



The Real Estate Board of Greater Vancouver's

2024 H1 Residential Market Forecast

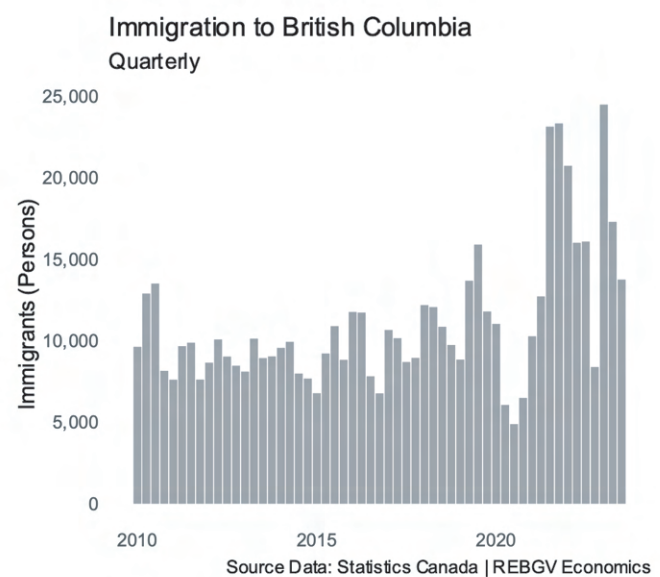
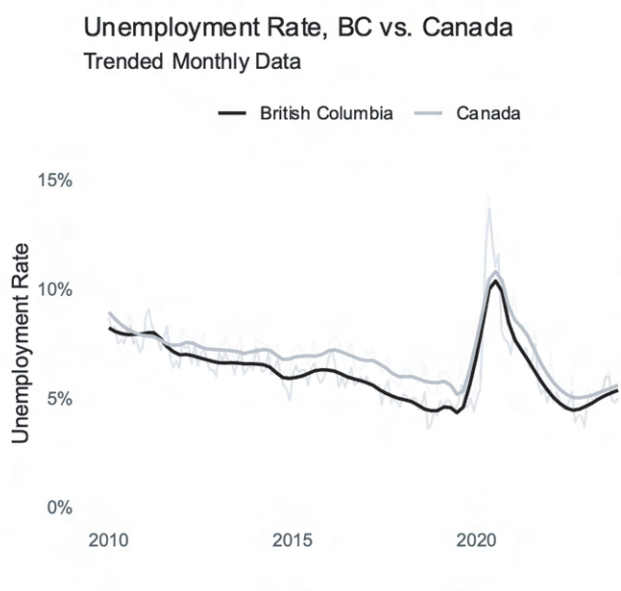


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Spring-loaded

Under the hood, 2024 is poised to be a growth year for the residential market across the Real Estate Board of Greater Vancouver's (REBGV) areas¹.

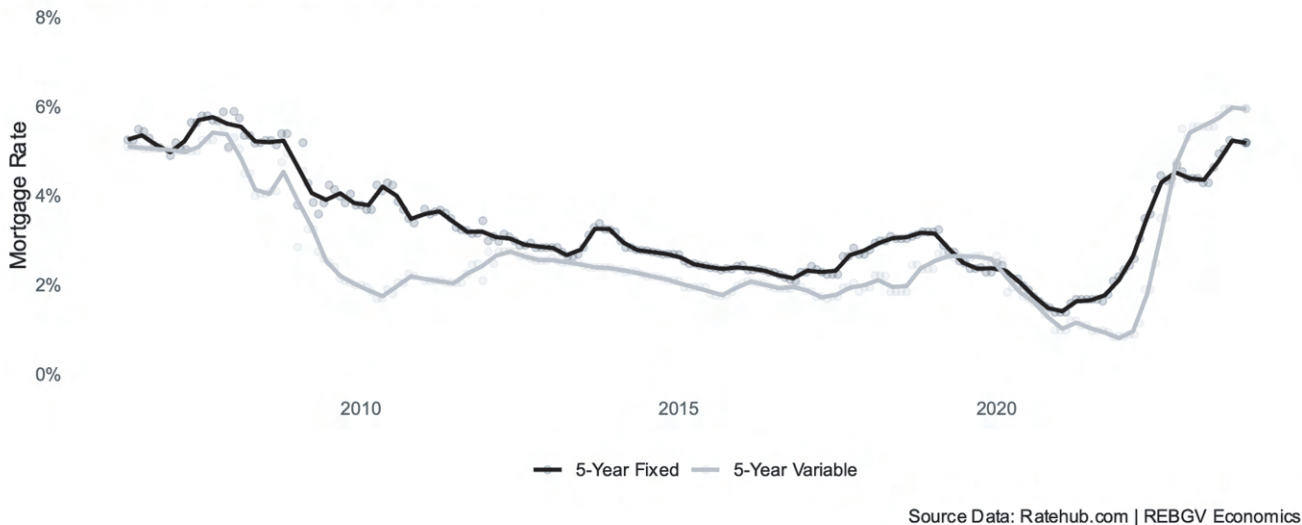
Fundamental factors that drive our market, such as household formation, population growth, and employment growth remain fairly strong despite continued concerns of potentially slower economic growth ahead.



