

Report by economist Will Dunning. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

## Ready for Some Excitement?

Northern BC, and especially the coastal area, stands to see a great deal of benefit from investments in new energy infrastructures. But, looking at this from a distance, using available data, there is no indication yet of an economic pick-up, however, housing market data is hinting at rising expectations.

## No Job Growth – Yet

An investigation of the economic response relies largely on employment data from Statistics Canada. I like to use the data on the “employment-to-population ratio” (also known as the “employment rate”).

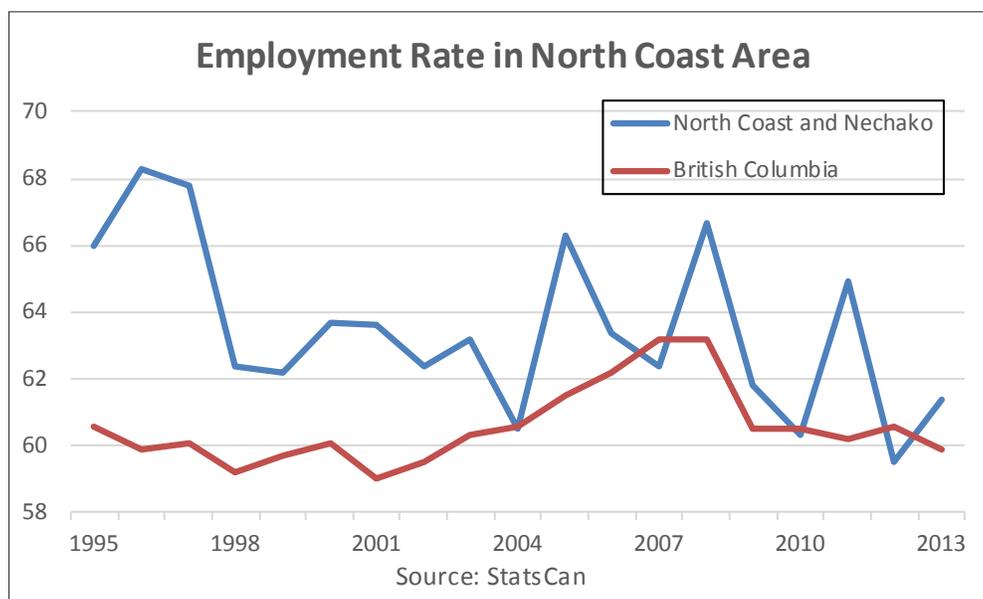
This data can be hard to use because it is derived using relatively small samples – the StatsCan survey generates estimates, which can be wrong. Therefore, for the “North Coast and Nechako” area that is shown in the chart below, the estimates of the employment rate are quite volatile. The “true” employment rate is probably not as variable as the chart suggests, so we have to be cautious in using this data.

This chart shows annual data and so does not capture any very recent changes. That said, the data for 2014 to date doesn’t alter the story.

What I see in this chart is:

- Prior to the recession of 2008/09, the north coast economy was stronger than the BC economy overall,
- Following the recession, the BC economy had weakened compared to the 2005 to 2008 period, but it has remained about as strong as it was prior to 2005,
- The north coast economy, by contrast, is (1) no longer stronger than BC overall and (2) it might actually be weaker than pre-2005.

Again, it’s never obvious whether we should believe this data, but the picture makes sense in general, as the consequence of weaker resource-producing industries.



