

Housing Affordability Study Northern BC—2013



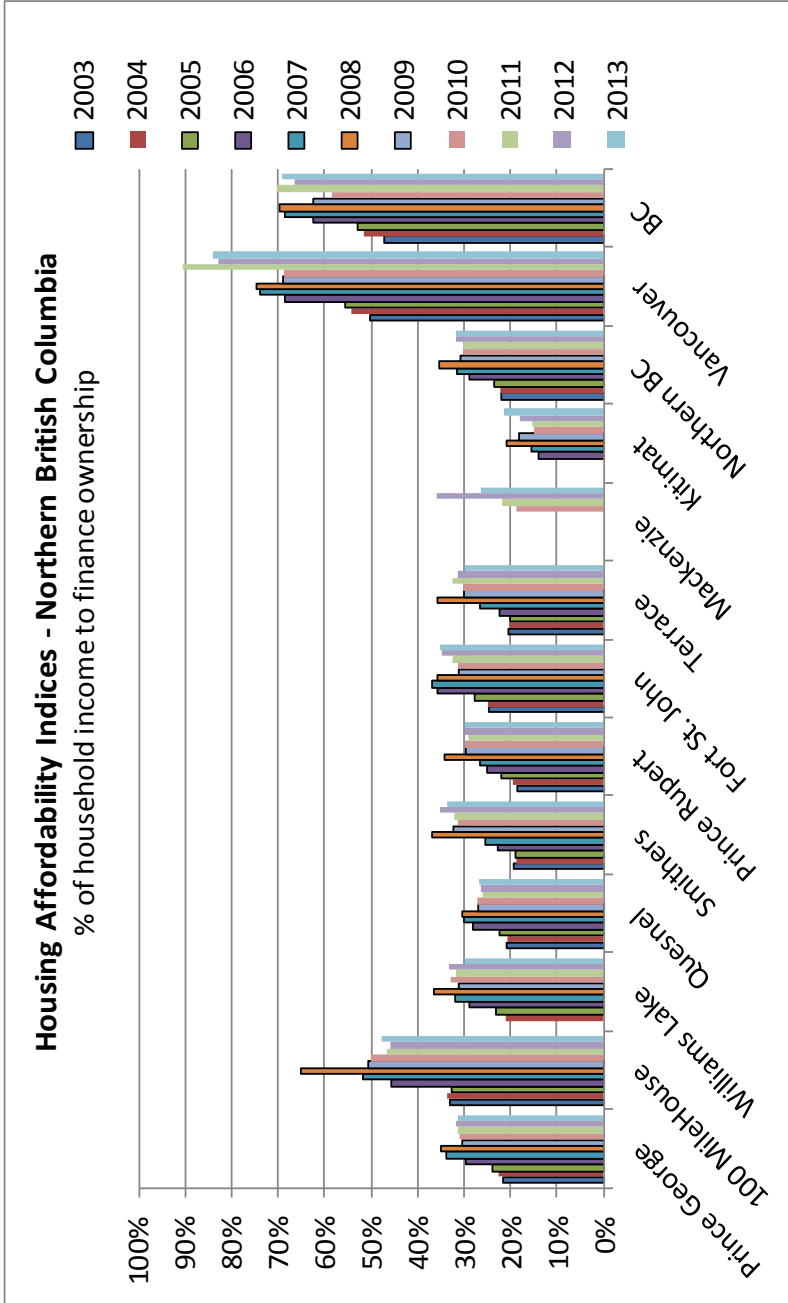
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2013 Indices—% of household income to finance ownership

Prince George	31.5%	100 Mile House	47.6%	Williams Lake	29.9%
Quesnel	26.8%	Smithers	33.5%	Prince Rupert	30.0%
Fort St. John	35.0%	Terrace	29.8%	Kitimat	21.5%
Mackenzie	26.5%				

Notes:

1. Northern BC is comprised of the: Cariboo, Bulkley Nechako, Fraser Fort George, Skeena Queen Charlotte, Kitimat Stikine, Peace River and Northern Rockies Regional Districts
2. Vancouver single detached home, Q 2013 from RBC Economics *Housing Trends and Affordability*, February, 2013.
3. The criterion for selection for the 2013 HAI is 75 or more single family home sales per year.

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Housing affordability in Northern British Columbia was virtually unchanged in 2013, while across BC it worsened slightly. The BC Northern Real Estate Board (BCNREB) Housing Affordability Index estimates the proportion of median household income required to cover mortgage costs, municipal taxes and fees, and utilities for the average single family home. For 2013, the Housing Affordability Index for Northern BC was 31.9% compared to 81.6% for Vancouver and 67.7% province-wide. Historically, the largest contributor to these differences is house prices; and, this trend continued in 2013. The average price of a single family home sold in Northern British Columbia was about \$257,000 compared with \$807,000 in Vancouver, while the provincial average for the year was more than \$600,000.

