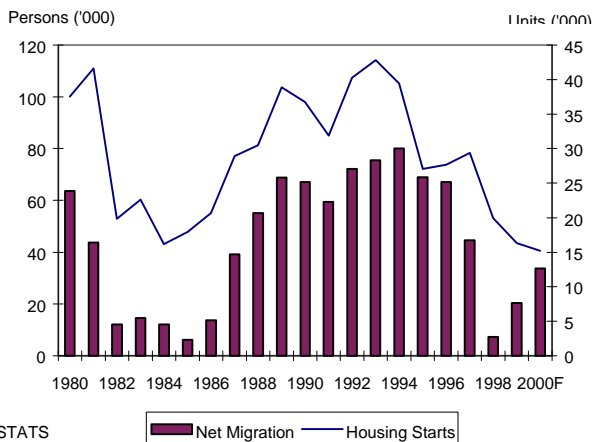


## Feature Article: Migration and Housing Demand

### Summary

*The demand for housing is influenced by a number of factors that are both demographic and economic in nature. On the demographic side, population migration, the changing age structure of the population and the composition of households will influence the demand for housing. Economic factors such as housing prices, interest rates and wage rates will also influence housing demand. The type of housing demanded and the household size will also be influenced by these factors and consequently will vary considerably across different regions of the province.*

Household formation reflects changes in net migration

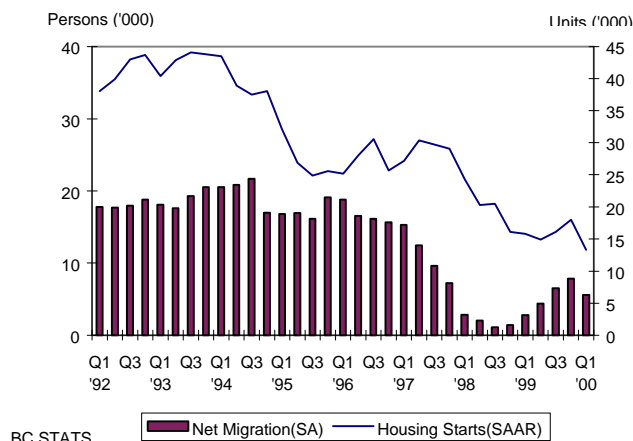


Migration to British Columbia from other parts of Canada and from other countries plays an important role in the demand for housing. There is a fairly strong relationship between net migration and changes in the housing stock, which represents the formation of new households in the province. As net migration weakened during the first half of the eighties, housing starts dropped sharply. The subsequent strong growth in net migration up to 1994 was accompanied by increases in housing starts in most years. As migration dropped from a net inflow of 80,000 persons in 1994 to

7,400 in 1998, housing starts declined from the peak of 42,800 units in 1993 to 19,900 in 1998. Even though net migration increased to 20,400 persons in 1999 and some further improvement is expected this year, the levels remain low by historical standards. As a result, housing starts continued to decline in 1999 and little improvement is expected this year.

The current quarterly data (seasonally adjusted) also reflects the ongoing weakness in the housing market. Although net migration has gradually increased over the last six quarters, the levels are relatively low and housing starts are still trending down, registering only 13,300 units (seasonally adjusted at annual rates) in the first quarter of the year.

The housing market remains weak despite some recovery in migration

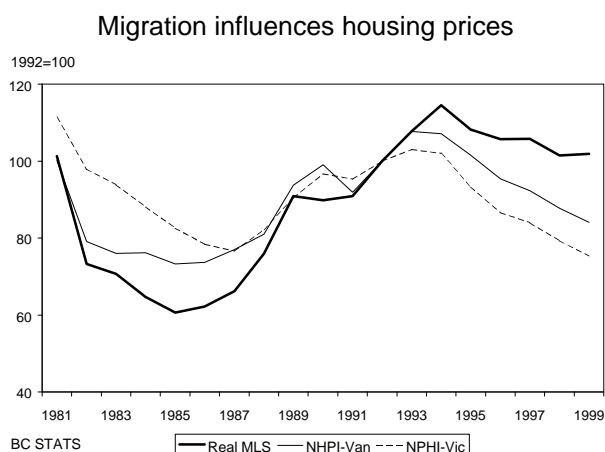


There are a variety of economic factors, which affect housing demand. Mortgage rates and housing prices have an important influence on the affordability of housing. Interest rates for the average five-year residential mortgage, which had been stable around the 7% mark for 1997, 1998 and the first half of 1999, had risen to 8.3% by the first quarter of this year. These increases along with the uncertainty of fur-

## Feature Article: Migration and Housing Demand

ther increases in the next few months have dampened the current demand for new housing.

