

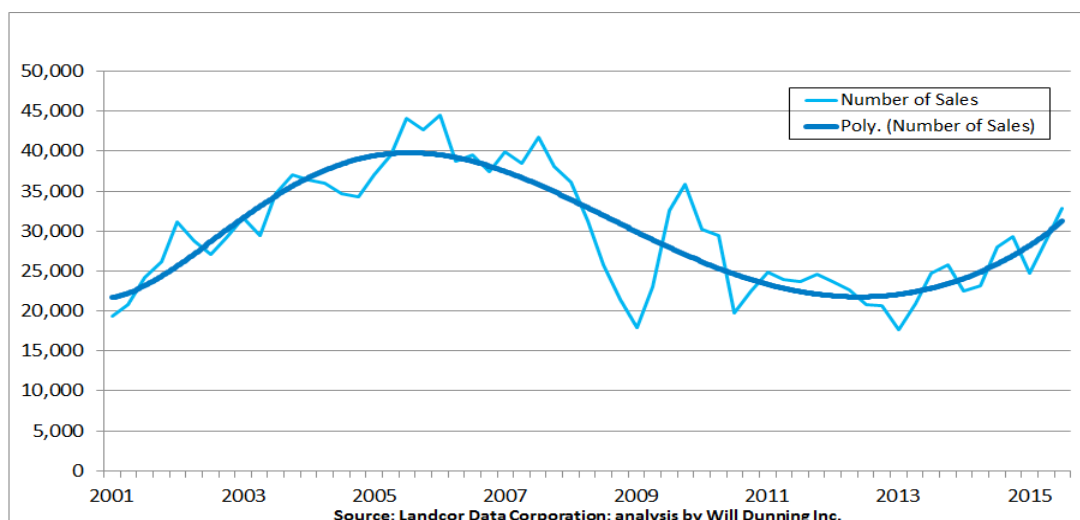
Report by economist WILL DUNNING. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

## BC Housing Market Overview

In the prior edition of my report, I took a quick look at housing affordability in BC. This time, I'm expanding that analysis to cover six regions of the province.

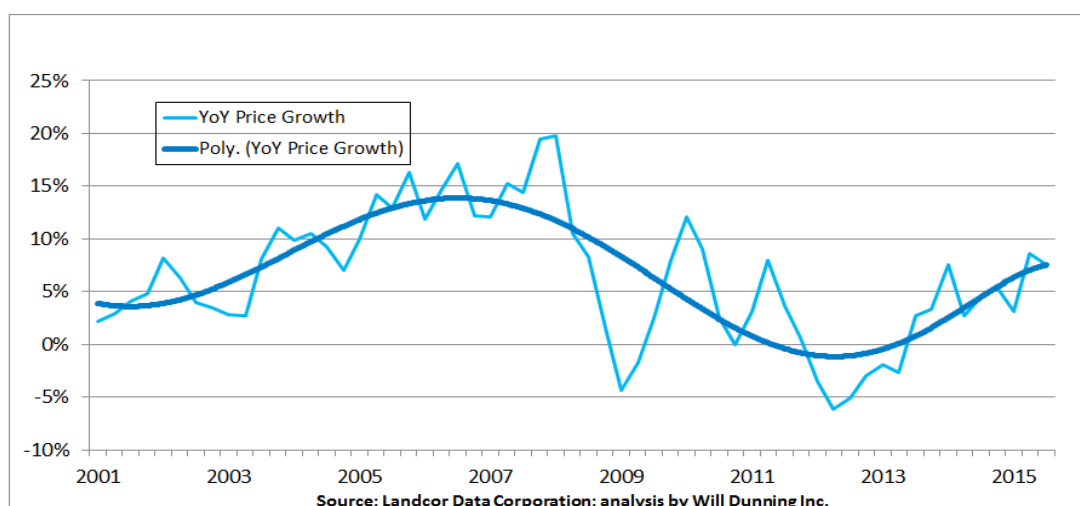
But first: the province-wide data shows a continuing recovery of residential sales. The seasonally-adjusted sales rate for 2015-Q3 is at the highest level since the final quarter of 2009. But, sales remain well below (about one-quarter) the over-heated levels seen before the recession (in these charts "Poly." refers to a "polynomial" trend line that is generated by Excel).

