

# Housing Affordability Study Northern BC—2010



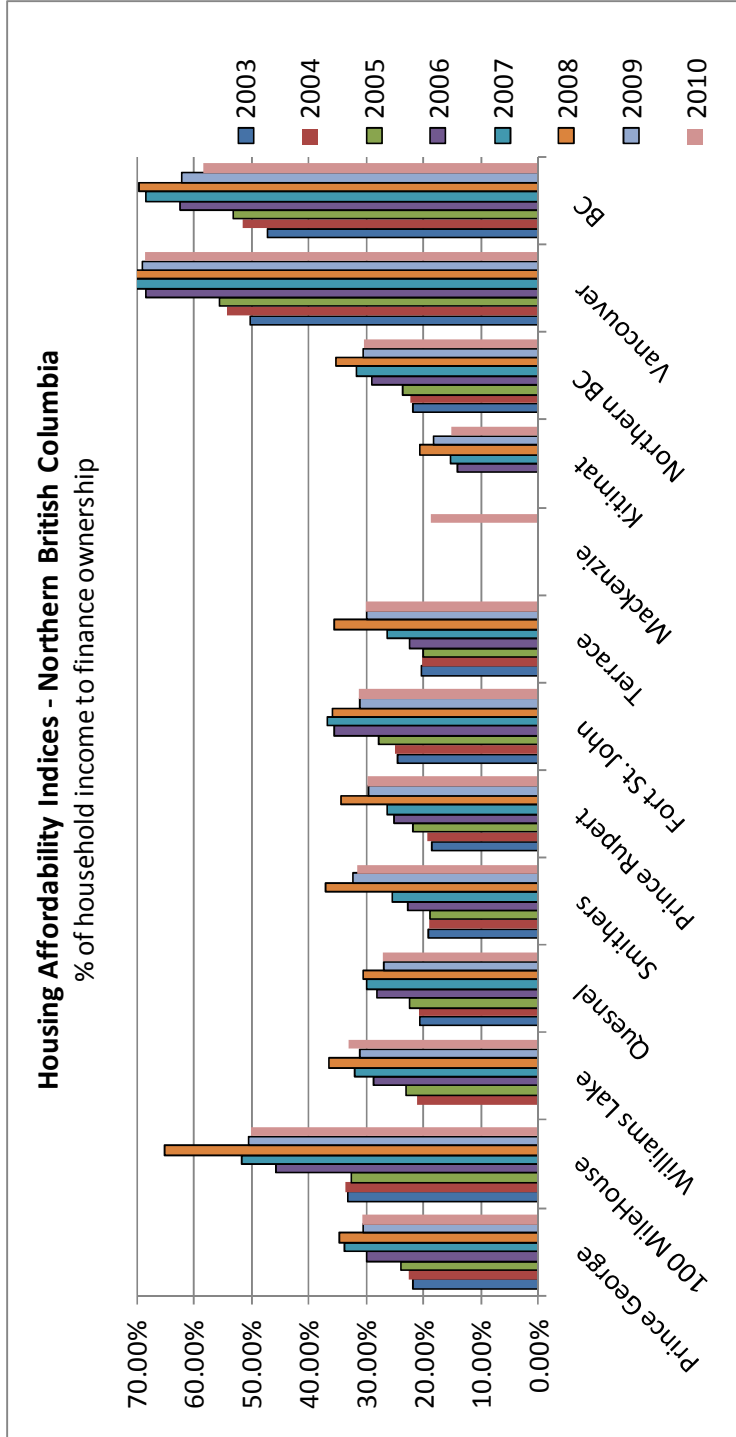
Prepared for: BC Northern Real Estate Board

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# Housing Affordability Study



**Notes:**

1. Northern BC is comprised of the: Cariboo, Bulkley Nechako, Fraser Fort George, Skeena Queen Charlotte, Kitimat Stikine, Peace River and Northern Rockies Regional Districts
2. Single detached home, Q4 2010, from the Real Estate Board of Greater Vancouver.
3. The criterion for selection for the 2010 HAI is 75 or more single family home sales per year.

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Once again, owning a home in Northern British Columbia required less than half of the proportion of household income as compared with the burden of home ownership in Vancouver in 2010. The BC Northern Real Estate Board (BCNREB) Housing Affordability Index estimates the proportion of median household income needed to cover mortgage costs, municipal taxes and fees, and utilities for single family homes. For 2010, the Housing Affordability Index for Northern BC was 30.3% compared with 68.7% for Vancouver. Historically, the largest contributor to the difference is house prices. This trend continued in 2010; the average price of a single family home sold in Northern British Columbia was about \$229,000 compared with almost \$687,000 in Vancouver.

## Affordability relief slows in the North

After finally experiencing some relief in 2009, overall housing affordability in Northern BC did not change significantly in 2010. In fact, few municipalities experienced noteworthy changes in house prices, median income, or overall affordability. Conversely, affordability in Vancouver continued to improve on 2009 levels, dropping below 69% from a recent high of 74.8% in 2008.

