

Report prepared by economist WILL DUNNING. Views expressed by Will Dunning are his own and do not necessarily represent those of Landcor Data Corporation. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

BC Housing Market Overview

A Sudden Downshift

This is not a surprise – COVID-19 has hit BC's housing market very hard. Landcor's data shows a sharp downturn for the second quarter of 2020. The 21,970 actual sales were 16% lower compared to a year ago. On a seasonally-adjusted basis, sales in the first quarter (estimated at 18,300) were 37% lower than in the first quarter. As is illustrated in Figure 1, second quarter sales were among the weakest seen in the past two decades.

(In some charts, trend lines have been added, where I judge that they help improve understanding of trends. Where those trend lines are present, they are labelled "Poly.")

Figure 1

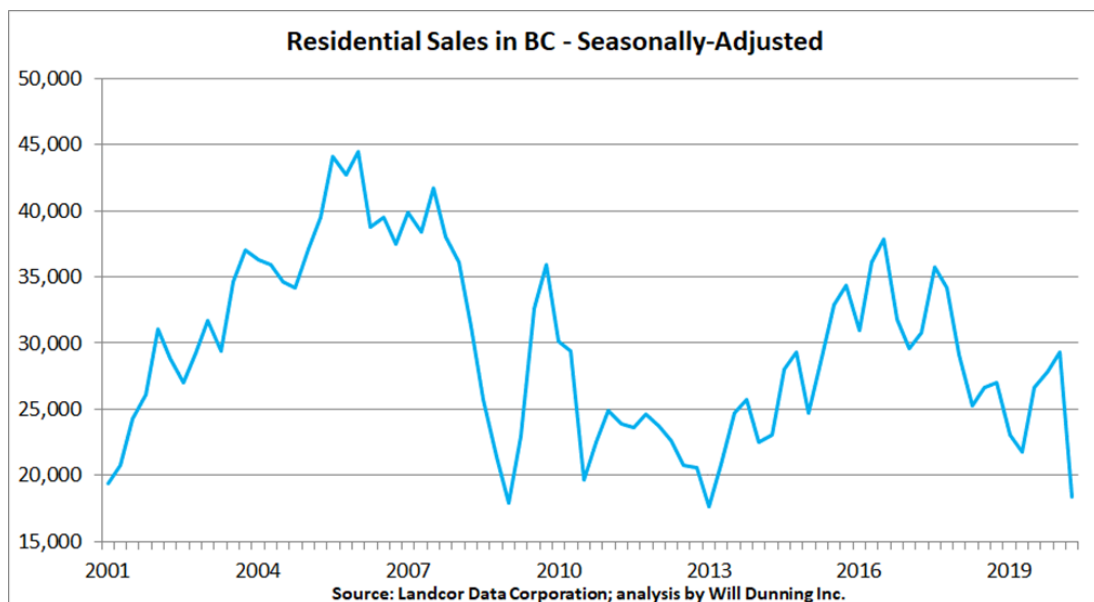
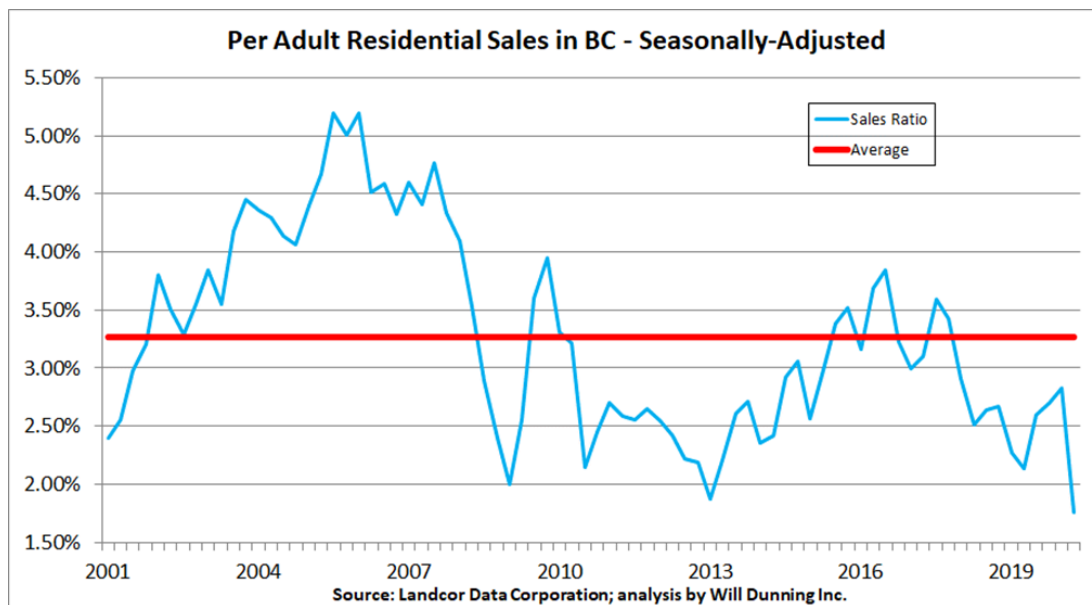


Figure 2 takes a slightly different view of the data. We should expect that sales will trend upwards over time, because the population is growing (and there are more people who could potentially buy homes). Meanwhile, the total stock of housing is expanding (and there are more homes that could potentially be sold). Therefore, I also look at the data in terms of sales per adult. At first glance, Figure 2 looks quite similar to Figure 1. An important difference is that it highlights that for more than two years the sales rates have been quite far below average. The figure for the second quarter is the lowest ever recorded, and is 46% below the long-term average of 3.27%).