House prices drive affordability

For the third consecutive year, housing affordability in Northern British Columbia worsened; but, as in 2011 and 2012, this was a subtle trend. In fact, few municipalities experienced noteworthy changes in house prices, median income, or overall affordability. The Vancouver Index was essentially unchanged, and home ownership in that city remains severely unaffordable. Owning a home in Vancouver requires over two and a half times greater a share of a home owner's income than it does in Northern BC.

Noteworthy affordability shifts

Significant shifts in affordability occurred in two Northern communities: Kitimat and William's Lake. Average house prices increased more than 30% in Kitimat, after a more than 20% increase in 2012. As a result, affordability worsened; the Index rose from 15.3% in 2011 to 21.5% in 2013. In Williams Lake, an 8% decrease in house prices contributed to improved affordability. The index in that town decreased 3.5 percentage points, from 33.4% to 29.9%.

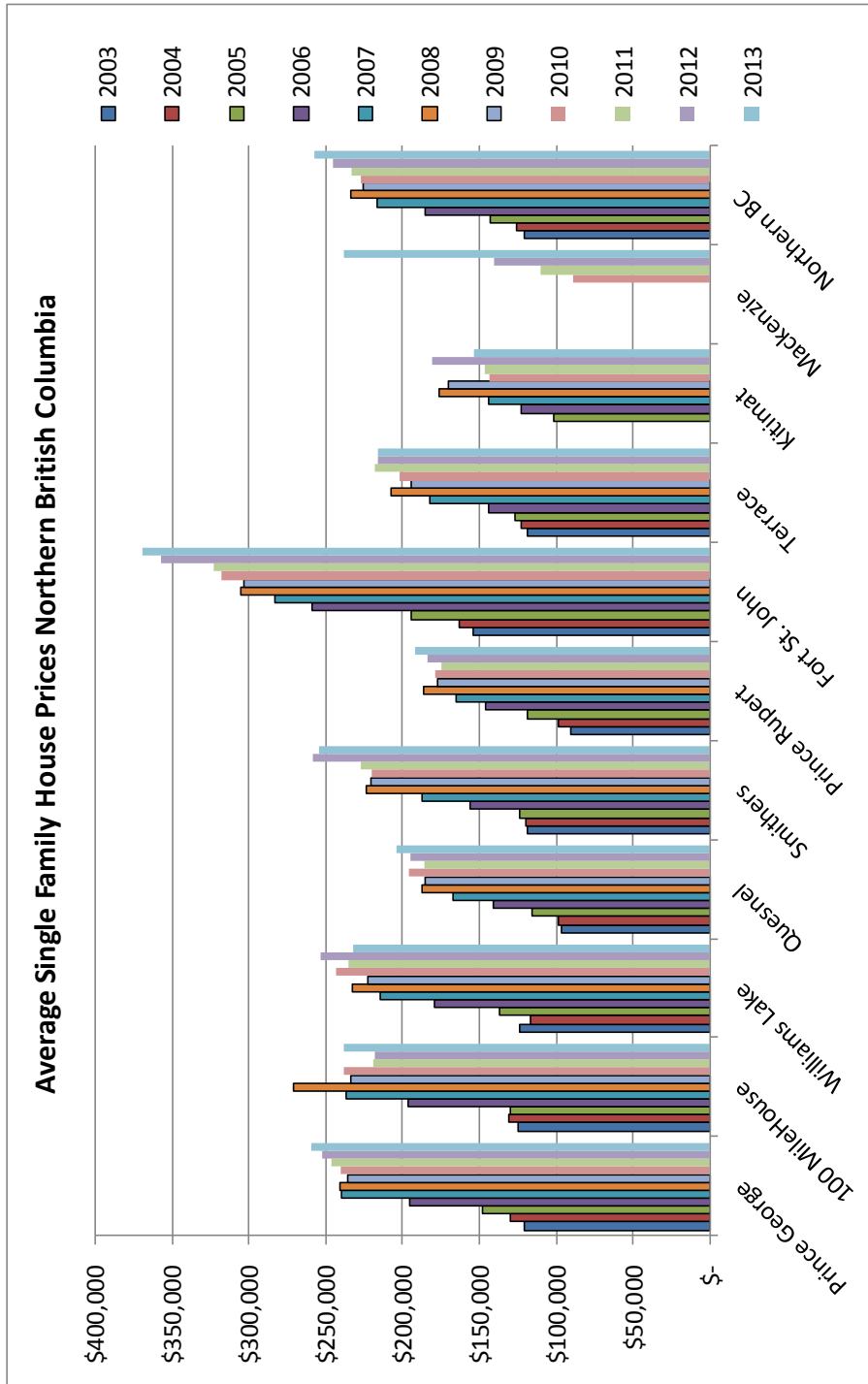
The affordable North

While the affordability Indices for selected municipalities in Northern BC show some degree of variability from community to community, their Indices remain significantly more favourable than the Index for Vancouver. Despite price increases, home ownership in Kitimat continues to be the most affordable in the region at 21.5%, while 100 Mile House remains the least affordable, with an Index of 47.6%. This difference stems from the respective disparities in house prices and in median incomes of these two communities. The relatively high index for 100 Mile House is a function of low reported incomes from the 2006 Census and high house prices. The favourable index for Kitimat reflects low average house prices accompanied by the highest reported median income in the region, according to the 2006 Census.

