

What's Next For Housing?

UBCM: Housing market update

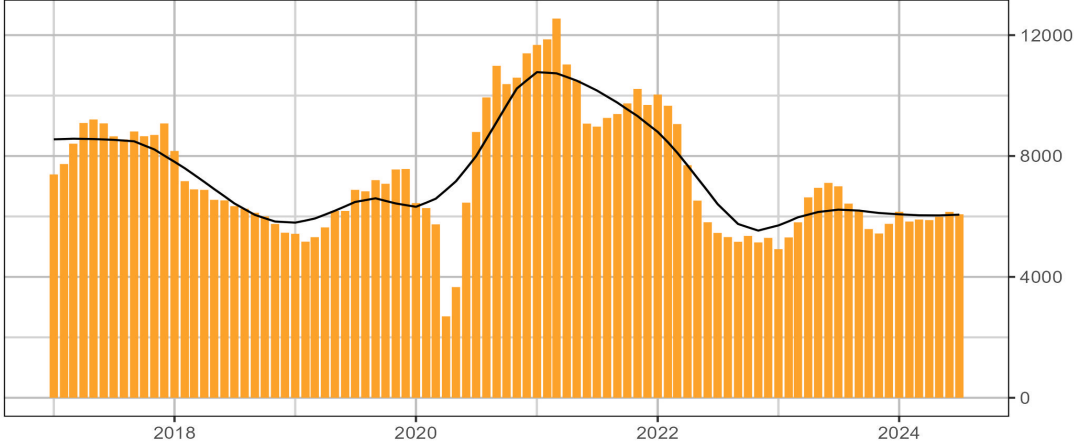
Bryan Yu
AVP & Chief Economist

B.C. housing market slows after pandemic boom

B.C. MLS Activity

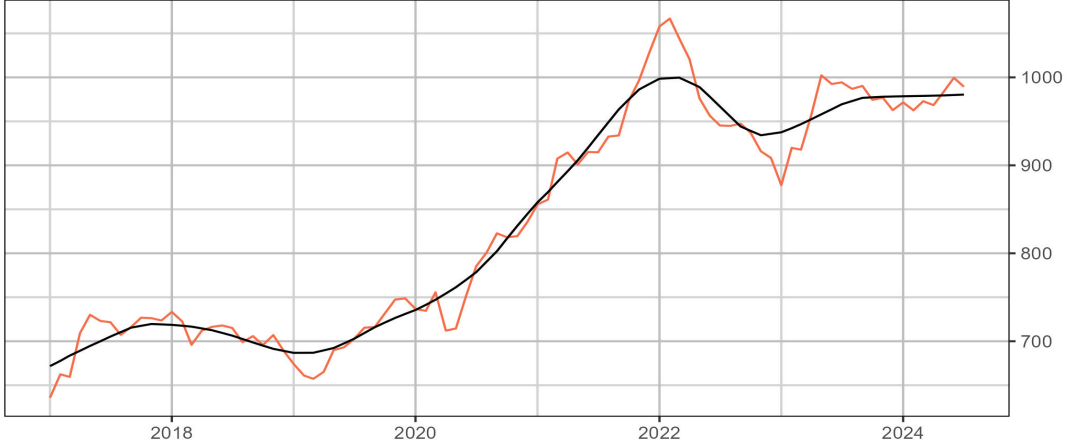
Unit sales, 000s

Last data point: 2024-07-01



Average Price, \$000s

Last data point: 2024-07-01



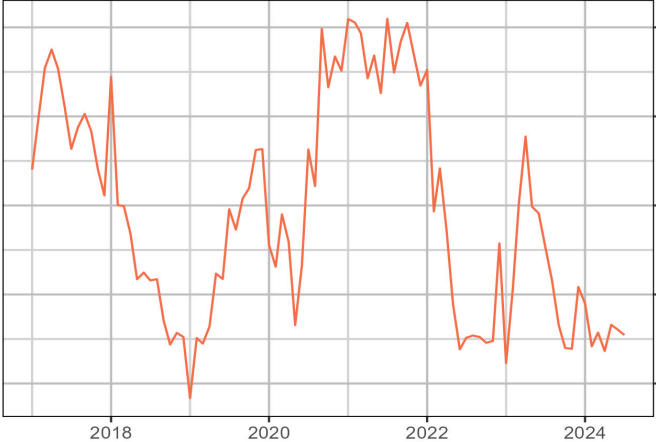
New Listings, \$000s

Last data point: 2024-07-01



Sales-to-new listings

Last data point: 2024-07-01



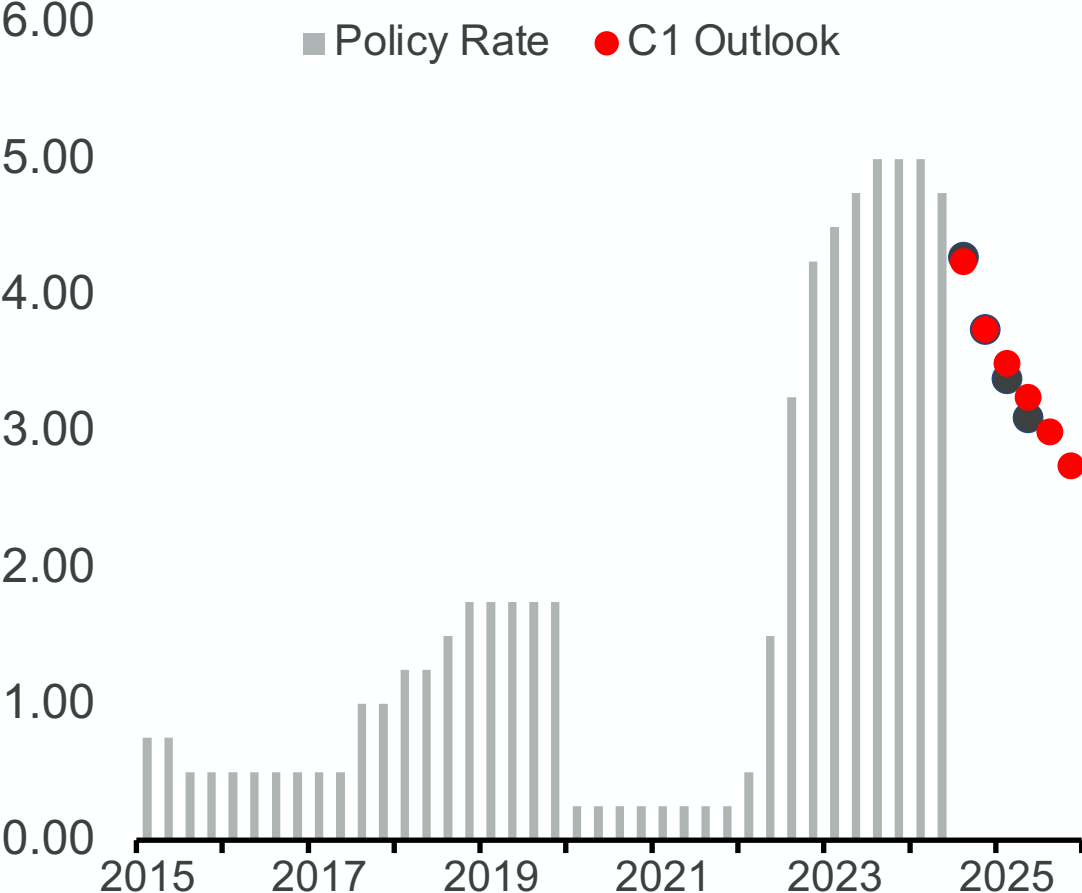
Months of inventory

Last data point: 2024-07-01



Interest rates drove upside and downside moves

Bank of Canada Target Overnight Rate



Source: Bank of Canada, Bloomberg, Central 1

Key guiding themes

Key messages

- Bank of Canada is on a path of normalizing the policy rate.
Easing and breadth of price growth above 3% is normalizing.
Shelter is the key driver.
- Pivot in focus as economic and labour market slack increases
- Inflation: Communication highlighted potential downside risk to inflation and overshoot of target

B.C. sales slow as an unaffordability curbs demand

BC MLS Unit sales

Greater Vancouver

Last data point: 2024-06-01



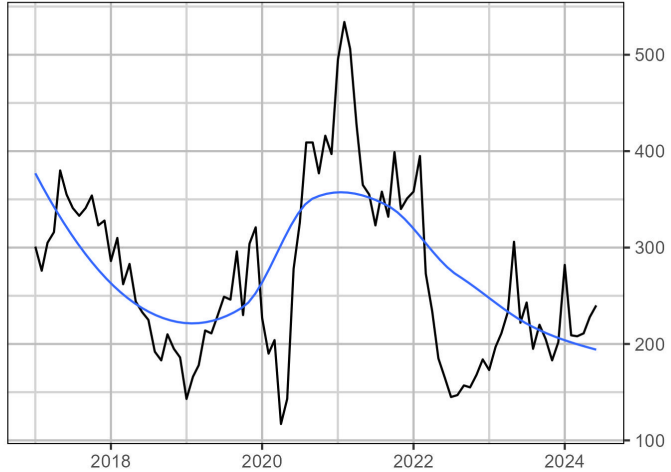
Fraser Valley

Last data point: 2024-06-01



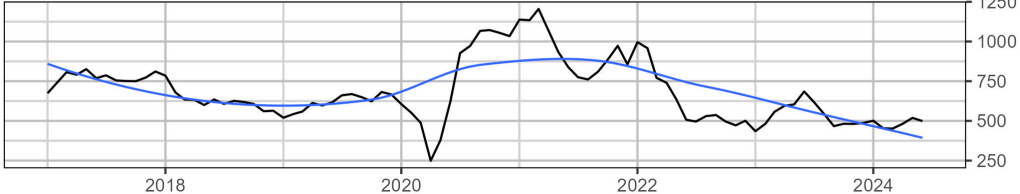
Chilliwack

Last data point: 2024-06-01



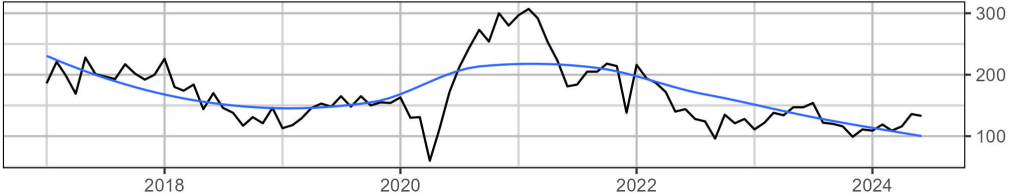
Okanagan Mainline

Last data point: 2024-06-01



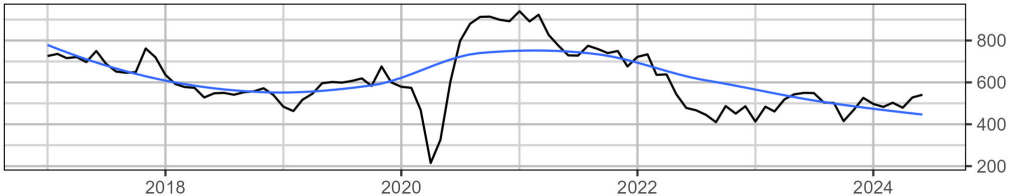
South Okanagan

Last data point: 2024-06-01



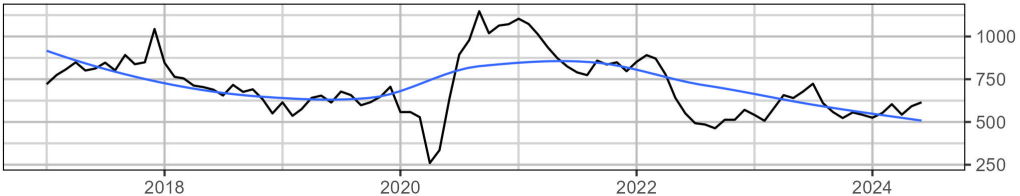
Victoria

Last data point: 2024-06-01



Island Exc Vic

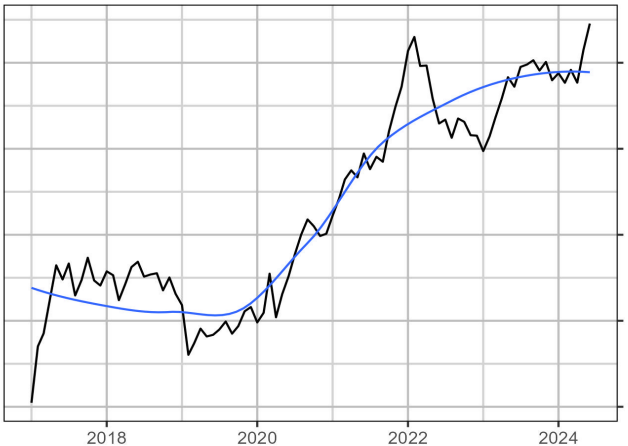
Last data point: 2024-06-01



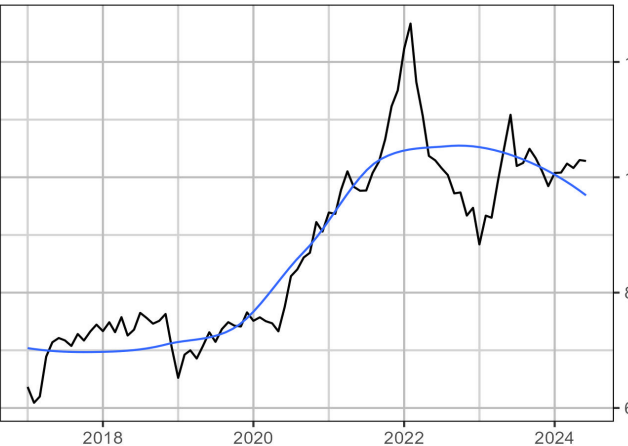
Prices volatile but resilient and a constraint to volume

BC MLS Average Price, \$000s

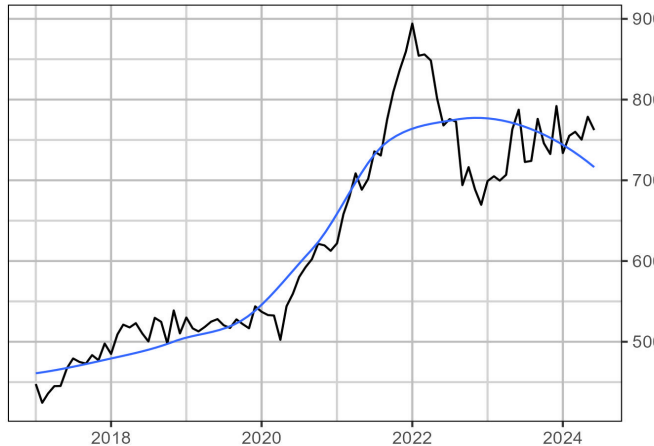
Greater Vancouver
Last data point: 2024-06-01



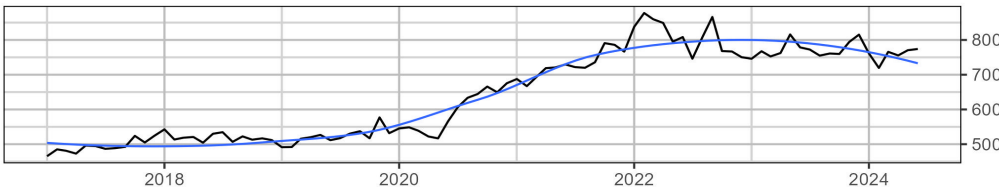
Fraser Valley
Last data point: 2024-06-01



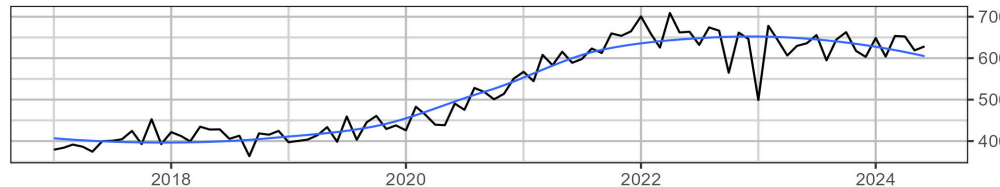
Chilliwack
Last data point: 2024-06-01



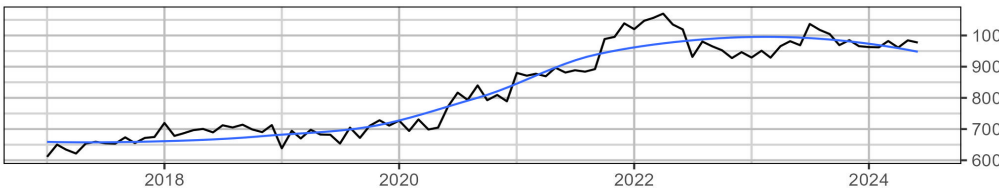
Okanagan Mainline
Last data point: 2024-06-01



