

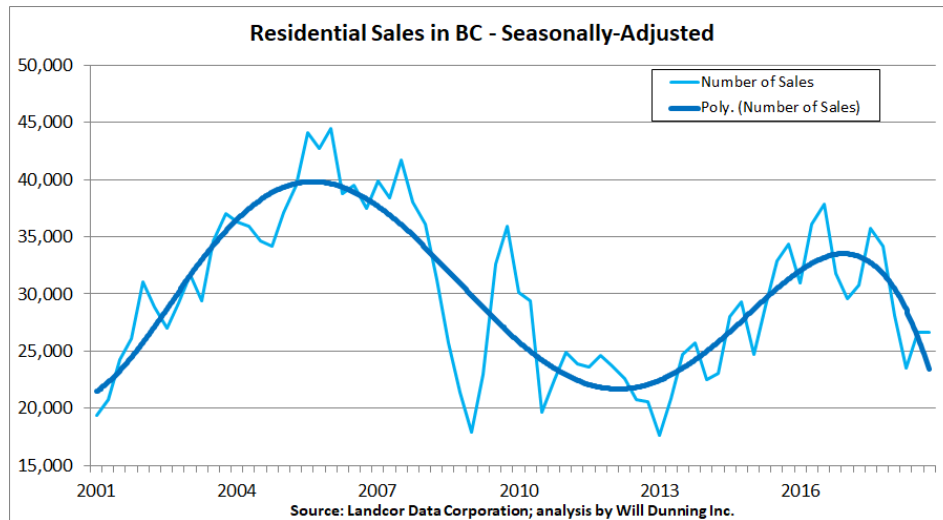
Report prepared by economist WILL DUNNING. Views expressed by Will Dunning are his own and do not necessarily represent those of Landcor Data Corporation. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

## BC Housing Market Overview

It's a good news/bad news situation.

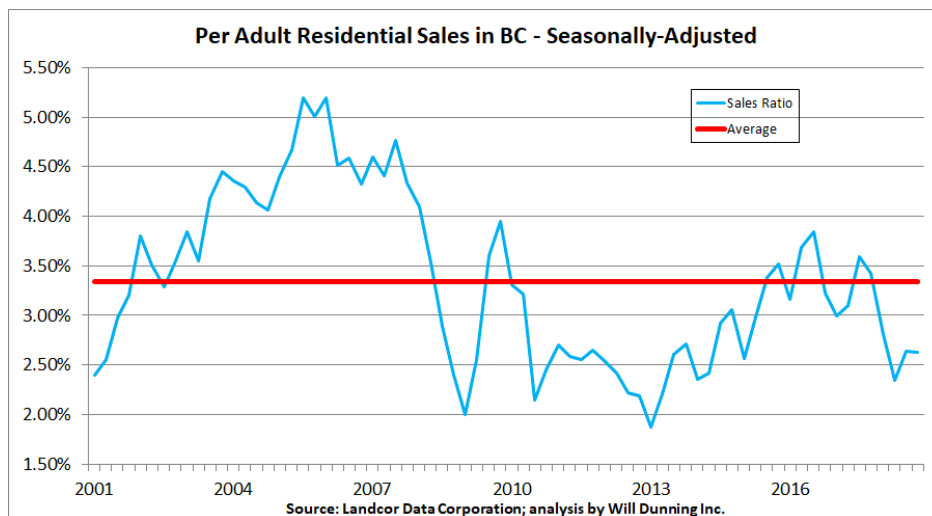
It appears that home sales in British Columbia have stabilized, but at a very low level. Fourth quarter sales totalled 23,445 units, which equates to 26,600 on a seasonally-adjusted basis. As can be seen in Figure 1, sales are above the levels seen during 2010 to 2013, but are otherwise quite low in historic terms. (In these charts, the lines labelled "Poly" are trend lines generated by Excel.) As has been discussed in previous editions of this report, policies of the federal and provincial governments are weighing heavily on housing demand in British Columbia.

**Figure 1**



Another way to look at the sales data is on a per adult basis: the population is growing (and therefore there are more people who could potentially buy homes). Meanwhile, the total stock of housing is expanding (and therefore there are more homes that could potentially be sold). Figure 2 looks at sales on the "per adult" basis. This data shows that for Q4, the sales rate was just 2.62%. This is 21% below the average over the entire period (3.34%, which is shown by the flat red line). By this measure, home buying activity in BC is now exceptionally weak.

