

Housing Affordability Indicators Northern British Columbia 2019



Prepared for: BC Northern Real Estate Board

Author: Leslie Lax

April 2020

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 2019 is 27.4%, a 0.7 percentage point increase over the 2018 HAI. Despite a decline in house prices in the lower mainland, the affordability of home ownership in northern BC is exceptionally favourable when compared with 108.5% for the Vancouver Area.

Affordability by community

Affordability has worsened slightly in 2019 in most northern BC communities. However, Prince Rupert, Smithers and Williams Lake all recorded a slight improvement in affordability. Kitimat (3.9%) and Terrace (3.1%) recorded the largest increases in their HAI, largely due to significant increases in house prices in those two communities. In terms of home ownership, 100 Mile House remains the least affordable community in northern BC. In 2019 the HAI for 100 Mile House was 48.5%. This is the chiefly result of median household income in 100 Mile House being around 54% of that of Northern BC combined with persistent house price increases.

Fort St. John is the only community in Northern BC reporting steady improvements in affordability over the reference period. Fort St. John recorded the most affordable HAI (21.5% unchanged from 2018) in Northern BC in 2019. This is largely due to a persistent drop in house prices over the period 2015 to 2018.

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 2019. Mortgage costs, which are based on house prices and interest rates, tend to comprise between 70% and 80% of the costs included in the HAI. It is therefore not surprising that higher house prices tend to reflect lower affordability.

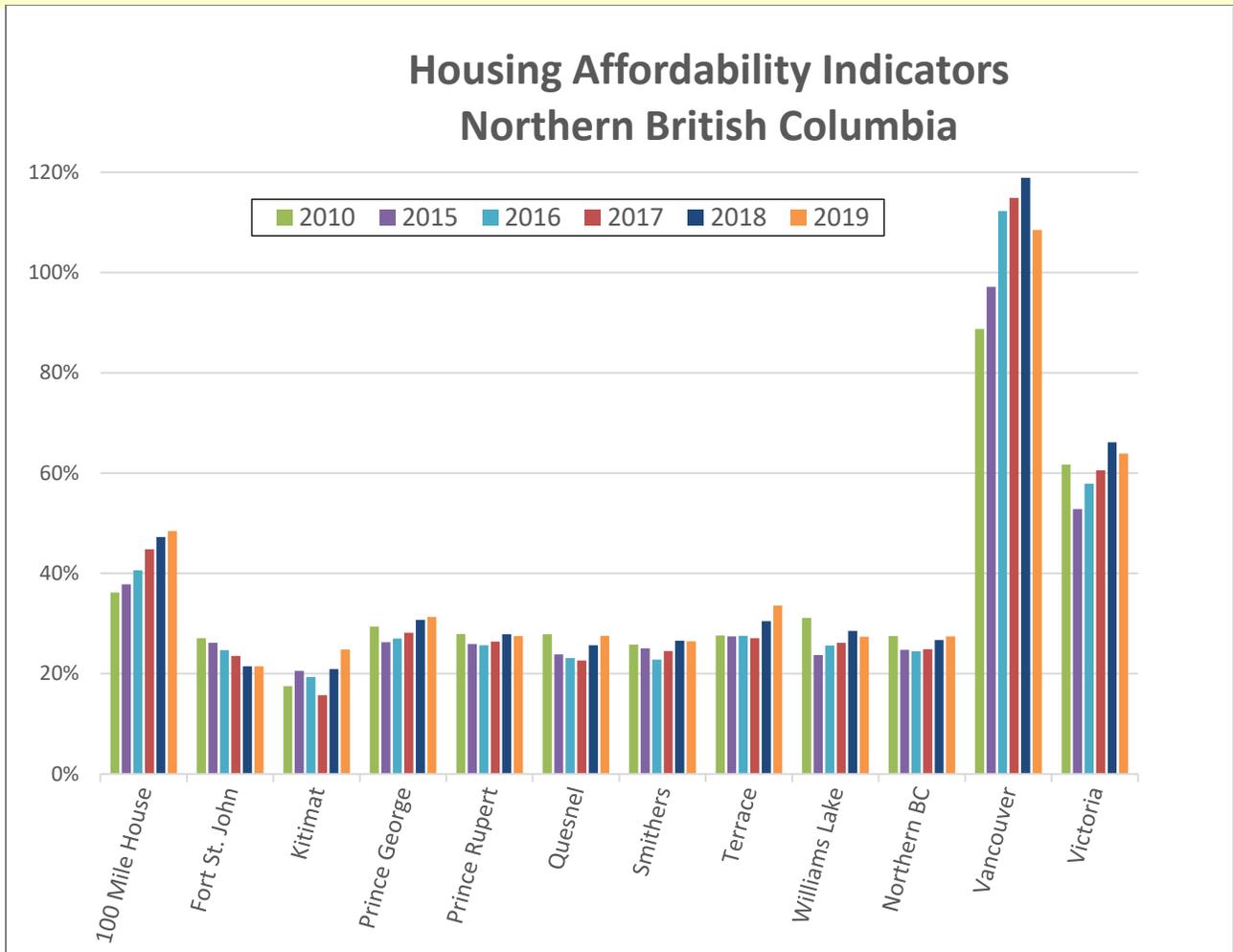
About the Housing Affordability Indicator

