ISSUE NO. 4 • SPRING 2025

REAL ESTATE INSIGHT FROM FVREB

FRASER VALLEY REAL ESTATE BOARD

LOCUS

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LOCUS

From Latin, "locus" refers to a place, a spot; a specific location – from which we derive the present-day mantra of REALTORS®. LOCUS is the Fraser Valley Real Estate Board's flagship publication, giving public voice to its perspective on housing and real estate issues.

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FVREB LOCUS is published by the Fraser Valley Real Estate Board, which represents 5,234 REALTORS® who serve communities in the Fraser Valley including Abbotsford, Langley City, Langley Township, Mission, North Delta, Surrey, and White Rock. We invite and welcome your feedback—please send letters, comments or suggestions to fvreblocus@fvreb.bc.ca

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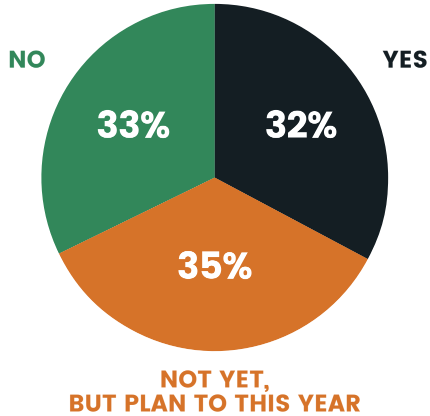
POLL

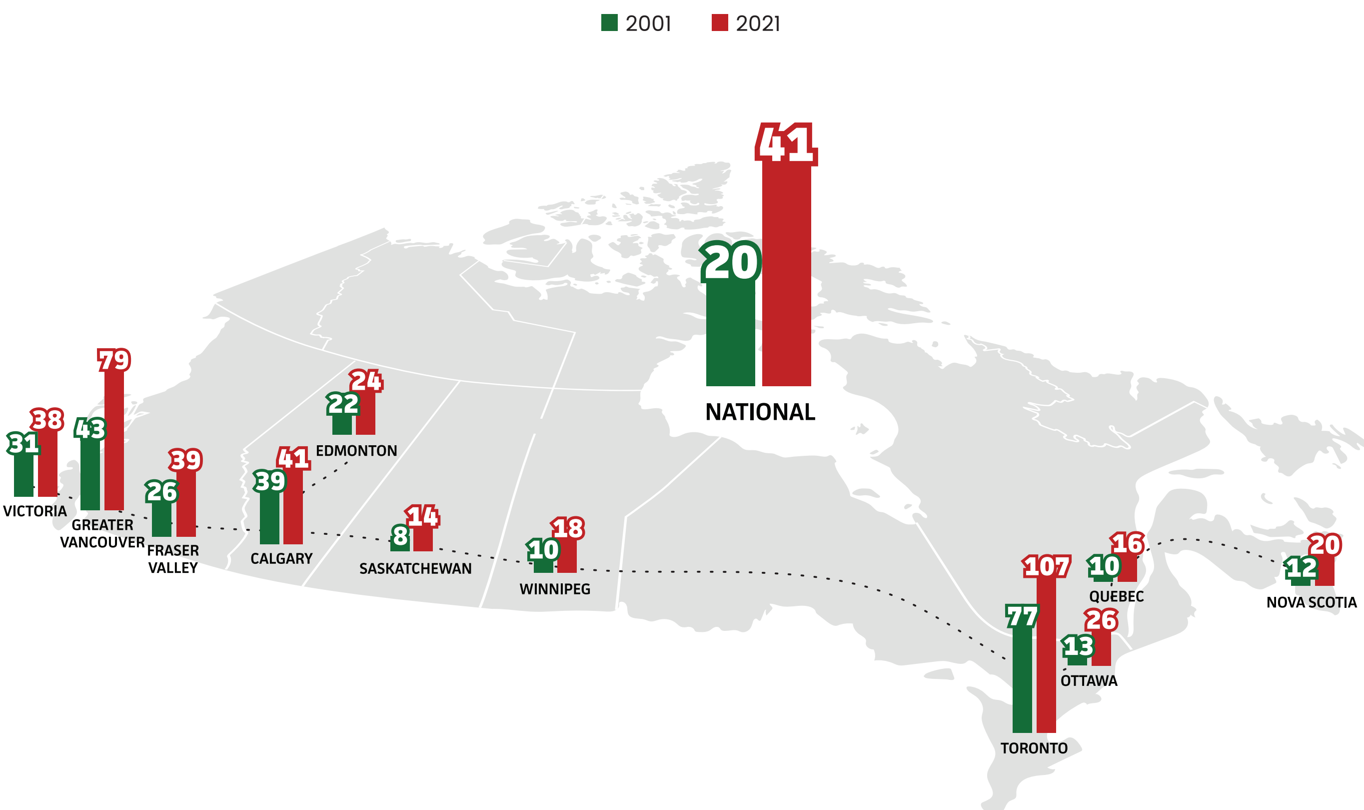
HAVE YOU ADOPTED AI TOOLS INTO YOUR BUSINESS PRACTICE?



Poll conducted among FVREB REALTORS® between January 13 and January 17, 2025. Results based on 521 responses.

AT YOUR SERVICE

NUMBER OF REALTORS® PER 10,000 POPULATION



Sources: Statistics Canada, Canadian Real Estate Association, Fraser Valley Real Estate Board, Greater Vancouver REALTORS®, Toronto Regional Real Estate Board, Calgary Real Estate Board, Quebec Professional Association of Real Estate Brokers, Nova Scotia Association Of REALTORS®, Saskatchewan REALTORS® Association, Victoria Real Estate Board, Ottawa Real Estate Board, Winnipeg Regional Real Estate Board, REALTORS® Association of Edmonton. Note: 2001 data for Saskatchewan, Toronto and Quebec are based on estimates.

The Work Before Us

By Baldev Gill

The government's housing crisis strategy kicked into high gear nearly 18 months ago with key legislation to address housing supply shortfalls. Will it be enough to set us on a path towards attainability? As Langley Township Mayor Eric Woodward points out in this issue's interview (p. 8), it's too early to tell. Whatever progress is to be made, the brunt of the work to make it happen will fall to municipalities like Langley Township and others across the province who are on the hook to achieve density and fulfill quotas to meet governments targets and expedite solutions to problems that have been years in the making.

While in agreement with government about "what" needs to be done, Mayor Woodward is less aligned with "how" to get there. For him and many of his mayoral counterparts, the prescriptive, one-size-fits-all methodology of the province's strategy fails to take into consideration the unique strengths of each community and disrupts work that is already underway and has been for some time. Woodward's advice: let the province focus on what they're responsible for—financing or BC Housing for example—and let cities do their work, with actual consultation and real collaboration.

Regardless of the right approach, there's no question that supply targets are ambitious—but necessary. Langley Township's Interim Housing Needs Report calls for 43,000 housing units to be in place over the next 20 years to accommodate expected growth. And that's just one municipality. By some estimates, British Columbia is expected to have a shortfall of up to 600,000 units by 2030, and the Canadian Mortgage and Housing Corporation estimates we will face a shortage of 5.8 million homes nationally over the same time frame.

The real challenge will be finding an economic solution that permits building on such a scale while protecting affordability, an increasingly steep ask against the backdrop of a protracted trade war that will impact already rising materials and labour costs. If necessity is the mother of innovation (apologies to "invention"), then perhaps we might look to the emerging off-site construction field to provide the innovative solutions. Offsite construction—modular, pre fabrication, etc.—offers lower costs, quicker time to production and the added benefit of a smaller environmental footprint. Plus it has the attention of more and more MPs (p. 20). It is probably a safe bet to see this sector scale up in the coming years.

