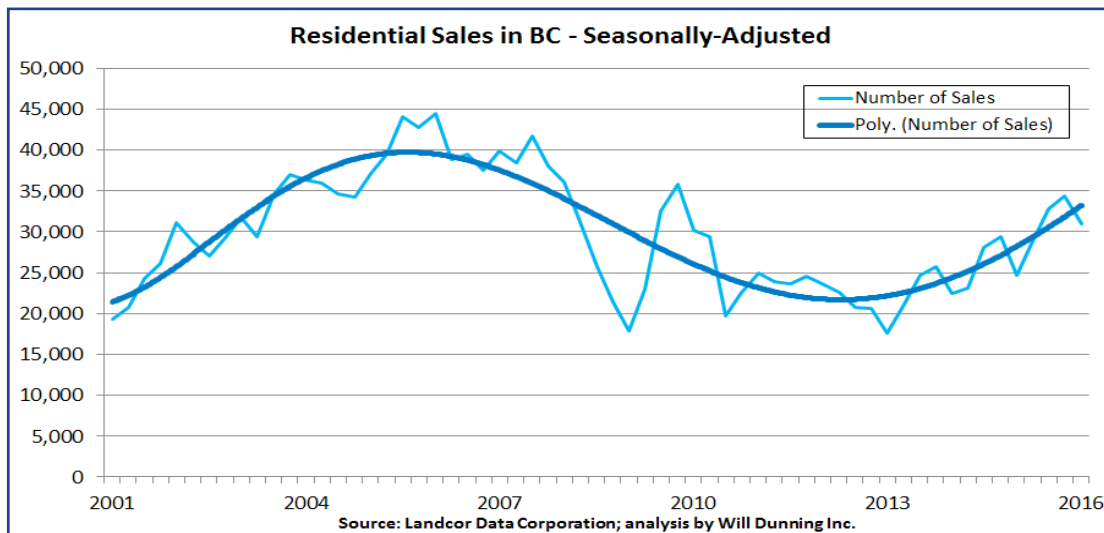


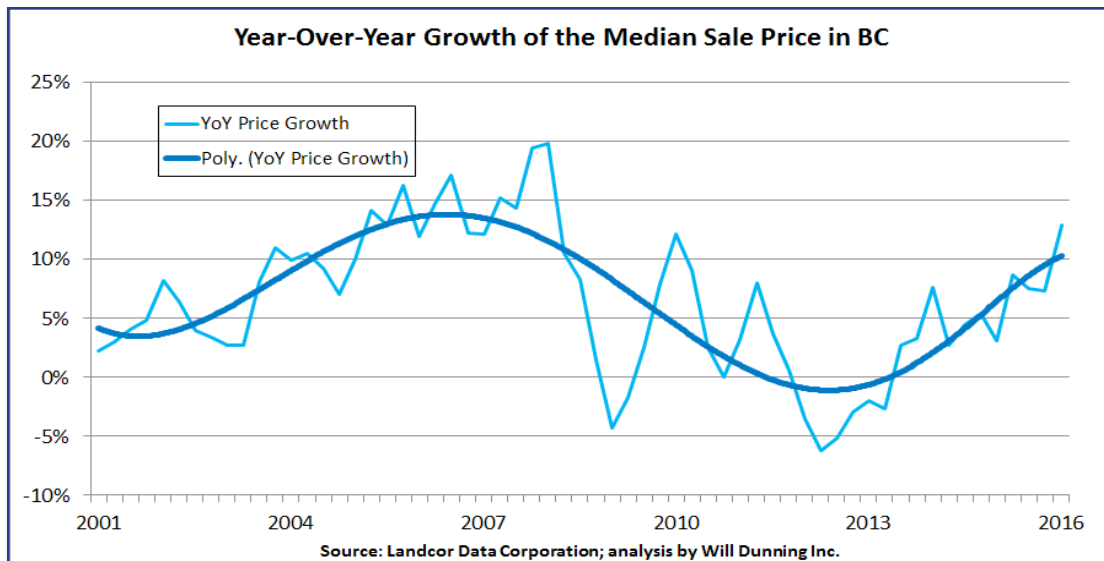
Report prepared by economist WILL DUNNING. Views expressed by Will Dunning are his own and do not necessarily represent those of Landcor Data Corporation. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

## BC Housing Market Overview

Landcor's data shows that during the first quarter of 2016 residential real estate activity in British Columbia eased slightly. In historic terms, activity is still quite strong, as the trend line for seasonally adjusted activity continues to rise. Sales are still below the over-heated levels seen before the recession, but continue to strengthen compared to the trough seen during 2011 and 2012 (in these charts "Poly." refers to a "polynomial" trend line that is generated by Excel).