BC Housing Market Overview (cont'd)

Figure 2

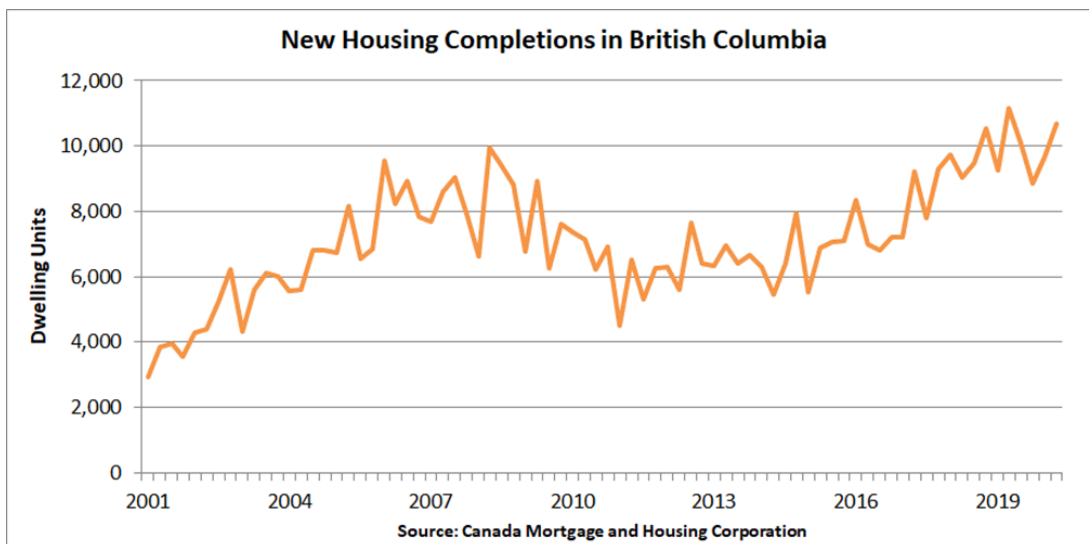


Sales during the second quarter reflect a set of mixed influences.

- Circumstances mitigated the reduction occurring in the second quarter:
 - Many of the transactions were commenced before the onset of COVID-19, but were only entered in the land registry system upon closing.
 - In addition, many of the transactions are for new dwellings for which construction has been completed and ownership has been transferred from the builder to the new owner. As is shown in Figure 3, housing completions within the province of British Columbia remain at a very high level. With a high volume of housing still under construction, new completions will continue to support sales (closings) for some time yet.
- A very rapid change in circumstances may have caused delays and/or cancellations of closings that would otherwise have occurred during the second quarter. Some of those delayed closings could occur during the third quarter.
- A sudden, very sharp decline in purchase-and-sale agreements contributed to the very large reduction in closings during the second quarter.
- Widespread commentary hints very strongly that confidence is beginning to recover, resulting in more agreements to purchase-and-sell, which will result in future closings.
- Looking ahead to the third quarter, market activity will once again be influenced by a mixed set of positive and negative influences. There will most likely be a partial recovery.
- Factors contributing to a partial recovery include a continued high volume of housing completions, consummation of closings that should have occurred during the second quarter, and the effect of rebounding accepted offers to purchase.
- Third quarter sales might be as high as 30,000 units. Crunching that number a bit further, the per adult sales rate might be in the area of 2.5%, which would be about one-quarter below the long-term average. While this scenario would be a substantial recovery, it will still be the case that housing demand will remain weakened in historic terms.

BC Housing Market Overview (cont'd)

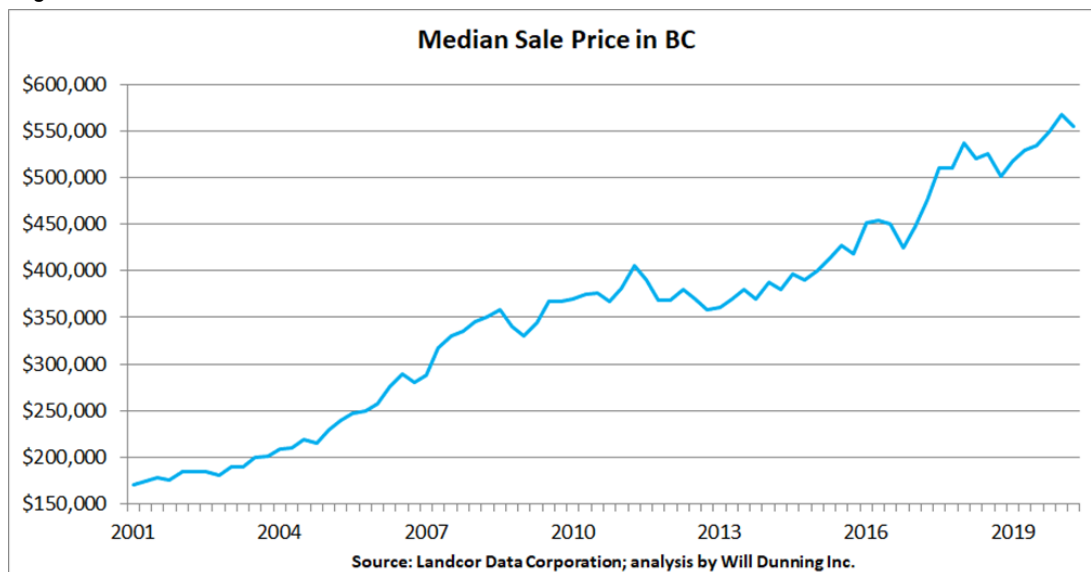
Figure 3



Prices

The median price in Q2-2020 (\$555,000) was slightly lower than in the prior quarter (\$567,366). However, it was 4.7% higher than a year earlier.