Whatever the solution, supply increases can't come quick enough to take pressures off affordability. As the country gears up for a federal election during a tenuous time for our economy, the provinces will look to Ottawa for critical support—the same way the 5,200-plus members of the Fraser Valley Board will look to our own newly-elected Board of Directors for leadership and guidance.

Baldev Gill is CEO of the Fraser Valley Real Estate Board

TRENDING

If They Come, Will We Build It?

Despite knowing early on that housing construction was not keeping pace with Canada's population growth, the federal government continued to pursue aggressive immigration targets, particularly among non-permanent residents. The resulting demand pressure on housing sent prices and rents out of reach for many Canadians.

Net Non-Permanent Resident Inflow 2014–2024

2024 *(to Q3)*	+319,506
2023	+820,766
2022	+551,544
2021	+77,538
2020	-96,066
2019	+189,781
2018	+154,917
2017	+138,034
2016	+88,722

Increase in Average Rents 2016–2024

Canada	+ 51%
British Columbia	+ 59%
Alberta	+36%
Saskatchewan	+32%
Manitoba	+43%
Ontario	+52%
Quebec	+54%
New Brunswick	+67%
Nova Scotia	+64%
PEI	+40%
Newfoundland & Labrador	+28%

Source: Statistics Canada, Canada Housing & Mortgage Corporation

INSIGHT

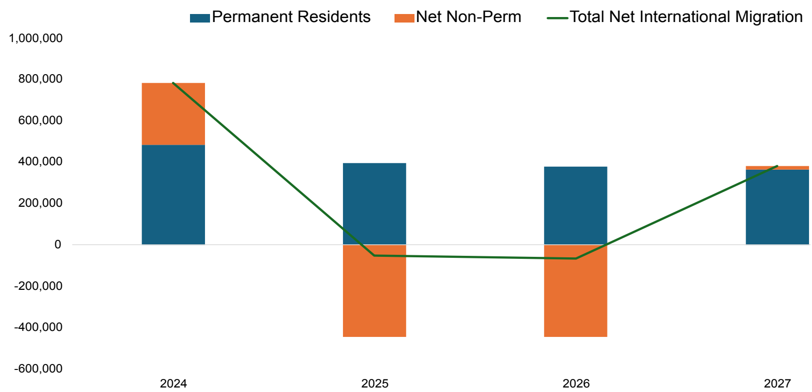
As We Go Up, We Go Down: The Changing Tides of Immigration in Canada

By Brendon Ogmundson

In 2022, the Canadian government sought to boost population growth by dramatically raising its target for permanent residents to Canada from 300,000 people per year to 500,000 people per year in a clunky attempt to fix a short-term problem - labour shortages - with a long-term solution. Lost in the shuffle, however, were the inflows of non-permanent residents, mostly the temporary foreign workers and international students that come to Canada without the goal of necessarily staying long-term or becoming a citizen. Also missing from that plan was any strategy to mitigate the consequent pressure on housing, particularly the massive influx in demand for rental units. As a result, rent prices across Canada soared, and now the Canadian government is aiming to engineer the largest decline in the Canadian population since the Confederation of Canada in 1867. This ambitious goal could have significant implications for the BC economy and housing market, though probably less so for the ownership market.

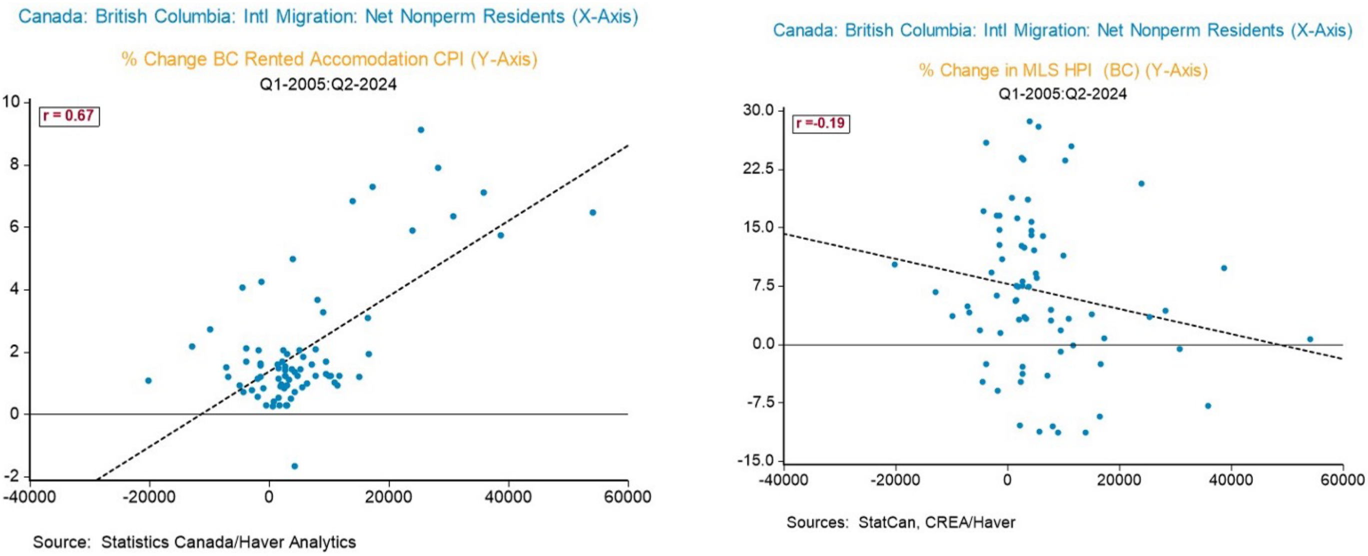
Since 2021, the population of BC has grown by an astonishing 546,000 people. Because BC has very little organic population growth (e.g. births minus deaths), nearly all of that population growth comes via immigration. Indeed, immigration is what makes our economy run and what makes BC the wonderfully multicultural society we all enjoy. However, virtually all agree that population growth in the past few years has far exceeded what might be sustainable or desirable in the short-run, and perhaps far too much of our population growth is due to an influx of non-permanent residents, typically comprised of international students and temporary foreign workers.

REVERSING FIELD ON IMMIGRATION TARGETS



Source: Government of Canada

PLANNED OUTFLOW OF NON-PERMANENT RESIDENTS



Source: Statistics Canada / Haver Analytics

Indeed, non-permanent residents accounted for close to 60% of total international immigration since 2021, double its historical 30% share. These individuals predominantly rent their accommodations, which has placed substantial pressure on the already squeezed rental markets in larger BC cities such as Vancouver, Burnaby, Surrey and Victoria. Further, average rents in the Lower Mainland are up more than 20% since 2021.

Rental market relief?

In response to those housing pressures, the government has reversed field, lowering its target for permanent residents from 500,000 per year to 395,000 in 2025 and falling to 360,000 in 2027. More dramatically, it is hoping to engineer an outflow of close to 900,000 net non-permanent residents over the next two years.

With the planned reduction in non-permanent residents, it is anticipated that this outflow will ease the demand for rental properties. However, the extent of relief on rent prices remains uncertain. While the departure of 900,000 non-permanent residents could introduce downward pressure on rents, vacancy rates are still alarmingly low. The most recent CMHC rental report found that apartment vacancy rates in Metro Vancouver remain below 1%, and vacancies have fallen in Abbotsford from 2.1% in 2022 to just 0.9% in 2023. This situation is exacerbated by the latent demand from a substantial number of people who are currently enduring suboptimal housing situations. These individuals are likely to seize any opportunity to move into more suitable accommodations, thus potentially offsetting some of the expected relief in rental pressures.

