LANDCOR® DATA CORPORATION
The Landcor Report

British Columbia Q4 2013 Residential Sales Summary

February 17, 2014

It Was Easy Earlier...

Deep breath, stay calm. Sometimes, maybe it's better to simply sit back and wait for things to settle out . . . but the wisdom of 'masterful inactivity' is usually only recognized after the cunning plan has gone sideways.

Sure, 'hindsight is 20-20' but according to a guy we know, it was on four stumpy legs, bloody big and when it spots our guy coming up the driveway, it panics, turns wrong, shows its own hind end as it bolts into his big two-door garage which (cleverly) was left open.

The North American skunk; this two-tone roly-poly, waddling gait, myopic gaze, is one of Mother Nature's more effective WMD (wielders of mass dismay).

Our guy has a dilemma: How to gently shoosh the agitated au natural bomb outside, without having it go off inside?

Somewhere in the house there's an old can of bear spray. So ease open the garage side door, slide in the big aerosol can set on continuous discharge.

[1] % change Q3 2013- Q4 2013 [2] % change Q4 2012- Q4 2013

BC		Q4 2013	Q3 2013	% Chg[1]	Q4 2012	% Chg[2]
Number of Sales		22,706	28,430	-20.13%	18,167	56.49%
Total Value of Sales		$11.80B	$14.72B	-19.85%	$8.62B	70.81%
Detached	Average	$511,121	$509,683	0.28%	$468,822	8.72%
	Median	$477,500	$488,500	-2.25%	$454,000	7.60%
Condo	Average	$335,087	$327,564	2.30%	$318,690	2.78%
	Median	$337,500	$328,900	2.61%	$317,000	3.75%
Attached	Average	$365,852	$368,528	-0.73%	$358,360	2.84%
	Median	$355,000	$360,000	-1.39%	$345,171	4.30%

Our guy learns something new and wonderful: bear spray has a 'shelf life' and after so many years the chemical formulation degrades . . . and what it loses in potency, it gains in colour.

Red . . . old bear spray basically turns into smelly red paint . . . hisssss . . . walls, floor, stuff . . . everywhere, everything is now thinly filmed in sticky red .

So what's this got to do with the the really big garage in which we live – the province of BC? In general, the state of the economy and specifically, the real estate markets within?

Bascially, when an inviting door is left open or unattended and for bad, good or inevitable (depending on the viewpoint) all manner of interesting things and situations can – and will -- scurry inside.

Witness the ever-rising Lower Mainland house prices to cheer the homeowners and further dismay those trying to get inside the markets; the political and socieatal conrumdrum of 'affordability' versus many politicos' seeming inability or unwillingess (or perhaps it's simple pragmatism) to recognize 'the allure that dares not speak its name (i.e. the stealth effect of foreign investment on these housing markets).

Meanwhile, there's the rising consumer debt loads and ever-higher mortgages predicated on the low (for now) interest rates; erratic provincial employment figures versus the slowly improving resource sectors; and the usual contentious (LNG/bitamin) pipeline dreams, schemes and government projections . . . there's lots going on in the big garage but where it's all going is about as clear as a crimson fog.

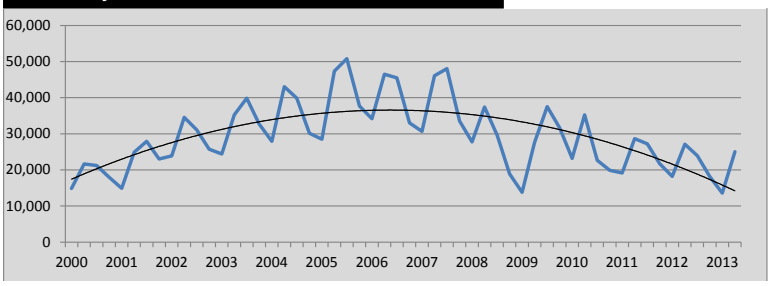
Lots of potential, more than a few problems and whether there are proactive 'solutions' to be had, or better to accept the inevitable, try to mitigate what you can and learn to live with what you can't, is still up in the air.

Numbers Gain, Splain, Pain, Retain

As always, the regional housing markets show great diversity on the quarterly and year-over-year basis. And again, Metro Vancouver has the greatest clout, now accounting for 11,383 or more than 50 percent of the 22,706 sales posted province wide in Q4/13 and 68.47 percent – or $8.08 billion – of the $11.80 billion in total sales. On the quarterly and year-over-year comparables, Metro Vancouver continues 'faster, higher, stronger' but only to a point.