Figure 4



Price trends vary across the province, and by type of dwelling. The table below summarizes year-over-year changes for the six regions of the province, and three major dwelling type categories. An interesting event in the data for Q2 is that median prices (especially for detached homes) have increased more for the entire province than for all of the six regions. This has happened because an increased share of sales is happening within Greater Vancouver, and this change in composition has sharply raised the median price that is calculated for the entire province. Looking across the six regions, this data indicates that price growth is currently strongest for Vancouver Island, and weakest for Fraser Valley and BC North/Northwest.

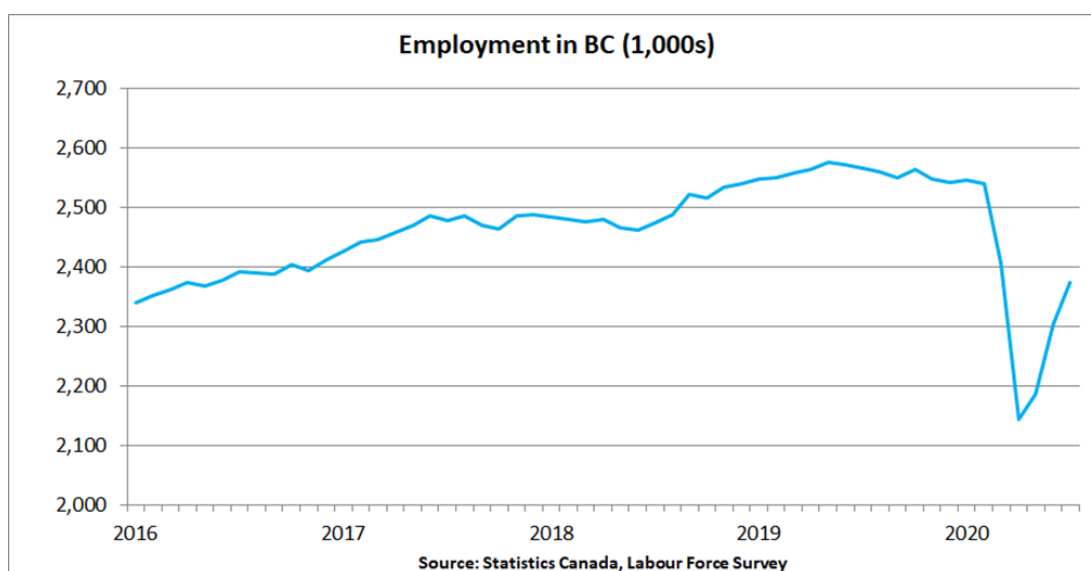
BC Housing Market Overview (cont'd)

Year-Over-Year Changes in Median Selling Prices by Region and Type of Dwelling, 2019-Q2 to 2020-Q2			
<i>Region</i>	<i>Detached</i>	<i>Condo</i>	<i>Attached</i>
Greater Vancouver	3.28%	4.98%	6.10%
Vancouver Island	4.81%	15.28%	9.35%
Kootenay	4.08%	-4.88%	19.35%
Okanagan	3.90%	0.79%	2.45%
Fraser Valley	2.98%	-3.95%	2.88%
BC North/Northwest	3.03%	-50.23%	7.28%
BC Total	11.36%	9.62%	8.58%
Source: Landcor Data Corporation			
Note: Figures may vary from other published data due to on-going revisions.			

Extreme Shifts for Economic Fundamentals

Following unprecedented job losses during March and April, employment (in BC and across the country) has partially recovered. Most of the charts within this report use quarterly data. This chart of employment uses monthly data. During March and April, BC employment fell by an estimated 397,000 jobs (16%). But, by July, 232,000 jobs were regained (58% of the loss). The economy remains badly weakened. Perhaps even more importantly, there is still extreme uncertainty about what might happen with the pandemic emergency and therefore there are unknown risks to the economy.

Figure 5



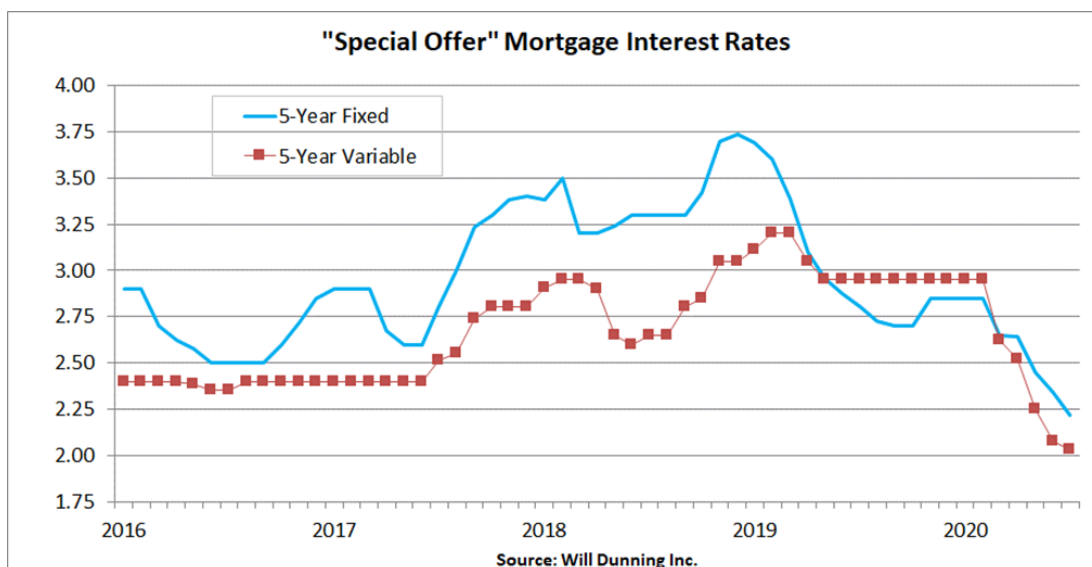
BC Housing Market Overview (cont'd)

