Regional Resilience: What Does The Future Hold?

Vancouver Real Estate Forum

April 12, 2022

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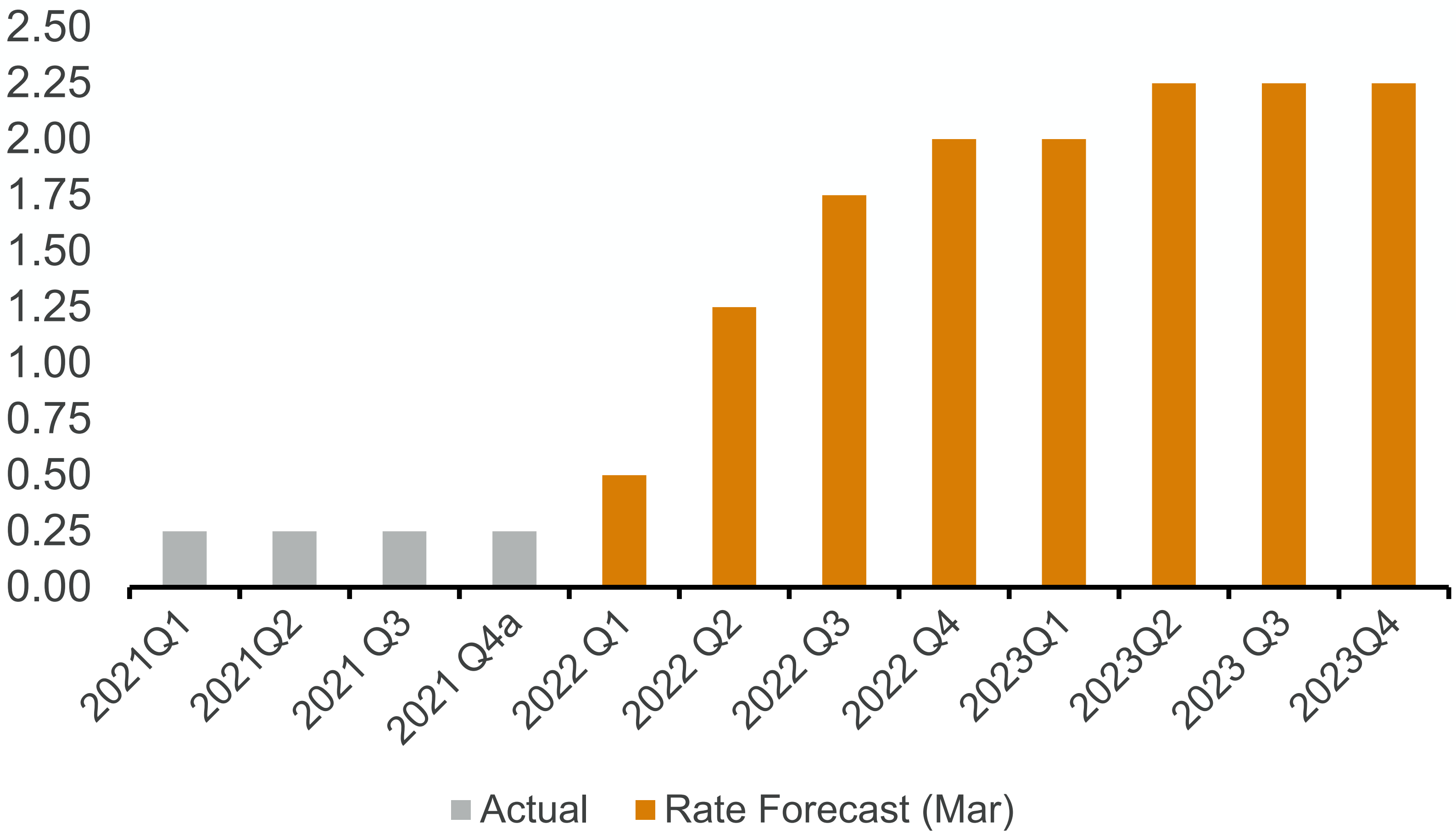
Rate hikes incoming and more aggressive moves possible

Bank of Canada Target Overnight Rate



Source: Bank of Canada , Central 1

- Overnight rate forecast to reach 2% in 2022 with upside risk
- Europe conflict upward risk for inflation, downside risk for real growth
- Can Canadian (and U.S.) economies withstand aggressive rate maneuvers?

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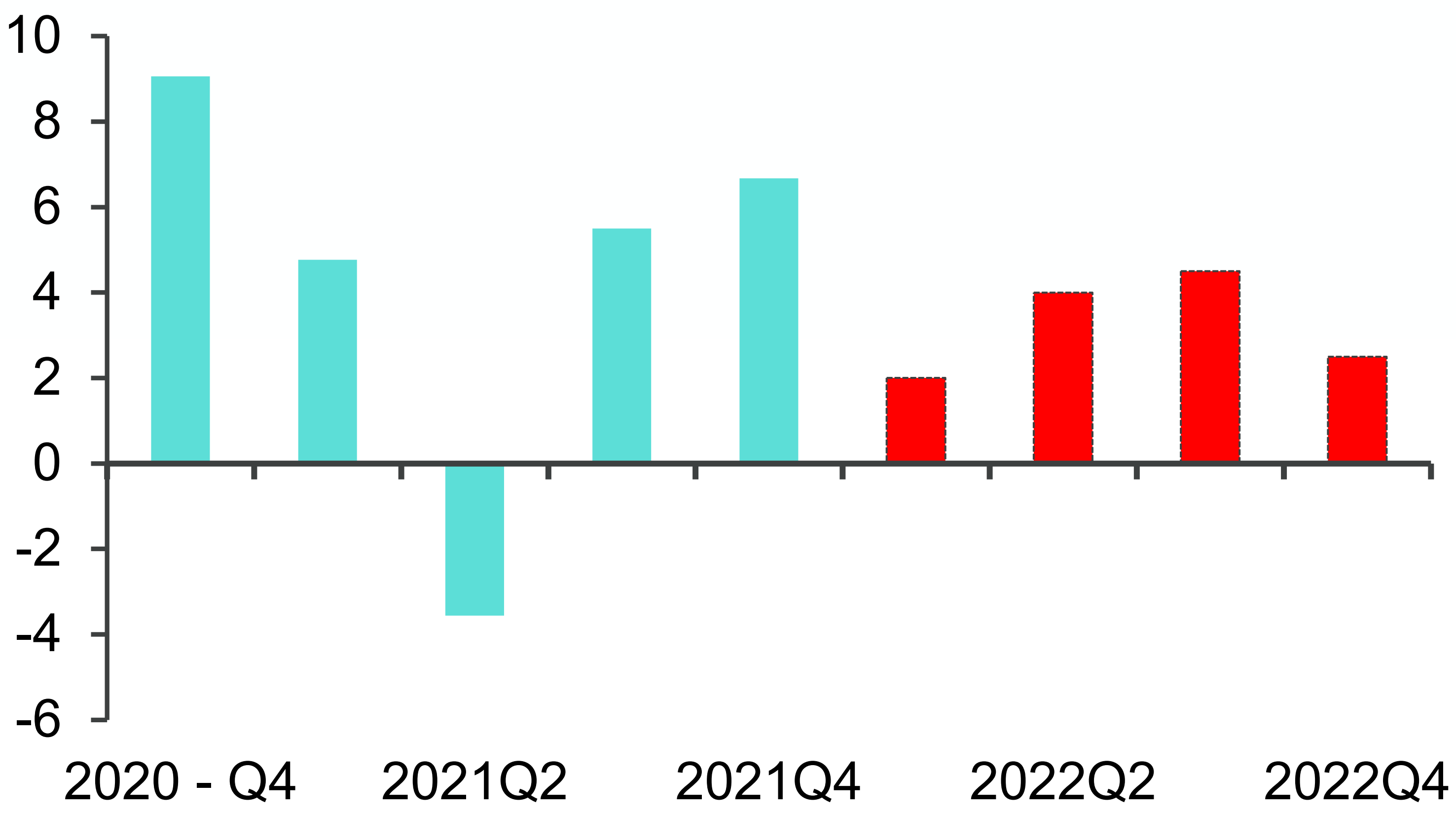
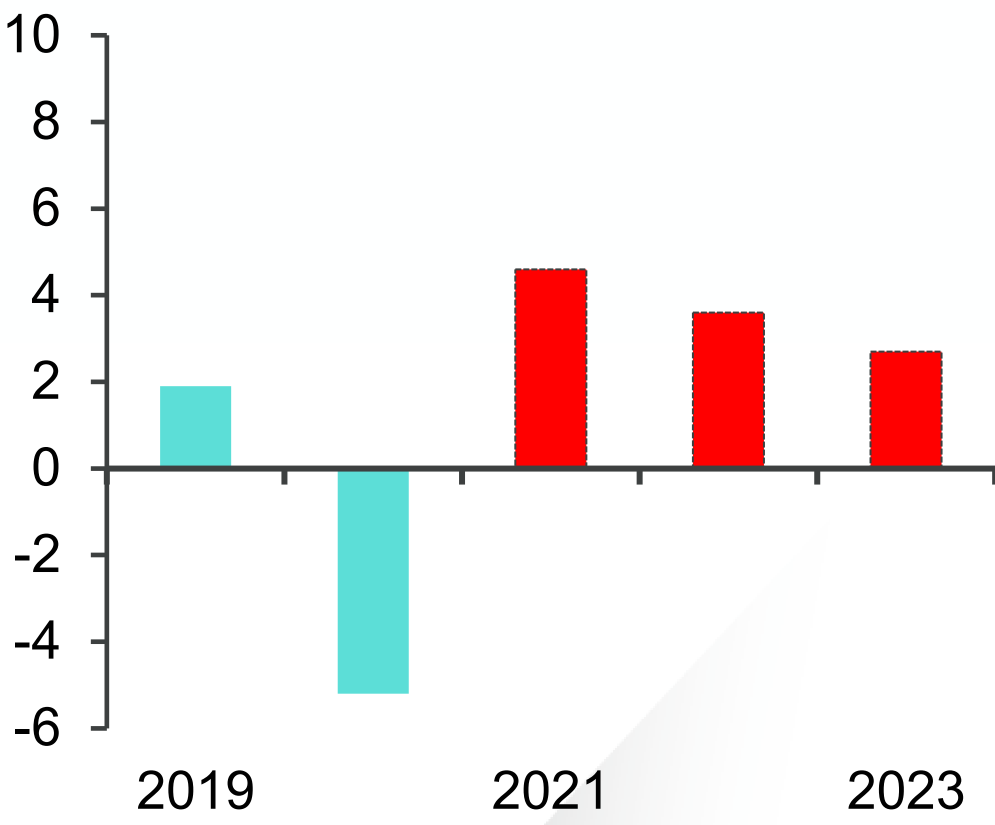
Economy to expand strengthens post- Omicron