Price growth continues to accelerate, with year-over-year growth at an excessive rate of 12.9% as of Q1-2016. Over the past decade, the median price has increased by an average of 5.8% per year (and the average price is up even more, by 7.3% per year).

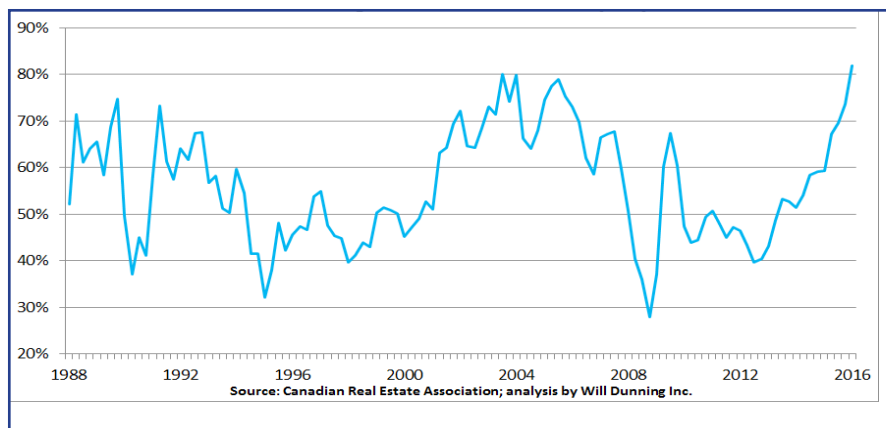


## BC Housing Market Overview (cont'd)

It is now widely recognized that there is inadequate supply of new housing in the Greater Vancouver Regional District, especially for low-rise dwellings (single-detached, semi-detached, and town homes) and this is contributing to the over-sized growth of house prices.

The change in the supply situation is startling. The next chart uses data from the Canadian Real Estate Association (“CREA”) on sales and new listings. The sales-to-new-listings ratio is a useful way to contrast the state of balance between supply and demand. My forecasting system tells me that the British Columbia housing market is more-or-less in balance when the ratio is close to 47%. In recent times, there is clearly a worsening imbalance: during the past two years the ratio has rocketed upwards and as of Q1-2016 has passed 80% in British Columbia, reaching an all-time high. For Vancouver, the CREA data shows a ratio of 87% as of Q1-2016; for Victoria, the ratio is at 88%.

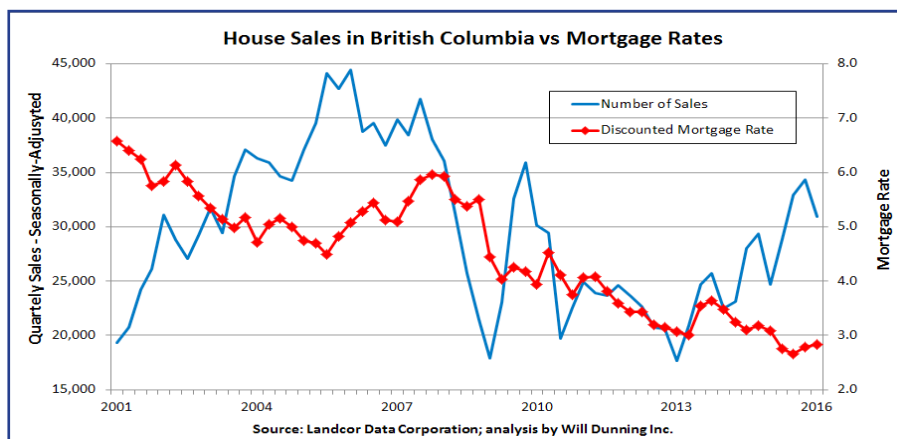
This makes it complicated to explain the small drop in sales seen in the most recent quarter. It is highly possible that sales were constrained by a shortage of available properties. If there had been more listings, there would undoubtedly have been more sales (and price growth would have been less feverish). It is quite possible that if there had been adequate supply, sales would have continued to rise in the first quarter, rather than showing the small dip that can be seen in the first chart.



In my opinion, it is widely agreed that there is an increasing influx of foreign money into real estate in British Columbia. This hasn't created the shortages - that has been caused by a very long history of inadequate supply of new housing. There are just not enough homes that could potentially be sold in the resale market.