### Residential Sales in BC / Seasonally- Adjusted



Prices had weakened during the sales pause of 2010 to 2012, but year-over-year growth has accelerated, to 7.6% as of Q3-2015. Over the past decade, the median price has increased by an average of 5.6% per year (and the average price is up even more, by 7.0% per year).

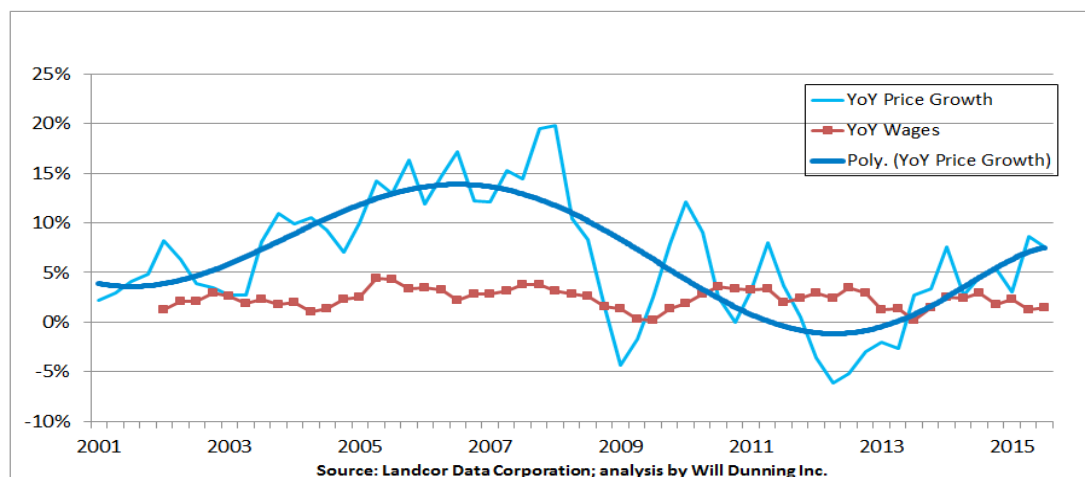
### Year-Over-Year Growth of the Median Sale Price in BC



## The Economic Background

As discussed last time, house price growth is far more rapid than the growth of wages. Over the past 10 years, house price growth has been about 2.5 times as rapid as wage growth, which has averaged 2.2%. For the past year, the figures are 7.6% for the median price versus 1.4% for the average wage.

### Job Growth in BC



But, this isn't necessarily a problem, since the very sharp fall in mortgage interest rate has created space in which prices could rise without impinging affordability. The report last time had a chart showing that affordability is at the average level of the past decade and a half: it is not as good as during 2001 to 2005, but for the past two years it has been much better than it was during 2007 to 2011. This helps explain why sales activity has recovered to quite healthy levels.

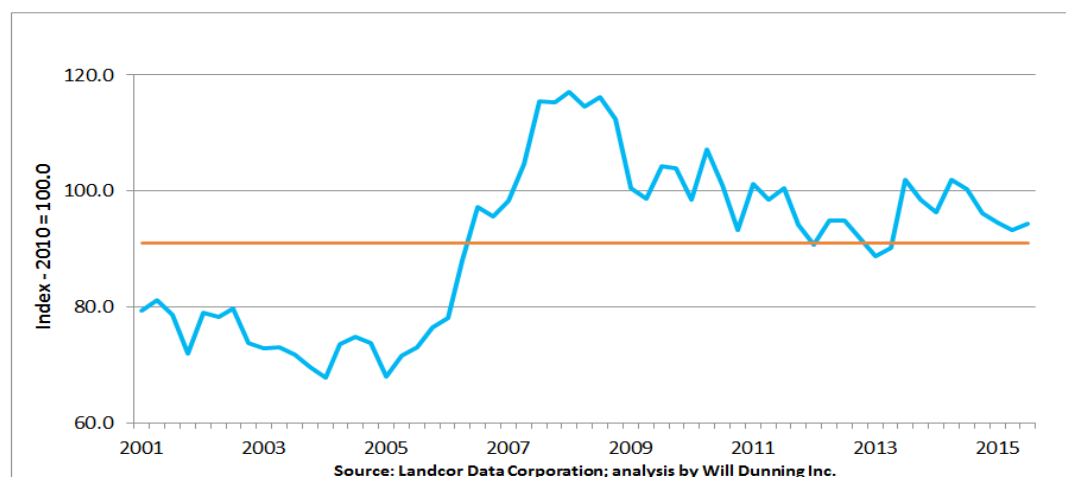
### Looking at the Regions

In the following charts Landcor's data on median prices (for detached homes) are combined with data on average wages from Statistics Canada and my estimates of interest rates for 5-year fixed rate mortgages (after discounts typically offered by major lenders). The data have been used to create a ratio of mortgage payments versus wages for each of the regions. The data are then converted to an index. The data doesn't tell us how good or bad is the actual level of affordability, but it does tell us how affordability has changed over time, and whether it is better or worse than in the past.

