

Housing Affordability Indicators Northern British Columbia 2018



Prepared for: BC Northern Real Estate Board

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Housing Affordability Indicators

Housing Affordability in Northern BC

Home ownership in most of northern British Columbia remains very affordable, especially when compared with the Vancouver region. According to the Canada Mortgage and Housing Corporation, "... housing is considered "affordable" if it costs less than 30% of a household's before-tax income."¹ The Housing Affordability Indicator (HAI) for northern BC for 2018 is 26.9%, despite showing a 2-percentage point increase over the 2017 HAI. The affordability of home ownership is exceptionally favourable when compared with 118.9% for the Vancouver Area and 66.1% for Victoria.

Affordability by community

While affordability worsened slightly in 2018 in most northern BC communities, only 100 Mile House reflects an HAI significantly above 30%. In 2018 the HAI for 100 Mile House was 47.2%. This is the chiefly result of median household income being around 54% of that of Northern BC.

Fort St. John is the only community in Northern BC reporting consistent improvements in affordability over the reference period, largely due to a persistent drop in house prices over the period. Kitimat remains the most affordable community in northern BC with an HAI of just 20.6%. Despite a 34 % increase in house prices between 2017 and 2018, higher than average household income kept housing affordable in Kitimat.

The role of house prices

The HAI depends on both income and costs. Those communities with high median family incomes will, for a given set of costs, reflect a better (more affordable) HAI. Historically, the largest cost contributor to annual changes in affordability has been house prices, and this trend continues for 2018. Mortgage costs, which are based on house prices and interest rates, tend to comprise upwards of 70% of the costs included in the HAI. It is therefore not surprising that higher house prices tend to reflect lower affordability.

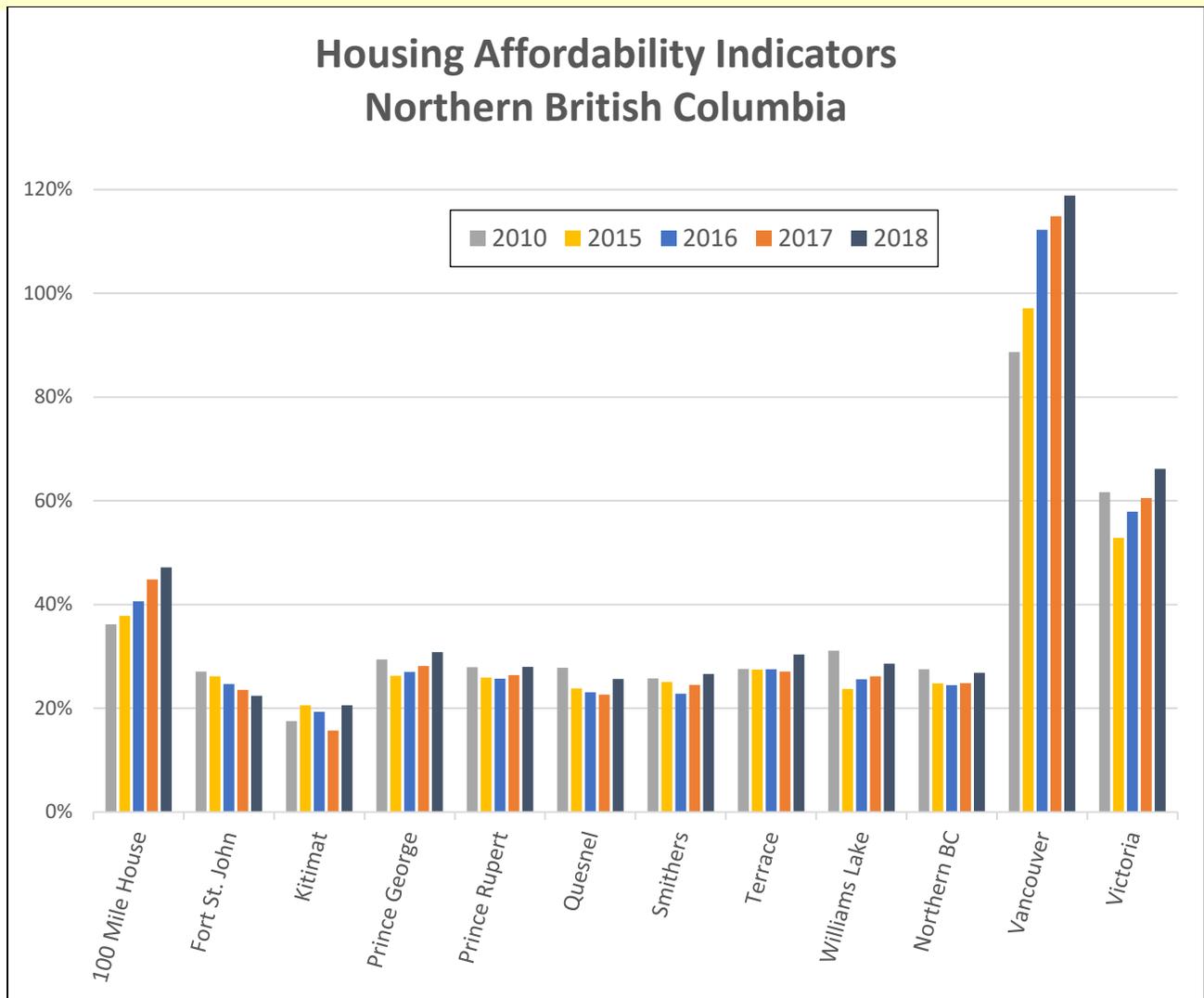
About the Housing Affordability Indicator

