



Employment reaches all-time high in B.C.

The number of people employed in British Columbia increased in October to an all-time high, according to Statistics Canada's latest household survey of the labour market. An estimated 2.09 million people were employed in October, up by a barely significant 11,800 (+0.6%) from September. The provincial unemployment rate dropped to 6.9% as the labour force grew by less than employment.

The Labour Force Survey (LFS) suggests October's rise in employment was concentrated among private-sector employees and self-employed workers. The number of public-sector employees declined. October's LFS also indicates full-time jobs increased sharply, replacing many part-time jobs. Higher employment in professional, technical and scientific services as well as construction and agriculture more than offset lower employment in health-care and social assistance services.

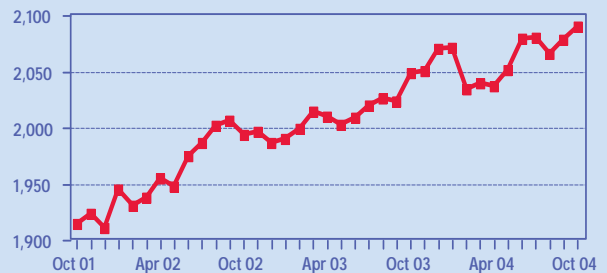
The LFS for October suggests that job gains were concentrated in the Mainland-Southwest, Thompson-Okanagan and North Coast-Nechako regions. Employment may have dipped on Vancouver Island and in metropolitan Victoria.

Regional unemployment rates in October were lowest in the Northeast, at 4.7% of the labour force. Unemployment rates were about 7% in metropolitan Vancouver and Victoria as well as in the Thompson-Okanagan, Mainland-

Record-high employment in October

B.C. Employment (Seasonally Adjusted)

Employed Persons (1,000's)



Source: Statistics Canada.

Lower unemployment rate

B.C. Unemployment Rate (Seas. Adj.)

Percent of Labour Force



Source: Statistics Canada.

Southwest and Cariboo regions. On Vancouver Island and in the Kootenays, October's unemployment rates were about 8%. The highest regional rate was the near 10% seen in the North Coast-Nechako.

Nationally, employment increased significantly in October, by an estimated 34,300 workers. Gains were divided among full- and part-time employment. Job growth was concentrated in retail and wholesale trade, construction, and professional, scientific and technical services. Employment gains in these industries more than offset declines in transportation, storage, finance, insurance and real estate services, and utilities. Job gains were concentrated among private-sector employees and self-employed workers. The national unemployment remained at 7.1% in October.

Job growth in B.C. through 2005 is likely to remain fairly strong. Credit Union Central forecasts annual average employment will rise by 2.5% this year and a further 2.7% in 2005, following a gain of 2.5% (50,000 workers) last year. B.C.'s unemployment rate is forecast to average about 7.5% in 2004 and 7.1% in 2005, following last year's rate of 8.1%.

October housing sales drop, market adjustment deepens

Housing sales declined in October after September's rebound, increasing concerns over the current market adjustment. B.C.'s three largest real estate boards all saw declines in seasonally adjusted sales from September, amounting to nearly 15% in the Real Estate Board of Greater Vancouver (REBGV), 12% in the Fraser Valley Real Estate Board, and 5% in the Victoria Real Estate Board. Sales are off their March 2004 highs by about 30% in each instance and the decline now extends seven months.

The conditions that initially triggered the current decline, namely the increase in mortgage rates between April and June, have subsided. However, the economy is in a monetary tightening phase that has seen the Bank of Canada begin to raise its policy rate, sending the prime lending rate higher in early September. Perhaps potential purchasers are giving this factor more weight than the decline in the five-year term mortgage rate from its June high. And when that is combined with the more publicized view that the Bank of Canada is widely expected to raise rates next month, many potential buyers may be opting to stay on the sidelines. However, this tactic will only be rewarding if prices decline.

This leads to another consideration. Some potential buyers may be waiting for lower prices and are ready to jump into the market when that happens or when there is more choice available. Price increases are moderating, in line with the falling demand-supply balance (sales-to-listings) in the market. More supply from both the resale market and the new construction market, combined with the current sales decline, has resulted in a substantial easing in previously tight market conditions.

September and October saw a fairly large drop in prices, the largest two-month decline since this expansion began. The REBGV's detached House Price Index (HPI) fell 2.7% in September and 1.6% in October, based on seasonally adjusted data. In dollar terms and not seasonally adjusted, the benchmark price fell to \$493,220 in October from \$504,650 in September and \$518,160 in August. The benchmark price for attached or townhouse units declined as well, to \$324,280 from \$330,520 in August. The benchmark price for apartment units was little changed.

Year-over-year HPI price increases for detached or single-family dwelling units moderated to 10.7% in October from 14.8% in September and 19.6% in August. A similar trend prevails for attached units and, to a lesser extent, apartment units.

It appears that the sales decline has more momentum behind it than previously thought. A firming in sales was expected in October but that did not materialize. Sales for this year will be lower than last year in all three board areas. A firmer sales trend is expected in the next two to four months.

Looking ahead, this market adjustment phase is not expected to develop into a market correction. The demand conditions that usually accompany market corrections (recessions) are not currently present, nor are they expected in the next year. Short-term interest rates are expected to stop rising after December and remain stable for many months into 2005. More important for the housing market are long-term rates and those are going to be fairly well behaved, in line with inflation. Employment and income growth will also support higher housing demand in the future, as will the gradual increase in migration to the province.

October sales drop, slide continues

Residential MLS Sales Trends - Greater Vancouver, Fraser Valley and Victoria Real Estate Boards