A further consideration is that the job losses have weighed most heavily on the youngest age groups, who are more likely to live with their parents or rent rather than be homeowners. As of July, employment is 12.8% lower than in February for the 15-24 age bracket. But, for the prime home ownership bracket of 25 to 54, employment is down by half as much (6.2%), and for the 55 and older age group, the drop is 3.7%.

The implication is that for a very large share of potential home buyers, employment situations are relatively stable (although whether they feel that their situations are stable, secure, and predictable is a separate matter).

Added to this, interest rates have been reduced to unprecedentedly low levels. This chart shows my opinion-estimate of typical “special offer” interest rates that are advertised by major lenders. The last data point in this chart (the average for July) shows the rate for 5-year fixed rate mortgages at the lowest ever level (and now – as of August 11 – rates have fallen even farther, to a typical 2.1%).

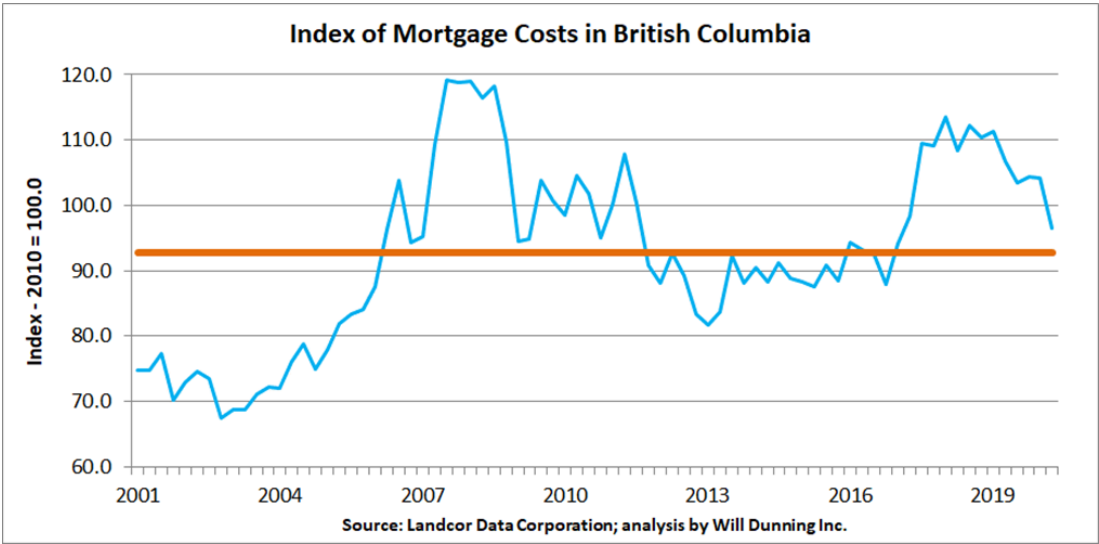
Figure 6



The drop in mortgage rates has resulted in a substantial improvement for affordability in British Columbia. Figure 7 provides an index of the affordability of mortgage payments. It combines data on incomes, median house prices, and my estimate of the typical special offer rate for 5-year mortgages. The estimates are used to create an index of affordability: the lower the index, the better the situation is. In this chart, the flat orange line is the average for the entire period. The current affordability index is slightly above average. While affordability is currently not as good as it was during 2012 to 2016, it has improved compared to 2017 to 2019. And, this calculation is based on the average interest rate for the entire second quarter (2.5%). Rates are now even lower (in the area of 2.1%, and lower rates can be negotiated), which means that affordability has improved further.

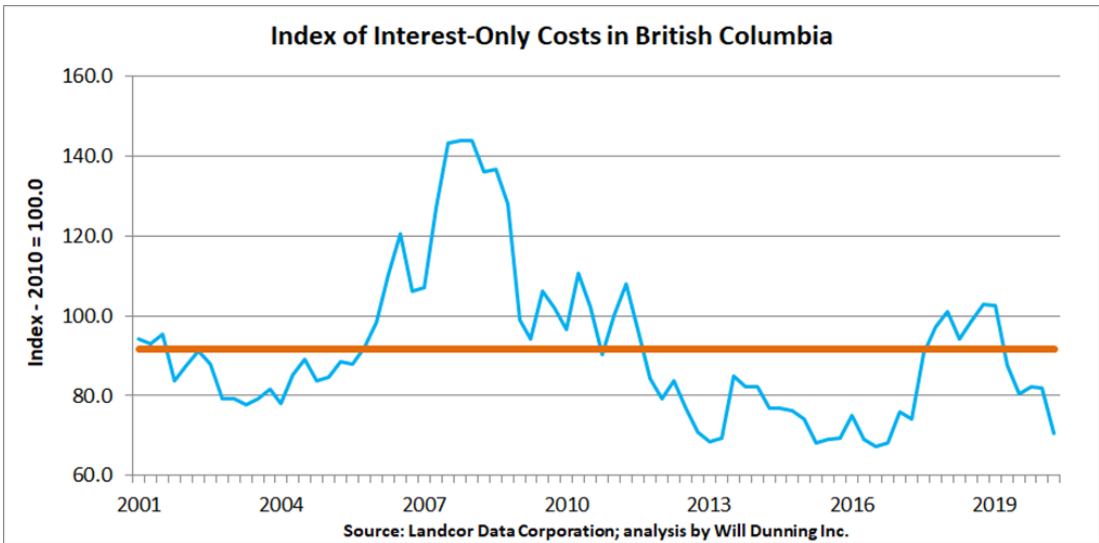
BC Housing Market Overview (cont'd)