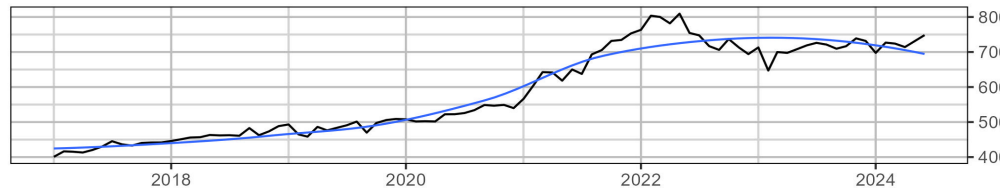
South Okanagan
Last data point: 2024-06-01



Victoria
Last data point: 2024-06-01

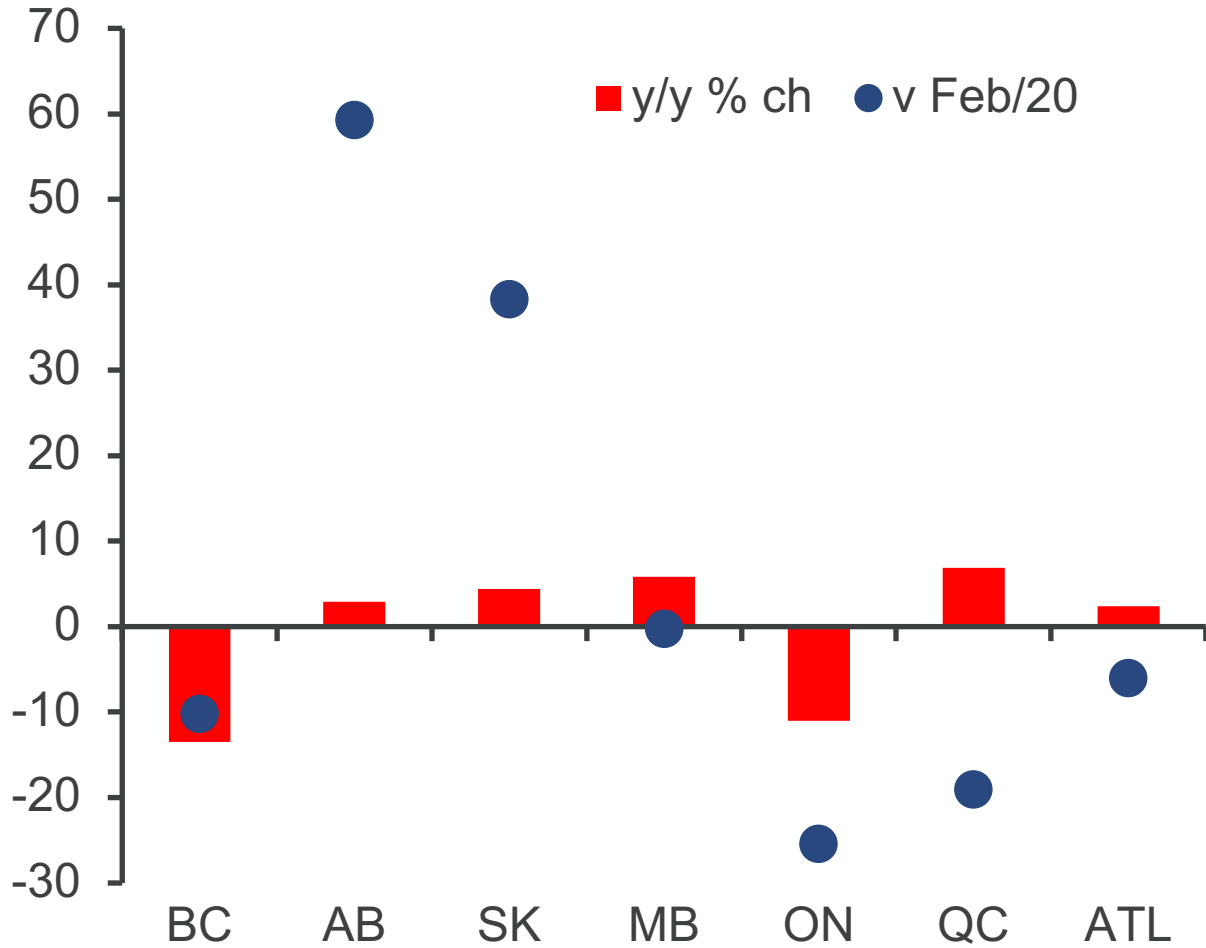


Island Exc Vic
Last data point: 2024-06-01

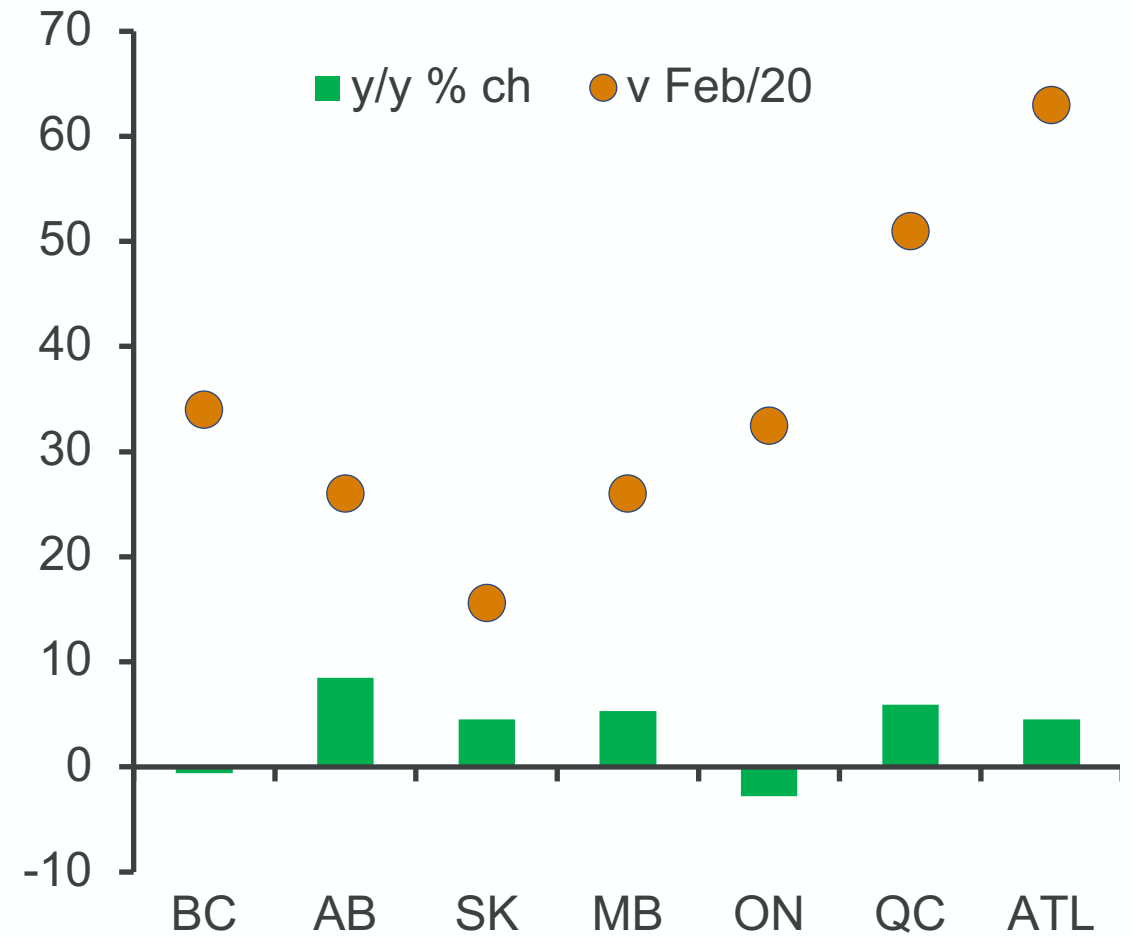


Recent weakness relative to peers

Unit Sales

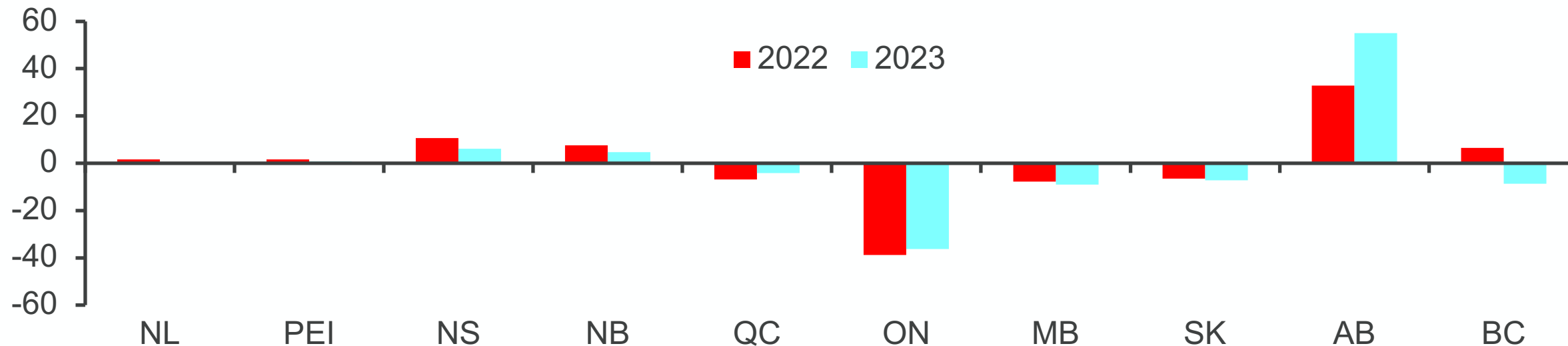


Average Prices

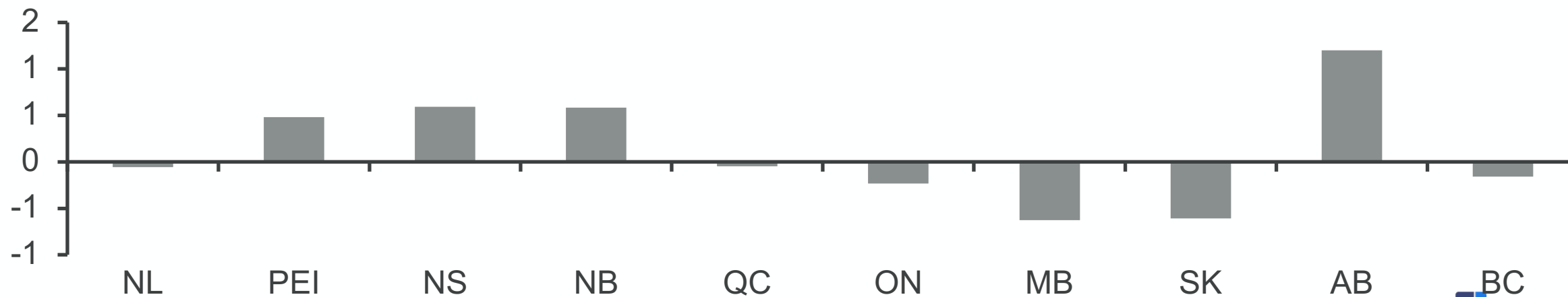


Net Interprovincial Migration funnels to several provinces

Interprovincial migration, persons (000s)

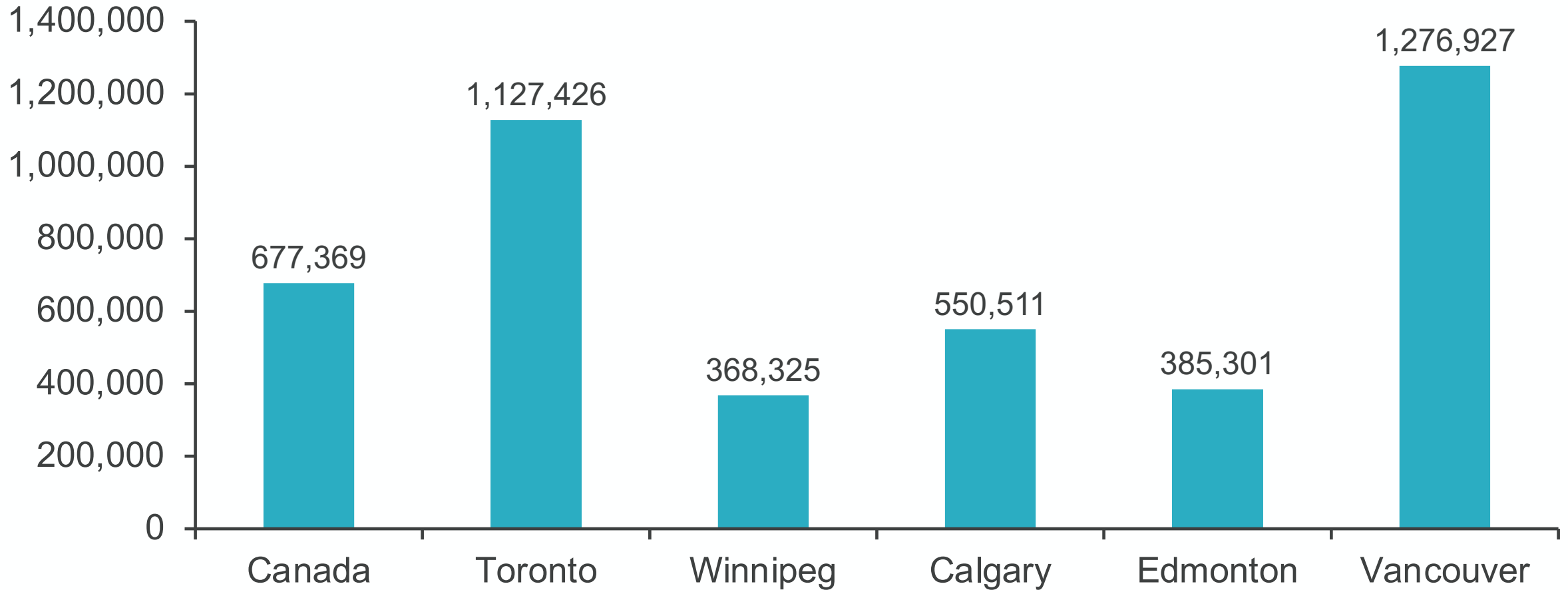


Interprovincial migration/population (%)



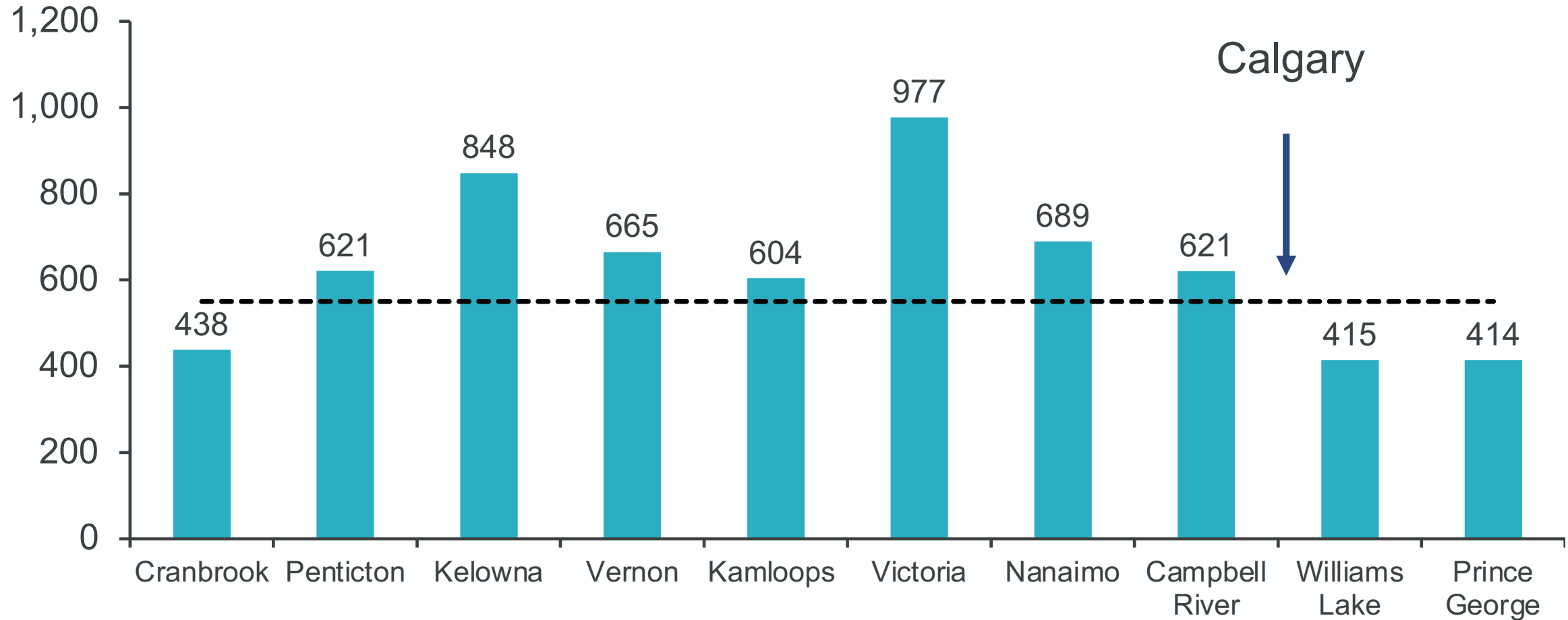
Affordability is the key crisis for families

