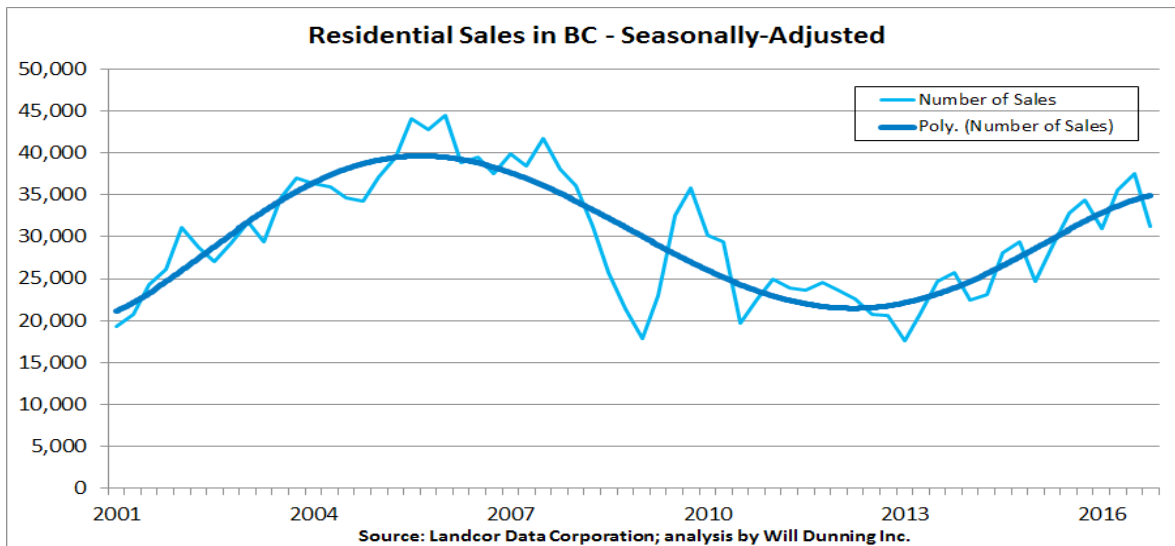


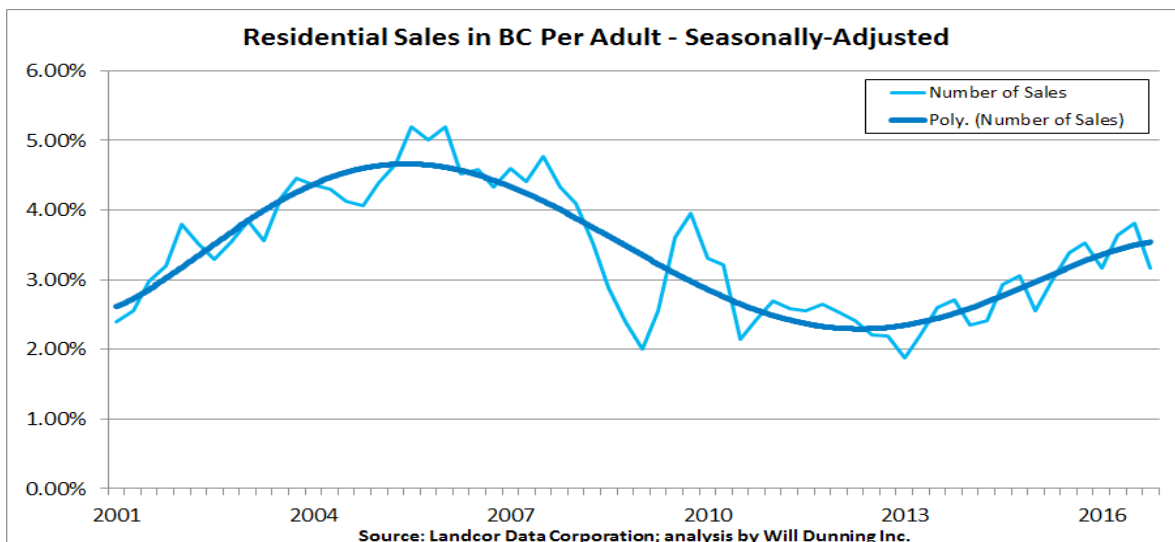
Report prepared by economist WILL DUNNING. Views expressed by Will Dunning are his own and do not necessarily represent those of Landcor Data Corporation. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

## BC Housing Market Overview

The 15% foreign buyers' tax has clearly weighed on housing activity, for the Vancouver area and for the province as a whole. Yet, while activity has slowed, it is still relatively healthy in an historic perspective: seasonally-adjusted sales for the fourth quarter were slightly (4%) above the average seen since the start of 2001.