Metro Vancouver did post a double-digit slippage in volume and values

Quarterly Sales Counts/ BC All

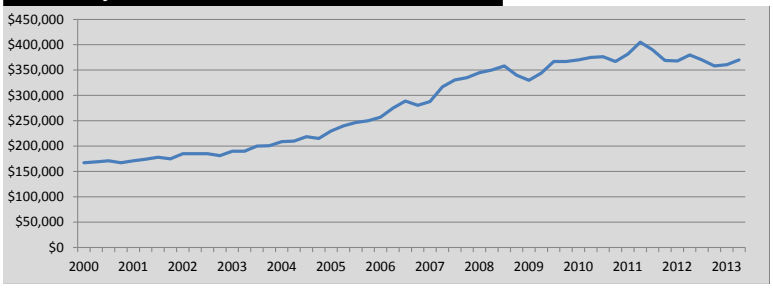


in Q4/13 versus the Q3/13 rally, the year-over-year bound in values and volume is up a remarkable 53 and almost 40 percent respectively. Last quarter, average and median SFD prices posted double-digit gains, with the average SFD abode priced at $934,482 (and far more in select neighbourhoods) and although condo and detached product price rises aren't stellar, they are keeping up with inflation . . . which can't be said in most all other market regions.

However, remove Metro Vancovuer from the mix and for most part the regional markets continue to slide in volume and values on the year-over-year and quarterly comparables with Q3/13 figures showing an almost uniform peak vis-à-vis the last quarter, albeit with some strong spots too.

The Vancouver Island market is not one of them.

Quarterly Median Sales Prices/ BC All



Although volume and value are up y-o-y, Q4/13 was well below the preceeding and most active Q3/13. (This year-end quarterly drop off is common to most all the other regions too, some more than others.) Average and median prices for Vancouver Island SFD and condo have slipped with only attached showing a modest 1.85 percent y-o-y gain in average price.

Neither is the Fraser Valley matrix. Year-over-year or quarter over quarter, average and median prices continue to slip for condo and attached, all negative figures, aside from average SFD prices which managed a bare 0.53-percent gain y-o-y.

The Kootenay market shows a similar strong Q3/13 values and volume, falling in Q4 but y-o-y, solid 17-percent plus gains. On the y-o-y average and median sales price comparable, SFD and condo product is ahead of inflation, attached is not.

In the Okanagan, Q3/13 had the realtors smiling. The next quarter, not so much. Average and median prices slid in all product classes. However, on the y-o-y comparable SFD did manage, barely, to technically remain positive albeit below the inflation rate.

BC North/NW mostly mirrors its southern brethern. Strong Q3/13, comparatively quieter Q4/13 and with SFD managing to stay positive on the y-o-y average and median price comparbles. As always, northern attached and condo showed a hefty appreciation but as always, these gains are more reflective of the extreme scarcity of these types of housing in the historically SFD-dominant market. Simple rarity and not necessarily overweening market demand.

As always, average regional markets don't reflect specific submarkets, especially in the big regions and specific towns that could be positively affected by the global recovery in resource and commodity prices.

For example, on January 13, the Kitimat LNG project hit a milestone when the Engineering/Procurement and Construction (EPC) contract was awarded to joint-venture partners Texas-based Fluor Corporation and JGC Corporation of Japan. Apache Canada and Chevron Canada are co-partners of the Kitimat LNG facility and its Pacific Trail pipeline project. In expectation of the proposed LNG project getting the okay, the site is being cleared, roads put in and a 2,100-bed workcamp is in the offing.

Call it telling but back in 2010, Kitimat posted 86 residental sales. Average price: $158,127. Cheapest sale: $25,000. Most expensive: $414,000. In 2013, sales activity more than tripled to 224 properties, averaging $241,256 per, the cheapest for $70,100 with the top at $829,700. (FYI but the Metro Vancouver SFD median price is $838,000.) Average price gain over four years: 65 percent and it appears to be acclerating.

Opinion, Opinions, Options

It's been a long, hot run but Metro Vancouver the 'hot house' volatility has cooled but opines the pundits, don't expect it to go cold and dead either; steady as it goes and into 2014.

Based on persistantly low mortgage rates, the steadily improving US economy and the expectation of reasonable employment growth on both sides of the line, Central 1 Credit Union forecasts that in 2014, Metro Vancouver property volume and average prices will increase by six percent and1.5 percent respectively. Not big but modest and solid. Or as Central I economist Bryan Yu told The Vancouver Sun: "There's no real cataylst in terms of [spurring] a big pickup in activity."

BC Real Estate Association,chief economist Cameron Muir told The Sun to expect Metro Van price gains of one to two percent in 2014. Market conditions are "fairly balanced" with "fairly limited upward pressure on prices" which makes it unlikely that "prices are going to acclerate in any significant way." In turn, the Real Estate Board of Greater Vancouver (REBGV) says that although sales on the realtor-controlled MLS "quietly improved" in 2013 by14 percent to 28,524 sales versus 2012's lackluster 25,032 deals, 2003 was also the third lowest sales year in the last decade.