Canada GDP forecast, q/q % annualized

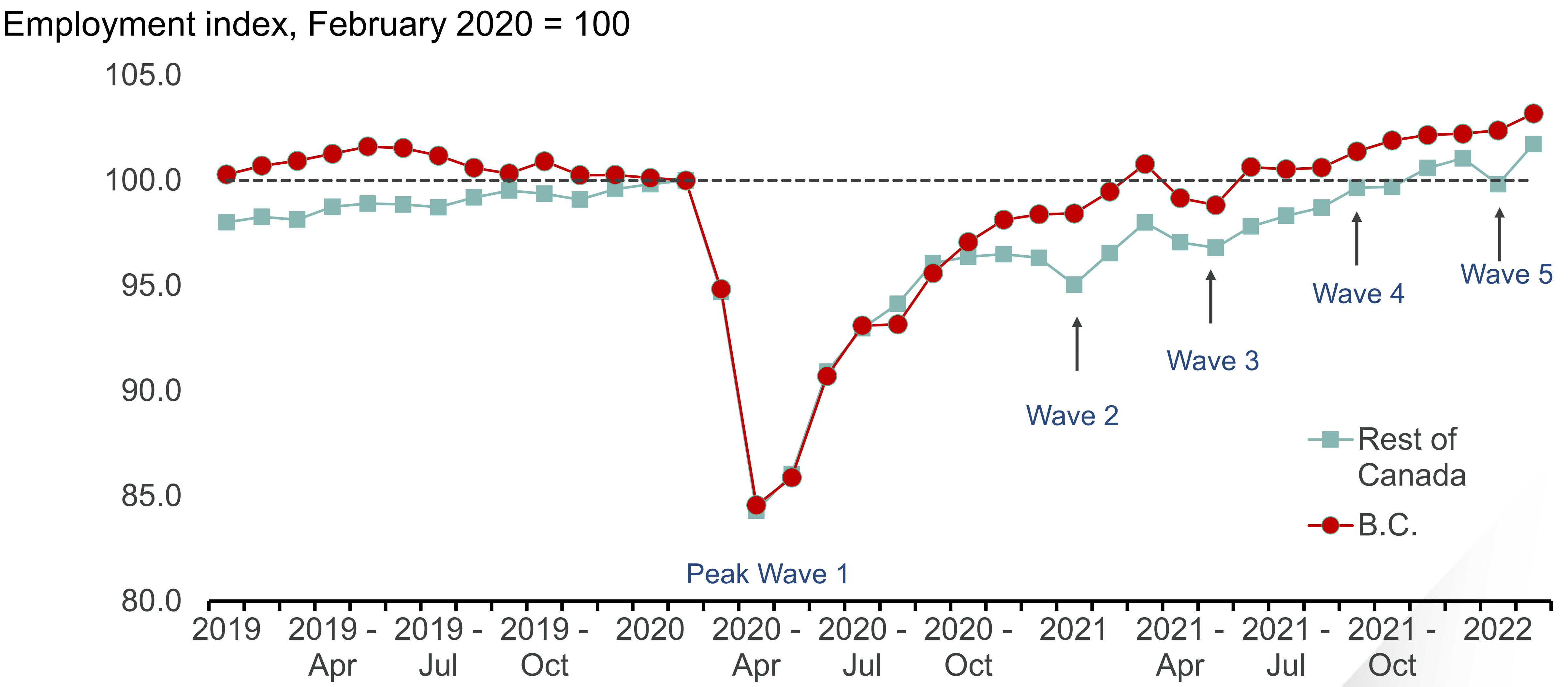


GDP Forecast, Annual



Source: Statistics Canada, Bank of Canada, Central 1

B.C. economic cycle outperforms during pandemic



Source: Statistics Canada, Central 1

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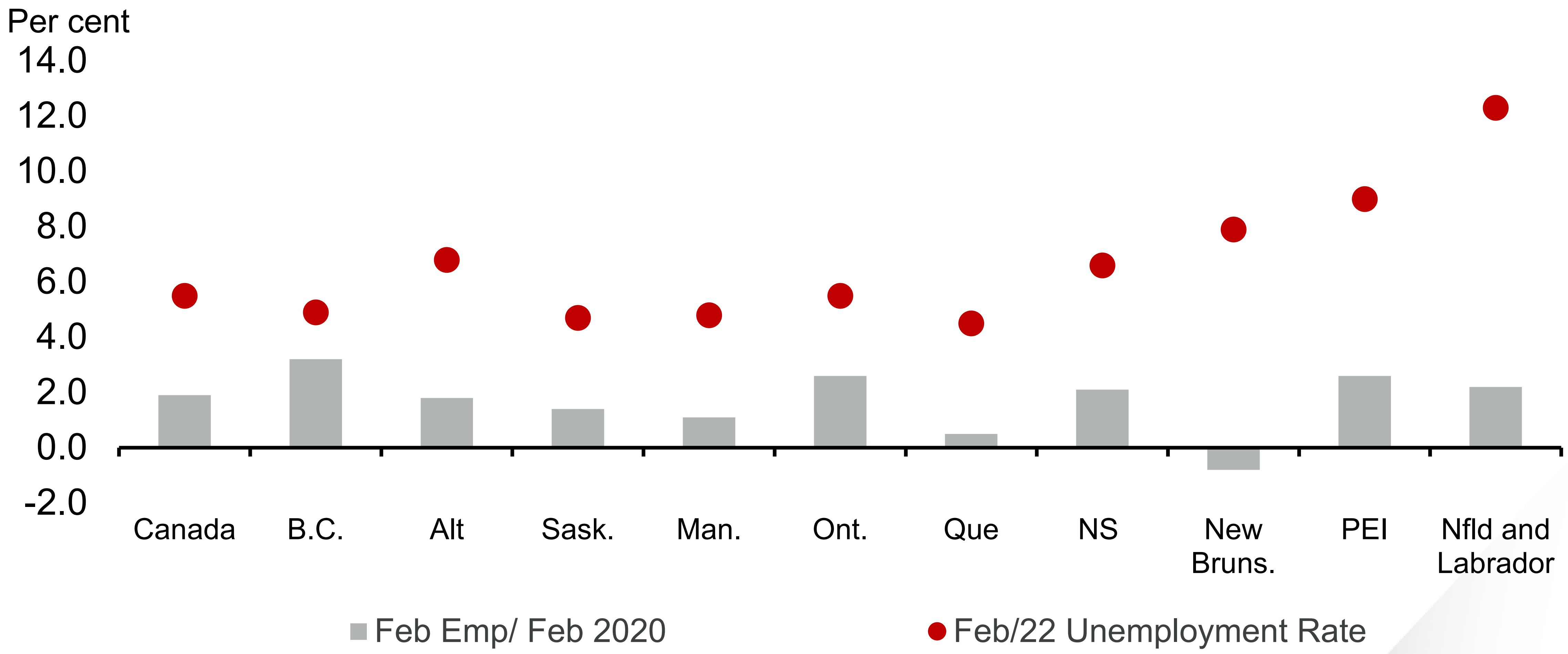
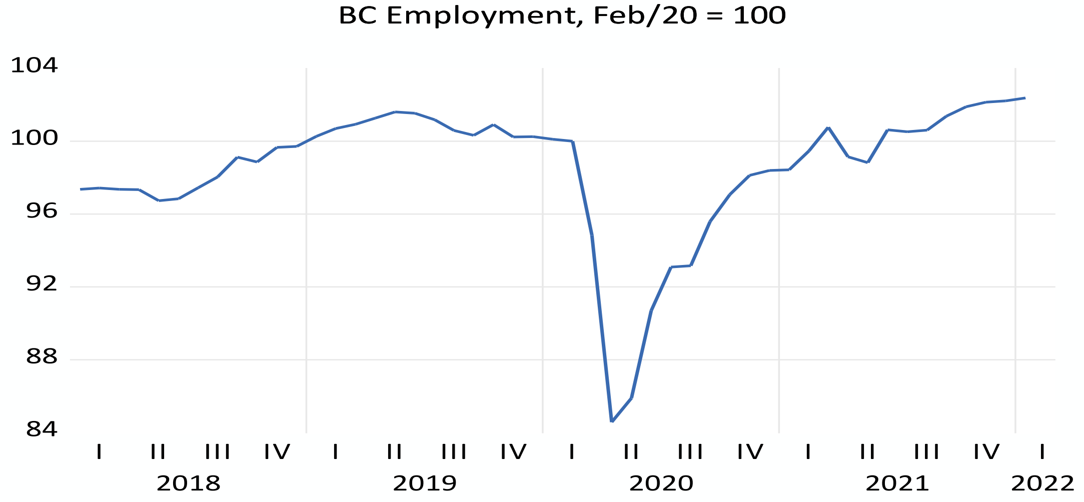
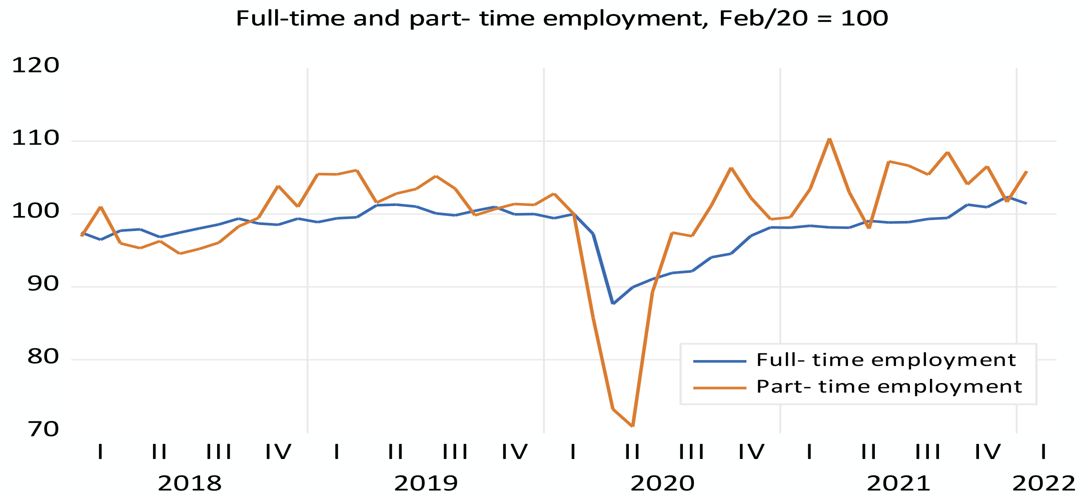
B.C. growth outperforms peers, employment fully recovers and joblessness sinks

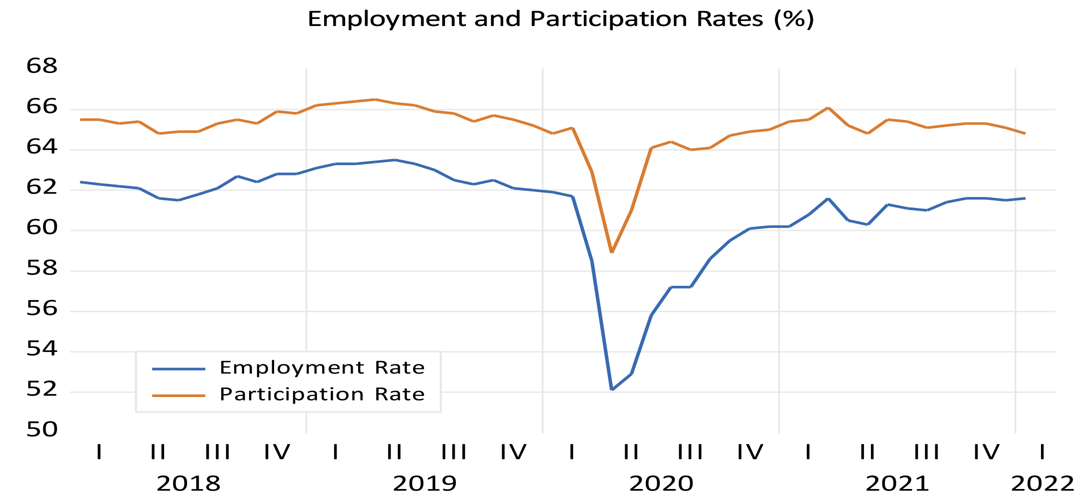


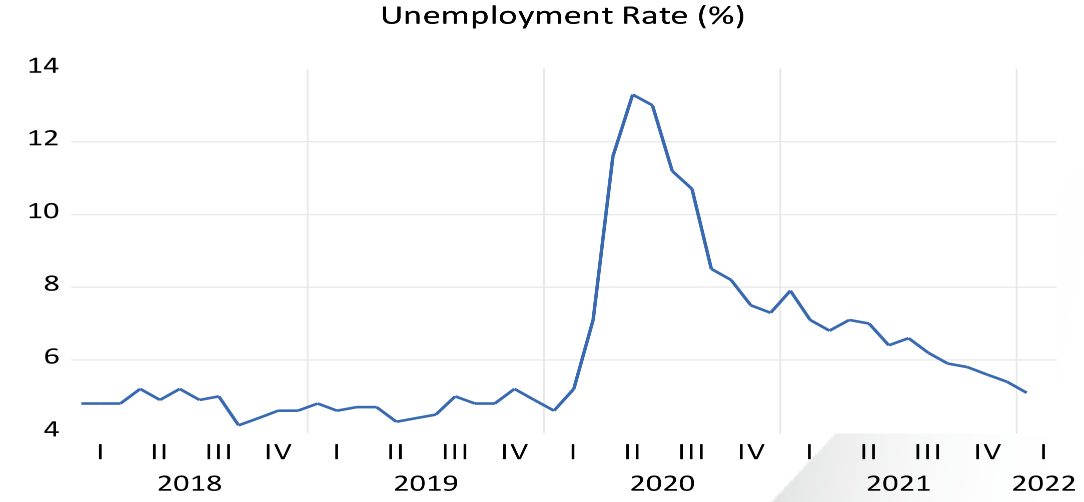
Source: Statistics Canada, Central 1

B.C. Labour market



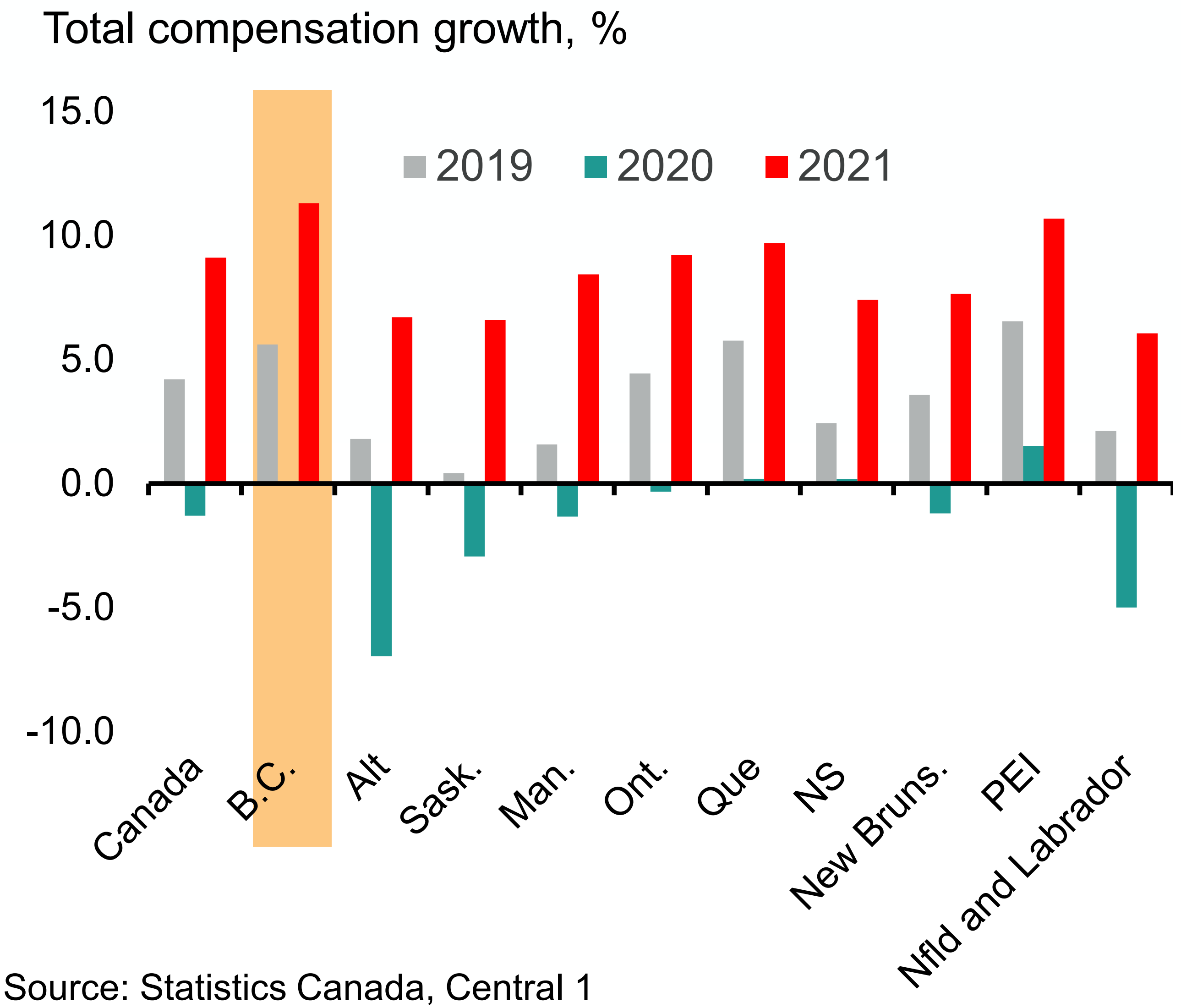


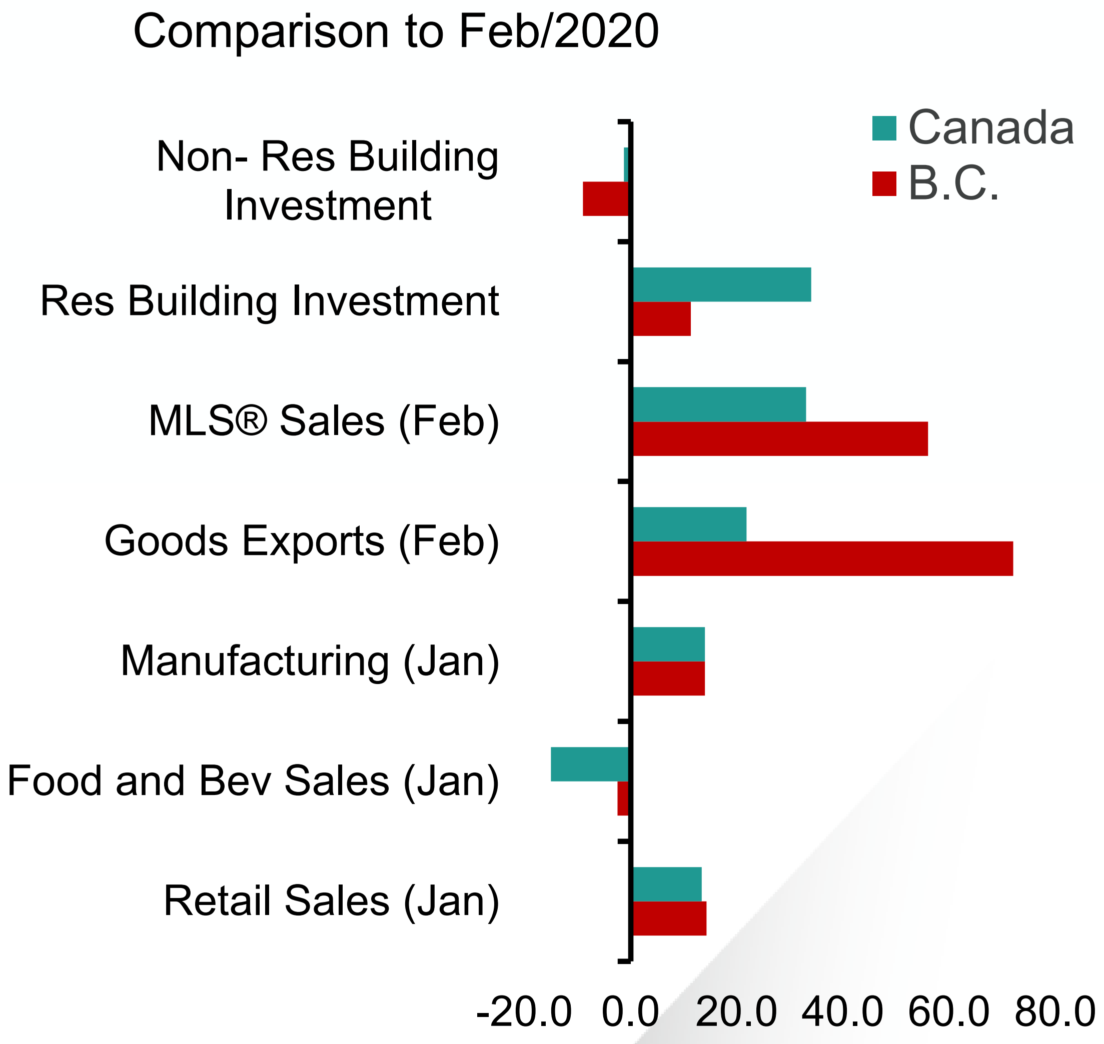




Source: Statistics Canada, Central 1

B.C. growth outperforms peers in key measures





Source: Statistics Canada, Central 1

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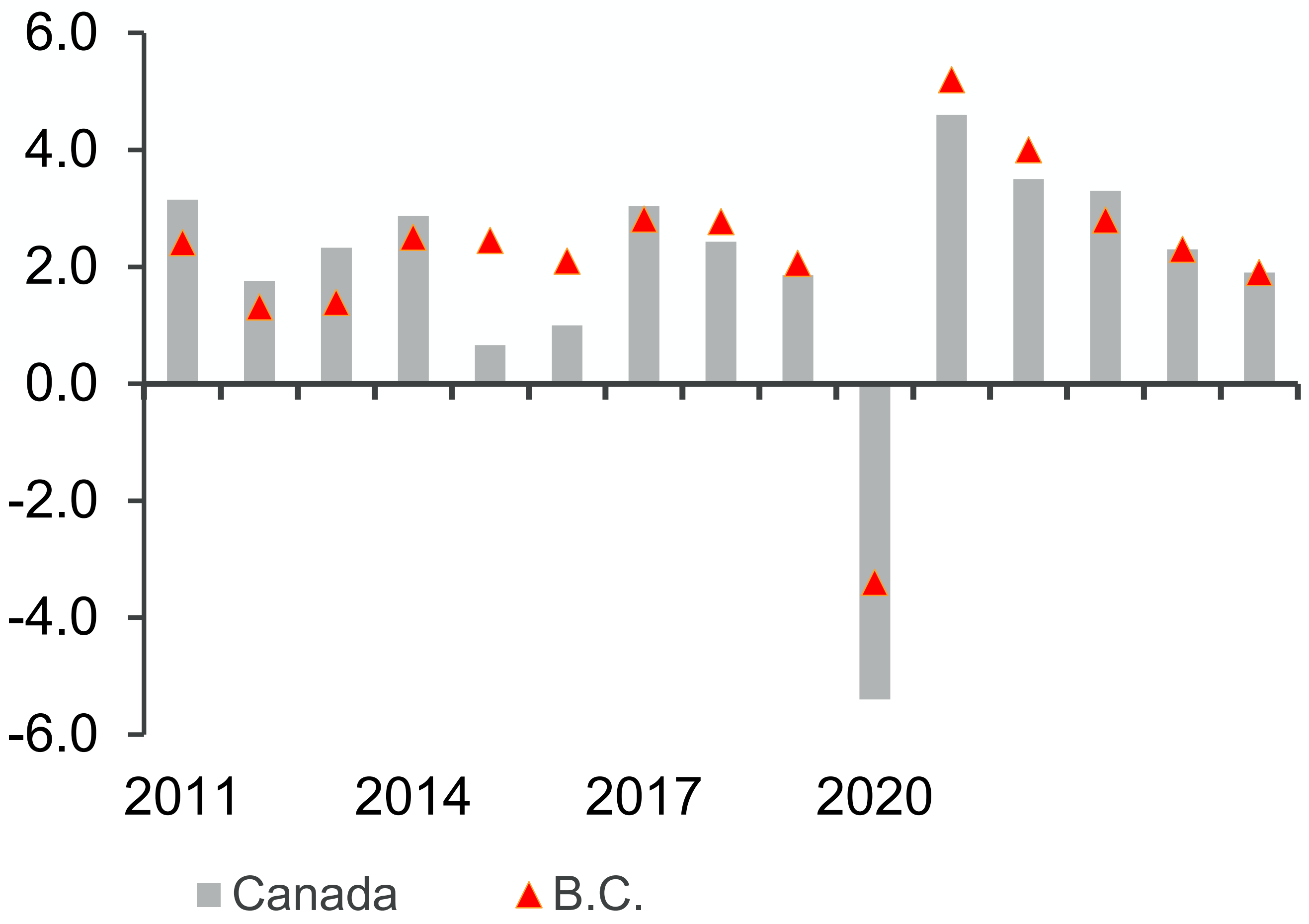
B.C. outpaces Canadian growth in 2021, trend slips below 2% by 2024

