

Housing Affordability Indicators Northern British Columbia 2023



Prepared for:
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April 2024

Housing Affordability Indicators

Housing Affordability in Northern BC

Home ownership in northern British Columbia remains very affordable, especially when compared with the Vancouver or and Victoria regions. The aggregate Housing Affordability Indicator (HAI) for northern BC for 2023 remains greater than 30%, checking in at 32.9%, a slight decrease from the 2022 HAI. The affordability of home ownership in northern BC is exceptionally favourable when compared with the Vancouver Area, which experienced another year of significantly worsening affordability, clocking in at 137.0% for 2023.

Affordability by community

Affordability improved in 2023 for nearly all measured northern BC communities. Only Williams Lake saw affordability worsen, while the HAI for Terrace remained unchanged. In terms of home ownership, 100 Mile House remains the least affordable community in northern BC. 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.

Kitimat and Fort St. John continued to be the most affordable communities in Northern BC in 2023, as they have been for the previous five years.

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 2023. Mortgage costs, which are based on house prices and interest rates, comprise around 80% of the costs included in the HAI. It is therefore not surprising that higher house prices tend to reflect lower affordability.

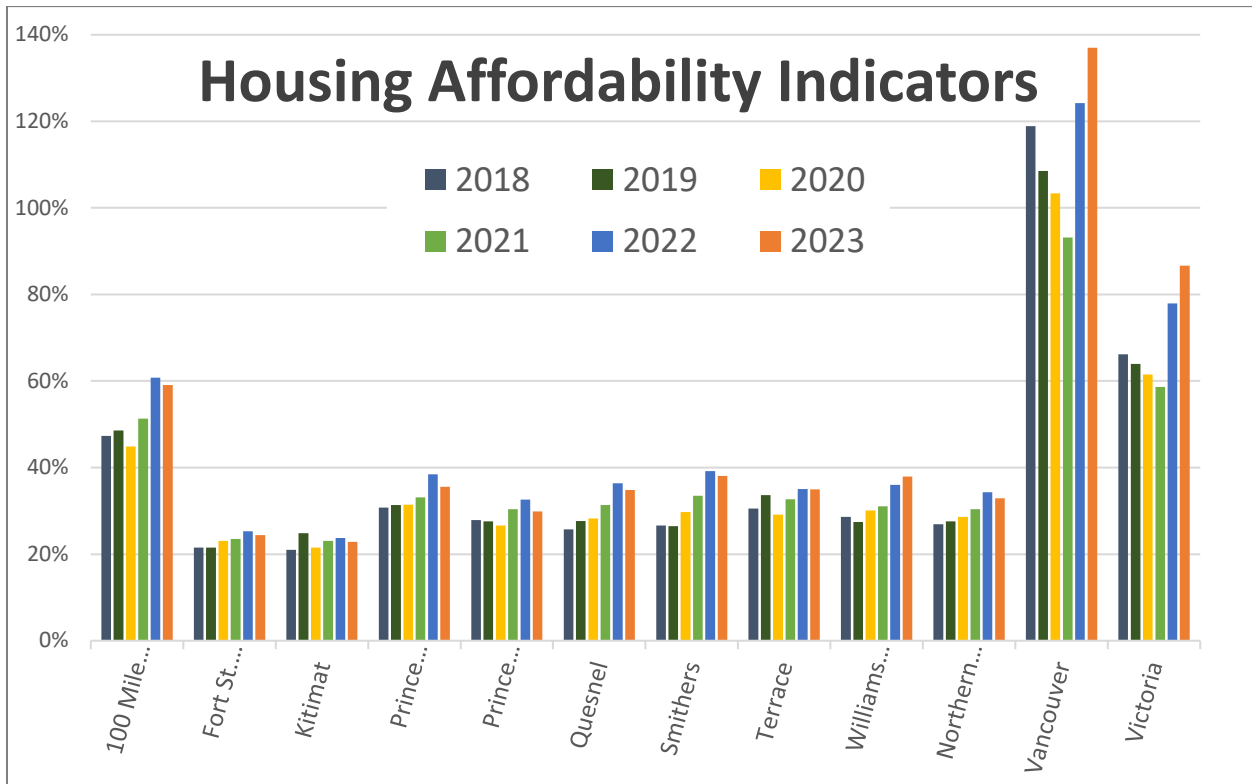
About the Housing Affordability Indicator

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 changes to the HAI for 2020 through 2022 arising from data revisions to Median Household Income for the year 2020 due to the availability of new data from the 2021 Census. In the case of Fort St. John, this change is noteworthy. Median Household Income in that community did not increase as predicted by Average Weekly Earnings numbers for the period and so has seen a significant correction for 2020.