Figure 7



Mortgage payments consist of two parts: interest and repayment of mortgage principal. At the 2.5% interest rate, more than one-half (54%) of the first payment is principal (and 46% is interest). Over time, the share that goes to principal creeps upwards. Principal repayment can be seen as a form of savings. For the consumer, the actual cost of finance is the interest part of the payment. The principal part of the payment should be excluded from the calculations of the cost of mortgage finance. Figure 8 shows the result of that approach. This data indicates that during 2012 until mid-2017 affordability was extremely good in BC. There was some deterioration, but once again, the index is well below the long-term average, meaning that affordability is very favourable.

Figure 8



BC Housing Market Overview (cont'd)

Regional Variations

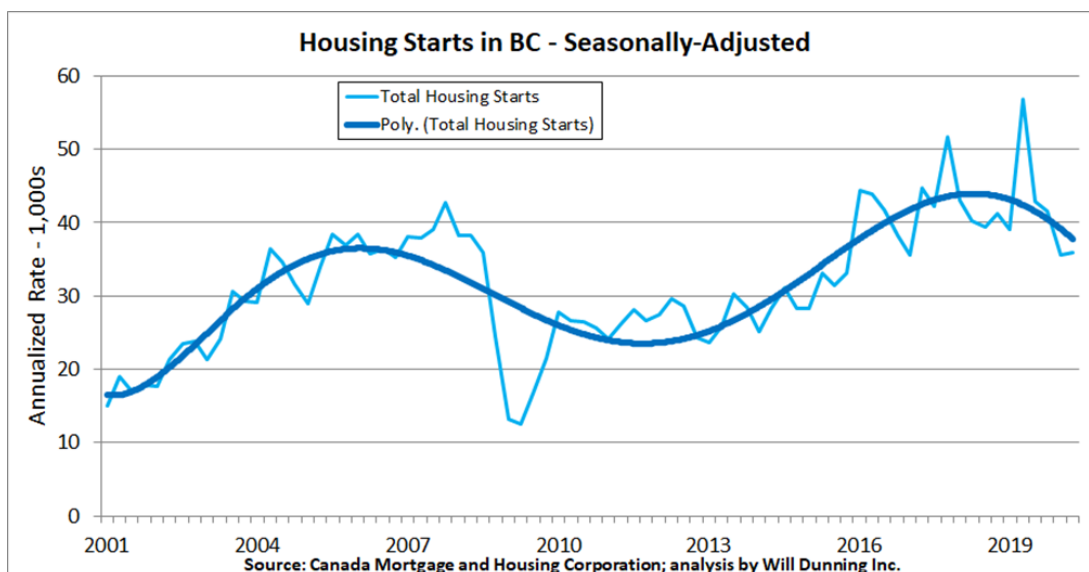
Landcor's data shows that during 2020-Q2, residential sales were 16% lower than a year earlier. As is shown in the table below, reductions occurred in all of the regions. The smallest drop was for Greater Vancouver (5%). Each of the other regions saw a drop larger than 20%. In consequence, Greater Vancouver gained market share and all of the other regions lost share.

Residential Sales in British Columbia, by Region, 2019-Q2 and 2020-Q2					
Region	Quarterly Sales		% Change	Share of BC	
	2019-Q2	2020-Q2		2019-Q2	2020-Q2
Greater Vancouver	10,362	9,791	-5.51%	39.68%	44.57%
Vancouver Island	4,950	3,710	-25.05%	18.95%	16.89%
Kootenay	1,223	953	-22.08%	4.68%	4.34%
Okanagan	4,167	3,303	-20.73%	15.96%	15.03%
Fraser Valley	3,464	2,719	-21.51%	13.26%	12.38%
BC North/Northwest	1,950	1,494	-23.38%	7.47%	6.80%
BC Total	26,116	21,970	-15.88%	100.00%	100.00%
Source: Landcor Data Corporation					
Note: Figures may vary from other published data due to on-going revisions.					

Strong Housing Start

During the past four years housing starts have exceeded the “demographic requirement” (about 35,000 new dwellings per year). It takes time for construction to be completed so that new dwellings can be occupied. For some time, BC will see elevated levels of completions, at a time when an economic crisis might reduce actual demand to less than the “demographic requirement”. These housing completions will be a source of some downward pressure for prices (especially for apartments). So far in 2020, the starts rate has been close to the demographic requirement, meaning that eventually the excess supply might be diminished.