Metro Vancouver affordability

It is important to note the range of affordability across Metro Vancouver, which is highlighted by the 2013 UTI/FortisBC Housing Affordability Index (which listed prices for MLS® Single Family Dwellings in Vancouver and surrounding areas for 2012). The City of Vancouver was most expensive, at \$1,457,000; a similar home in Inner Metro, which includes Burnaby and Richmond, would have cost \$947,000; and in Outer Metro areas like Surrey and Langley, the price dropped to \$577,000. The UTI/FortisBC publication did not estimate the portion of income required to cover costs of home ownership based on median household income of the regions, but rather indicated the percentage of households that have the required income. Therefore, the UTI/FortisBC study is not useful for direct comparison to the BCNREB method of calculating affordability, but it does illustrate the steep variations between housing prices in the City of Vancouver and the Metro Vancouver area.

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Methodology

The methodology for constructing the Housing Affordability Indices for Northern BC is based on the construction of the RBC Housing Affordability Index. This index provides an indication of the relative costs of home ownership by measuring the proportion of median household income required to service the cost of local taxes and user fees, utilities and mortgage payments for the average-priced single family home on a lot less than an acre in size.

Median Household Income

Benchmark data for median household income are drawn from the 2006 Census, which provides income information for the year 2005 by community and region. Regional data for *Northern BC* and for *Fort St. John and Area* regions requires special tabulation by STATCAN. Other community median household income data are obtained from the BCSTATS website. With the exception of *Fort St. John and Area*, community median income is assumed to be representative of regional median incomes. Median household income is adjusted by the growth rate for average weekly earnings for British Columbia to estimate 2013 levels. Average weekly wage rates are obtained from BCStats *Infoline* publications.

Utility Costs

Benchmark data are drawn from the 2006 Survey of Household Spending for British Columbia. There is no regional breakdown of utility costs, which include water, electricity and other fuel costs. Estimates for 2013 are obtained by using growth rates for the CPI component covering water, fuel and electricity. An estimate for the growth in the Consumer Price Index for British Columbia excluding Vancouver and Victoria is calculated based on an arithmetic average for the CPI component for BC, Vancouver and Victoria. Data for these component CPIs are obtained through CANSIM from Statistics Canada.

Community Selection

For the 2013 Index, BCNREB regions that reported 75 sales or more are identified as candidates for sub-regional Indices.

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Municipal Taxes and User Fees

Data for municipal taxes and user fees are obtained from the Ministry of Community Development Local Government Statistics. An estimate of municipal taxes is calculated by applying the residential tax rate to the average sale price for the region. Tax rates for the Fort St. John and Area region and for Northern BC are calculated as weighted averages based on total sales. Tax estimates do not account for the Home Owner Grant available in British Columbia. Representative user fees for most areas are drawn directly from the data. User fees for the Fort St. John area and for the Northern BC composite are based on a weighted average of house sales.

Other Costs

Other costs that may be incurred in the purchase of a home include:

Lawyer or Notary Fees & Expenses	Home/Property Inspection
- searching title	Fire Insurance Premium
- investigating title	Sales Tax (if applicable)
- drafting documents	Property Transfer Tax
Land Title Registration fees	General Sales Tax
Survey Certificate and/or Title Insurance	Well test
Costs of Mortgage, including:	Septic test
- mortgage company's Lawyer/Notary	
- appraisal, if applicable	

House Prices

Average house prices for each region are derived from the BCNREB MLS® database system. The representative house is defined as a detached single family dwelling on a lot size of 1 acre or less.

Mortgage Costs

Mortgage costs are based on the average house price, with 25% down and amortization over 25 years at a 5 year fixed mortgage rate. The mortgage rate is based on Bank of Canada monthly data for a 5 year conventional mortgage.

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About the BC Northern Real Estate Board

The 370 members of BCNREB live and work in the area shown on the map on the cover page of this document.

The BCNREB is a non-profit society that serves its members and promotes the highest standards of professionalism. The members are licensed to sell real estate in BC and when accepted to membership become REALTORS®. This trademark indicates that the individual has pledged to abide by the REALTOR® Code of Ethics.

About the Author

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Leslie Lax, BA, MA(Econ), constructed the Housing Affordability Index for Northern BC

The Housing Affordability Indices for Northern BC are based on the methodology used to construct the RBC Financial Group Housing Affordability Index. The valuable assistance received from staff at RBC Financial in developing the regional indices for British Columbia is gratefully acknowledged. Any errors, however, remain the responsibility of the author.

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