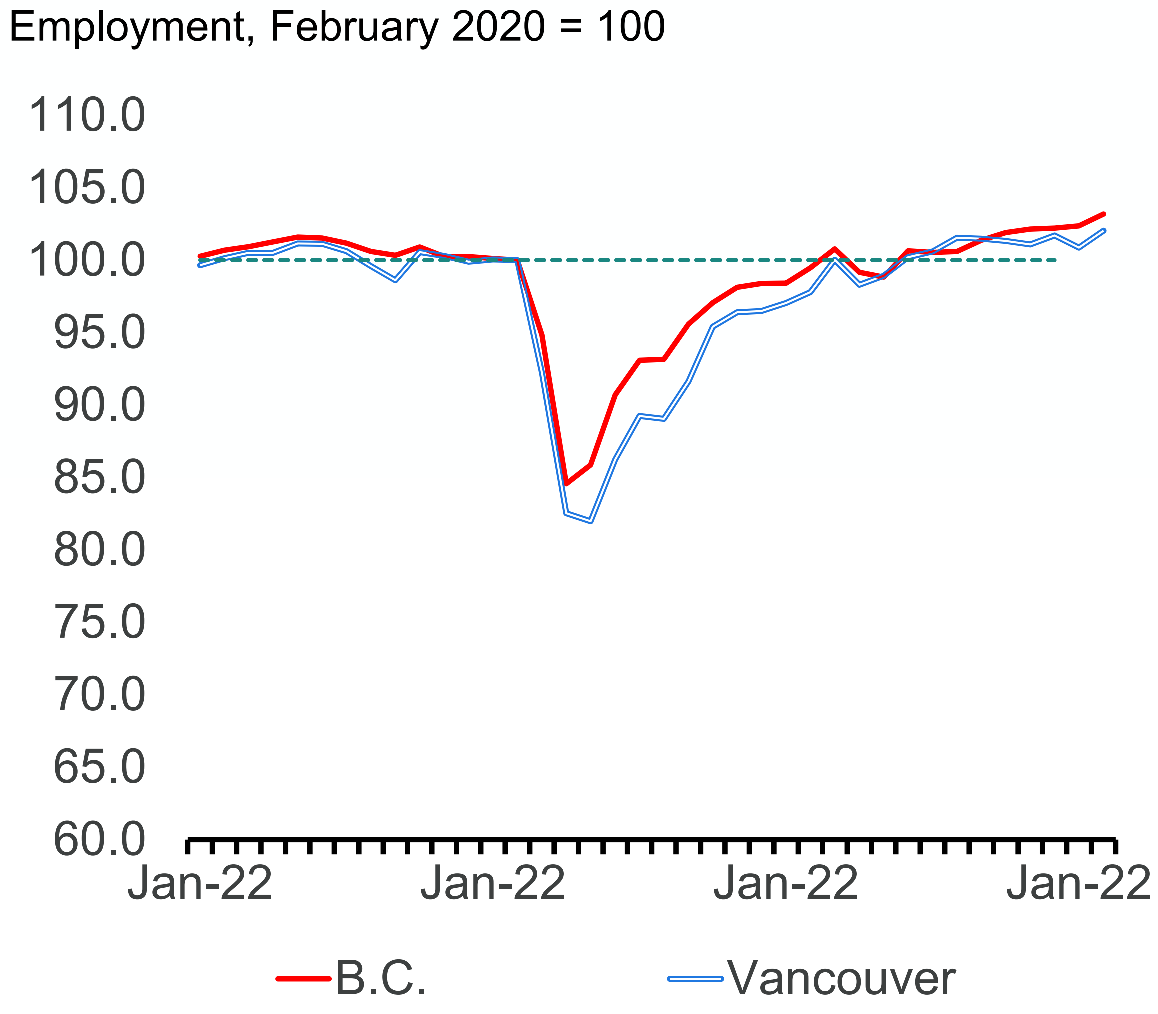
Growth in Gross Domestic Product, %, 2021 – 2025 Forecast

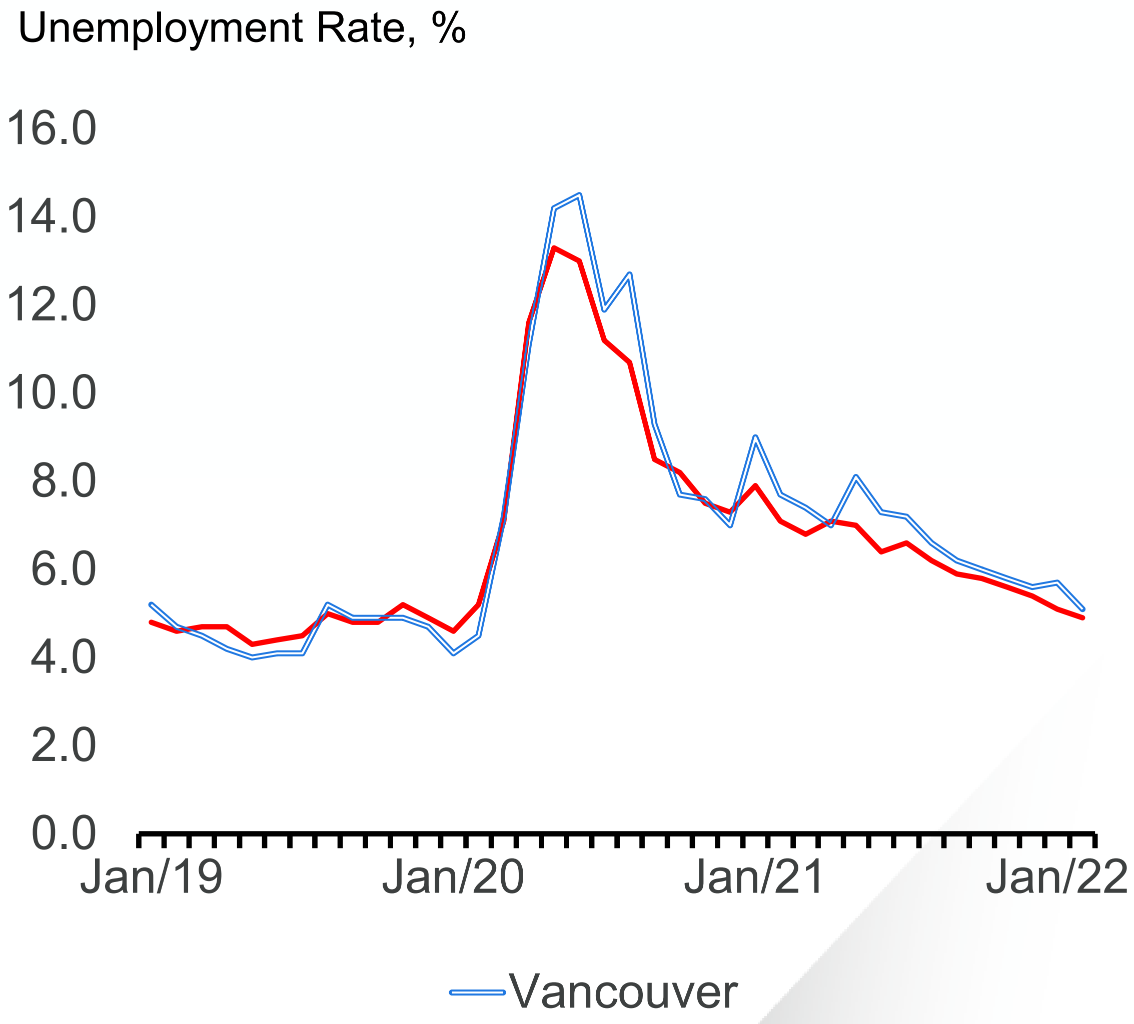


Source: Statistics Canada, Central 1

- 2022 – B.C. restrictions less intensive than peers
- Rotation towards services- oriented growth and exports for 2022, Omicron a risk
- Housing cycle to remain robust but less contribution to growth
- Infrastructure and capital spending strong, business investment picks up
- Population growth to accelerate

Vancouver CMA posts similar patterns





Source: Statistics Canada, Central 1

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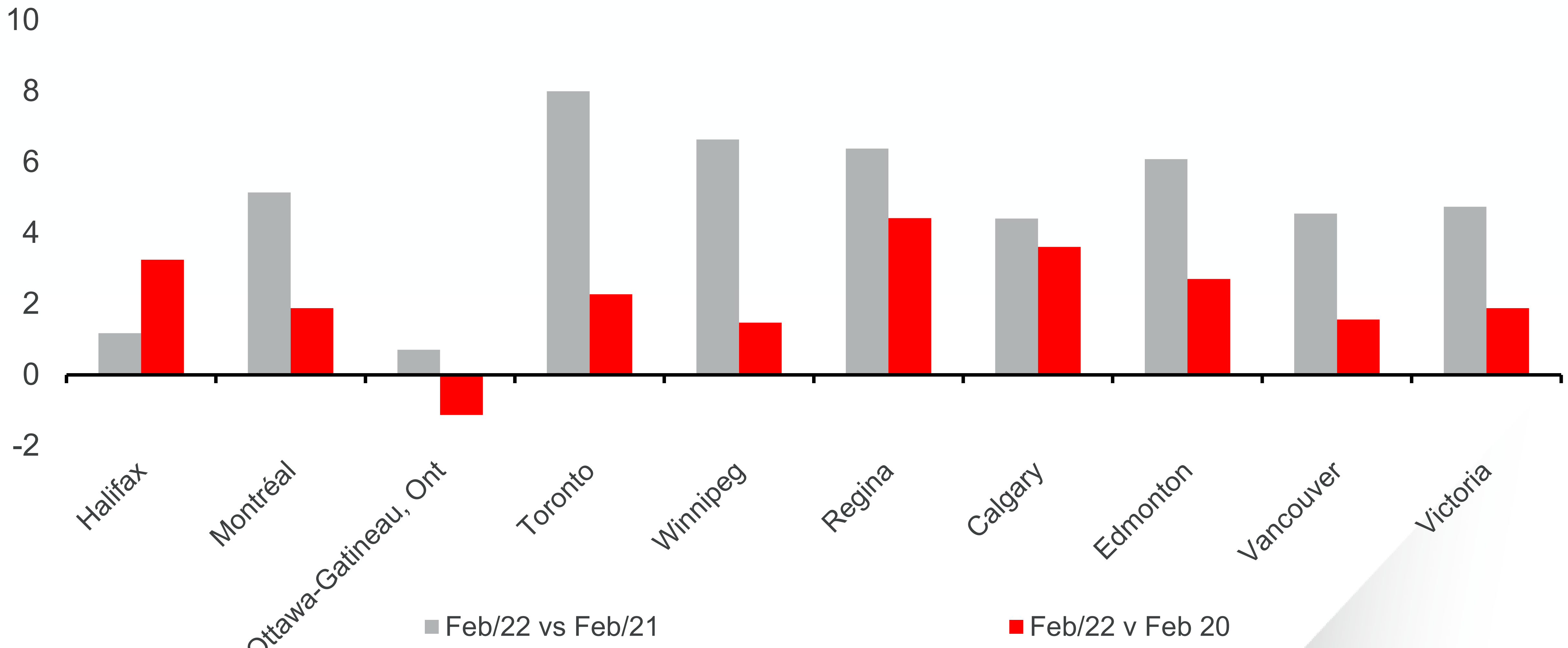
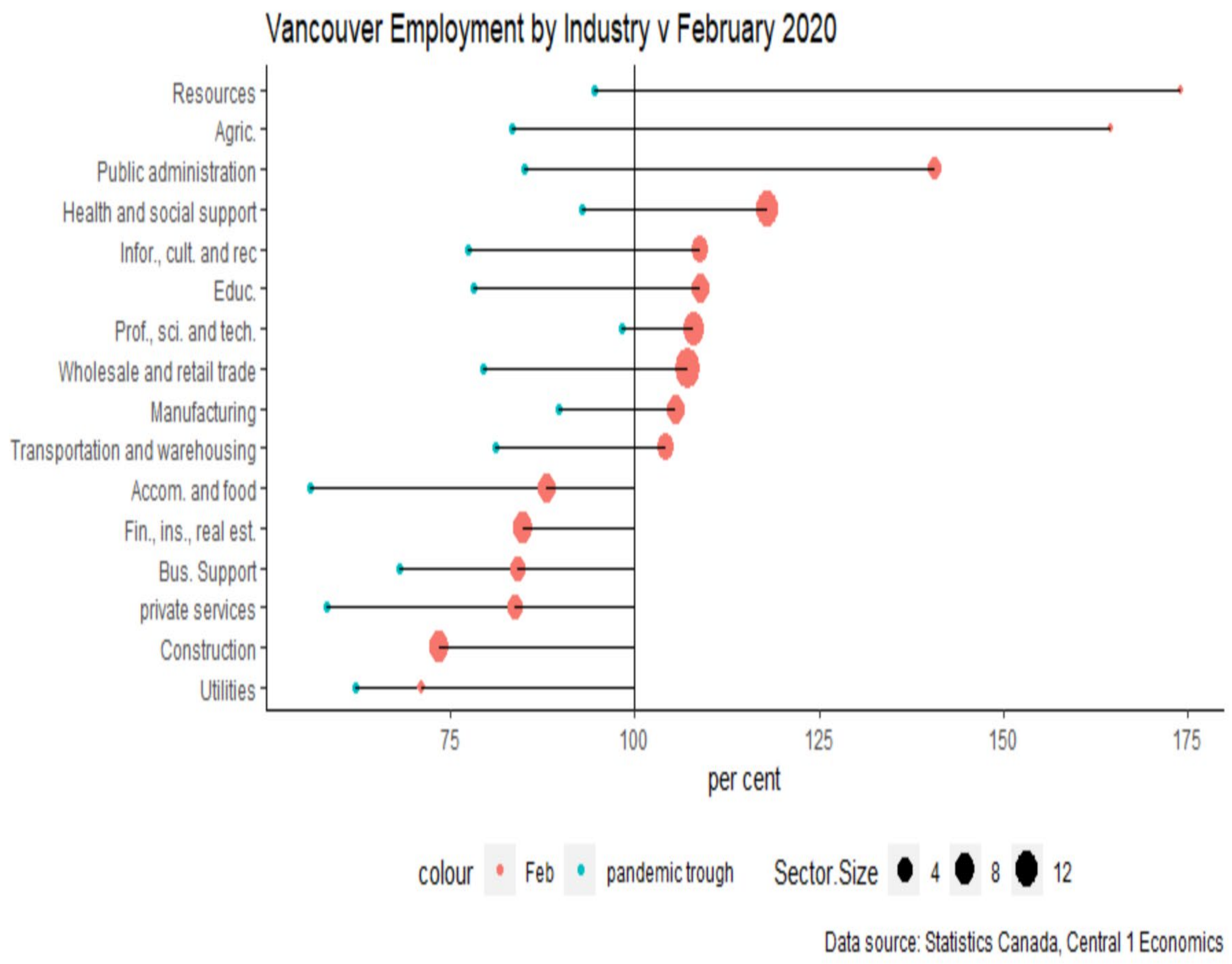
Metro Vancouver recovery lags other regions

Labour Force Survey employment growth by select CMA, per cent change



Source: Statistics Canada, Central 1 *based on 3- month moving averages

Mixed performance among sectors but pandemic-sensitive sectors set to rebound sharply