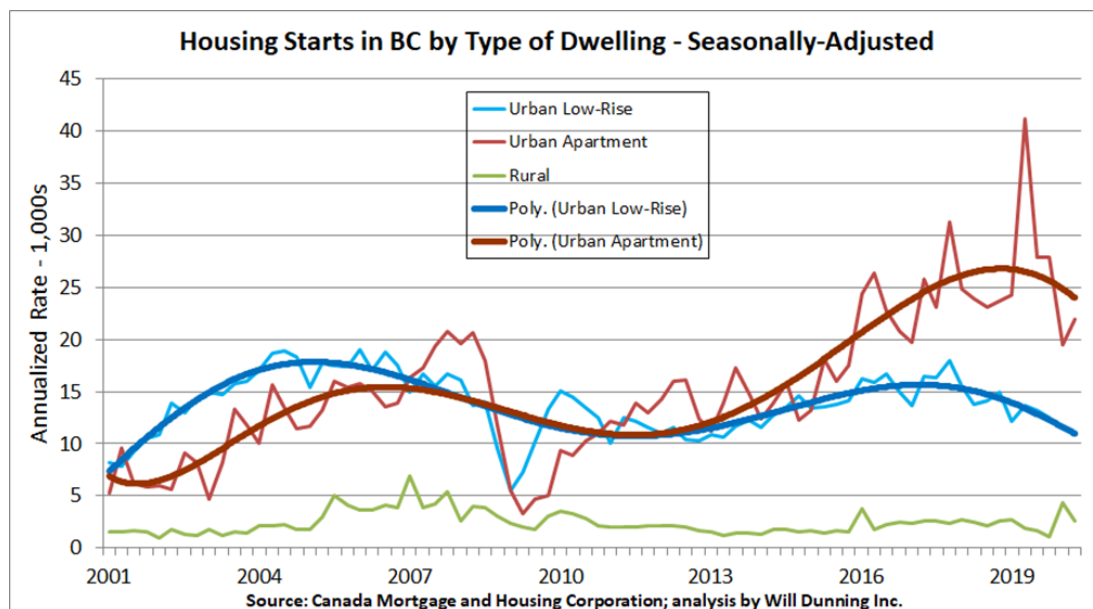
Figure 9



BC Housing Market Overview (cont'd)

A more detailed view of the data shows that starts of low-rise dwellings remain quite weak. Similarly, starts in rural areas have been weak. On the other hand, starts of apartments are extremely strong. One potential effect of the pandemic is that there may be less consumer interest in high-density situations (due to the difficulty of maintaining social distancing). Consequently, we may find that the supply of new apartments will be far in excess of the market need. We might expect substantial shortfalls for low-rise options (which are already in critically short supply).

Figure 10



On Another Matter...

I've written a new report for Mortgage Professionals Canada. It can be found here:

<https://mortgageproscan.ca/docs/default-source/consumer-reports/rapidly-evolving-expectations-in-the-housing-market---report-1-august-2020-en.pdf>

The report starts from my belief that economic forecasting (including the housing market) is impossible in this rapidly changing environment. Instead, this project is attempting to track changes in consumer attitudes and expectations, to develop some hints about what might happen in the housing market.

Will Dunning has been analyzing housing markets since 1982. His consulting firm provides custom analysis to clients in the private, public, and non-governmental sectors. His website is www.wdunning.com.

Residential Sales Summary Report By Region

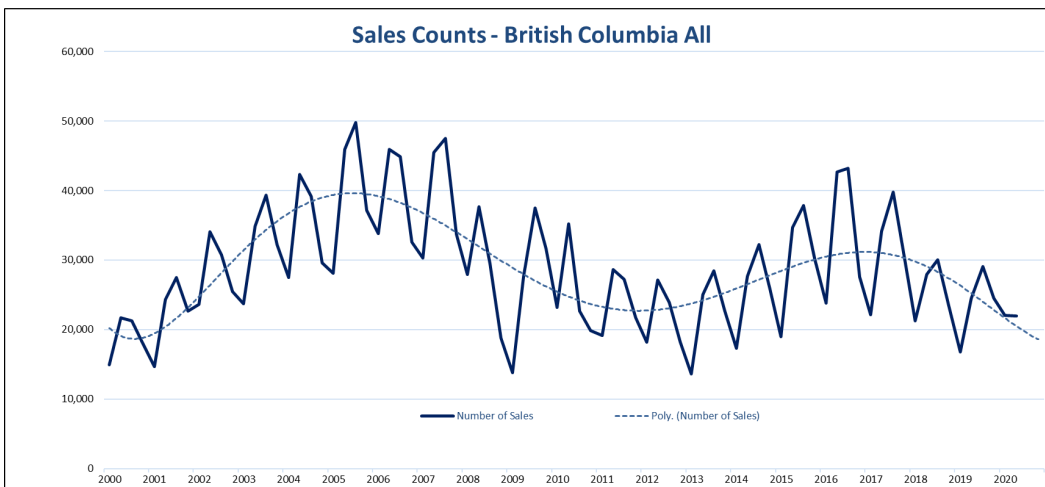
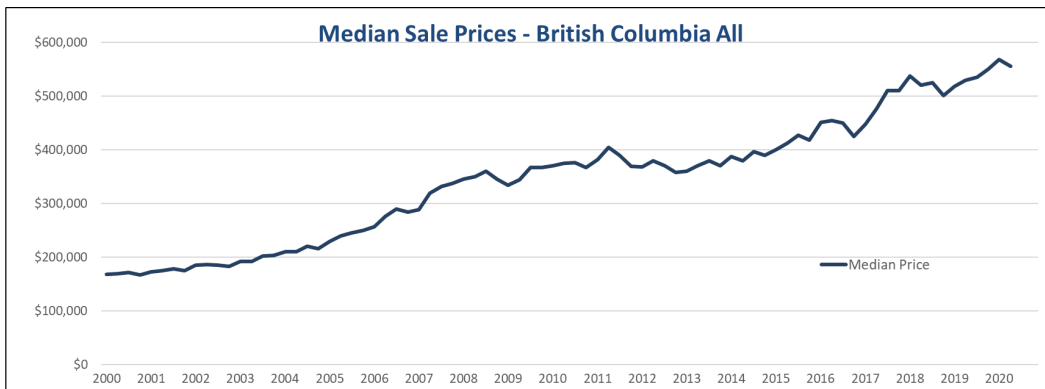
APRIL—JUNE

Landcor's Quarterly Residential Sales Summary reports on property sale values within British Columbia. Providing sales information on a regional level, these charts compare average and median pricing on different property types: Detached, Condo and Attached.