Housing supply & price impacts?

While the rental market is set to experience the most immediate impacts of lower immigration, the ownership market is not expected to remain entirely unaffected. If rent prices soften, there may be a corresponding decline in investor demand for rental properties. This shift could occur at a critical time, as pre-sale investments are crucial for funding new housing developments. A reduction in investor interest could, therefore, pose challenges to the housing supply chain, potentially slowing down the construction of new homes that BC desperately needs. However, data tells us that flows of non-permanent residents, while strongly correlated with rents, have historically had little correlation with home prices, suggesting the impact on the ownership market should be modest.

The Canadian government's plan to reduce the population by almost 900,000 non-permanent residents is an aggressive move that seeks to undo its original error. While this policy may ease some of the current pressures on rent prices, the overall impact will be moderated by low vacancy rates and latent demand for better housing. The ownership market could also experience ripple effects, particularly in terms of investor demand and housing supply. As these changes unfold, it will be crucial to monitor and adapt to the shifting dynamics in BC's housing landscape.

Brendon Ogmundson is Chief Economist at the British Columbia Real Estate Association.

Gearing Up for Growth

An interview with Mayor Eric Woodward

As Mayor of one of the fastest growing municipalities in the province, along with Surrey, Langley Township's Eric Woodward is laser-focused on safeguarding the momentum to create opportunities for his constituents. And if that means challenging the status quo or the dictums from Victoria, then so be it. After all, it's the same growth mindset that saw him succeed in the private sector and that got him elected Mayor in 2022. Since late 2023, when the Province passed sweeping housing legislation, Woodward has been a staunch critic of what he and some of his peers see as overreach. He spoke to FVREB in late 2024 about the Province's misguided approach to housing—and what the NDP could learn from the Township, if they actually listened.

“A ‘one size fits all’ solution mandated down to local government simply doesn’t work or is not applicable, and that’s been my criticism from the beginning.”

FVREB: It’s been over a year now since the government launched its Homes for People strategy and the sweeping legislation to support it. How would you grade it so far?

MAYOR ERIC WOODWARD: Well, I think it’s still too early to tell as the implementation of it was only finalized by many municipalities this previous summer. In the case of the Township, we’ve only adopted it as of October, so it’s going to take some time to see the overall impact and whether it has the ability to generate the density that the government thinks it will.

FVREB: According to your interim housing needs report, Langley Township will need to add an additional 43,000 housing units over the next 20 years, and about 15,000 over the next five years. Is this a realistic target?

EW: That interim report was required to update our Official Community Plan as part of Bill 44. The methodology to produce those numbers was dictated to us by the provincial government but I think it’s questionable in terms of how there’s such a drastic change from our previous report. It suggests the province is establishing a methodology to produce higher numbers, which makes me question the validity of the process.

FVREB: Some municipalities have been critical of the province’s approach for its potential overreach and for not taking into account the ongoing work already being undertaken.

EW: I think a “one size fits all” solution mandated down to local government simply doesn’t work

HOUSING NEEDS

Langley Township will need over 43,000 new housing units by 2044

- 1,800 low-income
- 600 for homeless
- 2,700 for existing need
- 31,000 for future growth
- 200 to improve rental vacancy rate
- 6,700 for demand buffer

Source: Township of Langley 2024 Interim Housing Needs Report or is not applicable, and that's been my criticism from the beginning. The Township of Langley is approving and producing thousands of units per year, well in advance of the previous housing needs report. So my question is: Why is this legislation necessary? If the problem is that other municipalities are not producing housing approvals in the right locations or at the right quantities that the government wants, then why not work with them individually? I think the way they've gone about Bill 44 is causing problems for municipalities like the Township of Langley and the City of Surrey, which are already growing rapidly, and are now being expected to grow even faster.

FVREB: What might have been a more productive or collaborative approach?

EW: I think it's been irresponsible, both financially and from a policy perspective. A more constructive approach would have been to work with municipalities that government feels aren't producing enough housing, and to reward those that are growing and are willing to grow, instead of punishing all cities just because the Premier decided that cities are the problem.

FVREB: Growth requires sufficient infrastructure to support it. Is there a way to cover it without relying solely on increasing taxes?

EW: More tools are going to be required from the federal and provincial governments for local municipalities to fund infrastructure. Requiring new growth to pay for the infrastructure required by new growth isn't feasible anymore. Further, property tax levels are already extreme—and as Metro Vancouver, TransLink, school funding, etc. continue to put significant pressure on property tax, they're effectively taking [those sources] away from local governments. So you have to look at other options, and an obvious one is for the province to directly fund the infrastructure required by growth if they want to see development cost charges (DCC) come down or level off.

FVREB: Some have pointed to DCCs as one of the main reasons for escalating housing costs.

EW: Right. But we never hear about land costs, or marketing costs, or materials costs. You only hear about government fees and taxes, and I think that's on purpose. It's a campaign by the development industry to lobby away these fees to make money on land acquisition. One of the problems local governments have is that as land values continue to go up due to increasing densities, it puts more pressure on providing parks, especially, for new residents. It's an upward spiral. My concern has always been that if local government was to subsidize growth, all that would end up happening here in the Township would be land values would rise. It doesn't get passed on to the end consumer in terms of savings at all, instead it ends up being direct profit to the landowner or the developer. And they have very effective public relations strategies to distract from the true motive, which is to increase profits. I think it's important for the provincial government to start to look at a per unit infrastructure distribution to cities for every unit that's built to make sure that development costs charges are kept at a reasonable level or from increasing.

FVREB: On the topic of financing, the Township of Langley was recently denied an application for Housing Accelerator Fund monies. Was there a particular reason your application wasn't approved?

EW: Our experience with the Housing Accelerator Fund has been a deeply frustrating one for the Township of Langley because we took a number of steps to reform the process early on in our term. We increased density, we redid multiple neighborhood plans, we've embarked on a new vision for 200 Street—all of which theoretically accelerates housing significantly. Yet we were not approved under Minister Fraser, because of his perceptions of development cost charges and other politics that started to occur at Metro Vancouver. The process became deeply politicized very quickly. For example, they wired

money to Bowen Island, however I'm not sure what housing is being accelerated there. It directly highlights that the program became political and had very little to do with accelerating housing.

FVREB: With the new administration now in place and Premier Eby taking on closer oversight of municipal dealings, how will this impact things moving forward?

EW: Remains to be seen. Given that our staff and myself worked directly with ministers previously, it's not clear how that's going to work. I can say that, in the past, there was no listening or collaboration on the part of the Ministry of Housing. In fact, it was the opposite. They were consulting with senior staff here on potential reform but signing them to non-disclosure agreements so they weren't allowed to discuss it with the elected officials that represent the Township of Langley. They clearly embarked upon a program to exclude elected officials to not consult with us. It's their prerogative who they consult with on new legislation. They could have reached out to mayors like myself and [Surrey Mayor] Brenda Locke and others who are in fast growing communities to learn how new housing can be delivered in the right way and how it can be funded. But they chose not to ask. I think the legislation can be better. I think we could have all worked together to come up with some decent ideas on how to accelerate housing, how to help cities produce and build infrastructure. We could have had a really constructive, positive dialogue. I don't know why that wouldn't have been the approach. For example, here at the local level when we bring in an OCP or bring in new bylaws, we consult with the community. We're very good at that and I think maybe Victoria could learn from cities on how to better consult with stakeholders before they make legislation.