## Noteworthy exceptions

There were two exceptions to the ‘status-quo’ of housing affordability in Northern BC. The municipality of Mackenzie, historically not included in this HAI due to sales numbers that did not meet the threshold of the study, experienced a surge in activity in 2010. Housing sales in Mackenzie did not surpass 40 in any of the previous three years, suddenly took off in 2010, finishing the year at an unprecedented 115. The primary driver of housing sales in 2010 was the sharp increase in economic activity following an extended period of economic decline. Also of note is the town of Kitimat, which experienced a drop in the costs of home ownership from 17.7% to 15.0%, primarily due to the decline in average house prices from a high of \$170,000 in 2009 to \$143,000, slightly lower than 2006 level.

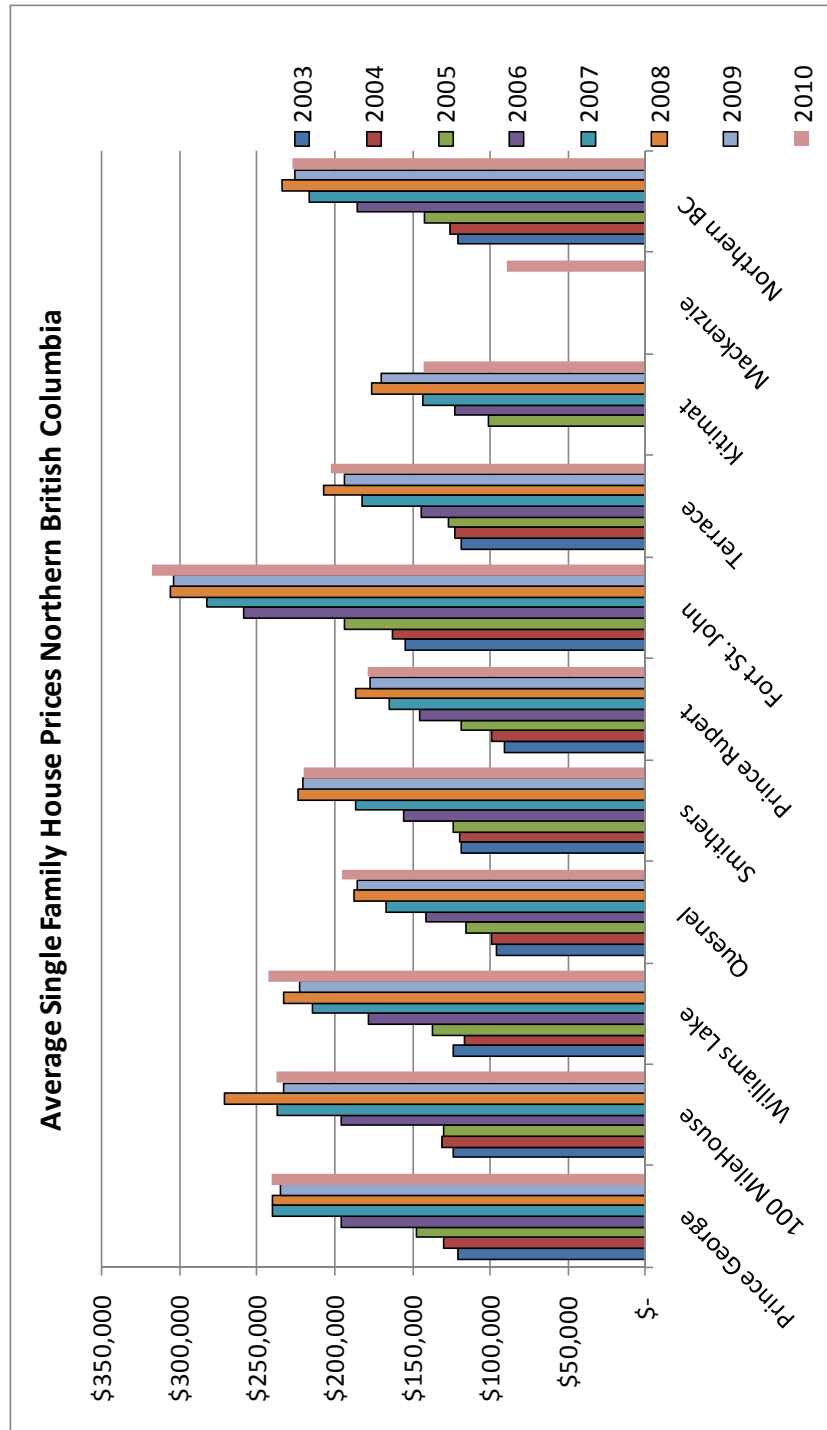
## Affordability continues to favour the North

While the affordability indices for selected communities within Northern BC show a degree of variability, all are more favourable than the index for Vancouver. Kitimat again has the most affordable HAI (15%) of the region, while home ownership in 100 Mile House, despite its great improvement, continues to consume the highest proportion (50.1%) of median household income among Northern communities. The disparity in indices stems primarily from differences in house prices and median incomes in each community. The relatively high index for 100 Mile House is a function of low reported incomes from the 2006 Census and housing prices that more than doubled since 2005. The low index for Kitimat reflects the lowest average house prices of all reported communities in Northern BC accompanied by the highest reported median income in the region, according to the 2006 Census.

