

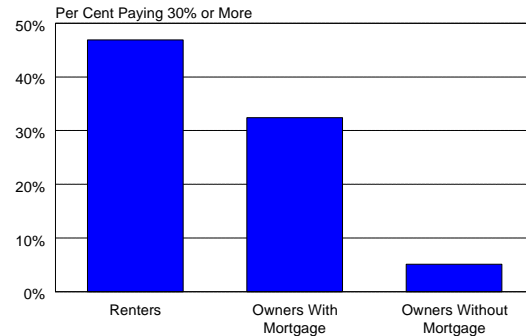
Business Indicators ♦ July 1998

Almost 30 Per Cent of British Columbians Have Housing Affordability Problems

According to the most recent Census, 29.2 per cent of British Columbia households had affordability problems in 1996. As a general rule, households are considered to have affordability problems if more than 30 per cent of household income is spent on housing costs. At that level of spending it is likely that inadequate funds will be available for other necessities, such as food, clothing and transportation.

Renters are more likely to spend 30 per cent or more of their household income on housing than are homeowners. In 1996, in British Columbia, 47 per cent of renters were in this category, compared to only 20 per cent of homeowners. This is up from approximately 40 and 14 per cent respectively in the 1991 Census. The difference between renters and homeowners is less extreme when homeowners without mortgages are omitted. Over 32 per cent of homeowners with a mortgage spent at least 30 per cent of their household income on housing, but only 5 per cent of homeowners without a mortgage spent that much.

Renters in BC are more likely than owners to be spending 30 per cent or more of their income on shelter

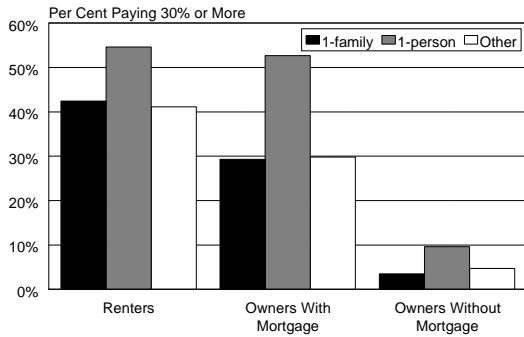


Source: 1996 Census

With respect to average monthly cost of housing, renters actually spend less than homeowners. The average cost was \$799 for homeowners, versus only \$704 for renters. However, due to a lower average household income, renters are still more likely to experience affordability problems. The average income of a renter household was only \$33,901, compared to \$59,939 for a homeowner household.

People who lived alone were the most likely to spend more than 30 per cent of their income on housing. Over half the renters and half the homeowners with a mortgage who lived alone were in this category. Overall, about 41 per cent of people who lived alone spent at least 30 per cent of their income on housing. By comparison, less than 30 per cent of households as a whole were in the same bracket.

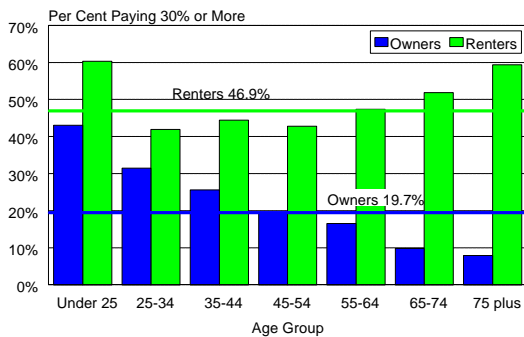
One-person households are most likely to spend 30 per cent or more of their income on shelter



Source: 1996 Census

Affordability of housing differs by age group as well, with younger people having more affordability problems than older people. Over 60 per cent of renters and 43 per cent of homeowners under the age of 25 spent 30 per cent or more of their household income on shelter. This is compared to an average of approximately 47 per cent of all renters and 20 per cent of all owners. For homeowners, the affordability problem diminishes with age as mortgages are paid off, but for renters the affordability gap is much smaller between age groups, and actually increases for renters over 65.

Younger people and elderly renters are more likely to pay 30 per cent or more of their income on shelter

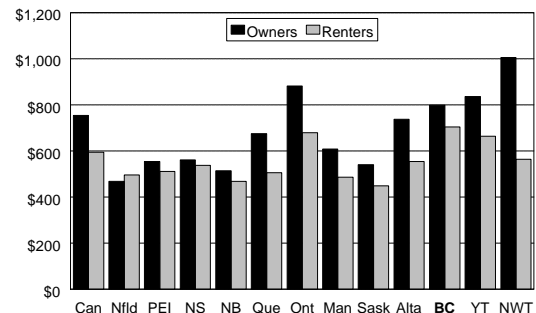


Source: 1996 Census

Housing in British Columbia was more expensive, on average, than in Canada as a whole. Average monthly shelter costs in British Columbia for both

homeowners and renters were above the Canadian average. For homeowners, BC was behind only Ontario and the Territories in terms of average monthly costs. For renters, BC was the most expensive of all provinces and territories in 1996. Costs for homeowners ranged from a high of \$1,006 per month in the Northwest Territories, to a low of \$469 in Newfoundland, while BC had an average of \$799 per month. For renters, British Columbia's average of \$704 per month was the high end, while renters in Saskatchewan enjoyed the lowest costs for shelter at \$449 per month. British Columbia had the highest proportion of homeowners with a mortgage spending more than 30 per cent of their household income on shelter, and only Nova Scotia had a higher proportion of renters in this category.