Another way to look at sales is on a per capita basis: since the population is growing and the inventory of existing dwellings that might be sold is also expanding, we should expect sales to trend upwards over time. On this basis, the picture is less positive, as fourth quarter sales are 6% below the average seen since 2001.



## BC Housing Market Overview (cont'd)

By either measure, fourth quarter sales were reasonably close to a “normal” level. From my perspective, this is a pleasant surprise (so far), since I have feared that the policy changes made during 2016 might have gone too far. There are, no doubt, more surprises to come.

Major policy changes from the provincial and federal governments are intended to suppress housing activity. The federal changes were announced on October 3rd and have gradually taken effect since then: the major federal change is that for insured mortgages, the borrowers must pass a “stress test” that calculates their gross debt service (GDS) ratios and total debt service (TDS) ratios using the “posted rate” for 5-year fixed rate mortgages. That rate is currently 4.64%, or about two points higher than the actual rates that will be paid. Thus, the data for the fourth quarter of 2016 is too soon to see the effects from the federal policy changes.

All of these provincial and federal policy changes will have direct effects, by removing potential buyers from the market. Those direct effects will operate relatively quickly.

The policy changes can also have indirect effects, and those effects will tend to evolve over time:

To what extent do the policy changes affect consumer psychology and expectations? For example, if potential buyers expect (or fear) that house prices will fall, they may hold-off. The reduction in sales can turn the fears into a self-fulfilling prophecy.

A reduction of housing activity weakens the broader economy, which in turn further reduces housing activity and impairs price growth.

The indirect effects combine over time, so that initially moderate (direct) effects can be amplified. The ultimate outcome (and its timing) is unpredictable.

The US housing-led crisis illustrates that the indirect effects can be gradual and can ultimately become very strong. The American resale market peaked in early 2005, then was roughly flat for about a year. This was followed by more than a year of weakening sales. The sharp plunge didn't start until 2017, about two years after the market had peaked. It took time for the initial bad news to get the attention of consumers and for downward momentum to build.

The drop in Vancouver's sales has been much greater than we should expect as a direct result of the foreign buyers' tax: for the fourth quarter of 2016, residential sales were 28% lower than a year earlier. This hints quite strongly that there is a (negative) psychological element already in the market.

So far, this has reduced the frothiness (excess exuberance) in the Vancouver market: while fourth quarter sales were much lower than in 2015 and also lower compared to 2014 (by 12%), they were healthy compared to 2011 to 2013.

In short, the great unknown at this juncture is how the psychological factors will evolve during the coming year (and beyond). In the end, we might find that the impact of the provincial and federal policies was “just right”. But, it might happen that those policies aren't strong enough to tame the market. On the other hand, it might be that the policies are too stringent, and will cause serious harm, not just to the housing market, but also to the broader economy.

Let's keep watching.

## BC Housing Market Overview (cont'd)

### A Geographic Shift

While Q4 sales in Vancouver were sharply lower compared to a year ago (by 28%), for the entire province the reduction was just 9%. This was because sales increased for Vancouver Island (by 15%), Kootenay (11%), and Okanagan (29%). On the other hand, sales fell in Fraser Valley (3%) and BC north and north-west (13%).

For all of 2016, BC's residential sales rose by about 13%. Total annual sales fell in just one region (about 7% in BC north and north-west). Annual activity rose marginally in Vancouver, and more substantially in Vancouver Island (28%), Kootenay (10%), Okanagan (26%) and Fraser Valley (35%). The 15% foreign buyers' tax has caused a sudden, very substantial shift of housing market activity in BC.

<b>Annual Residential Sales by Region</b>						
	2012	2013	2014	2015	2016	2016 vs 2015
Vancouver	40,229	42,369	43,891	60,367	61,137	1.3%
Vancouver Island	14,507	14,951	15,462	19,928	25,450	27.7%
Kootenay	3,196	3,272	3,287	3,626	3,996	10.2%
Okanagan	11,347	12,130	13,242	15,905	20,064	26.1%
Fraser Valley	10,601	9,855	10,625	14,940	20,125	34.7%
BC North/NW	7,425	7,186	6,898	6,975	6,511	-6.7%
Total	87,305	89,763	93,405	121,741	137,283	12.8%
<b>% of Provincial Total</b>						
Vancouver	46.1%	47.2%	47.0%	49.6%	44.5%	
Vancouver Island	16.6%	16.7%	16.6%	16.4%	18.5%	
Kootenay	3.7%	3.6%	3.5%	3.0%	2.9%	
Okanagan	13.0%	13.5%	14.2%	13.1%	14.6%	
Fraser Valley	12.1%	11.0%	11.4%	12.3%	14.7%	
BC North/NW	8.5%	8.0%	7.4%	5.7%	4.7%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	
Source: Landcor Data Corporation; analysis by Will Dunning Inc.						