Averge-price movements during the year? Percentage wise, steady

[1] % change Q3 '13- Q4'13 [2] % change Q4 '12- Q4 '13 [3] % change month to previous month

Gr. Vancouver		Q4 2013	Q3 2013	% Chg[1]	Q4 2012	% Chg[2]
Number of Sales		11,383	13,187	-13.68%	8,149	39.69%
Total Value of Sales		$8.08B	$9.49B	-14.89%	$5.28B	53.01%
Detached	Average	$934,482	$869,772	7.44%	$820,655	13.87%
	Median	$838,000	$788,000	6.35%	$752,668	11.34%
Condo	Average	$378,906	$374,149	1.27%	$365,558	3.65%
	Median	$365,000	$365,000	0.00%	$356,850	2.28%
Attached	Average	$461,558	$459,495	0.45%	$445,497	3.61%
	Median	$428,000	$425,000	0.71%	$420,500	1.78%

Gr. Van. Monthly		Oct.	Nov.	% Chg[3]	Dec.	% Chg[3]
Number of Sales		4,112	4,290	4.33%	2,981	-27.50%
Total Value of Sales		$2.87B	$2.86B	-0.15%	$2.34B	-18.27%
Detached	Average	$911,555	$931,127	2.15%	$970,500	6.47%
	Median	$825,000	$832,000	0.85%	$858,500	4.06%
Condo	Average	$367,502	$384,843	4.72%	$385,553	4.91%
	Median	$355,000	$369,000	3.94%	$372,255	4.86%
Attached	Average	$453,933	$460,705	1.49%	$473,477	4.31%
	Median	$420,000	$432,500	2.98%	$444,000	5.71%

Vancouver Island		Q4 2013	Q3 2013	% Chg[1]	Q4 2012	% Chg[2]
Number of Sales		3,560	4,877	-27.00%	3,106	14.62%
Total Value of Sales		$1.31B	$1.87B	-29.63%	$1.15B	14.32%
Detached	Average	$390,312	$406,855	-4.07%	$391,692	-0.35%
	Median	$384,900	$400,000	-3.78%	$394,000	-2.31%
Condo	Average	$237,865	$262,711	-9.46%	$254,470	-6.53%
	Median	$241,646	$255,703	-5.50%	$259,900	-7.02%
Attached	Average	$303,453	$316,945	-4.26%	$298,072	1.81%
	Median	$304,750	$324,900	-6.20%	$290,000	5.09%

Van. Island Monthly		Oct.	Nov.	% Chg[3]	Dec.	% Chg[3]
Number of Sales		1,345	1,246	-7.36%	969	-27.96%
Total Value of Sales		$0.50B	$458.39M	-8.50%	$355.42M	-29.05%
Detached	Average	$395,434	$391,412	-1.02%	$382,071	-3.38%
	Median	$390,000	$381,800	-2.10%	$380,000	-2.56%
Condo	Average	$241,263	$247,127	2.43%	$221,770	-8.08%
	Median	$237,642	$250,000	5.20%	$238,500	0.36%
Attached	Average	$296,744	$306,503	3.29%	$310,919	4.78%
	Median	$299,900	$309,000	3.03%	$316,064	5.39%

Okanagan		Q4 2013	Q3 2013	% Chg[1]	Q4 2012	% Chg[2]
Number of Sales		2,968	3,962	-25.09%	2,390	24.18%
Total Value of Sales		$0.96B	$1.36B	-29.72%	$1.15B	-16.83%
Detached	Average	$367,764	$389,397	-5.56%	$367,240	0.14%
	Median	$371,555	$385,000	-3.49%	$370,000	0.42%
Condo	Average	$209,884	$222,096	-5.50%	$218,917	-4.13%
	Median	$220,000	$224,000	-1.79%	$215,000	2.33%
Attached	Average	$267,168	$283,607	-5.80%	$280,636	-4.80%
	Median	$278,000	$282,250	-1.51%	$282,000	-1.42%

Okanagan Monthly		Oct.	Nov.	% Chg[3]	Dec.	% Chg[3]
Number of Sales		1,283	1,008	-21.43%	677	-47.23%
Total Value of Sales		$406.78M	$332.2M	-18.32%	$217.5M	-46.54%
Detached	Average	369,068	379,919	2.94%	346,593	-6.09%
	Median	371,555	380,000	2.27%	354,000	-4.72%
Condo	Average	208,415	212,321	1.87%	209,071	0.31%
	Median	222,450	230,000	3.39%	210,000	-5.60%
Attached	Average	274,564	258,008	-6.03%	267,921	-2.42%
	Median	285,000	275,000	-3.51%	269,866	-5.31%

as it grows, according to the REBGV. Metro Vancouver SFD: $927,000 or up 2.5 percent. Townhouse: $456,100 for a 1.2- percent annual gain. Condo: $367,800 or up two percent.

Farther along, the Fraser Valley Real Esate Board (FVREB) reports "not the best of years, nor was it the worst" with 13,663 sales on the MLS, off by 1.5 percent from the 13,878 handshakes of 2012. In 2013, some 29,338 properties were listed on the MLS, off by 5.4 percent over the 31,009 listings of 2012. Active listings ended the year at 7,541 or five percent up from the 7,187 hopefuls left standing at the front gate at year end 2012.

