

Housing Affordability Indicators Northern British Columbia 2016



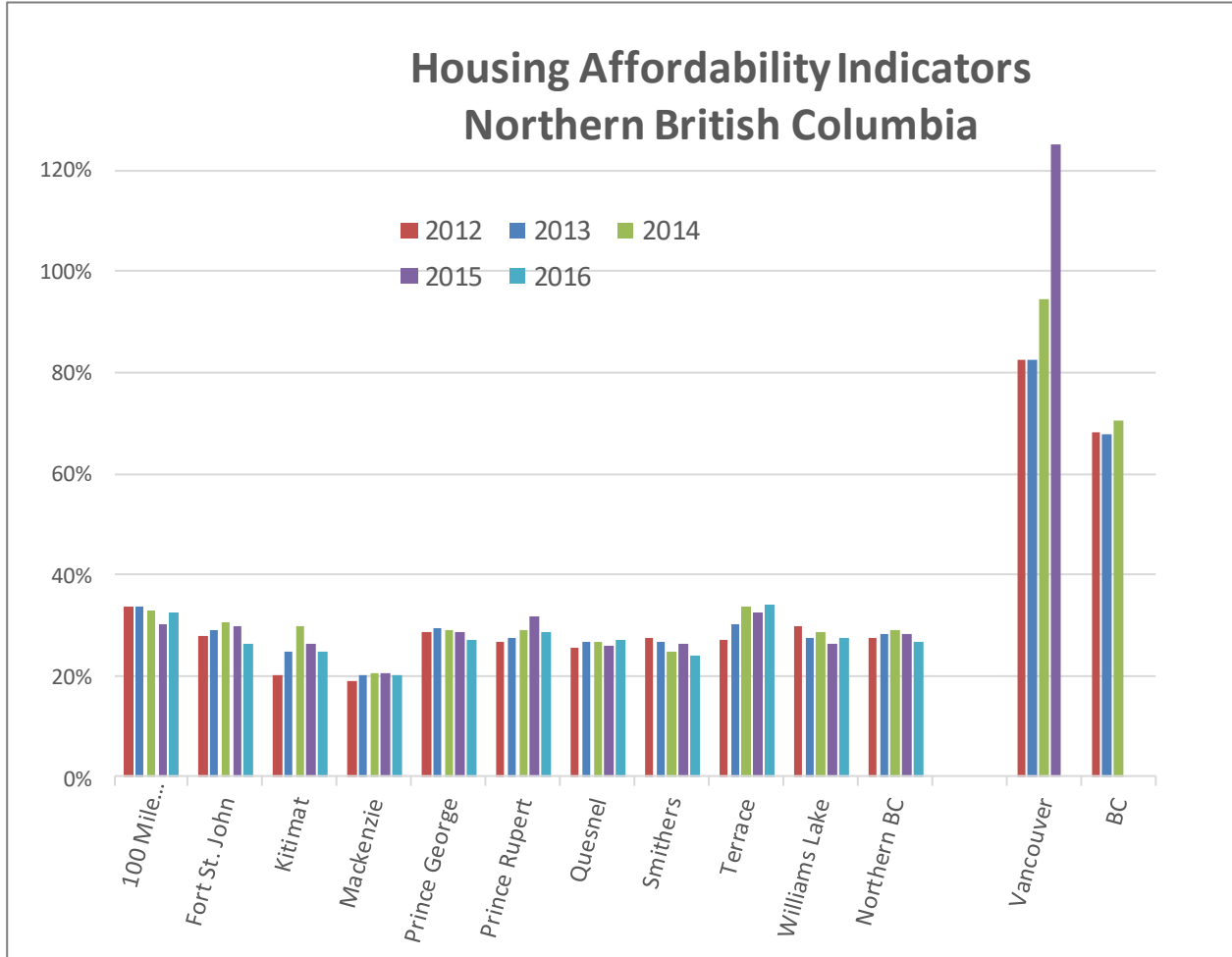
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Prepared By: Rory Conroy, B.Comm.

Author: Leslie Lax, B.A., M.A. (Econ)
STRATEGIC Management Consulting

Housing Affordability Indicators



2016 Indicators – % of household income to finance home ownership

100 Mile House 32.3%	Fort St. John 26.3%	Kitimat 24.9%	Mackenzie 20.1%	Prince George 27.2%
Prince Rupert 28.4%	Quesnel 27.2%	Smithers 24.1%	Terrace 34.0%	Williams Lake 27.4%

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. Detached bungalow measures for Vancouver and British Columbia are an average of the quarterly Housing Affordability Measure from RBC Economic Research.