BC is above the Canadian average in average monthly shelter costs



Source: 1996 Census

Within British Columbia there are also regional disparities with respect to housing affordability. For homeowners, the proportion of households paying 30 per cent or more of their income on shelter ranged from a high of 23.2 per cent for the Greater Vancouver Regional District, to a low of 6.5 per cent for the Central Coast. For renters, the range was from a high of 55.3 per cent

in the Nanaimo Regional District to a low of 8.9 per cent in the Stikine region.

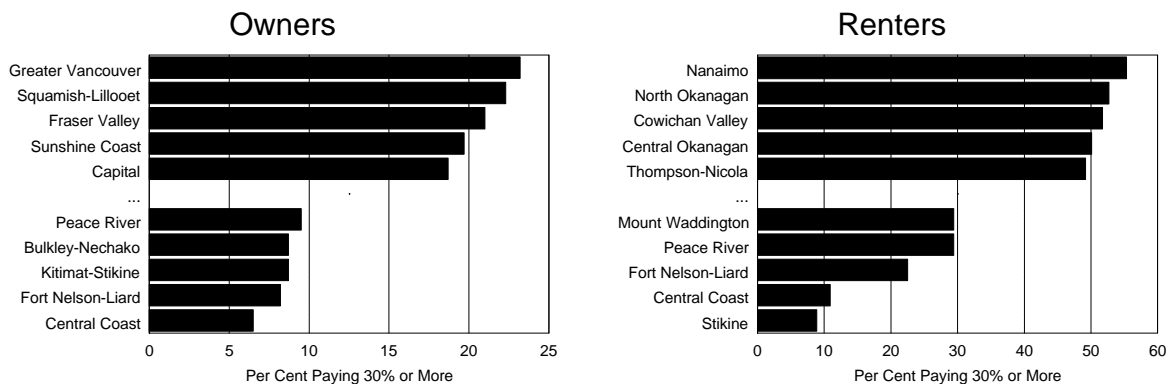
There is a clear tendency toward greater affordability problems in urban areas over rural areas. This is due, for the most part, to the higher cost of living in these urban areas. The high population growth rates that the urban areas of British Columbia have experienced over the last decade have resulted in higher demand for housing, and as a consequence, higher housing costs. This in turn meant that home buyers were saddled with higher mortgages, and renters experienced higher rents.

Since 1996 there have been some key events that have led to improvement in household affordability in British Columbia, and have likely reduced the number of people who are experiencing affordability problems. Falling interest rates have had a considerable effect on housing affordability. Conventional five-year mortgage rates have dropped 155

basis points (i.e., 1.55 percentage points) from May 1996 (at the time of the Census) to May 1998. This decline in the cost of borrowing has probably been the single most significant reason for improved housing affordability in British Columbia, and across Canada.

In addition to falling interest rates, the price of housing in the province has declined as well. According to the Canadian Real Estate Association, the average price of residential housing in British Columbia has fallen over three per cent from May 1996 to May 1998 (from \$223,195 to \$216,017). However, despite this decline in housing prices, British Columbia still has the least affordable housing in the country. According to the Royal Bank, the monthly cost of an existing detached bungalow represents 41.9 per cent of household income. This is well over the 30 per cent benchmark that represents affordability.

There is a significant regional disparity in British Columbia with respect to housing affordability



Source: 1996 Census

It is unlikely that current prices are sustainable in light of the current economic conditions in the province. There will

likely continue to be a slowdown in migration to the province until British Columbia's major export markets such as

Japan get over the effects of the “Asian flu” and lumber and metal markets see some improvements. This will reduce the demand for housing and should re-

sult in more price declines, not only for owners, but for renters as well, which will in turn improve housing affordability in the province.

Regional Shelter Costs in British Columbia, 1996

Regional District	Average Gross Rent (\$)	Average Owner's Major Payments (\$)	Per Cent Spending 30% or More on Shelter	
			Renters	Owners
Alberni-Clayoquot	544	594	46.3%	13.6%
Bulkley-Nechako	504	586	33.9%	8.7%
Capital	713	799	47.8%	18.7%
Cariboo	535	589	40.0%	12.9%
Central Coast	461	445	10.9%	6.5%
Central Kootenay	543	490	48.4%	13.0%
Central Okanagan	695	709	50.1%	17.3%
Columbia-Shuswap	547	527	41.4%	14.1%
Comox-Strathcona	622	652	45.7%	15.6%
Cowichan Valley	617	640	51.7%	14.9%
East Kootenay	533	559	43.4%	10.0%
Fort Nelson-Liard	748	777	22.5%	8.2%
Fraser Valley	661	797	48.1%	21.0%
Fraser-Fort George	628	747	43.5%	11.5%
Greater Vancouver	754	942	46.0%	23.2%
Kitimat-Stikine	569	644	31.0%	8.7%
Kootenay Boundary	484	520	47.3%	12.5%
Mount Waddington	546	631	29.4%	9.7%
Nanaimo	656	674	55.3%	18.4%
North Okanagan	609	629	52.7%	16.2%
Okanagan-Similkameen	571	548	48.5%	14.1%
Peace River	557	615	29.4%	9.5%
Powell River	557	542	47.8%	12.7%
Skeena-Queen Charlotte	578	727	30.8%	11.3%
Squamish-Lillooet	795	914	40.1%	22.3%
Stikine	499	280	8.9%	10.6%
Sunshine Coast	601	679	47.1%	19.7%
Thompson-Nicola	616	666	49.2%	14.2%
British Columbia	704	799	46.9%	19.7%

Notes:

Owner's major payments refers to the total average monthly payments made by owner households to secure shelter.

Income is the 1995 total household income, where household income is the sum of the total incomes of all members of that household.

Source: 1996 Census