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 2018 arising from data revisions 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.

Housing Affordability Indicators



2019 Indicators: Percent of median household income needed to finance home ownership

100 Mile House 48.5%	Fort St. John 21.5%	Kitimat 24.8%	Prince George 31.3%	Prince Rupert 27.5%
Quesnel 27.6%	Smithers 26.4%	Terrace 33.6%	Williams Lake 27.4%	Northern BC 27.4%

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

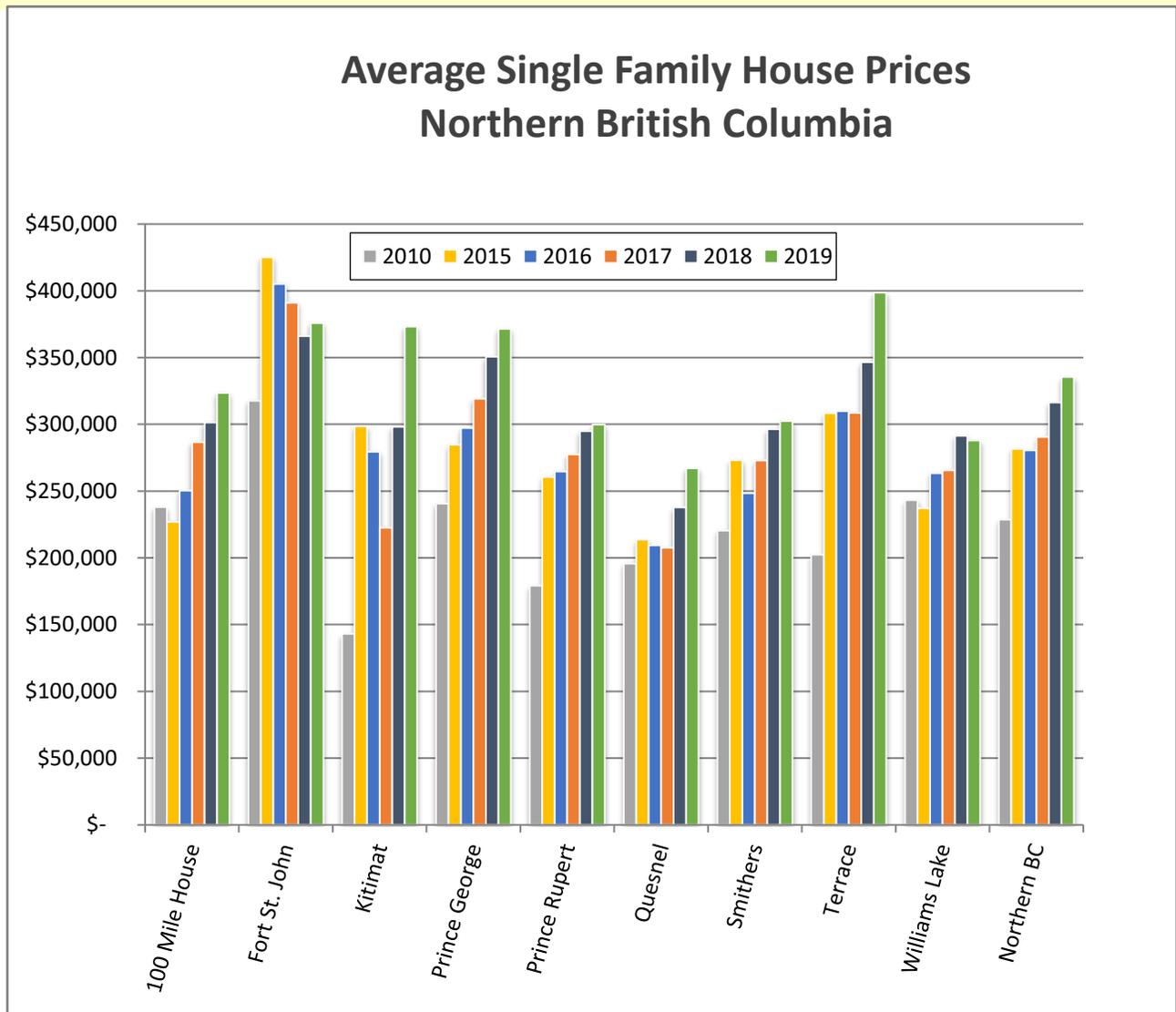
Notes:

