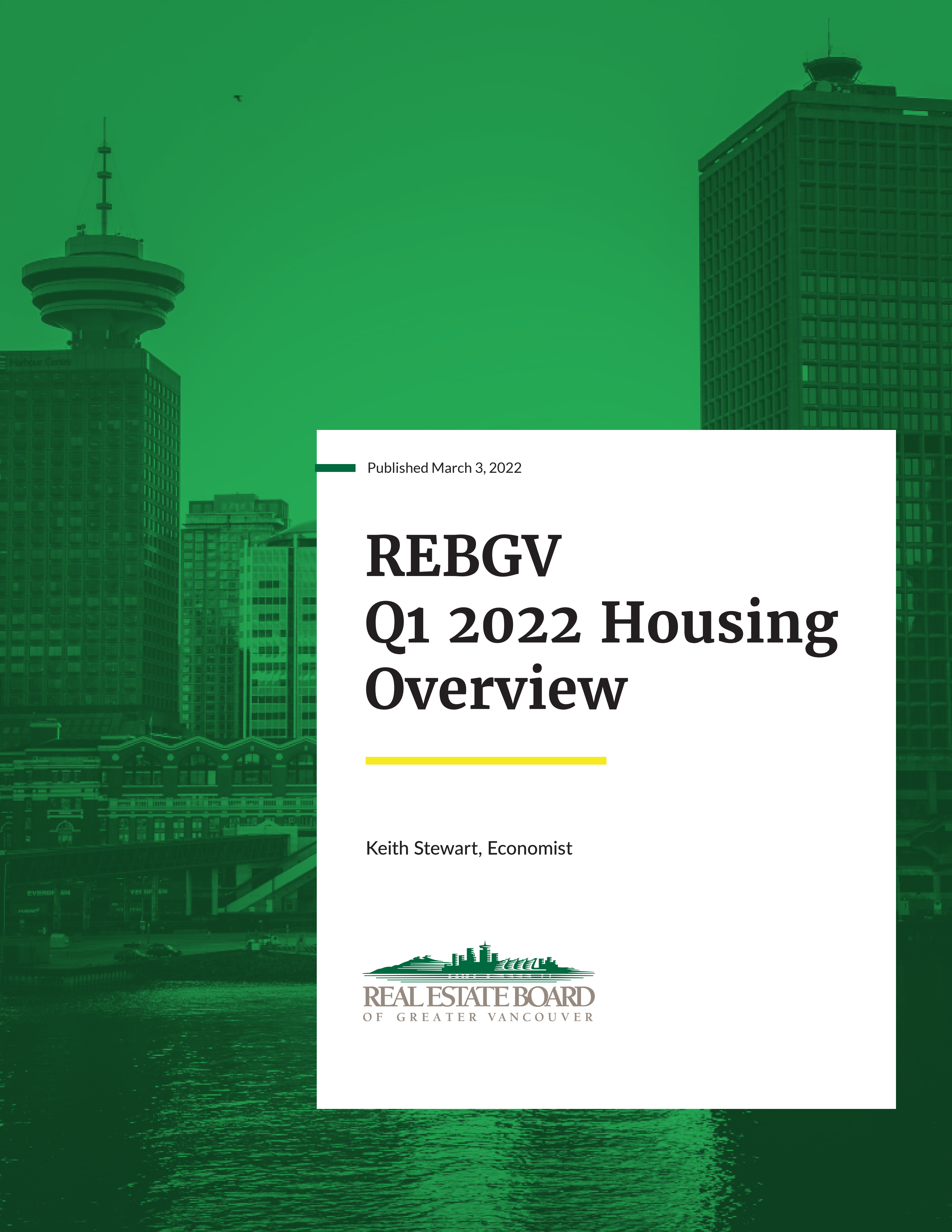

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REBGV Q1 2022 Housing Overview

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REAL ESTATE BOARD OF GREATER VANCOUVER

Housing market conditions in 2022 will be a race between low listings inventory and rising mortgage rates

Highlights

- Listings remain stubbornly scarce in the early part of 2022, inventory will not build until sales fall;
- Mortgage rates are expected to rise and the stress-test rate is expected to remain flat in 2022;
- Sales are expected to fall from 2021 levels due to deteriorating affordability;
- Extreme upward price pressure remains at the start of 2022;
- Prices are expected to rise in 2022, but the majority of upward moves will happen in the first half of the year.