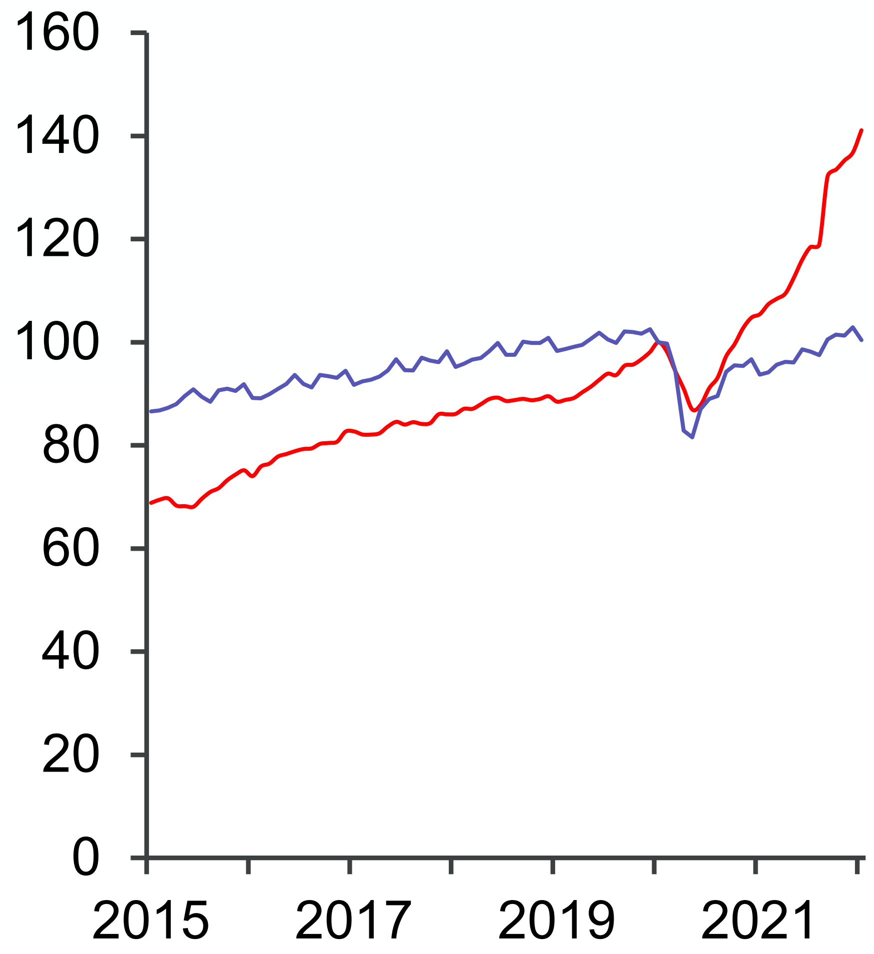


- Key drivers include technology and knowledge sector expansion
- Consumer economy hums despite lower population growth
- Pandemic drivers of health and government rise
- Tourism sectors set to rebound sharply

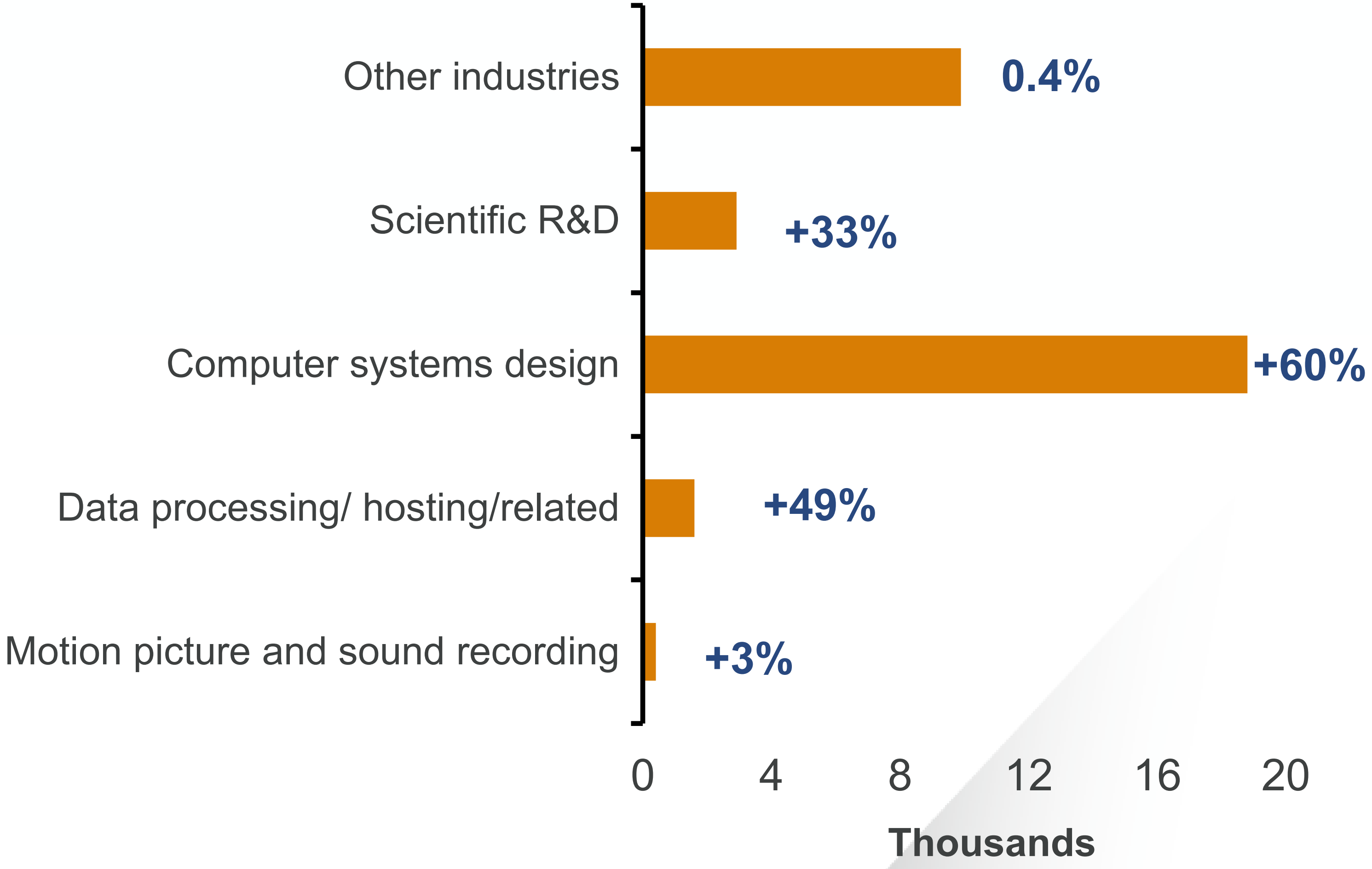
Source: Statistics Canada, Central 1

Tech and knowledge industries a key growth driver

B.C. payroll employment, Jan/20 = 100

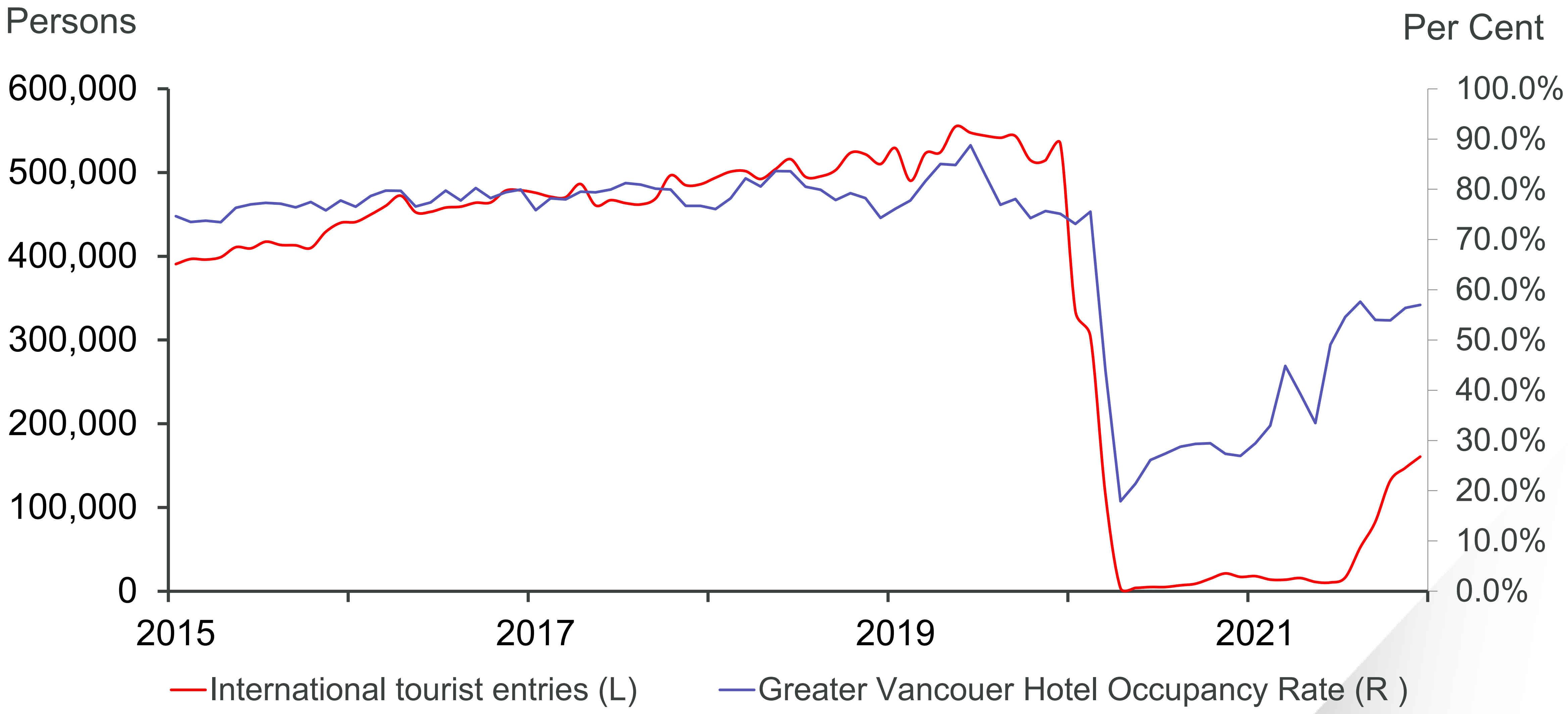


Industry employment v Jan/20



Source: Statistics Canada, Central 1, latest: Jan/22

Tourism on the upswing, Omicron January dip temporary



Source: Statistics Canada, Central 1, latest: Jan/22

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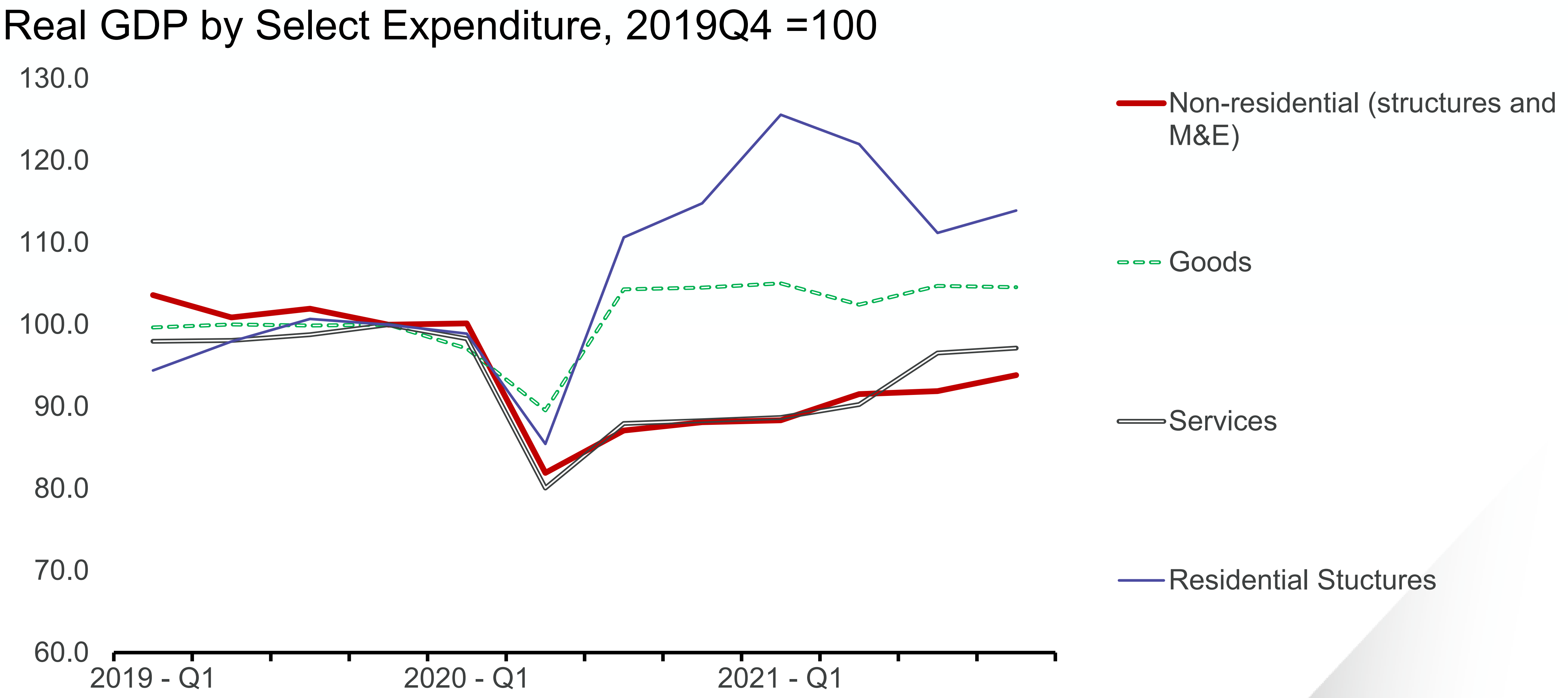
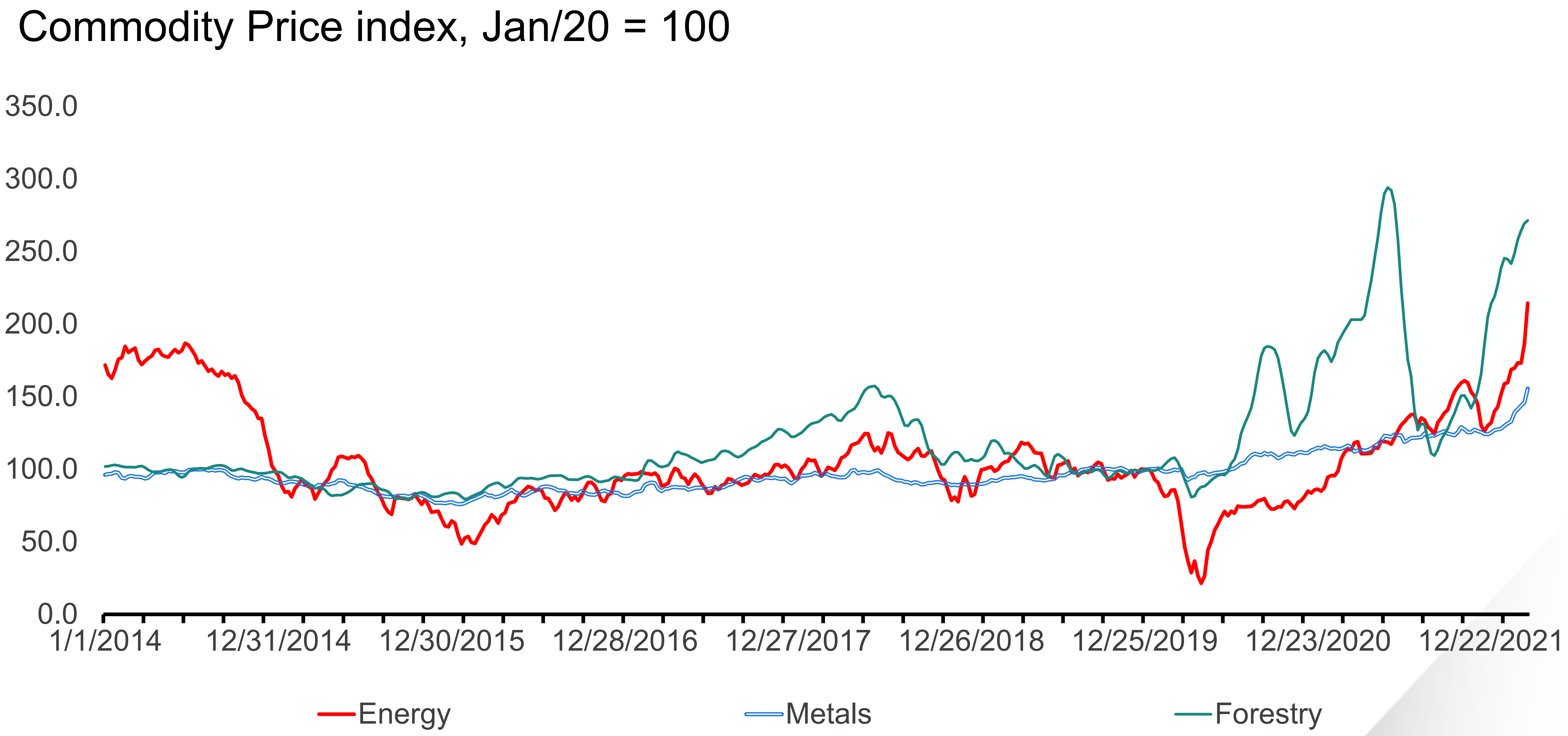
Business investment has more room to recover, consumer goods demand to slow