Average MLS® Price 2023



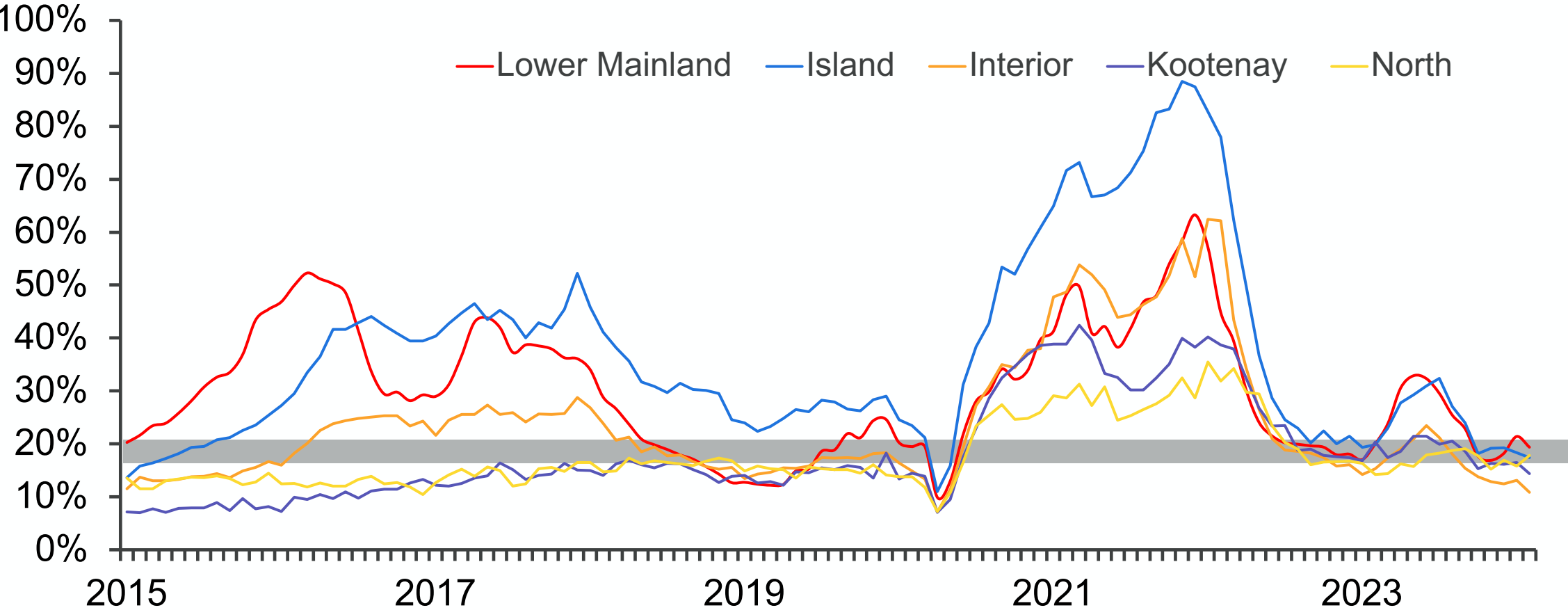
Not only a metro issue

Average Price, Landcor 2023



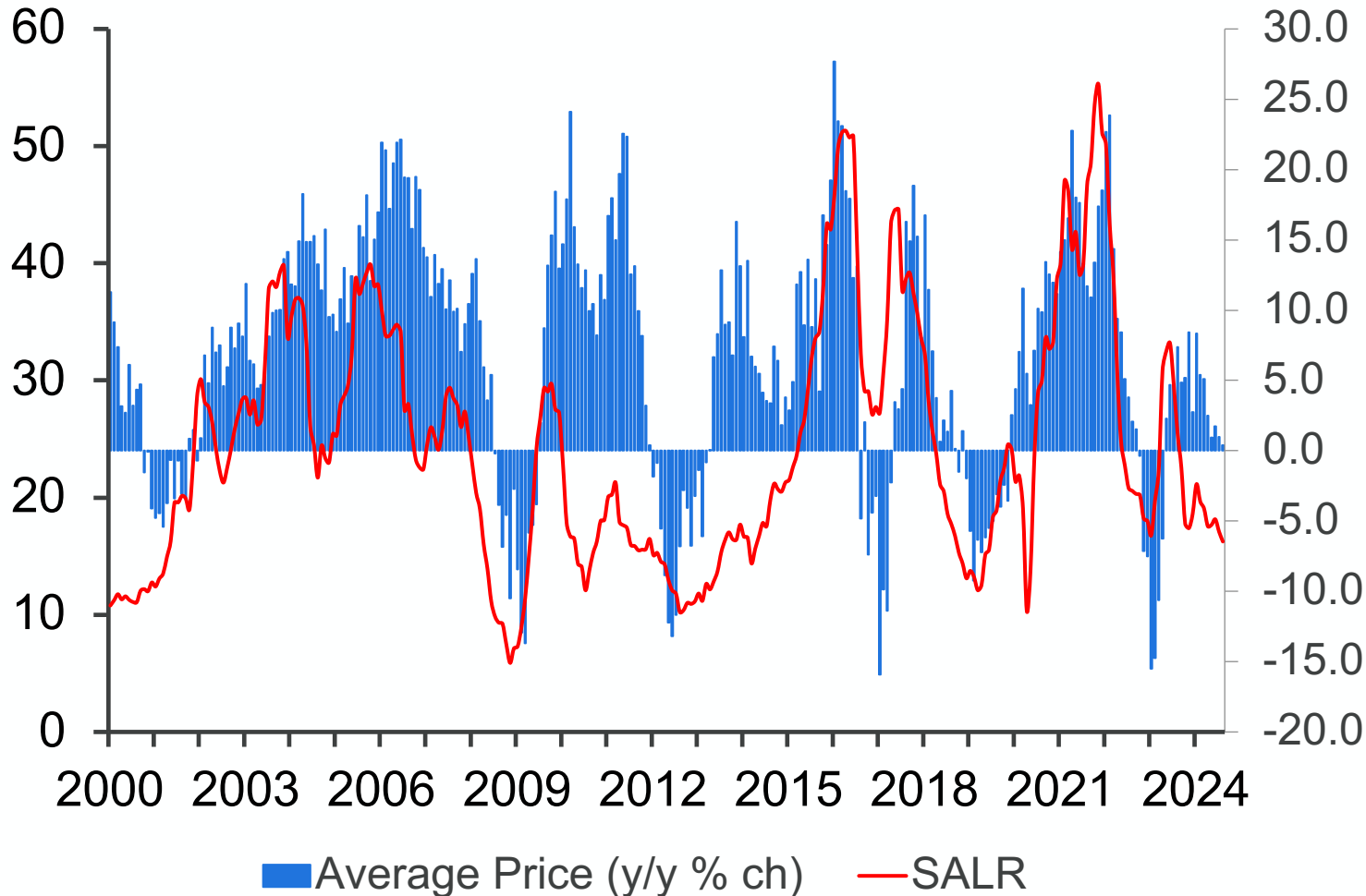
Soft market conditions persist, but closer to balanced than not

Sales-to-active listings ratio



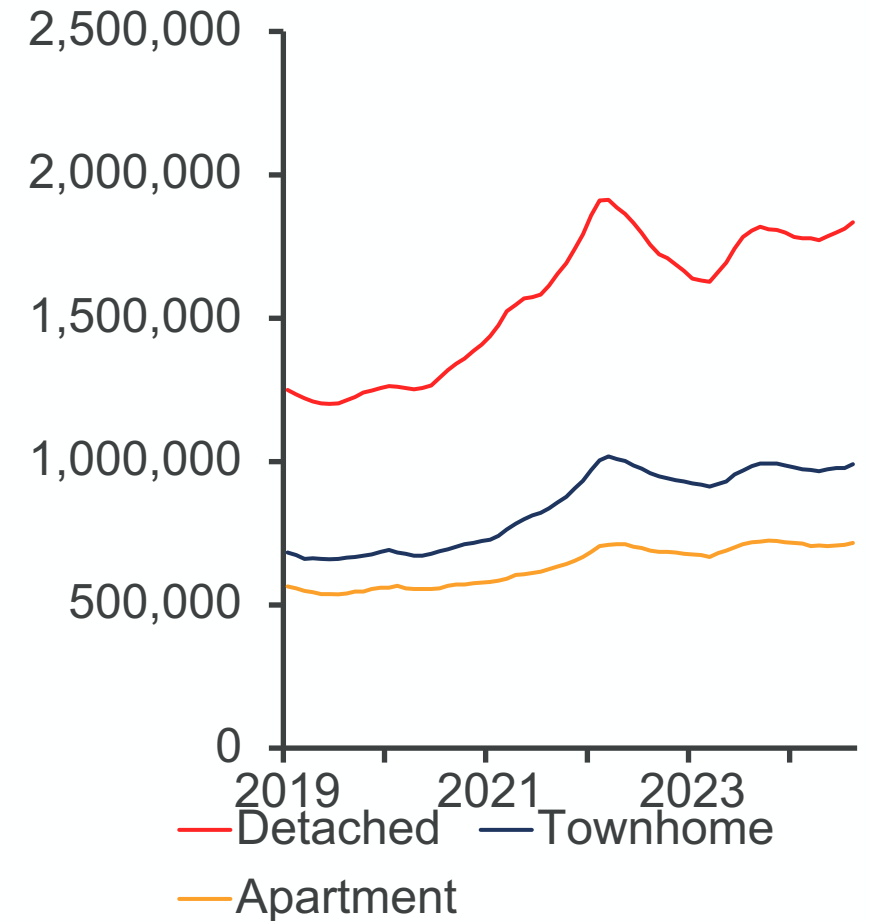
Lower Mainland conditions softens but price declines?

Sales-to-active listings ratio



Price Growth

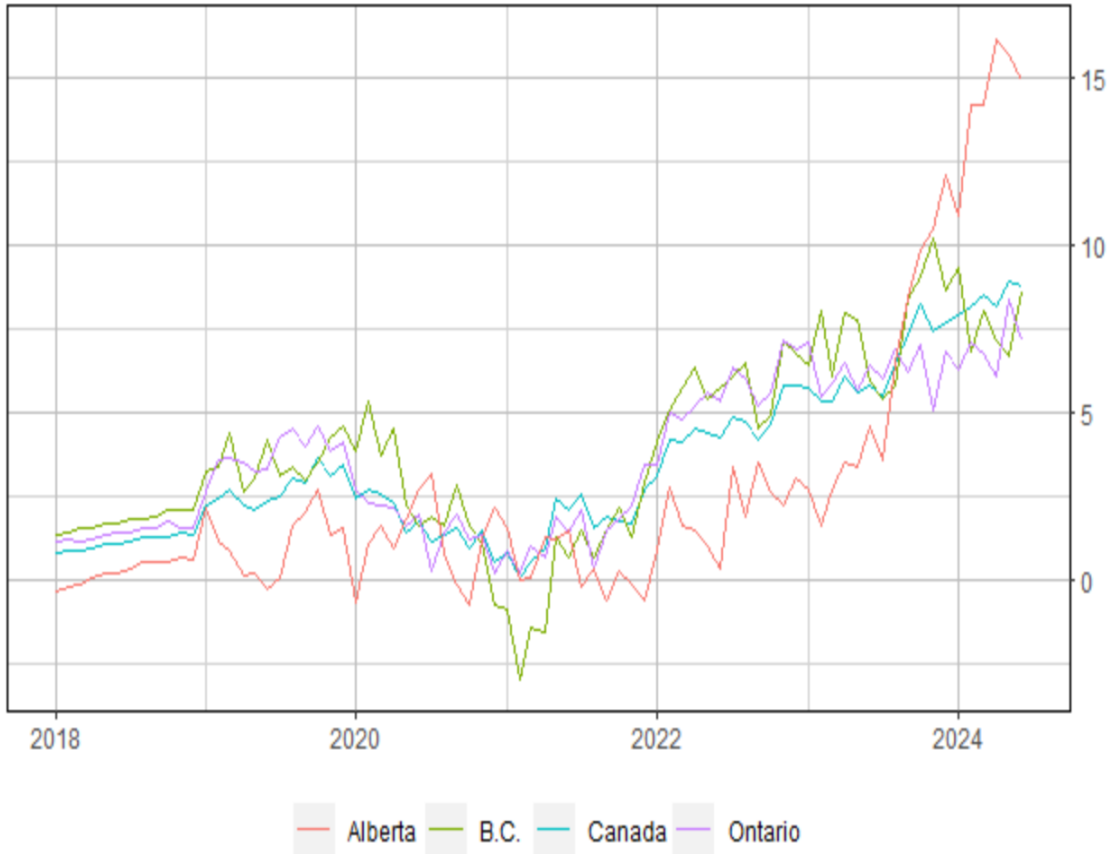
Lower Mainland Benchmark Price



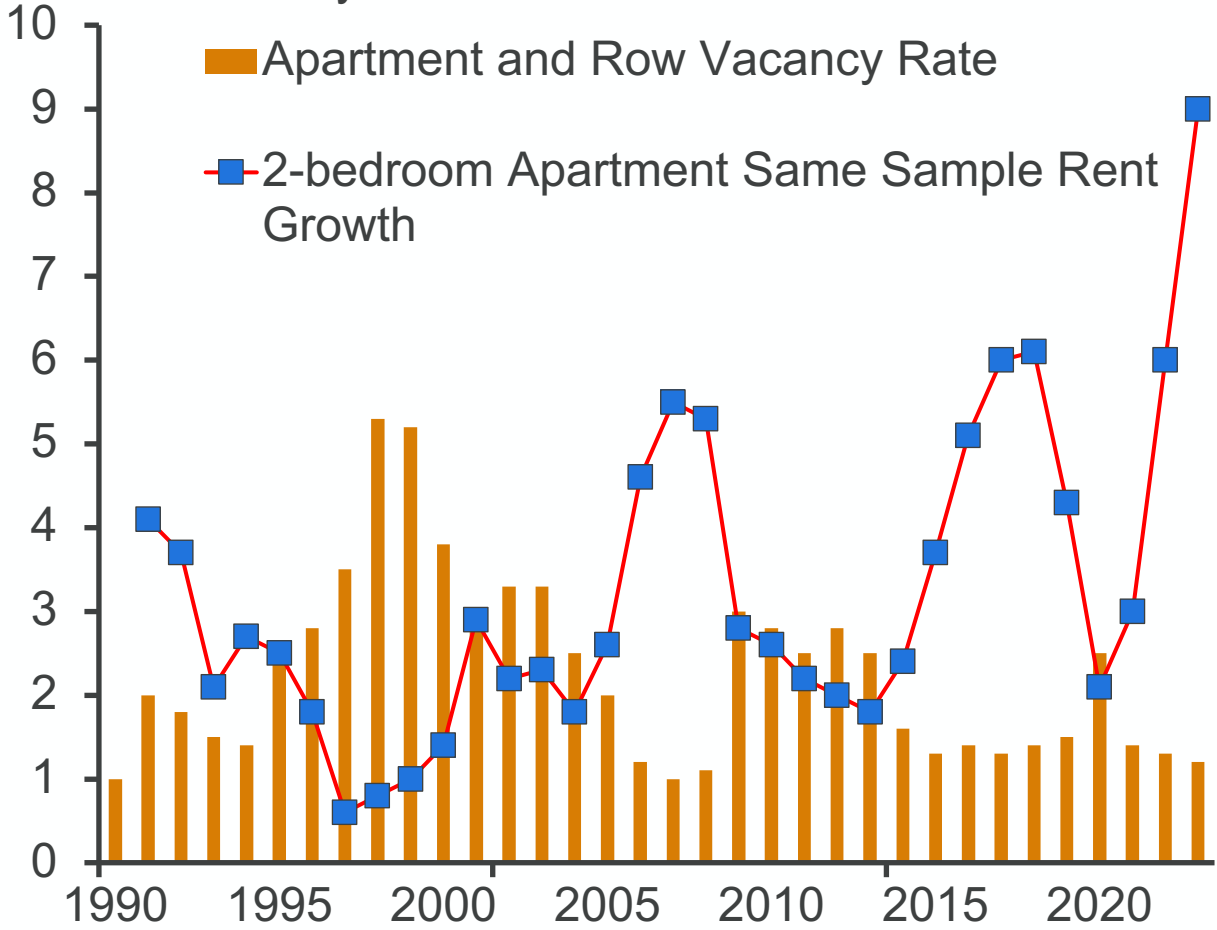
Rental market crisis deepened in 2023 as vacancy rates plunge, rents soar