> *"The federal and provincial governments need to get their houses in order—I don't run a $9 billion deficit and call it a victory."*

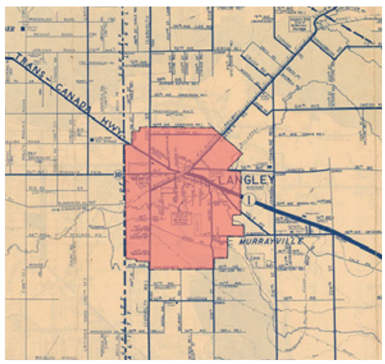
FVREB: What would you like to see the government focus on more to support the Township's efforts regarding housing and infrastructure? What could they be doing differently?

EW: I'd like to see the province focus on solving the things that are their responsibility that are holding up housing, and stop interfering at the local level, unless they're actually here to help and not impose things that don't work. For example, they are changing the BC building code on an ongoing basis adding all kinds of requirements that will only increase construction costs. The [BC Energy] Step Code process that's being implemented over the next five years is easier for some municipalities than others—that should be standardized. *Water Act* approvals here in the Township are holding up housing for up to a year or more. So maybe they should solve those issues that are in their purview and their domain first before casting stones on others. Imposing housing targets using a made-up methodology and then putting us on a naughty list, isn't really the best way. I'd like to see the province focus more on what they're responsible for—financing or BC Housing for example—where they can actually bring their resources to bear, and let cities do their work, with actual consultation and real collaboration.

FVREB: Beyond housing, the rising cost of everything from gas to food to services is straining the budgets of households across the province. How do you make sure that folks who move to the Township are able to thrive and grow here?

EW: Along with Surrey, we are uniquely positioned for growth in the Metro Vancouver area and so it's incumbent upon us to make sure that we've got a livable community that is affordable. That means affordable housing, but it also means having recreation facilities, roads to get around, other infrastructure and amenities. Delivering these services while trying to keep property taxes from increasing too much is a priority for the Township. The federal and provincial governments need to get their houses in order—I don't run a $9 billion deficit and call it a victory. I have to balance my budget every year. Of all levels of government, municipalities are probably the most responsible fiscally, given the resources we have, and we're doing all we can to deliver core services as affordably as possible.

WHY TWO LANGLEYS?



Langley City seceded from Langley Township in the early 1955 after the rural-based Township refused to have their taxes used to subsidize the urban-based growth of the City: "Not a nickel for street-lights for Langely Prairie [City]!" said the Township Mayor at the time.

No Vacancy at Any Price

The rental housing crisis has been decades in the making, but maybe the Fraser Valley will be the place to lead the recovery.

By Richard Littlemore

Canada is in the grips of a housing crisis and nowhere is worse than British Columbia. The Canadian Real Estate Association reports that the average house price in Greater Vancouver in November 2024 was nearly $1.3 million – beyond the capacity of any but the wealthiest entry-level buyer. (Toronto was a relative bargain at only $1.1 million.) And typically, when there is pressure at the top, the pain is felt most severely at the bottom – in this case in the rental market

> *"Surrey's [rental] vacancy rate in October 2024, was 1.7 per cent, barely better than Vancouver's, at 1.6 per cent."*

in which Vancouver is again the most expensive in the country, with average monthly rent for a one-bedroom at $2,534. It's better in the Fraser Valley; in Langley, it's only $2,460. But even the most affordable choice – Surrey at $2,297 – still sits 16 per cent above the national average. *[Ed note: figures reflect late 2024 data]*

How we got here—how we move on

The three obvious questions, then, are: Why? Where did it start? And, how can we make the rental situation better?

The first question is tricky: there are a lot of complicating factors. But, fundamentally, the rental market in B.C., and especially in the Greater Metro Vancouver area, is critically and chronically undersupplied. David Aizikov, product manager for data services at Rental.ca, says that a healthy rental market has a vacancy rate of 5 to 8 per cent – low enough for landlords to survive if they stay competitive, high enough to give renters some choice. But the Canada Mortgage and Housing Corporation (CMHC) reports that Surrey's vacancy rate in October 2024, was 1.7 per cent, barely better than Vancouver's, at 1.6. Aizikov adds that this is typical: the B.C. rate was 1.3 per cent in 2022, down from 1.4 per cent in 2021. There was a 'good' year in 2020 – 2.5 per cent – when many young renters moved home through the pandemic. But the rate in 2019 was 1.5 per cent. There simply are not enough rental homes to go around.

Whose fault is that? Well, you don't have to be anti-government to point the finger at politicians and bureaucrats who have been making and enforcing policy on housing and related issues. It may not have been the actions of a concerted, intentional effort, but the series of policies, initiatives, and reversals, going back a century have had the cumulative effect of compressing the housing market, producing a critical shortage of rental supply.

The good news, however, is distinctly local. There will be no fast or easy fixes, but in the Lower Mainland, the Fraser Valley may be in the best position to lead the way out of the crisis.

Going back to the origin story, it's worth reviewing the 100-year government campaign to constrain housing options and drive up the cost. The longest-standing problem is the municipal-level effort to limit residential construction to the most expensive and exclusive format: single-family detached houses. Single-family zoning was designed to protect residential neighbourhoods from infiltration by industry, commerce or, in the worst interpretation from the distant past, the wrong kind of residents. The result, says Tom Davidoff, Director of the University of British Columbia Centre for Urban Economics and Real Estate, is that single-family homeowners gained a huge advantage and, being most invested in the status quo, became the people most likely to (re)elect city councillors who would protect that investment. So now, a significant portion of the land in Greater Vancouver for example is covered in single detached homes, amid which, until recently, it has been illegal to provide any alternatives. Davidoff says, "It's bananas!"

Foreign investment and stratas squeeze the market

With municipalities restricting where you could build affordable homes, higher levels of government then stopped investing in housing for people with lower incomes. The federal government cut back in the 1980s before going full slash-and-burn, abandoning its co-op program in 1992, freezing social housing investments in 1994 and downloading everything to the provinces in 1996. BC accepted the challenge more heroically than any other provincial government, but cancelled the surviving Homes BC program in 2002, leaving the sector bereft.

During the same period, governments also relaxed the rules for stratification of apartments, leading developers who had been specializing in purpose-built rentals to switch to condos. It's so much simpler to build and sell a condo project, recovering your investment and profit in five years, rather than having to build and manage a rental apartment complex, tying up your money for two decades before breaking even.

Governments also started organizing periodic parties (Expo '86, the 2010 Olympics), to convince global real estate investors that our fish-forest-and-mining community was beautiful enough to be a world-class resort. As property values then spiked, municipal governments started adding Amenity Cost Charges (ACCs) and Development Cost Charges (DCCs) whenever a property was rezoned. The intent, again, was good: to share the "lift" in land value so communities could afford new services. But the fees pushed land prices (and home prices) ever higher.

Seeing renters caught in the squeeze, the province brought in rent controls, in recent years limiting allowable rent increases to less than inflation (and nothing at all during the pandemic). Again, noble intent, but as Landlord BC CEO David Hutniak points out, if landlords' expenses go up and they can't recover those costs with increased rents, they also can't afford to maintain their properties – or, sometimes, even cover their mortgage. It's a recipe for decline in the condition of existing rentals and it discourages new developers from getting into the business.