## 2010 Indices—% of household income to finance ownership

Prince George	30.8%	100 Mile House	50.1%	Williams Lake	32.9%
Quesnel	27.2%	Smithers	31.5%	Prince Rupert	29.7%
Fort St. John	31.4%	Terrace	30.2%	Kitimat	15.0%
Mackenzie	18.8%				

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## Methodology

The methodology for constructing the Housing Affordability Indices for Northern BC is based on the construction of the RBC Housing Affordability Index. This index provides an indication of the relative costs of home ownership by measuring the proportion of median household income required to service the cost of local taxes and user fees, utilities and mortgage payments for the average-priced single family home on a lot less than an acre in size.

## Median Household Income

Benchmark data for median household income are sourced from the 2006 Census, which provides income information for the year 2005 by community and region. Regional data for *Northern BC* and for *Fort St. John and Area* regions required special tabulation by STATCAN. Other community median household income data are obtained from the BCSTATS website. With the exception of *Fort St. John and Area*, community median income is assumed to be representative of regional median incomes. Median household income is adjusted by the growth rate for average weekly earnings for British Columbia to estimate 2010 levels.

## Utility Costs

Benchmark data is drawn from the 2006 Survey of Household Spending for British Columbia. There is no regional breakdown of utility costs, which include water, electricity and other fuel costs. Estimates for 2010 were obtained by using growth rates for the CPI component covering water, fuel and electricity. An estimate for the growth in the Consumer Price Index for British Columbia excluding Vancouver and Victoria is calculated based on an arithmetic average for the CPI component for BC, Vancouver and Victoria. Data for these component CPIs are obtained through CANSIM from Statistics Canada.

## Community Selection

For previous years' Indices, BCNREB regions that reported 100 sales or more were identified as candidates for sub-regional indices. Due to declining sales, and given the distribution and variability of price data, a minimum threshold of 75 sales was deemed appropriate for the 2010 Index.

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## Municipal Taxes and User Fees

Data for municipal taxes and user fees was obtained from the Ministry of Community Development Local Government Statistics. An estimate of municipal taxes was calculated by applying the residential tax rate to the average sale price for the region. Tax rates for the Fort St. John and Area region and for Northern BC are calculated as weighted averages based on total sales. Tax estimates do not account for the Homeowners' Grant available in British Columbia. Representative user fees for most areas are drawn directly from the data. User fees for the Fort St. John area and for the Northern BC composite are based on a weighted average of house sales.

## Other Costs

Other costs that may be incurred in the purchase of a home include:

Lawyer or Notary Fees & Expenses	Home/Property Inspection
- searching title	Fire Insurance Premium
- investigating title	Sales Tax (if applicable)
- drafting documents	Property Transfer Tax
Land Title Registration fees	Harmonized Sales Tax
Survey Certificate and/or Title Insurance	Well test
Costs of Mortgage, including:	Septic test
- mortgage company's Lawyer/Notary	

## House Prices

Average house prices for each region are derived from the BCNREB MLS® database system. The representative house is defined as a detached single family dwelling on a lot size of 1 acre or less.

## Mortgage Costs

Mortgage costs are based on the average house price, with 25% down and amortization over 25 years at a 5 year fixed mortgage rate. The mortgage rate is based on Bank of Canada monthly data for a 5 year conventional mortgage.

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## About the BC Northern Real Estate Board

The 400 members of BCNREB live and work in the area shown on the map on the cover page of this document.

The BCNREB is a non-profit society that serves its members and promotes the highest standards of professionalism. The members are licensed to sell real estate in BC and when accepted to membership become REALTORS®. This trademark indicates that the individual has pledged to abide by the REALTOR® Code of Ethics.

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## About the Author

Rory Conroy, a long-time resident of Prince George, currently resides in Vancouver. He graduated from the University of Northern British Columbia with a Commerce degree in 2002.

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Leslie Lax, BA, MA(Econ), constructed the Housing Affordability Index for Northern BC for the first 4 years. The current writer acknowledges the assistance of Mr. Lax.

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The Housing Affordability Indices for Northern BC are based on the methodology used to construct the RBC Financial Group Housing Affordability Index. The valuable assistance received from staff at RBC Financial in developing the regional indices for British Columbia is gratefully acknowledged. Any errors, however, remain the responsibility of the author.

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