



# Housing Forecast Update

## HOUSING DEMAND TO TREND HIGHER

Multiple Listing Service® (MLS®) residential sales in British Columbia are forecast to increase 4.8 per cent to 76,450 units this year, after increasing 7.8 per cent to 72,936 units in 2013. Housing demand in the province has now almost fully recovered from the downturn recorded in 2012. However, the spillover effect of a sluggish provincial economy and stalled employment growth over the past year will likely constrain housing demand over the next few quarters.

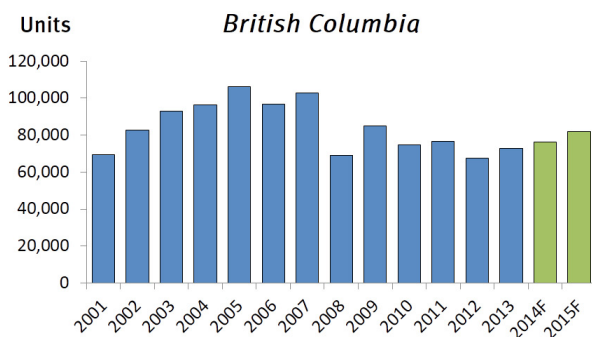
US economy, and a favourable exchange rate. In addition, a return to more typical employment growth will help stem the exodus of workers to other provinces and bolster household growth. Consumers also appear to be awakening from their year-long slumber as retail sales growth climbs out of the doldrums. Finally, while interest rates are forecast to remain low through most of this year, their inevitable normalization is expected to act as a counterbalance to more robust economic fundamentals and keep housing demand from outstripping supply.

Market conditions are expected to post further improvement this year, with Greater Vancouver, the Fraser Valley and BC Northern further bolstering their balanced market status. Stronger consumer demand is also likely to pull Victoria into balance conditions this year and trend most other regions towards

more equilibrium between supply and demand. Seller's market conditions are not expected to prevail over the next two years, meaning home prices in most markets won't likely rise much higher than overall inflation.

Housing starts are keeping relative pace with household formation. However, supply imbalances do exist in some communities. New construction activity is estimated to be up 1 per cent last year to 27,750 units, on the strength of an 8 per cent rise in single-detached starts. Housing starts are forecast to remain relatively unchanged this year, albeit increasing 0.2 per cent to 27,800 units. Stronger economic and housing market conditions in 2015 are expected to generate a further 2.9 per cent increase to 28,600 units.

### MLS® Residential Sales



Source: BCREA

A more robust economy is expected to put housing demand back on an upward trajectory during the second half of the year and through 2015. MLS® residential sales are forecast to increase 7 per cent to 81,800 units next year, above the five-year average of 75,400 unit sales, but shy of the ten-year average of 84,400 unit sales. A record 106,300 MLS® residential sales were recorded in 2005.

While 2013 was the second consecutive year of relatively weak economic growth, stronger conditions are expected to emerge this year. BC exports should accelerate as a result of stronger global economic growth, led by a resurgent



MLS®	13	14f	15f
Sales	72,936	76,450	81,800
	7.8%	4.8%	7%
Avg Price	537,414	547,300	556,800
	4.4%	1.8%	1.7%
\$ Volume	39.2 Bil	41.8 Bil	45.5 Bil
	12.6%	6.7%	8.9%
<b>Housing Starts<sup>1</sup></b>			
Total	27,750	27,800	28,600
	1%	0.2%	2.9%
Single	9,000	8,800	9,100
	8%	-2.2%	3.4%
Multiple	18,750	19,000	19,500
	-2%	1.3%	2.6%
	<b>13f*</b>	<b>14f</b>	<b>15f</b>
Real GDP Growth	1.6%	2.4%	2.6%
Employment Growth	-0.2%	1.6%	1.5%
Unemployment Rate	6.6%	6.3%	6%
Net Migration	32,500	36,500	40,000
5-Yr Mortgage Rate Range	5.14-5.34	5.24-5.44	5.44-5.65

1. Source: BCREA Forecast; CMHC

\*Data not yet available for 2013 has been estimated

## Housing Forecast Summary — First Quarter

Board Area	Unit Sales			Average MLS® Price (\$)		
	2013	2014F	2015F	2013	2014F	2015F
Victoria	5,691 4.2%	5,800 1.9%	6,190 6.7%	480,997 -0.7%	485,000 0.8%	493,500 1.8%
Vancouver Island	6,554 9.1%	6,650 1.5%	7,100 6.8%	314,831 -0.3%	319,000 1.3%	326,000 2.2%
Powell River Sunshine Coast	283 6.4%	275 -2.8%	285 3.6%	223,848 1.4%	224,000 0.1%	228,000 1.8%
Greater Vancouver	28,985 13.9%	30,800 6.3%	33,400 8.4%	767,765 5.2%	778,000 1.3%	786,000 1.0%
Fraser Valley	12,895 -1.4%	13,900 7.8%	14,800 6.5%	490,433 1.4%	496,000 1.1%	503,000 1.4%
Chilliwack and District	2,062 2.7%	2,100 1.8%	2,175 3.6%	301,492 0.7%	304,500 1.0%	309,000 1.5%
Kamloops and District	2,370 13.0%	2,440 3.0%	2,590 6.1%	312,460 -0.1%	316,500 1.3%	322,000 1.7%
Okanagan Mainline	6,082 12.7%	6,190 1.8%	6,475 4.6%	375,601 -0.6%	378,500 0.8%	384,000 1.5%
South Okanagan*	1,401 4.8%	1,425 1.7%	1,490 4.6%	299,254 -1.4%	302,400 1.1%	306,000 1.2%
Northern Lights	357 -25.9%	380 6.4%	410 7.9%	269,791 9.5%	278,000 3.0%	285,000 2.5%
Kootenay	2,079 3.5%	2,140 2.9%	2,260 5.6%	276,535 0.7%	279,400 1.0%	282,000 0.9%
BC Northern	4,177 3.3%	4,350 4.1%	4,625 6.3%	243,665 4.3%	252,000 3.4%	262,000 4.0%
BC Total	72,936 7.8%	76,450 4.8%	81,800 7.0%	537,414 4.4%	547,300 1.8%	556,800 1.7%

NOTE: The Northern Lights Real Estate Board (NLREB) became part of the South Okanagan Real Estate Board (SOREB) on January 1, 2011.

\*Excluding Northern Lights

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To demonstrate the profession's commitment to improving Quality of Life in BC communities, BCREA supports policies that help ensure economic vitality, provide housing opportunities, preserve the environment, protect property owners and build better communities with good.

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