Housing Affordability Indicators

Introduction

The BC Northern Real Estate Board (BCNREB) Housing Affordability Indicators estimate the proportion of median household income required to cover mortgage costs, municipal taxes and fees, and utilities for the average single family home. The higher the measure, the more difficult it is to afford a home. For example, an affordability measure of 50% means that home ownership costs, including mortgage payments, utilities, and property taxes take up 50% of a typical household's pre-tax income.

This edition of the Housing Affordability Indicators for northern British Columbia is based on a refreshed data set that updates baseline variables to 2010. The revised indicators correct for errors that can develop over long periods of extrapolating baseline data. The Housing Affordability Indicators in this edition tend to reflect better affordability across communities in Northern British Columbia than previous information.

Home ownership in northern British Columbia remains exceptionally affordable, especially when compared with Vancouver. Historically, the largest contributor to affordability has been house prices, and this trend continues for 2016. The average price of a single family home sold in Northern British Columbia in 2016 was about \$280,000. Q3 2015 statistics list average Vancouver single detached house prices at over \$1,500,000. In 2016, The Housing Affordability Indicator for Northern British Columbia was 26.8% compared to 125.4% for Vancouver.

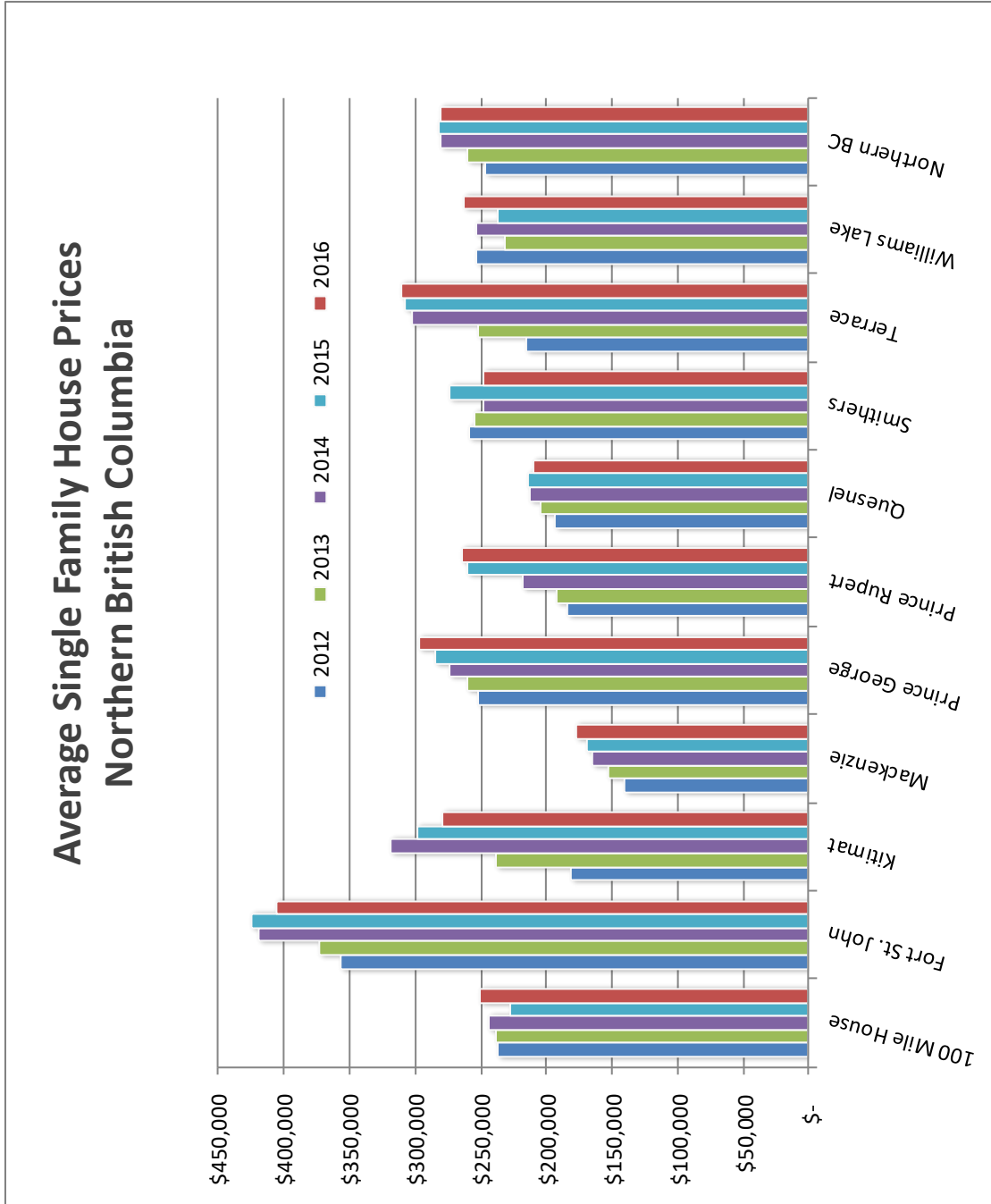
Variable price growth

Price growth in 2016 varied widely from community to community. Average house prices in 100 Mile House and Williams Lake increased significantly. Once again, the highest average house prices in Northern British Columbia are found in Fort St. John, although prices fell slightly in 2016.

