

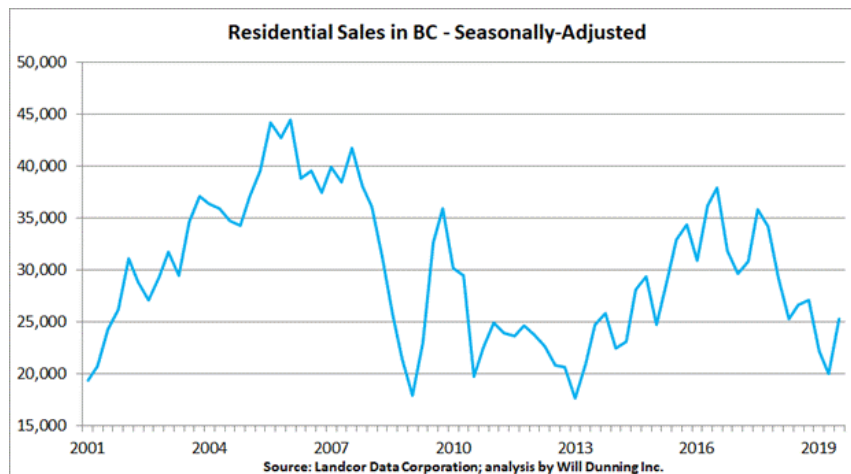
Report prepared by economist WILL DUNNING. Views expressed by Will Dunning are his own and do not necessarily represent those of Landcor Data Corporation. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

BC Housing Market Overview

Housing market conditions improved slightly during the third quarter, following a very weak performance in Q2. Third quarter sales totalled 29,032 units, which equates to 25,200 on a seasonally-adjusted basis. As is shown in Figure 1, this is still quite low in historic terms, one of the lowest sales rates seen during the past two decades. *(In some of the charts below 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.")*

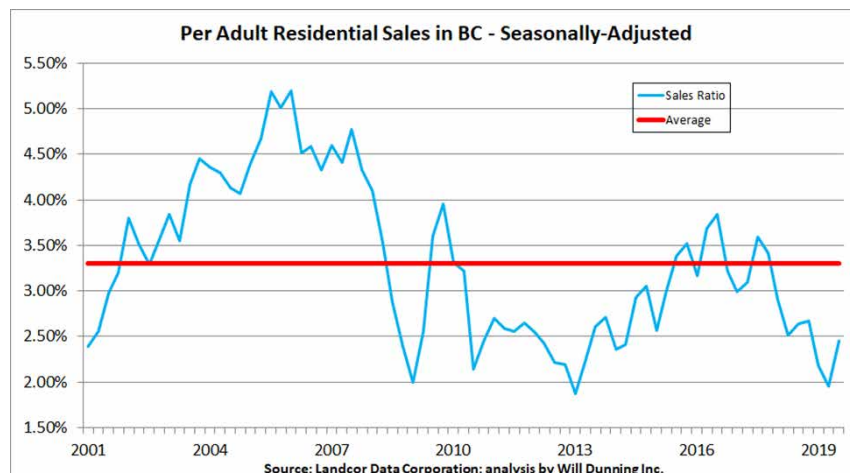
As has been discussed in previous editions of this report, fundamental economic conditions are quite favourable: weak sales are occurring because policies of the federal and provincial governments are weighing heavily on home buying in British Columbia.

Figure 1



Another way to look at the data is in terms of sales per adult: 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). Figure 2 looks at the data in this slightly different way. It shows that for Q3, the sales rate was slightly below 2.5%. While this is a substantial rise from Q2, it remains far below (26%) the long-term average (3.31%, which is shown by the flat red line). By this measure, home buying in BC remains weak.

Figure 2

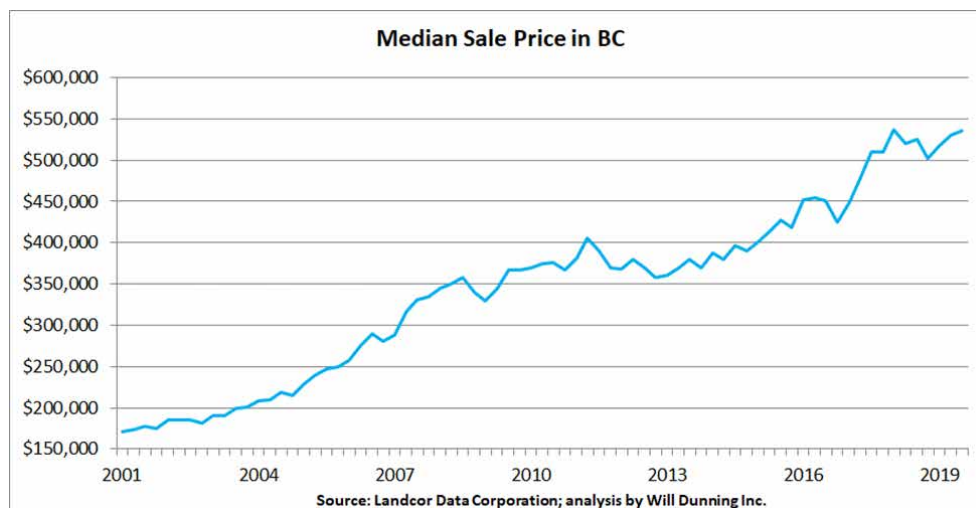


BC Housing Market Overview (cont'd)

Prices

The median sale price rose slightly during 2019-Q3, to \$535,000 from \$529,900 in 2019-Q2. Compared to a year ago, the median price has increased by 1.9% (see Figure 3). The median price is now just fractionally below the all-time record (\$537,000) that was set in Q1-2018.