With that said, a key ingredient that drives market participation, which many had become accustomed to over the past ten years or so, is still notably lacking at the time of publication: ultra-low mortgage rates.

¹ Areas covered by the Real Estate Board of Greater Vancouver include: Bowen Island, Burnaby, Coquitlam, Maple Ridge, New Westminister, North Vancouver, Pitt Meadows, Port Coquitlam, Port Moody, Richmond, South Delta, Squamish, Sunshine Coast, Vancouver, West Vancouver, and Whistler.

Fixed vs. Variable Mortgage Rate Trends



While inflation no longer looms as the immediate threat it was in early 2023, core measures of inflation have been declining too slowly for the Bank of Canada to consider aggressively lowering their policy rate in the short-term.

At the time of publication, bond and derivative markets are pricing in over 100bps (one full per cent) of cuts by the Bank of Canada in 2024, with about half of those cuts front loaded to the first half of the year.

Taken together, these factors have the spring and summer markets coiled and ready for a strong first half to the year.

Sales forecast

REBGV's 2023 forecast² predicted that sales across Metro Vancouver would be approximately three per cent lower than 2022, reaching 28,500 by year-end. The actual 2023 total was 26,249.

When we produced our 2023 sales forecast, inflation was still climbing. As a result, we expected that interest rates (and by extension, mortgage rates) would need to rise further to keep inflation under control.

While 2023 turned out to be a reasonably strong year, all things considered, the fact sales came in slightly below our forecast speaks to the significant impact higher borrowing costs have had on our market.

² <https://www.rebgv.org/content/rebgv-org/news-archive/will-home-sales-stay-resilient-in-the-face-of-high-interest-rate.html>

With that in mind, we believe interest rates will remain the primary wildcard for sales activity in 2024 with a few plausible scenarios:

- Rates will be reduced by a greater degree than forecasters are expecting if economic growth decelerates more than the Bank of Canada has forecast.
- Rates may remain slightly higher than forecasters are expecting if the path of economic activity remains in-line with the Banks' expectations.

In the first scenario, assuming the slowdown in economic growth remains modest and is not paired with significant job losses, a lower policy rate could bring many buyers off the sidelines into the market.

In the second scenario, we would expect a dampening effect on sales that could look a lot like what we saw in 2023 across REBGV market regions.

With these scenarios in mind, REBGV's forecast favors a 50bps (0.5 per cent) reduction in the Bank of Canada's policy rate in 2024 at minimum, which should support sales activity.

REBGV H1 - Residential Sales Forecast

Annual Totals, by Market Segment



Source: REBGV Economics

The table below summarizes our sales forecasts by market segment:

REBGV H1 Forecast - Residential Sales

Market Segment	2023 Actual	2024 Forecast	% Change
Apartment Unit	13,678	15,000	9.7%
Attached	4,793	5,000	4.3%
Detached	7,566	8,000	5.7%
Market Total ¹	26,249	28,250	7.6%

¹ Total includes Land and Multi-Family Revenue property transactions, not shown in this table.

Source: REBGV Economics

Bargain binning

Housing affordability remains a front-and-center concern for many residents across REBGV’s market regions, and the outlook for home prices in 2024 likely won’t come as welcome news to bargain hunters looking for steeply discounted properties.

Despite elevated borrowing costs, near-record-low inventory levels across all REBGV regions supported price increases in 2023, and we expect this dynamic will continue to support prices in 2024.