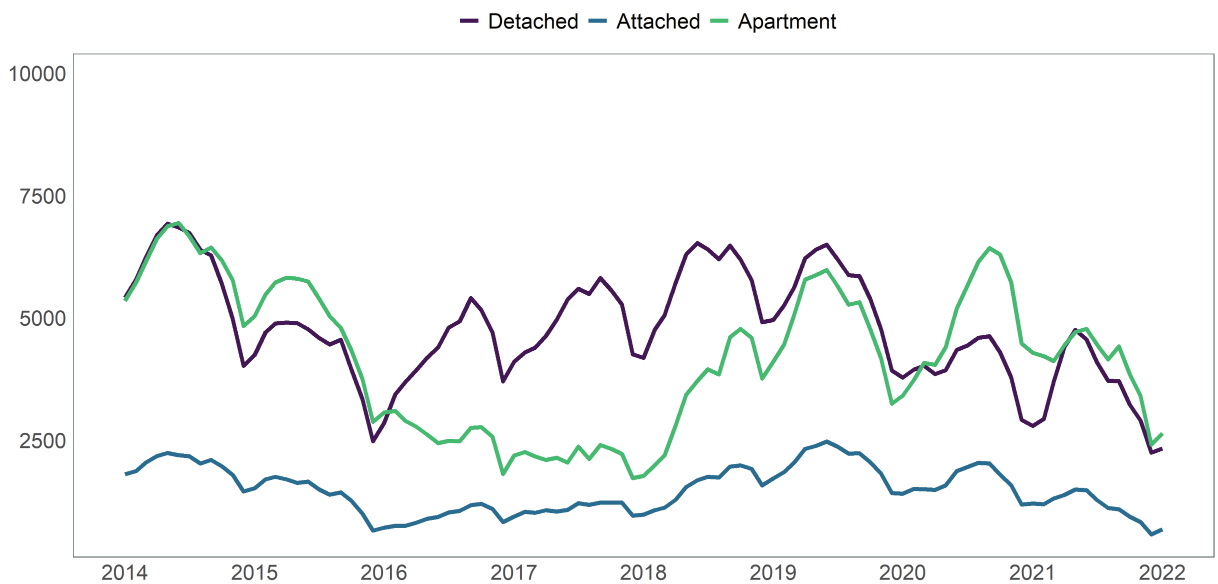
The fall market saw new lows in inventory and renewed upward presure on prices

The resale housing market moved in two bursts in 2021 with composite benchmark prices increasing 11% between January and June and a further 4% increase between September and December. With inventory drawn down to around 5,600 listings at the end of January 2022, today's market is unable to absorb even modest increases in demand without moving prices substantially.

With persistently strong demand and new listings unable to keep up, benchmark prices have risen 36% for detached, 28% for attached, and 13% for apartments since the beginning of the Covid-19 pandemic in March of 2020. Looking ahead into 2022, home price growth will come back toward longer-term averages as rising mortgage rates, and price levels squeeze some potential buyers out of the market. As can be seen below, even a normalizing of the number of buyers and sellers in the market will take 18 to 24 months for the listings inventory to recover from the severe drawdown that's ocurred in the market since the fall of 2020.