Figure 3



Price trends vary across the province, and by type of dwelling. Table 1 below summarizes year-over-year changes for the six regions of the province, and three major dwelling type categories. During the past year, pricing has been weakest in the most expensive market area (Greater Vancouver) and for the most expensive dwelling type (detached homes). Pricing remains strong in BC North/Northwest and on Vancouver Island. The data contains one major outlier, condos in BC North/Northwest.

Table 1

Year-Over-Year Changes in Median Selling Prices, by Region and Type of Dwelling, 2018-Q3 to 2019-Q3			
<i>Region</i>	<i>Detached</i>	<i>Condo</i>	<i>Attached</i>
Greater Vancouver	-13.0%	-0.8%	-1.4%
Vancouver Island	2.9%	6.6%	3.5%
Kootenay	0.6%	0.3%	5.7%
Okanagan	-1.5%	3.7%	0.7%
Fraser Valley	-7.7%	-0.6%	-2.8%
BC North/Northwest	3.7%	-42.5%	13.8%
BC Total	-2.2%	0.9%	-3.5%
Source: Landcor Data Corporation			
Note: Figures may vary from other published data due to on-going revisions.			

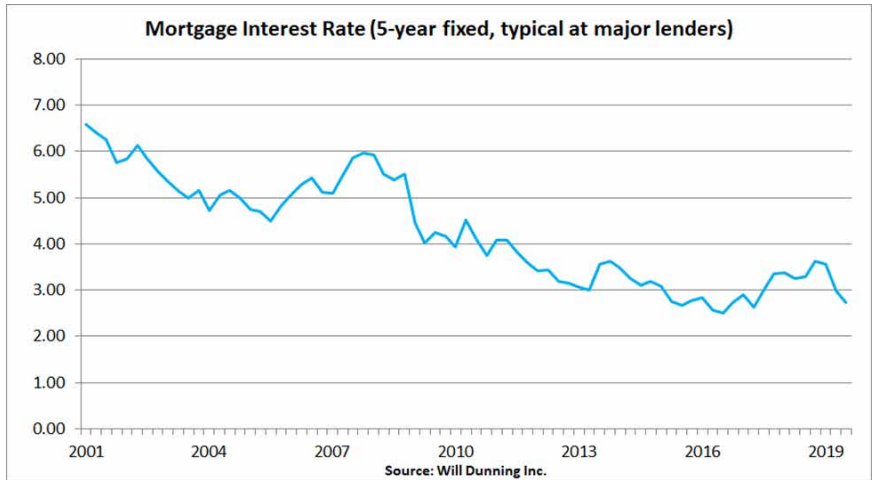
BC Housing Market Overview (cont'd)

Economic Fundamentals are Very Favourable

During the past four years, interest rates, job creation, and population growth have been quite favourable for housing demand in BC, and the sales trend should be strong and rising.

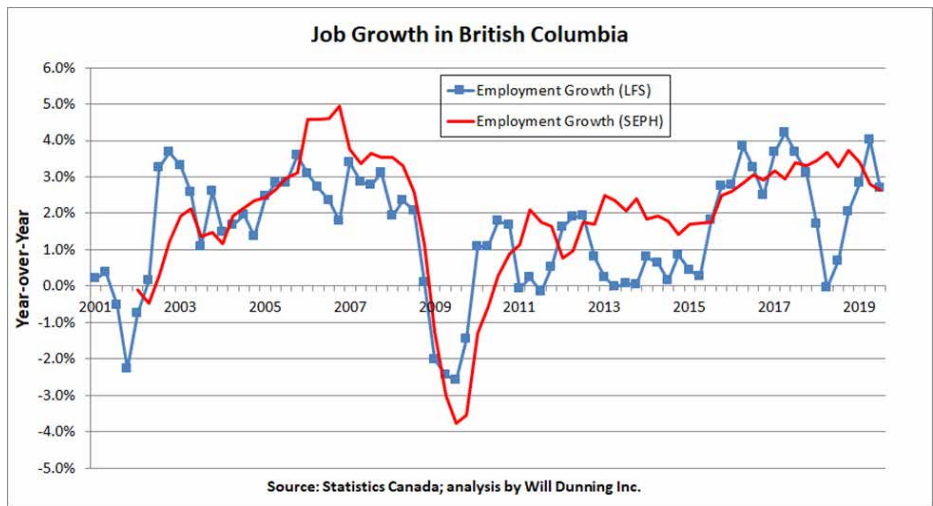
Mortgage interest rates have fallen this year. My opinion-estimate of typical “special offer” interest rates was 3.62% for the fourth quarter of last year and for the third quarter this year it was 2.73% (these are advertised rates for 5-year fixed rate mortgages from major lenders – even lower rates can often be negotiated). A combination of lower interest rates and some erosion of prices has resulted in improved affordability. While affordability is still challenging in much of the province, there is now a substantially larger number of potential buyers. But, the federally-mandated mortgage stress tests (which utilize a minimum interest rate of 5.19%) remain a barrier for too many people who are very good candidates for home ownership.