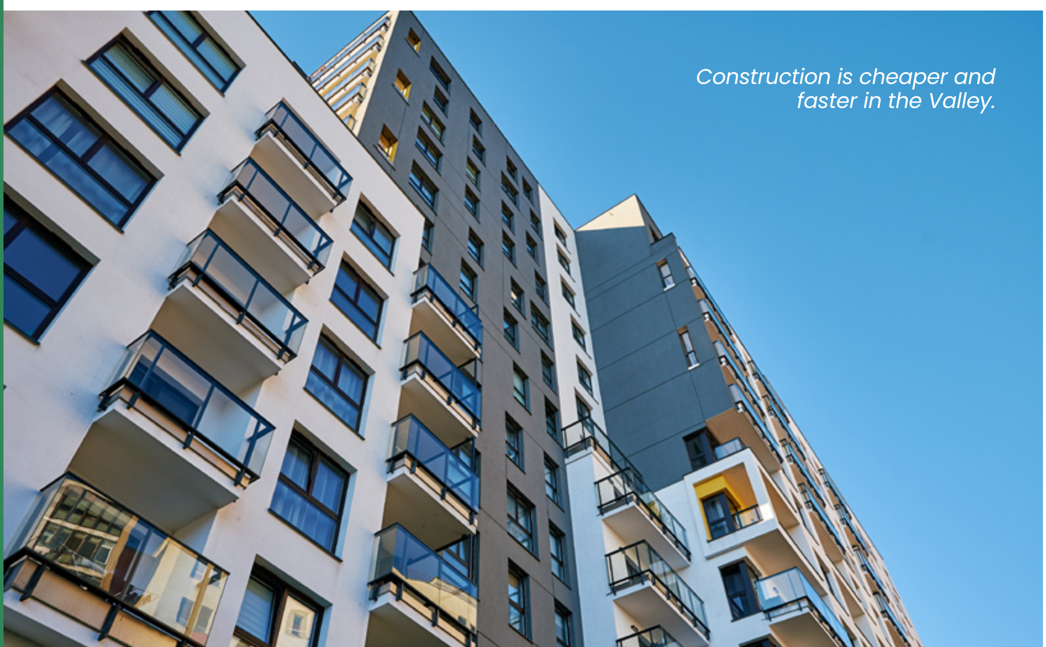
Then, with housing already constrained, the federal government invited an immigration stampede, welcoming two immigrant classes that inevitably compete for rental housing: temporary foreign workers and students. Again, good intent: bring in workers eager to support the economy by doing jobs Canadians won't, and recruit international students whose sky-high tuition fees subsidize domestic students. But without adequate housing, it's a recipe for unaffordability.

Even government efforts to reduce international real estate speculation created trouble. With fewer developers producing purpose-built rentals, the market started relying on investors – often international – who would buy condo units and rent them out. Foreign-buyer taxes, popular as a domestic policy, chased most of those buyers away, removing a whole class of investors just as developers were facing rising interest rates and tighter capital.

"Nothing pencils"

So, even with higher-level governments now forcing municipalities to relax single-family and other zoning restrictions, we have a housing shortage that took decades to build. Land prices are high, construction costs are up, and cities keep charging ACCs and DCCs – Metro Vancouver, for example, is tripling DCC rates for regional services, which Hutniak says will raise purpose-built-rental development costs by $9 to $40 per square foot. "It blows the budget on most projects," he says. Worse, in an effort to make developers expand the affordable rental supply, municipalities are imposing "inclusionary zoning" conditions that demand new projects include a component of lower-income housing.

The result, says Andy Ramlo, vice president of Market Intelligence at the Rennie Group, is that "nothing pencils." Developers, even those who would love to be expanding the rental housing supply, can't find a way to do so profitably. There is much land available – Surrey, for example, has 44,300 housing units conditionally approved and awaiting construction – but even with rents at $2,300+ per unit, developers can't find a way to build those units without losing money.



Construction is cheaper and faster in the Valley.

Valley to the rescue?

The good news is, although circumstances aren't great in the Valley, they are better than everywhere else.

First, the housing mix south of the Fraser River has traditionally included relatively little rental product. Ramlo says that, in Vancouver, 55 per cent of city rents; south of Fraser, it's less than 40 per cent, with home ownership being as high as 80 per cent in some parts of the region. So, adding any new purpose-built rental will have a bigger relative impact.

As well, Jeff Fraser, vice-president and senior policy advisor at the Urban Development Institute, says that construction costs in the Valley, are still low enough to qualify for subsidies from the CMHC MLI Select multi-unit mortgage loan insurance program, whereas, "It's almost impossible to meet the affordability limits in places like Vancouver or Toronto."

Ramlo says the Valley – already more affordable – also has a distinct advantage in the availability of labour, a serious limiting factor in the construction industry. (Good luck trying to get a framing crew on Bowen Island.) And affordable rental housing, quickly becomes an economic advantage, facilitating labour mobility.

The new-housing mix in the Valley is also a plus. Aizikov points out that the more-common low- to mid-rise woodframe buildings are cheaper and quicker to build than the taller concrete buildings that dominate north of the Fraser, so Valley developers can get product to market much faster.

Notwithstanding the physical constraints imposed by the border, the mountains and the Agricultural Land Reserve (which overlaps heavily with areas that are vulnerable to climate impacts), the Valley still has space, for everything from new building sites to outdoor play areas for daycare centres – another competitive advantage for attracting labour.

> *"Tripling DCC rates for regional service...will raise purpose-built-rental development costs by $9 to $40 per square foot. It blows the budget on most projects."*

No one is expecting a quick resolution to the rental housing crunch, and the real estate and development sector will have work to do helping government – and the public at large – understand what should be done (and what should be stopped) in an effort to turn the tide. But the best hopes for some early wins, as well as a healthier long-term transition, could well lie south of the Fraser.

Richard Littlemore is a Vancouver journalist and writer whose work has appeared in the Vancouver Sun, BC Business, BIV, amongst other publications.

Time to Market

Estimated Average Construction Time for Residential Apartments

Toronto	33 months
Metro Vancouver	26 months
Ottawa	23 months
Montreal	20 months
Calgary	18 months
Edmonton	16 months

Source: Canada Mortgage and Housing Corporation, 2024

Taking Pause

Decline in Residential Construction Investment (2023-2024)

British Columbia	-9.3%
Ontario	-5.8%
Alberta	-1.7%
Canada	**-7.6%**

Source: Canada Mortgage and Housing Corporation

Real Estate Outlook 2025

The Year of Growing Modestly

By Bryan Yu

It was another year of delayed recovery for REALTORS® across the Lower Mainland as prospective buyers continued to shuffle around the sidelines but largely stayed out of the market. Even as record levels of population inflows, and pent-up demand continued to support higher sales potential, dismal affordability from early pandemic-era price growth and still restrictive mortgage rates restrained buyers across the region. There is a sense of optimism for 2025 as rapid Bank of Canada policy interest rate cuts and mortgage policy open up financing options for more buyers, but economic risks from U.S. trade policy and a federal government policy U-turn on population growth are headwinds to a stronger rebound.

Prices hold, sales dip

MLS® data highlights the weakness. Lower Mainland sales, covering Metro Vancouver, the Fraser Valley and the Sea-to-Sky region stalled in 2024, following an 8 per cent decline in 2023 and 38 per cent in 2022. Fraser Valley Real Estate Board sales fell about two per cent in 2024. While unfair to compare to the pandemic spike in 2021, panning out, at roughly 40,000 units, this is not far from the cyclical lows of the past two decades even as population has ballooned.