The FVREB reports that average annual price movements were mixed. SFD in the valley was up three percent to $615,852 versus $597,608 in 2012. Townhouse was off by 0.7 percent, from $340,253 to $337,811 with condo product off a titch or 0.4 percent from $220,033 to $219,196 as of year end 2013.

On a more optimistic note (depending on what side of the sales contract you're on), the latest quarterly Royal LePage national house-price survey says "confidence crept back" in the Vancouver market with "moderate growth" in all product types. Detached bungelows prices were up four percent year-over-year to $1.04 million, standard two-storey up 3.3 percent to $1.14 million, condos up 2.3 percent to $492,500. (Note: Royal LePage includes non-MLS data in its survey.)

Opines LePage: "Talk of a 'soft landing' for Canada's real estate market in the new year is misguided. We expect no landing, no slowdown and no correction in the near-term."

Buyers who held off awaiting that major correction which never came even as the mini-correction rebounded to new highs will exchange pent-up frustration with action; Royal LePage expects average prices will climb by 3.7 percent nationally, albeit with the caveat CEO Phil Soper calls "the absence of some calamitous event or material increase in mortgage financing costs." Prediction: the first half of 2014 will be a sellers' market, easing to a balanced steady state.

Specific to Metro Vancouver, Royal LePage believes the market faces some "instability" over the next two years as sales drop off from the booming peak and starts outstrip demand. Still, the "moderate" price growth of 2013 is likely to continue through 2014 with average prices projected to rise by 4.4 percent . . .

. . . or maybe not.

The Cry of the Loonie

Five years ago the Canadian dollar was at parity or above the US dollar. Canadian exporters fretted, Canadian shoppers grabbed up 'cheap' American wares and thanks to the sub-prime mortgage mess and subsquent flood of foreclosures and discounted prices, we Canucks bought up a fair bit of American real estate.

Things have changed. Today, the loonie is taking it on the beak. In late January it fell below 90 cents US, down by more than 10 percent. It's been shedding feathers ever since. Some predictions have the Canuck buck sliding to 82 cents US within the next year or so for what will be an almost 20-percent discount.

Despite Ottawa's brave face (and the Bank of Canada's seemingly tacit agreement to hold rates down and let the dollar slid as it may) the general view is that Canada's economy is comparatively weaker than a few of its G7 peers and competitors and that the year(s) immediately ahead will be 'lackluster' at best.

For exporters of Canadian-dollar denominated resources and manufactured goods, the plucked loonie adds a sorely needed competitive edge.

Ditto for holders of US dollars or other foreign currencies 'pegged'

[1] % change Q3 '13- Q4'13 [2] % change Q4 '12- Q4 '13 [3] % change month to previous month

Fraser Valley		Q4 2013	Q3 2013	% Chg[1]	Q4 2012	% Chg[2]
Number of Sales		2,279	3,075	-25.89%	2,340	-2.61%
Total Value of Sales		$0.89B	$1.22B	-27.10%	$0.92B	-3.72%
Detached	Average	$451,920	$463,737	-2.55%	$449,522	0.53%
	Median	$442,250	$460,000	-3.86%	$445,000	-0.62%
Condo	Average	$177,834	$190,989	-6.89%	$211,948	-16.10%
	Median	$187,500	$199,000	-5.78%	$217,250	-13.69%
Attached	Average	$284,758	$292,351	-2.60%	$299,000	-4.76%
	Median	$283,135	$298,000	-4.99%	$305,608	-7.35%

Fraser Valley Monthly		Oct.	Nov.	% Chg[3]	Dec.	% Chg[3]
Number of Sales		925	812	-12.22%	542	-41.41%
Total Value of Sales		$349.56M	$320.53M	-8.30%	$218.02M	-37.63%
Detached	Average	$447,797	$464,139	158.18%	$440,917	-1.54%
	Median	$435,000	$462,000	143.16%	$429,950	-1.16%
Condo	Average	$179,773	$180,340	-37.29%	$170,320	-5.26%
	Median	$190,000	$189,900	-32.90%	$178,000	-6.32%
Attached	Average	$287,563	$286,785	-0.27%	$277,412	-3.53%
	Median	$283,000	$289,728	2.38%	$282,000	-0.35%

BC North/NW		Q4 2013	Q3 2013	% Chg[1]	Q4 2012	% Chg[2]
Number of Sales		1,691	2,319	-27.08%	1,479	14.33%
Total Value of Sales		$357.55M	$0.52B	-30.62%	$313.10M	14.20%
Detached	Average	$239,392	$255,418	-6.27%	$236,234	1.34%
	Median	$251,250	$259,000	-2.99%	$245,000	2.55%
Condo	Average	$135,901	$117,703	15.46%	$103,530	31.27%
	Median	$142,857	$108,500	31.67%	$126,500	12.93%
Attached	Average	$207,423	$197,127	5.22%	$181,701	14.16%
	Median	$238,750	$210,000	13.69%	$218,563	9.24%