**Figure 2**

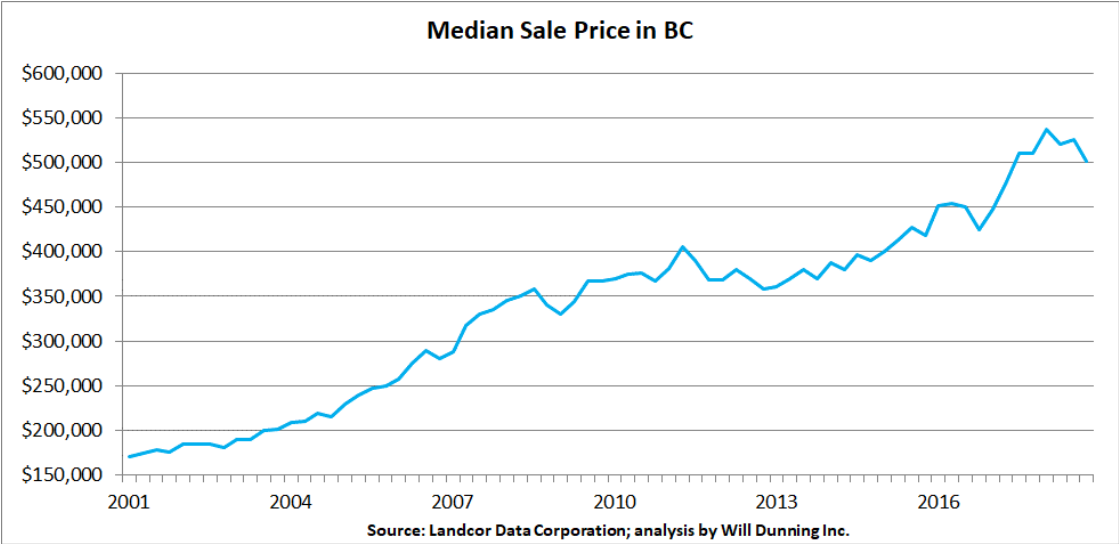


# BC Housing Market Overview (cont'd)

## Prices

The median sale price fell by 4.5% during 2018-Q4, to \$501,500 from \$525,000 2018-Q3. It was also down by 1.7% compared to the \$510,000 seen a year ago (see Figure 3).

Figure 3



As has been seen previously, movements in the province-wide median price have been influenced by a change in “composition” (the locations and types of homes sold). Looking at data just for detached homes, the provincial median price fell by 4.4% during the past year. But all of the regions except for Greater Vancouver saw increases in their median prices:

Greater Vancouver:	-3.45%
Vancouver Island:	7.93%
Kootenay:	4.94%
Okanagan:	4.80%
Fraser Valley:	2.10%
North/Northwest BC:	9.29%

## “Housing as an Investment”

In my work for Mortgage Professionals Canada, I have access to data from a semi-annual survey of consumers. For several years the surveys have asked consumers to what extent they see their homes as “an investment” versus “a place to live”. The surveys have repeatedly found that Canadians on average see their homes as about 70% a place to live and about 30% an investment. You might expect that there would be some substantial variations in the responses, depending on factors like age groups or locations, but in fact this 70/30 response is consistent across different subsets of the population.

I don’t know if there is a correct answer to this, but the 70/30 response seems about right to me. It says to me that Canadians make their home buying decisions largely based on their needs and what they can afford. At the same time, they hold an opinion that they will be better off financially by owning rather than renting their home, and their decision-making gives some consideration to this.

The financial advantage of home ownership is not just the fact that house prices tend to rise over time. It is also that in most situations, over long periods, monthly costs of home ownership are lower than the monthly costs of renting (especially when consideration is given to the “forced saving” that occurs through repayment of mortgage principal). For anyone interested in knowing more about the arguments, I have explored the data in a report for Mortgage Professionals Canada, titled “Owning versus Renting a Home in Canada”, which can be found here:

<https://mortgageproscan.ca/docs/default-source/government-relations/owning-vs-renting-2018.pdf>

## BC Housing Market Overview (cont'd)

A corollary from this discussion is that home-buying tends to be influenced to some degree by growth of house prices. For many years, in my forecasting models I have included house price growth as a factor that affects resale market activity. In most market areas that I have investigated, rising prices do, according to the statistical estimates, positively affect the pace of sales.

I call this the “*investment motive*”. I want to be clear that I do not mean that rising prices cause more people to buy investment properties; that is true, but the main point here is that rising prices encourage people to think more positively about home ownership and therefore they become more likely to buy a home that they will live in or to move up from their current home.