*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.ca](http://www.wdunning.ca)*

# BC Residential Sales Summary for Q4, 2016

<sup>1</sup>% change Q4'2016- Q3 2016    <sup>2</sup>% change Q4'2016- Q4'2015

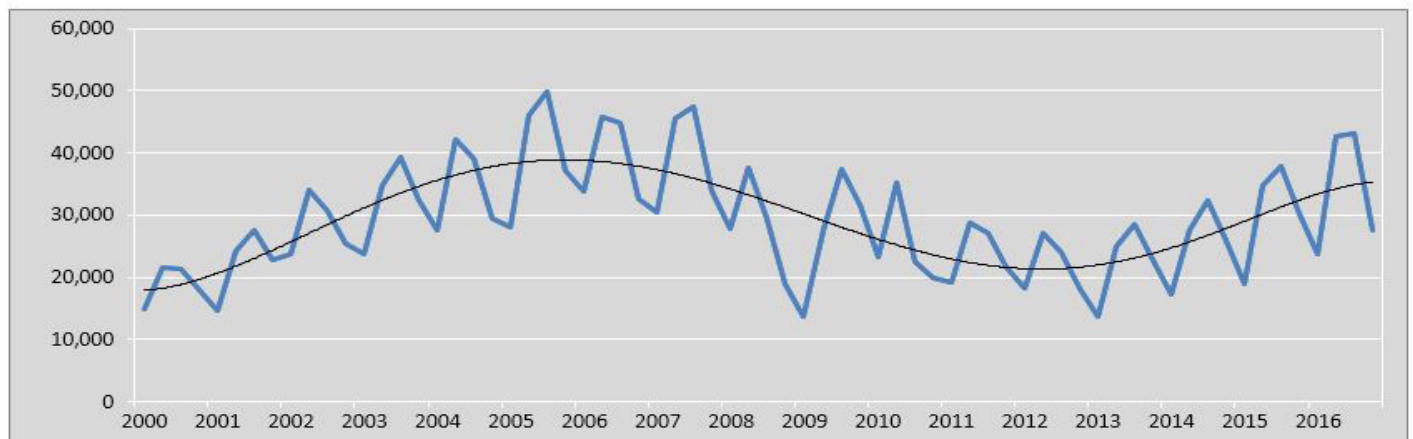
## British Columbia - All

Quarterly Sales		Q4 2016	Q3 2016	% Chg <sup>1</sup>	Q4 2015	% Chg <sup>2</sup>
Number of Sales		27,578	43,223	-36.20%	30,271	-8.90%
Total Value of Sales		\$16.50B	\$28.57B	-42.25%	\$18.62B	-11.39%
Detached	Average	\$600,086	\$660,747	-9.18%	\$611,161	-1.81%
	Median	\$578,900	\$629,900	-8.10%	\$578,000	0.16%
Condo	Average	\$368,406	\$368,786	-0.10%	\$350,565	5.09%
	Median	\$362,500	\$362,900	-0.11%	\$350,000	3.57%
Attached	Average	\$422,302	\$443,588	-4.80%	\$410,288	2.93%
	Median	\$432,500	\$432,000	0.12%	\$385,000	12.34%

### Median Sale Prices/BC All



### Sales Counts/BC All



<sup>1</sup>% change Q4'2016- Q3'2016 <sup>2</sup>% change Q4'2016- Q4'2015 <sup>3</sup>% change month to previous month**Region: Greater Vancouver**

Quarterly Sales		Q4 2016	Q3 2016	% Chg <sup>1</sup>	Q4 2015	% Chg <sup>2</sup>
Number of Sales		11,149	18,123	-38.48%	15,381	-27.51%
Total Value of Sales		\$9.55B	\$17.55B	-45.55%	\$13.00B	-26.48%
Detached	Average	\$1,307,689	\$1,352,356	-3.30%	\$1,114,357	17.35%
	Median	\$1,250,000	\$1,288,000	-2.95%	\$1,042,900	19.86%
Condo	Average	\$448,185	\$444,294	0.88%	\$407,786	9.91%
	Median	\$429,900	\$431,000	-0.26%	\$396,900	8.31%
Attached	Average	\$582,593	\$598,284	-2.62%	\$522,901	11.42%
	Median	\$537,250	\$560,000	-4.06%	\$516,250	4.07%

