

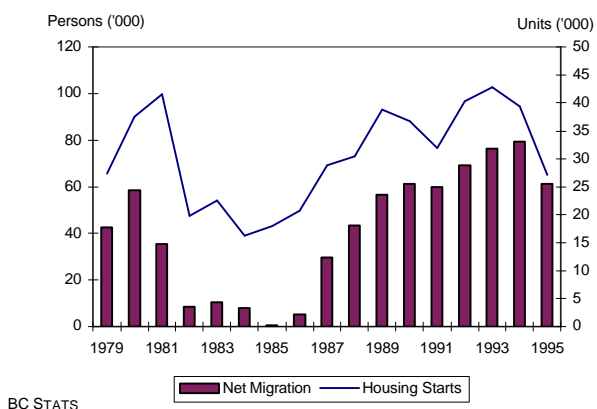
Feature Article: Migration and Housing Demand

Summary

The demand for housing is influenced by a number of factors that are both demographic and economic in nature. On the demographic side, population migration, the changing age structure of the population and the composition of households will influence the demand for housing. Economic factors such as housing prices, interest rates and wage rates will also influence housing demand.

Migration to British Columbia from other parts of Canada and from other countries plays an important role in the demand for housing. There is a fairly strong relationship between net migration and changes in housing, which represents the formation of new households in the province. As net migration weakened during the first half of the eighties, housing starts dropped sharply. The subsequent strong growth in net migration up to 1994 has been accompanied by increases in housing starts in most years. As migration slowed in 1995, housing starts dropped to 27,100 units from the peak of 42,800 in 1993.

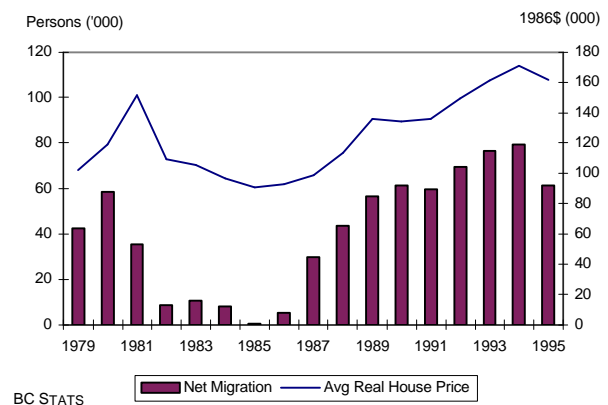
Household formation reflects changes in net migration



Other demographic factors which influence housing demand include the age structure of the population and the makeup of households and families. For example, increases in the number of separations and divorces could result in an increase in the formation of new households.

There are a variety of economic factors, which affect housing demand. When housing supply cannot keep pace with the demand for housing, the market compensates with price increases. From 1985 to 1994, the average real selling price of housing in B.C. rose steadily, apart from a levelling off in 1990 and 1991. However, in 1995 there was a drop of 5.5% in housing prices, as the demand for housing eased, and the vacant housing stock grew by 15%. This is the first time since 1991 that there has been a significant increase in the number of vacant units.

Housing prices are influenced by migration



The preceding chart illustrates the strong relationship between net migration and real housing prices. Since 1979 movements in housing prices have followed very closely

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the movements in net migration to the province. The 23% decline in net interprovincial and international migration in 1995 had a major impact on the demand for housing and housing prices fell back to their

1993 level. Thus, current and future trends in migration to the province provide important information to those interested in housing demand and prices.

