



Highlights

- Lower mainland housing cooled down
- Unemployment rate in B.C. dropped to 5.4 per cent in July

Higher rates cut Lower Mainland sales and prices in July

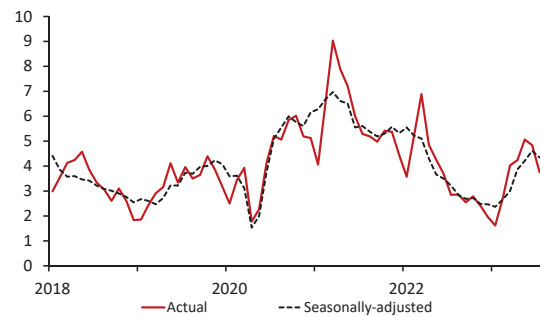
Bryan Yu, Chief Economist

It looks like the Bank of Canada got what it wanted, at least on the west coast. The Lower Mainland housing market cooled in July as higher variable and fixed mortgage rates pushed more buyers to the sideline as affordability further deteriorated and buyer confidence sank. That said, the resale market remained active as those with existing rate guarantees locked in purchases while strong fundamentals of high immigration and a firm labour market supported demand.

MLS® sales in the region spanning Metro Vancouver, Abbotsford-Mission and the Sea-to-Sky region, sank to 3,765 units in July. This marked a steeper than normal monthly decline of 22 per cent from June (compared to a typical June to July drop of 10 per cent), highlighting the pullback in activity. On a year-over-year basis, sales growth remained in line with June at 32 per cent but this owed to the base effect of declining sales last year. Compared to the same month average from 2010 to 2019, sales were down 11 per cent. Fraser Valley markets drove the latest decline after a strong June pick up, reflecting greater sensitivity to affordability erosion.

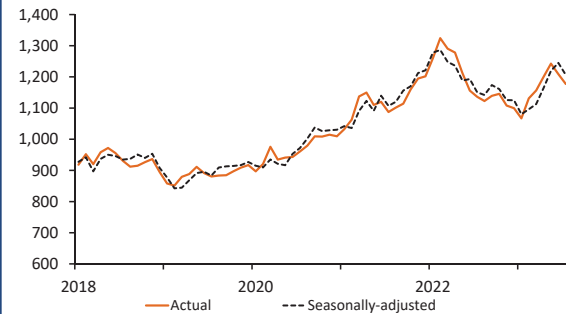
Lower Mainland sales pull back as rate hikes bite

Lower Mainland MLS® Sales (000s)



Home values slow

Lower Mainland MLS® Average Price (000s)



Inventory remains low despite higher new listings trend

Units (000s)



Price patterns were mixed in July as average prices fell both on an unadjusted and seasonally-adjusted basis by 2.5-3.0 per cent. The unadjusted average price slipped to \$1.177 million, which was a second straight monthly decline. This was 3.6 per cent higher than a year ago. While 12 per cent off peak, this was still 27 per cent higher than pre-pandemic levels. In contrast, the constant-quality benchmark value continued to rise, but at a decelerated rate of 0.7 per cent. This could point to some compositional drivers in the average price, but the trend is expected to be negative in coming months. The latest benchmark values point to a stronger pick up in detached home prices (1.1 per cent), while townhome and apartment prices rose less than 0.6 per cent.

That said, this is unlikely to trigger a material price decline given the tight supply conditions. New listings fell more than normal for July (-14 per cent month-to-month) albeit the trend is rising. Prospective sellers have retreated from the market, as sales slow and incentives to move also dissipate. Fewer sales have contributed to rising resale inventory (active listings) but levels remain tight and six per cent lower than last year's already low levels. The sales to active listings ratio remained firmly in a sellers' market. Moreover, supply side shortages are likely to continue given record inflows of newcomers and an expected decline in housing starts.

