

# Housing Affordability Study Northern BC



Prepared for: BC Northern Real Estate Board

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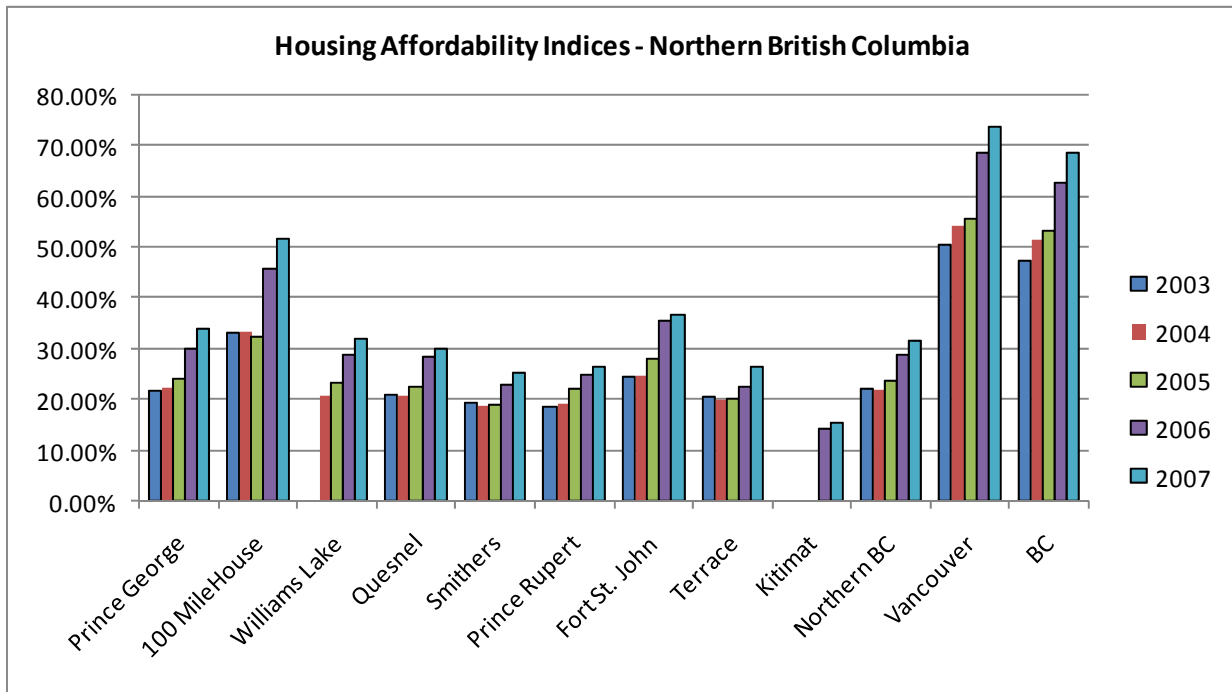
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# Housing Affordability Study

Rising prices made housing less affordable in Northern BC in 2007. Since 2004, average house prices have increased 72.6%, yet owning a home in Northern BC consumes a much smaller portion of household income than it does anywhere else in the province, especially Vancouver, where the burden of home ownership is substantial. According to the 2007 Housing Affordability Index (HAI), the average proportion of income committed to home ownership in Northern BC was 31.7% whereas 73.8% of income was necessary to own a home in Vancouver, and the provincial average HAI is 68.5%. The HAI estimates the proportion of pre-tax median household income required to cover mortgage costs, municipal taxes and fees, and utilities for single-family homes. Simply put, the typical Vancouver household devotes almost 74% of its pre-tax income to home ownership, while the typical household in Northern BC spends just under 32% of its pre-tax income on home ownership. By far, the largest contributor to the variance in affordability is relative house prices. This considerable difference persists despite the growth in average house prices of 72.6% across Northern BC since 2004.



<sup>1</sup> The criterion for community selection is 100 or more single family home sales per year. The HAI was not estimated for Williams Lake for 2003 as the community had fewer than 100 sales in that year. Kitimat achieved the sales threshold in 2006.