Figure 1: Active listings

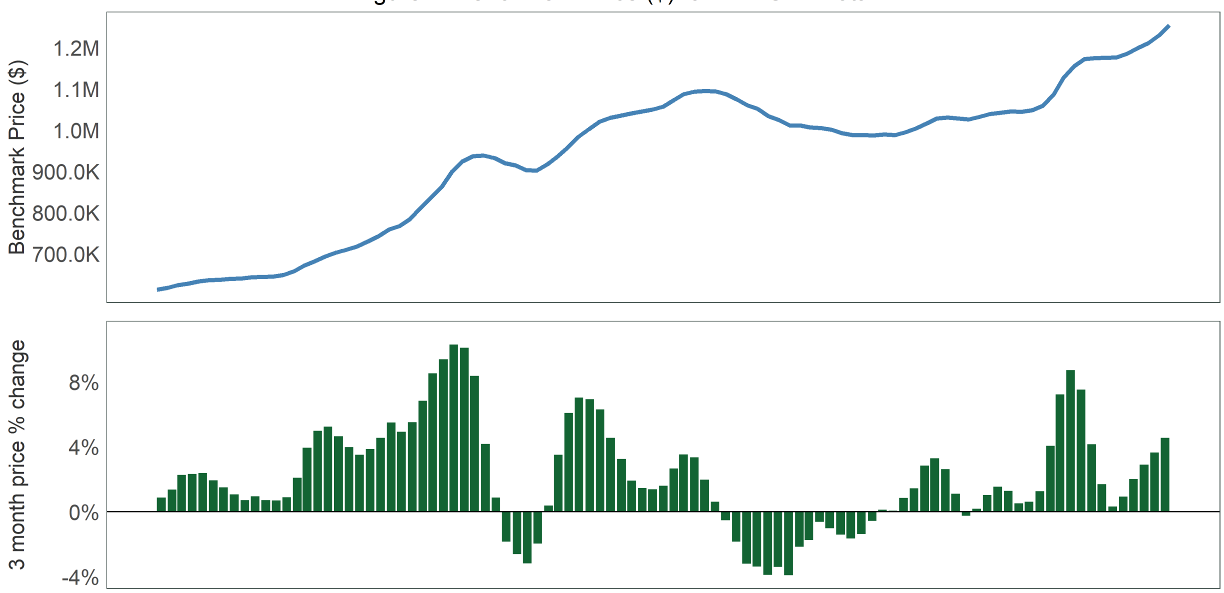
All REBGV areas by housing types



REBGV Economics

REBGV Monthly Stats
Latest: January 2022

Figure 2: Benchmark Price ($) for REBGV - Total

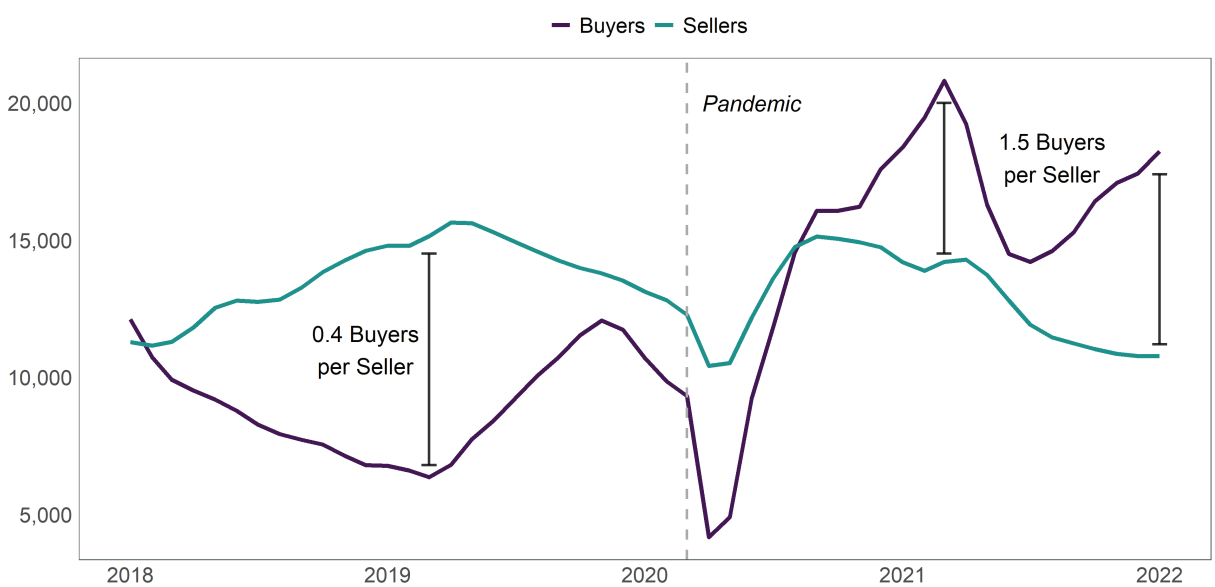


CREA HPI
Latest: January 2022

The number of buyers relative to sellers has increased compared to last summer

Heading into the traditionally busy spring buying season, the market is tightening again as it did in the spring of 2021 with the number of buyers searching for a home increasing and the number of sellers in decline since the fall of 2020.

