



Housing and Mortgage Market Review: Quarterly Report - *July 2023*

B.C. home sales rose in Q2, but rising rates are expected to weigh on demand

Highlights on what is driving the housing and mortgage market:

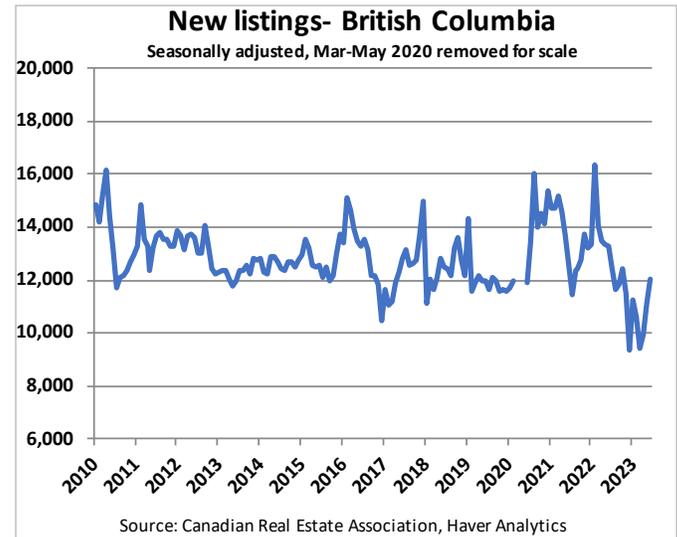
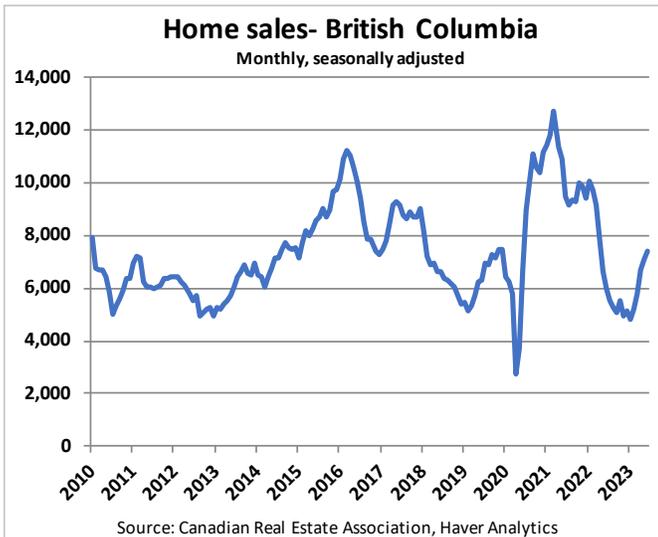
- Rising home sales could come under pressure as rising mortgage rates weigh on demand
- Housing inventory remains historically low
- The province saw record population growth in Q2 while single-family housing starts slowed to decade lows

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British Columbia

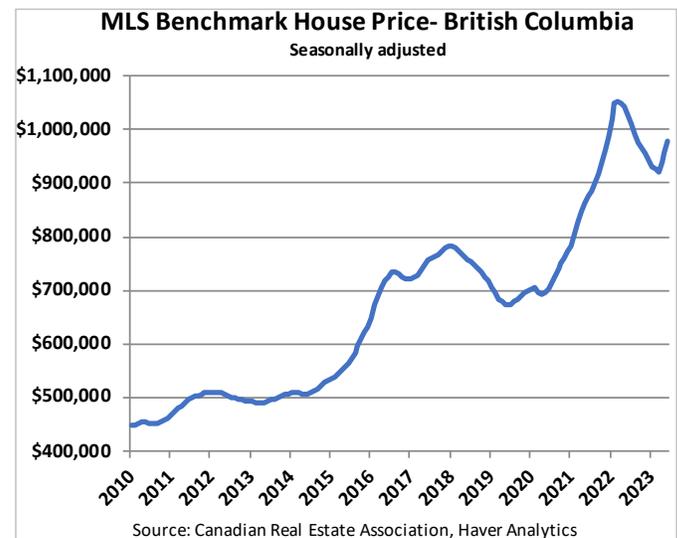
Seasonally adjusted home sales across British Columbia surged 34.3% in the second quarter relative to Q1 and ended the quarter with a 4.5% monthly increase in June. Given the rise in mortgage rates over the past six weeks, we should expect sales to slow by roughly 10% through the summer.