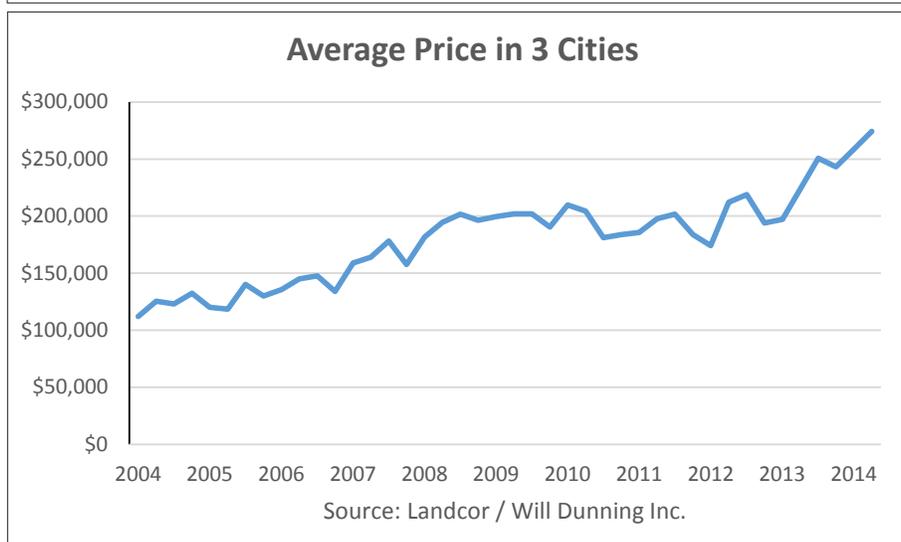
As anticipation builds about the impacts of the future investments, we should be seeing a bit of pick-up in employment as local businesses start gearing-up for future opportunities and as new businesses establish presences. So far, the employment data doesn't show this early stage growth.

### But Positive Housing Indicators

Another positive early sign would be a pick-up in housing market activity, especially if investors are anticipating that there will be strong job creation that boosts demand for owner-occupied and rental accommodations. Here, the data does suggest that housing activity might be picking up in the coastal region of BC.

- Landcor's data on home sales (covering the City of Prince Rupert, the District of Kitimat, and the City of Terrace) shows that activity fell by about two-thirds after the recession of 2008/09, and then, unlike most other areas, remained very weak until 2011. This resulted from the persistent weakness of the regional economy. Since 2012, sales activity has picked up. At present the sales trend is quite healthy, essentially at the pre-recession peak.
- Similarly, Landcor's price data (see the chart on the next page) showed weakness in the wake of the recession. The price trend remained flat well into 2012. Since then, price growth has accelerated and the average price in the three cities has increased by about 30% in a little over a year.

This upturn in sales and prices has occurred despite the lack of job creation. It shows that investors have alerted to the possibility that the region will soon be seeing strong job growth and there is confidence that housing demand will follow.



## The Numbers, Briefly

Is Metro Vancouver (finally) edging into The Correction? Probably not. But even as Metro Van's value and volume dominates the charts and its SFD, Attached, and Condo prices (again) strengthened year-over-year, the Q2 versus Q1 price comparable actually dipped, even with SFD.

Although trans-provincial, sales volume and values activity invariably dips during winter-blah Q1, prices in the other regions ran contrary to Metro Vancouver's Q2 slippage and generally strengthened on the quarterly and Y-O-Y scales. There were exceptions, such as Condo and Attached in largely rural/small town Kootenay and arguably condo-oversupplied Okanagan.

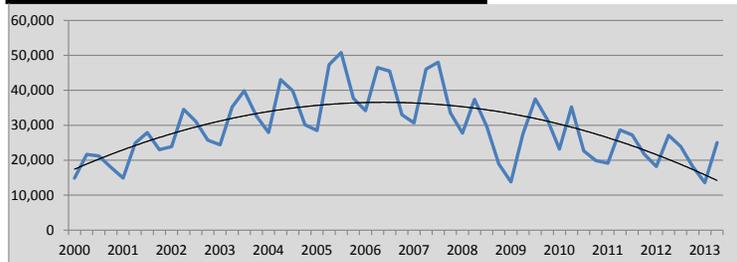
Double-digit percentage growth in condo values in the Kootenay region is attributed to the low sales volume in this area. As a result, variations in prices have a greater effect on the overall month-to-month change.

Stay tuned for Q3.