BC North/NW Monthly		Oct.	Nov.	% Chg[3]	Dec.	% Chg[3]
Number of Sales		679	585	-13.84%	427	-37.11%
Total Value of Sales		$147.27M	$128.11M	-13.01%	$82.18M	-44.20%
Detached	Average	$242,981	$250,450	3.07%	$218,435	-10.10%
	Median	$255,000	$255,950	0.37%	$238,000	-6.67%
Condo	Average	$129,690	$160,738	23.94%	$101,122	-22.03%
	Median	$150,000	$171,250	14.17%	$70,500	-53.00%
Attached	Average	$202,705	$227,080	12.02%	$178,156	-12.11%
	Median	$230,000	$255,200	10.96%	$190,000	-17.39%

Kootenay		Q4 2013	Q3 2013	% Chg[1]	Q4 2012	% Chg[2]
Number of Sales		825	1010	-18.32%	703	17.35%
Total Value of Sales		$203.00M	$264.23M	-23.18%	$172.73M	17.52%
Detached	Average	$272,352	$287,362	-5.22%	$263,720	3.27%
	Median	$280,000	$292,750	-4.36%	$272,250	2.85%
Condo	Average	$169,388	$167,102	1.37%	$164,517	2.96%
	Median	$187,500	$180,000	4.17%	$183,000	2.46%
Attached	Average	$250,221	$241,806	3.48%	$263,565	-5.06%
	Median	$255,595	$250,000	2.24%	$264,775	-3.47%

Kootenay Monthly		Oct.	Nov.	% Chg[3]	Dec.	% Chg[3]
Number of Sales		306	281	-8.17%	238	-22.22%
Total Value of Sales		$78.21M	$70.48M	-9.89%	$54.31M	-30.56%
Detached	Average	$276,132	$278,988	1.03%	$258,985	-6.21%
	Median	$280,000	$287,000	2.50%	$262,500	-6.25%
Condo	Average	$169,803	$167,982	-1.07%	$171,461	0.98%
	Median	$185,000	$204,450	10.51%	$158,000	-14.59%
Attached	Average	$253,356	$260,449	2.80%	$237,341	-6.32%
	Median	$254,639	$265,209	4.15%	$245,000	-3.79%

to the US dollar, whether actually or nominally (e.g. the Hong Kong dollar, the yuan/renminbi) and/or foreign buyers looking at Canadian real estate with an eye to live and work as true homeowners, long-term if not forever.

For those not yet in, gather up the US dollars, watch and wait and as the loonie slides and bottoms out, buy more Canada, for less.

However, those who converted their money and bought just prior to the loonie's slide and into what in are now flagging property classes and regions, the 10-percent (and growing) 'currency loss' far outweighs the low single-digit appreciation of the asset.

In an exclusive story recently published in The South China Morning Post and presented by The Vancouver Sun, Vancouver immigration lawyer/researcher Richard Kurland and Ian Young, whom the The Sun calls "an intrepid ethnic Chinese journalist", found that of January 2013, more than 45,000 wealthy mainland Chinese alone are awaiting processing under Canada's federal 'investor immigrant' program, more than six times the annual applications from what Young calls "all other English-speaking countries with investor programs combined" and with Vancouver the landing city of choice. Estimated minimum combined wealth of these candidates: HK$90 billion or $12.9 billion.

Given Ottawa's promise the backlog will be addressed and that, says Young, "few are typically rejected . . . . the queue could sustain the current pace of millionaire migration to the city [Vancouver] for a decade to come, even if applications remain frozen."

Continues The Sun: "Given that 95 percent of all Chinese migrants to British Columbia end up in Metro Vancouver,Young writes that the upward impact of so many wealthy newcomers on the city's housing prices could be devastating, making homes even more unaffordable for the young."

The federal investor/immigrant program was launched in 1986 by the Progressive Conservative government under Brian Mulroney. In 2012 the federal Conservative government under Stephen Harper stopped accepting applications. In the 2014 federal budget and a follow through to what it terms "Canadians of convenience' who seek citizenship while continuing to live aboard, Ottawa scrapped the 'investor' program entirely and will instead focus on newer economic/immigrant programs such as skilled workers. Meanwhile, those waiting on the the defunct investor/immigrant roster, say the feds, will have to apply via the other entry programs.

Borrowing a Cup of Sour

Consider the latest RE/MAX trans-national Upper-End market trends survey of luxury-home market, luxury defined as homes listed at $2 million plus

Specific to Greater Vancouver, in 2013 and what was the second-best sales year to date, 1,609 properties sold, with high-end condos and SFD sales up 18 and 38 percent respectively for a cumulative 36-percent gain and thoroughly outperforming the overall market. RE/MAX credits this activity to continuing low interest rates, market confidence and immigration/foreign investment with the market "particularly strong" for properties under $6 million but slows once beyond the $7-million price point.