Source: Statistics Canada, Central 1

Commodity prices surge supports B.C. exporters



Source: Bank of Canada, Central 1

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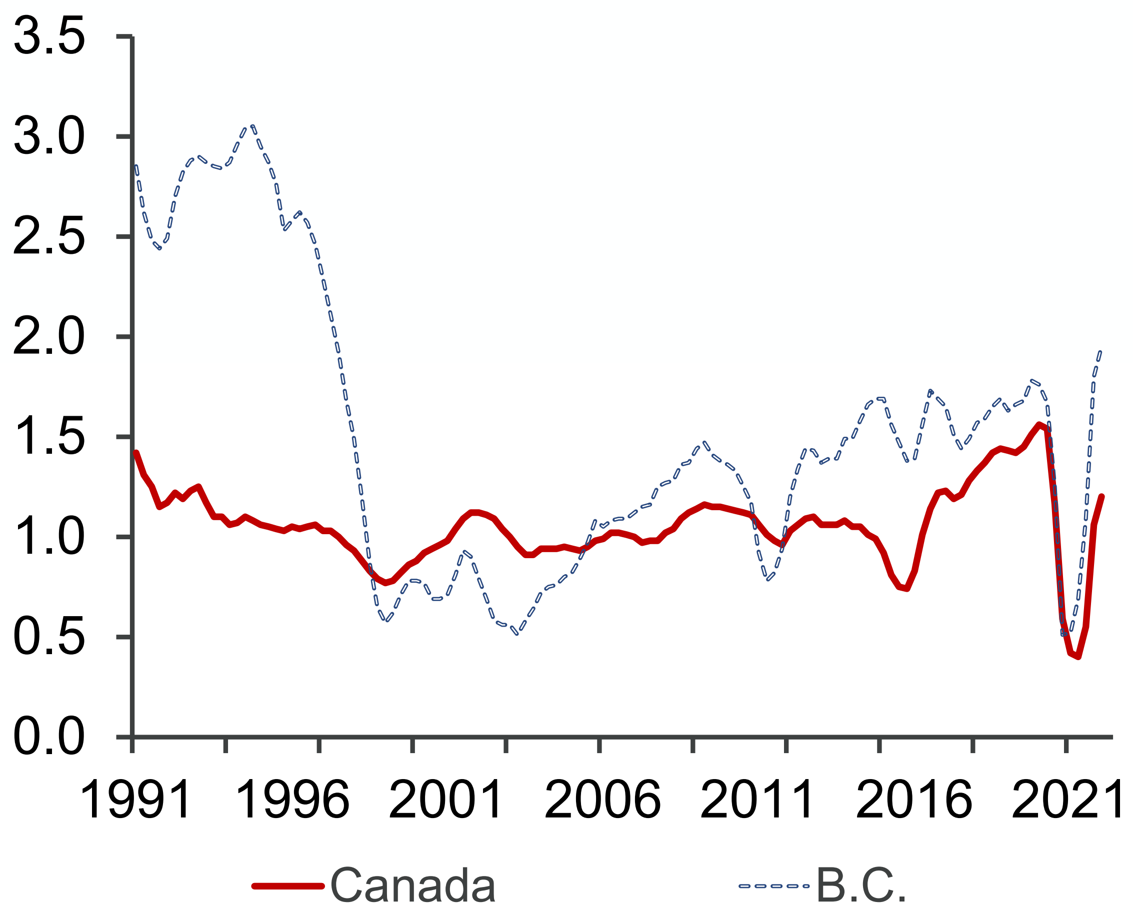
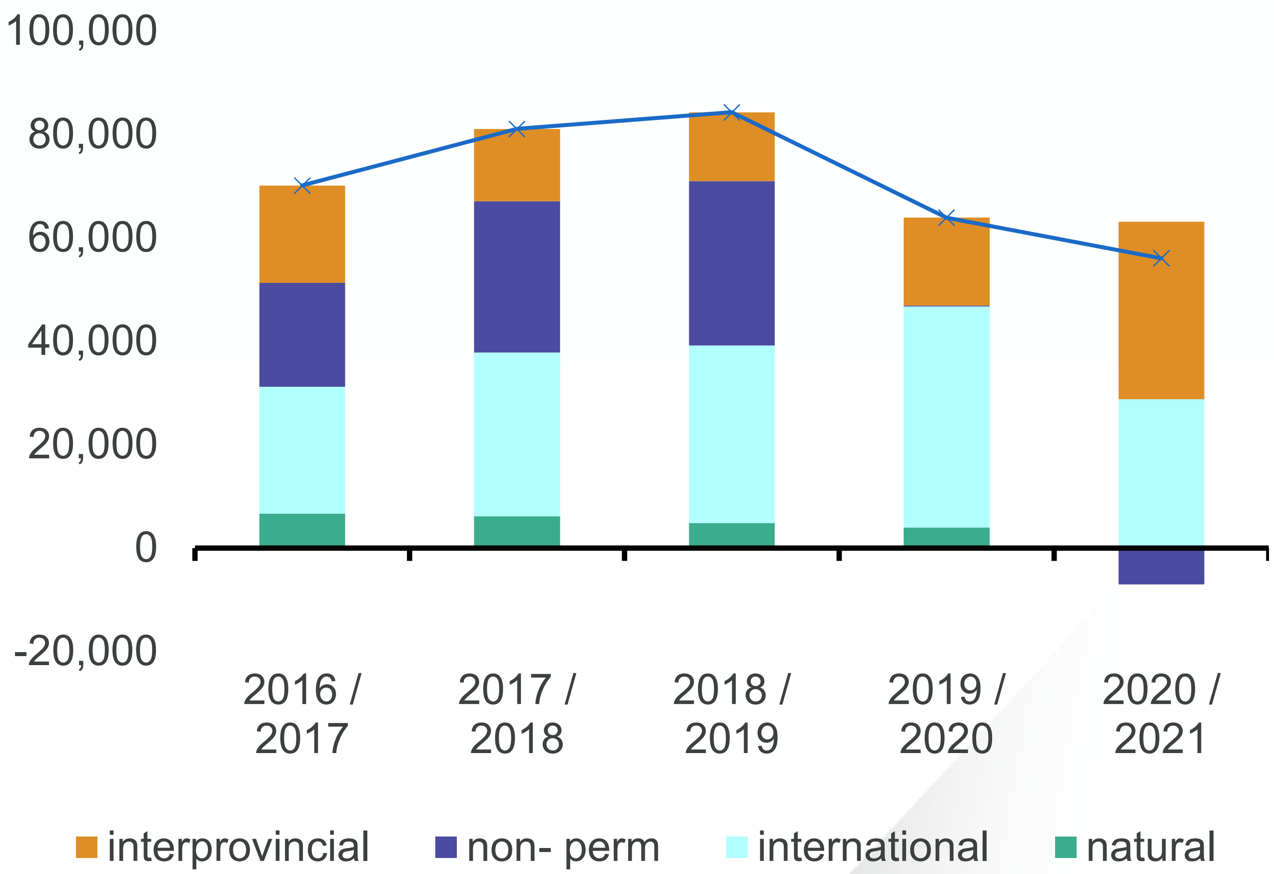
Interprovincial migration drives pandemic population growth

Population growth



Net population growth by component



Source: Statistics Canada Central 1

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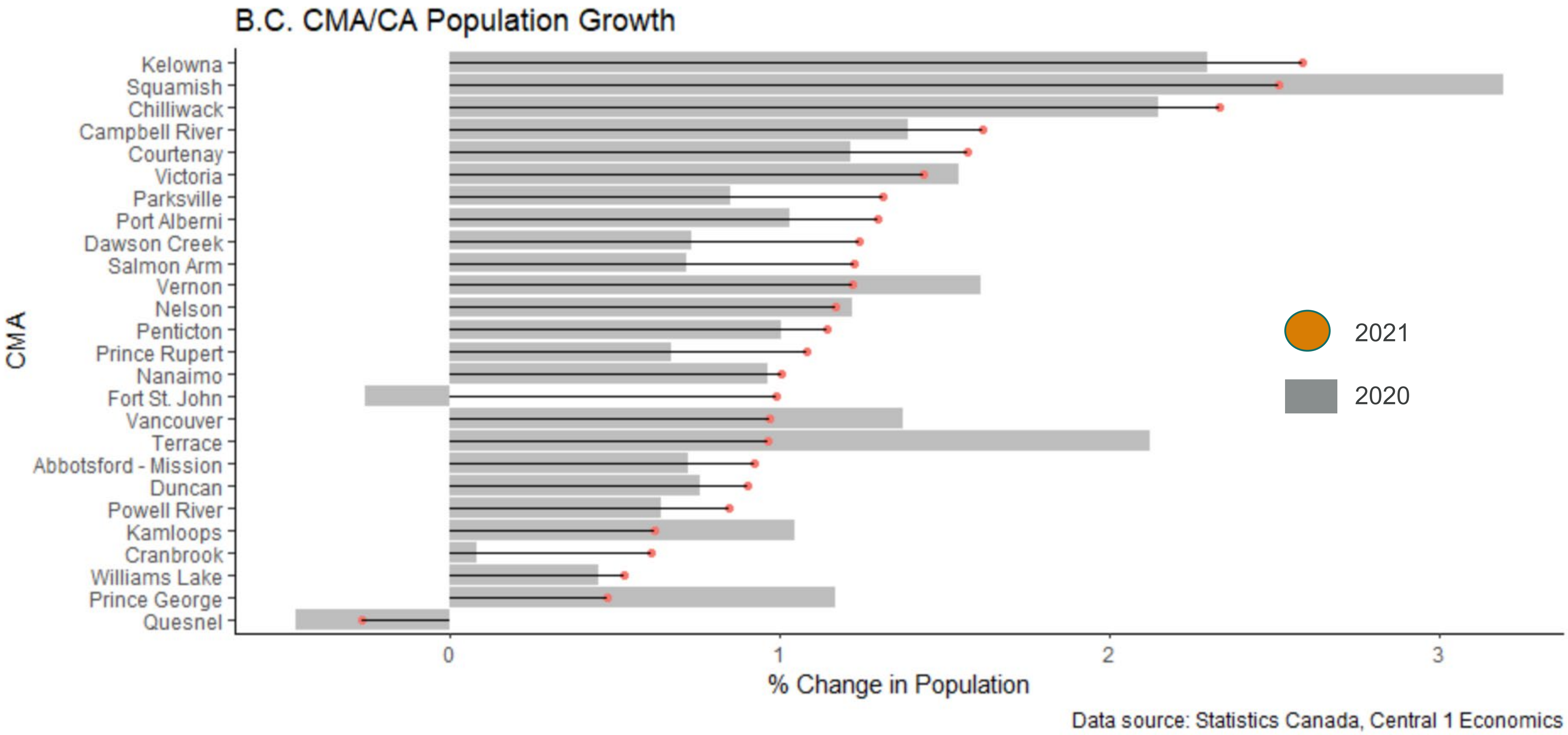
Metro Vancouver population growth slowed sharply during the pandemic



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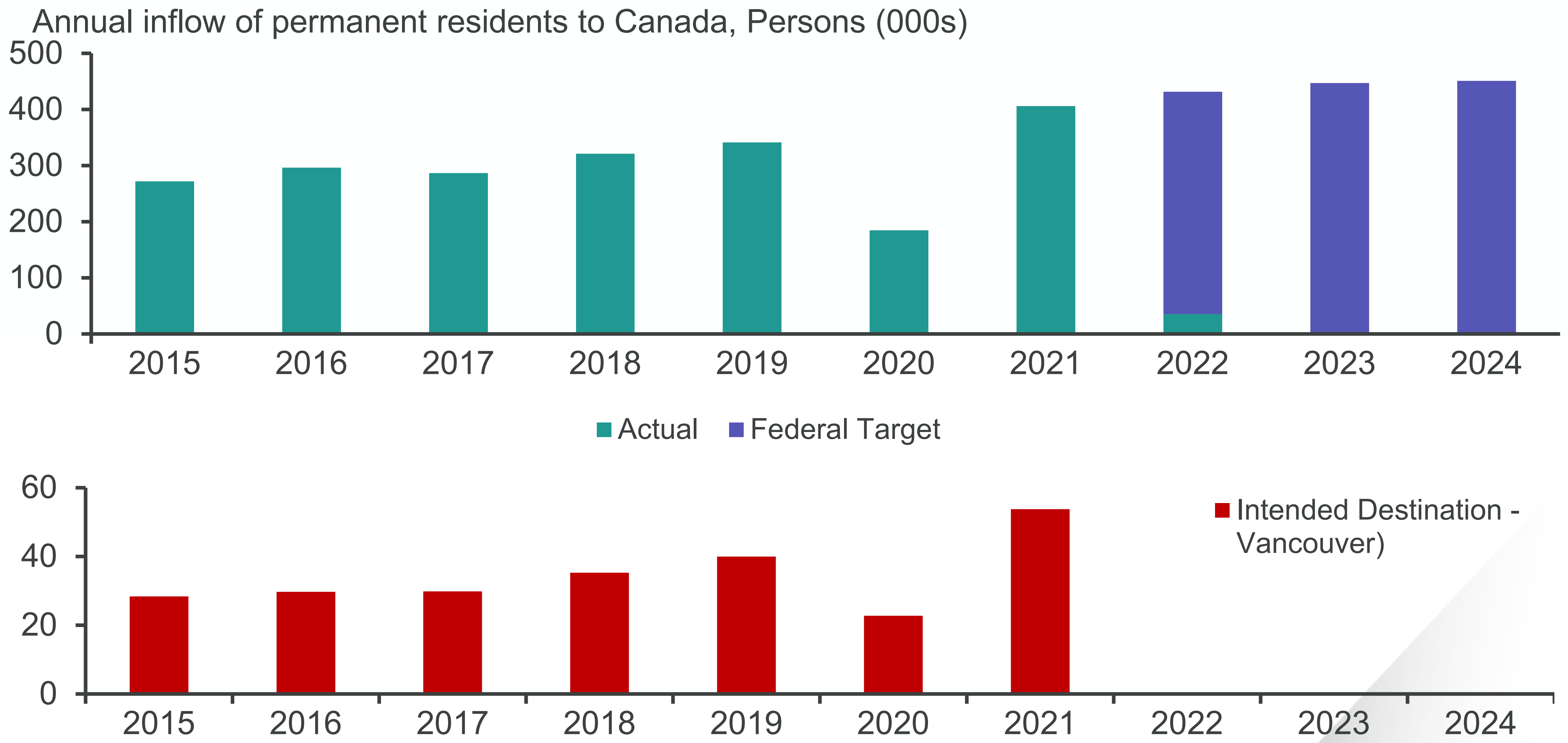
Immigration to Canada set to surge on high federal targets



Source: IRCC, Central 1

Latest: Q1 2022

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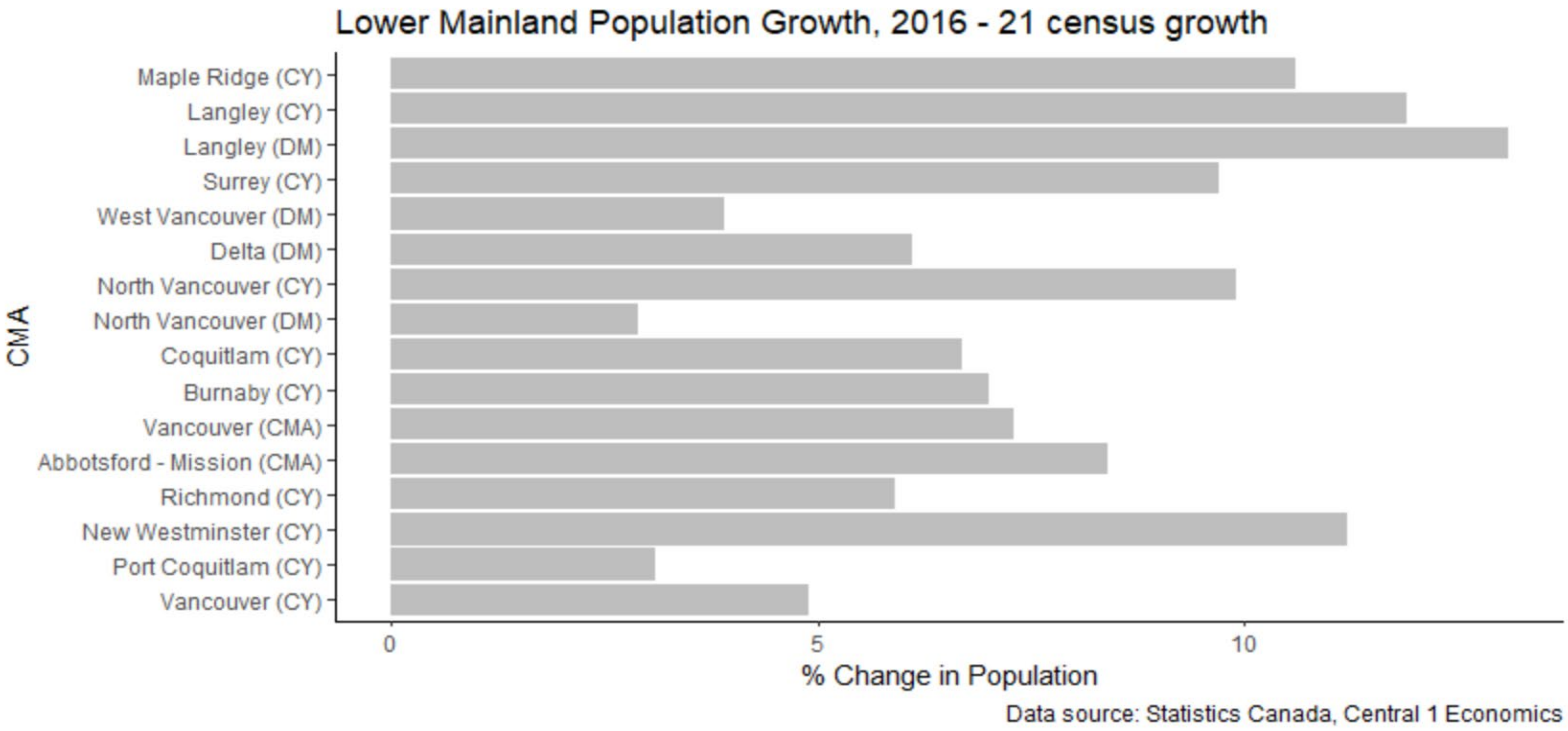
Extension of pre- pandemic trends