Affordability

Most communities in northern British Columbia saw improvements in affordability in 2016, some of them significant. Prince Rupert and Fort St John saw affordability improve by 10.9% and 12.0%, respectively, while in Smithers the improvement was more than 8%. Quesnel, Terrace, and Williams Lake saw affordability worsen by about 4%, in 100 Mile House, affordability worsened by 7.0%. In most cases, worsening affordability can be attributed to increases in average house prices. It is worth noting that declining affordability in Quesnel and Terrace was not related to house prices, but to other costs. The most affordable community in Northern British Columbia remains Mackenzie, where homeowners require only 20.1% of their annual income to cover the costs of housing.

Housing Affordability Indicators



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Methodology

The methodology for constructing the Housing Affordability Indicators for northern BC is based on the construction of the RBC Housing Affordability Measures. The northern BC Indicators provide a measure of the relative costs of home ownership by calculating 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 detached single family home on a lot of one acre or less.

Median Household Income

Benchmark data for median household income are drawn from the 2011 National Household Survey (NHS) which provides income information for the year 2010 by community and region. Median income for the District of 100 Mile House is not reported in publicly available NHS data tables. Median income for the District of 100 Mile House was obtained from a community profile on the Trade and Invest BC website. Median income for northern BC is a weighted average of communities in the region. Median household income is adjusted by the growth rate for average weekly earnings for British Columbia to estimate income in years following the 2010 benchmark year. Average weekly earnings are obtained from CANSIM tables on the Statistics Canada website.

Utility Costs

Benchmark data are drawn from the 2010 Survey of Household Spending for British Columbia. There is no regional breakdown of utility costs, which include water, electricity and other fuel costs. Estimates beyond 2010 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

Communities with an average of at least 60 sales per year over the period 2013 through 2016 are selected for inclusion in the report.

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Municipal Taxes and User Fees

Data for municipal taxes and user fees are obtained from the Ministry of Community, Sport and Cultural 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 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 are drawn directly from the data. User fees 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, but are not included in the indicators, 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 390 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

Leslie Lax, owner and principle consultant of STRATEGIC Management Consulting, works extensively throughout central and northern British Columbia on economic development, change management, and strategic planning initiatives. He has a B.A. from the University of the Witwatersrand (South Africa) and an M.A. (Econ) from the University of Victoria.



Leslie Lax
[STRATEGIC Management Consulting](#)
Cell: 250.981-3208
Leslie.Lax@gmail.com
www.ll-smc.ca

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

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REALTORLINK

William Lacy, President
RE/MAX Quesnel Realty
Ph: 250-992-7202
williamglacy@gmail.com

DJ Mio
Calderwood Realty
Ph: 250-847-9222
davidjaymio@gmail.com

Bob Quinlan
Doucette Realty
Ph: 250-562-2121
q5658444@gmail.com

David Black, Past President
Royal LePage Prince George
Ph: 250-564-4488
dblack@royallepage.ca

Leah Mayer
Royal LePage Prince George
Ph: 250-564-4488
leahmayer@royallepage.ca

Shawna Kinsley
RE/MAX Centre City
Ph: 250-562-3600
shawnakinsley@gmail.com

John Evans, Vice President
RE/MAX Coast Mountains
Ph: 250-624-9444
johnevans@remax.net

Court Smith
Sutton Cariboo Realty
Ph: 250-392-5959
courtsmithsutton@gmail.com

Non-REALTOR® Director
Mike Austin
Mike Austin Financial Services LTD
Ph: 250-267-2211
mike.austin@firstbc.com

Roland Cataford
Century 21 Energy Realty
Ph: 250-785-5520
roland@fsjinvestor.com



Alexandra Goseltine, Executive Officer
Ph: 250-563-1236
Fax: 250-563-3637
agoseltine@bcnreb.bc.ca



BC Northern Real Estate Board
2609 Queensway
Prince George, BC V2L 1N3

Phone: 250.563.1236
Fax: 250.563.3637

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