Figure 4



There are several different ways we can look at the employment situation. Figure 5 shows year-over-year job growth according to Statistics Canada’s two surveys of employment (the Labour Force Survey, or “LFS” and the Survey of Employment, Payrolls and Hours, or “SEPH”). Both of these surveys indicate that there has been very rapid job growth during the past four years, averaging 2.5% per year according to LFS and 3.1% per year according to SEPH. By either measure, employment is growing considerably faster than the population (about 1.5% per year). This sustained, strong job creation should be resulting in strong home buying.

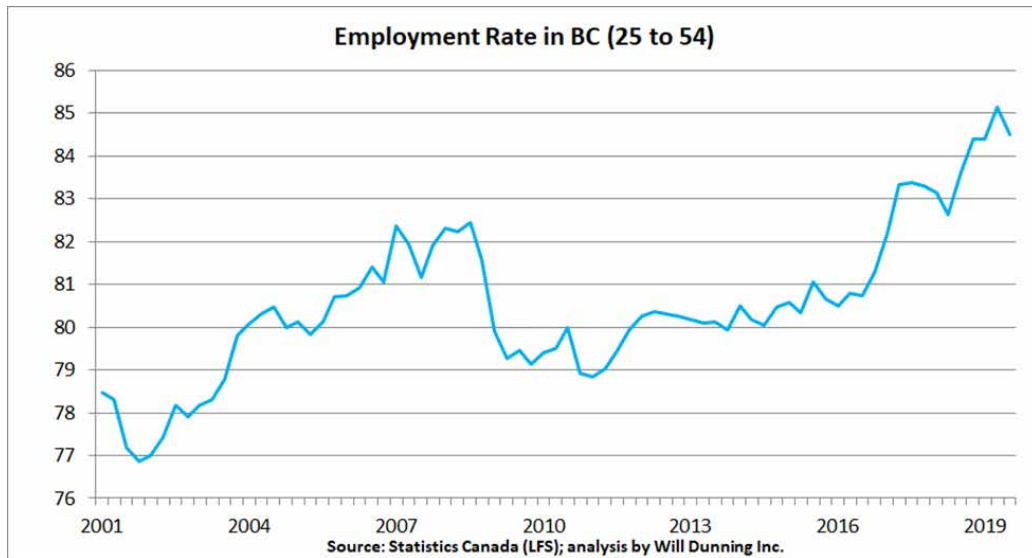
Figure 5



BC Housing Market Overview (cont'd)

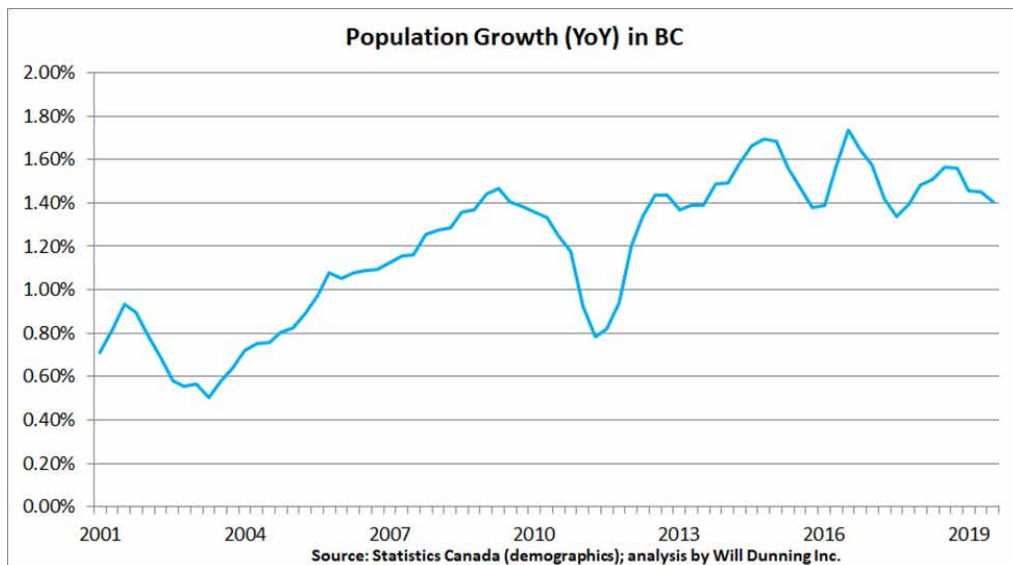
Another way to look at employment is via the percentage of the population that has jobs, especially for the “prime working ages” of 25 to 54. This indicator has been exceptionally strong during the past three years, and this should be contributing to a rising trend for home buying.

Figure 6



Concerning population growth, Statistics Canada estimates a growth rate of 1.4% for Q3. This is slightly slower than during 2013 to 2016, but it is still quite strong.

