

Jumpy signs in housing market

Surge in starts seen after hints of slowing Metro sales

Let's see a considerably lower sales-to-listings ratio ... before we start to talk about: 'Oh my God, the end is nigh.'

Housing starts in B.C. are way up in the first six months of this year while the bulk of the country is flat or falling.



MARK VAN

MANEN/FILES As of this past June, there were a total of 211,000 construction jobs in B.C., up some 16,500 over the same time last year.

That trend appears in the Canadian Mortgage and Housing Corporation's most recent preliminary housing start data released this month. This news comes on the heels of recent data by the Real Estate Board of Greater Vancouver that indicates real estate sales in Metro Vancouver might be slowing.

Housing starts jumped 40 per cent in B.C. in the first half of this year over last, according to CMHC. That spike has pushed the starts trend in the region to its highest level since 1990.

For Andrey Pavlov, a professor of finance at Simon Fraser University's Beedie School of Business, the combination of slowing sales, increased listings and this big jump in housing starts makes the real estate market somewhat uncertain.

“I don’t know if a crash is coming and I only really see imminent signs, but we’re in an extremely risky position,” Pavlov said Monday.

It is easy to enter a situation where “demand is softening but the supply continues to come in at a very high rate. And indeed that’s what we might be seeing right now,” he added.

However, Pavlov prefaced his comments by stating he’s been predicting a market correction for four years. “And I’ve been wrong.” Housing starts in the first six months of the year are up in each of four B.C. markets detailed in the CMHC report. Vancouver was up 49 per cent, Victoria 61 per cent, Kelowna 80 per cent and Abbotsford a whopping 146 per cent. Tsur Somerville, an associate professor at the University of B.C.’s Sauder School of Business, noted “there’s a lot of anxiety and anxiousness out there right now and concern about where the market’s headed.”

But he said starts are not as strong an indicator as something like low sales, particularly in cities with a lot of multi-unit developments that are mostly pre-sold.

“Starts numbers in Vancouver particularly tend to lag behind sales numbers because they’re reflecting pre-sales and development decisions that have occurred over the past year rather than conditions right now,” Somerville said.

Tom Davidoff, also an associate professor at Sauder, cautioned that some of those pre-sales may have been snapped up by speculative investors.

He also put the lofty start figures in context, noting that it would take many years of construction at the pace reflected in the CMHC data to catch up to growth in the region. So while there’s a shortterm concern of oversupply, over the long-term, “we’re still just not even in the ballpark of building what we need to build.”

Davidoff said a June slowdown in sales is to be expected in a cyclical market and he noted that summer is typically slow for real estate

transactions.

“This is not a dead market,” he said. “Let’s see more months and let’s see a considerably lower sales-to-listings ratio than we’re looking at now before we start to talk about: ‘Oh my God, the end is nigh.’”

Meanwhile, all those starts represent a boon to the construction industry.

“There is a scramble going on, for sure. There is a shortage of workers especially in the Lower Mainland,” said Phil Hochstein, president of the Independent Contractors and Business Association, which represents more than 1,200 B.C. contractors.

Hochstein cited provincial government figures that put the number of registered construction apprentices at 37,000, with another 2,500 workers in pre-apprentice programs, more than double the number in 2004.

“But if you’re short of workers, you’re not really short of trainees or apprentices,” he said.

“You’re not looking for a lessskilled guy — no one ever calls me and says ‘I’m short of an apprentice.’ “You want the journeyman.” As of this past June, there were a total of 211,000 construction jobs in B.C., up some 16,500 over the same time last year.

“All the numbers are pointed up,” Hochstein said. “You see a lot of cranes.”

But he said outside of the Lower Mainland, Greater Victoria and the Okanagan, construction isn't doing as well, particularly in northern resource communities dependent on industrial and commercial projects for construction work.

The health of the Canadian housing market has been a key focus for economists. The Bank of Canada has identified the sector as an area of risk and warned the pace of home price increases in Vancouver and Toronto is unlikely to be sustained.

BMO Capital Markets senior economist Robert Kavcic noted the national pace of housing starts looked to be settling in around 200,000, up from the rate in recent years.

**CMHC new housing starts
(single & multumit)**

1st 6 months

	2015	2016	% increase
Abbotsford	270	665	146
Kelowna	551	993	80
Vancouver	9,936	14,840	49
Victoria	984	1,588	61
Canada	81,986	84,824	3

“This level of construction activity is somewhat stronger than needed to support demographic demand, but if there is ‘overbuilding’ starting to take shape, it is largely centred in one area — British Columbia,” he wrote in a report.