But, the tidal wave of foreign money is definitely exacerbating the shortages.

The more important reality is that record low mortgage interest rates have made home ownership highly attractive and accessible to very large numbers of people. In the chart below, it is clear that most of the time, sales move in the opposite direction to interest rates: when rates rise, sales tend to fall; conversely, when rates fall, sales tend to rise. That relationship has been especially strong during the last three years.



## Contrasting Housing Data

There are four main sources of excellent data on house prices in British Columbia. (There is a fifth source, Statistics Canada's "New House Price Index". Having looked at the NHPI data on multiple occasions, I would not describe the NHPI as "excellent" and I am purposefully excluding it from this analysis.)

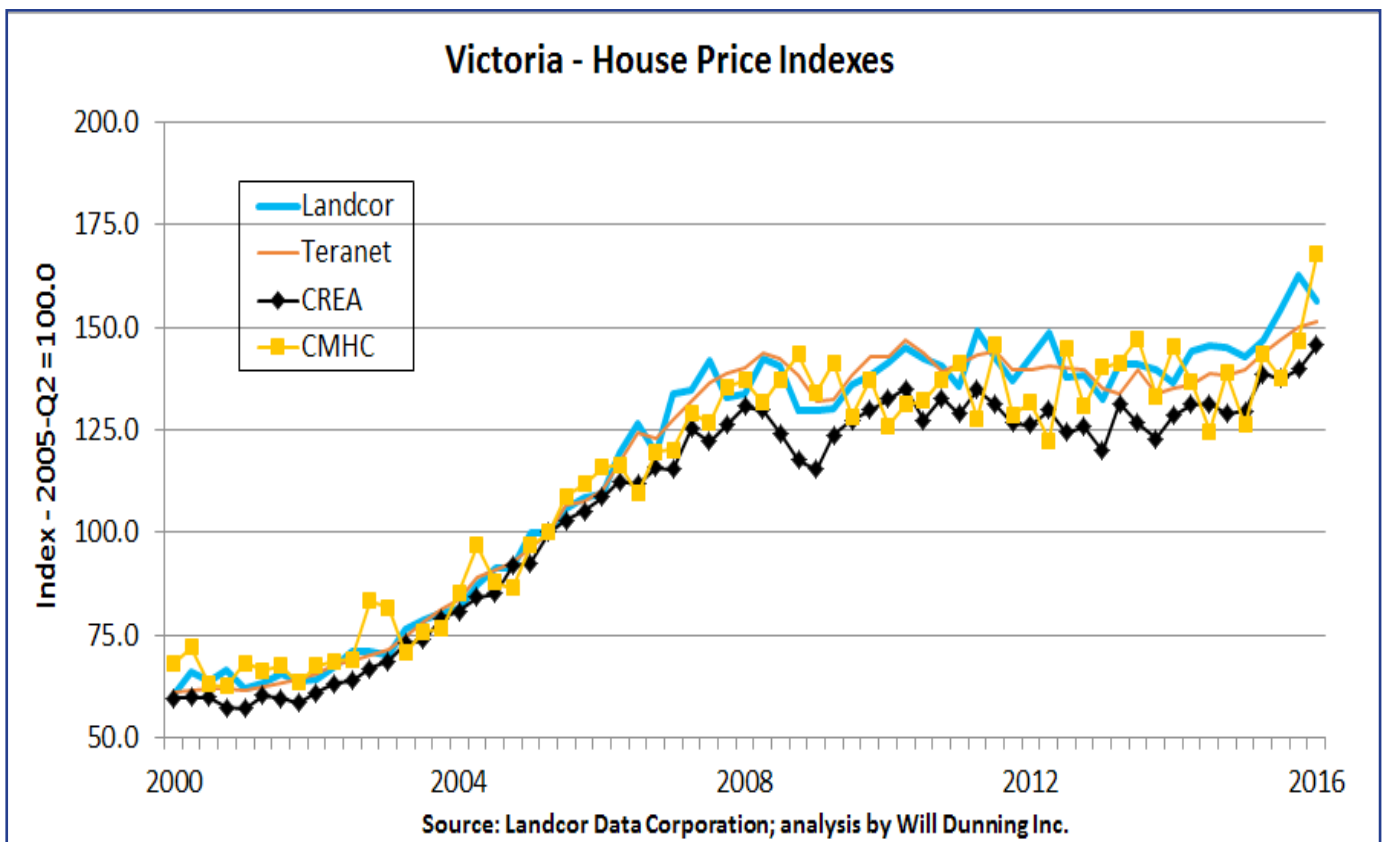
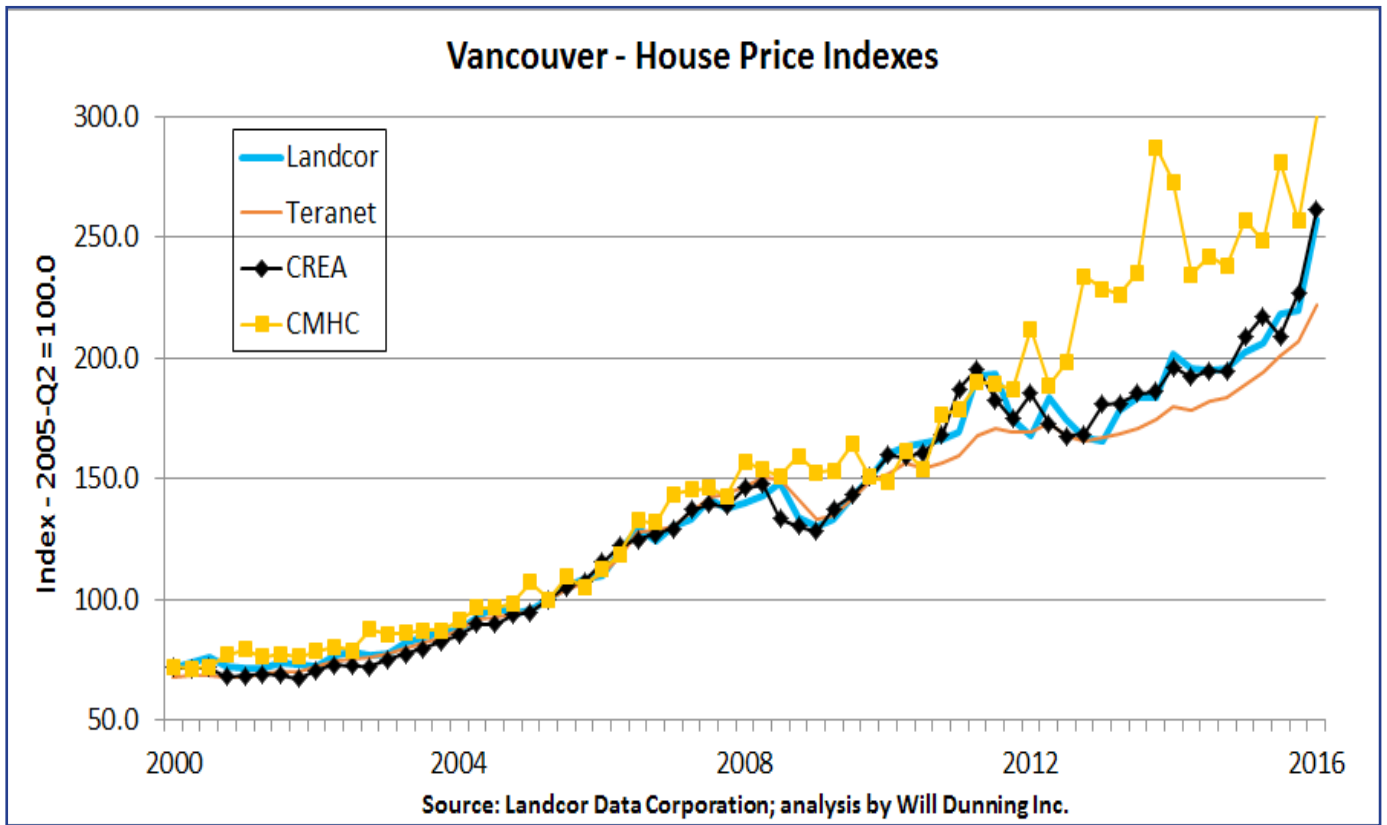
The data is shown in two charts at the end of this discussion. In these charts, I have converted the available data to create indexes that have the same base period (a value of 100.0 as of the second quarter of 2005).