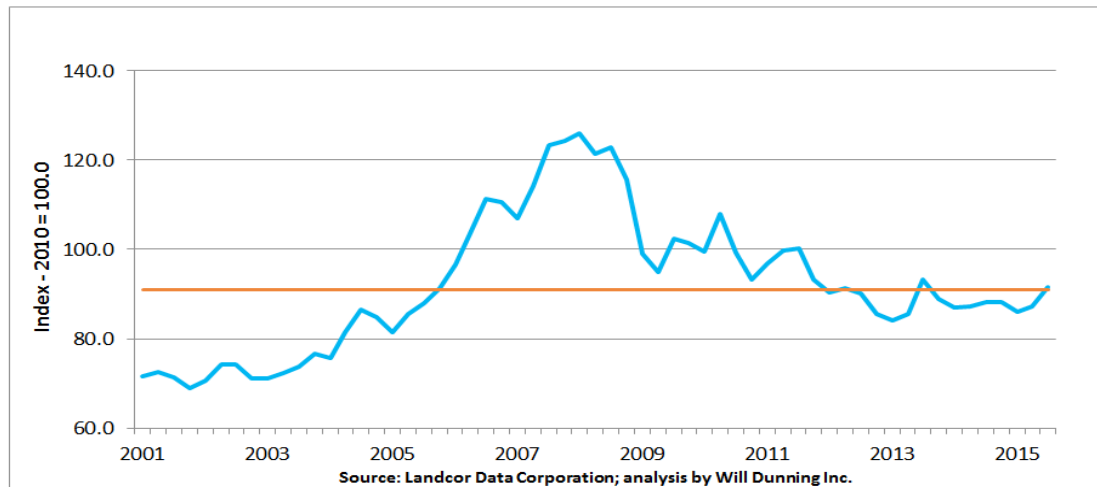
In the charts, the indexes are shown with a jagged line. The flat lines across the middle show the average for the entire period.

In five out of six regions, the current level of affordability is close to the average. The exception is Vancouver, where affordability of detached homes is weaker than the long-term average, with the mortgage cost index almost 20% above the long-term average (at the end of this report, a short section adds a positive caveat to that finding).

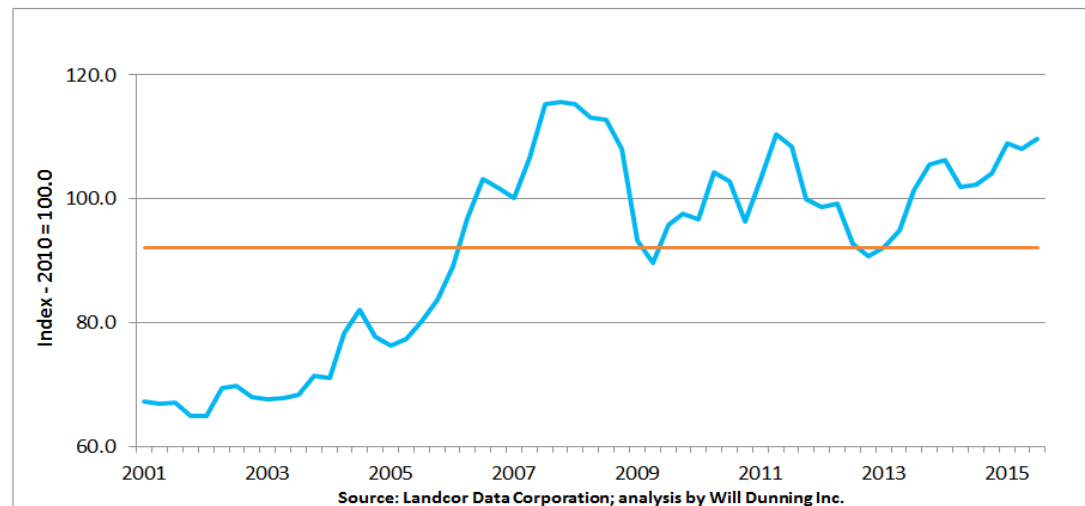
### Index of Mortgage Costs in BC Northern & Northwest (Detached)



