

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