

Housing Affordability Indicators Northern British Columbia 2022



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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. The aggregate Housing Affordability Indicator (HAI) for northern BC for 2022 is greater than 30% for the first time, checking in at 31.6%, a 13.2 percentage point increase over the 2021 HAI. Despite a trend towards greater affordability in the lower mainland, the affordability of home ownership in northern BC is exceptionally favourable when compared with 124.2% for the Vancouver Area.

Affordability by community

Affordability worsened in 2022 for a second consecutive year in all measured northern BC communities. Prince George, 100 Mile House, Quesnel, Smithers, and Williams Lake all recorded significant deterioration, with affordability worsening by more than 10%. Kitimat recorded the smallest reduction in affordability at just 2.8%. In terms of home ownership, 100 Mile House remains the least affordable community in northern BC. In 2022 the HAI for 100 Mile House was 61.6%. The major factor for this result continues to be median household income; 100 Mile House being markedly lower in that measure than other communities in Northern British Columbia.

Even with affordability worsening by 8.3%, Fort St. John again recorded the most affordable HAI (21.2%) in Northern BC in 2022 as it did in 2021 and 2020. This is largely due to slower growth in house prices than most other communities in the region.

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 2022. Mortgage costs, which are based on house prices and interest rates, tend to comprise between 75% and 80% of the costs included in the HAI. It is therefore not surprising that higher house prices tend to reflect lower affordability.

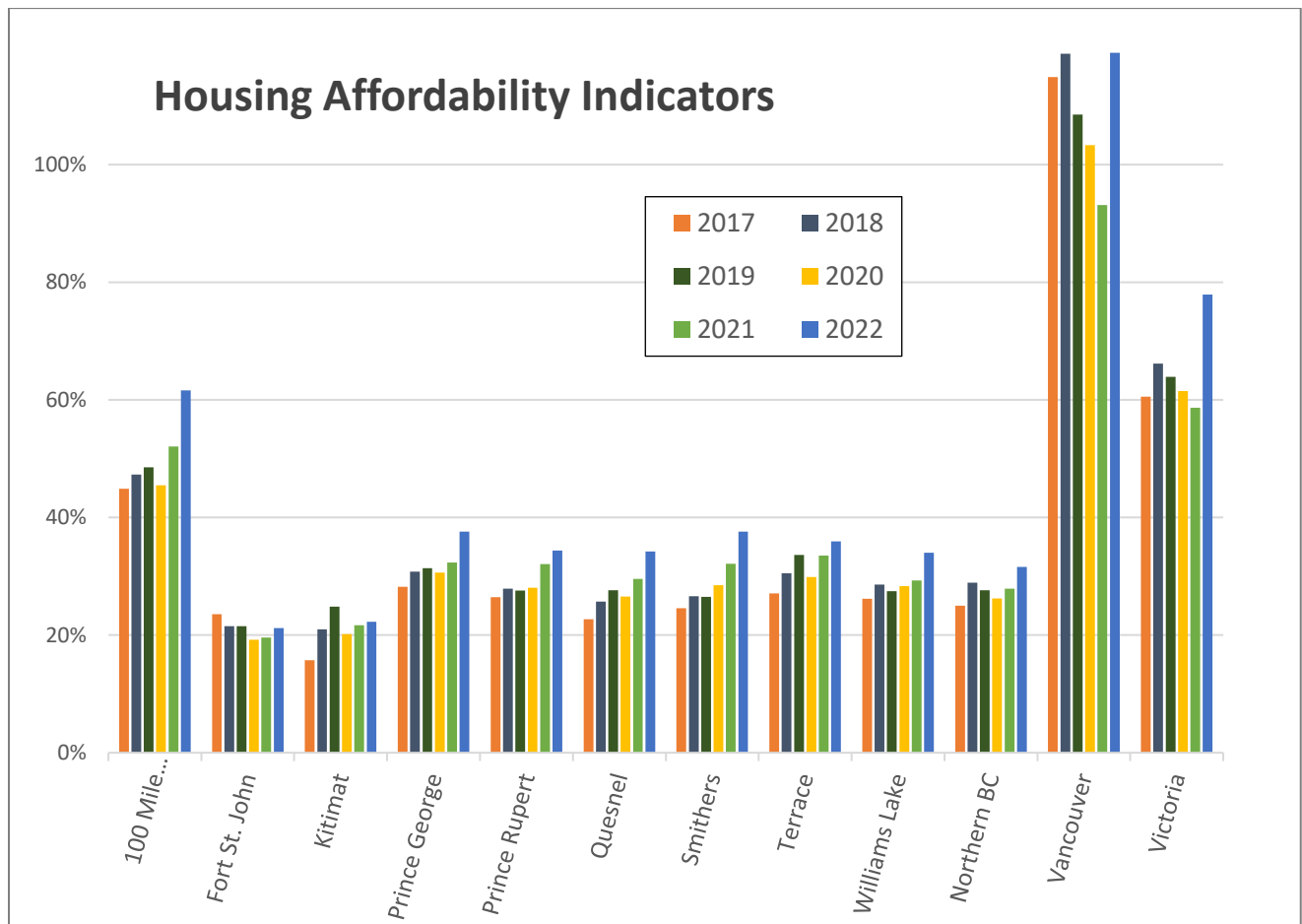
About the Housing Affordability Indicator