Rent by province, y/y % change

Last data point: 2024-06-01



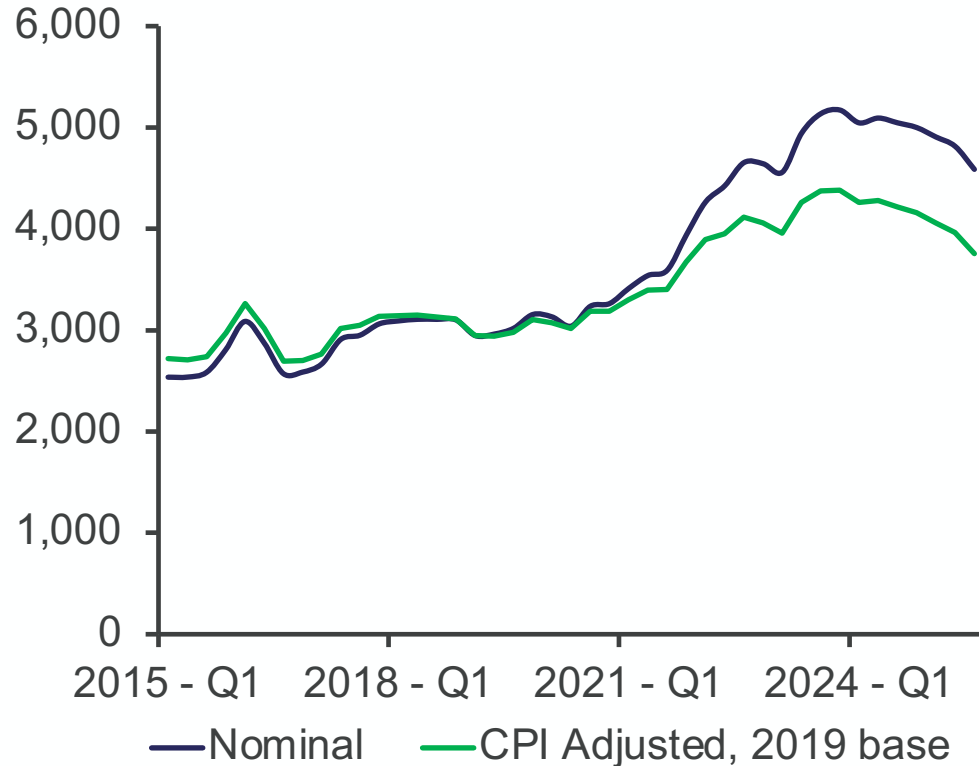
B.C. Vacancy Rate and Rent Growth



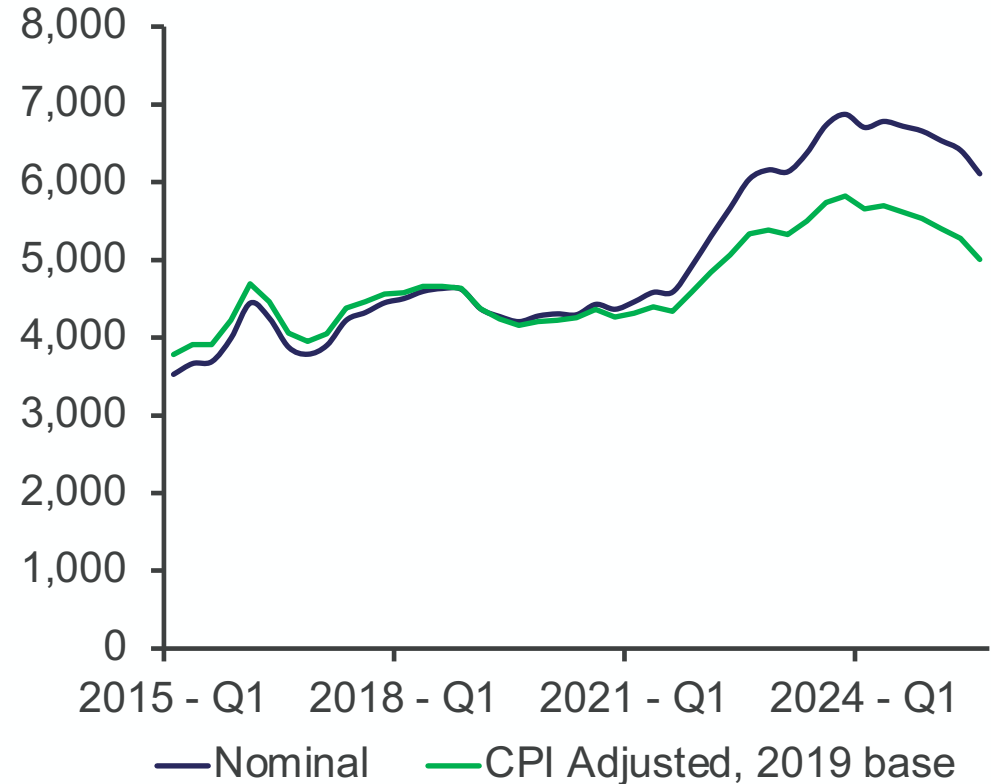
Source: CMHC, Central 1 *all unit rent, **suppressed data for rent

Resilient price conditions points to challenges to

Carry cost, BC



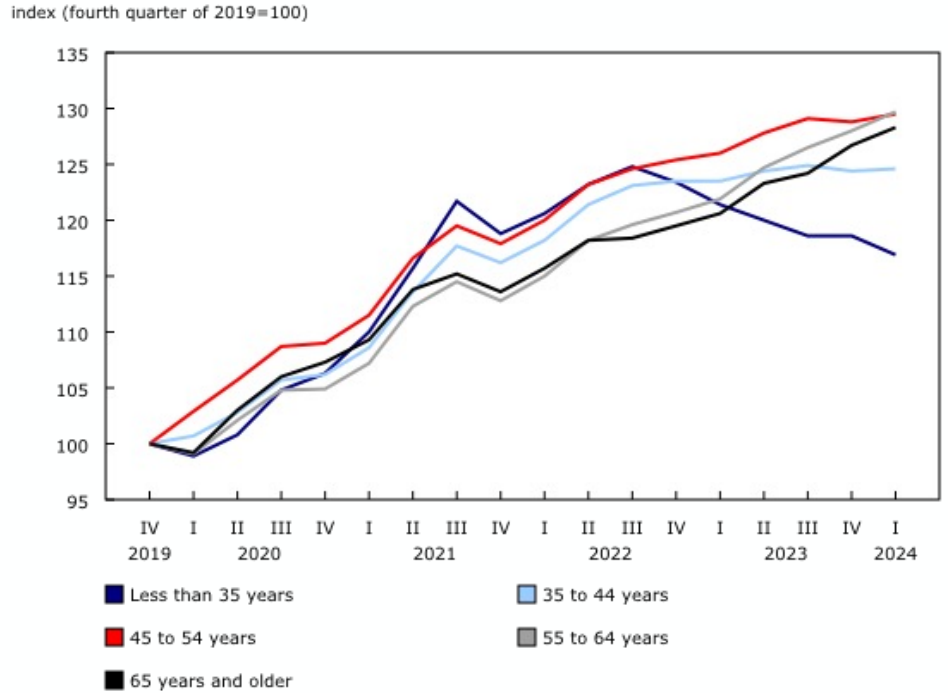
Carry cost, Greater Vancouver



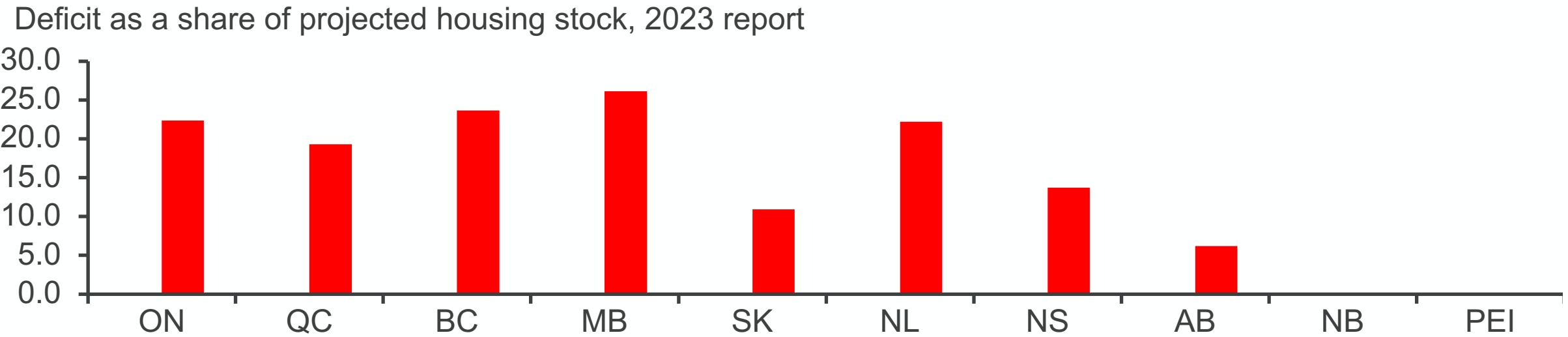
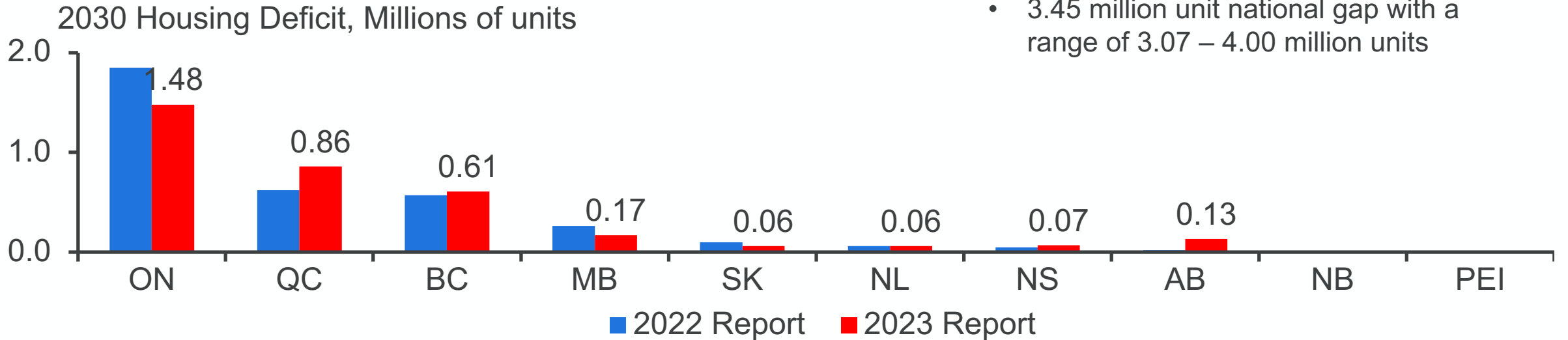
2024/25 assumptions: no change in price,, 2% inflation rate, and mortgage rate reduction to 5%

Higher compensation growth outpaced spending in recent years, while younger households deleveraged

	Disposable Income Growth			Average Household Net Savings				
	2021	2022	2023	2015-19	2020	2021	2022	2023
Canada	2.0	2.4	3.3	1,068	7,829	5,777	3,038	3,238
Newfoundland and Labrador	8.2	-2.5	-3.4	1,241	4,642	4,083	102	-4,180
Prince Edward Island	9.8	0.2	0.1	-284	5,212	3,628	584	900
Nova Scotia	3.4	-0.7	0.9	-1,581	3,324	694	-2,552	-2,269
New Brunswick	3.6	2.2	1.9	-47	3,882	1,788	-375	-709
Quebec	2.7	6.2	0.9	2,233	8,735	7,158	6,497	5,296
Ontario	1.5	1.4	4.7	-3	8,006	6,167	1,827	2,773
Manitoba	0.4	0.9	5.2	-96	5,847	2,680	-545	430
Saskatchewan	-1.4	8.5	-0.2	2,056	7,907	3,630	5,219	3,059
Alberta	-0.5	1.8	2.5	5,153	10,256	7,494	5,953	5,879
British Columbia	4.6	0.6	4.2	-1,045	5,810	3,572	122	1,215