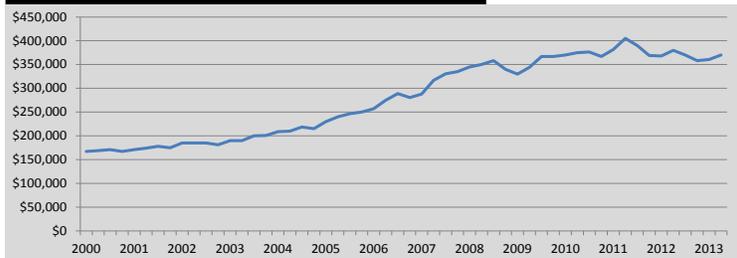
<sup>1</sup>% change Q1'2014- Q2'2014 <sup>2</sup>% change Q2'2013- Q2'2014

BC	Q2 2014	Q1 2014	% Chg <sup>1</sup>	Q2 2013	% Chg <sup>2</sup>	
Number of Sales	27,674	17,285	60.10%	25,046	10.49%	
Total Value of Sales	\$14.72B	\$9.79B	50.32%	\$12.46B	18.14%	
Detached	Average	\$524,730	\$550,697	-4.72%	\$490,038	7.08%
	Median	\$495,000	\$515,000	-3.88%	\$470,000	5.32%
Condo	Average	\$310,705	\$330,651	-6.03%	\$316,619	-1.87%
	Median	\$312,800	\$329,000	-4.92%	\$319,500	-2.10%
Attached	Average	\$367,933	\$378,301	-2.74%	\$360,583	2.04%
	Median	\$355,320	\$366,000	-2.92%	\$358,000	-0.75%

Quarterly Sales Counts/BC All



Quarterly Median Sales Prices/BC All



<sup>1</sup>% change Q1'14- Q2'14 <sup>2</sup>% change Q2'13- Q2'14 <sup>3</sup>% change month to previous month

Gr. Vancouver	Q2 2014	Q1 2014	% Chg <sup>1</sup>	Q2 2013	% Chg <sup>2</sup>	
Number of Sales	12,083	8,666	39.43%	11,538	4.72%	
Total Value of Sales	\$9.38B	\$6.94B	35.18%	\$8.00B	17.24%	
Detached	Average	\$926,926	\$964,905	-3.94%	\$873,510	6.12%
	Median	\$845,000	\$865,000	-2.31%	\$788,800	7.12%
Condo	Average	\$380,357	\$387,167	-1.76%	\$364,082	4.47%
	Median	\$370,688	\$378,575	-2.08%	\$359,900	3.00%
Attached	Average	\$474,585	\$476,916	-0.49%	\$463,550	2.38%
	Median	\$465,000	\$439,900	5.71%	\$441,500	5.32%

Gr. Van. Monthly	April	May	% Chg <sup>3</sup>	June	% Chg <sup>3</sup>	
Number of Sales	3,508	3,961	12.91%	4,614	31.53%	
Total Value of Sales	\$2.74B	\$2.98B	8.90%	\$3.65B	33.24%	
Detached	Average	\$936,309	\$914,170	-2.36%	\$930,589	-0.61%
	Median	\$843,800	\$835,000	-1.04%	\$850,000	0.73%
Condo	Average	\$377,277	\$371,694	-1.48%	\$391,443	3.75%
	Median	\$365,000	\$365,000	0.00%	\$380,000	4.11%
Attached	Average	\$464,301	\$484,207	4.29%	\$474,829	2.27%
	Median	\$449,000	\$478,504	6.57%	\$457,500	1.89%

Vancouver Island	Q2 2014	Q1 2014	% Chg <sup>1</sup>	Q2 2013	% Chg <sup>2</sup>	
Number of Sales	4,647	2,855	62.77%	4,139	12.27%	
Total Value of Sales	\$1.80B	\$1.03B	74.42%	\$1.53B	17.33%	
Detached	Average	\$406,118	\$387,275	4.87%	\$392,098	3.58%
	Median	\$407,500	\$393,000	3.69%	\$398,000	2.39%
Condo	Average	\$238,251	\$239,765	-0.63%	\$248,232	-4.02%
	Median	\$255,000	\$235,871	8.11%	\$249,900	2.04%
Attached	Average	\$306,827	\$316,567	-3.08%	\$311,653	-1.55%
	Median	\$315,200	\$325,000	-3.02%	\$318,346	-0.99%