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 for homes purchased in a particular year. 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 includes some minor changes to the HAI for 2019 arising from data revisions to Utility Costs for that year.

It is worth noting that the HAI is a snapshot of housing affordability for a given year based on best available data. Reliable community-based income data is available only from the Census taken every 5 years. Indicators of the growth of income by community lag by two years. This means that the impacts of, for example, curtailments in the forest sector, may not be accurately captured in the year in which they occur. Nevertheless, the HAI is an *indicator* of affordability, and as such provides a reasonable measure of housing affordability by community.

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2022 Indicators: Percent of median household income needed to finance home ownership

100 Mile House 61.6%	Fort St. John 21.2%	Kitimat 22.3%	Prince George 37.6%	Prince Rupert 34.4%
Quesnel 34.2%	Smithers 37.6%	Terrace 36.0%	Williams Lake 34.0%	Northern BC 31.6%

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

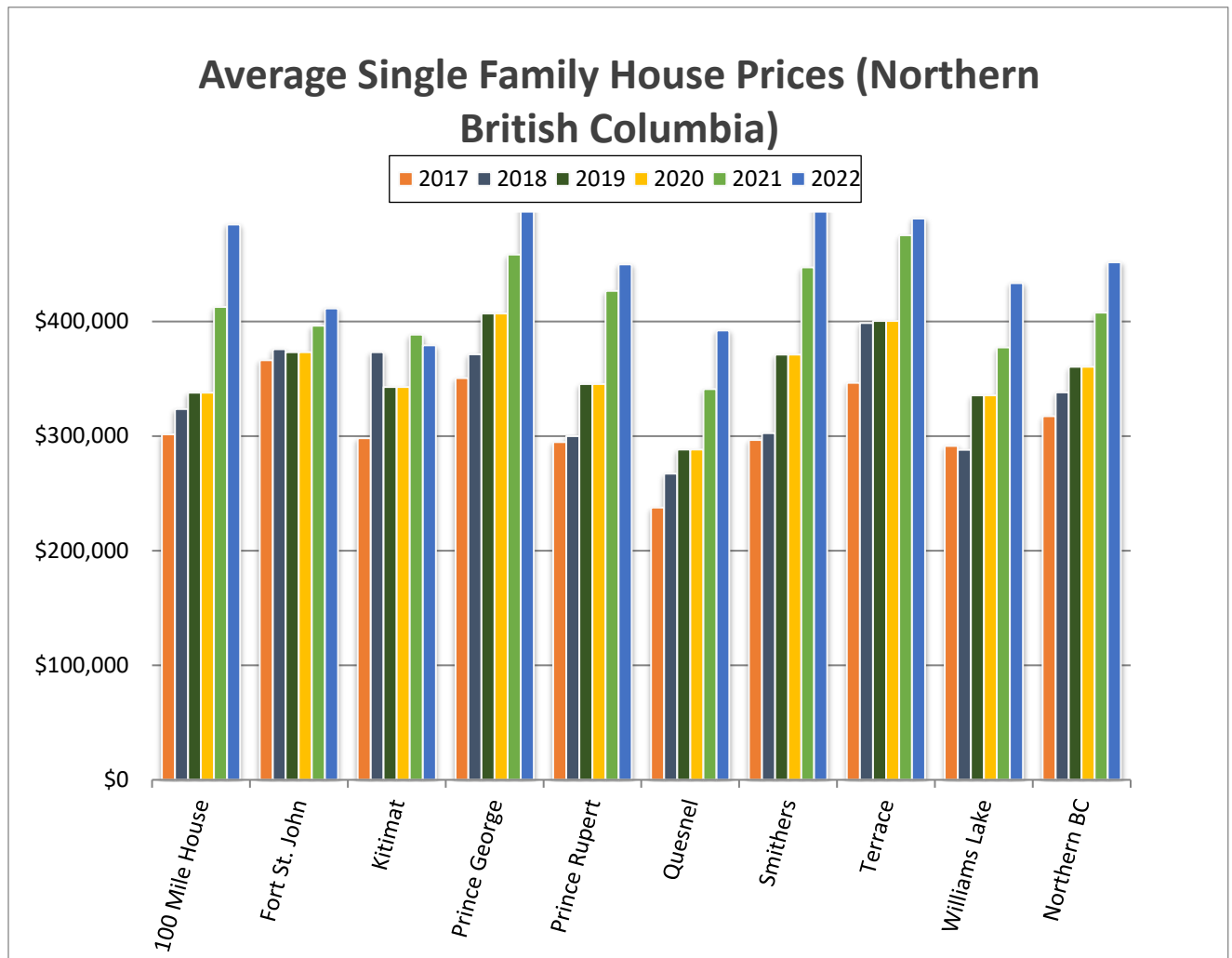
Notes:

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.

Measures of affordability for single-family detached homes for Vancouver area and Victoria are an average of the quarterly Housing Affordability Measure drawn from RBC Economic Research reports.

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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(Almost) universal price growth

In all measured communities, except Kitimat, the average price for a detached single-family home in northern BC increased in 2022 over 2021. For Smithers, 100 Mile House, Williams Lake, and Prince George, the increase was significant. The average price in northern BC in 2022 was \$451,576, an 10.7% increase over 2021 prices.

Prices in 2022 varied widely from community to community. 100 Mile House saw the largest increase, of 17.4%, to \$484,713, contributing to that community's worst-in-study affordability. Price George recorded the highest average sales price at \$524,221.

For the second year, no community in this study recorded average house prices below \$300,000. In fact, only Quesnel and Kitimat had average house prices below \$400,000 in 2022.

Kitimat now claims the lowest house prices in northern BC. The only community where prices declined in 2022, Kitimat reported an average sale price of \$379,133. Quesnel boasted the lowest average house prices for the previous five years, but with an average sold price of \$392,092, the community now holds the second position in that important measure.

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 2018 through 2022 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

- searching title
- investigating title
- drafting documents

Land Title Registration fees

Sales Tax (if applicable)

Property Transfer Tax

General Sales Tax

Survey Certificate and/or Title Insurance

Costs of Mortgage, including:

- mortgage company's Lawyer/Notary
- appraisal, if applicable

Home/Property Inspection

Fire Insurance Premium

Well test

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

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About the Author

Rory Conroy, a long-time resident of Prince George, currently resides in North Vancouver. He graduated from the University of Northern British Columbia with a Commerce degree in 2002.

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Leslie Lax, BA, MA(Econ), developed the methodology for the Housing Affordability Index.

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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