Figure 3: Estimated current buyers and sellers
All REBGV areas and all housing types



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*trend component

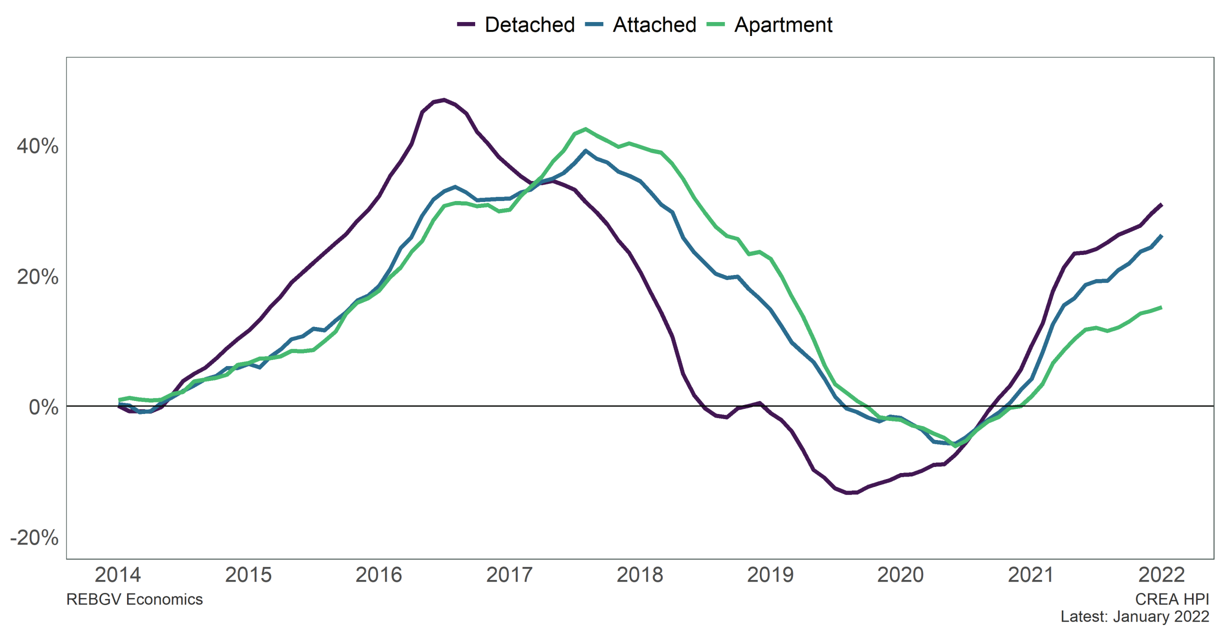
REBGV Monthly Stats
Latest: January 2022

Look for lingering strength in apartments

Looking over the previous housing market cycle of 2014-19, we can see detached home prices led the market up and down. The current cycle that started when prices bottomed out in the summer of 2019 has seen attached homes move in closer step with detached homes than they did in previous cycles. Apartment price growth has been lower over the past two years despite 2021 seeing an all-time high of nearly 22,000 sales. This was due to more sellers coming to market in 2020 and 2021 as more buyers traded up the housing ladder. However, in the early part of 2022, the inventory situation for apartments has deteriorated to similar levels as other home types, paving the way for apartments potentially seeing higher price growth over other home types in the coming months.