New listings rose 8.3% in June on a seasonally adjusted basis but remain below normal levels over the past decade.



The market balance remains relatively tight with just 3.5 months of housing inventory currently for sale, well below the long-term average of closer to five months.

With the market balance still very tight overall, prices rose throughout the second quarter, including a 2.3% monthly increase in June. There's still a way to go to return to the all-time highs, with prices down 7.2% from the peak.



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New record for population growth

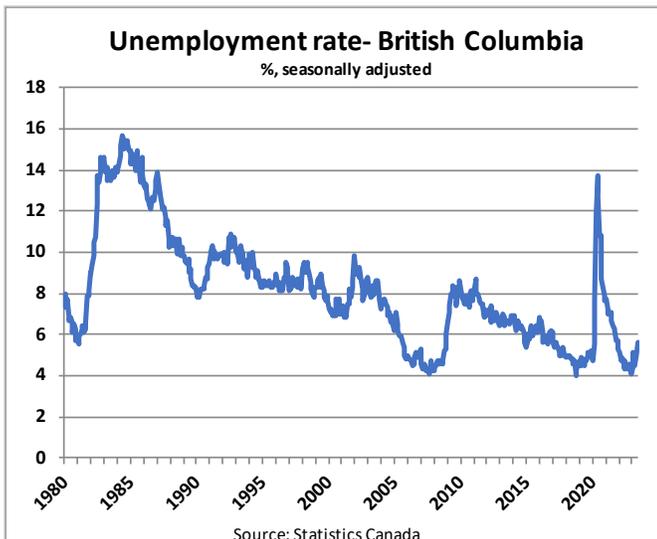
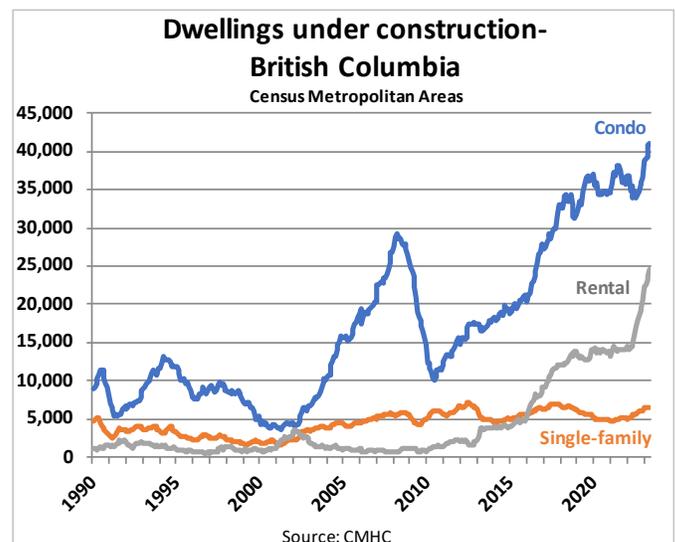
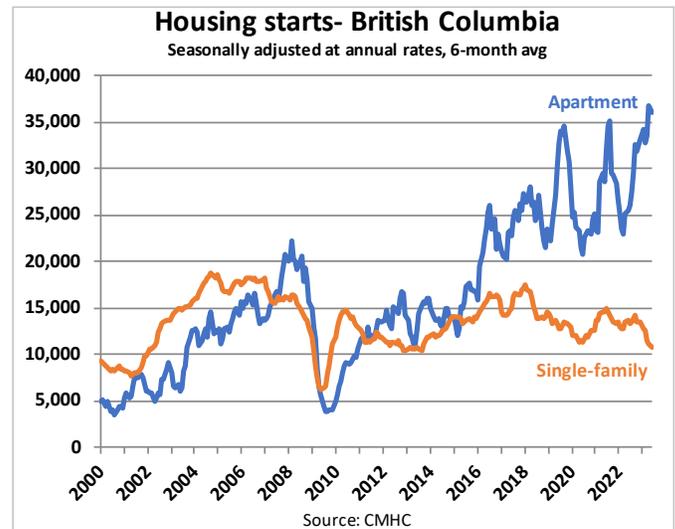
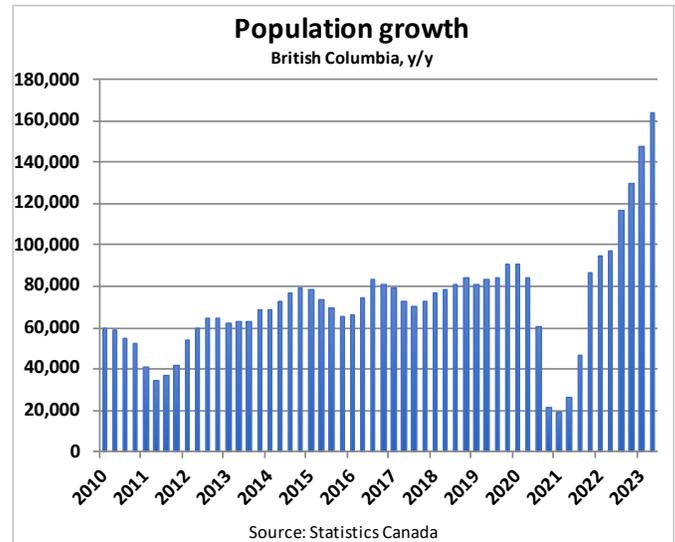
The long-term demand story remains intact in B.C. as annual population growth surged to a record 165,000 in the second quarter.