¹% change Q2'2020—Q1'2020 ²% change Q2'2020—Q2'2019

British Columbia - All

Quarterly Sales		Q2 2020	Q1 2020	% Chg ¹	Q2 2019	% Chg ²
Total Number of Sales		21,970	22,521	-2.45%	26,116	-15.88%
Total Value of Sales		\$15.43B	\$16.18B	-4.65%	\$17.13B	-9.94%
Detached	Average	\$938,068	\$981,693	-4.44%	\$847,819	10.64%
	Median	\$735,000	\$785,000	-6.37%	\$660,000	11.36%
Condo	Average	\$571,788	\$584,788	-2.22%	\$532,317	7.41%
	Median	\$490,000	\$503,900	-2.76%	\$447,000	9.62%
Attached	Average	\$658,323	\$640,457	2.79%	\$621,970	5.84%
	Median	\$602,600	\$585,000	3.01%	\$555,000	8.58%



¹% change Q2'2020—Q1'2020 ²% change Q2'2020—Q2'2019 ³% change month to previous month

Region: Greater Vancouver

Quarterly Sales		Q2 2020	Q1 2020	% Chg ¹	Q2 2019	% Chg ²
Total Number of Sales		9,791	11,926	-17.90%	10,362	-5.51%
Total Value of Sales		\$9.20B	\$10.69B	-13.95%	\$9.43B	-2.40%
Detached	Average	\$1,569,310	\$1,564,682	0.30%	\$1,559,473	0.63%
	Median	\$1,290,000	\$1,300,000	-0.77%	\$1,249,000	3.28%
Condo	Average	\$650,792	\$644,493	0.98%	\$617,946	5.32%
	Median	\$545,900	\$553,900	-1.44%	\$520,000	4.98%
Attached	Average	\$823,552	\$801,628	2.73%	\$818,866	0.57%
	Median	\$730,000	\$708,000	3.11%	\$688,000	6.10%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		3,516	2,837	-19.31%	3,438	21.18%
Total Value of Sales		\$3.31B	\$2.76B	-16.45%	\$3.13B	13.36%
Detached	Average	\$1,569,325	\$1,550,105	-1.22%	\$1,587,534	2.41%
	Median	\$1,270,000	\$1,283,940	1.10%	\$1,306,900	1.79%
Condo	Average	\$625,467	\$698,745	11.72%	\$640,720	-8.30%
	Median	\$514,400	\$578,000	12.36%	\$551,900	-4.52%
Attached	Average	\$820,466	\$834,376	1.70%	\$816,198	-2.18%
	Median	\$725,000	\$748,525	3.24%	\$714,950	-4.49%

Region: Vancouver Island

Quarterly Sales		Q2 2020	Q1 2020	% Chg ¹	Q2 2019	% Chg ²
Total Number of Sales		3,710	3,396	9.25%	4,950	-25.05%
Total Value of Sales		\$2.17B	\$1.98B	9.93%	\$2.73B	-20.45%
Detached	Average	\$713,879	\$710,468	0.48%	674,071	5.91%
	Median	\$639,000	\$637,500	0.24%	609,664	4.81%
Condo	Average	\$449,644	\$416,123	8.06%	398,366	12.87%
	Median	\$415,000	\$380,000	9.21%	360,000	15.28%
Attached	Average	\$536,393	\$511,644	4.84%	506,454	5.91%
	Median	\$514,900	\$489,900	5.10%	470,000	9.55%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		1,318	1,003	-23.90%	1,389	38.48%
Total Value of Sales		\$0.77B	\$0.59B	-23.17%	\$0.81B	36.53%
Detached	Average	\$701,564	\$720,116	2.64%	\$720,905	0.11%
	Median	\$630,000	\$667,500	5.95%	\$625,000	-6.37%
Condo	Average	\$452,282	\$504,519	11.55%	\$410,470	-18.64%
	Median	\$420,000	\$437,500	4.17%	\$372,000	-14.97%
Attached	Average	\$565,415	\$508,812	-10.01%	\$529,860	4.14%
	Median	\$554,500	\$476,095	-14.14%	\$499,000	4.81%

¹% change Q2'2020—Q1'2020 ²% change Q2'2020—Q2'2019 ³% change month to previous month

Region: Kootenay

Quarterly Sales		Q2 2020	Q1 2020	% Chg ¹	Q2 2019	% Chg ²
Total Number of Sales		953	702	35.75%	1,223	-22.08%
Total Value of Sales		\$305.59M	\$198.21M	54.17%	\$369.45M	-17.28%
Detached	Average	\$410,454	\$391,518	4.84%	\$393,084	4.42%
	Median	\$369,500	\$357,350	3.40%	\$355,000	4.08%
Condo	Average	\$218,128	\$195,128	11.79%	\$202,982	7.46%
	Median	\$185,000	\$172,500	7.25%	\$194,500	-4.88%
Attached	Average	\$369,386	\$327,480	12.80%	\$325,342	13.54%
	Median	\$370,000	\$300,000	23.33%	\$310,000	19.35%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		287	272	-5.23%	394	44.85%
Total Value of Sales		\$96.54M	\$84.51M	-12.46%	\$124.54M	47.36%
Detached	Average	\$417,927	\$394,055	-5.71%	\$415,446	5.43%
	Median	\$370,000	\$365,000	-1.35%	\$370,000	1.37%
Condo	Average	\$240,989	\$202,536	-15.96%	\$220,138	8.69%
	Median	\$191,250	\$186,310	-2.58%	\$167,500	-10.10%
Attached	Average	\$311,421	\$399,475	28.27%	\$400,146	0.17%
	Median	\$282,500	\$391,297	38.51%	\$395,000	0.94%