Van. Island Monthly	April	May	% Chg <sup>3</sup>	June	% Chg <sup>3</sup>	
Number of Sales	1,286	1,504	16.95%	1,857	44.40%	
Total Value of Sales	\$0.50B	\$0.57B	13.86%	\$0.72B	44.14%	
Detached	Average	\$403,627	\$401,892	-0.43%	\$411,239	1.89%
	Median	\$408,750	\$400,000	-2.14%	\$410,000	0.31%
Condo	Average	\$240,312	\$251,329	4.58%	\$227,857	-5.18%
	Median	\$244,004	\$258,750	6.04%	\$259,800	6.47%
Attached	Average	\$298,490	\$311,638	4.40%	\$308,913	3.49%
	Median	\$299,429	\$330,000	10.21%	\$315,000	5.20%

Okanagan	Q2 2014	Q1 2014	% Chg <sup>1</sup>	Q2 2013	% Chg <sup>2</sup>	
Number of Sales	4,248	2,128	99.62%	3,458	22.85%	
Total Value of Sales	\$1.42B	\$0.69B	104.50%	\$1.11B	27.77%	
Detached	Average	\$384,228	\$379,748	1.18%	\$365,762	5.05%
	Median	\$385,000	\$385,000	0.00%	\$370,000	4.05%
Condo	Average	\$191,337	\$207,180	-7.65%	\$214,454	-10.78%
	Median	\$205,000	\$206,750	-0.85%	\$217,500	-5.75%
Attached	Average	\$280,215	\$269,921	3.81%	\$267,659	4.69%
	Median	\$284,600	\$270,500	5.21%	\$274,450	3.70%

Okanagan Monthly	April	May	% Chg <sup>3</sup>	June	% Chg <sup>3</sup>	
Number of Sales	1,057	1,529	44.65%	1,662	57.24%	
Total Value of Sales	\$362.57M	\$492.06M	35.71%	\$0.57B	56.04%	
Detached	Average	\$387,057	\$378,132	-2.31%	\$387,755	0.18%
	Median	\$380,000	\$384,500	1.18%	\$390,000	2.63%
Condo	Average	\$222,769	\$154,376	-30.70%	\$227,729	2.23%
	Median	\$226,000	\$169,000	-25.22%	\$235,000	3.98%
Attached	Average	\$267,668	\$283,072	5.75%	\$286,805	7.15%
	Median	\$279,500	\$280,250	0.27%	\$290,000	3.76%

<sup>1</sup>% change Q1'14- Q2'14   <sup>2</sup>% change Q2'13- Q2'14   <sup>3</sup>% change month to previous month

Fraser Valley		Q2 2014	Q1 2014	% Chg <sup>1</sup>	Q2 2013	% Chg <sup>2</sup>
Number of Sales		3,359	1,967	70.77%	2,787	20.52%
Total Value of Sales		\$1.34B	\$0.76B	76.05%	\$1.14B	17.61%
Detached	Average	\$457,422	\$458,470	-0.23%	\$456,010	0.31%
	Median	\$452,250	\$445,888	1.43%	\$450,000	0.50%
Condo	Average	\$204,470	\$175,826	16.29%	\$172,386	18.61%
	Median	\$208,950	\$187,000	11.74%	\$178,000	17.39%
Attached	Average	\$290,726	\$286,834	1.36%	\$288,008	0.94%
	Median	\$299,900	\$290,000	3.41%	\$299,000	0.30%

Fraser Valley Monthly		April	May	% Chg <sup>3</sup>	June	% Chg <sup>3</sup>
Number of Sales		931	1,128	21.16%	1,300	39.63%
Total Value of Sales		\$377.71M	\$457.84M	21.22%	\$0.51B	33.96%
Detached	Average	\$455,971	\$463,055	1.55%	\$453,663	-0.51%
	Median	\$450,000	\$452,250	0.50%	\$454,000	0.89%
Condo	Average	\$188,558	\$206,199	9.36%	\$212,794	12.85%
	Median	\$198,000	\$208,950	5.53%	\$214,900	8.54%
Attached	Average	\$293,515	\$284,892	-2.94%	\$294,352	0.29%
	Median	\$300,950	\$297,000	-1.31%	\$299,900	-0.35%