Each of these data sets has its own compromises. Trying to be concise here:

- The Teranet data (produced in conjunction with National Bank), calculates price changes using data on homes that have sold more than once. In the chart for Vancouver, the Teranet estimates are quite similar to the others for most of the period, but in the recent past, Teranet has shown slower growth.
- The data from the Canadian Real Estate Association ("CREA") on average prices does not make any adjustments for changes in quality (for example, if in a time period there is an increase in sales of luxury homes the average would rise artificially; a shift to more-expensive neighbourhoods would also distort the average). CREA also does not capture price increases that result from construction of new homes.
- The data from Canada Mortgage and Housing Corporation ("CMHC") is for newly constructed homes only, and only for single-detached and semi-detached homes, omitting town homes and apartments. In the CMHC data, there is also a tricky issue with time: the prices are set when the homes are sold (usually well before construction actually starts), but the prices are reported as of the date when construction is completed and the home is occupied. Therefore, in the CMHC data, what is showing for the most recent dates actually reflects changes that happened in the past. Also, changes in the CMHC data can be distorted by changes in what is selling (the sizes, etc.) and the neighbourhoods.
- The Landcor data provides a useful compromise. It has the merit of including both resale and new homes, a strength not shared by the three other sources. Like the CREA and CMHC data, however, the Landcor data is affected by changes in what is selling and where the sales occur.

All of this said, there is very good news in these charts: they are largely consistent, with the caveat that for both Vancouver and Victoria, there is much more agreement in the data for the first half of the period than in the second half. For the second half, the disagreements might be explicable:

- For Vancouver, the CMHC data shows a large amount of increase a few year's ago. This implies that the new construction market for low-rise homes has been increasingly targeted at the high end.
- On the other hand, the Teranet data for Vancouver lags behind both Landcor and CREA.
- For the past two years the average annual rates of price increase for Vancouver are Landcor 13.0%; Teranet 11.1%; CREA 15.5%; CMHC 4.9%.
- For Victoria, the indexes have diverged in the second half, but they still tell quite similar stories. For the past two years the average annual rates of price increase are: Landcor 7.0%; Teranet 5.8%; CREA 6.4%; CMHC 7.5%.



*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).*

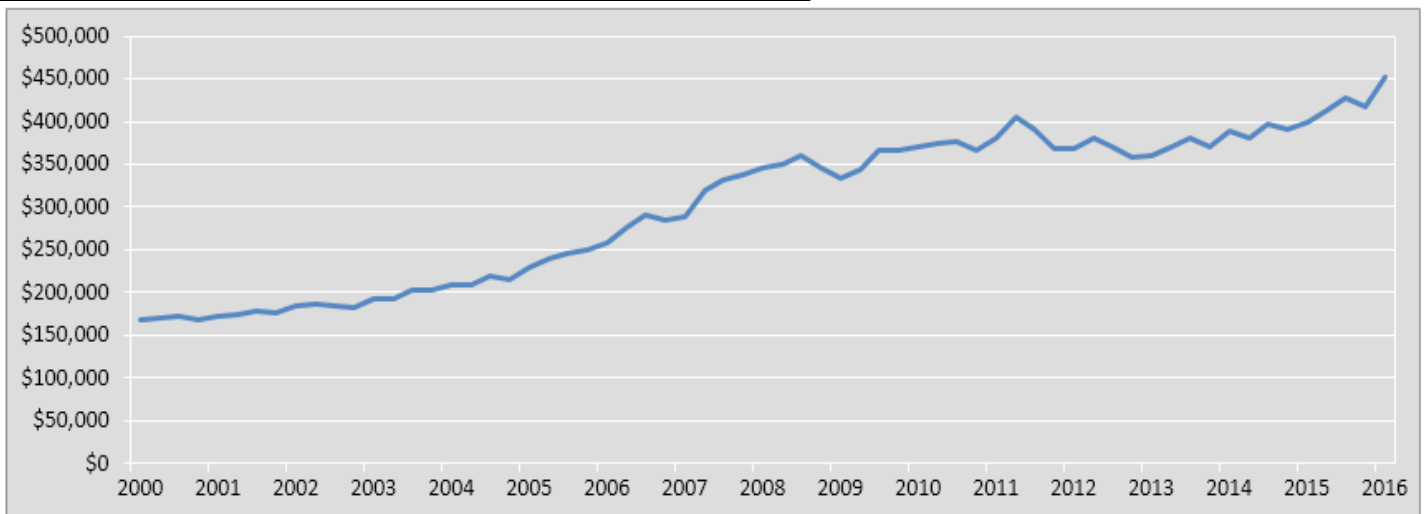
# BC Residential Sales Summary for Q1 2016