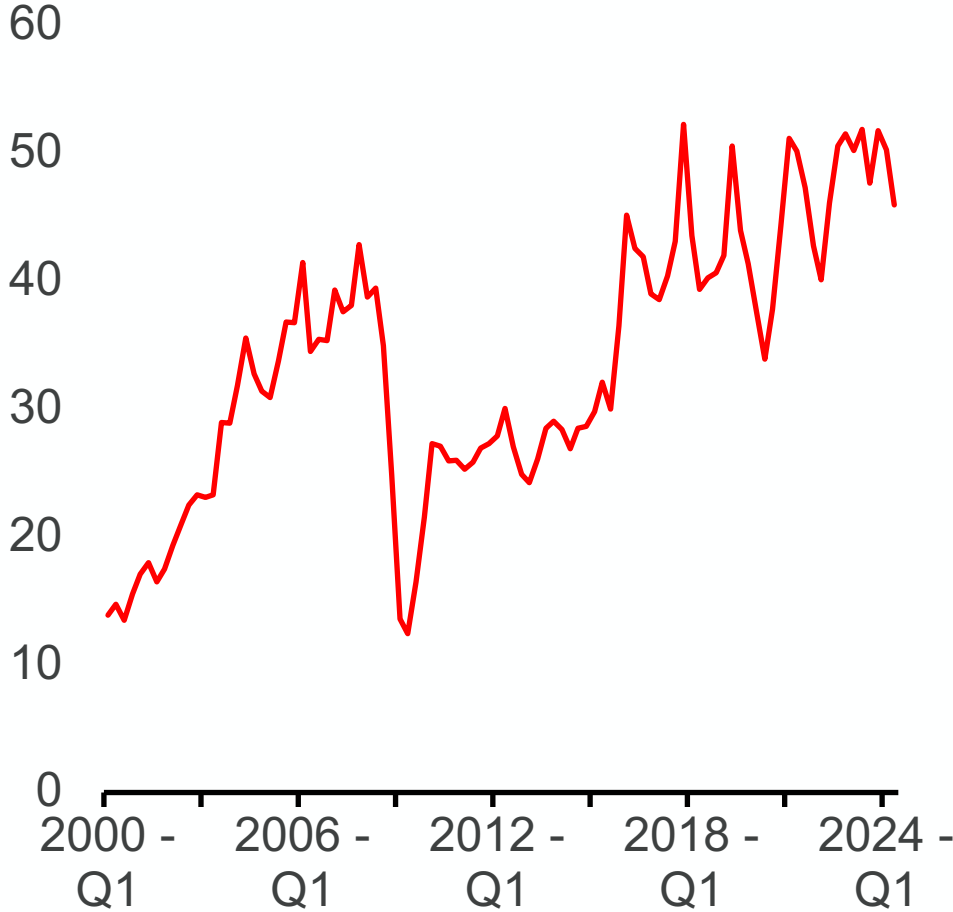


Housing deficit to persist

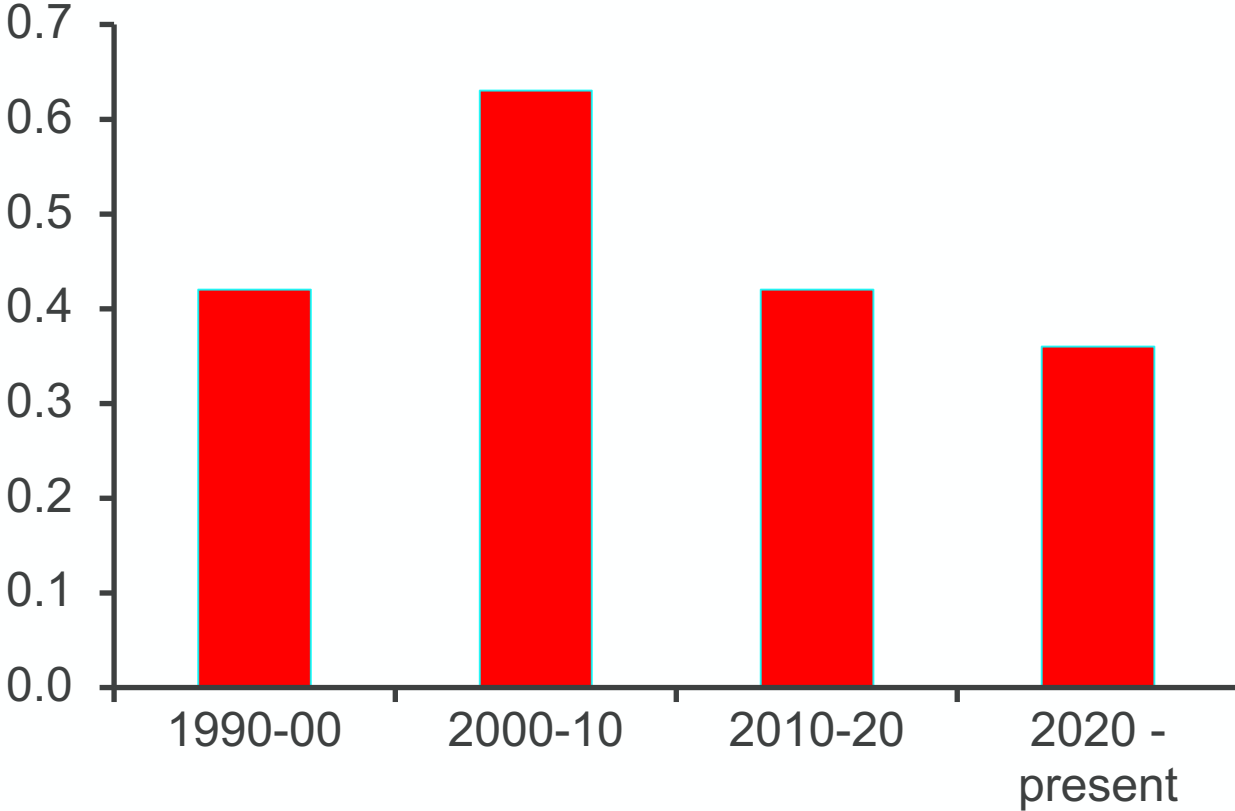


Housing starts are elevated but outlook under pressure

BC Housing Starts, Annualized (000s)



Completions relative to population growth



Source: CMHC

Thanks!



**RIDE
THE
WAVE**
UBCM 2024





Love motivates families to care for all generations. We want to bring that motivation into the world of politics.

GENERATION | **squeeze**

Current Perspectives on Housing Affordability

*Dr. Paul Kershaw
UBC Professor &
Founder, Generation Squeeze*

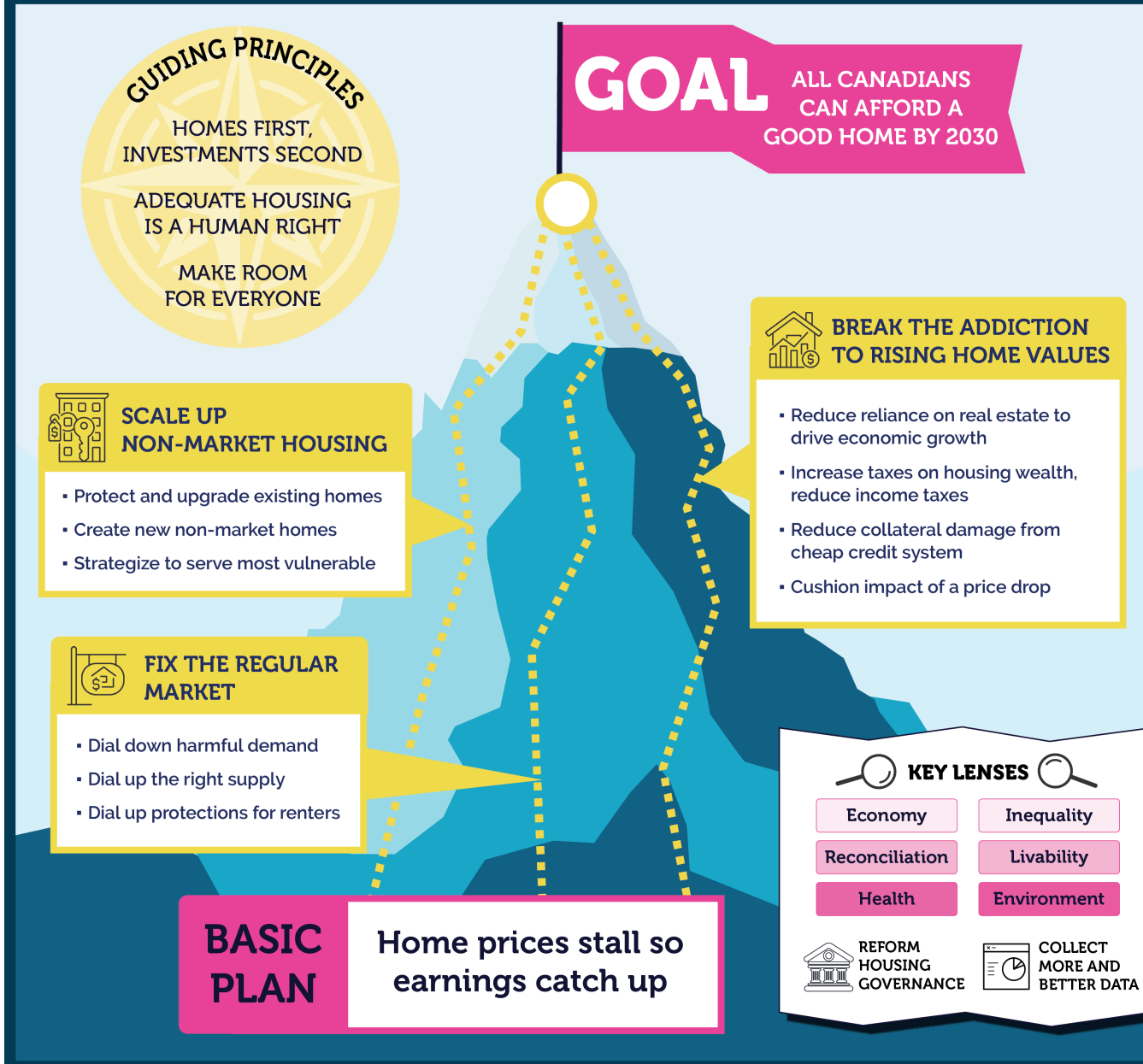
*UBCM: What's Next
for Housing*

September 16, 2024
Vancouver, BC

Current perspectives on housing affordability

www.gensqueeze.ca/housing

GENERATION | squeeze HOUSING SOLUTIONS





GOOD ANCESTOR REPORT CARD

Our report cards summarize Generation Squeeze’s analysis of B.C. election platforms. We examine how each party’s platform will advance us towards our goal: **Build a B.C. where young and old alike can thrive, so we can be good ancestors to those who follow in our footsteps.**



gensqueeze.ca/bc_votes_2024

HOUSING SUBJECT AREAS

STALLING PRICES

Good ancestors commit to the goal of stalling home prices, so wages can catch up.



RESISTING LOBBYISTS

Good ancestors prioritize homes for residents over short-term holiday rentals.



SHARING WEALTH WINDFALLS

Good ancestors ask homeowners to share wealth windfalls created by zoning changes.



LOOKING PAST VILLAINS

Good ancestors tackle complex causes and don't just blame "easy villains" for unaffordability.



DISRUPTING NIMBYS

Good ancestors recognize the key role that zoning changes can play.



WRANGLING THE MARKET

Good ancestors plan to scale up the supply of non-profit housing AND rein in the regular market.



Generational Fairness

“That’s why I made the decision I made today, because I’m not just thinking about my kids. I’m thinking about their generation. And I’m looking at a situation where we are seeing young people... leaving British Columbia.”

KEVIN FALCON ON SUSPENDING
BC UNITED’S CAMPAIGN





“Everybody in this province... came here with the same hope... To build what they wanted for themselves [and] more importantly, what they wanted for their kids, for their grandkids... We’re in a situation today where one in two youth are looking at leaving this province. And that to me is a tragedy.”

JOHN RUSTAD ON THE SUSPENSION OF
BC UNITED’S CAMPAIGN

A B.C. THAT KEEPS WORKING FOR ALL GENERATIONS

Research from the Generation Squeeze Lab at the University of British Columbia shows that jurisdictions across Canada, including B.C., are just starting to grapple with the need to address demographic challenges, while also ramping up investments in young people so they can succeed. By supporting people of all ages, we can design provincial budgets that tackle both the rising cost of living and reduce pressure on the health-care system.

Continuing to provide high-quality medical care is one of the fastest-growing costs facing us collectively, primarily due to our aging population. In the 1970s, there were seven working-age adults for every retiree. Now, there are only three. That made it easier in decades past for the Province to cover the medical-care costs of our aging loved ones.

Now, it's more important than ever to invest in better care and growing our health-care workforce. Our commitment to high-quality, public medical care remains steadfast. And we know that health goes well beyond the clinic or hospital. It starts when we invest in affordable homes, livable incomes, affordable child care, healthy communities and a clean environment. Together, we can continue to build a healthier, stronger B.C. for everyone.

COPIED FROM

**BUDGET
2024**



STRATEGIC PLAN



StrongerBC
for everyone

"Our government is determined to make B.C. work for all generations, focusing on strengthening healthcare, and making improvements in child care, education, post-secondary and housing to help people get ahead. We're committed to planning for all ages and investing wisely in well-being, from the early years onward."

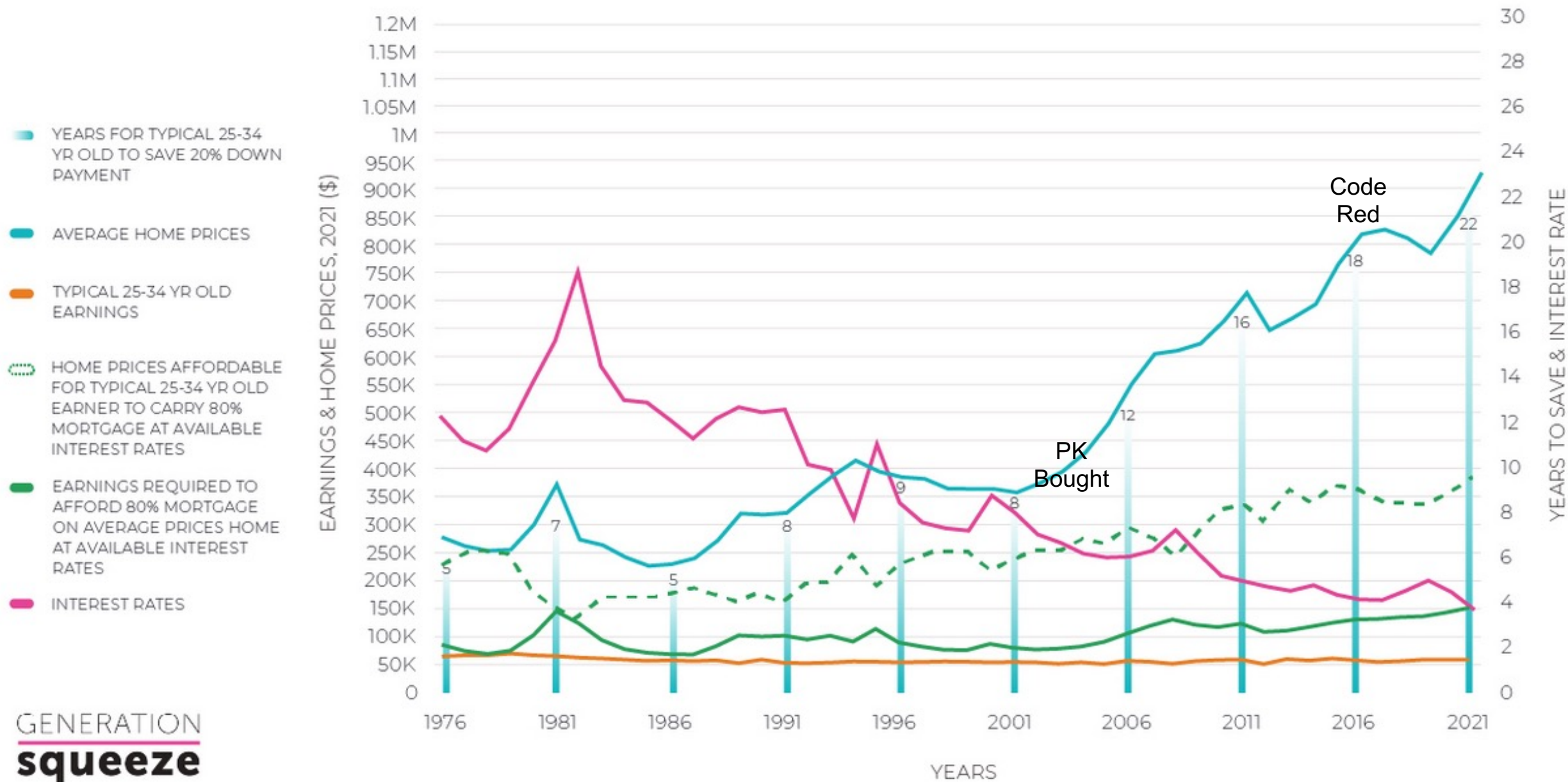
— BC BUDGET STRATEGIC PLAN

BUDGET 2024



Fairness For Every Generation

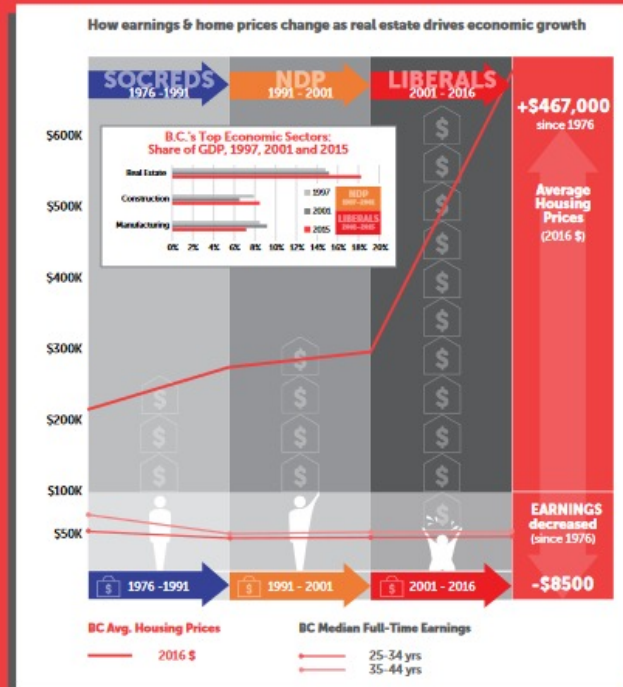
FIGURE 9: THE GAP. BC HOME PRICES RELATIVE TO YOUNG PEOPLE'S FULL-TIME EARNINGS





B.C. is the worst performing economy in Canada for younger generations

Dr. Paul Kershaw, University of B.C.



We need a clear goal for home prices; not just a target for new builds

#HOUSINGSOLUTIONS

GENERATION
squeeze



PAUL KERSHAW >

SPECIAL TO THE GLOBE AND MAIL

PUBLISHED SEPTEMBER 18, 2023

A GOOD HOME SHOULD BE IN REACH FOR
WHAT HARD WORK CAN EARN.

To restore affordability for all, we need home prices
to stall.

Poll shows 70% of
Canadians agree!



Stalling prices needs to be part of our national housing strategy



PAUL KERSHAW >

SPECIAL TO THE GLOBE AND MAIL

PUBLISHED JUNE 2, 2023

Stalling prices needs to be part of our national housing strategy



PAUL KERSHAW >

SPECIAL TO THE GLOBE AND MAIL

PUBLISHED JUNE 2, 2023

[BC Green platform](#): “The BC government needs to introduce more measures to cool the market in order to make housing more affordable for everyone.”