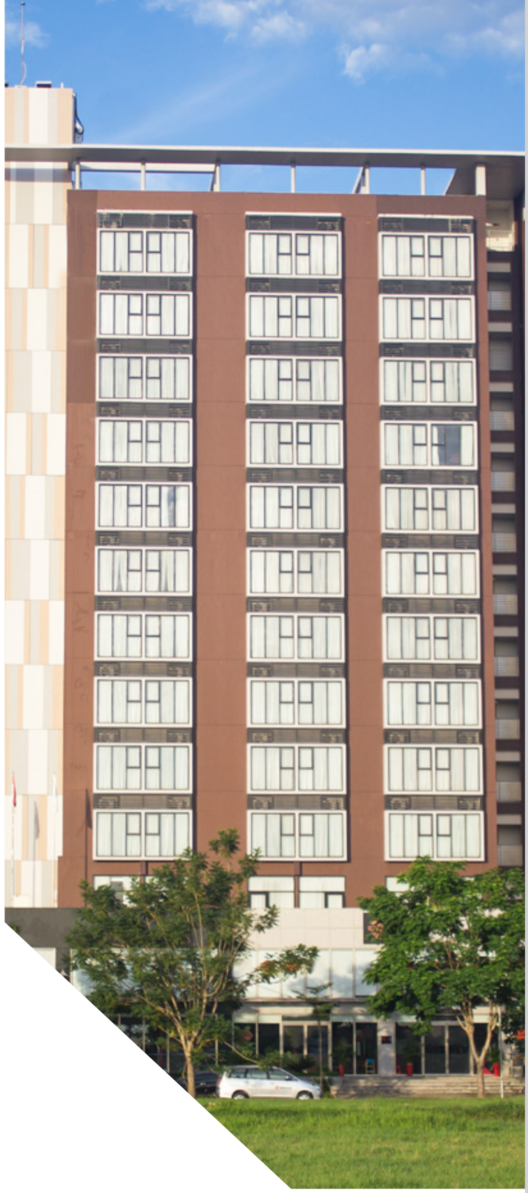
Average annual prices were roughly unchanged in 2024, up one per cent from 2023 to $1.2 million. FVREB's average price rose 1.7 per cent to $1.03 million. However, at its peak of $1.26 million, the average priced home sold in the Fraser Valley Real Estate Board area was 68 per cent above pre-pandemic 2020 before retreating with a spike in interest rates. Despite an ebb and flow, prices have remained exceptionally high and along with higher interest rates kept buyers out of the market, or increasingly shifting to more affordable pastures, east of the Rockies.

Undoubtedly, it has been a sobering couple of years for those in the residential real estate business, grappling with peaks and valleys of demand from interest rate swings. That said, there is room for optimism. Sales perked up in the final quarter of 2024, as lower interest rates stirred the market. As we have long noted, pent up demand has only increased in recent years with robust population growth and constrained financing. Declining mortgage liabilities among younger households over the past two years was a reflection not of prudence and debt conservatism, but of access to mortgage financing which is being relaxed.

Rate, financing policies to boost demand

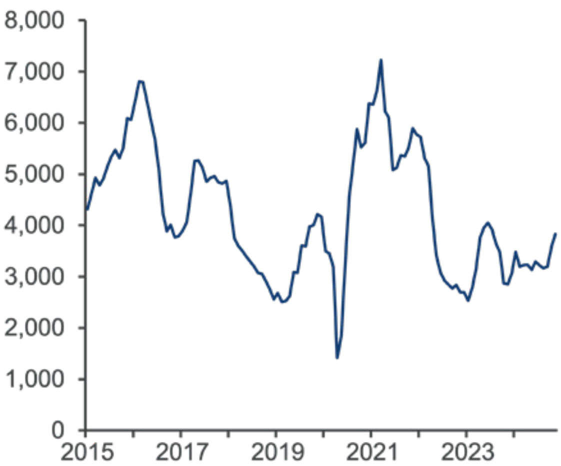
Lower rates have historically been a panacea for market weakness, triggering rebounds in interest rate sensitive sectors like housing. The Bank of Canada has aggressively reduced rates since mid-year from 5.0 per cent to 3.25 per cent by year end in response to normalized inflation, a weak economy, and labour market slack which has already pushed some buyers off the fence. We expect the Bank to cut to 2.5 per cent in the first half of 2025. This will cut variable rates and shorter 1-year rates. However, those looking for downside for 3- and 5- year fixed rates may be disappointed. Firm U.S. economic and inflation patterns, and inflationary tariff risks are limiting U.S. Fed rate cuts and treasury yields. Canadian bond yields take their cue from the latter suggesting persistently elevated mortgage rates when compared to the pre-pandemic era and challenging affordability.

> ***"Per capita GDP has declined for more than a year, signaling worsening economic wellbeing"***

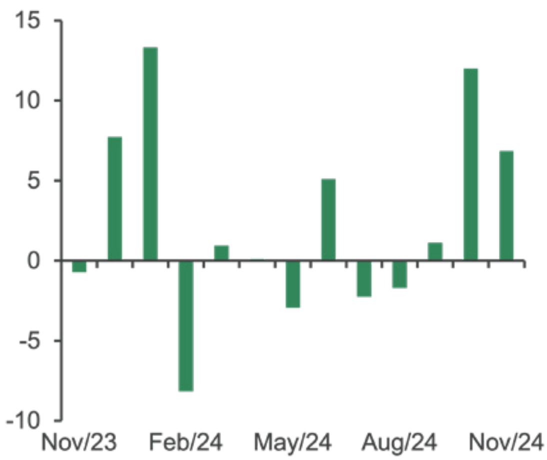


LOWER MAINLAND HOUSING SALES FIND TRACTION TO END 2024

Lower Mainland MLS® Sales



Monthly MLS® sales change, %



Source: CREA, Central 1

Still, several policy measures open up financing options particularly relevant for higher priced markets like those in Metro Vancouver and the Fraser Valley. Specifically, the increase in the price cap from $1.0 to $1.5 million to access mortgage insurance, and 30-year amortization mortgage for all first-time home buyers will drive middle- market purchases and for multi- family properties. This is especially beneficial for Fraser Valley markets where there remains some semblance of affordability, and buyers get more home for their dollar.

Forewarned is Fore-armed

Although rates are in decline, the real estate and development sector should remain wary of the many potential risks that could impact the housing market.

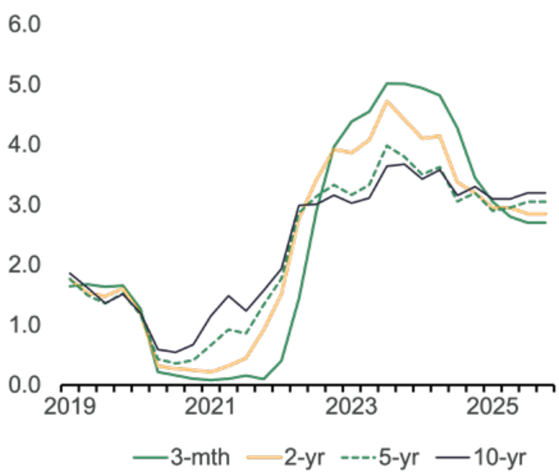
Of the known headwinds, Canada is in for a period of low population growth as the federal government completes its U-turn in policy. The federal government plans deep reductions and net outflows of temporary residents and fewer permanent residents following massive gains in recent years. With the highest temporary resident share of population in Canada, B.C. and the Lower Mainland is at higher risk. Our view remains that BC will eke out positive growth in population, but slowing patterns will be evident in the rental market driving higher vacancy rates and slower rent growth. This adds to a plethora of policies curbing demand for investment properties, including short-term rental restrictions, higher capital gains inclusion rates, and elevated mortgage rates. Homeownership markets are less affected given strong gains in permanent resident inflows from previous years.