Further to sweet spots, older SFD homes in the 'right' neighbourhoods and priced under $3 million are being bought by builders for lot value alone, with these older (and doubtlessly designated as non-heritage) homes demolished and replaced with new construction priced between $5 million and $10 million.

Notes RE/MAX: "The teardown trend is changing the face of entire communities and pushing up average prices in tandem" with the rip out/replace activity now spreading to "areas on the periphery of Vancouver's blue chip neighbourhoods, blurring the boundaries of the city's high-end pockets."

Don't forget high-end condos; In 2013 Metro Van had 138 condo sales of $2-million plus, with more to come, predicts RE/MAX: "The [condo] appeal is rather natural to some of Vancouver's high-end buyers, who have previously resided in high-density centres throughout Asia, the Middle East and Europe."

In fact, Metro Vancouver's most expensive sale in 2013 was a condo in tower-heavy Coal Harbour. Sale price: $25 million or well above the paltry $18.6 million paid for a SFD in the University Area. Meanwhile, RE/MAX notes the University Area SFD offered for $23.8 million and (get them while you can) a $35-million double-duplex condo.

If the current pace continues, RE/MAX predicts that 2014 could be a record breaker for Metro Vancouver's high-end wares, overshadowing the 2011 peak of 1,726 luxury SFD and 154 condos sold to new owners "from both home and aboard [who] invest in tangibility and stability for the long term."

In other words, high-end homebuyers who seek personal homes and as such, these properties are not 'pure' investments and certainly not 'commodity condos' and/or rental assets.

Follow the High Flying Bids to Victoria?

Physically, the Capital Regional District (CRD) and its core, the City of Victoria aren't that far apart, even with the Salish Sea (nee Strait of Georgia), ever-increasing BC Ferry costs and other bothers. However, in terms of luxury home sales, Metro Vancouver and the CRD are different worlds, different draws and lower entry points.

In the CRD, the RE/MAX high-end survey classifies 'luxury' at $1 million and up, with most activity in SFD at "upper end starter price points" of $1 million to $1.25 million.

In 2013 the CRD saw a measly 200 luxury sales, off by more than 10 percent over the 227 sales posted the previous years. The 2013 top sales: $6.6 million for a "large, oceanfront estate" and $1.45 million for a very large view condo in a prime established downtown locale.

Aside from relative low prices, the 'luxury buyer' profile is also different. Buttressed by lower interest rates and softer prices at the top end of the market, RE/MAX says "local purchasers" are trading up to higher-end properties.

Still, there is an outside element but it's mostly from Albertans riding in "after an extended hiatus" and Americans, courtesy the stronger US dollar, rising economic confidence in the United State and the "attractive pricing" of CRD properties. In turn, "foreign investment has also been noted in Victoria, but activity is sporadic. " (Which begs the question: Are the Americans 'foreigners'? Albertans? Your call.)

Despite the CRD's so-so 2013 survey figures, "cautious optimism" prevails, buttressed by what RE/MAX sees as improving economic conditions in BC. Coupled with Victoria's balmy appeal, upper-end demand will, predicts RE/MAX, climb in 2014 with up to 220 sales and in keeping with the historic five-year and steady average of 200 to 240 luxury sales per annum. Even so, this segment isn't expected to fully recover until the "overall market is on firm ground."

Jobs, Jobs, Jobs?

In January, 2014, Stats Canada has Canada gaining 29,400 jobs, somewhat mitigating the 45,900 paycheques that had vanished in December, 2013. Not great but a relief from what BMO Capital Markets chief economist Doug Porter called "the ugliness" that rang out the year.

Specific to BC, in January 2014, the unemployment rate fell to 6.4 percent (6.6 pecent in December); 2,000 part-time jobs were lost but

more than balanced out by the 9,100 gain in full-time employment. In December, 2013, BC gained 13,000 jobs, says StatsCan. According to Victoria, BC is on the plus side in terms of annual employment.

However, Canadian Centre for Policy Alternatives (CCPA) says it's largely due to the creation of some 20,000 new public-sector jobs, full time and temporary, even as the private sector lost 12,000 jobs in the first 10 months of 2013. Translation: bigger government and so much for the BC Liberal government's flaghip economic initiative, the BC Jobs Plan which the CCPA claims "is failing to deliver".

Up, Down, All Around

In its latest look at Canadian housing prices, the Teranet-National Bank House Price Index found that when averaged out nationally, Canuck home prices "ticked back up" to a record high in December which itself saw a 0.1-percent monthly increase, reversing November's 0.1-percent decrease "and returned the index to its all time high."

On a year-over-year basis, Canuck house prices are 3.8 percent above last December's comparable with 2013 acelerating as the new year approached, up from November's 3.4 percent y-o-y and far ahead of the 3.1-percent increase posted in 2012.

In the other seven of the eight cities on the Teranet-National radar and although the year-over-year prices are still largely in the black, prices have edged down in recent months. Halifax, Quebec City, Montreal, Ottawa/Gatineau, Hamilton, Winnipeg and Victoria are all on the 'wrong' side of the peak, some more than others.