BC Conservatives & NDP haven’t articulated clear goals for home prices, which is a weakness.

Easy Villains

BC Conservatives: “Crack down on illegal money laundering.”

BC NDP: “Our housing market was allowed to serve the interests of investors and speculators for too long.”

BC Greens: “Corporate developers who drive up prices.”

Ignoring a Hard Truth

Housing unaffordability isn't just a problem caused by money launderers, investors, speculators or developers who we can root against.

Many everyday households are entangled in the root causes of our unsustainable and unaffordable housing system.

Many home owners welcome rising prices that increase the value of their homes, especially because the resulting wealth helps funds our retirements.



FIGURE 9: THE GAP. BC HOME PRICES RELATIVE TO YOUNG PEOPLE'S FULL-TIME EARNINGS

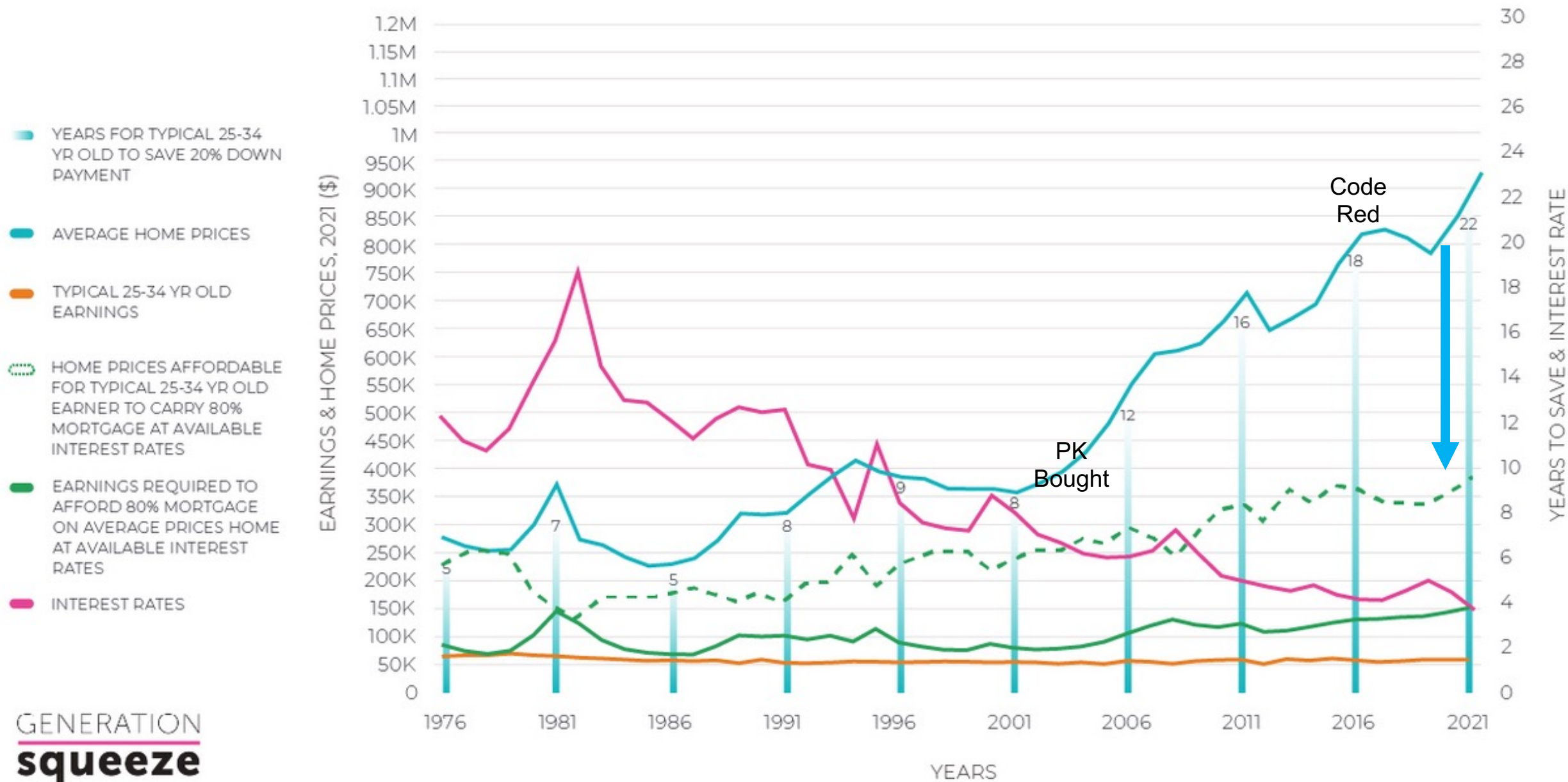
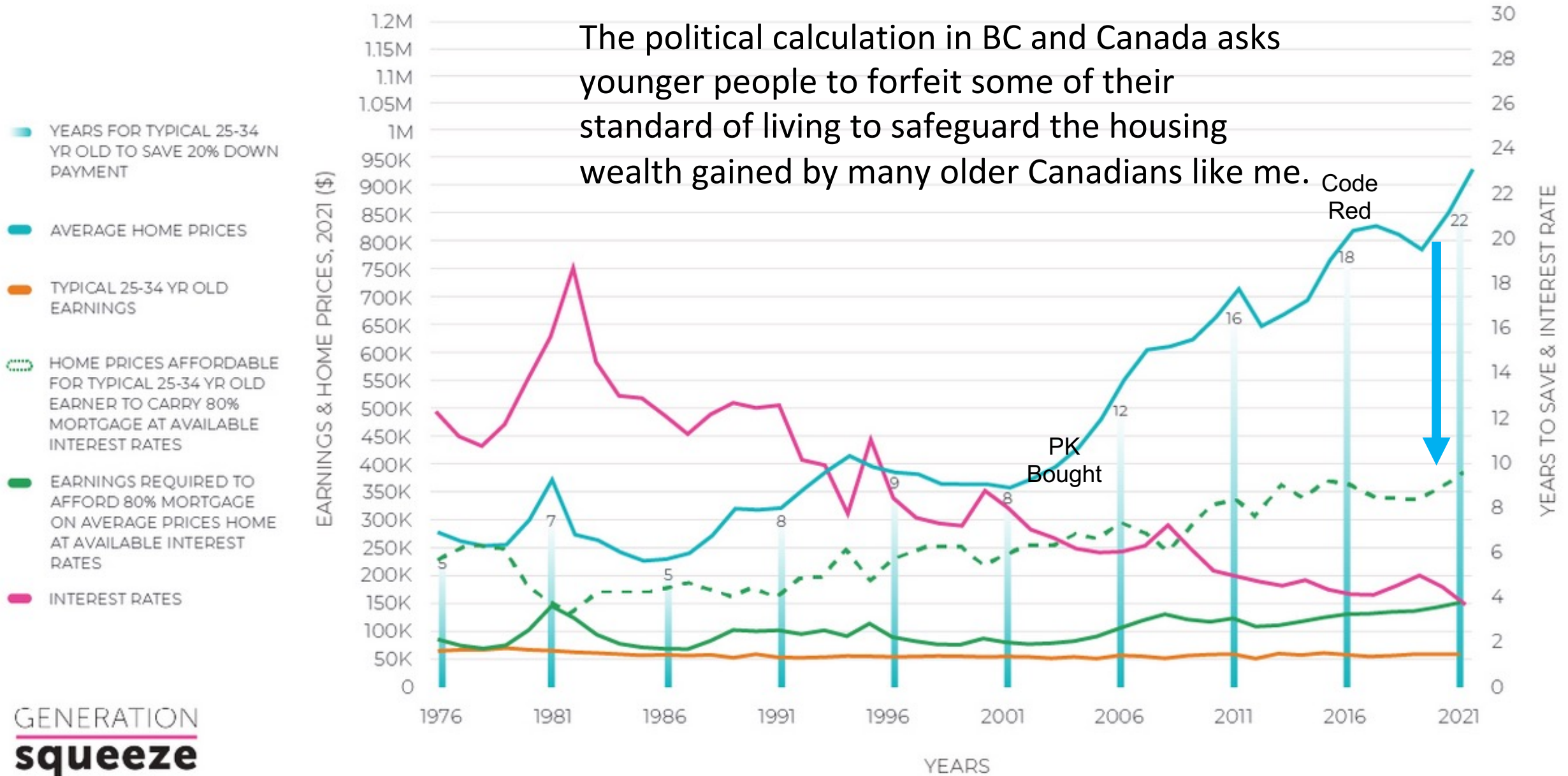


FIGURE 9: THE GAP. BC HOME PRICES RELATIVE TO YOUNG PEOPLE'S FULL-TIME EARNINGS



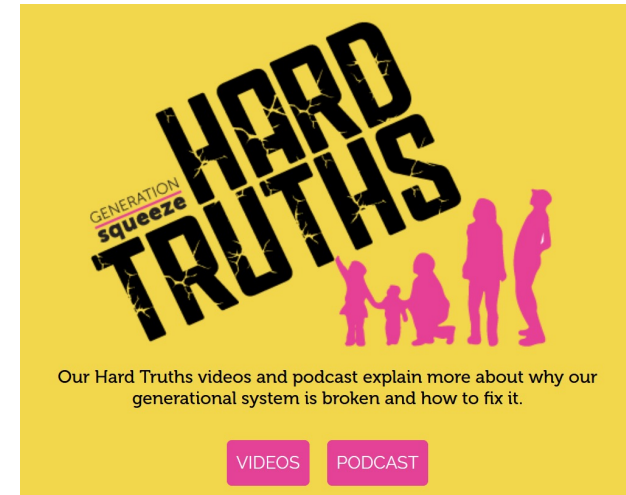
The political calculation in BC and Canada asks younger people to forfeit some of their standard of living to safeguard the housing wealth gained by many older Canadians like me.

Younger people expected to protect “nest eggs”

The PM has been honest about this:

His government intends for home prices to “retain” their value, because housing wealth is a “huge part of people’s potential for retirement and future nest egg.”

In the same breath, he acknowledged that intergenerational inequity remains. Today’s higher home prices often create a “massive” difference in wealth between owners and renters. “That’s not necessarily always fair,” he concluded.



Younger Canadians deserve compensation for enduring higher home prices



PAUL KERSHAW >

SPECIAL TO THE GLOBE AND MAIL

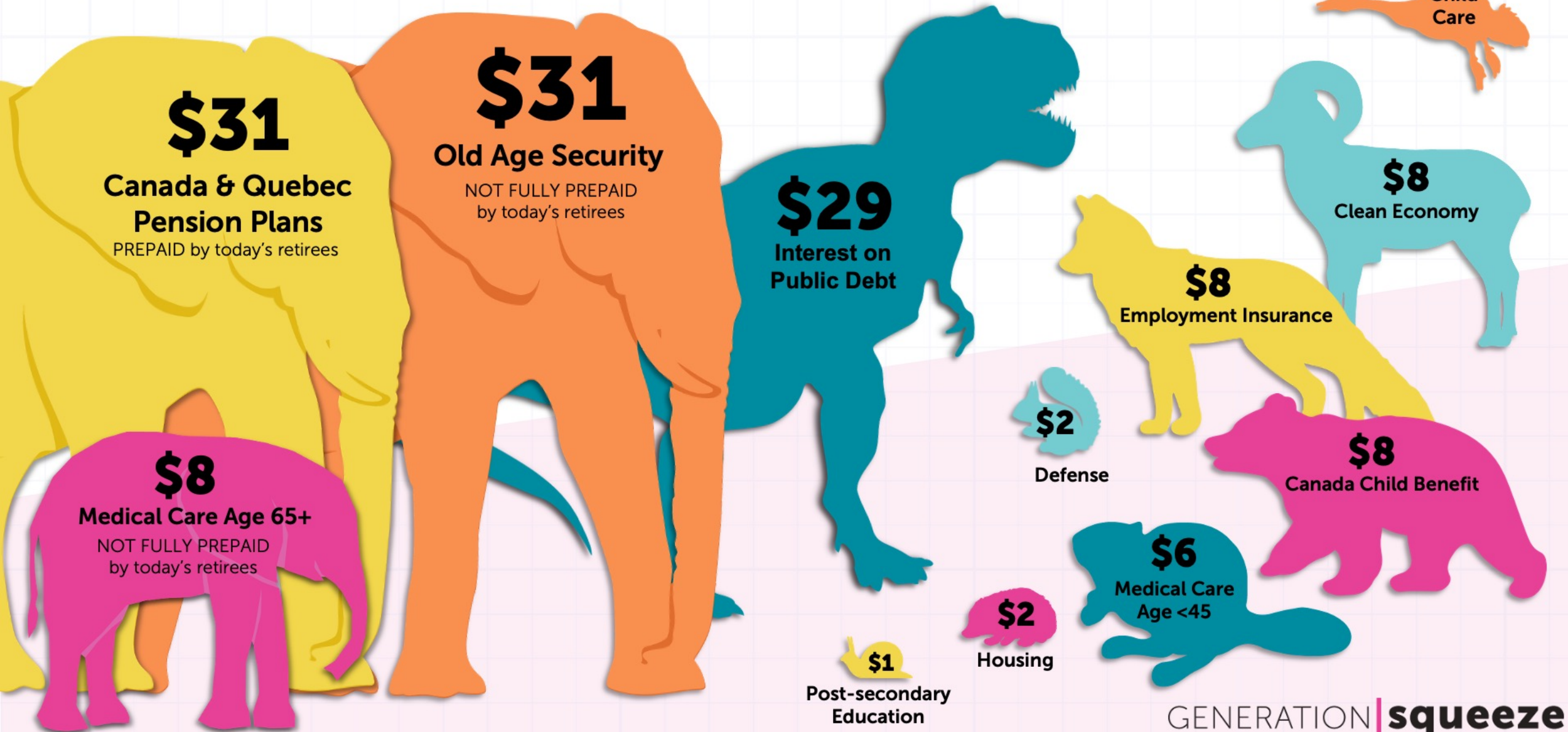
PUBLISHED JUNE 8, 2024

The sacrifice expected of younger people merits reciprocity, because they endure so much to protect older people who bank on current home prices for their retirement.

NEW SPENDING PLANNED IN FEDERAL BUDGET

ANNUAL INCREASES IN 2028 COMPARED TO 2022: \$BILLIONS

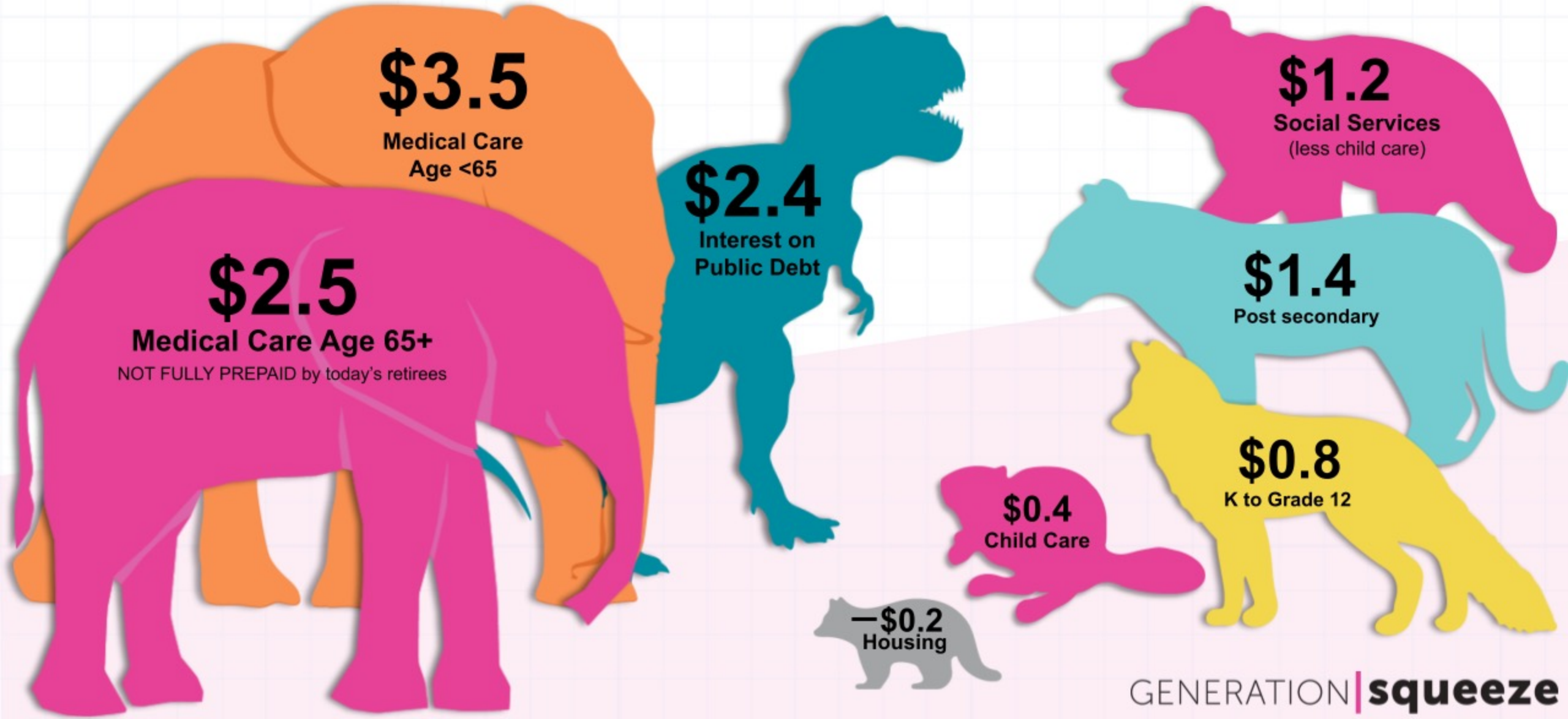
SOURCE: Federal Budget 2024 (Not adjusted for inflation)



NEW SPENDING PLANNED IN BC BUDGET

Annual operating increases, 2026 compared to 2023: \$ Billions

Sources: All figures from Table A11 "Expense by Function" in Budget 2024, except Child Care & Housing, provided by Deputy Minister Wood



\$3.5

Medical Care
Age <65

\$2.5

Medical Care Age 65+
NOT FULLY PREPAID by today's retirees

\$2.4

Interest on
Public Debt

\$1.2

Social Services
(less child care)

\$1.4

Post secondary

\$0.8

K to Grade 12

\$0.4

Child Care

-\$0.2
Housing

Housing should be for homes first, investments second

Short-term rentals generally do the opposite.