The economy naturally is a downside risk. BC has avoided a recession but is coming off a weak year in which we estimate a 1.5 per cent growth rate aided largely by rapid population growth and public- sector expansion. More telling is that per capita GDP has declined for more than a year, signaling worsening economic wellbeing. BC's and the local unemployment rate is lower than the national rate, the job market does remain oversaturated with workers. Rate cuts are forecast to boost consumption and investment in 2025, while exports rise as northern mega projects complete, pointing to 2.5 per cent growth in 2025. However, there are plenty of uncertainties with the potential

BANK OF CANADA CUTTING, BUT FIRM BOND YIELDS AND HIGH PRICES MEAN ONGOING AFFORDABILITY CHALLENGES

Average MLS® Price, $000s

Benchmark bond yield forecast, %



Source: CREA, Bank of Canada, Central 1

for severe U.S. trade tariffs, which, contingent on severity, could plunge Canada into a recession and trigger widespread job loss. BC would face similar headwinds but would be cushioned in part by greater diversity amongst trading partners and resource-based exports to the U.S. Severe tariffs would push the Bank of Canada's policy rate even lower.

Broadly, our view remains that the housing market will pick up modestly in 2025 by 10 per cent and price growth of up to five per cent due largely to lower interest rates and pent-up demand despite significant headwinds. Inventory, while elevated, is not excessive and will decline as sales rise. There remains a severe undersupply of housing in the market that has only swelled in recent years, and our view remains that weak current market conditions will reduce new home construction over the next two years, leading to upward price pressure.

"Our view remains that weak current market conditions will reduce new home construction over the next two years, leading to upward price pressure."

Bryan Yu is Chief Economist and Associate Vice President at Central 1.

ADVOCACY

Offsite Construction: A Solution to Housing Woes?

At CREA PAC Days, housing issues were front and centre and one solution gaining traction was offsite construction which caught the attention of MPs eager to find solutions that are fast and economical.

by Shafiq Jamal

At the Political Action Committee (PAC) Days event last fall, organized and hosted by the Canadian Real Estate Association (CREA), over 400 officers, staff, and government relations and advocacy representatives from real estate Boards and associations across the country gathered in Ottawa to meet with Members of Parliament to discuss housing issues and potential solutions.

Fraser Valley Board representatives joined forces with other Boards from the province along with the British Columbia Real Estate Association and CREA to advocate for a province-

> *"Stimulating offsite construction technologies through various funding streams that allow the industry to scale up is imperative."*

wide approach to address the housing crisis. In particular, the team sought to advance three solutions to address Canada's housing affordability and supply challenges:

- Stimulate supply and embrace innovation through offsite construction technologies
- Establish a national housing secretariat to ensure thorough consultation
- Provide HST/GST relief for non-profit-built affordable ownership housing

Meetings with MPs representing the Fraser Valley region including Ken Hardie (Fleetwood-Port Kells), Tako Van Popta (Langley-Aldergrove), Sukh Dhaliwal (Surrey-Newton), and Randeep Sarai (Surrey Centre) provided an opportunity for the Members to learn more about organized real estate and the benefit and insight of our boots-on-the-ground perspective as well as data insights into real estate market trends, both province-wide and riding-specific.

The offsite construction advantage

With housing demand increasing along with the country's population, and with inventory and new construction unable to keep pace, of the three solutions conveyed to MP's, stimulating supply across the housing continuum by embracing innovation through offsite construction technologies piqued the greatest interest among the officials.

According to the Canada Mortgage and Housing Corporation (CMHC), Canada is projected to face a shortage of 5.8 million new homes by 2030, and we can't rely solely on traditional construction to even remotely attempt to meet that target.

This is why stimulating offsite construction technologies through various funding streams that allow the industry to scale up is imperative. This includes incentives under the Housing Accelerator Fund (HAF) and the new Homebuilding Technology and Innovation Fund, to improve supply across the entire housing continuum.

Given the housing shortage in Canada, rapid construction needs to be a priority in resolving the housing crisis. Offsite construction technologies offer numerous advantages over traditional methods, particularly in efficiency, and should be supported as the industry scales up. For example, once scaled, the mass adoption of these innovative and sustainable building practices will help build supply across the housing continuum faster and improve housing affordability. In particular, offsite construction technologies benefits include:

- 20% to 50% faster to complete. Essential to meet the need for 5.8 million units by 2030.
- Economies of scale: As the industry reaches scale, per unit costs become lower than traditional housing units.

Offsite construction provides solutions that emphasize affordability, speed, and sustainability, offering a path forward for urban areas struggling to meet housing demand.

Writing for Wood Industry magazine, Jayden Campbell, an industry expert and Product Manager at Akhurst Machinery, finds that "modular construction is emerging as a promising strategy to deliver affordable housing quickly. This method involves manufacturing building components, or 'modules,' offsite in controlled environments. The prefabricated modules are then transported to the building site and assembled like building blocks, forming a complete structure. The advantages of modular construction lie in its ability to drastically reduce construction timelines, improve cost control, and scale effectively to meet large housing demands.

"Traditional construction projects can take years, often delayed by weather, labour shortages, red tape, and supply chain disruptions. Modular construction bypasses many of these challenges by manufacturing components indoors, in factory settings, where production can continue year-round, unaffected by external conditions. This rapid build process is crucial to meet severe housing shortages in fast-growing urban areas such as Vancouver and Toronto.

"In addition to the speed of delivery, modular housing offers cost savings. Manufacturers can reduce material waste and labour costs by standardizing designs and producing modules in bulk. The controlled factory environment enables efficiency, reducing errors and rework.

"Additionally, the offsite production of modules requires less skilled labour at the construction site, reducing expenses. [Given our current labour skills shortages in Canada], these advantages make modular housing a particularly attractive solution."

The article adds that in the realm of modular construction, countries like the Netherlands, Sweden, and Japan are leading the way with innovative solutions and rapid build times:

Members of the SGRC with Randeep Sarai, MP for Surrey Centre (forth from the left), and Sukh Dhaliwal (fourth from the right).

SGRC Members Tore Jacobsen and Manny Chatha meeting with Tako Van Popta, MP for Langley-Aldergrove.

"Industry leading companies like BAM and Heijmans in the Netherlands have made remarkable strides in modular construction. They are known for their use of cutting-edge Modular Building Automation (MBA) equipment to construct sustainable, affordable housing at a faster pace than traditional methods. These companies have embraced offsite construction and factory-built components to streamline processes and reduce construction times dramatically by focusing on sustainability, speed, and efficiency.

"BAM, for example, places a strong emphasis on modular and sustainable construction, producing energy-efficient homes in controlled environments that can be rapidly assembled on-site. Similarly, Heijmans, another leading Dutch construction company, has embraced modular technology focusing on sustainability and alternative, decentralized energy generation. Both companies' approaches enable the construction of net-zero homes—houses that generate as much energy as they consume—with the primary goal of increasing housing production."

The question now becomes, how willing is the Government of Canada to truly embrace offsite construction technologies, thereby walking the talk on a tangible, innovative solution that can make more than a dent in solving the housing supply crisis in Canada.

Read the complete Wood Industry article here.

Shafiq Jamal is Stakeholder & Government Affairs Facilitator at the Fraser Valley Real Estate Board.

Fabulous Pre-Fab

» There are currently 320 prefabricated home manufacturing businesses in Canada, employing 8,862

» Prefabricated homes currently make up 1.3% of all residential homes

» Time to complete a pre-fab home: 6 to 8 weeks

» Modular construction methods sent 75 per cent less wood and drywall to the landfill compared to conventional construction methods

» Between 2018 and 2022, modular construction increased from 2.1% to 6.0%

» Average cost per sq ft: Prefab $102-$218; "Traditional" $190-$320

» The modular manufacturing industry can allow for older workers to extend their careers as it is less physically demanding and provides a more comfortable working environment

Sources: IBISWorld, Moduline Homes, CSA Group, The Modular Building Institute

The 2025/2026 Board of Directors. Left to right, Roman St. Germain, Herb Fischer, Pam Horn, Ishaq Ismail, Tore Jacobsen, Rob Christensen, Baldev Gill, Paul Cowhig, Manny Chatha, Gurdip Sahota. Missing from photo, Natalie Tarrant, Brad Richert

FVREB Elects 2025-26 Board of Directors

At the Annual General Meeting on March 13, 2025, members of the Fraser Valley Real Estate Board elected Officers and Directors to sit for the Board's 2025-26 term. Tore Jacobsen will serve as Board Chair, Ishaq Ismail as Chair-Elect and Rob Christensen as Vice Chair. Newly elected Directors include Paul Cowhig, Pam Horn, Herb Fischer, Brad Richert, and Roman St. Germain. They are joined by continuing Directors Manny Chatha and Gurdip Sahota, along with newly elected FVREB Broker Council Chair, Natalie Tarrant. Congratulations one and all!