For Victoria, the estimate is that if prices are rising by 5% per year, sales would be 15% stronger than if prices are flat. For Kelowna, the estimated effect is 13%, and for Abbotsford, the estimate is 14%. These results are reasonably “robust” statistically (they pass the statistical test of “95% confidence”).

For Vancouver, on the other hand, the results are quite different: for a 5% rise in prices, sales are estimated to be 1% lower than they would be if prices are flat. But, this estimate for Vancouver is very weak statistically, and I should really say that changes in prices do not materially affect resale activity on Vancouver.

This difference between Vancouver and other areas within British Columbia (and indeed compared to most other places in Canada) tells me that very poor affordability has become a dominant factor for housing activity in Vancouver, so that even if price growth caused more people to want to buy, the level of house prices is preventing them from acting on their desires.

The next step in this discussion is that there is a flip side to the “investment motive”: if prices are falling, we should expect that sales would be weaker than they would be with flat prices. I call this a “precautionary motive”. These days, this is becoming a more salient point. There is a lot of discussion in BC about the effects of falling house prices. Some people opine that falling house prices, by improving affordability, would stimulate home buying. I think this is only partially correct, because when they see that prices are falling, many people will decide that buying is dangerous: many of the people who could now afford to buy will wait until they become convinced that the reductions have ended.

This is one of the two reasons that, in a modern economy, one of the most dangerous things that can happen is for house prices to fall: the negative effects on housing activity will negatively affect the economy (fewer people will be employed in jobs that are related to sales, financing, construction, etc.). The second reason is that when prices fall, people become less comfortable about their own financial situations, and they are likely to reduce their spending. This has additional negative consequences for the broader economy.

What we have seen historically is that a strong housing market with rapid price growth can add to its own strength, so that sales activity and prices “overshoot” – to be stronger than they should be. Conversely, in a weak market with falling prices, prices and activity can fall by more than they should.

I am not going to provide a forecast about what will happen to house prices in BC during the coming two years. In the current environment, too much depends on how consumer attitudes and expectations evolve, and forecasting psychology is far outside my comfort zone. I will just say that while sales activity and prices appear to have flattened during 2018, there is a non-trivial risk of a negative interaction between prices and consumer psychology that could negatively affect the broader economy.

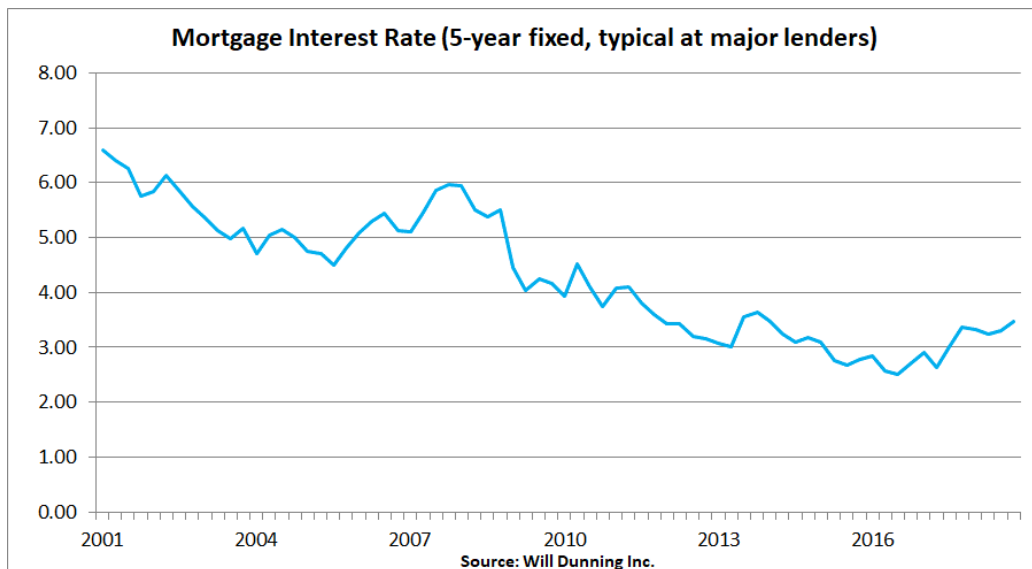
I will also conclude that there is at present an artificial constraint (federal government policies) that is causing housing activity to be considerably weaker than it should be, and it would be a really good idea for the federal government to reduce the economic risks that are associated with those policies.

