

## VANCOUVER ISLAND AND COAST ECONOMIC OUTLOOK



### BUILDING LINKS

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**I**n a recent report, dated August 2015 published online by **Central 1** and written by senior economist **Bryan Yu**, the economic future for BC looks promising for Vancouver Island. Highlights of the report include:

Low interest rates and a lower loonie will underpin modest growth in British Columbia; Southern BC markets to benefit most from upturn in tourism and export-oriented

#### **For retirees, availability of health and consumer-services will be key attractions**

growth; Alberta economic struggles a challenge for some interior markets through interprovincial employment and secondary home demand; and the big news is that housing market demand remains robust, with growth concentrated in larger urban areas.

Population growth on Vancouver Island is a key driver of economic activity. While local labour market conditions, particularly in the public service, attracts households to the Island and especially Victoria, the region is also reliant on the migration of retirees and semi-retirees (and more importantly their fixed income and wealth). Since the recession, retirement plans and migration to Vancouver Island have been delayed due to economic uncertainty which is evident in a steep decline in the flow of 45 to 64 year olds, leading to less inter and intra provincial migration.

Lifestyle migration is anticipated to pick up as retirements delays are temporary. An aging population

and demand for retirement living will lift population growth to 0.7 per cent this year and 0.9 per cent next year, with gains concentrated in larger urban areas. For retirees, availability of health and consumer-services will be key attractions. Investments in post-secondary institutions will entice more students, but these may or may not flow into population counts. While economic performance has been mixed, the housing market is back in growth mode and should provide some lift to the regional economy, after a post-recession lull.

Mild economic growth, the drawdown of excess inventories and low interest rates have lifted home sales well above a year ago. MLS sales were 25 per cent higher through June, with growth of 17 per cent elsewhere on the Island. Tighter market conditions are already lifting prices with MLS price indices suggesting underlying price gains of about three per cent.

A rebalancing of the market is lifting new home construction as builders become more comfortable with market conditions. Housing starts were up broadly on the Island through June with Victoria and Nanaimo leading the way with starts up 65 per cent and 90 per cent, which should provide a lift to construction employment and economic growth. On the whole,

employment growth climbs 0.4 this year and 1.1 per cent growth in 2016. Unemployment is forecast to trend in the 5.5 to 6.0 per cent range, owing in part to a low participation rate.

Strong first half momentum will lift resale transactions on the Island by 15 per cent this year to 14,500 units and the highest since 2007, with growth of about two per cent in the median home price with slightly stronger growth in Victoria – although price levels will remain relatively consistent with the post-recession range. Going forward, sales are forecast to surpass 15,000 in 2016 and annual home price growth will average more than three per cent over the 2016 and 2017 period. Higher levels of new home construction in BC will lift residential building permits by 13 per cent this year to above \$1 billion for the first time since 2010, but a milder pace of growth is anticipated thereafter of five per cent.

Excerpt from the online news release **Central1, Economic Analysis of BC, Volume 35, Issue 4, August 2015**, written by Bryan Yu, Senior Economist, BC Central 1 Credit Union

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