Monthly Sales		October	November	% Chg <sup>3</sup>	December	% Chg <sup>3</sup>
Number of Sales		3,987	4,383	9.03%	2,779	-57.72%
Total Value of Sales		\$3.14B	\$3.85B	18.51%	\$2.57B	-49.97%
Detached	Average	1,293,052	1,314,068	1.60%	\$1,317,515	0.26%
	Median	1,257,500	1,250,000	-0.60%	\$1,239,000	-0.89%
Condo	Average	425,557	477,802	10.93%	\$433,011	-10.34%
	Median	415,000	446,400	7.03%	\$421,342	-5.95%
Attached	Average	584,124	583,923	-0.03%	\$578,440	-0.95%
	Median	540,000	537,000	-0.56%	\$533,838	-0.59%

**Region: Vancouver Island**

Quarterly Sales		Q4 2016	Q3 2016	% Chg <sup>1</sup>	Q4 2015	% Chg <sup>2</sup>
Number of Sales		5,541	8,360	-33.72%	4,798	15.49%
Total Value of Sales		\$2.54B	\$3.87B	-34.43%	\$2.04B	24.42%
Detached	Average	\$487,635	490,820	-0.65%	\$432,996	12.62%
	Median	\$485,000	484,800	0.04%	\$430,000	12.79%
Condo	Average	\$273,051	277,013	-1.43%	\$239,690	13.92%
	Median	\$280,000	278,800	0.43%	\$232,500	20.43%
Attached	Average	\$361,669	342,311	5.66%	\$338,670	6.79%
	Median	\$350,000	340,000	2.94%	\$338,500	3.40%

Monthly Sales		October	November	% Chg <sup>3</sup>	December	% Chg <sup>3</sup>
Number of Sales		2,104	1,876	-12.15%	1,561	-20.18%
Total Value of Sales		\$0.66B	\$0.90B	27.20%	\$0.67B	-34.13%
Detached	Average	484,929	493,074	1.65%	\$484,345	-1.80%
	Median	485,000	483,750	-0.26%	\$487,425	0.75%
Condo	Average	296,389	282,597	-4.88%	\$244,355	-15.65%
	Median	307,250	289,500	-6.13%	\$230,000	-25.87%
Attached	Average	367,761	354,018	-3.88%	\$363,161	2.52%
	Median	365,000	339,000	-7.67%	\$365,000	7.12%

**Region: Kootenay**

Quarterly Sales		Q4 2016	Q3 2016	% Chg <sup>1</sup>	Q4 2015	% Chg <sup>2</sup>
Number of Sales		1,059	1,255	-15.62%	956	10.77%
Total Value of Sales		\$263.80M	\$347.90M	-18.42%	\$238.36M	19.07%
Detached	Average	\$302,787	307,001	-1.37%	\$277,408	9.15%
	Median	\$308,000	319,500	-3.60%	\$286,500	7.50%
Condo	Average	\$189,453	138,958	36.34%	\$155,589	21.77%
	Median	\$210,000	155,500	35.05%	\$167,000	25.75%
Attached	Average	\$252,572	269,639	-6.33%	\$241,828	4.44%
	Median	\$250,000	266,125	-6.06%	\$252,500	-0.99%

Monthly Sales		October	November	% Chg <sup>3</sup>	December	% Chg <sup>3</sup>
Number of Sales		407	380	-7.11%	272	-39.71%
Total Value of Sales		\$110.43M	\$95.92M	-15.13%	\$77.46M	-23.83%
Detached	Average	294,081	292,330	-0.60%	\$332,967	12.20%
	Median	286,763	308,000	6.90%	\$325,000	5.23%
Condo	Average	247,008	152,884	-61.57%	\$158,730	3.68%
	Median	279,150	177,786	-57.01%	\$171,500	-3.67%
Attached	Average	242,337	253,270	4.32%	\$265,875	4.74%
	Median	245,000	246,250	0.51%	\$291,500	15.52%

**Region: Okanagan**

Quarterly Sales		Q4 2016	Q3 2016	% Chg <sup>1</sup>	Q4 2015	% Chg <sup>2</sup>
Number of Sales		4,584	7,037	-34.86%	3,566	28.55%
Total Value of Sales		\$1.82B	\$2.86B	-36.31%	\$1.28B	42.59%
Detached	Average	\$451,967	462,436	-2.26%	\$401,595	12.54%
	Median	\$457,000	462,000	-1.08%	\$406,750	12.35%
Condo	Average	\$250,225	257,219	-2.72%	\$220,213	13.63%
	Median	\$260,400	260,000	0.15%	\$222,000	17.30%
Attached	Average	\$328,384	317,463	3.44%	\$305,649	7.44%
	Median	\$334,651	320,000	4.58%	\$310,000	7.95%