## BC Housing Market Overview (cont'd)

Here are the major factors at present:

- Landcor's data shows that during 2018, residential sales in BC were 21% lower than in 2017, and 25% lower than in 2016.
- Mortgage interest rates have increased during the past two years, from about 2.6% during the second half of 2016 to 3.6% at present (these are my opinion-estimates of typical "special offer" rates for 5-year fixed-rate mortgages from major lenders). See Figure 4.
- House prices have also increased: for 2018-Q4, the median price in BC was 18% higher than two years earlier.
- Higher interest rates combined with higher prices have resulted in a significant deterioration of affordability, which has contributed to the sharp drop in home sales.
- In addition, the mortgage stress tests that are required by federal policies (for most potential mortgage loans in Canada) have resulted in an additional sharp *de facto* reduction in affordability.
- On the positive side, it appears that the employment situation is very strong within British Columbia. Figure 5 shows that among "prime working age adults" in BC, the share that have jobs is at a very high level (I am suspicious about the sharp rise shown during the second half of 2018, but otherwise the ratio has been at a high level during the past two years), which should result in strong housing demand.
- The provincial foreign buyers' tax is also an impediment to buying. But, data published by the Ministry of Finance indicates that "foreign involvement transactions" represent a quite small share of total residential sales – just 3.0% in 2017 and 2.4% in 2018 (see Figure 6). Consequently, the direct effect of the tax should have been a very small part of the sales reduction that occurred in 2018. It is possible, however, that there could be indirect effects: if substantial numbers of potential buyers believe that the tax has raised the risks of price reductions, then they might be discouraged from buying.

Figure 4



# BC Housing Market Overview (cont'd)

Figure 5

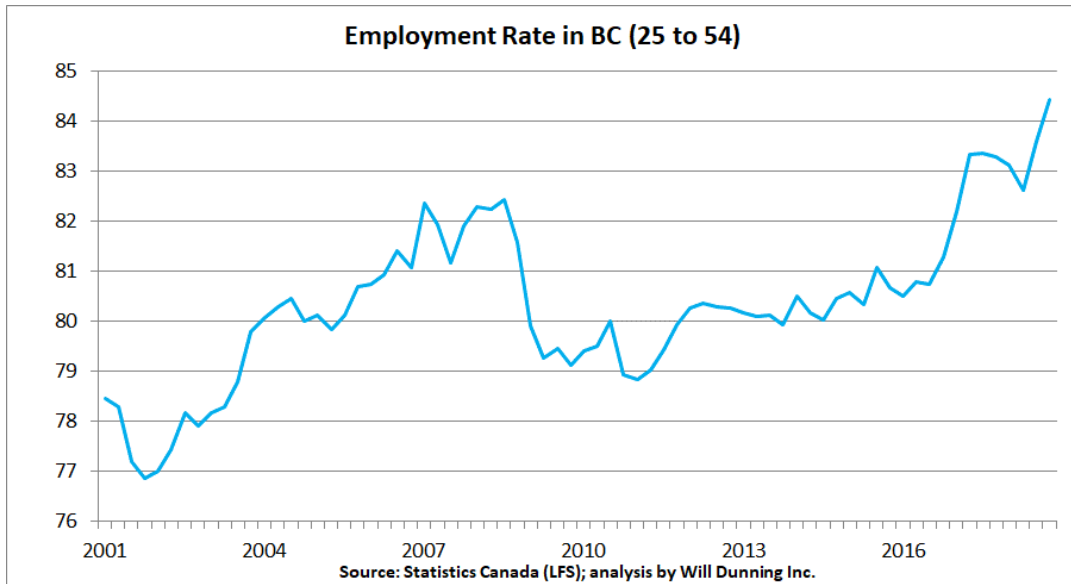
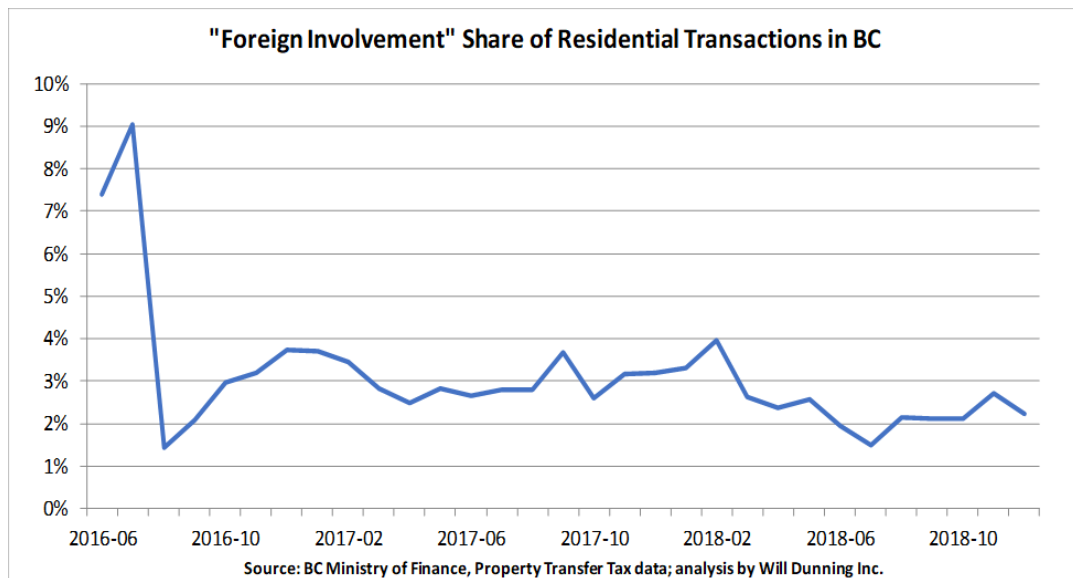