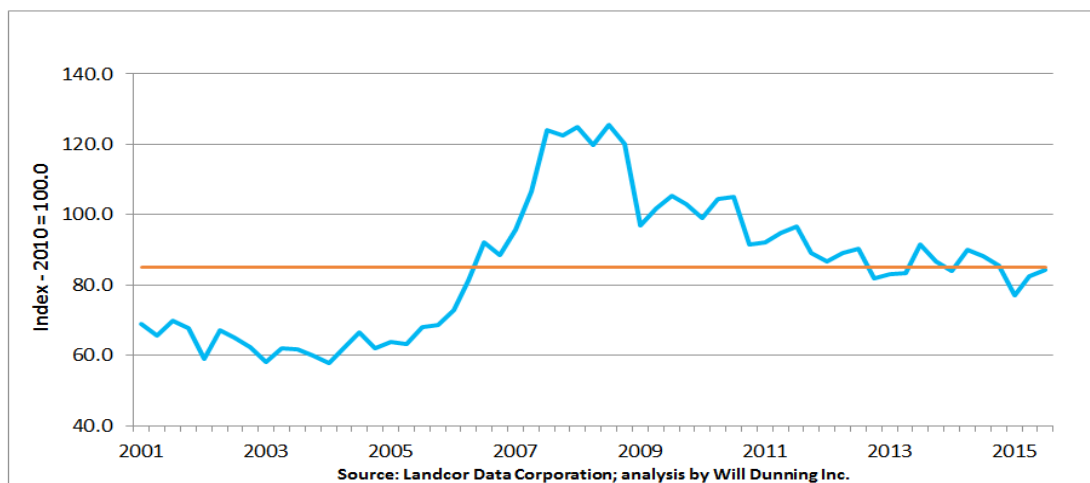
### Index of Mortgage Costs in Fraser Valley (Detached)



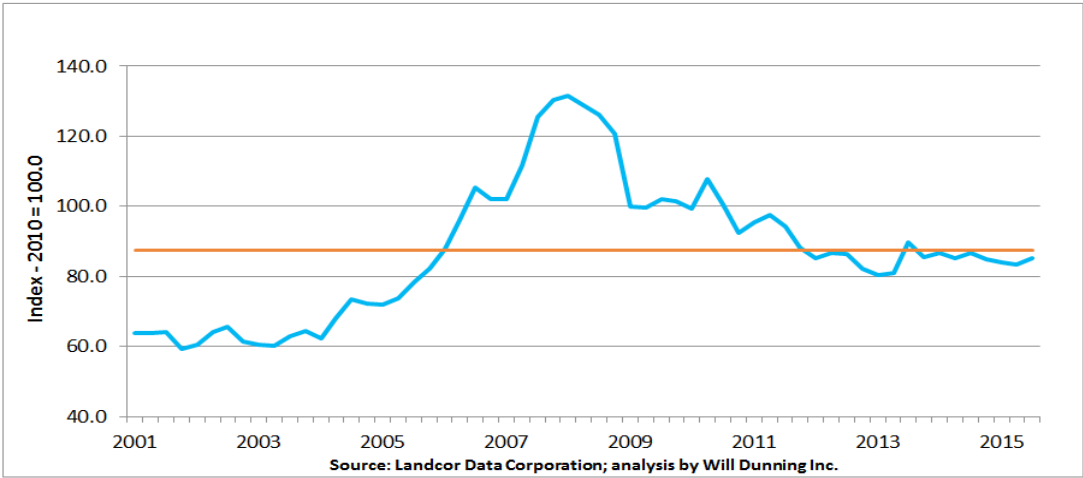
### Index of Mortgage Costs in Greater Vancouver (Detached)



