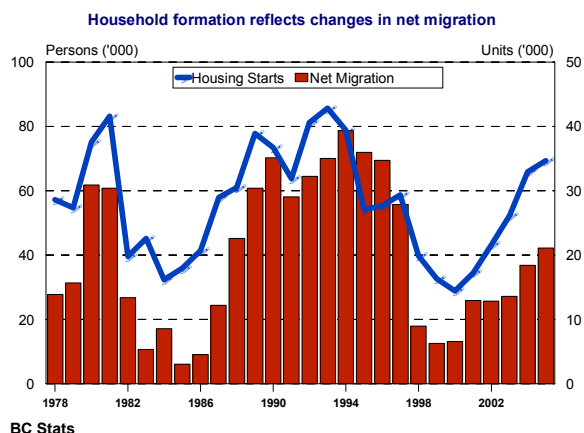


# Feature Article: Migration and Housing Demand

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The demand for housing is influenced by a number of factors that are both demographic and economic in nature. On the demographic side, the changing age structure of the population and the composition of households will influence housing requirements. Also important are economic factors such as housing prices and interest rates. Migration to British Columbia from other parts of Canada and from other countries plays an important role in the demand for housing. The levels of net migration, as well as the characteristics of migrants, affect the number and type of dwellings needed.

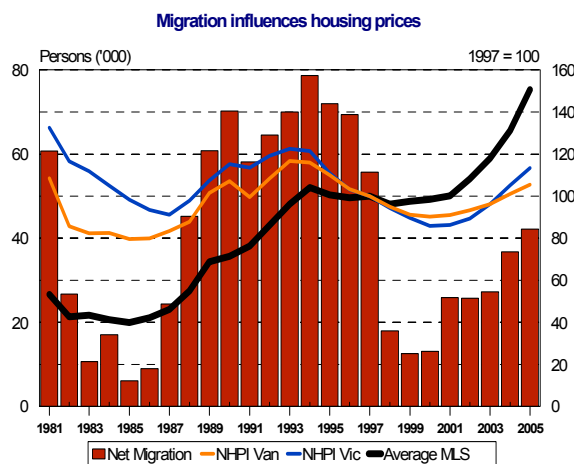


There is a fairly strong relationship between net migration and changes in the housing stock, which represents the formation of new households in the province. As net migration weakened during the first half of the eighties, housing starts dropped sharply. The subsequent strong growth in net migration up to 1994 was accompanied by increases in housing starts in most years. As migration dropped from a net inflow of almost 80,000 persons in 1994 to roughly 13,000 in 1999 and 2000, housing starts also declined from a peak of 42,800 units in 1993 to 14,400 in 2000. Net migration levels have shown some recovery since the lows of 1999 and 2000, a trend which is expected to continue well into the future. Correspondingly, housing starts also show a surge from the lows of 2,000 to 34,600 units in 2005.

There are a variety of economic factors that affect housing demand. Mortgage rates and housing prices have an important influence on the affordability of housing. Interest rates for the

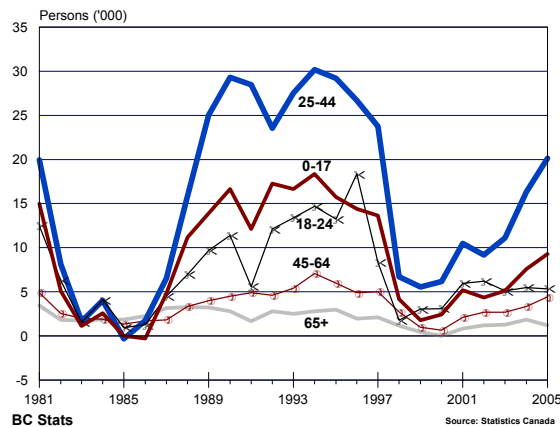
average five-year conventional mortgage have been decreasing since 2000, when they reached a ten-year high of 8.2%. The average for a five-year mortgage in 2005 was only 5.5%. The relatively low cost of borrowing is a factor in the demand for housing.

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 MLS selling price of residential housing in BC rose fairly steadily. Thereafter, prices remained relatively flat until 2001 when both net migration levels and housing prices began to climb. From 2001 to 2005 the average residential housing price in B.C. increased by 50%. During the same time period, the Vancouver New Housing Price Index (NHPI) increased by 16% while the Victoria NHPI increased by 31%. The NHPI includes only new homes while the MLS figures include both new and pre-owned properties. The looser fit of MLS to net migration levels may indicate that migration is more closely linked to the price of new homes in large urban centres than to the overall price of housing in B.C.

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. Likewise, strong net inflows of people into the province result in a significant number of new households, thereby increasing the demand for housing.



The age characteristics of migrants can affect the type of housing demand generated by these migration flows. Most migrants tend to be young. In 1991, 1996 and 2001, 80 to 85% of migrants to B.C. were under the age of 45 years. However, difficult times have a powerful effect on migration of young people (and young families). The above chart demonstrates that the downturns in the B.C. economy in the mid 1980s and the late 1990s had the most significant effect on migration of those aged 25 to 44 years. Generally speaking, people in this age group are those engaged in household formation and either first-time home buying or “trading up” as they require more space with the arrival of children. Migrants in this age group are likely to look for single detached homes, particularly if they migrate with children. Net flows of seniors remained relatively stable from 1981 through 2005, and have consistently made up a relatively small proportion of overall migration to the province.

The size of households and the type of housing demanded varies considerably across different parts of the province. At the provincial level, the

average number of people per household has declined only slightly from 2.6 in 1991 and 1996 to 2.5 in 2001. However, there has been considerably more movement at the regional level. The average size of households increased over the five year period between 1991 and 1996 in the Mainland/Southwest and Northeast regions. This 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 period. However, between 1996 and 2001, all regions showed a drop in household size.

Development Region	1991	1996	2001
Vancouver Island/Coast	2.5	2.4	2.3
Mainland/Southwest	2.6	2.7	2.6
Thompson-Okanagan	2.5	2.5	2.4
Kootenay	2.5	2.5	2.4
Cariboo	2.9	2.8	2.6
North Coast	3.0	2.9	2.7
Nechako	3.0	2.9	2.7
Northeast	2.8	2.9	2.7
British Columbia	2.6	2.6	2.5

Source: Statistics Canada. 1991, 1996 and 2001 Census of Canada.

There have also been shifts in the distribution of types of housing between 1991 and 2001. At the provincial level, the share of single-detached housing fell from 58.6% in 1991 to 56.2% in 1996 and to 54.8% in 2001. On the other hand, the share of all forms of multiple dwellings increased with the relative increase being the 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.