Figure 6



# BC Housing Market Overview (cont'd)

## Regional Variations

Landcor's data show that during 2018-Q4, residential sales were 22% lower than a year earlier. As is shown in the table below, reductions were widespread, as only the Kootenay and North/Northwest region showed increases. Other regions have shown severe reductions.

As is shown in the table, the largest reductions were in Greater Vancouver and the Fraser Valley. In consequence, both of these regions lost market share. The four other regions saw increases in their shares.

<b>Residential Sales in British Columbia, by Region, 2017-Q4 and 2018-Q4</b>					
<i>Region</i>	<i>Quarterly Sales</i>		<i>% Change</i>	<i>Share of BC</i>	
	<i>2017-Q4</i>	<i>2018-Q4</i>		<i>2017-Q4</i>	<i>2018-Q4</i>
Greater Vancouver	13,410	9,561	-28.7%	44.5%	40.8%
Vancouver Island	5,269	4,229	-19.7%	17.5%	18.0%
Kootenay	1,147	1,194	4.1%	3.8%	5.1%
Okanagan	4,499	3,743	-16.8%	14.9%	16.0%
Fraser Valley	4,084	2,918	-28.6%	13.6%	12.4%
BC North/Northwest	1,716	1,800	4.9%	5.7%	7.7%
BC Total	30,125	23,445	-22.2%	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](http://www.wdunning.com).

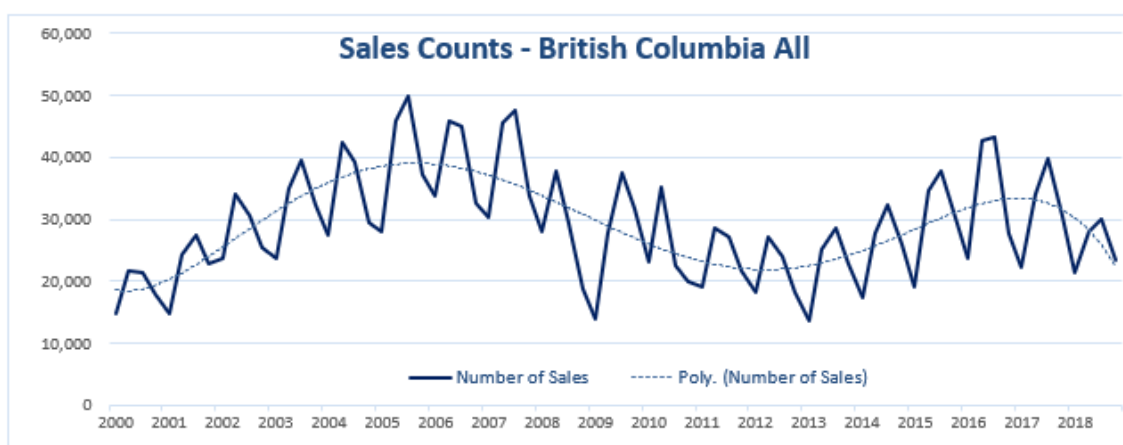
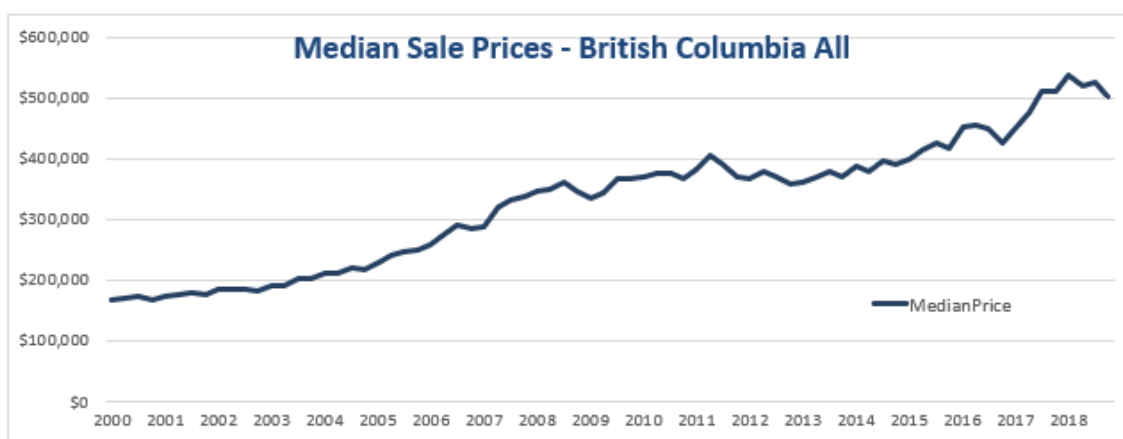
# BC Residential Sales Summary for Q4, 2018