And then there's Metro Vancouver. For two years previous, the market was 'correcting' but the not to the depth nor extent predicted. Prices did fall, grudingly but not very far, stabilized, and largely recovered. Not hot, not cold but coolish, balanced.

Even as certain other regions rebounded to new highs and although not exactly rocketing upward, there's little sign (so far) the overall and specific markets are losing much kinetic energy.

Metro Vancouver, the Greater Toronto Area and Calgary are the heated spots in what otherwise are largely stable and cooling national residential real estate markets. Calgary has the oil and influx of job-seekers, Toronto has its head offices, long-established industries and influx of investors . . .

And then there's the anomaly called Metro Vancouver.

Sans head offices, no hydrocarbons, so-so economy and yet still the average prices continue to rise ever farther beyond the reach of the average incomes. If the money isn't coming from within, it's logical to assume it's from without. Call it supply and demand, the natural evolution of any thing or any place or product of finite supply in an environment of ever increasing demand.

The Allure That Dares Not Speak Its Name

In early January The Globe and Mail reporter Kerry Gold took a close look at the affordability and foreign investment question.

Among other sources, Gold interiewed UBC geography professor and Millionaire Migrants book author Dr. David Ley who studys housing bubbles in various global cities and who believes that Vancouver has "an astonishing apathy to the serious issue of inequality and affordability."

Whereas cities such as Sydney, Australia -- also deemed a target for the "global investor class who park their money in cities that are desirable and safe" – are making a government and public issue of the resulting ripple/stealth tsunami effects of such outside investment on local affordabilty, Dr. Levy believes that although "there's a flutter of interest" in BC and Canada when the Royal Bank updates its stats on seemingly ever-declining affordablity in certain select Canadian cities but beyond that flutter, nothing much else follows.

This apparent apathy can partially be blamed on the lack of statistics on foreign investment in Canadian residential properties. Whether deliberately or through simple inattention or inability, the hard running-total numbers aren't there and aren't being gathered.

Based on data by taxfiler, in 2009 the average income was $41,176 in Metro Vancouver and $39,745 province wide. The StatsCanada 2011 Housing Survey puts the Metro Vancouver household median income at $68,900 ('census families' include couple families, with or without children and lone-parent families), well below the Canadian household median income of $72,240 and where living is a lot easier (and cheaper).

Gold cites Vancouver-based demographic reseach firm Urban Futures which notes that a mere 0.56 percent of British Columibians have declared annual incomes of $250,000 plus. With the average price of SFD in Vancouver broaching the $1-million mark and with average and median individual and household incomes bumping along in

one of the world's most expensive cities and in a province where the income-to-personal debt ratio is the highest in Canada . . . the question is obvious: Who's buying all these increasingly expensive homes?

If the money isn't coming from the overstretched locals, logic assumes the money is coming from the outside.

In turn, the long and seemingly steady inflow of outside capital into the high-end SFD and condo-investment markets could do much to explain why the Metro Vancouver 'bubble' doesn't really exist. The classic bubble arises when local housing prices decouple and lose connection with local achievable incomes. Prices swell to unrealistic and unsustainable levels, the local buyers quail and evaporate, the music stops and the market either pops or deflates.

However, if the buyers keep coming, what appeared to be a bubble becomes a multi-celled air mattress afloat on a rising tide of interest. Which is fine for those firmly aboard the mattress, less fine for those treading water and just to carry the analogy, not good for those now left in the wake.

So-so incomes in an ever more expensive area. Grimly endure or get out of town, either to the outlying regions or beyond.

Yet others counterargue that unlike 'true' homeowners who by definition (if not in actuality) put down roots and thus help grow the local economy in a managable way, investor/buyers unnaturally drive up prices, distort the markets and economies and, if and when the markets cool, outside money is fickle and will sell off asap and get out of town, precipitating a general collaspe in overall prices, imploding equity and thus aggravating the long-term systemic distress.

Here in BC, there seems to be an underlying attitude that before one makes any move to restrict or limit foreign investment in Canadian domestic housing markets, the extent of that investment must beyond dispute, buttressed with hard numbers and not based on knee-jerk emotions or ancedotal 'evidence' . . . and yet there are no efforts made to compile these numbers . . . ostrich reasoning, Catch 22, ignore what you don't want to or can't admit.

The Fifth Estate, Somewhere

Unfortunately, open debate of the obvious while linking the rapid retreat of affordability with the onset of foreign investors/homebuyers, is regarded as either xenophobia or uncomfortable and Catch 22 again, is largely avoided by those job is to explore similar questions and query the people involved. Or so says observers such as The Vancouver Sun columnist Douglas Todd who writes on diversity and spiritually.

Interviewed by Young, the award-winning and well respected journalist said "it's mostly a mystery to me" why the Canadian media typically avoids any real examination of the interplay between high immigration/foreign ownership and local property markets. It doesn't help, opines Todd, that Canadian journalists "are like most 'nice' Canadians and are very fearful of offending any ethnic or immigrant group."