<sup>1</sup>% change Q4'2015- Q1'2016    <sup>2</sup>% change Q1'2015- Q1'2016

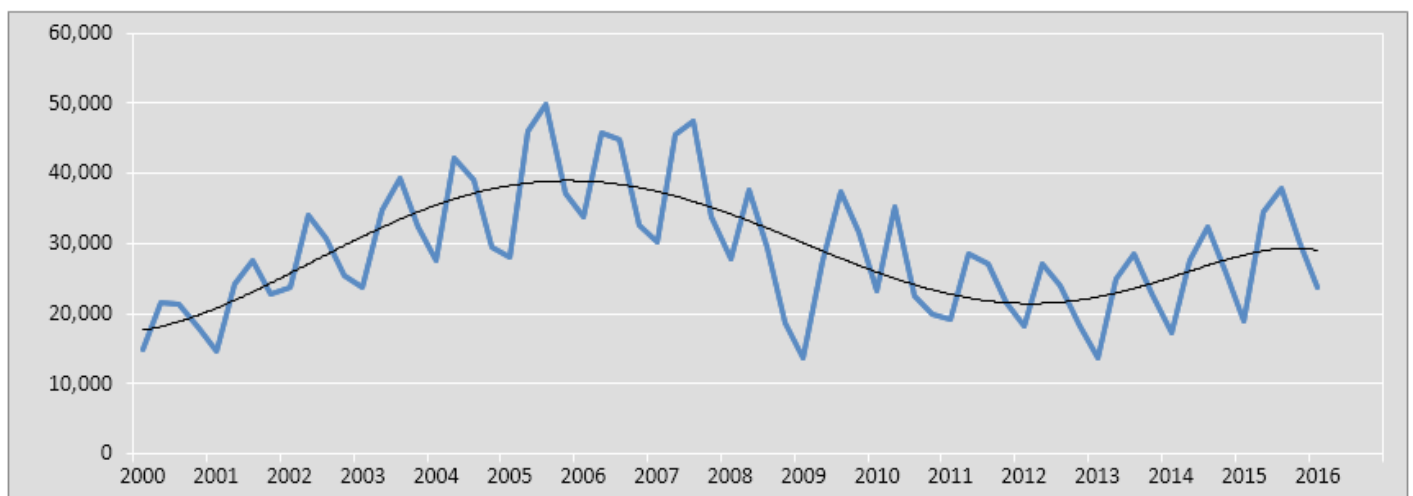
## British Columbia - All

Quarterly Sales		Q1 2016	Q4 2015	% Chg <sup>1</sup>	Q1 2015	% Chg <sup>2</sup>
Number of Sales		23,777	30,271	-19.96%	18,993	17.03%
Total Value of Sales		\$16.97B	\$18.62B	-18.76%	\$11.09B	31.95%
Detached	Average	715,661	611,161	1.36%	\$589,242	13.30%
	Median	672,000	578,000	1.40%	\$550,000	12.23%
Condo	Average	349,867	350,565	0.77%	\$321,312	3.36%
	Median	350,000	350,000	0.00%	\$325,000	0.00%
Attached	Average	418,080	410,288	3.48%	\$377,463	8.65%
	Median	395,000	385,000	1.22%	\$367,500	5.51%

### Median Sale Prices/BC All



### Sales Counts/BC All



## Region: Greater Vancouver

Quarterly Sales		Q1 2016	Q4 2015	% Chg <sup>1</sup>	Q1 2015	% Chg <sup>2</sup>
Number of Sales		12,576	15,381	-18.24%	9,556	31.60%
Total Value of Sales		\$12.54B	\$13.00B	-3.53%	\$7.74B	61.99%
Detached	Average	1,251,020	1,114,357	12.26%	\$1,013,362	23.45%
	Median	1,200,000	1,042,900	15.06%	\$930,000	29.03%
Condo	Average	409,534	407,786	0.43%	\$376,500	8.77%
	Median	402,650	396,900	1.45%	\$370,000	8.82%
Attached	Average	540,317	522,901	3.33%	\$484,632	11.49%
	Median	528,900	516,250	2.45%	\$471,500	12.17%

Monthly Sales		January	February	% Chg <sup>1</sup>	March	% Chg <sup>3</sup>
Number of Sales		4,553	4,051	-11.03%	3,972	-12.76%
Total Value of Sales		\$4.61B	\$3.92B	-14.87%	\$4.01B	-12.90%
Detached	Average	1,226,233	1,252,567	2.15%	\$1,278,787	4.29%
	Median	1,180,000	1,220,000	3.39%	\$1,230,000	4.24%
Condo	Average	412,271	404,151	-1.97%	\$413,180	0.22%
	Median	405,000	397,000	-1.98%	\$409,000	0.99%
Attached	Average	532,845	544,144	2.12%	\$545,294	2.34%
	Median	525,500	533,238	1.47%	\$525,000	-0.10%