Residential Resale Inventory Trends, All REBGV Areas
Monthly Data, Trended



Source Data: REBGV MLS | REBGV Economics

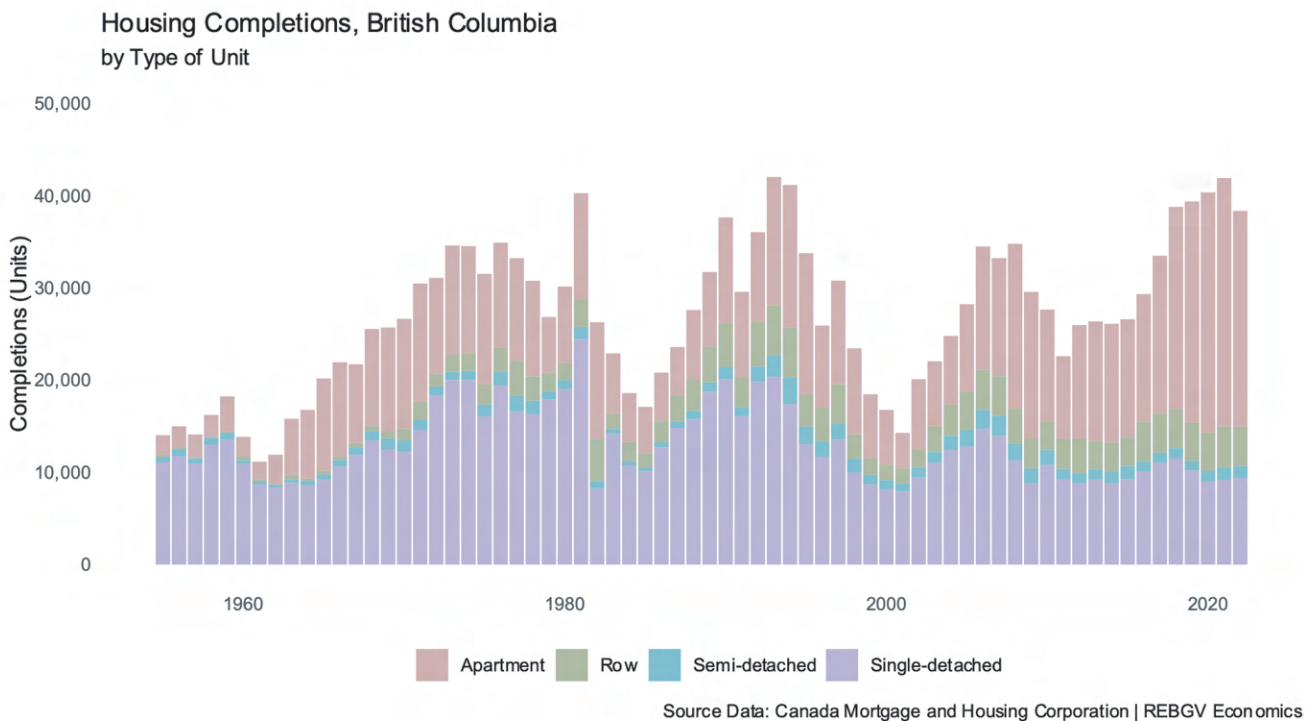
With expectations of growth for sales in 2024, near-record-low inventories will present a challenge for home buyers.

Even moderate increases in demand could lead to renewed price escalation, as the pool of willing buyers continues to exceed the stock of available homes for sale.

This is the same dynamic we observed in 2023, and since inventory levels are only slightly higher than 2023 levels at the time of publication, we do not expect this dynamic to differ significantly in 2024.

A long road to affordability

On the policy front, the BC NDP government recently announced a [raft of measures](#) aimed at boosting the supply of new homes to be constructed over the next decade, though the consensus view is that these sweeping policy changes will not have immediate impacts³ on affordability, nor the availability of new homes.



³ As represented by significant price declines, significant increases to available resale inventory, or the combination of both.

While REBGV welcomes these regulatory changes as steps in the right direction, the truth of the matter is that these policies offer little relief for first-time home buyers at present, since adding new supply at significant scale in this region will take many years⁴.

This is why REBGV lobbied the government in 2023 to increase the property transfer tax exemption threshold for first-time home buyers, among other [recommendations](#), which we believe are more likely to yield more immediate relief for those struggling to purchase a home in our region.