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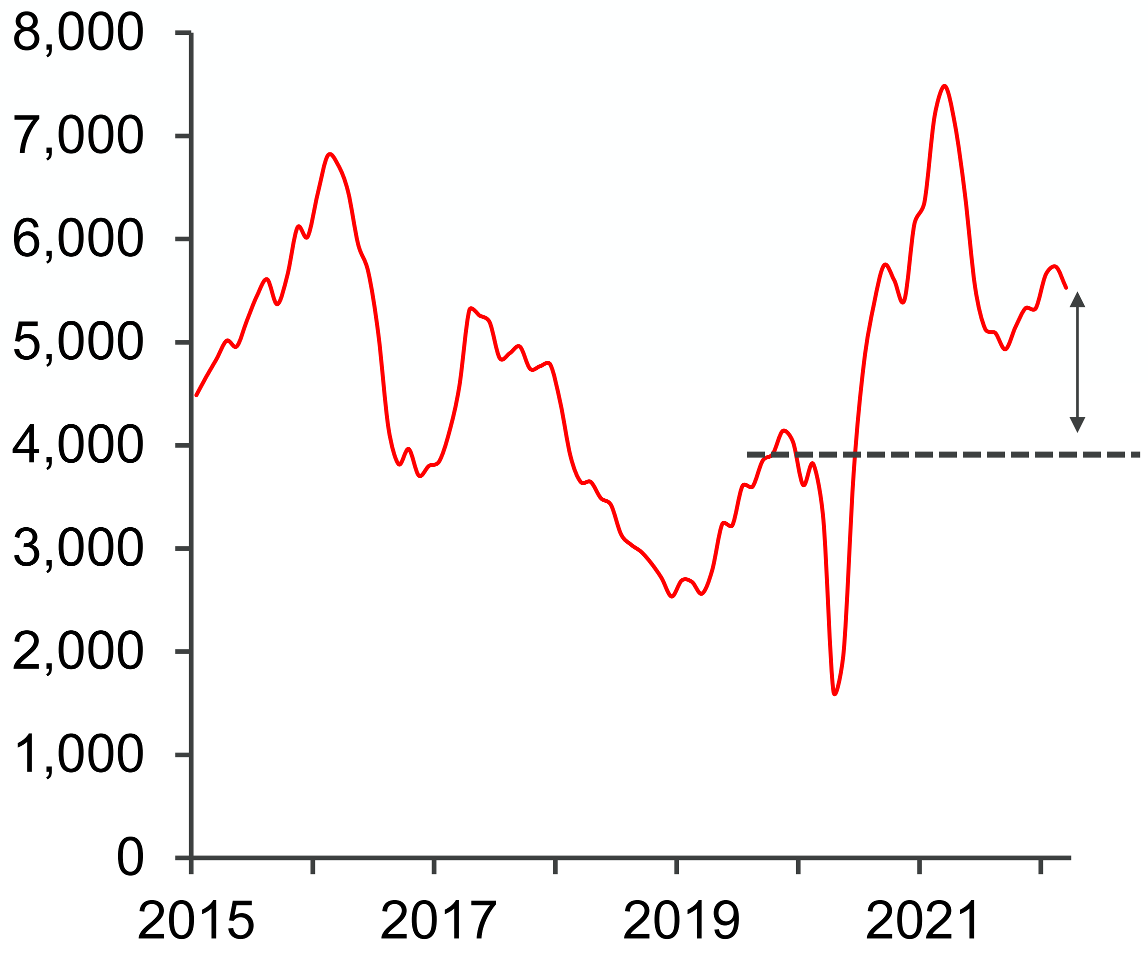
Metro Vancouver Forecast

Vancouver CMA	2019	2020	2021	2022	2023
Labour Force (000s)	1,576.0	1,515.0	1,612.7	1,654.0	1,682.0
% ch.	3.6	-3.9	6.5	2.6	1.7
Total Employment (000s)	1,503.2	1,375.2	1,499.7	1,561.0	1,594.0
% ch.	3.4	-8.5	9.1	4.1	2.1
Unemployment Rate	4.6	9.3	7.0	5.6	5.2
Residential Permits ($ millions.)	7,902.9	7,100.0	7,400.3	7,850.0	8,200.0
% ch.	-6.5	-10.2	4.2	6.1	4.5
Non-Residential Permits ($ millions.)	3,778.4	3,078.0	2,896.1	3,400.0	3,700.0
% ch.	-2.5	-18.5	-5.9	17.4	8.8
Population (000s)	2,709	2,746	2,773	2,820	2,870
% ch.	1.9	1.4	1.0	1.7	1.8

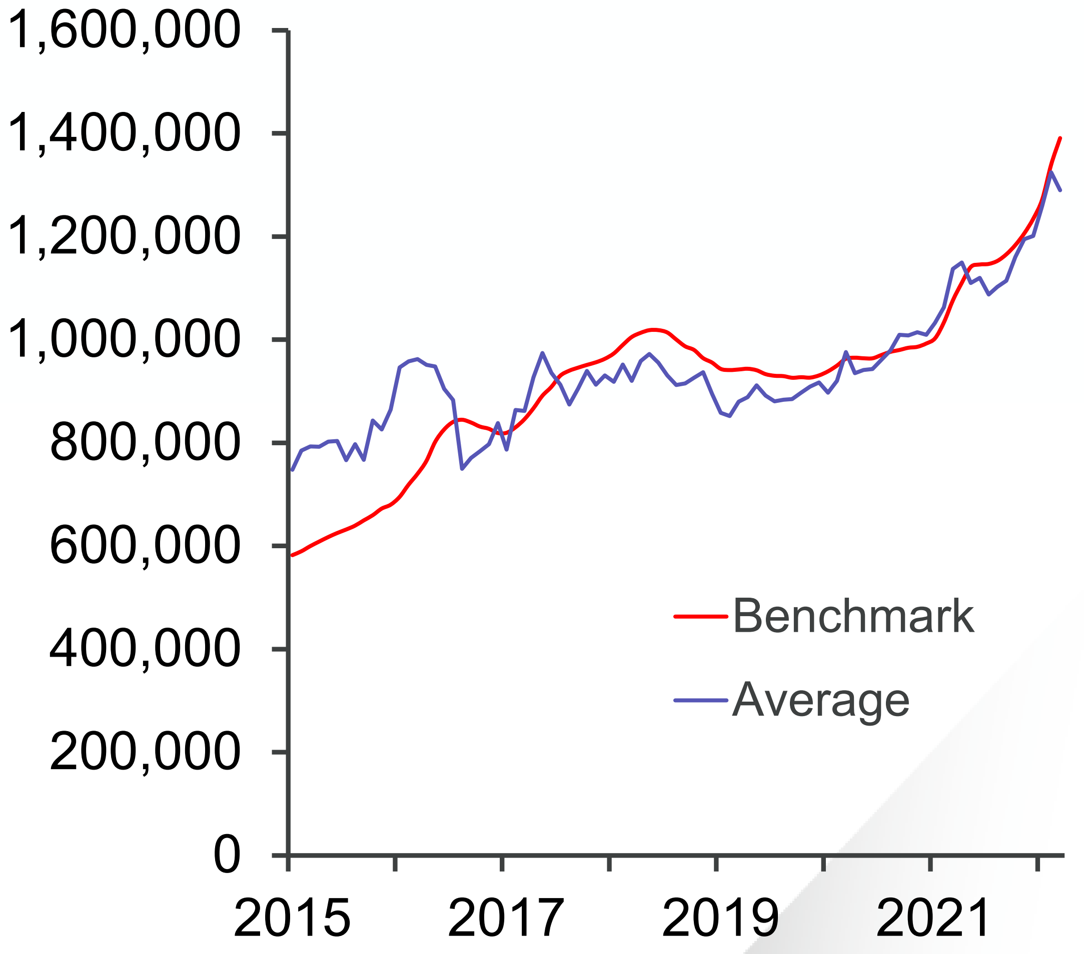
Housing demand remains strong into March, but average price dips

Lower Mainland MLS® Sales, Units



Source: CREA, Central 1, latest: Mar/22

Lower Mainland MLS® price



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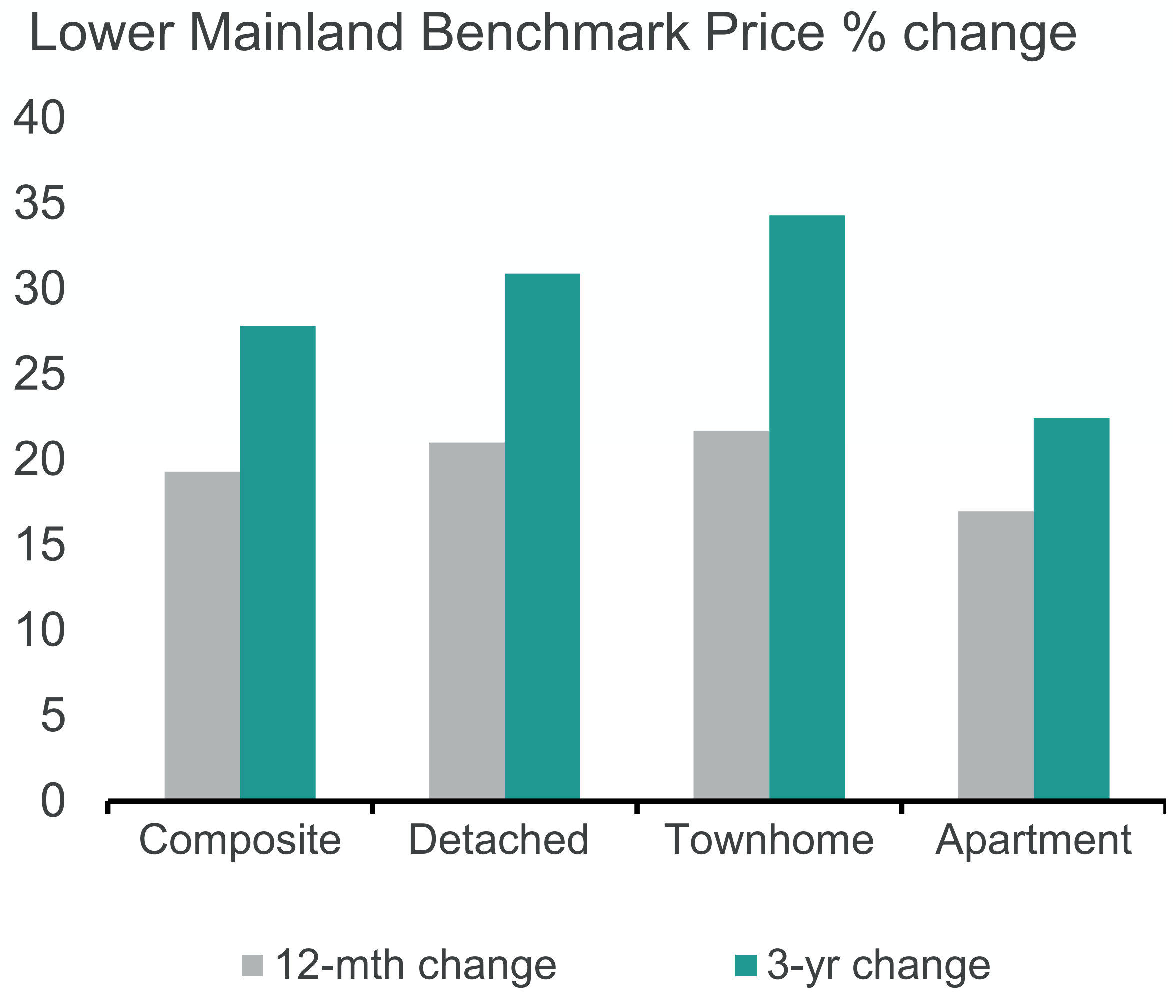
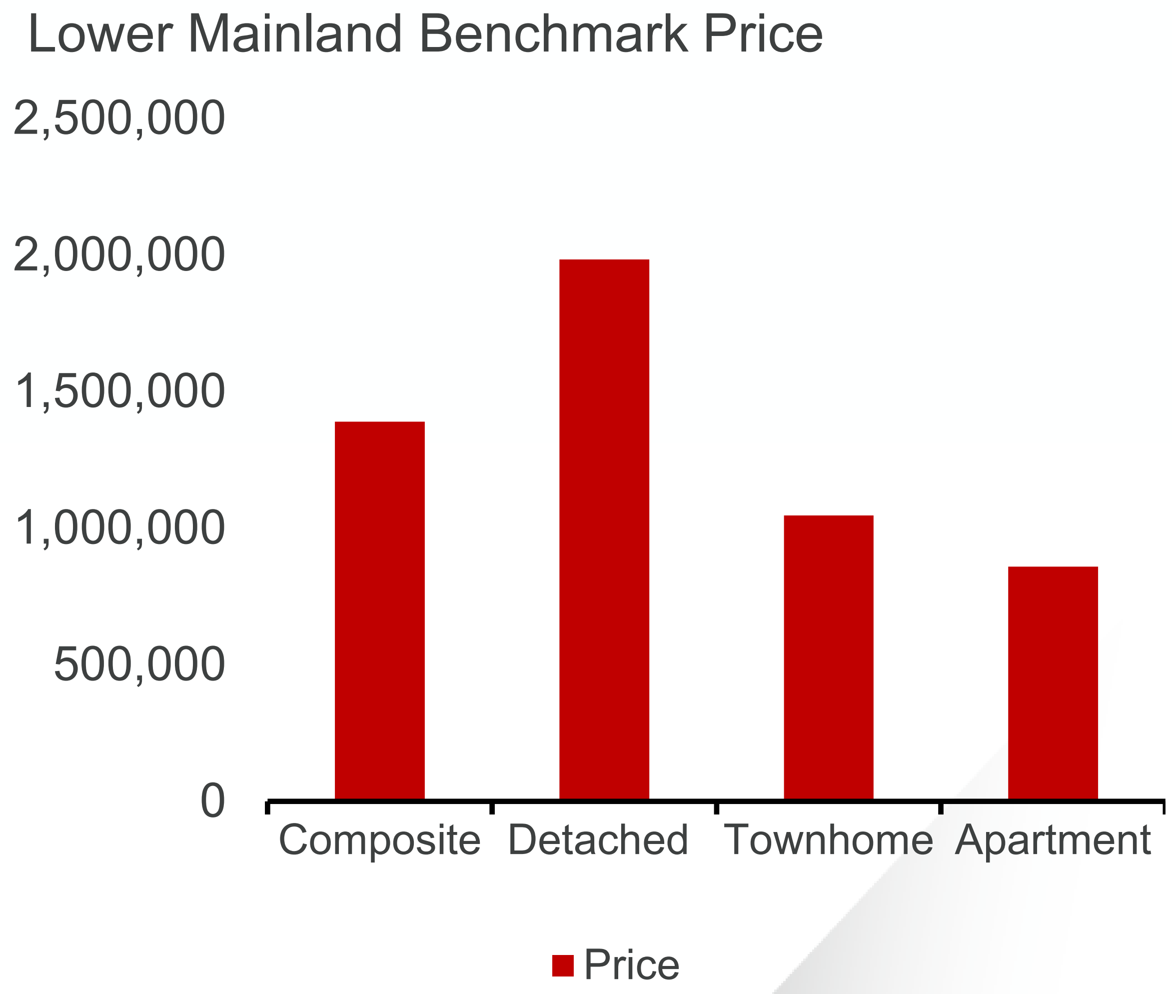
Growth acceleration driven by ground- oriented units