## Region: Vancouver Island

Quarterly Sales		Q1 2016	Q4 2015	% Chg <sup>1</sup>	Q1 2015	% Chg <sup>2</sup>
Number of Sales		3,774	4,798	-21.34%	3,110	21.35%
Total Value of Sales		\$1.55B	\$2.04B	-23.78%	\$1.22B	27.31%
Detached	Average	438,761	432,996	1.33%	\$409,958	7.03%
	Median	433,881	430,000	0.90%	\$407,241	6.54%
Condo	Average	256,984	239,690	7.22%	\$244,132	5.26%
	Median	260,000	232,500	11.83%	\$254,000	2.36%
Attached	Average	331,428	338,670	-2.14%	\$306,315	8.20%
	Median	327,500	338,500	-3.25%	\$310,000	5.65%

Monthly Sales		January	February	% Chg <sup>1</sup>	March	% Chg <sup>3</sup>
Number of Sales		1,205	1,259	4.48%	1,310	8.71%
Total Value of Sales		\$490.70M	\$0.52B	5.19%	\$0.55B	11.34%
Detached	Average	435,613	436,764	0.26%	\$443,709	1.86%
	Median	427,011	438,840	2.77%	\$436,000	2.11%
Condo	Average	260,973	245,545	-5.91%	\$266,467	2.11%
	Median	260,562	247,000	-5.20%	\$262,000	0.55%
Attached	Average	340,652	319,678	-6.16%	\$334,832	-1.71%
	Median	326,775	331,000	1.29%	\$328,000	0.37%

<sup>1</sup>% change Q4'2015- Q1'2016    <sup>2</sup>% change Q1'2015- Q1'2016    <sup>3</sup>% change month to previous

## Region: Okanagan

Quarterly Sales		Q1 2016	Q4 2015	% Chg <sup>1</sup>	Q1 2015	% Chg <sup>2</sup>
Number of Sales		2,418	3,566	-32.19%	2,272	6.43%
Total Value of Sales		\$0.86B	\$1.28B	-32.48%	\$0.78B	10.57%
Detached	Average	405,043	401,595	0.86%	\$389,834	3.90%
	Median	417,000	406,750	2.52%	\$395,850	5.34%
Condo	Average	235,916	220,213	7.13%	\$206,956	13.99%
	Median	239,934	222,000	8.08%	\$217,000	10.57%
Attached	Average	287,474	305,649	-5.95%	\$275,555	4.33%
	Median	300,440	310,000	-3.08%	\$282,500	6.35%

Monthly Sales		January	February	% Chg <sup>1</sup>	March	% Chg <sup>3</sup>
Number of Sales		751	766	2.00%	901	19.97%
Total Value of Sales		\$278.62M	\$261.45M	-6.16%	\$322.35M	15.70%
Detached	Average	418,233	397,402	-4.98%	\$400,611	-4.21%
	Median	420,000	416,500	-0.83%	\$416,000	-0.95%
Condo	Average	235,120	235,380	0.11%	\$237,333	0.94%
	Median	231,575	249,200	7.61%	\$240,000	3.64%
Attached	Average	292,675	295,958	1.12%	\$278,090	-4.98%
	Median	312,143	313,750	0.51%	\$287,500	-7.89%

## Region: Fraser Valley

Quarterly Sales		Q1 2016	Q4 2015	% Chg <sup>1</sup>	Q1 2015	% Chg <sup>2</sup>
Number of Sales		3,538	3,904	-9.38%	2,416	46.44%
Total Value of Sales		\$1.68B	\$1.68B	-0.20%	\$0.98B	70.79%
Detached	Average	557,701	528,101	5.60%	\$470,671	18.49%
	Median	550,000	523,649	5.03%	\$470,000	17.02%
Condo	Average	191,513	205,644	-6.87%	\$185,119	3.45%
	Median	196,000	213,250	-8.09%	\$192,000	2.08%
Attached	Average	311,451	315,996	-1.44%	\$285,646	9.03%
	Median	320,000	316,730	1.03%	\$290,500	10.15%