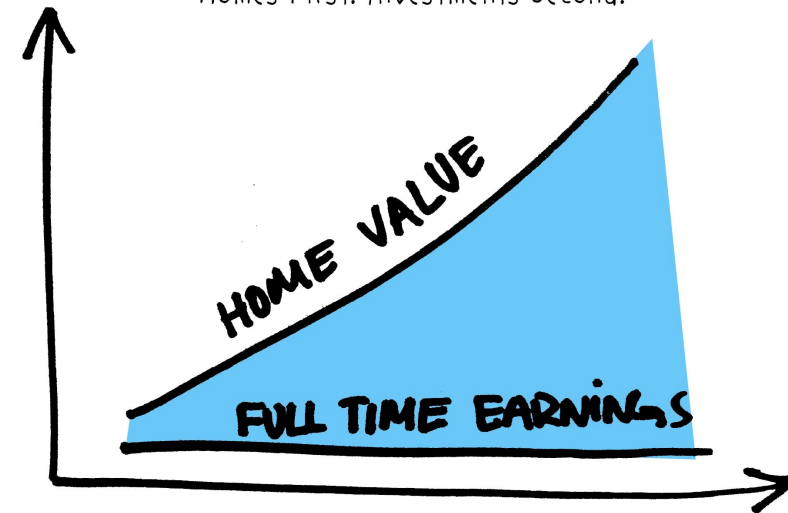
It's important that the BC NDP have brought in [new regulations](#) to restrict STRs mostly to room's in one's home.

There's reason to worry about [media](#) reports indicating the BC Conservative leader "would prioritize repealing provincial restrictions on short-term rentals if elected."

The [Green Party](#) is so far quiet on this issue in its platform materials.

IT'S TIME TO BREAK CANADA'S ADDICTION TO
RISING HOME PRICES.

Homes First. Investments Second.



#HOUSINGSOLUTIONS

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Supply, Zoning, Gatekeepers and NIMBYs

It's encouraging that the **NDP** recently introduced [new housing legislation](#) that requires most BC municipalities to deliver more multi-unit housing like four-plexes, triplexes, townhomes, etc. This provincial change fixes old fashioned zoning rules that restricted communities from adding more homes faster.

The **Conservative** leader is reported to have said on [CKNW radio](#) in May 2024 that he would repeal these zoning changes. **Greens** don't provide a signal in their platform.

Repealing the new provincial zoning legislation would be a classic case of privileging the views of existing (often older) homeowners who currently live in low density neighbourhoods, over the voices of those who may like to have a chance to live in those same communities.

Land Lift from Bill 44 Up-Zoning

When governments change zoning to permit additional density, they increase the value of the rezoned land, because more homes can be built on it.

Who should keep this newly created wealth — the current owners of the land, or the public who created the wealth through the zoning change?

Presently, the BC NDP, Conservatives and Greens ignore this issue. None of them articulate a plan to collect some of the provincially created wealth-windfall from owners via changes to property taxation, or other policy tools.

Land Lift from Bill 44 Up-Zoning

The primary way wealth from up-zoning is captured is at the municipal level, when local governments levy development cost charges and related fees on developers of new housing.

Yes, developers should help pay for public amenities like water, sewer, etc. that new residences require.

But it's time to ask whether developers are being expected to cover too much of these costs, because some believe 'growth should pay for growth.'

Land Lift from Bill 44 Up-Zoning

When land lift is collected primarily from developers, they pass on these costs to residents of new units, by increasing purchase or rental prices.

Fairness for every generation? Collect some of the 'land lift' from current home owners, not just developers.

→ Reduce taxes charged to new developers to speed along construction of additional supply. Subsidize additional deeply affordable non-profit housing.

Win-Win-Win.

- ✓ Home owners still get richer from zoning changes.
- ✓ The portion of newly created wealth collected by governments means developers are charged lower fees, facilitating housing investment.
- ✓ Prospective owners and renters can access new units at lower prices.

BC deficit now \$9 billion:

Decades ago, governments didn't plan adequately to pay for boomers' retirement



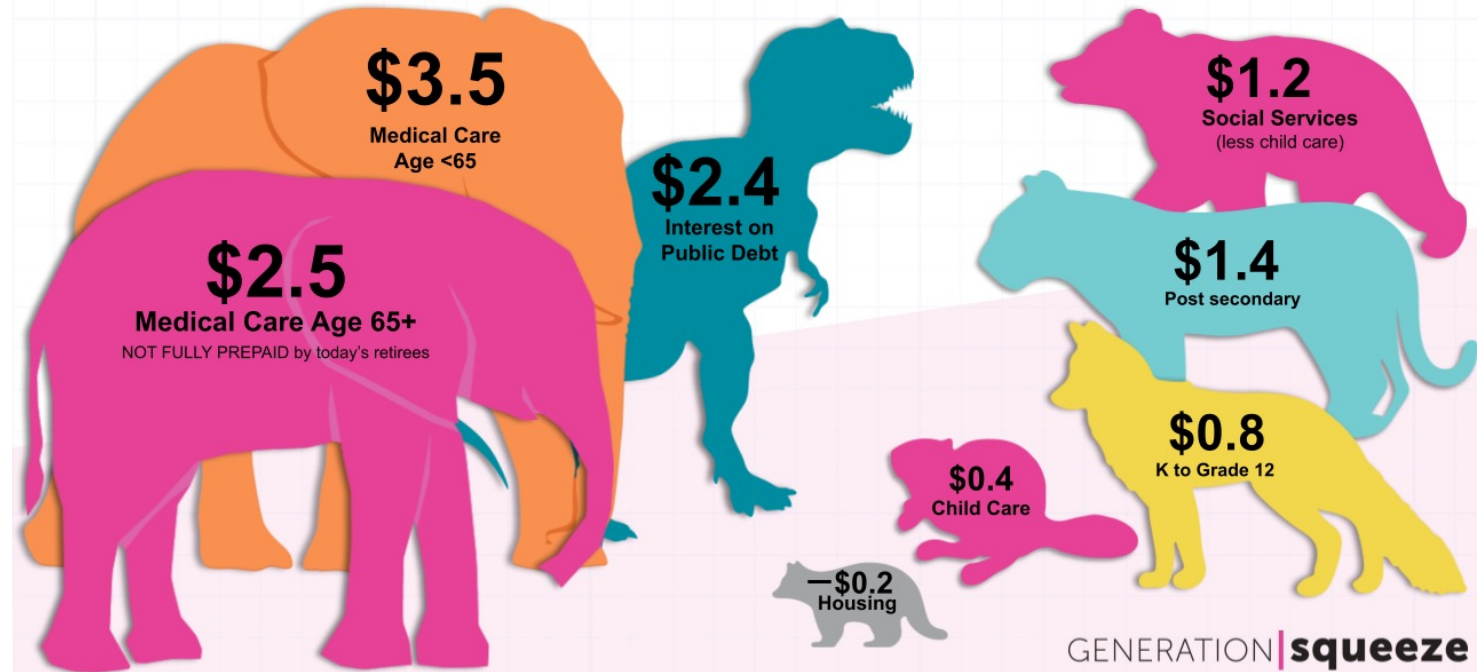
2 BALANCE THE BUDGET

It is immoral (and financially hazardous) to continue living beyond our means and leaving our children with the bill. While not immediate, we will plan on balancing the budget.

NEW SPENDING PLANNED IN BC BUDGET

Annual operating increases, 2026 compared to 2023: \$ Billions

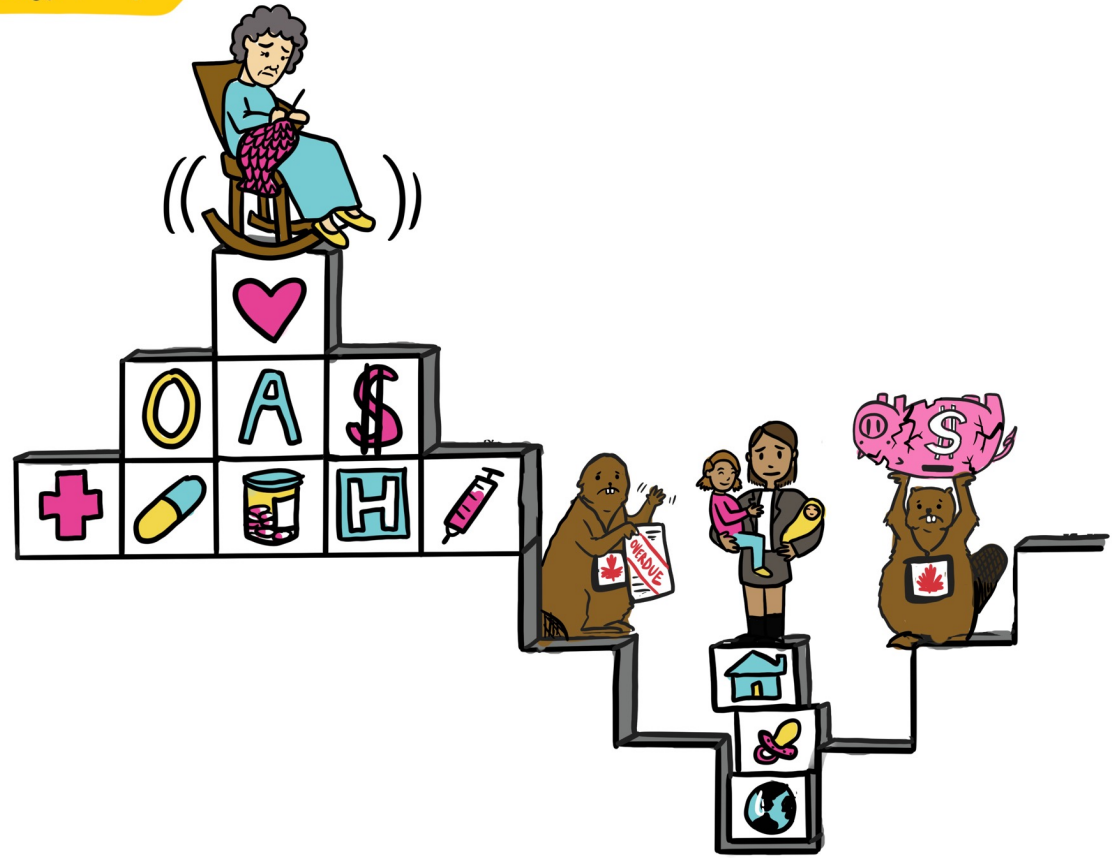
Sources: All figures from Table A11 "Expense by Function" in Budget 2024, except Child Care & Housing, provided by Deputy Minister Wood





Adapted
revenue for
CPP, *but not*
for OAS and
medical care

THE LEGACY:



GENERATION
squeeze

BC deficit now \$9 billion:

Decades ago, governments didn't plan adequately to pay for boomers' retirement



2 **BALANCE THE BUDGET**

It is immoral (and financially hazardous) to continue living beyond our means and leaving our children with the bill. While not immediate, we will plan on balancing the budget.

Options:

- Dramatically slow down medical care \$
- Young people pick up unpaid bills from boomers, because governments didn't plan adequately for changing demographics
- Affluent boomers contribute more to cover the cost of their generation's medical care and retirement income security

Attention older, affluent homeowners: Let's put our housing wealth to work



PAUL KERSHAW >

SPECIAL TO THE GLOBE AND MAIL

PUBLISHED DECEMBER 9, 2023

While politically unpalatable now, it is likely inevitable...

Provincial and federal governments will eventually focus more on collecting revenue from housing wealth.

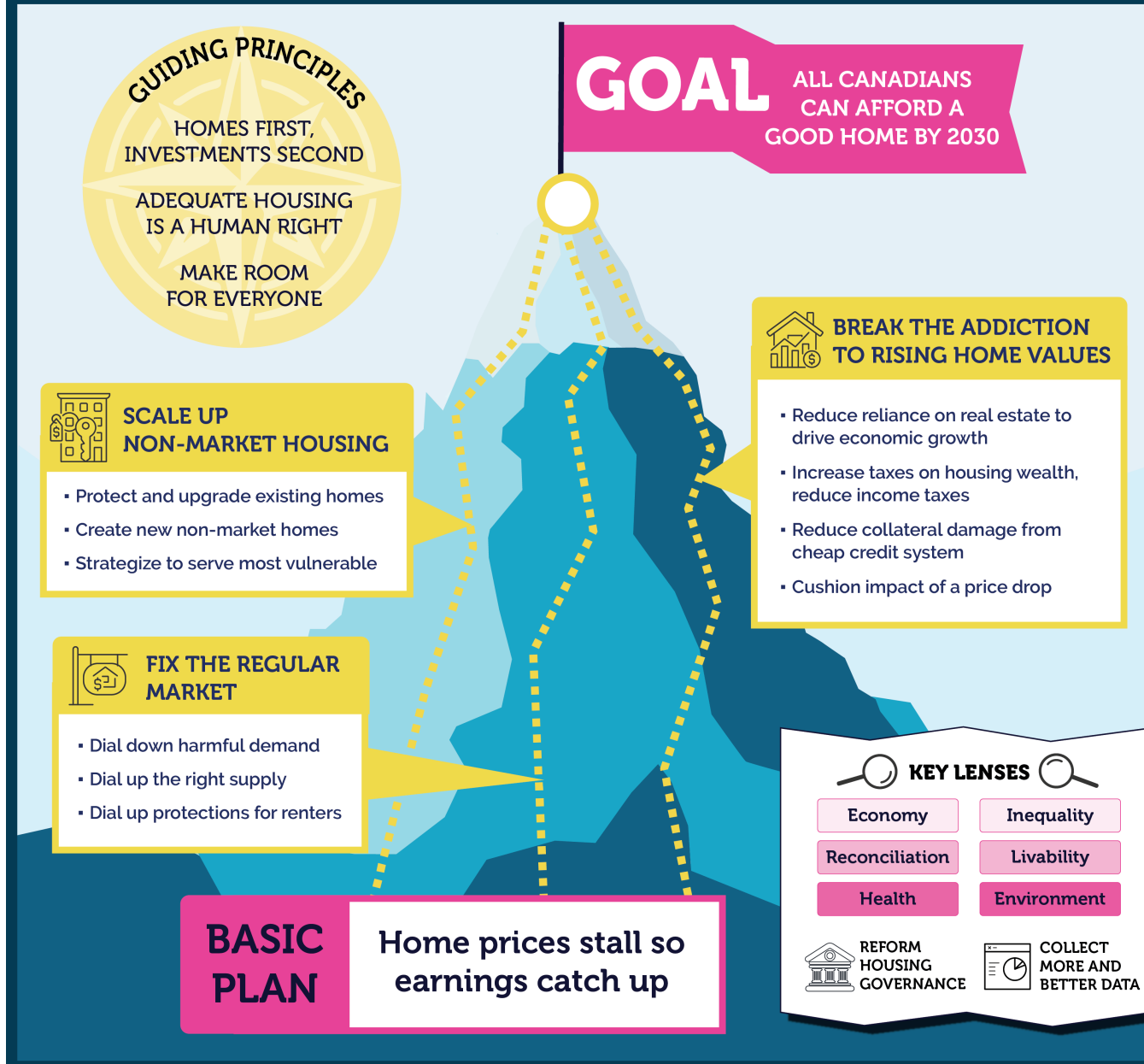
Since an aging population dampens growth and increases spending, it is unlikely that cutting spending or cutting taxes will balance the books.