Source: CREA, Central 1

Latest: Dec/21

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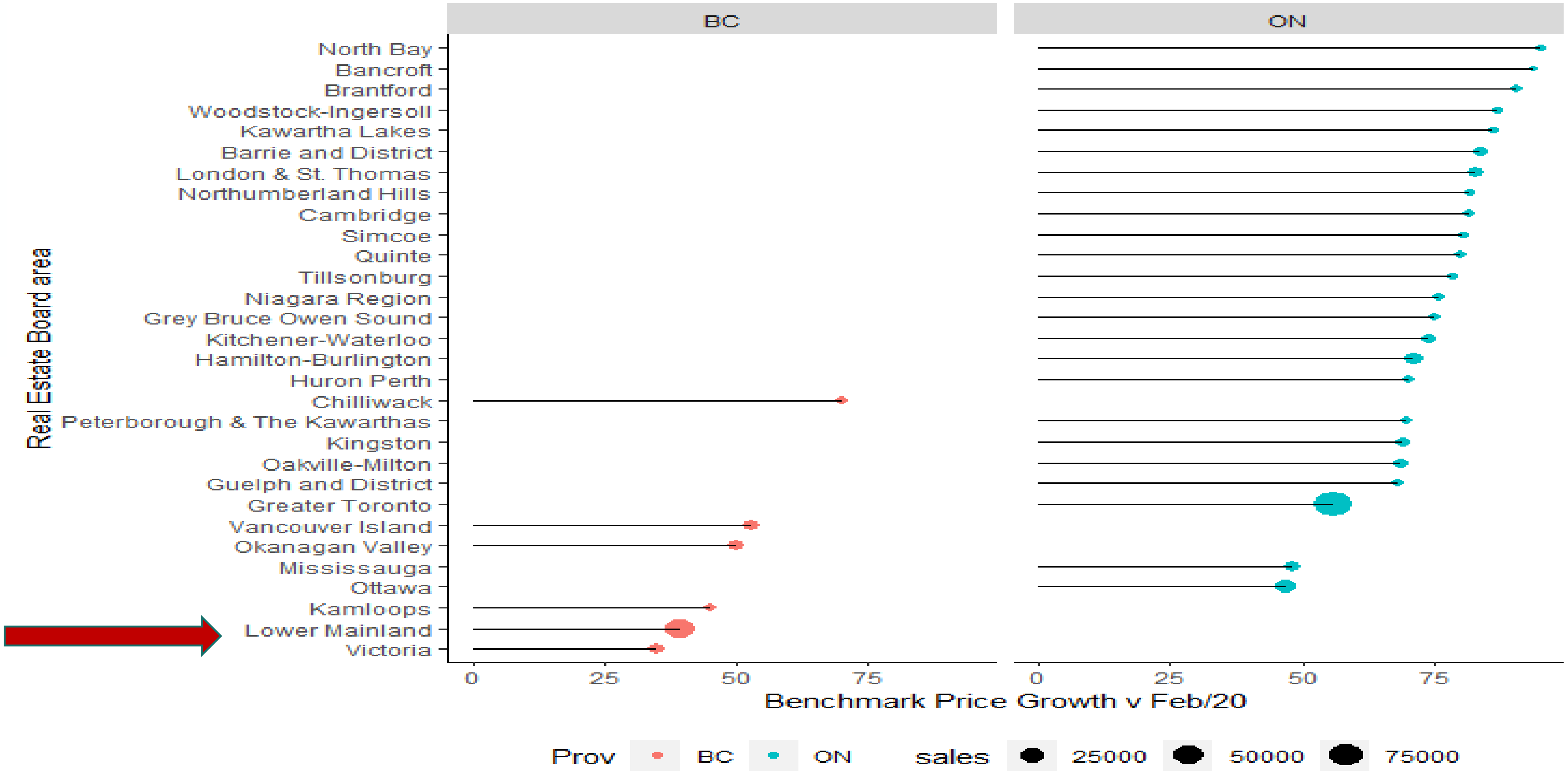
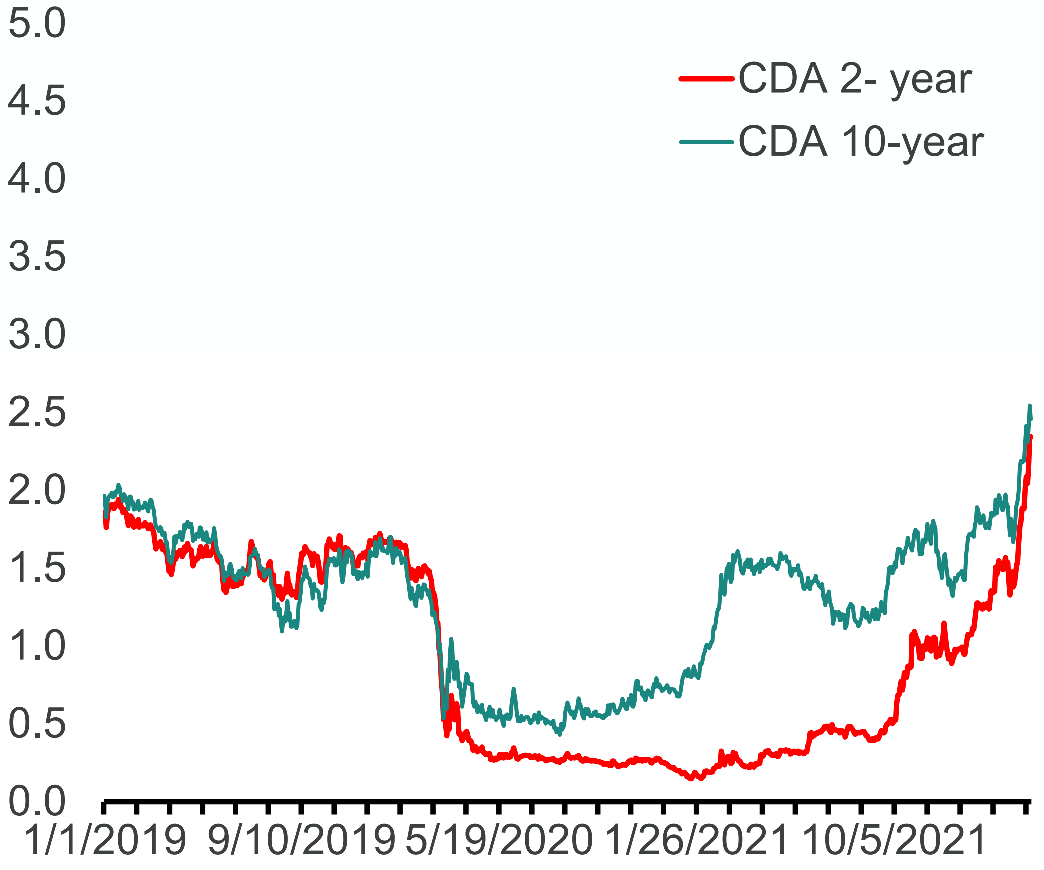
Lower Mainland price growth not that impressive, small markets dominate during pandemic



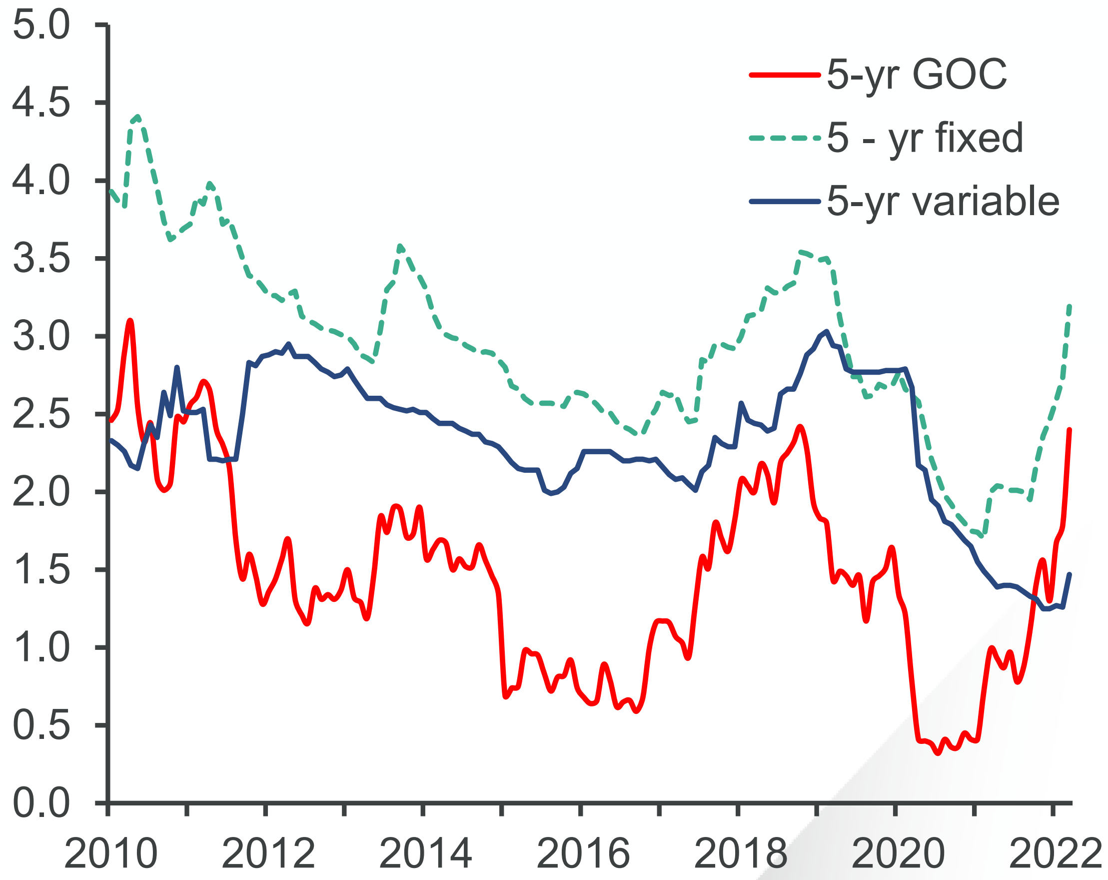
Source: CREA, Central 1 * sales (2019)

Rates increases amplify affordability constraints

Canada Yield, %, Daily



Administered rates



Source: Bloomberg, Central 1

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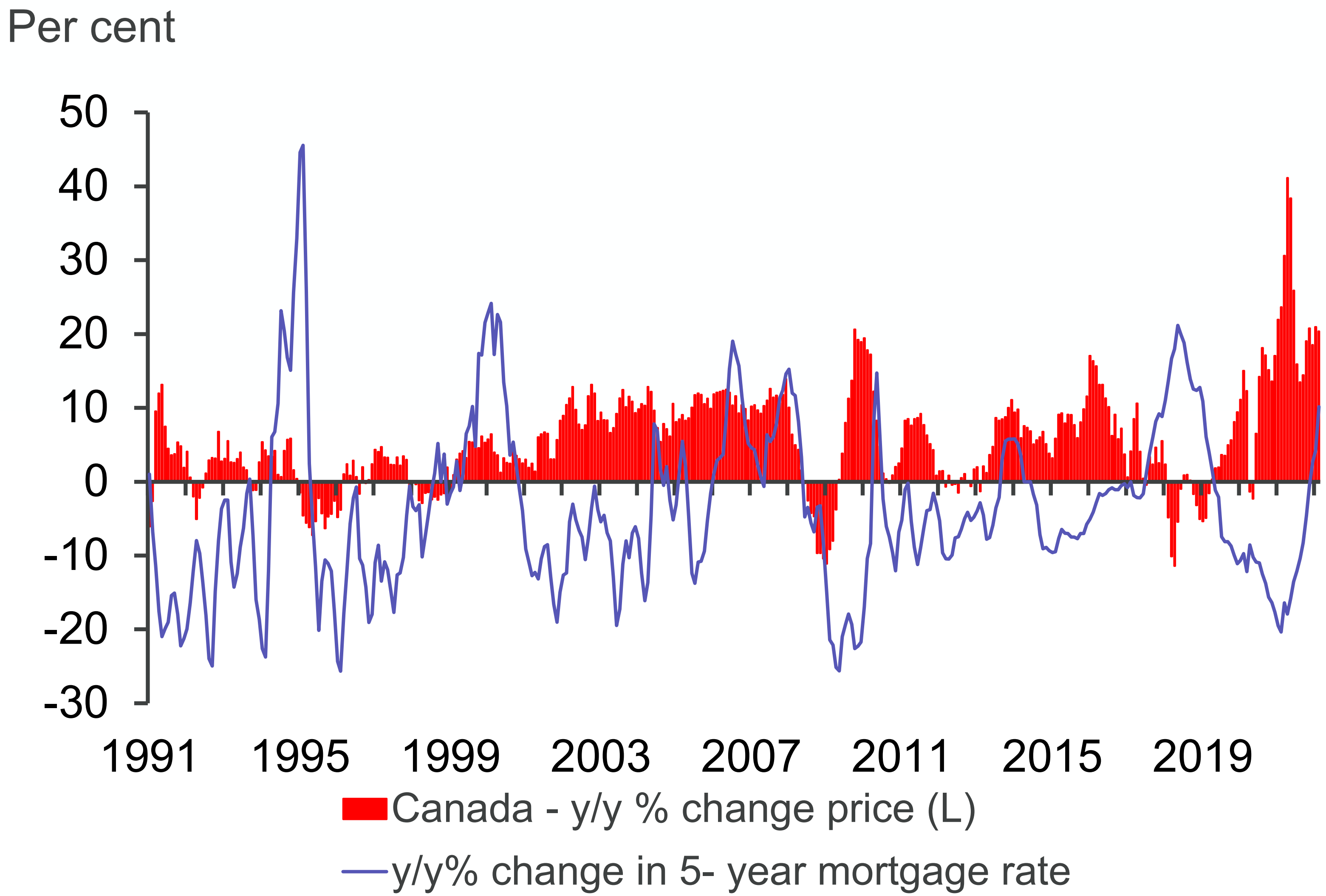
Sharp movements in rates tend to curtail prices



Source: CREA, Statistics Canada, Central 1, latest: Mar/22

- Affordability constraints from high home prices and higher interest rates
- Foreign purchaser ban

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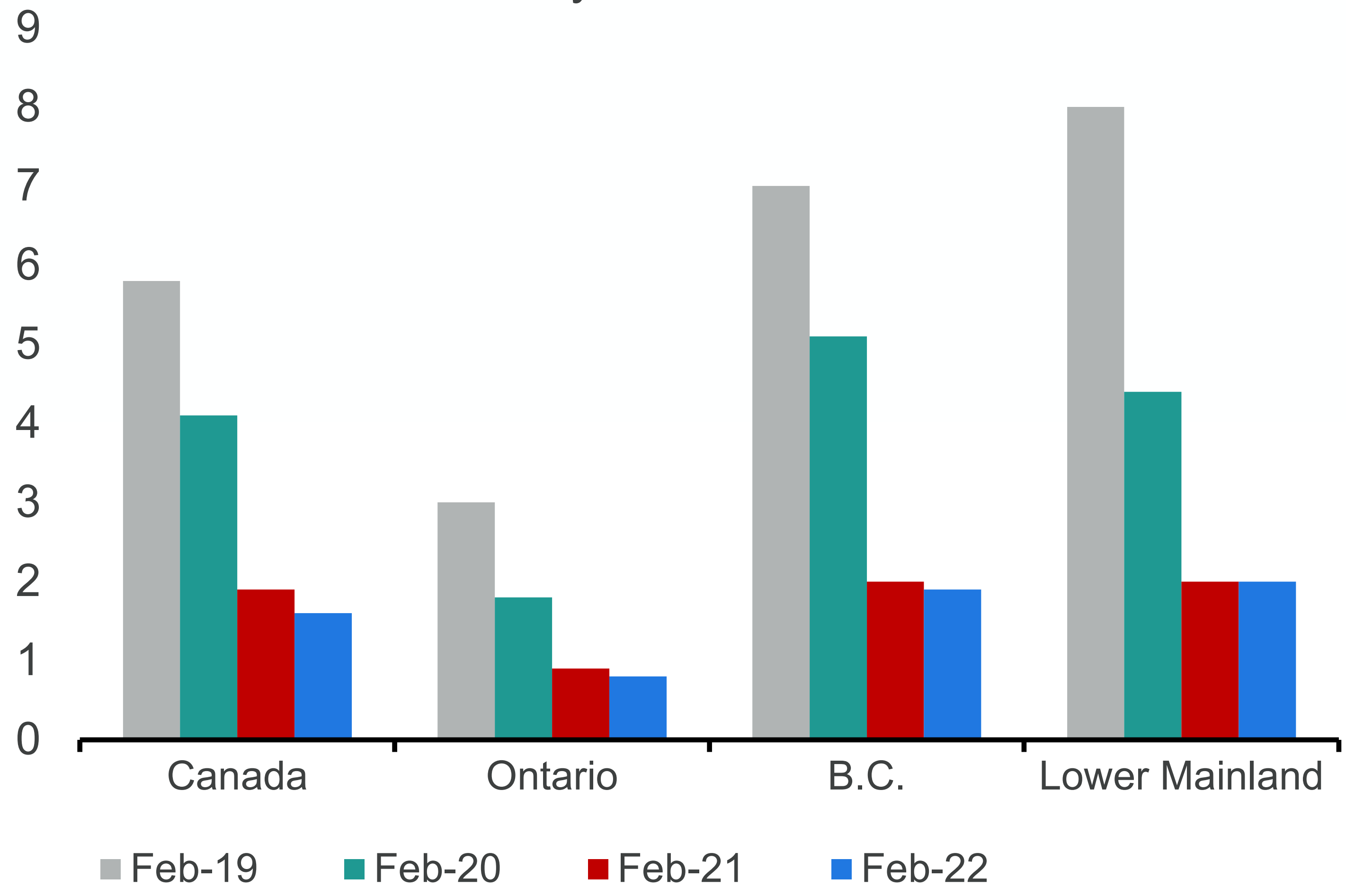
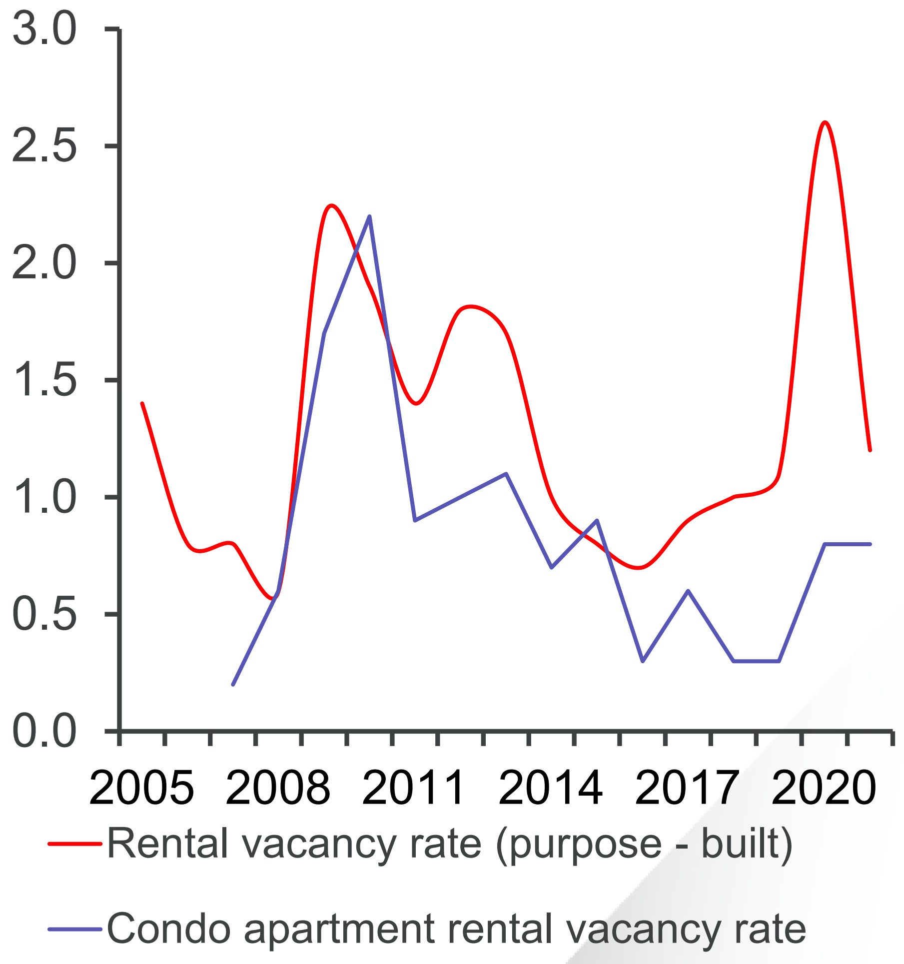
Supply remains a key constraint and supportive of prices