The BC Northern Real Estate Board (BCNREB) Housing Affordability Indicators estimate the proportion of median household income required to cover the major costs associated with home ownership. These include 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 30% means that home ownership costs, including mortgage payments, utilities, and property taxes for a given year take up 30% of a typical household's pre-tax annual income.

This edition of the Housing Affordability Indicators for northern British Columbia is based on a refreshed data-set that updates baseline variables to 2015. The revised indicators correct for errors that can develop over long periods of extrapolating baseline data. Historical data for 2010 has been included for comparison purposes.

¹ <https://www.cmhc-schl.gc.ca/en/developing-and-renovating/develop-new-affordable-housing/programs-and-information/about-affordable-housing-in-canada>

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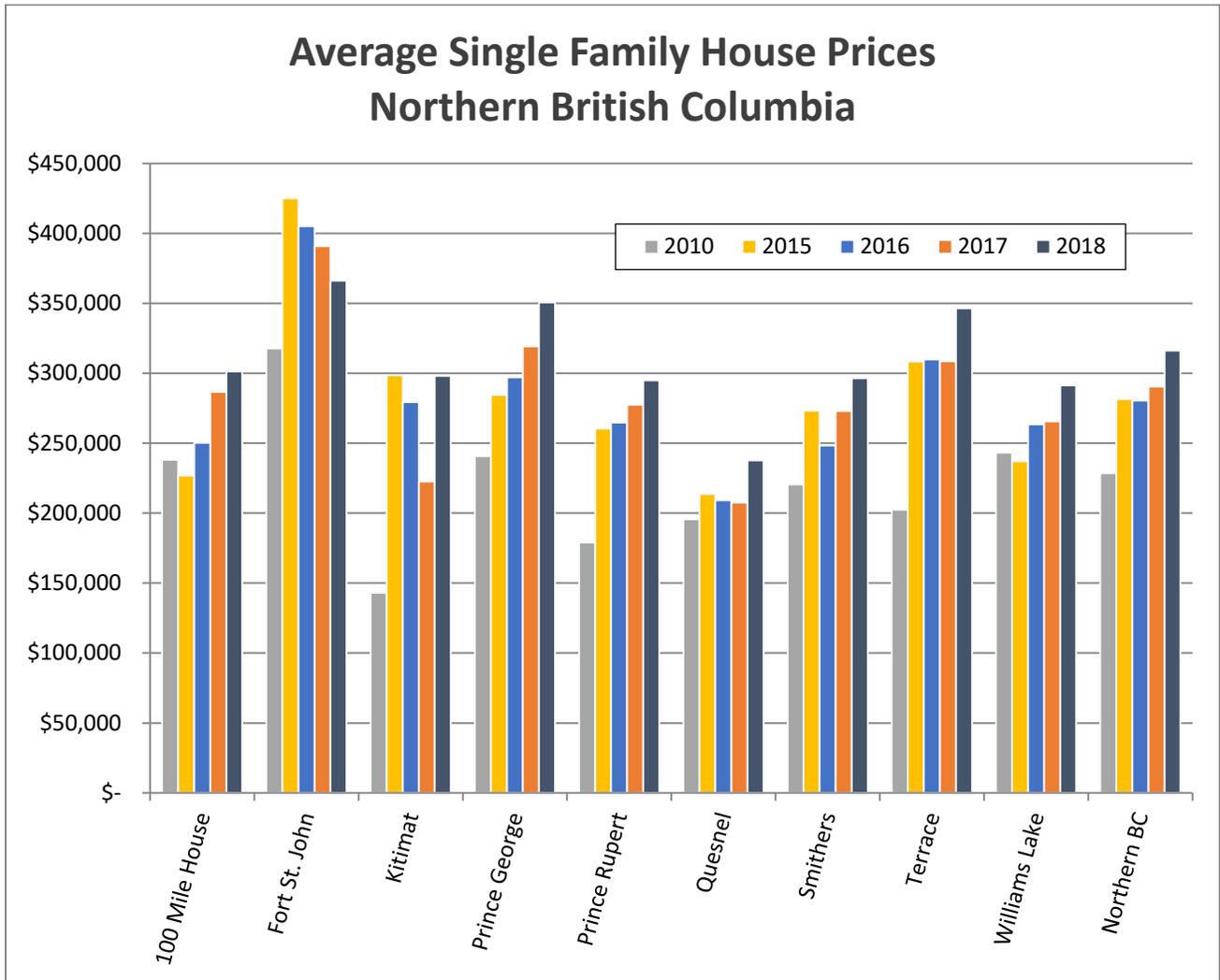
2018 Indicators: Percent of median household income needed to finance home ownership