Region: Okanagan

Quarterly Sales		Q2 2020	Q1 2020	% Chg ¹	Q2 2019	% Chg ²
Total Number of Sales		3,303	2,743	20.42%	4,167	-20.73%
Total Value of Sales		\$1.57B	\$1.29B	21.41%	\$1.91B	-17.65%
Detached	Average	\$627,567	\$609,070	3.04%	\$584,138	7.43%
	Median	\$560,000	\$557,000	0.54%	\$539,000	3.90%
Condo	Average	\$374,106	\$351,249	6.51%	\$339,915	10.06%
	Median	\$320,000	\$329,900	-3.00%	\$317,500	0.79%
Attached	Average	\$453,784	\$438,353	3.52%	\$434,395	4.46%
	Median	\$420,056	\$405,250	3.65%	\$410,000	2.45%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		1,143	875	-23.45%	1,285	46.86%
Total Value of Sales		\$0.56B	\$423.16M	-24.32%	\$0.59B	39.19%
Detached	Average	\$627,775	\$626,118	-0.26%	\$628,408	0.37%
	Median	\$570,000	\$559,500	-1.84%	\$551,000	-1.52%
Condo	Average	\$426,515	\$358,608	-15.92%	\$316,032	-11.87%
	Median	\$367,315	\$302,500	-17.65%	\$297,500	-1.65%
Attached	Average	\$453,885	\$466,966	2.88%	\$443,031	-5.13%
	Median	\$433,400	\$399,750	-7.76%	\$419,500	4.94%

¹% change Q2'2020—Q1'2020 ²% change Q2'2020—Q2'2019 ³% change month to previous month

Region: Fraser Valley

Quarterly Sales		Q2 2020	Q1 2020	% Chg ¹	Q2 2019	% Chg ²
Total Number of Sales		2,719	2,728	-0.33%	3,464	-21.51%
Total Value of Sales		\$1.80B	\$1.75B	2.56%	\$2.18B	-17.49%
Detached	Average	\$931,830	\$886,151	5.15%	\$887,269	5.02%
	Median	\$794,000	\$793,869	0.02%	\$771,000	2.98%
Condo	Average	\$360,983	\$351,077	2.82%	\$371,175	-2.75%
	Median	\$340,000	\$344,900	-1.42%	\$354,000	-3.95%
Attached	Average	\$548,825	\$529,909	3.57%	\$526,053	4.33%
	Median	\$535,000	\$530,000	0.94%	\$520,000	2.88%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		1,026	758	-26.12%	935	23.35%
Total Value of Sales		\$0.71B	\$0.51B	-27.44%	\$0.57B	11.68%
Detached	Average	\$994,167	\$889,548	-10.52%	\$896,737	0.81%
	Median	\$789,000	\$792,750	0.48%	\$800,000	0.91%
Condo	Average	\$380,106	\$345,991	-8.98%	\$352,562	1.90%
	Median	\$365,000	\$334,000	-8.49%	\$329,000	-1.50%
Attached	Average	\$557,676	\$554,769	-0.52%	\$531,620	-4.17%
	Median	\$535,923	\$543,900	1.49%	\$523,000	-3.84%

Region: BC North / Northwest

Quarterly Sales		Q2 2020	Q1 2020	% Chg ¹	Q2 2019	% Chg ²
Total Number of Sales		1,494	1,026	45.61%	1,950	-23.38%
Total Value of Sales		\$382.09M	\$267.97M	42.58%	\$0.52B	-26.38%
Detached	Average	\$347,342	\$345,025	0.67%	\$341,168	1.81%
	Median	\$340,000	\$325,000	4.62%	\$330,000	3.03%
Condo	Average	\$101,043	\$198,818	-49.18%	\$158,855	-36.39%
	Median	\$55,000	\$166,500	-66.97%	\$110,500	-50.23%
Attached	Average	\$277,488	\$266,213	4.24%	\$261,828	5.98%
	Median	\$280,000	\$280,000	0.00%	\$261,000	7.28%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		451	408	-9.53%	635	55.64%
Total Value of Sales		\$115.02M	\$109.59M	-4.72%	\$157.47M	43.69%
Detached	Average	\$345,015	\$342,728	-0.66%	\$352,187	2.76%
	Median	\$340,000	\$336,000	-1.18%	\$345,000	2.68%
Condo	Average	\$93,309	\$121,500	30.21%	\$113,231	-7.30%
	Median	\$55,000	\$103,500	88.18%	\$85,000	-21.76%
Attached	Average	\$249,338	\$320,099	28.38%	\$271,746	-15.11%
	Median	\$240,000	\$325,000	35.42%	\$283,500	-12.77%



A MESSAGE FROM OUR PRESIDENT

Rudy Nielsen, RI, FRI

President and Founder

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Over the years we've helped hundreds of clients achieve their goals by offering the most comprehensive real estate data, analysis and insights available. From real estate valuations to land economics research and systems development, our staff of highly qualified experts are here to help you find solutions to your real estate analysis and data needs. Landcor maintains the largest, most comprehensive database of historical sales current information on BC residential real estate.

Landcor's comprehensive database allows us to deliver current property valuations, along with historical insights to help with your lending decisions or market research.

Landcor's Database:

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Companies

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