Months of MLS® inventory



Source: CREA, BCREA, Central 1 *based on seasonally- adjusted data

Rental vacancy rates, per cent



Latest: Feb/22

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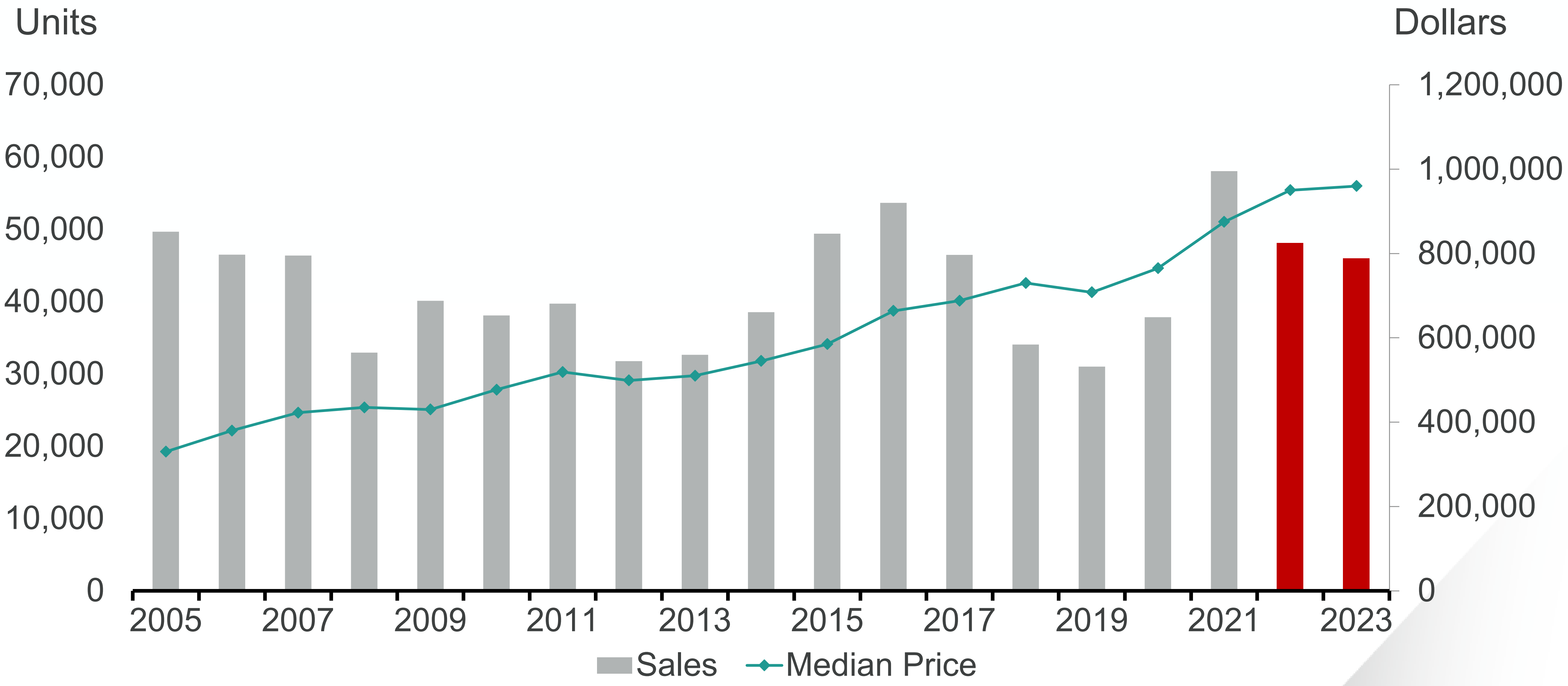
Slowdown expected, housing remains active sector



Source: Landcor, Central 1

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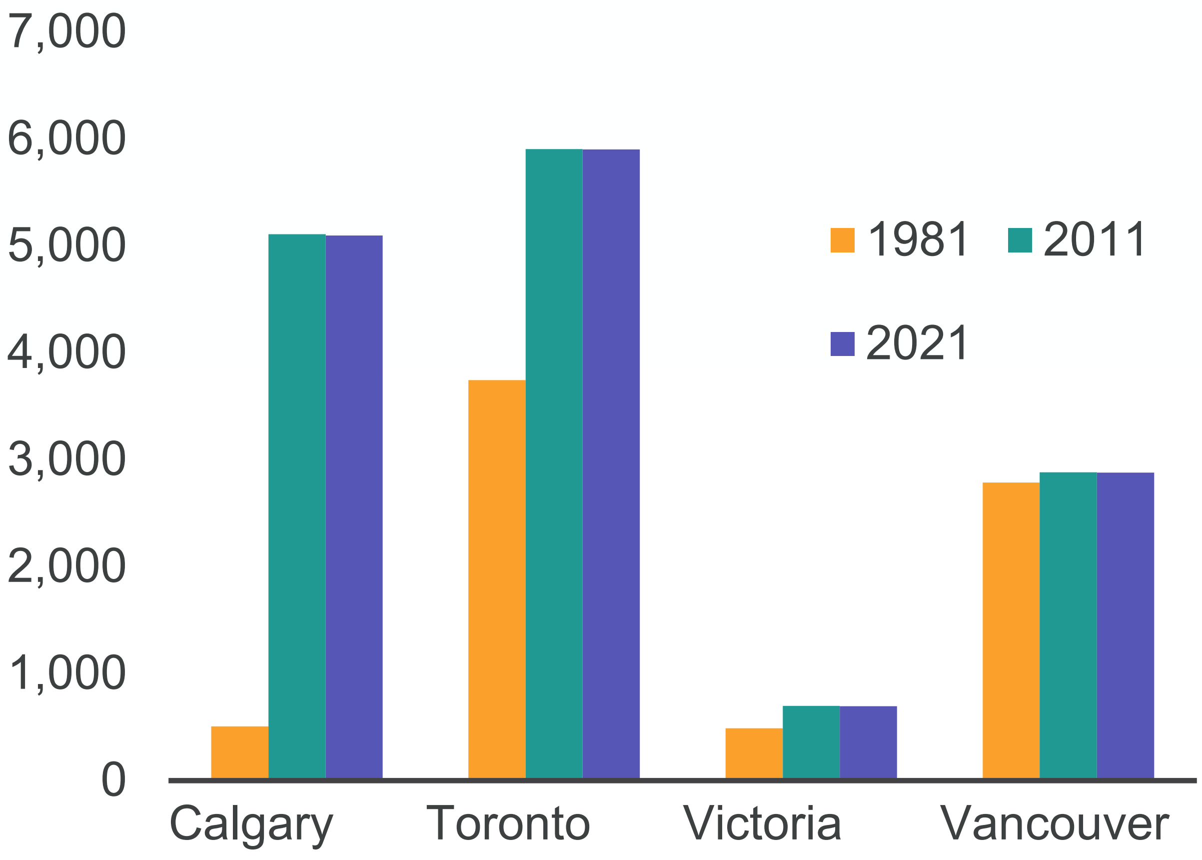
Affordability and housing

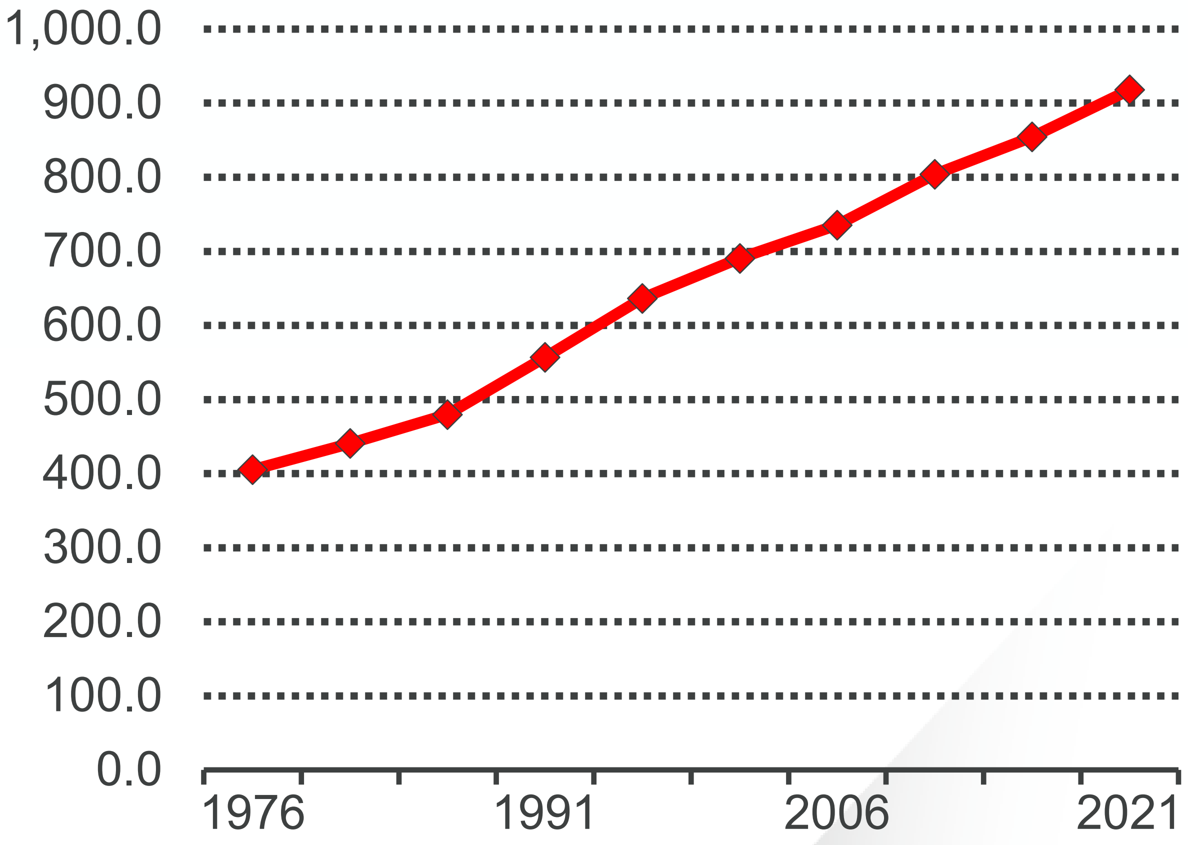
- Affordability constraints and higher interest rates to tame market, drive short- term price declines
- Demand for ownership remains elevated, shift to condos, others priced out
- Lower Mainland market to be supported by economic and population growth, wage gains and rotation from remote work back to in- office and urban areas

Long- term density will continue to lift land value

Land Area, Square kilometres



Persons per square km.



Source: Statistics Canada, Central 1 Credit Union.

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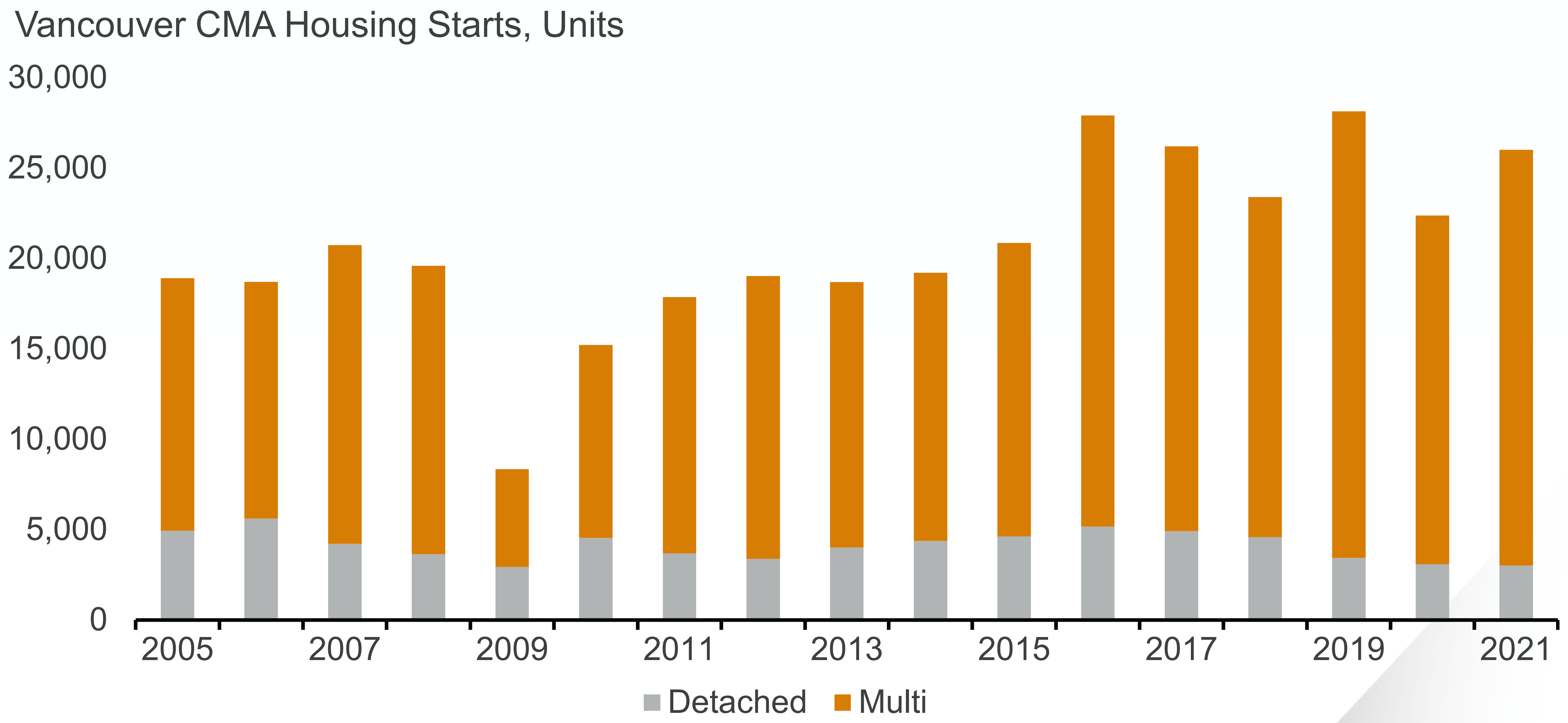
New construction elevated, needs to be higher



Source: CMHC, Central 1

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British Columbia Forecast Table					
	2020	2021	2022	2023	2024
GDP at market prices	-0.6	10.5	7.0	5.8	4.7
Real GDP, expenditure-based	-3.4	5.0	3.9	2.9	2.8
Household consumption	-3.5	5.2	4.0	3.0	2.7
Government expenditure	1.1	1.2	1.5	2.0	1.9
Government capital formation	9.9	-4.3	1.5	2.3	3.3
Business capital formation	1.3	4.3	3.2	3.0	-0.3
Residential structures	3.4	13.3	-1.6	0.6	0.6
Machinery and equipment	-21.3	7.0	5.4	8.9	10.1
Non-residential structures	10.5	-6.6	8.1	3.2	-7.7
Final domestic demand	-1.2	4.0	3.2	2.8	2
Exports	-9.7	5.7	5.3	3.9	3.6
Imports	-8.0	6.1	5.5	3.2	2.2
Employment	-6.5	6.7	3.9	2.1	1.7
Unemployment rate (%)	9.0	6.5	5.4	5.1	4.7
Personal income	0.6	3.6	5.9	4.6	4.9
Disposable income	11.0	1.8	5.7	4.6	5
Net operating surplus: Corporations	19.0	5.9	3.4	6.3	-1.4
CPI	0.8	2.8	2.5	2.4	2.4
Retail sales	1.3	10.0	6.5	4.9	4.2
Housing starts, 000s	37.7	47.6	43.5	46.1	44.1
Population Growth (%)	1.1	1.0	1.8	1.9	1.6

Thanks!

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