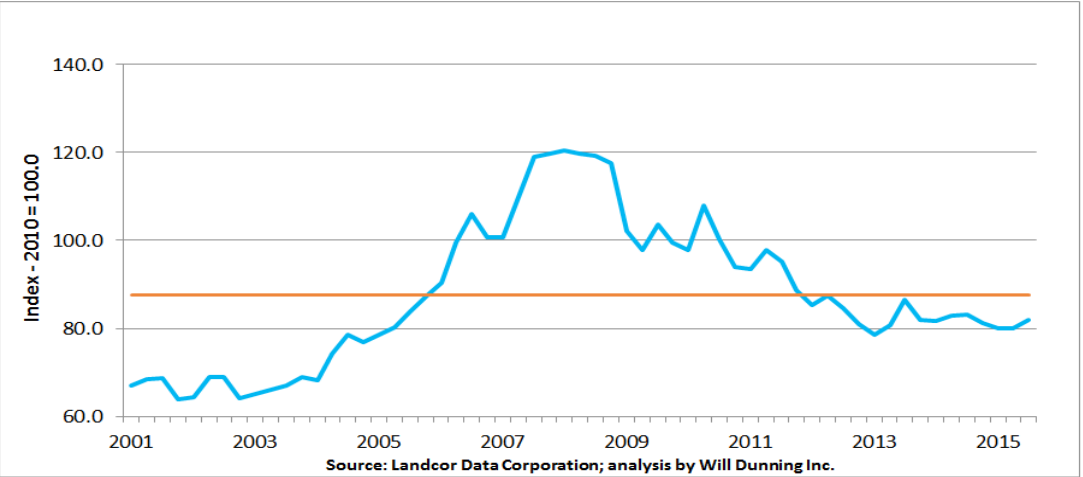
### Index of Mortgage Costs in Kootenay (Detached)



Index of Mortgage Costs in Okanagan (Detached)

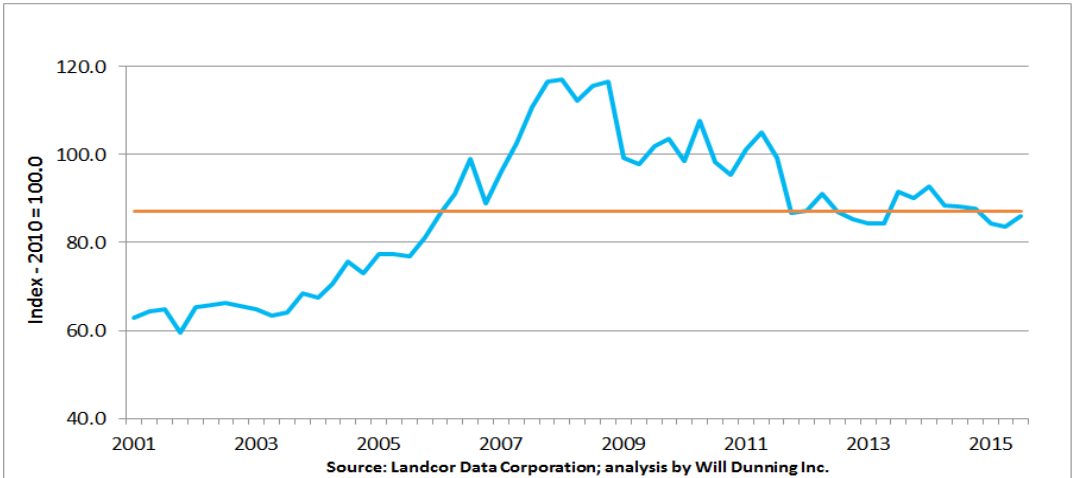


Index of Mortgage Costs on Vancouver Island (Detached)



For the Greater Vancouver region, while mortgage costs are now above average for detached homes, for condos and apartments, current costs are similar to the long-term average.

Index of Mortgage Costs on Greater Vancouver (Condo/ Apartments)