Landcor's quarterly residential sales reports on property sale values in British Columbia. Providing sales information on a regional level, the report compares average and median pricing on different property types.

<sup>1</sup>% change Q4'2018—Q3'2018    <sup>2</sup>% change Q4'2018—Q4'2017

## British Columbia - All

Quarterly Sales		Q4 2018	Q3 2018	% Chg <sup>1</sup>	Q4 2017	% Chg <sup>2</sup>
Number of Sales		23,445	30,641	-23.48%	30,125	-22.17%
Total Value of Sales		\$15.70B	\$21.34B	-26.45%	\$20.70B	-24.17%
Detached	Average	\$865,884	\$879,435	-1.54%	\$916,126	-5.48%
	Median	\$645,000	\$673,000	-4.16%	\$675,000	-4.44%
Condo	Average	\$539,778	\$545,456	-1.04%	\$514,176	4.98%
	Median	\$450,000	\$456,000	-1.32%	\$447,900	0.47%
Attached	Average	\$606,745	\$623,744	-2.73%	\$624,303	-2.81%
	Median	\$550,000	\$564,900	-2.64%	\$545,000	0.92%





<sup>1</sup>% change Q4'2018—Q3'2018 <sup>2</sup>% change Q4'2018—Q4'2017 <sup>3</sup>% change month to previous month**Region: Greater Vancouver**

Quarterly Sales		Q4 2018	Q3 2018	% Chg <sup>1</sup>	Q4 2017	% Chg <sup>2</sup>
Number of Sales		9,561	12,275	-22.11%	13,410	-28.70%
Total Value of Sales		\$9.17B	\$12.23B	-25.03%	\$12.77B	-28.21%
Detached	Average	\$1,653,268	1,637,790	0.95%	\$1,698,973	-2.69%
	Median	\$1,300,000	1,354,000	-3.99%	\$1,346,500	-3.45%
Condo	Average	\$634,454	633,423	0.16%	\$595,020	6.63%
	Median	\$527,500	529,900	-0.45%	\$515,800	2.27%
Attached	Average	\$809,058	829,432	-2.46%	\$813,356	-0.53%
	Median	\$694,000	700,000	-0.86%	\$680,000	2.06%

Monthly Sales		October	November	% Chg <sup>1</sup>	December	% Chg <sup>3</sup>
Number of Sales		3,454	3,927	13.69%	2,180	-44.49%
Total Value of Sales		\$3.41B	\$3.48B	2.00%	\$2.28B	-34.35%
Detached	Average	\$1,625,852	\$1,599,282	-1.63%	\$1,778,497	11.21%
	Median	\$1,300,000	\$1,276,500	-1.81%	\$1,350,000	5.76%
Condo	Average	\$668,300	\$607,185	-9.14%	\$639,107	5.26%
	Median	\$535,000	\$521,900	-2.45%	\$525,900	0.77%
Attached	Average	\$817,676	\$799,466	-2.23%	\$809,240	1.22%
	Median	\$679,900	\$701,000	3.10%	\$697,050	-0.56%