Figure 7



BC Housing Market Overview (cont'd)

As I have commented before, there is a sharp discrepancy between actual home buying activity in BC housing market versus the considerable strength that we should expect based on the fundamentals: government policies (federal and provincial) continue to impair buying.

- As mentioned already, the federally-mandated mortgage stress tests (which apply to most new mortgages) are conducted at an interest rate (5.19%) that is far above the rates that can be obtained in the mortgage market (usually below 3%). The impact is worst in areas that have the highest house prices: in other words, British Columbia is the worst-affected province.
- The provincial foreign buyers' tax and the speculation tax are also impediments to buying.

House Prices Might Be Stabilizing

I have commented previously that in a modern economy, one of the most dangerous things that can happen is for house prices to fall. Therefore, the fall in prices that occurred during 2018 has been a cause for concern. The third quarter data shows that for the province as a whole, sales are strong enough to support stable prices and the province-wide median appears to have stabilized this year. But, as is shown in Table 1, pricing remains very soft for detached homes in Greater Vancouver (and the Fraser Valley). Within that part of the housing market, uncertainty about prices is likely to deter home buying in the near term, and it may negatively affect consumer confidence (with economic consequences).

Population Growth versus Housing Construction

Over the long term, the chief driver of new housing construction is how rapidly the population is growing, and in particular, how many new people form new households.

“Demographic analysis” can be used to estimate how much new housing is required due to population growth. The standard approach takes household formation rates by age group, applied to the sizes of the population by age group, to calculate how much new housing is needed.

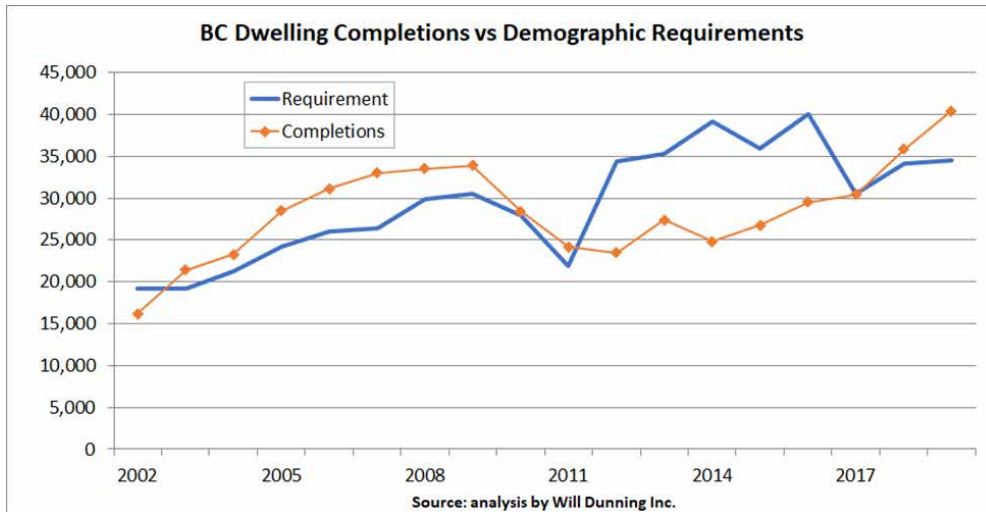
For all of Canada, housing production has tended to match requirements over the very long term. I have calculated that based on the current acceleration of population growth, there is now an annual need for at least 240,000 new dwellings. For this year, total completions of new dwellings will be less than 200,000. On this basis, housing shortages in Canada are going to worsen in the near term.

For BC, the same analysis tells a different story. Over the entire period in the next chart (Figure 8), total housing completions have been very close to the estimate requirements (on average, production has been just 1,000 units per year less than the estimated requirements). But, during most of this decade, production has been considerably less than the requirements (a cumulative shortfall of 53,000 dwellings during 2013 to 2016). This resulted in housing shortages that contributed to low vacancy rates in the rental sector and rapid price growth in the home ownership sector.

More recently, housing starts have increased, which has resulted in improved numbers of housing completions. For 2019, completions will be in the area of 40,000, well above the estimated requirement of 34,600. And, based on amounts of housing that are currently under construction, that over-production should last for at least two more years.

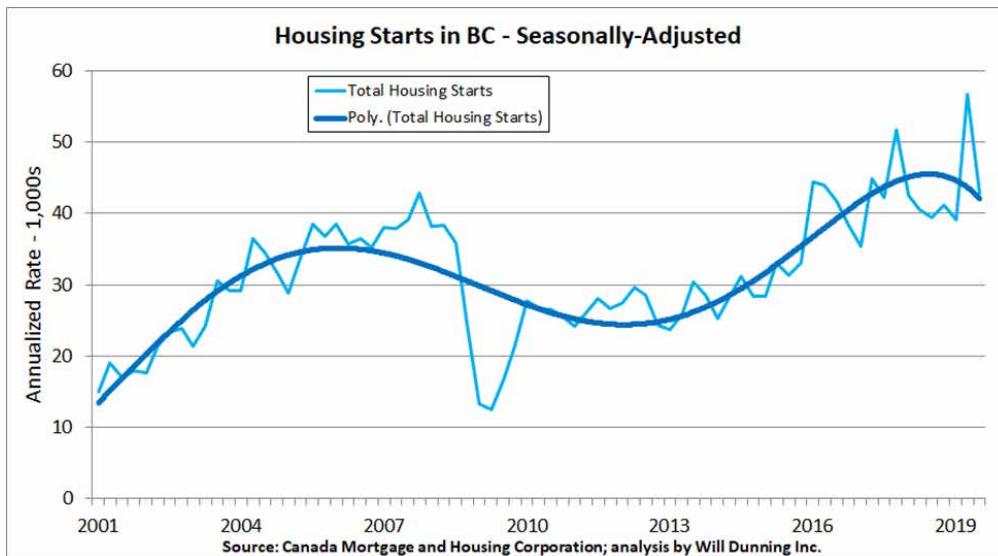
BC Housing Market Overview (cont'd)