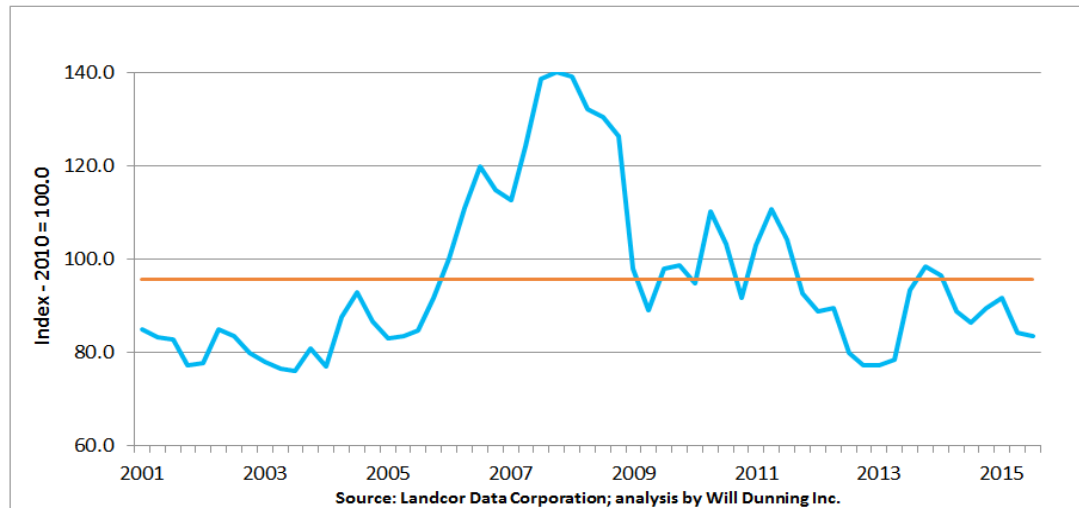
### Mortgage Payments versus Principal versus Interest

Mortgage payments are a blend of interest payment and repayment of principal. As interest rates have fallen, the share of the payment that goes to principal has increased sharply. At today's rates, and assuming a 25 year amortization period, 50% of the first payment is principal repayment. A decade ago the share would have been 31%.

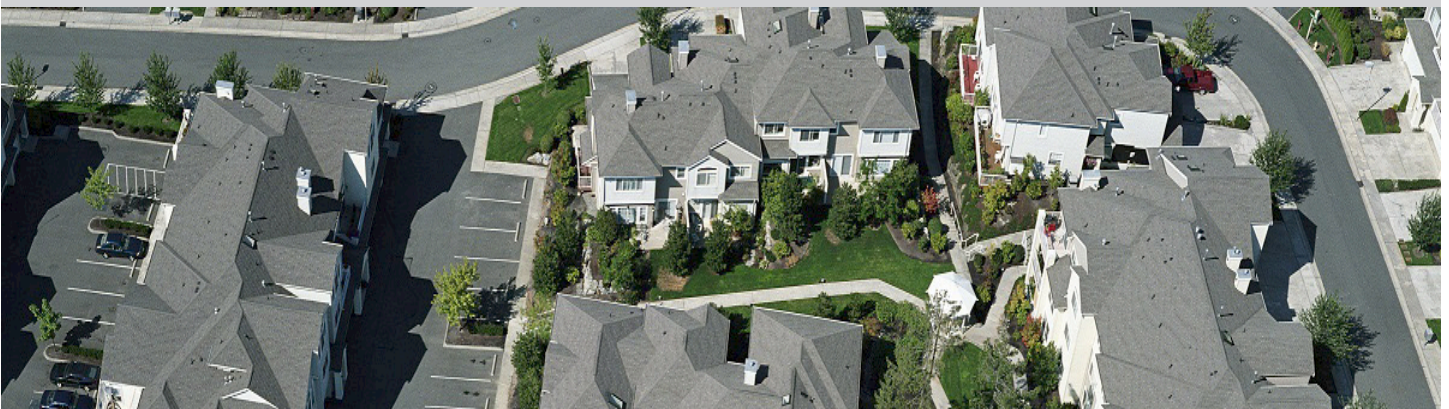
Most mortgage borrowers understand that the principal part of their payment, while a cost, goes to their bottom line and improves their financial situation.

The consequence is that on a "net cost" basis, in many communities home ownership (excluding principal repayment) is at its most affordable level in a very long time. Even in the high-priced Greater Vancouver area, the net interest cost for detached homes is now below the long-term average. In the other regions the net cost calculation is even more favourable.