Monthly Sales		October	November	% Chg <sup>3</sup>	December	% Chg <sup>3</sup>
Number of Sales		1,738	1,640	-5.98%	1,206	-35.99%
Total Value of Sales		\$0.69B	\$0.64B	-8.49%	\$486.00M	-31.78%
Detached	Average	449,568	458,048	1.85%	\$447,445	-2.37%
	Median	451,000	469,000	3.84%	\$445,000	-5.39%
Condo	Average	250,745	242,830	-3.26%	\$259,460	6.41%
	Median	260,000	246,153	-5.63%	\$285,000	13.63%
Attached	Average	326,401	326,923	0.16%	\$333,065	1.84%
	Median	326,350	332,667	1.90%	\$345,450	3.70%

<sup>1</sup>% change Q4'2016- Q3'2016    <sup>2</sup>% change Q4'2016- Q4'2015    <sup>3</sup>% change month to previous month

### Region: Fraser Valley

Quarterly Sales		Q4 2016	Q3 2016	% Chg <sup>1</sup>	Q4 2015	% Chg <sup>2</sup>
Number of Sales		3,791	6,366	-40.45%	3,904	-2.89%
Total Value of Sales		\$1.98B	\$3.47B	-42.91%	\$1.68B	17.51%
Detached	Average	\$662,954	657,378	0.85%	\$528,101	25.54%
	Median	\$650,000	650,227	-0.03%	\$523,649	24.13%
Condo	Average	\$219,901	214,191	2.67%	\$205,644	6.93%
	Median	\$229,000	222,950	2.71%	\$213,250	7.39%
Attached	Average	\$390,888	379,528	2.99%	\$315,996	23.70%
	Median	\$398,096	381,052	4.47%	\$316,730	25.69%

Monthly Sales		October	November	% Chg <sup>3</sup>	December	% Chg <sup>3</sup>
Number of Sales		1,364	1,355	-0.66%	1,072	-26.40%
Total Value of Sales		\$0.70B	\$0.73B	4.02%	\$0.55B	-33.95%
Detached	Average	656,904	671,047	2.11%	\$660,483	-1.60%
	Median	638,000	658,000	3.04%	\$650,000	-1.23%
Condo	Average	211,172	213,618	1.15%	\$233,664	8.58%
	Median	217,500	220,000	1.14%	\$245,000	10.20%
Attached	Average	379,968	390,053	2.59%	\$409,168	4.67%
	Median	393,755	399,000	1.31%	\$401,226	0.55%

### Region: BC North / NW

Quarterly Sales		Q4 2016	Q3 2016	% Chg <sup>1</sup>	Q4 2015	% Chg <sup>2</sup>
Number of Sales		1,454	2,082	-30.16%	1,666	-12.73%
Total Value of Sales		\$324.33M	\$482.30M	-32.75%	\$385.86M	-15.94%
Detached	Average	\$261,906	268,372	-2.41%	\$265,727	-1.44%
	Median	\$269,850	275,000	-1.87%	\$271,000	-0.42%
Condo	Average	\$87,744	117,684	-25.44%	\$229,401	-61.75%
	Median	\$92,000	98,000	-6.12%	\$274,909	-66.53%
Attached	Average	\$222,004	182,056	21.94%	\$219,039	1.35%
	Median	\$260,000	210,000	23.81%	\$250,000	4.00%

Monthly Sales		October	November	% Chg <sup>3</sup>	December	% Chg <sup>3</sup>
Number of Sales		559	488	-14.55%	407	-19.90%
Total Value of Sales		\$134.28M	\$111.67M	-20.25%	\$78.38M	-42.46%
Detached	Average	268,890	259,384	-3.66%	\$253,563	-2.30%
	Median	277,000	267,000	-3.75%	\$260,500	-2.50%
Condo	Average	48,171	101,481	52.53%	\$84,092	-20.68%
	Median	40,000	113,000	64.60%	\$127,000	11.02%
Attached	Average	234,346	218,411	-7.30%	\$212,439	-2.81%
	Median	260,000	270,000	3.70%	\$230,000	-17.39%

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**Rudy Nielsen, R.I., F.R.I**  
**President**



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## DATA CORPORATION

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