Figure 8



Volatility in the recent data creates uncertainty about the trend for housing starts in BC, although it is clear that they are at a high level. This will result in elevated volumes of completions for some time, far above the estimated housing requirements. This should reduce (to some extent) the housing market pressures that developed during the earlier years of this decade.

Figure 9

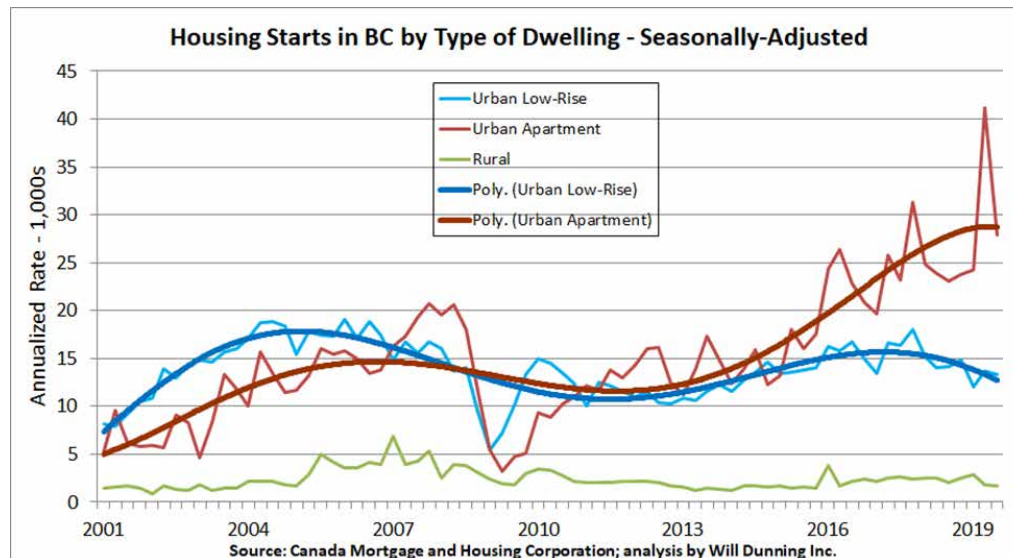


A more detailed view of the housing starts data shows that starts of low-rise dwellings remain quite weak. Similarly, starts in rural areas have been reduced. On the other hand, starts of apartments are extremely strong. Looking forward, it might be expected that conditions would remain quite tight in the low-rise sector (causing prices to rise) but that there could be excess supply for apartments (deflating prices). However, this discussion is only theoretical at this point, because of the market distortions that are resulting from the federal and provincial policies, as well as the psychological effects that might result from price erosion for detached homes. It is possible that demand for low-rise homes will be constrained, which could limit the pricing consequences of under-production.

It is tempting to see falling house prices as a positive event, as this will contribute positively to affordability, and help make home ownership more accessible. But there are downsides to falling prices.

BC Housing Market Overview (cont'd)

Figure 10



One more comment on this. The estimates of housing requirements are based on Statistic Canada's estimates of population growth (which are derived from administrative data). Those estimates can be wrong (we won't know until we get data from the 2021 Census). Therefore, the current actual requirement could be more or less than the 34,600 estimate. In consequence, the estimated gap of 5,000 between production and the requirement is also provisional, and could be wrong.

Regional Variations

Landcor's data show that during 2019-Q3, residential sales were 5% lower than a year earlier. As is shown in the table below, reductions were seen in all of the regions. The smallest reduction was in Greater Vancouver (just 4 fewer sales than a year ago). The largest drop was in Kootenay (-22%).

Greater Vancouver and Vancouver Island gained market share compared to a year ago, and the share was unchanged for Fraser Valley. The remaining regions (Kootenay, Okanagan and BC North/Northwest) lost market share.

Table 2

Residential Sales in British Columbia, by Region, 2018-Q3 and 2019-Q3					
Region	Quarterly Sales		% Change	Share of BC	
	2018-Q3	2019-Q3		2018-Q3	2019-Q3
Greater Vancouver	12,274	12,270	0.0%	40.0%	42.3%
Vancouver Island	5,656	5,519	-2.4%	18.5%	19.0%
Kootenay	1,518	1,189	-21.7%	5.0%	4.1%
Okanagan	5,196	4,561	-12.2%	16.9%	15.7%
Fraser Valley	3,666	3,484	-5.0%	12.0%	12.0%
BC North/Northwest	2,345	2,009	-14.3%	7.6%	6.9%
BC Total	30,655	29,032	-5.3%	100.0%	100.0%
Source: Landcor Data Corporation					
Note: Figures may vary from other published data due to on-going revisions.					