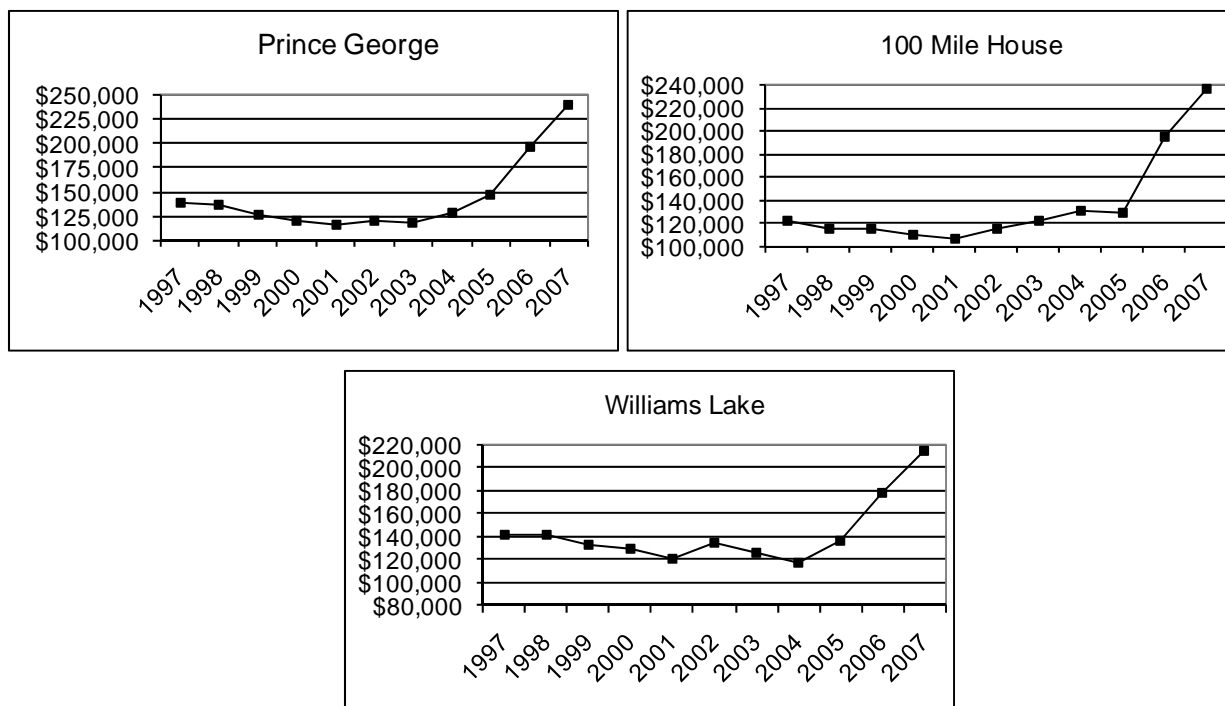
<sup>2</sup> Northern BC is comprised of the Cariboo, Bulkley-Nechako, Fraser-Fort George, Skeena-Queen Charlotte, Kitimat-Stikine, and Peace River regions. (See map on cover page.)

<sup>3</sup> The indices for Vancouver and BC reflect 2007 Q4 estimates for detached bungalows from RBC's March 2008 Housing Affordability report.