Adding progressivity to annual property taxation (targeting high value homes) is a better tool than capital gains taxation on principal residences.

Thank you

www.gensqueeze.ca/housing

GENERATION | squeeze HOUSING SOLUTIONS





GOOD ANCESTOR REPORT CARD

Our report cards summarize Generation Squeeze’s analysis of B.C. election platforms. We examine how each party’s platform will advance us towards our goal: **Build a B.C. where young and old alike can thrive, so we can be good ancestors to those who follow in our footsteps.**



gensqueeze.ca/bc_votes_2024

HOUSING SUBJECT AREAS

STALLING PRICES

Good ancestors commit to the goal of stalling home prices, so wages can catch up.



RESISTING LOBBYISTS

Good ancestors prioritize homes for residents over short-term holiday rentals.



SHARING WEALTH WINDFALLS

Good ancestors ask homeowners to share wealth windfalls created by zoning changes.



LOOKING PAST VILLAINS

Good ancestors tackle complex causes and don't just blame "easy villains" for unaffordability.



DISRUPTING NIMBYS

Good ancestors recognize the key role that zoning changes can play.



WRANGLING THE MARKET

Good ancestors plan to scale up the supply of non-profit housing AND rein in the regular market.





**RIDE
THE
WAVE**
UBCM 2024

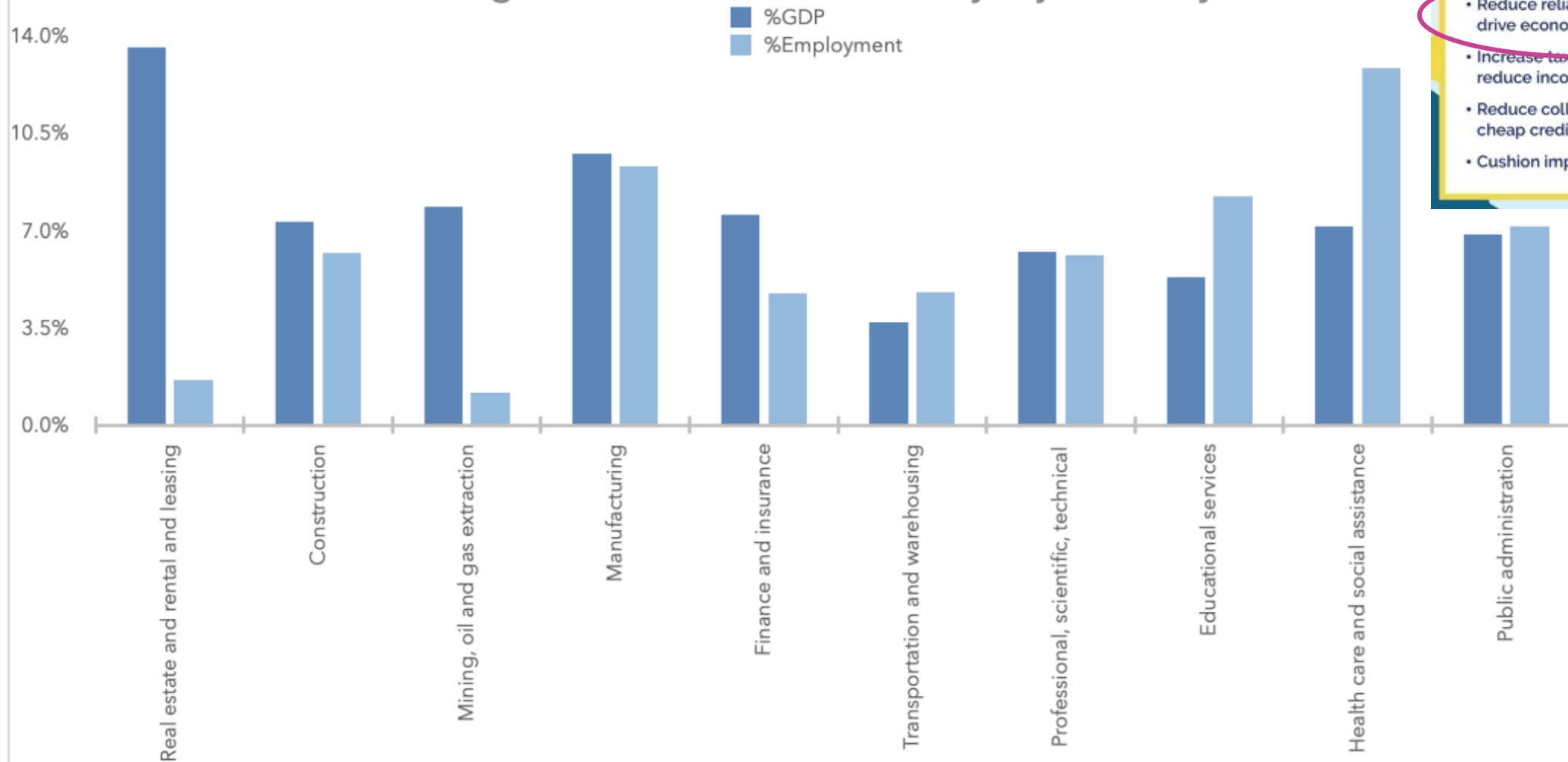




BREAK THE ADDICTION TO RISING HOME VALUES

- Reduce reliance on real estate to drive economic growth
- Increase taxes on housing wealth, reduce income taxes
- Reduce collateral damage from cheap credit system
- Cushion impact of a price drop

Figure 2 Canadian Economy, by Industry



Sources:

GDP data from Statistics Canada Table: 36-10-0434-02 (formerly CANSIM 379-0031) Employment data from Statistics Canada Table: 14-10-0202-01 (formerly CANSIM 281-0024)

① LOW INTEREST RATES
ENABLE BUYERS TO
BID UP PRICES



OVER INVEST

② REAL ESTATE = 14% OF GDP BUT ONLY 2% OF EMPLOYMENT



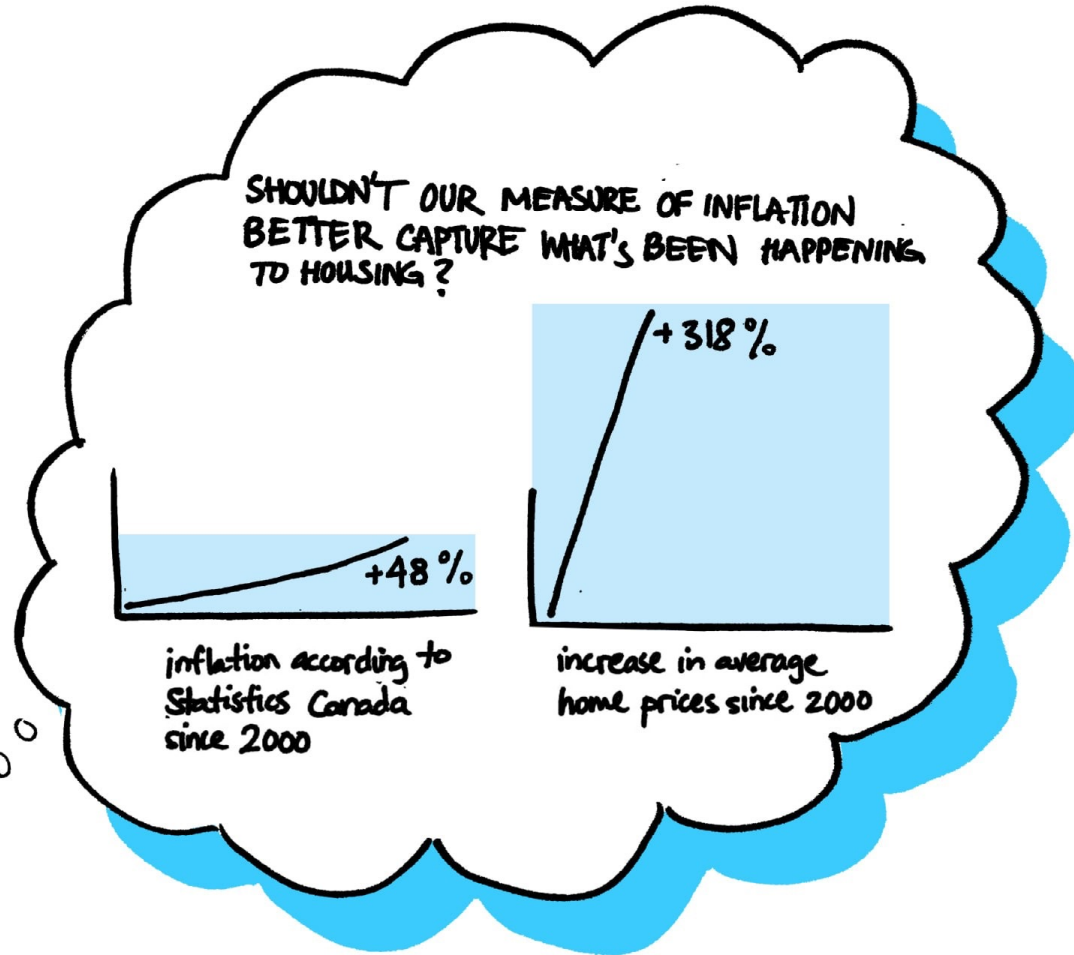
WHICH
MEANS
CANADA IS:

GROWING MAJOR
COST OF LIVING-
HOUSING



WITHOUT GROWING EARNINGS
FOR MOST CANADIANS...

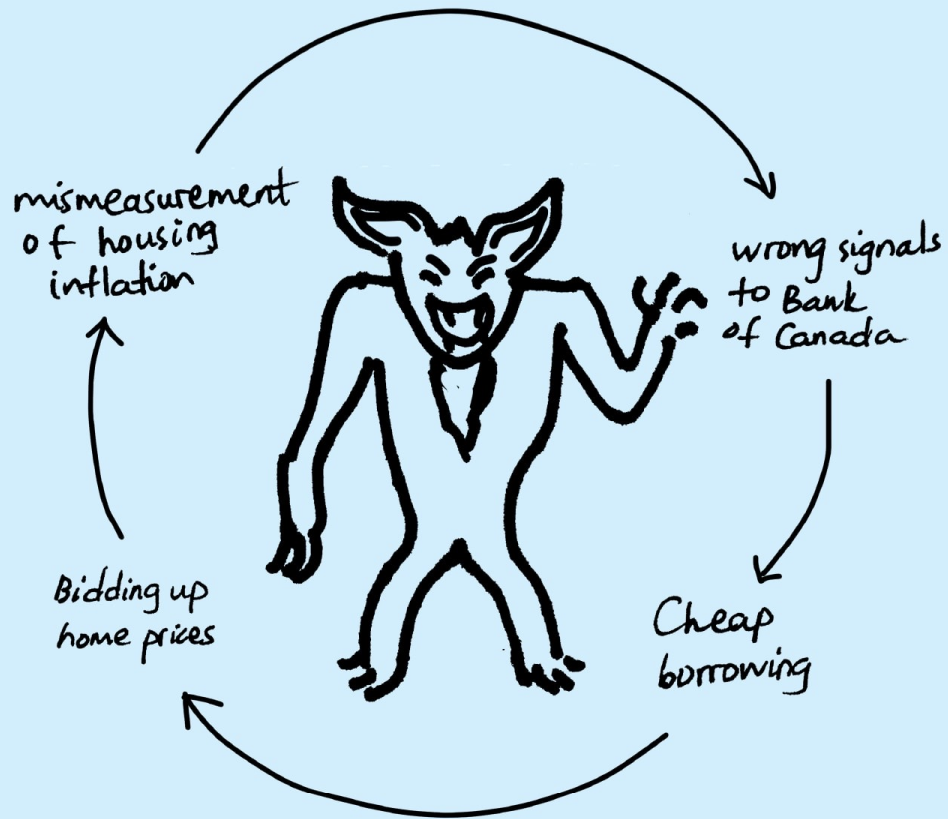
MISMEASUREMENT OF INFLATION RISKS FUELING SKYROCKETING HOUSING PRICES.



Many may be surprised to learn that the CPI doesn't pay much attention to the way that housing prices matter to younger Canadians and newcomers when they want to buy a home. That's because CPI doesn't monitor the size of the down payment that first-time buyers need to save. Nor does it give enough attention to the total amount people need to borrow.

Instead, CPI monitors what existing owners would need to pay to replace their current home, along with the amount of interest people pay to service their mortgage. Unfortunately, the CPI plays down the amount the bank had to initially loan them to buy the home in the first place.

DON'T BE DUPED BY THE CHEAP CREDIT SYSTEM

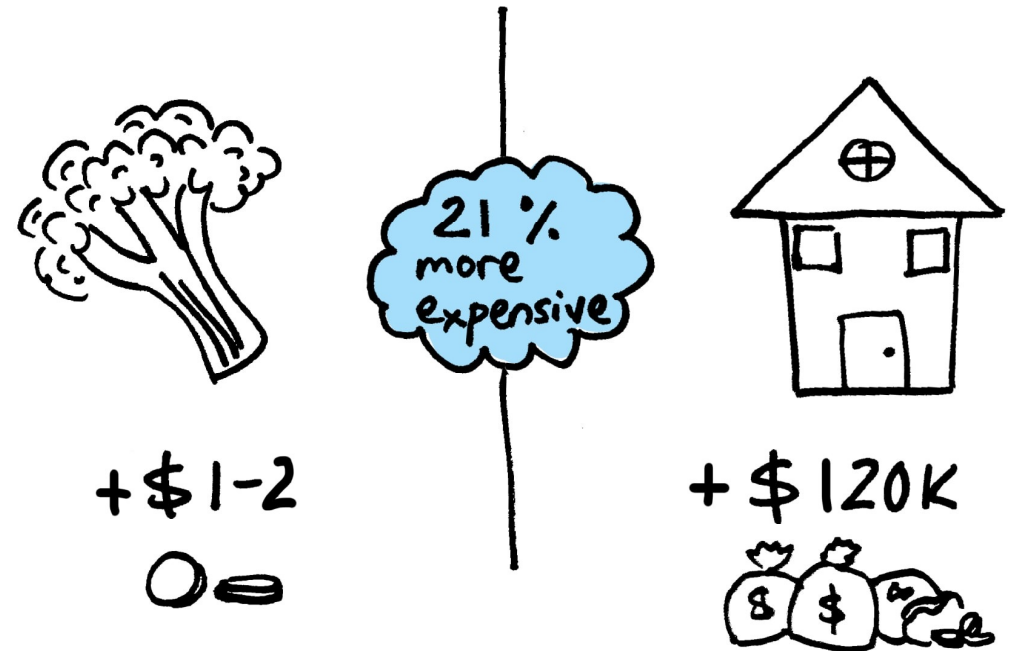


Growing wealth for some. Eroding affordability for others.

#HOUSINGSOLUTIONS

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It's a costly problem when we're better at measuring the rising price of vegetables than the rising price of housing.



Statistics Canada can help fix the broken housing system by reporting accurately on housing inflation.

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Encouraging GoC to have StatsCan improve measurement of inflation

Conference Board of Canada's Chief Economist

+

Business Council of BC's VP for Policy

+

Gen Squeeze

YOUNG MONEY

Statscan failed young Canadians by underestimating the effect of housing inflation



PAUL KERSHAW >

SPECIAL TO THE GLOBE AND MAIL

PUBLISHED OCTOBER 31, 2022

FOR SUBSCRIBERS

PK lives and often works on the ancestral,
unceded territories of the q'ic'ay'
məlstəyəx^w (Katzie) People

Kootenay Family Place

In appreciation of our speakers today and with thanks for your contribution, UBCM has made a donation to the Kootenay Family Place. Kootenay Family Place is passionate about serving the needs of children, youth and families throughout the West Kootenay Boundary region through its services of early intervention, childcare, and providing a safe gathering place.