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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2023 Indicators: Percent of median household income needed to finance home ownership

100 Mile House 59.1%	Fort St. John 24.4%	Kitimat 22.8%	Prince George 35.5%	Prince Rupert 29.8%
Quesnel 34.8%	Smithers 38.1%	Terrace 35.0%	Williams Lake 37.9%	Northern BC 32.9%

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

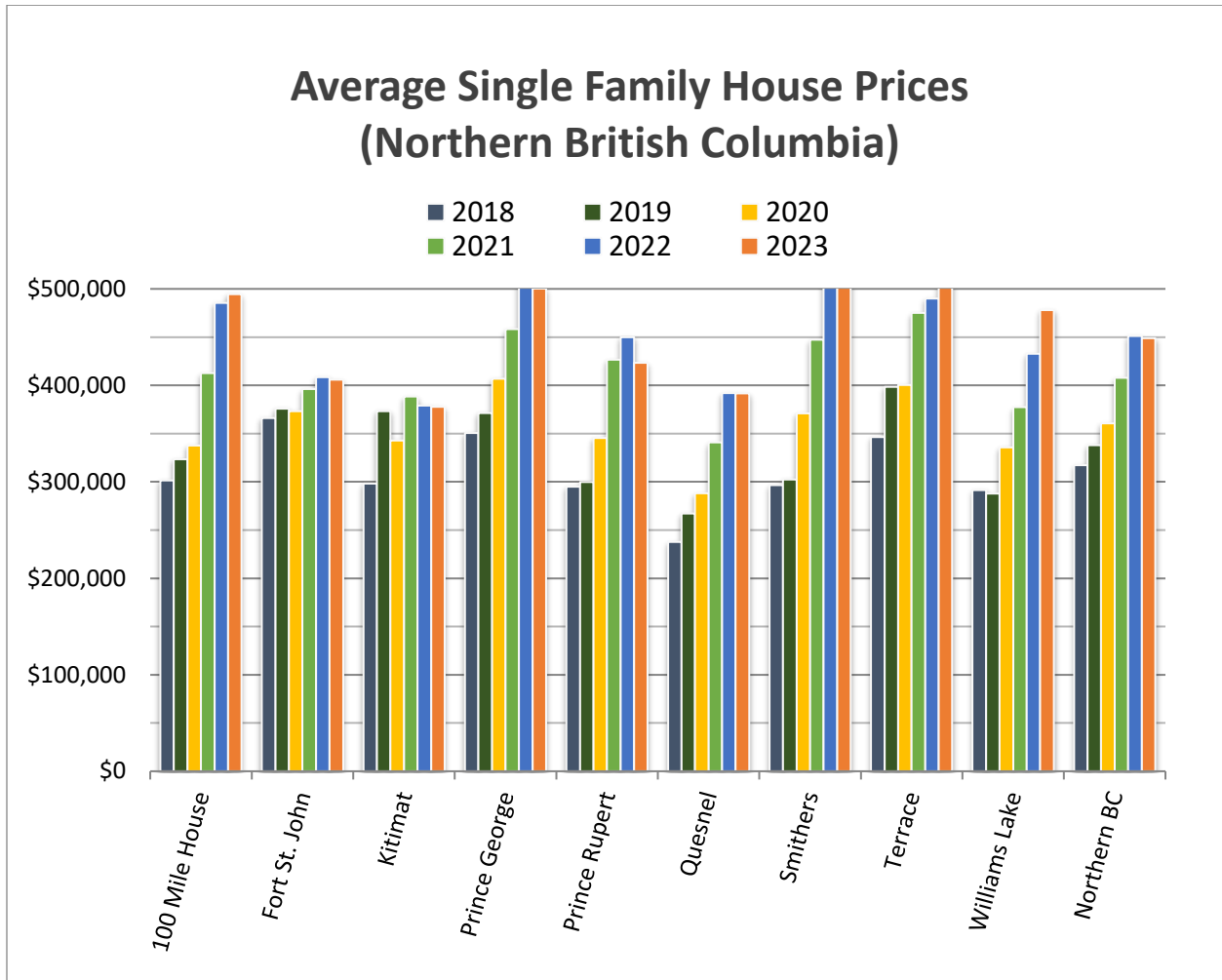
Notes:

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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Price stabilization

The average price for a detached single-family home in northern BC increased in only 4 measured communities in 2023, and only in Williams Lake did prices increase significantly (up 10.4% over 2022). Average house prices decreased in the other five measured communities, though in three of those the decreases were well under 1%. Prince George and Prince Rupert experienced noteworthy average house price decreases. The average price in northern BC in 2023 was \$448,769, a 0.5% decrease over 2022 prices.

Average house prices in 2023 varied widely from community to community, topping out at \$517,291 in Smithers, with Terrace and Prince George also surpassing the \$500,000 threshold. Williams Lake saw the largest increase in prices, increasing more than 10% over 2022 to hit \$477,948. Kitimat continues to enjoy the lowest average house price of \$377,825.

Only Quesnel and Kitimat had average house prices below \$400,000.

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 and the 2021 Census of Population which provide income information for the years 2015 and 2020, respectively, 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 and 2020 benchmark years. Average weekly earnings are obtained from CANSIM tables on the Statistics Canada website.

Utility Costs

Benchmark data are drawn from Statistics Canada's Survey of Household Spending for British Columbia (2017, 2019, 2021). 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 for years with no Survey 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 2019 through 2023 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 410 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

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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