100 Mile House 47.2%	Fort St. John 22.4%	Kitimat 20.6%	Prince George 30.9%	Prince Rupert 28.0%
Quesnel 25.6%	Smithers 26.6%	Terrace 30.4%	Williams Lake 28.6%	Northern BC 26.9%

Notes:

1. Northern BC is comprised of the: Bulkley-Nechako, Cariboo, Fraser-Fort George, Kitimat-Stikine, North Coast and Peace River Regional Districts and the Northern Rockies Regional Municipality.
2. Measures of affordability for single-family detached homes for Vancouver area and Victoria are an average of the quarterly Housing Affordability Measure drawn from data files provided by RBC Economic Research.

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Variable price growth

For the most part, the average price for a detached single-family home in northern BC showed a marked increase (almost 9%) in 2018 over 2017. Average prices in northern BC were \$316,321. This compares very favourably with prices in the Vancouver area averaging around \$1,576,000 for 2018.

Price growth in 2018 varied widely from community to community. Kitimat saw the largest increase, at 34%, to \$298,200.

Fort St. John, while retaining the most expensive house prices in northern BC, was the only community to record a decline in average house prices. In 2018 the average sale price for single detached homes in Fort St. John was \$366,129 down 6.4% from 2017.

Quesnel retains the lowest house prices in northern BC. While prices increased by 14.5%, in 2018 the average sale price in Quesnel was \$237,718.

Housing Affordability Indicators

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 2016 Census of Population which provides income information for the year 2015 by community and region. 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 2015 benchmark year. Average weekly earnings are obtained from CANSIM tables on the Statistics Canada website.

Utility Costs

Benchmark data for 2015 are drawn from Statistics Canada's Survey of Household Spending for British Columbia. There is no sub-provincial breakdown of utility costs, which include, electricity and other fuel costs. Water costs are generally captured in municipal utility user fees. Estimates beyond 2015 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 75 detached single-family home sales per year over the period 2015 through 2018 are selected for inclusion in the report.

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Municipal Taxes and User Fees

Local government statistics, including data for municipal taxes and user fees are obtained from the Infrastructure and Finance Branch of the Ministry of Municipal Affairs and Housing. An estimate of municipal taxes is calculated by applying the residential tax rate to the average sale price for the community. 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 average user fees by community, weighted by 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	Survey Certificate and/or Title Insurance
- searching title	Costs of Mortgage, including:
- investigating title	- mortgage company's Lawyer/Notary
- drafting documents	- appraisal, if applicable
Land Title Registration fees	Home/Property Inspection
Sales Tax (if applicable)	Fire Insurance Premium
Property Transfer Tax	Well test
General Sales Tax	Septic test

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. Annual rates are calculated as an arithmetic average of the 12 monthly rates for each calendar year.

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About the BC Northern Real Estate Board

The more than 360 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, BA, MA (Econ), developed the methodology for the Northern BC Housing Affordability Indicators and authored this report.

Leslie Lax is a consulting economist based in Kamloops. For the past 20 years Leslie has worked extensively throughout central and northern British Columbia on economic development, change management, and strategic planning initiatives. He has a wide range of experience with development issues relating to rural and remote communities.

Prior to his work in central and northern BC, Leslie worked for ten years in Victoria with various agencies in the Provincial Government, conducting a broad range of economic analyses and working with the BC Econometric Model to develop policy scenario simulations and forecasts.

Leslie has also taught a number of courses in the Economics Program at the University of Northern British Columbia.

About the Indicators

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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