Home price forecasts

REBGV's 2023 forecast predicted that the average price across all product types would increase modestly, to reach approximately \$1.2m in 2023. The actual figure was \$1.24m.

While the significant increase in borrowing costs over the course of 2023 led many forecasters to speculate that prices would decline during the course of the year, our modelling work suggested the opposite.

The simple reason for this contrarian view at the time was that the availability of resale homes was too low to lead to any significant price declines.

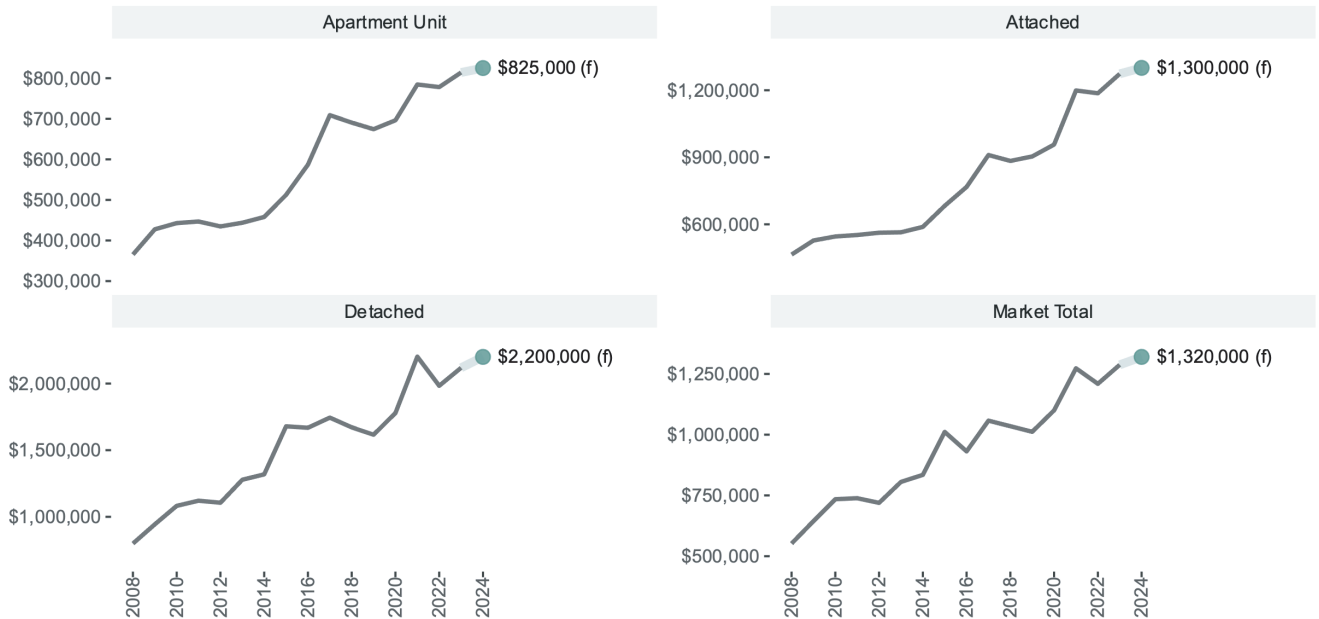
While resale inventory levels have crept upwards since the mid-point of 2023, a longer-term perspective reveals that inventory is still hovering near historic lows.

For this reason, our 2024 forecast expects prices to continue increasing modestly as increased demand brought about by lower borrowing costs butts-up against a supply-constrained environment.

⁴ It also remains a matter of academic debate as to whether these policies will, in fact, achieve their stated goals of reducing purchase prices and significantly increasing the availability of homes. The existing academic literature remains somewhat mixed on these particular issues.

REBGV H1 - Residential Average Price Forecast

At Year-End, by Market Segment



Source: REBGV Economics

The table below provides a breakdown of the price forecasts by market segment:

REBGV H1 Forecast - Residential Prices¹

Market Segment	2023 Actual	2024 Forecast	% Change
Apartment Unit	\$814,000	\$825,000	1.4%
Attached	\$1,273,000	\$1,300,000	2.1%
Detached	\$2,118,000	\$2,200,000	3.9%
Market Total	\$1,287,000	\$1,320,000	2.6%

¹ Trend component, seasonally adjusted average prices. Actuals rounded to nearest thousand.