**Region: Vancouver Island**

Quarterly Sales		Q4 2018	Q3 2018	% Chg <sup>1</sup>	Q4 2017	% Chg <sup>2</sup>
Number of Sales		4,229	5,640	0.04%	5,269	7.08%
Total Value of Sales		\$2.25B	\$3.10B	-27.49%	\$2.72B	-17.31%
Detached	Average	\$651,834	\$673,988	-3.29%	\$618,998	5.30%
	Median	\$589,496	\$597,623	-1.36%	\$546,206	7.93%
Condo	Average	\$420,239	\$400,920	4.82%	\$364,557	15.27%
	Median	\$379,000	\$368,000	2.99%	\$335,000	13.13%
Attached	Average	\$480,815	\$478,652	0.45%	\$444,049	8.28%
	Median	\$442,200	\$449,221	-1.56%	\$403,870	9.49%

Monthly Sales		October	November	% Chg <sup>1</sup>	December	% Chg <sup>3</sup>
Number of Sales		1,688	1,635	-3.14%	906	-44.59%
Total Value of Sales		\$0.88B	\$0.88B	0.12%	\$497.88M	-43.20%
Detached	Average	\$657,458	\$642,139	-2.33%	\$659,074	2.64%
	Median	\$585,000	\$582,000	-0.51%	\$609,000	4.64%
Condo	Average	\$401,875	\$439,855	9.45%	\$418,087	-4.95%
	Median	\$365,000	\$405,000	10.96%	\$348,950	-13.84%
Attached	Average	\$450,670	\$508,295	12.79%	\$491,056	-3.39%
	Median	\$405,500	\$459,900	13.42%	\$449,900	-2.17%



<sup>1</sup>% change Q4'2018—Q3'2018 <sup>2</sup>% change Q4'2018—Q4'2017 <sup>3</sup>% change month to previous month**Region: Kootenay**

Quarterly Sales		Q4 2018	Q3 2018	% Chg <sup>1</sup>	Q4 2017	% Chg <sup>2</sup>
Number of Sales		1,194	1,526	-21.76%	1,147	4.10%
Total Value of Sales		\$329.02M	\$454.13M	-27.55%	\$314.92M	4.48%
Detached	Average	\$359,332	\$385,608	-6.81%	\$362,427	-0.85%
	Median	\$340,000	\$355,000	-4.23%	\$324,000	4.94%
Condo	Average	\$174,897	\$201,951	-13.40%	\$190,489	-8.19%
	Median	\$170,333	\$193,869	-12.14%	\$180,000	-5.37%
Attached	Average	\$313,983	\$302,402	3.83%	\$303,621	3.41%
	Median	\$297,450	\$287,500	3.46%	\$279,900	6.27%

Monthly Sales		October	November	% Chg <sup>1</sup>	December	% Chg <sup>3</sup>
Number of Sales		515	428	-16.89%	251	-41.36%
Total Value of Sales		\$135.87M	\$122.27M	-10.01%	\$70.88M	-42.03%
Detached	Average	\$348,772	\$367,517	5.37%	\$364,779	-0.74%
	Median	\$329,900	\$342,000	3.67%	\$350,000	2.34%
Condo	Average	\$179,734	\$147,043	-18.19%	\$206,482	40.42%
	Median	\$170,333	\$127,500	-25.15%	\$201,000	57.65%
Attached	Average	\$321,494	\$319,944	-0.48%	\$269,267	-15.84%
	Median	\$289,500	\$304,263	5.10%	\$329,000	8.13%

**Region: Okanagan**

Quarterly Sales		Q4 2018	Q3 2018	% Chg <sup>1</sup>	Q4 2017	% Chg <sup>2</sup>
Number of Sales		3,743	5,194	-27.94%	4,499	-16.80%
Total Value of Sales		\$1.65B	\$2.43B	-31.99%	\$1.95B	-15.05%
Detached	Average	\$580,859	\$603,994	-3.83%	\$558,228	4.05%
	Median	\$524,000	\$538,700	-2.73%	\$500,000	4.80%
Condo	Average	\$285,616	\$342,637	-16.64%	\$296,323	-3.61%
	Median	\$269,000	\$315,815	-14.82%	\$285,000	-5.61%
Attached	Average	\$420,238	\$417,513	0.65%	\$393,172	6.88%
	Median	\$389,150	\$389,900	-0.19%	\$369,900	5.20%

Monthly Sales		October	November	% Chg <sup>1</sup>	December	% Chg <sup>3</sup>
Number of Sales		1,643	1,398	-14.91%	702	-49.79%
Total Value of Sales		\$0.74B	\$0.61B	-17.80%	\$305.30M	-49.86%
Detached	Average	\$593,259	\$577,270	-2.70%	\$561,664	-2.70%
	Median	\$530,000	\$525,000	-0.94%	\$496,900	-5.35%
Condo	Average	\$260,006	\$308,506	18.65%	\$317,035	2.76%
	Median	\$199,900	\$316,380	58.27%	\$318,950	0.81%
Attached	Average	\$425,281	\$415,348	-2.34%	\$418,852	0.84%
	Median	\$380,000	\$395,000	3.95%	\$400,000	1.27%