At the same time, single-family housing starts have slowed to 10-year lows. Conversely, multi-family construction activity (condos and rentals) remains near record highs.

Dwellings under construction have jumped 5.1% relative to the end of Q1, led by surging activity in the condo and rental segments.

Job market stalls in Q2

After adding 14,000 jobs in the first quarter, B.C.'s labour market stalled out in Q2 with employment effectively flat in the quarter. But since population growth is booming, it means the unemployment rate is on the rise, up 1.1% in Q2. Outside of the COVID downturn, that was the largest increase in the unemployment rate since 2009.



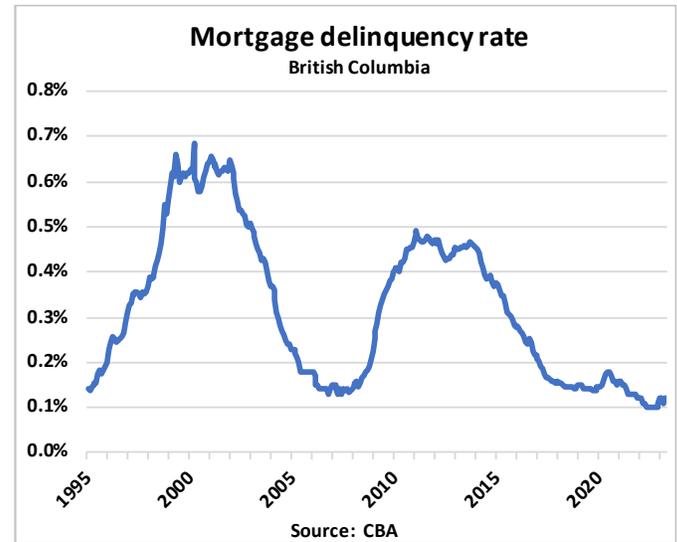
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Mortgage delinquencies remain near record lows of just 0.12% across the province. The impact of rising rates and a softening labour market will likely push delinquencies higher from here and back toward the long-term average of closer to 0.30% over the next year.

Summary:

B.C.'s economy remains resilient even if it's showing signs of cooling at the margins. Demand for housing remains strong across the province but may come under some pressure in the near term due to affordability pressures from rising interest rates. Strong population growth and inadequate supply will underpin housing over the longer term.



**Any forecasts contained in this report are accurate as of the date indicated.*

Ben Rabidoux is the founder of Edge Realty Analytics (www.edgeanalytics.ca), which equips top real estate and mortgage professionals with timely research and insightful marketing infographics to help them stand apart from the competition and stay engaged with their clients and prospects.

He is also the founder and president of North Cove Advisors, a market research firm serving institutional and high net worth clients since 2013 that is consistently ranked top 5 for Canadian economic coverage by Brendan Wood International.

He is a frequent guest and contributor in major media outlets, including Bloomberg, The Wall Street Journal, Reuters, The Globe and Mail, The Toronto Star, Macleans, and many others.

