

Housing market trends continue upward

Sales of residential properties in Greater Vancouver rose in April from March, after adjusting for normal seasonal variation. Sales in April resumed the upward trend that began in late 2000, but had declined somewhat in February and March.

New listings of residential properties continued to rise in April, on a seasonally adjusted basis. Listings are up sharply over the past three months, after growing at a slower rate than sales over the past year and a half. With listings rising more quickly than sales, the upward pressure on prices will be reduced to some degree.

The price of a typical, constant quality, residential property is up about 10% over the past 12 months in Greater Vancouver. Although most residential property markets in Vancouver have seen prices rise over the past year, inflation rates vary widely for different property types and local areas.

Province-wide, residential property market indicators are showing the same trends as in Greater Vancouver. However, the rate of price inflation increases with higher urban density and higher capital intensity. Sales are resuming their upward trend, listings are on the rise, and prices are trending upward.

We are forecasting residential property prices, sales and listings to continue rising this year in Greater Vancouver and in the overall B.C. market. Growth rates of sales and prices may ease from the rates set over the past year and a half. Low interest rates, pent-up demand, and lack of favourable returns on investment alternatives are expected to continue to boost B.C. housing market activity.



U.S. will impose softwood lumber duties

The U.S. government's International Trade Commission (ITC) voted to confirm that imports of softwood lumber from Canada threaten producers in the United States. The ITC ruling will be published on May 16, after which Canadian exports of softwood lumber will carry the U.S. imposed duties.

So-called countervailing and anti-dumping duties together will add an average of some 24% to the cost of softwood lumber produced in B.C. for export to the U.S. The anti-dumping portion of the duty varies by producer, while the countervailing portion varies by province.

Imposition of the trade duties will continue to hurt softwood lumber exports and related employment. Cedar products and coastal producers are most at risk.

One element of the latest ITC ruling did go in favour of Canadian softwood lumber producers. The ITC ruled that the imports threaten to harm U.S. producers in the future, but have not done so to this point. As such, producers in B.C. will be eligible to recoup about \$550 million in bonds they had already posted since the softwood trade action was initiated by certain U.S. producers last spring.

U.S. jobs data disappoints

A below expected jobs increase, a rising unemployment rate, and downward revisions to prior job gains added up to a rather disappointing report on the state of the U.S. labour market and economy. The economy added 43,000 jobs in April according to the preliminary estimate but March gains were revised down to -21,000 from +58,000 and February losses were revised down slightly more as well, to -4,000 from -2,000. This does not impart a high degree of confidence in April's modest gain.

April's unemployment rate was the highest since August 1994 and rose for the second straight month to 6.0%. The bulk of the increase was driven by higher labour force participation, suggesting that workers who have been on the sidelines are feeling more optimistic about their job prospects. During this past recession, the unemployment rate increase was one of the smallest on record and indicative of the brief and mild recession in 2001.

This report cinches the Federal Reserve's decision at its May 7 meeting. No rate increase will occur while the unemployment rate is rising, regardless of the near 6% first quarter real GDP growth rate. This report on the employment situation pushes off, rather than reinforces recovery in the labour market.

B.C.'s economy needs the export lift from a growing U.S. economy and this report tends to diminish that growth catalyst. Of course, the lumber duties just finalized by the U.S. will have a substantial negative impact on B.C. exports. Should Canada's April jobs report to be released next Friday mirror the U.S., the Bank of Canada would not raise rates at its June 4 meeting and B.C.'s export prospects to the rest of Canada wanes.