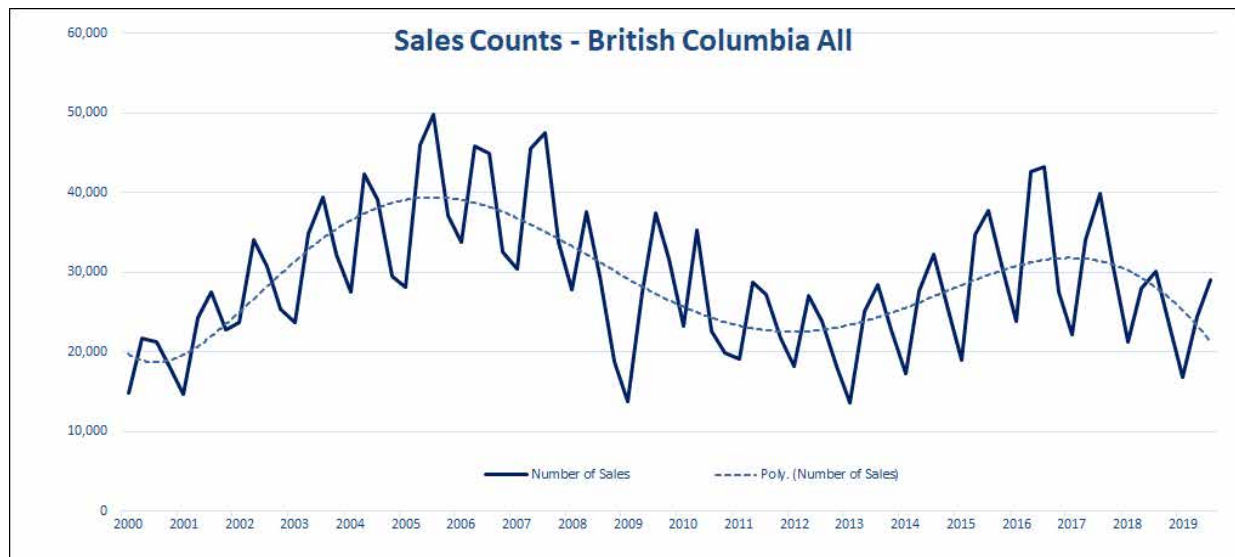
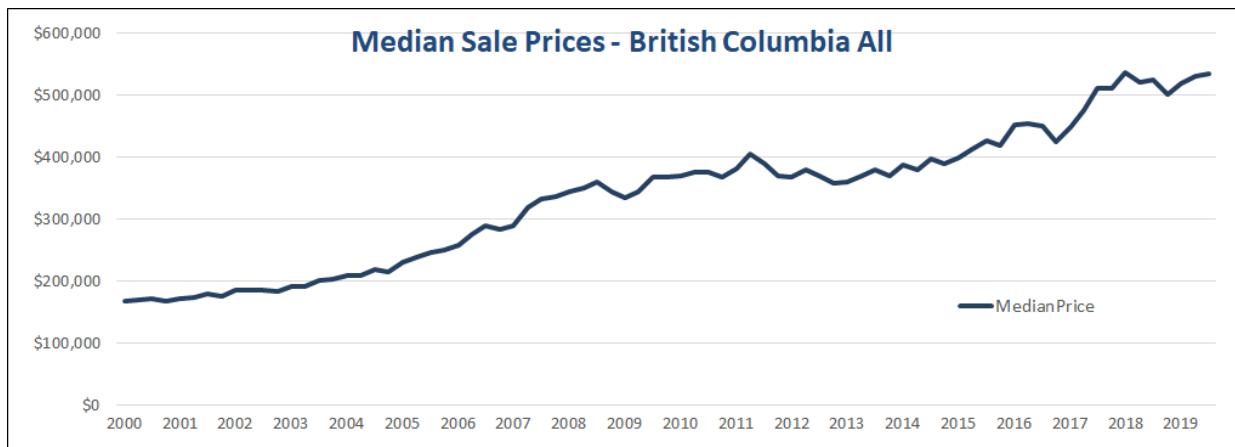
Will Dunning has been analyzing housing markets since 1982. His consulting firm provides custom analysis to clients in the private, public, and non-governmental sectors. His website is www.wdunning.com.

Landcor's quarterly residential sales summary reports on property sale values in British Columbia. Providing sales information on a regional level, the charts compare average and median pricing on different property types: Detached, Condo and Attached.