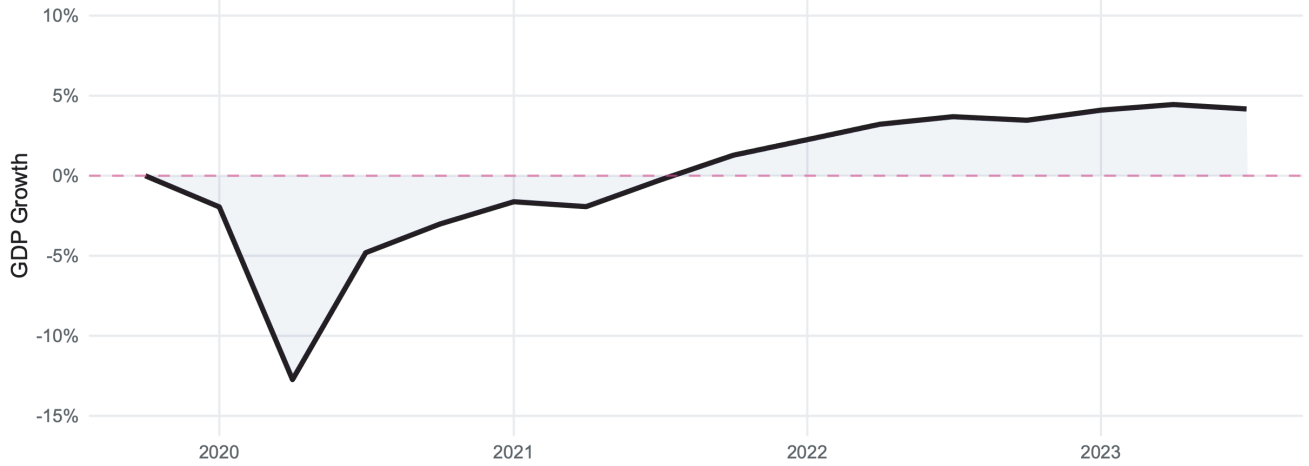
Source: REBGV Economics

Risks to the forecasts

With core measures of inflation finally receding to levels nearing the Bank of Canada's target range of one to three per cent, the risk of runaway inflation that preoccupied most of early 2023 (thankfully) now feels like a distant memory.

Offsetting this rosy picture, however, is the fact that the forces causing inflation to recede are related to slowing economic growth.

Gross Domestic Product (GDP) Growth, Canada
Growth Rate, Nominal Values, Indexed to 2019 Q3



Source Data: Statistics Canada | REBGV Economics

Despite unemployment remaining near record lows in BC and in many parts of Canada, slowing economic growth is always a worrisome trend, and one that could easily derail almost any forecast.

With various recession indicators flashing a dim yellow (instead of bright red) at present, we remain cautiously optimistic that any economic slowdown in 2024 would be modest, but our outlook also incorporates the possibility of less optimistic outcomes.

With this in mind, we believe the most reasonably foreseeable risks to the forecast at the time of publication are as follows:

Downside Risks

1. Sales could slow more significantly than forecast if the economy heads into recession, increasing unemployment, thereby reducing demand among potential buyers.
2. Valuations could be lower than forecast if a recession is accompanied by significant job losses, eliminating pools of buyers who otherwise may have participated in the market.

Upside Risks

1. Sales activity and valuations could be higher than forecast if a recession is avoided and borrowing costs fall more than expected. This would be characterized by declines greater than two per cent in fixed and variable mortgage rates from present levels (approximately five and six per cent, respectively).

About REBGV Economics

Headed by Andrew Lis, Director, Economics and Data Analytics, REBGV's Economics team focuses on delivering timely insights to members and the public through the provision of market analyses, forecasts, presentations, and other analytical products.

About this forecast

REBGV prepares an annual high-level residential market forecast twice per year, with release dates at the start of the first half (H1) and second half (H2) of the year, respectively. The initial (H1) forecast is updated in July/August (H2) to factor in the relative strength of spring market activity, as well as other economic factors that may have evolved since the initial forecast.

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The Real Estate Board of Greater Vancouver is an association representing more than 15,000 REALTORS® and their companies. The Board provides a variety of member services, including the Multiple Listing Service®. For more information on real estate, statistics, and buying or selling a home, contact a local REALTOR® or visit www.rebgv.org.

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