#### **Index of Interest Only Costs in Greater Vancouver (Detached)**



*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).*

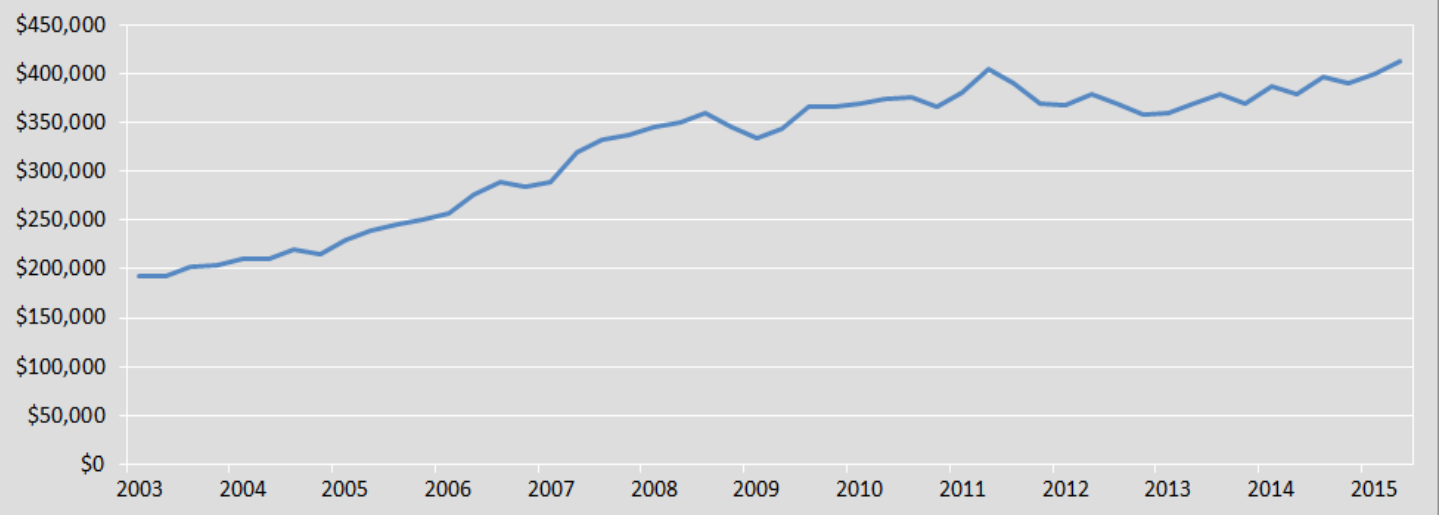


# BC Residential Sales Summary for Q3 2015

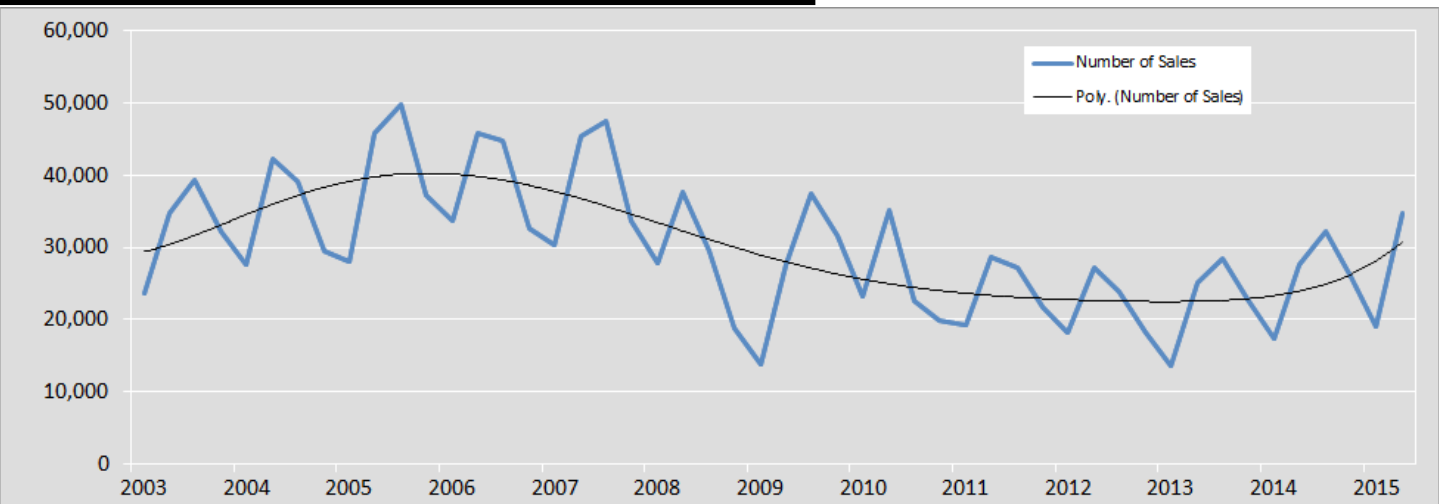
<sup>1</sup> % change Q2'2015- Q3'2015    <sup>2</sup> % change Q3'2014- Q3'2015