British Columbia - All

¹% change Q3'2019—Q2'2019 ²% change Q3'2019—Q3'2018

Quarterly Sales		Q3 2019	Q2 2019	% Chg ¹	Q3 2018	% Chg ²
Total Number of Sales		29,032	23,962	21.16%	30,655	-5.29%
Total Value of Sales		\$19.48B	\$16.11B	20.95%	\$21.38B	-8.85%
Detached	Average	\$826,421	\$825,595	0.10%	\$877,142	-5.78%
	Median	\$655,000	\$640,000	2.34%	\$670,008	-2.24%
Condo	Average	\$521,307	\$529,950	-1.63%	\$546,910	-4.68%
	Median	\$460,000	\$445,000	3.37%	\$456,000	0.88%
Attached	Average	\$601,514	\$615,015	-2.20%	\$625,765	-3.88%
	Median	\$545,000	\$550,000	-0.91%	\$565,000	-3.54%



¹% change Q3'2019—Q2'2019 ²% change Q3'2019—Q2'2018 ³% change month to previous month**Region: Greater Vancouver**

Quarterly Sales		Q3 2019	Q2 2019	% Chg ¹	Q3 2018	% Chg ²
Total Number of Sales		12,270	9,490	29.29%	12,274	-0.03%
Total Value of Sales		\$10.88B	\$8.84B	23.05%	\$12.25B	-11.16%
Detached	Average	\$1,415,793	\$1,345,392	5.23%	\$1,634,405	-13.38%
	Median	\$1,175,000	\$1,115,000	5.38%	\$1,350,000	-12.96%
Condo	Average	\$584,889	\$638,713	-8.43%	\$635,407	-7.95%
	Median	\$525,900	\$542,000	-2.97%	\$530,000	-0.77%
Attached	Average	\$794,008	\$810,140	-1.99%	\$832,532	-4.63%
	Median	\$690,000	\$680,000	1.47%	\$700,000	-1.43%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Total Number of Sales		3,979	4,295	7.94%	3,996	-6.96%
Total Value of Sales		\$3.58B	\$3.77B	5.36%	\$3.53B	-6.33%
Detached	Average	\$1,363,445	\$1,429,847	4.87%	\$1,463,579	2.36%
	Median	\$1,160,000	\$1,190,000	2.59%	\$1,187,750	-0.19%
Condo	Average	\$608,800	\$559,903	-8.03%	\$590,116	5.40%
	Median	\$530,000	\$518,000	-2.26%	\$530,000	2.32%
Attached	Average	\$780,156	\$784,728	0.59%	\$821,892	4.74%
	Median	\$699,450	\$675,000	-3.50%	\$699,000	3.56%

Region: Vancouver Island

Quarterly Sales		Q3 2019	Q2 2019	% Chg ¹	Q3 2018	% Chg ²
Total Number of Sales		5,519	4,557	21.11%	5,656	-2.42%
Total Value of Sales		\$3.21B	\$2.58B	24.80%	\$3.12B	3.01%
Detached	Average	\$675,250	\$667,984	1.09%	672,094	0.47%
	Median	\$614,900	\$600,000	2.48%	597,345	2.94%
Condo	Average	\$447,360	\$399,790	11.90%	400,630	11.66%
	Median	\$390,000	\$359,000	8.64%	366,000	6.56%
Attached	Average	\$490,192	\$507,724	-3.45%	478,677	2.41%
	Median	\$465,000	\$469,400	-0.94%	449,442	3.46%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Total Number of Sales		1,904	2,015	5.83%	1,600	-20.60%
Total Value of Sales		\$1.09B	\$1.20B	9.85%	\$0.92B	-23.49%
Detached	Average	\$670,413	\$677,289	1.03%	\$678,675	0.20%
	Median	\$610,000	\$618,500	1.39%	\$612,500	-0.97%
Condo	Average	\$427,094	\$459,800	7.66%	\$451,190	-1.87%
	Median	\$395,000	\$380,000	-3.80%	\$393,500	3.55%
Attached	Average	\$490,694	\$485,879	-0.98%	\$495,176	1.91%
	Median	\$463,500	\$460,000	-0.76%	\$465,736	1.25%

¹% change Q3'2019—Q2'2019 ²% change Q3'2019—Q2'2018 ³% change month to previous month

Region: Kootenay

Quarterly Sales		Q3 2019	Q2 2019	% Chg ¹	Q3 2018	% Chg ²
Total Number of Sales		1,189	1,112	6.92%	1,518	-21.67%
Total Value of Sales		\$397.47M	\$352.89M	12.63%	\$452.37M	-12.13%
Detached	Average	\$392,344	\$387,858	1.16%	\$386,911	1.40%
	Median	\$360,000	\$352,000	2.27%	\$358,000	0.56%
Condo	Average	\$215,682	\$202,207	6.66%	\$202,454	6.53%
	Median	\$195,800	\$193,000	1.45%	\$195,238	0.29%
Attached	Average	\$315,724	\$328,464	-3.88%	\$302,825	4.26%
	Median	\$304,000	\$311,250	-2.33%	\$287,500	5.74%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Total Number of Sales		382	428	12.04%	379	-11.45%
Total Value of Sales		\$126.74M	\$148.67M	17.30%	\$122.06M	-17.90%
Detached	Average	\$384,873	\$405,506	5.36%	\$384,063	-5.29%
	Median	\$355,000	\$379,950	7.03%	\$332,000	-12.62%
Condo	Average	\$214,346	\$210,354	-1.86%	\$220,771	4.95%
	Median	\$184,000	\$182,500	-0.82%	\$239,000	30.96%
Attached	Average	\$308,766	\$304,239	-1.47%	\$334,778	9.12%
	Median	\$302,000	\$307,500	1.82%	\$306,000	-0.49%