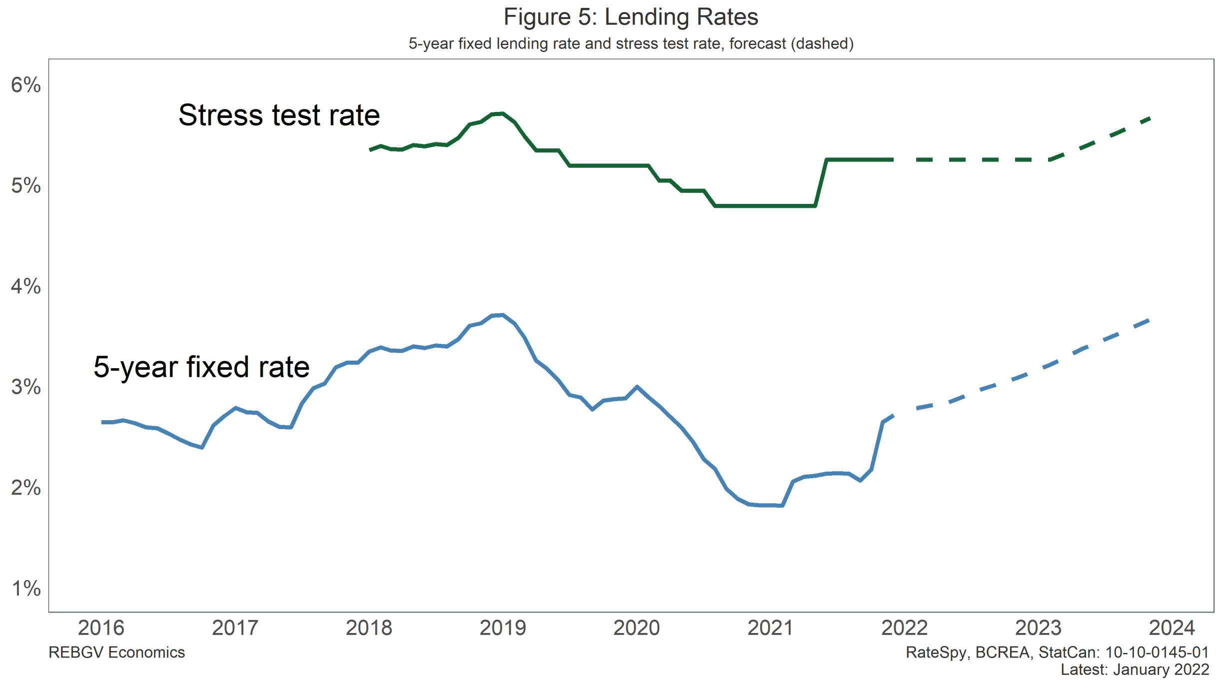
Figure 4: Two-year price change (%)

All REBGV areas by housing types



Rising rates are expected to bring the market closer to balance

Mortgage rates find themselves in a position they haven't been in since 2008. There's a sizable gap of over 1 percentage point between fixed-rate and variable rate mortgages at the moment. Mortgage rates should increase gradually (see forecast below) from recent lows in the spring, as major central banks continue to wind down their asset purchasing programs and slowly tighten monetary policy through raising short-term borrowing rates to reduce consumer demand and some consequent inflation pressures. Barring any additional changes to the stress test rules (which is never a given), the stress test rate is expected to be flat through 2022. However, rising rates will depress demand for mortgages despite maximum borrowing amounts being unchanged. This will reduce future demand and ultimately reduce sales volumes and moderate price growth.



Forecast for 2022 – Sales down, prices up less than 2021

After setting an all-time high in 2021 with just over 44,000 sales, sales are expected to moderate due to the combined decrease in carrying-cost affordability of higher prices seen through 2021 and a coming rising interest rate environment. Prices are expected to rise on average around 9% compared to last year, with detached prices leading the way at 13%, attached following at 9.5% and apartment at 8%. The market is expected to continue to compress with entry-level properties and relatively more affordable homes seeing larger price increases over the coming year.

2022 REBGV Forecast							
Broad areas	Home Type	2022 Sales(f)	2021 Sales	Sales %chg	2022 Average Price(f) ($)	2021 Average Price ($)	Price %chg
Total	Total	38600	44072	-12.4	1295000	1189389	8.9
Total	Detached	12300	14158	-13.1	2237000	1976488	13.2
Total	Attached	6500	8139	-20.1	1168000	1066196	9.5
Total	Apartment	19700	21775	-9.5	781000	723667	7.9
Vancouver (West)	Total	6800	7412	-8.3	1592000	1488805	6.9
Vancouver (East)	Total	4200	4883	-14.0	1341000	1213836	10.5
Burnaby & New West	Total	6500	7610	-14.6	1014000	931677	8.8
North Shore	Total	3900	4531	-13.9	1852000	1701675	8.8
Rich. & w. Delta	Total	6200	7161	-13.4	1215000	1094751	11.0
Tri-Cities	Total	5600	6154	-9.0	1099000	1003725	9.5
Ridge Meadows	Total	2800	3292	-14.9	1070000	952447	12.3
Sea to Sky & Sun	Total	2500	3029	-17.5	1308000	1156919	13.1

A look ahead

The past two years have been anything but typical for the Metro Vancouver housing market. The pandemic-induced slowdown in the spring of 2020 was short-lived and was followed by an extremely strong recovery. The result has been persistently low inventory of active listings and rapid price growth.

Sales at of the beginning of 2022 have remained elevated and new listings are entering the market back at typical levels. Going forward, we expect sales to pull back and price growth to remain elevated, but matching 2021's numbers is highly unlikely.

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