<sup>1</sup>% change Q4'2018—Q3'2018 <sup>2</sup>% change Q4'2018—Q4'2017 <sup>3</sup>% change month to previous month**Region: Fraser Valley**

Quarterly Sales		Q4 2018	Q3 2018	% Chg <sup>1</sup>	Q4 2017	% Chg <sup>2</sup>
Number of Sales		2,918	3,666	-20.40%	4,084	-28.55%
Total Value of Sales		\$1.84B	\$2.50B	-26.23%	\$2.53B	-27.25%
Detached	Average	\$911,191	\$956,800	-4.77%	\$855,251	6.54%
	Median	\$764,750	\$820,000	-6.74%	\$749,000	2.10%
Condo	Average	\$365,151	\$348,221	4.86%	\$305,957	19.35%
	Median	\$363,000	\$347,200	4.55%	\$299,000	21.40%
Attached	Average	\$509,951	\$535,819	-4.83%	\$497,719	2.46%
	Median	\$506,310	\$530,500	-4.56%	\$495,000	2.28%

Monthly Sales		October	November	% Chg <sup>1</sup>	December	% Chg <sup>3</sup>
Number of Sales		1,045	1,229	17.61%	644	-47.60%
Total Value of Sales		\$0.71B	\$0.73B	2.69%	\$402.27M	-44.93%
Detached	Average	\$975,786	\$839,951	-13.92%	\$928,577	10.55%
	Median	\$790,000	\$760,000	-3.80%	\$743,000	-2.24%
Condo	Average	\$343,069	\$383,493	11.78%	\$358,530	-6.51%
	Median	\$330,000	\$390,000	18.18%	\$327,300	-16.08%
Attached	Average	\$505,705	\$514,392	1.72%	\$508,094	-1.22%
	Median	\$499,900	\$519,900	4.00%	\$517,450	-0.47%

**Region: BC North / NW**

Quarterly Sales		Q4 2018	Q3 2018	% Chg <sup>1</sup>	Q4 2017	% Chg <sup>2</sup>
Number of Sales		1,800	2,340	-23.08%	1,716	4.90%
Total Value of Sales		\$453.02M	\$0.62B	-27.38%	\$412.55M	9.81%
Detached	Average	\$318,126	\$336,663	-5.51%	\$299,501	6.22%
	Median	\$306,000	\$317,250	-3.55%	\$280,000	9.29%
Condo	Average	\$112,156	\$186,585	-39.89%	\$195,837	-42.73%
	Median	\$72,000	\$182,500	-60.55%	\$198,900	-63.80%
Attached	Average	\$245,953	\$235,837	4.29%	\$215,262	14.26%
	Median	\$252,750	\$225,000	12.33%	\$224,500	12.58%

Monthly Sales		October	November	% Chg <sup>1</sup>	December	% Chg <sup>3</sup>
Number of Sales		732	680	-7.10%	388	-42.94%
Total Value of Sales		\$176.84M	\$177.96M	0.63%	\$98.23M	-44.80%
Detached	Average	\$310,432	\$325,881	4.98%	\$318,737	-2.19%
	Median	\$301,350	\$315,000	4.53%	\$300,000	-4.76%
Condo	Average	\$80,976	\$113,500	40.16%	\$153,637	35.36%
	Median	\$69,000	\$81,000	17.39%	\$77,250	-4.63%
Attached	Average	\$231,775	\$254,265	9.70%	\$261,109	2.69%
	Median	\$239,900	\$259,000	7.96%	\$271,075	4.66%



## A MESSAGE FROM OUR PRESIDENT

**Rudy Nielsen, RI, FRI**  
President and Founder

*Landcor maintains the largest, most comprehensive database of historical and current sales, and property information on BC real estate.*

Sound real estate decisions are made using the best possible information. Incorporated in 1988, Landcor Data Corporation has grown to be one of the most trusted providers of objective residential real estate data valuations in British Columbia.

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 and analysis 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's Database Includes:

### **Data Source—**

**Multi Year Agreement with BC Assessment**

### **2.2+ Million Properties**

—Residential, Commercial, Industrial, Farms, etc.

### **9.5 Million Sales**

—Updated Weekly—(MLS/Private)

**9.5 Million Sales Records Dating Back to mid '70's**



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