Region: Okanagan

Quarterly Sales		Q3 2019	Q2 2019	% Chg ¹	Q3 2018	% Chg ²
Total Number of Sales		4,561	3,778	20.73%	5,196	-12.22%
Total Value of Sales		\$2.17B	\$1.78B	21.59%	\$2.43B	-10.81%
Detached	Average	\$579,299	\$579,556	-0.04%	\$602,660	-3.88%
	Median	\$530,000	\$535,000	-0.93%	\$538,095	-1.50%
Condo	Average	\$339,699	\$339,665	0.01%	\$342,851	-0.92%
	Median	\$327,500	\$318,000	2.99%	\$315,891	3.68%
Attached	Average	\$420,113	\$419,934	0.04%	\$418,010	0.50%
	Median	\$392,750	\$390,000	0.71%	\$390,000	0.71%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Total Number of Sales		1,527	1,739	13.88%	1,295	-25.53%
Total Value of Sales		\$0.73B	\$0.83B	14.31%	\$0.60B	-27.47%
Detached	Average	\$563,451	\$601,129	6.69%	\$571,673	-4.90%
	Median	\$513,000	\$540,000	5.26%	\$531,000	-1.67%
Condo	Average	\$336,929	\$340,461	1.05%	\$341,379	0.27%
	Median	\$330,700	\$328,574	-0.64%	\$315,000	-4.13%
Attached	Average	\$415,074	\$440,540	6.14%	\$401,390	-8.89%
	Median	\$396,500	\$405,250	2.21%	\$379,100	-6.45%

¹% change Q3'2019—Q2'2019 ²% change Q3'2019—Q2'2018 ³% change month to previous month

Region: Fraser Valley

Quarterly Sales		Q3 2019	Q2 2019	% Chg ¹	Q3 2018	% Chg ²
Total Number of Sales		3,484	3,244	7.40%	3,666	-4.96%
Total Value of Sales		\$2.23B	\$2.06B	8.51%	\$2.50B	-10.75%
Detached	Average	\$829,899	\$861,479	-3.67%	\$957,015	-13.28%
	Median	\$757,250	\$760,000	-0.36%	\$820,000	-7.65%
Condo	Average	\$358,237	\$356,535	0.48%	\$348,205	2.88%
	Median	\$345,000	\$349,900	-1.40%	\$347,000	-0.58%
Attached	Average	\$522,094	\$518,885	0.62%	\$535,301	-2.47%
	Median	\$515,000	\$510,000	0.98%	\$530,000	-2.83%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Total Number of Sales		1,275	1,224	-4.00%	985	-19.53%
Total Value of Sales		\$0.82B	\$0.80B	-2.49%	\$0.62B	-21.85%
Detached	Average	\$799,469	\$853,401	6.75%	\$840,434	-1.52%
	Median	\$745,000	\$772,650	3.71%	\$755,248	-2.25%
Condo	Average	\$354,487	\$373,210	5.28%	\$343,916	-7.85%
	Median	\$349,450	\$355,000	1.59%	\$329,000	-7.32%
Attached	Average	\$522,899	\$518,069	-0.92%	\$526,044	1.54%
	Median	\$508,500	\$516,500	1.57%	\$518,500	0.39%

Region: BC North / Northwest

Quarterly Sales		Q3 2019	Q2 2019	% Chg ¹	Q3 2018	% Chg ²
Total Number of Sales		2,009	1,781	12.80%	2,345	-14.33%
Total Value of Sales		\$0.59B	\$499.42M	18.59%	\$0.63B	-5.28%
Detached	Average	\$341,441	\$336,614	1.43%	\$336,366	1.51%
	Median	\$328,750	\$325,000	1.15%	\$317,000	3.71%
Condo	Average	\$145,328	\$144,226	0.76%	\$186,585	-22.11%
	Median	\$105,000	\$104,000	0.96%	\$182,500	-42.47%
Attached	Average	\$259,761	\$256,537	1.26%	\$235,837	10.14%
	Median	\$256,000	\$251,500	1.79%	\$225,000	13.78%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Total Number of Sales		744	701	-5.78%	564	-19.54%
Total Value of Sales		\$225.56M	\$210.73M	-6.57%	\$155.95M	-26.00%
Detached	Average	\$349,521	\$344,922	-1.32%	\$325,374	-5.67%
	Median	\$333,500	\$335,000	0.45%	\$317,250	-5.30%
Condo	Average	\$144,743	\$160,636	10.98%	\$133,886	-19.98%
	Median	\$123,000	\$136,500	10.98%	\$82,750	-64.95%
Attached	Average	\$263,371	\$264,705	0.51%	\$248,969	-5.95%
	Median	\$254,250	\$255,000	0.29%	\$259,900	1.92%

A MESSAGE FROM OUR PRESIDENT

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Rudy Nielsen, RI, FRI
President and Founder



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