Special guest Bob Rennie, founder of rennie group, shared insights on factors shaping our sector.

Karen Conyers Honoured with John Armeneau Award

FVREB REALTOR Karen Conyers was honoured at this year's AGM with the John Armeneau Professional of the Year Award, the Board's highest accolade. Karen was recognized for her dedication to the profession, having served five years as a Director on the Board and as Chair of the Professional Standards Committee, and for her work in the community as a founding member of the Kindred Farm-Sanctuary. She is currently Chair of the granting committee for the Fraser Valley REALTORS® Charitable Foundation. "The competition is mighty and great, and I am so honoured and so surprised," Karen said in accepting the award.

The 2025 John Armeneau Award Recipient, Karen Conyers.

FVREB Goes to Victoria

From March 9 to 12, members of the FVREB Stakeholder & Government Relations Committee (SGRC) joined counterparts from across the province in Victoria at the annual BCREA-led Government Liaison Days. In meetings with MLAs from FVREB municipalities the SGRC team explored opportunities to enhance dialogue between the province and key stakeholders in the housing ecosystem in order to avoid unintended consequences of government policy. The team also urged government to revisit the various taxes and levies that constrain housing affordability and attainability, such as the Property Transfer Tax (PTT) and the newly introduced home flipping tax. Rounding out the event were presentations from BC Conservative Party leader John Rustad, interim BC Green Party leader Jeremy Valeriote, Minister of Housing and Municipal Affairs Ravi Kahlon, and Premier David Eby, who stressed the need to pay closer attention to real estate investment in order to enhance our provincial economy.

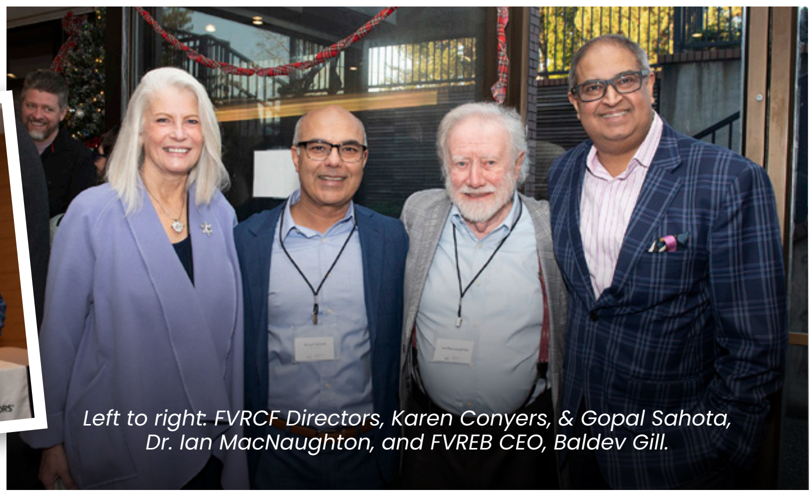
The FVREB Team with Jody Toor, MLA for Langley-Willowbrook and Herman Bhangu, MLA for Langley-Abbotsford.

The FVREB delegation with Premier, David Eby

FVRCF Ends 2024 with a Giving Spree

2024 ended on a high note for 22 charities across the Fraser Valley region who were the beneficiaries of $340,000 in grants from the Fraser Valley REALTORS® Charitable Foundation (FVRCF). The generous funding continues the vision and mission of the Foundation to support programs and initiatives designed to help young people overcome barriers and build brighter, more promising futures. "At-risk youth are a key part of our communities, and it is essential that we support them with the tools, guidance, and opportunities they need to succeed," said John Barbisan, Chair of the FVRCF. "We are grateful to partner with these outstanding organizations that are making a meaningful difference in the lives of youth across the Fraser Valley. This round of funding marks an important milestone, bringing the total amount distributed by the FVRCF to over $530,000 in just two years. This remarkable achievement reflects the ongoing generosity of Fraser Valley REALTORS®. In 2025, the Foundation looks to distribute an additional $400,000 to local charities. To learn more visit FVRCF website. To make a gift, contact Christiane Hodson, Executive Director at Christiane.Hodson@fvrcf.ca or 604-930-7611.

FVREB Director, Gurdip Sahota and FVRCF Chair, John Barbisan presenting a cheque to Pathfinder Youth Centre Society.



Left to right: FVRCF Directors, Karen Conyers, & Gopal Sahota, Dr. Ian MacNaughton, and FVREB CEO, Baldev Gill.

LAST WORD

The Promise of Purpose-Built Rentals

By Penny Gurstein

Amidst a deepening housing crisis, a fragmented and cumbersome financial and regulatory ecosystem is stalling the development of affordable purpose-built rental (PBR) housing, according to a recent report by the Housing Research Collaborative (HRC). Developers and municipal staff alike face a web of conflicting funding programs and approval processes, exacerbating delays and driving up costs. Without immediate reforms, critical housing projects in the Metro Vancouver region may remain unrealized.

Financial Challenges Undermine Affordability

The financial feasibility of affordable rental projects has been severely tested by escalating construction costs, development fees, and rising interest rates. Traditional funding programs often impose stringent requirements related to affordability, sustainability, and accessibility, making it difficult for developers to achieve profitability while meeting these standards. A call to align financial incentives across all levels of government is gaining traction, with proponents emphasizing the need for a supportive financial ecosystem that recognizes housing as a human right. Without immediate intervention, many affordable rental projects could remain stalled, worsening Metro Vancouver's housing shortage for those in greatest need.

Planning Reforms Could Spur Development

Municipal planning processes are also under scrutiny. A transition from reactive to proactive planning is seen as key to streamlining the approval process and saving time for municipal staff. Workshop participants highlighted the benefits of tiered and standardized approval systems, which could enable faster delivery of housing projects without sacrificing quality or site-specific considerations. For more straightforward developments, pre-approved designs integrated into standardized approval systems could significantly reduce staff workloads and expedite construction. However, larger more complex projects often benefit from more flexible approvals.

Innovative Solutions Needed

High construction and land costs remain major barriers to affordable housing development in Metro Vancouver. Labour shortages, supply chain disruptions, and regulatory hurdles have prolonged timelines and driven up costs, contributing to an ongoing affordability crisis. Creative solutions to these challenges include leveraging automation, mass-manufacturing techniques, and pre-approved designs to increase efficiency and address labour shortages in the construction sector. Governments are also urged to identify and make available publicly owned land, suitably zoned for affordable housing, at low or no cost to developers. By reducing land and construction costs, savings could be redirected toward maintaining affordability.

The urgency of Metro Vancouver's housing crisis demands coordinated action from all levels of government. Aligning funding programs, streamlining approval processes, and addressing cost barriers are critical steps toward creating a sustainable housing ecosystem that meets the region's growing needs.

Penny Gurstein PhD, is Professor Emeritus SCARP at the University of British Columbia and Co-Director of the Housing Research Collaborative. To read HRC's full report click here.

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