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>

Housing Affordability Indicators



Variable price growth

For the most part, the average price for a detached single-family home in northern BC increased in 2019 over 2018. The rate of price increase was generally slower compared with 2018. The average price in northern BC in 2019 was \$335,566, a 6.1% increase over prices in 2018.

Prices in 2019 varied widely from community to community. Kitimat saw the largest increase, at 25.1%, to \$373,146. Terrace recorded the highest average sales price at \$398,553.

Williams Lake was the only community to record a decline in average house prices. In 2019 the average sale price for single detached homes in Williams Lake was \$287,916 down 1.2% from 2018.

Quesnel retains the lowest house prices in northern BC. While prices increased by 12.4%, in 2019 the average sale price in Quesnel was \$267,108.

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 2019 are selected for inclusion in the report.

Housing Affordability Indicators

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.

Housing Affordability Indicators

About the BC Northern Real Estate Board

The more than 380 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.

Housing Affordability Indicators

BC Northern Real Estate Board 2020 Board of Directors

President
Shawna Kinsley
Royal LePage Prince George
250-564-4488
shawnakinsley@gmail.com

Vice President
Sandra Hinchliffe
Skeena Queen Charlotte/Kitimat
Stikine and Bulkley Nechako Region
RE/MAX Bulkley Valley
250-847-5999
info@sandrahbiz.biz

Past President
Leah Mayer
Fraser Fort George Region
Royal LePage Prince George
250-564-4488
leahmayer@royallepage.ca

Director
David Jurek
Cariboo Region
RE/MAX 100
250-395-3422
davidjurek@me.com

Director
Wynnette Lowes
Peace River/Fort Nelson-Liard
Region
Century 21 Energy Realty
250-785-2100
wynn.lowes@century21.ca

Director-at-Large
Breanne Cote
Royal LePage Aspire Realty
250-564-4488
breannecote@gmail.com

Director-at-Large
Nicole Gilliss
Century 21 Energy Realty
250-783-1076
nicole.gilliss@century21.ca

Director-at-Large
Sheila Love
RE/MAX Coast Mountains
250-638-1400
sheilalove@remax.net

Director-at-Large
Kristine Newell
Team Powerhouse Realty
250-563-1000
info@kristinenewell.realtor

Public Director
Christine Buemann
DLC Canadian Mortgage Experts
250-612-9140
christine@premiummortgage.ca

Public Director
Dean Simpson
MD Management
250-564-9600
dean.simpson@md.ca



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

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

*Trademark owned or controlled by The Canadian Real Estate Association. Used under license.