When housing supply cannot keep pace with the demand for housing, the market compensates with price increases. On the other hand, an excess supply of housing may result in price decreases. The large changes in migration flows that have occurred over the last twenty years have played an important role in the fluctuation of housing prices.



From 1985 to 1994, the average real MLS selling price of housing in B.C. rose steadily, apart from a levelling off in 1990 and 1991. However, between 1994 and 1999 prices have fallen by 11%. The drops in the New Housing Price Index (NHPI) over the last five years for Vancouver (-21%) and Victoria (-26%) have been even larger, with the Victoria prices reaching their lowest levels since 1981. Note that the average MLS price measure reflects both changes in the price of housing and the mixture of housing being sold (e.g. shifts from sales of condominiums to sales of single-family houses would tend to offset general price declines).

Other demographic factors, which influence housing demand, include the age structure of the population and the makeup of households and families. For example, increases in the number of separations and divorces could result in an increase in the formation of new households, while increases in the number of children per family could influence the type of housing required.

The size of households and the type of housing demanded varies considerably across different parts of the province. At the provincial level, the average of 2.6 people per household has not changed between the 1991 and 1996 Censuses. However, at the regional level there have been movements in both directions. The average size of households has increased over the five year period in both the Mainland/Southwest and Northeast development regions, while in other parts of the province it has decreased or remained stable. The increase from 2.6 to 2.7 persons per household in the Mainland/Southwest is likely related to the strong growth in immigration experienced during the last few years.

### Average Number of Persons per Household

| Development Region            | 1991 | 1996 |
|-------------------------------|------|------|
| <b>Vancouver Island/Coast</b> | 2.5  | 2.4  |
| <b>Mainland/Southwest</b>     | 2.6  | 2.7  |
| <b>Thompson-Okanagan</b>      | 2.5  | 2.5  |
| <b>Kootenay</b>               | 2.5  | 2.5  |
| <b>Cariboo</b>                | 2.9  | 2.8  |
| <b>North Coast</b>            | 3.0  | 2.9  |
| <b>Nechako</b>                | 3.0  | 2.9  |
| <b>Northeast</b>              | 2.8  | 2.9  |
| <b>British Columbia</b>       | 2.6  | 2.6  |

Source: Statistics Canada, 1991 and 1996 Census of Canada.

---

## Feature Article: Migration and Housing Demand

---

There have also been shifts in the distribution of the type of housing between 1991 and 1996. At the provincial level, the share of single-detached housing fell from 58.6% in 1991 to 56.2% in 1996, while the share of all forms of multiple dwellings increased, with the relative increase being strongest for detached duplexes and row houses. Some of the shift from single houses to duplexes may reflect the addition of a secondary suite within a former single-detached house.

### Recent Feature Articles

|     |      |   |
|-----|------|---|
| Jun | 1996 | Migration and Housing Demand                          |
| Sep | 1996 | Regional Migration                                    |
| Dec | 1996 | Retirement in B.C.                                    |
| Mar | 1997 | B.C. Migration - Outlook for 1997                     |
| Jun | 1997 | Indian Reserves in British Columbia                   |
| Sep | 1997 | Where do the Young and Old Live?                      |
| Jan | 1998 | Migration and Housing Demand                          |
| Mar | 1998 | B.C. Migration - Outlook for 1998                     |
| Jun | 1998 | Mobility and Migration between 1991 and 1996          |
| Sep | 1998 | How many people were missed in the Census?            |
| Dec | 1998 | Where We Work and How We Get There.                   |
| Apr | 1999 | B.C. Migration – Outlook for 1999                     |
| Jun | 1999 | Regional Migration Outlook                            |
| Sep | 1999 | Does moving to another province increase your income? |
| Dec | 1999 | New Measures of International Migration               |
| Apr | 2000 | B.C. Migration – Outlook for 2000                     |

