



# Fraser Valley Real Estate Update - 2nd Quarter 2011

## Real Estate Update

Fraser Valley real estate market is in buyers/balanced conditions, which means that the market is well supplied with stable demand.

Chilliwack Real Estate Market has been in buyers conditions since the beginning of 2010.

Sales for the Fraser Valley, including Chilliwack reached 16,023 in 2010. Expect sales to reach 17,000 in 2011 and 17,500 in 2012.

We have seen a change in housing demand: higher demand for single family detached (SFD) house. A major reason is price difference on average of an SFD in Greater Vancouver versus the Fraser Valley.

Average prices in the Fraser Valley have risen 13 per cent in year over year comparison based on stronger demand for single detached houses.

However, the housing price index (HPI) indicates that prices have not risen as high as the average. Note, the (HPI) is an indicator developed by the real estate boards. Very similar to the consumer price index (CPI), the purpose of the index is to give price trends by pricing common features in housing.

Neighbourhood demand also varies in the Fraser Valley; stronger demand for homes in South Surrey/White Rock and Langley, while demand lessens moving east into Mission, Abbotsford and Chilliwack.

Demand for housing in South Surrey/White Rock has been based on off-shore Asian buyers while Langley can be attributed to first time buyers.

Prices are expected to remain steady in the Fraser Valley. Forecast price movement is \$475,000 (up 5%) and

\$490,000 (up 3%) in 2012. Note, these forecasts were based on economic fundamentals and not non-economic factors that have influenced the housing market in the Southwest-Mainland region of BC.

## Economic and Demographic Factors

Mortgage rates are favourable for buyers. Rates are expected to be stable over the next year. Movement is expected to be a quarter point up/down on the short term (1 year) fixed rates while longer terms (5 years) are expected to move quarter to half point up.

Low mortgage rates have influenced housing demand by improving affordability among buyers.

Job creation has not been as strong starting in 2011.

Part-time jobs have outpaced full-time jobs, which is a sign that the economy is still in recovery mode.

The number of full-time jobs is lower in 2011 than in 2010, which has weakened housing demand.

The unemployment rate in British Columbia was at 8.4 per cent, but has declined to 7.6%

Economic recovery is expected due to the diverse economy in the region. Goods sector jobs (construction, manufacturing and forestry) are expected to grow. There are a number of residential and non-residential projects underway, or in the planning stage. Also, demand abroad from emerging markets, such as China and India, will help the manufacturing sector.

Service sector jobs will grow as demand for business services increases. For housing, these include

sectors such as property management and finance.

Abbotsford location (close proximity to the US border and the No. 1 Hwy) is an advantage in the sectors of transportation and wholesaling. The construction of the second Port Mann Bridge will help link the Fraser Valley closer to the Vancouver core.

Migration into British Columbia is expected to remain high, with an estimated 60,800 in 2011 and 65,200 in 2012.

Over 50,000 migrants into British Columbia will be from the international side.

Conservatively, more than half to two-thirds, if not more will settle in the Southwest-Mainland region of British Columbia.

BC Stats calculate household growth, an indicator for housing demand, will increase 2.5% per year over the next couple of years.

In terms of age cohorts, the Fraser Valley will see growth in the younger age cohort (25-34) and the older age cohort (65-74).

Note, this is the year where the first set from the "boomer generation" will turn 65.

Moving forward, we believe this will have an effect on the type of housing (smaller homes with closer amenities) as well as features within houses, such as higher electrical outlets and lower kitchen cabinets).

Source: CMHC