Monthly Sales		January	February	% Chg <sup>1</sup>	March	% Chg <sup>3</sup>
Number of Sales		1,191	1,063	-10.75%	1,284	7.81%
Total Value of Sales		\$0.55B	\$0.52B	-5.87%	\$0.62B	12.89%
Detached	Average	555,507	559,678	0.75%	\$558,114	0.47%
	Median	554,980	552,250	-0.49%	\$545,000	-1.80%
Condo	Average	192,405	183,431	-4.66%	\$197,710	2.76%
	Median	204,900	187,500	-8.49%	\$198,800	-2.98%
Attached	Average	311,747	311,157	-0.19%	\$311,425	-0.10%
	Median	315,000	325,500	3.33%	\$319,900	1.56%

<sup>1</sup>% change Q4'2015- Q1'2016 <sup>2</sup>% change Q1'2015- Q1'2016 <sup>3</sup>% change month to previous month

## Region: BC North / NW

Quarterly Sales		Q1 2016	Q4 2015	% Chg <sup>1</sup>	Q1 2015	% Chg <sup>2</sup>
Number of Sales		938	1,666	-43.70%	1,097	-14.49%
Total Value of Sales		\$208.05M	\$385.86M	-46.08%	\$238.00M	-12.58%
Detached	Average	253,795	265,727	-4.49%	\$248,901	1.97%
	Median	269,450	271,000	-0.57%	\$260,000	3.63%
Condo	Average	172,057	229,401	-25.00%	\$138,410	24.31%
	Median	215,000	274,909	-21.79%	\$185,000	16.22%
Attached	Average	200,911	219,039	-8.28%	\$186,845	7.53%
	Median	255,000	250,000	2.00%	\$218,900	16.49%

Monthly Sales		January	February	% Chg <sup>1</sup>	March	% Chg <sup>3</sup>
Number of Sales		262	281	7.25%	395	50.76%
Total Value of Sales		\$64.47M	\$57.43M	-10.91%	\$86.16M	33.65%
Detached	Average	271,403	234,619	-13.55%	\$256,747	-5.40%
	Median	290,500	250,105	-13.91%	\$275,000	-5.34%
Condo	Average	215,716	180,037	-16.54%	\$131,152	-39.20%
	Median	218,000	271,221	24.41%	\$153,500	-29.59%
Attached	Average	170,616	183,368	7.47%	\$237,992	39.49%
	Median	224,000	227,750	1.67%	\$260,000	16.07%

## Region: Kootenay

Quarterly Sales		Q1 2016	Q4 2015	% Chg <sup>1</sup>	Q1 2015	% Chg <sup>2</sup>
Number of Sales		533	956	-44.25%	542	-1.66%
Total Value of Sales		\$124.34M	\$238.36M	-47.83%	\$124.00M	0.27%
Detached	Average	264,986	277,408	-4.48%	\$269,815	-1.79%
	Median	275,000	286,500	-4.01%	\$275,000	0.00%
Condo	Average	151,239	155,589	-2.80%	\$121,794	24.18%
	Median	149,000	167,000	-10.78%	\$121,000	23.14%
Attached	Average	251,019	241,828	3.80%	\$244,752	2.56%
	Median	261,384	252,500	3.52%	\$252,500	3.52%

Monthly Sales		January	February	% Chg <sup>1</sup>	March	% Chg <sup>3</sup>
Number of Sales		161	156	-3.11%	216	34.16%
Total Value of Sales		\$38.59M	\$35.14M	-8.95%	\$50.61M	31.12%
Detached	Average	265,500	259,717	-2.18%	\$268,239	1.03%
	Median	282,000	265,000	-6.03%	\$280,000	-0.71%
Condo	Average	138,760	173,746	25.21%	\$142,335	2.58%
	Median	144,000	190,476	32.28%	\$150,000	4.17%
Attached	Average	228,525	262,251	14.76%	\$259,007	13.34%
	Median	253,000	300,000	18.58%	\$250,000	-1.19%



# LANDCOR® DATA CORPORATION

Landcor® Data Corporation  
200 - 313 Sixth Street  
New Westminster, BC  
V3L 3A7

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

**Sound real estate decisions are made using the best possible information.** Incorporated in 1987, **Landcor Data Corporation** has grown to be one of the most **trusted providers of objective real estate data and analysis** in British Columbia.

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Landcor's database includes:

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- sales transaction data for BC, including prices updated weekly,
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Stanley Hamilton, Professor Emeritus  
in Urban Land Economics, UBC