BC North/NW		Q2 2014	Q1 2014	% Chg <sup>1</sup>	Q2 2013	% Chg <sup>2</sup>
Number of Sales		2,278	1,126	102.31%	2,133	6.80%
Total Value of Sales		\$0.51B	\$244.43M	110.31%	\$435.59M	18.02%
Detached	Average	\$261,263	\$236,674	10.39%	\$237,517	10.00%
	Median	\$270,000	\$250,000	8.00%	\$242,000	11.57%
Condo	Average	\$121,884	\$96,764	25.96%	\$90,218	35.10%
	Median	\$125,500	\$104,500	20.10%	\$114,000	10.09%
Attached	Average	\$208,793	\$210,806	-0.95%	\$166,886	25.11%
	Median	\$211,000	\$255,000	-17.25%	\$180,000	17.22%

BC North/NW Monthly		April	May	% Chg <sup>3</sup>	June	% Chg <sup>3</sup>
Number of Sales		594	820	38.05%	864	45.45%
Total Value of Sales		\$130.01M	\$182.89M	40.67%	\$201.17M	54.74%
Detached	Average	\$251,049	\$266,799	6.27%	\$262,898	4.72%
	Median	\$260,000	\$270,000	3.85%	\$275,000	5.77%
Condo	Average	\$137,252	\$102,962	-24.98%	\$134,157	-2.25%
	Median	\$131,000	\$103,000	-21.37%	\$146,500	11.83%
Attached	Average	\$198,571	\$205,233	3.36%	\$220,263	10.92%
	Median	\$190,000	\$219,000	15.26%	\$234,000	23.16%

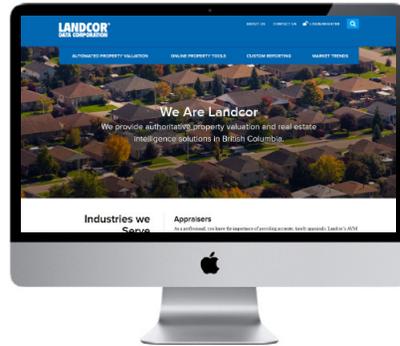
Kootenay		Q2 2014	Q1 2014	% Chg <sup>1</sup>	Q2 2013	% Chg <sup>2</sup>
Number of Sales		1059	543	95.03%	991	6.86%
Total Value of Sales		\$272.10M	\$125.64M	116.57%	\$244.32M	11.37%
Detached	Average	\$283,491	\$259,912	9.07%	\$270,216	4.91%
	Median	\$295,500	\$270,000	9.44%	\$278,250	6.20%
Condo	Average	\$157,694	\$156,917	0.49%	\$166,460	-5.27%
	Median	\$170,750	\$161,500	5.73%	\$182,000	-6.18%
Attached	Average	\$252,359	\$269,510	-6.36%	\$262,323	-3.80%
	Median	\$250,000	\$259,500	-3.66%	\$267,196	-6.44%

Kootenay Monthly		April	May	% Chg <sup>3</sup>	June	% Chg <sup>3</sup>
Number of Sales		284	343	20.77%	432	52.11%
Total Value of Sales		\$73.75M	\$86.30M	17.01%	\$112.05M	51.93%
Detached	Average	\$284,627	\$271,264	-4.69%	\$293,438	3.10%
	Median	\$285,500	\$282,500	-1.05%	\$309,000	8.23%
Condo	Average	\$120,536	\$174,372	44.66%	\$176,618	46.53%
	Median	\$130,000	\$180,476	38.83%	\$196,750	51.35%
Attached	Average	\$243,815	\$248,303	1.84%	\$261,112	7.09%
	Median	\$250,000	\$245,000	-2.00%	\$252,856	1.14%

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Rudy Nielsen, R.I., F.R.I.  
President and CEO



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