In turn, Todd says he has occassionally been accused of writing articles "in which hyper-vigilant people say they dectect an 'undercurrent of racism'. They say 'undercurrent of racism' because they can't find any actual racism, because it's not there."

But not everyone is painfully sensitive or discreetly mute.

In a recent BUILDEX convention panel discussion on affordability in Greater Vancouver, urban consultant and former Vancouver director of planning Brent Toderian said that foreign ownership isn't just the 'elephant in the room . . . . it's the elephant crushing the table."

No great fan of City Hall's current government which, opines Torderian, says it's focused on affordability but won't take a hard look at how these well-heeled and interested outside forces affect affordability. High demand, unlimited and unrestrained deep pocketbooks, limited supply equals higher prices and in the competition between "external demand and local demand – that's the nicest way I can put it," Toderian told the audience, the deep pockets invariably win. "Barring a collapse and a crash, we're going to remain a very expensive city to own in."

In the same forum, Peter Ladner, former mayoral contender, city councillor, long-time editor of and now columnist with Business in Vancouver noted the above mentioned contentions and curbs, cited the "uncanny match" between China's rising GDP and Vancouver housing prices and decried the Catch-22 down-the-rabbit-hole mindset where City Hall's various working groups and task forces on foreign investment espouse "a 'study first, wait and see' attitude" even as they "wrote off the need to look into foreign investment."

Meanwhile those most affected by the affordability quandray sit tight and contends Ladner, do little: "Until those on the losing end make some noise, our politicians and builders will focus exclusively on building more condos and imagining that one day, somehow, prices will magically align with local incomes."

Whether Go the Markets?

With sales softened in the last quarter, many predict 2014 will bump along well into the year, balanced, with demand having largely depleted itself last summer when long-term interest rates rose unexpectedly (although not by that much) and wannabe buyers panicked and grabbed hold of the compartively cheap mortgages while they could.

(Of course, if and when housing prices decline, it's arguably better to pay a higher interest rate on a smaller principal loan. It all depends on the math. Wait and see? Or assume that prices won't decline so grab what you can, while you can and when interest rates do rise (and they will).

Everyone has an opinion, learned or otherwise but true to form, the housing markets' true direction remains a guessing game. Many analysts and economists note that sales have cooled in the last quarter and demand will stay soft and steady well into 2014 in the aftermath of the stampede of buyers who, spooked by the unexpected (albeit relatively modest) rise in long-term interest rates, grabbed what they could.

On the other hand, others believe that there is a 'next wave' of buyers who, after waiting patiently for the markets and prices to fall as per the predictions, are getting frustrated, increasingly antsy as those prices continue to rise and in turn are getting ready to jump in, while they think they still can.

Average prices have dipped in recent years but those brief dips are now more than erased by record prices across most product classes with the usual suspects and locales garnering most of the attention.

When the next round of interest-rates takes hold (ETA maybe late 2014 but with with the usual and ever shifting political/geo-financal/economic caveats), there will be another surge to buy, albeit mostly in certain select areas and what are deemed 'more affordable' product classes and locales in what still is (and we're talking Lower Mainland/City of Vancouver) remains among the world's top three most expensive cities.

As housing prices climb, the buyers' pool shrinks as those on the fringes of affordability are pushed out of the market. As sales volumes subseqently shrink, inventories of unsold properties grow. At a certain point, the 'hot' market cools and some time after that, in the pause that distresses, vendors' now-out-of-synch expectations gives way to pragmatism vis-à-vis achievable prices. 'Motivation' sets in and prices stall and then slip.

If and when financial calamity (e.g. widescale job losses, rising mortgage-interest rates etcetera) pushes a whole whack of homeowners to the edge, prices really come down in either a 'soft landing' or 'hard crash' or somewhere in between.

Which now begs the question: Are BC residential real estate markets . . . normal?

Short answer: In most 'outer' regions of BC, a qualified yes. Give and take, ask and offer. Falling volumes have engendered lower prices as the markets fall back into natural, normal equilibrium. Stay calm and carry on.

For established longer-hold vendors, the price slippage is at worse, a 'missed' opportunity for anyone entertaining thoughts of soon selling out and retiring to, say, bucholic Vancouver Island where prices have also slipped.

No big deal, it all works out in the wash, especially if the adobe was bought prior to the latest peak and as a 'home' and not necessarily as an 'investment' with the expectation of a hefty and seemingly eternal appreciation.

However, for newbie homeowners who as buyers got spooked, fearing that the then-rising markets will forever elude them and so they jumped in, bought at or near the peak . . . the ongoing fall in average prices and lower assessed values don't make for glad reading.

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About Landcor Data Corporation

Landcor Data Corporation Inc., founded by Rudy Nielsen, is a privately held technology company based out of New Westminster, British Columbia. Landcor is a part of the Niho Group of Companies.

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