



## Rate hikes not expected to cool B.C. home sales

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real estate | Hinted-at interest-rate increases have the potential to take some of the altitude out of British Columbia's skyrocketing real estate markets, but not much, according to a new forecast.

Whether the Bank of Canada will raise its key overnight lending rate in July, and perhaps September, is the biggest unknown factor in Credit Union Central B.C.'s latest housing forecast, according to chief economist Helmut Pastrick.

Inflation fears have caused the central bank to hint at needed increases, and Pastrick estimates that a half-percentage-point increase over the bank's next scheduled rate reviews in July and September would shave 2,000 unit sales off of B.C.'s overall sales results this year, and 5,000 next year.

Pastrick added that most of the lost sales would be among beleaguered first-time buyers trying to get into B.C.'s high-priced markets.

However, given that Pastrick forecasts 128,000 total sales this year and 124,000 sales in 2008, the province's unprecedented market upswing is far from over.

"This market is quite strong, quite resilient," Pastrick said. "There are good offsets [to higher mortgage rates and prices] from income growth, consumer confidence remains high. There's a bit more in-migration occurring as well."

In the forecast, Pastrick said B.C.'s average family income has increased 19 per cent since 2001 to reach \$62,600.

However, the average income for families with two income earners, on a provincial basis, reached \$94,300 in 2006, and within Greater Vancouver the average for a family with two income earners was \$107,500 in 2006.

Pastrick also expects low unemployment and high demand for new employees to push personal incomes up six per cent in 2007, and 6.7 per cent in 2008.

Higher incomes will be required to pay higher real estate prices that will continue to rise in 2007 and 2008. Pastrick's forecast is for B.C.'s average price to rise 12 per cent in 2007 to hit \$436,000, then a further six per cent to \$462,000 in 2008.

Pastrick added that while rising prices are one factor in the equation that shuts

new buyers out of the market, particularly in high-price locales such as Greater Vancouver and Victoria, most buyers in those markets are existing homeowners who benefit from the equity they gain from the higher prices.

Again, because of prohibitively high prices in the Lower Mainland and southern Vancouver Island, Pastrick estimates that the bigger price gains will occur in regions such as B.C.'s North, the Interior and the Kootenays.

Kamloops, the Kootenays, the North Okanagan, Victoria and the rest of Vancouver Island can also expect increasing sales, while the Lower Mainland sees total real estate sales slow.

Most of those regions, he added, share in the provincial economy's positive job and income growth picture while enjoying a price advantage.

Pastrick added that big interest rate hikes or an outright recession would be needed to really shake B.C.'s real estate sector and bring a sudden end to the housing boom. "That doesn't appear to in the cards any time soon, in my view," Pastrick said.

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#### THE HOT MARKET WILL GO ON

Real estate market regions outside Greater Vancouver will feel the heat of big price gains and higher sales, Credit Union Central B.C. predicts. Below are forecasts for 2007 market indicators, using Multiple Listing Service sales estimates:

#### REGION / UNIT SALES / PRICE

B.C. North 5,500 (-2%) \$215,000 (+30%)

Chilliwack 3,300 (+3%) \$300,000 (+11.5%)

Fraser Valley 17,300 (-4.4%) \$425,000 (+8%)

Greater Vancouver 35,200 (-3.5%) \$568,000 (+11%)

Kamloops 3,500 (+6%) \$274,000 (+24%)

Kootenay 3,400 (+19.4%) \$260,000 (+24%)

Northern Lights 450 (-10.4%) \$215,000 (+45%)

Okanagan Mainline 8,400 (+8%) \$365,000 (+12%)

Powell River 350 (+20%) \$225,000 (+10%)

South Okanagan 2,000 (-9%) \$315,000 (+16%)

Vancouver Island 9,400 (+6%) \$317,000 (+13%)

Victoria 7,700 (+3%) \$465,000 (9%)

Source: Credit Union Central B.C.

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