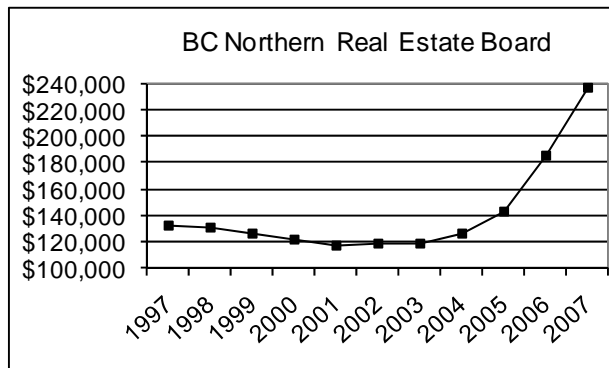
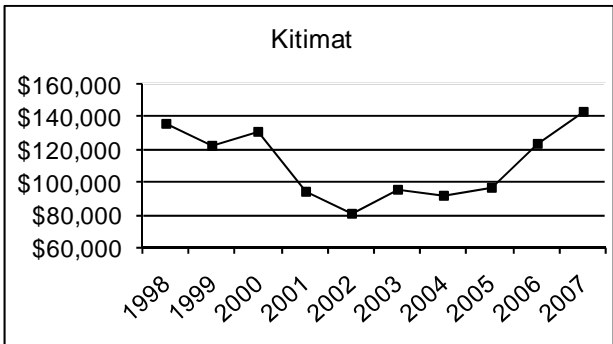
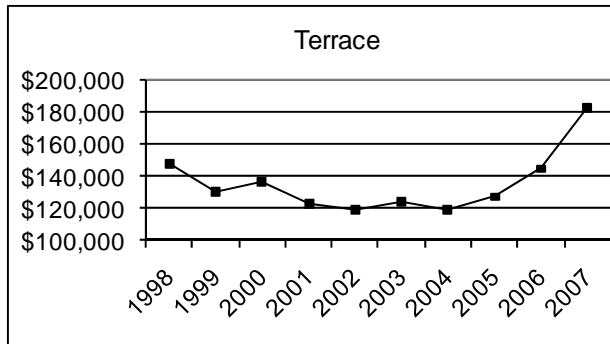
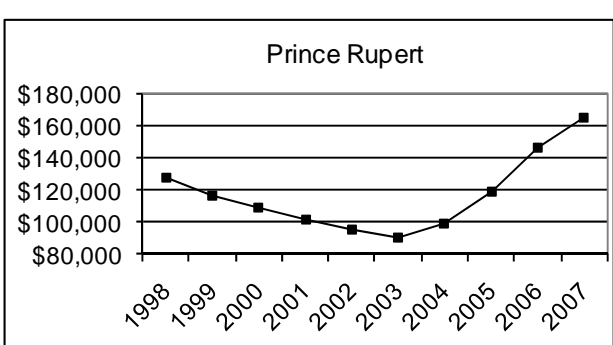
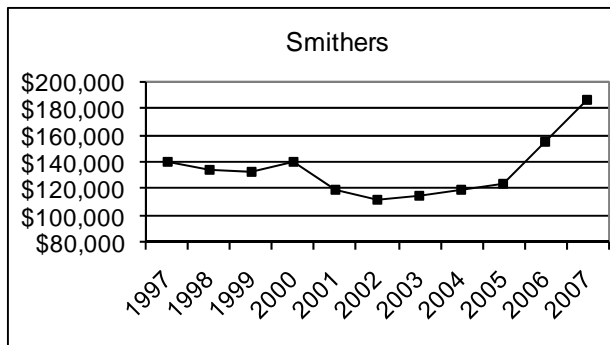
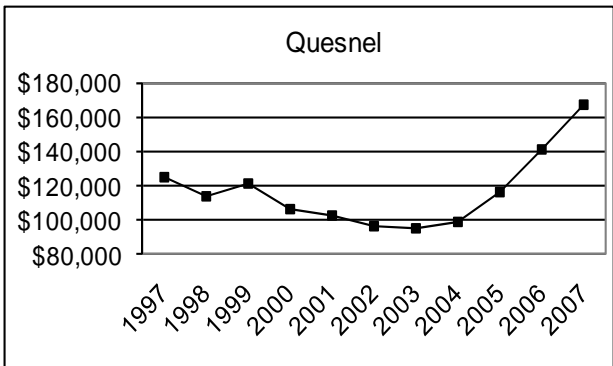
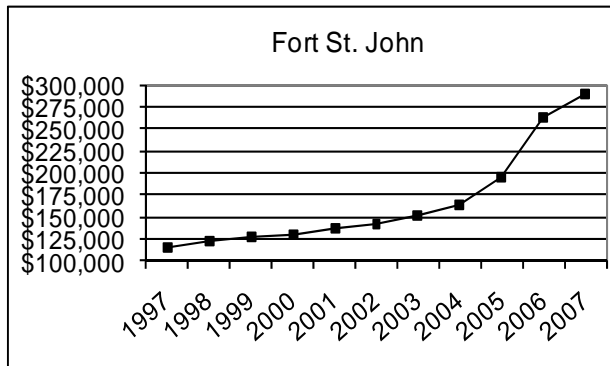
# Housing Affordability Study

The five-year period from 2003 through 2007 has exhibited a general upward trend in the HAI as house prices increase at a faster rate than household income. That is, ever-increasing house prices coupled with relatively slower income growth drives the typical household to allocate an ever-increasing portion of their income to support the cost of home ownership. The majority of regions reviewed, including Vancouver and the BC average, showed significant annual increases in the index over the last five years. However, the indices of the communities selected for this study continue to be significantly more favourable than the index for Vancouver or for the province as a whole. Kitimat has the most affordable HAI (15.4%) of the region, while home ownership in 100 Mile House consumes the highest proportion (51.8%) of median household income. 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 2001 Census and housing prices that soared more than 82% 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 2001 Census.

## December Year-to-Date Residential Detached Averages Selected Communities



# Housing Affordability Study



# Housing Affordability Study

## 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 drawn from the 2001 Census which provides income information for the year 2000 by community and region. Regional data for northern BC and for the Fort St. John and Area region required special tabulation by STATCAN. Other community median household income data was obtained from the BCSTATS website. With the exception of the 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 2007 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 2007 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.

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## Municipal Taxes and User Fees

Data for municipal taxes and user fees was obtained from the Ministry of Community Services. An estimate of municipal taxes is 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.

## House Prices

Average house prices for each region are derived from the BCNREB MLS® database system. The representative house is defined as a 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.

## Community Selection

BCNREB regions that reported 100 sales or more were identified as candidates for sub-regional indices. Given the distribution and variability of price data a minimum threshold of 100 sales was deemed appropriate.

# Housing Affordability Study



## About the BC Northern Real Estate Board

The 430 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.



## About the Author

Rory Conroy is a long-time resident of Prince George and 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 past 4 years. The current writer acknowledges the assistance of Mr. Lax.



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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