The latest round of interest rate hikes points to sluggish conditions into the fall months. Buyers will wait on the sidelines for prices or interest rates to decline for an entry point. That said, any downshift in price will likely be met by willing buyers given the lack of inventory and tight rental market, suggesting persistence of a low sales but high price environment.

B.C.'s employment performance unchanged in July

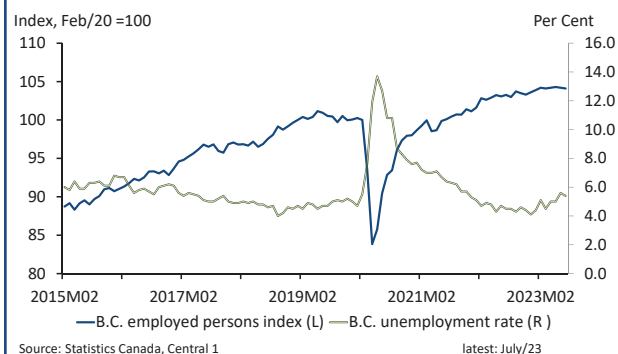
Eloho Ennah, Economic Analyst

Similar to the national picture, B.C. labour market was relatively unchanged in July as seasonally adjusted employment nudged down 0.1 per cent (1,600 persons) for the second consecutive month. Given this, employment growth in the province continues to ease. Total employment grew 0.8 per cent year-over-year in July, the smallest increase in over three years, while being above pre-pandemic level in February 2020 by 4.1 per cent. The labour participation rate declined from June's 65.2 per cent to 64.8 per cent, while the provincial unemployment rate fell to 5.4 per cent, following June's high of 5.6 per cent. This is likely due to a labour force contraction of 0.3 per cent.

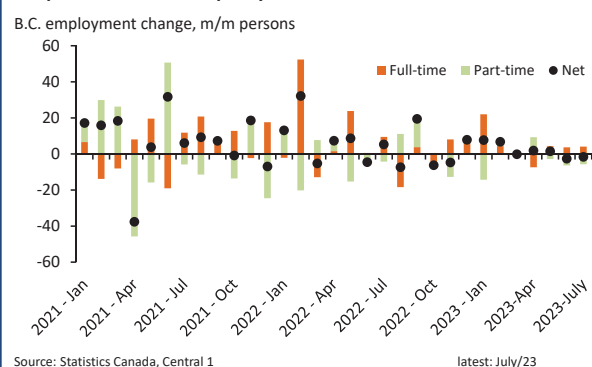
Full-time hiring in B.C. was up 0.2 per cent or by 4,100 persons for the third consecutive month while part-time employment declined further by 5,700 persons (-1.0 per cent). Vancouver census metropolitan area recorded a 0.2 per cent increase in employment from the previous month, while the unemployment rate was up to 5.5 per cent from 5.4 per cent in June.

By sector, the goods-producing industry saw total employment falling by 4.7 per cent during the month with the most pronounced reduction being in the construction industry where employment declined 8.9 per cent month-over-month. The forestry, fishing, mining, quarrying, oil and gas sector showed a gain of

B.C.'s employment had minor change in July while unemployment rate declined



B.C. full-time employment gains counters losses in part-time employment



9.7 per cent. In contrast, the service-producing sector employment had a 1.0 per cent increase from the previous month. Notable increases were reported in professional, scientific and technical services (up 3.6 per cent or 9,700 persons), public administration (up 2.2 per cent or 3,200 persons) and in health care and social assistance (up 2.1 per cent or 7,900 persons). Losses were seen in transportation and warehousing sector and the information, culture and recreation sector, with 4 per cent fewer hirings in both industries. Education services reported a 2.6 per cent drop in employment as well.

Although B.C.'s labour force remains supported by a growing population, businesses and households continue to feel the pinch of the cumulative interest rate hike. Nationally, the jobless rate ticked higher in July. With a further slowdown in the economy expected, the unemployment rate is likely to rise further in coming months.

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