BC		Q3 2015	Q2 2015	% Chg <sup>1</sup>	Q3 2014	% Chg <sup>2</sup>
Number of Sales		37,822	34,655	9.14%	32,266	17.22%
Total Value of Sales		\$22.92B	\$20.15B	13.74%	\$17.46B	31.24%
Detached	Average	\$602,983	\$581,511	3.69%	\$538,877	11.90%
	Median	\$570,000	\$544,500	4.68%	\$509,000	11.98%
Condo	Average	\$347,884	\$335,508	3.69%	\$336,942	3.25%
	Median	\$350,000	\$341,125	2.60%	\$339,000	3.24%
Attached	Average	\$396,484	\$391,402	1.30%	\$378,495	4.75%
	Median	\$380,368	\$372,000	2.25%	\$360,000	5.66%

## Median Sale Prices/BC All



## Sales Counts/BC All





<sup>1</sup>% change Q2'15 – Q3'15    <sup>2</sup>% change Q3 '14 – Q3'15    <sup>3</sup>% change month to previous month

## Quarterly Sales

Gr. Vancouver		Q3 2015	Q2 2015	% Chg <sup>1</sup>	Q3 2014	% Chg <sup>2</sup>
Number of Sales		18,527	16,903	9.61%	14,994	23.56%
Total Value of Sales		\$15.52B	\$13.70B	13.35%	\$11.29B	37.55%
Detached	Average	\$1,047,053	\$1,015,664	3.09%	\$928,047	12.82%
	Median	\$967,750	\$945,500	2.35%	\$855,000	13.19%
Condo	Average	\$402,688	\$392,295	2.65%	\$387,397	3.95%
	Median	\$393,900	\$388,900	1.29%	\$380,000	3.66%
Attached	Average	\$509,643	\$500,728	1.78%	\$479,026	6.39%
	Median	\$495,000	\$485,000	2.06%	\$452,000	9.51%

## Monthly Sales

Gr. Vancouver		July	August	% Chg <sup>1</sup>	Sept.	% Chg <sup>3</sup>
Number of Sales		6,963	6,298	-9.55%	5,266	-24.37%
Total Value of Sales		\$5.68B	\$5.32B	-6.34%	\$4.53B	-20.24%
Detached	Average	\$1,031,430	\$1,048,948	1.70%	\$1,065,522	3.31%
	Median	\$940,100	\$975,000	3.71%	\$998,000	6.16%
Condo	Average	\$399,647	\$396,763	-0.72%	\$413,668	3.51%
	Median	\$389,400	\$390,000	0.15%	\$401,700	3.16%
Attached	Average	\$513,725	\$500,730	-2.53%	\$515,881	0.42%
	Median	\$498,500	\$480,750	-3.56%	\$507,500	1.81%

## Quarterly Sales

Vancouver Island		Q3 2015	Q2 2015	% Chg <sup>1</sup>	Q3 2014	% Chg <sup>2</sup>
Number of Sales		6,251	5,769	8.36%	5,389	16.00%
Total Value of Sales		\$2.58B	\$2.29B	12.73%	\$2.13B	20.95%
Detached	Average	\$439,263	\$422,087	4.07%	\$416,209	5.54%
	Median	\$435,000	\$420,000	3.57%	\$415,000	4.82%
Condo	Average	\$255,614	\$263,477	-2.98%	\$264,338	-3.30%
	Median	\$254,900	\$260,658	-2.21%	\$263,000	-3.08%
Attached	Average	\$322,101	\$307,574	4.72%	\$321,986	0.04%
	Median	\$326,500	\$313,492	4.15%	\$320,000	2.03%

## Monthly Sales

Vancouver Island		July	August	% Chg <sup>1</sup>	Sept.	% Chg <sup>3</sup>
Number of Sales		2,366	2,138	-9.64%	1,747	-26.16%
Total Value of Sales		\$0.98B	\$0.89B	-8.96%	\$0.71B	-27.91%
Detached	Average	\$443,405	\$439,507	-0.88%	\$432,945	-2.36%
	Median	\$442,073	\$432,000	-2.28%	\$422,750	-4.37%
Condo	Average	\$253,098	\$255,720	1.04%	\$258,344	2.07%
	Median	\$255,000	\$254,000	-0.39%	\$252,000	-1.18%
Attached	Average	\$310,582	\$325,468	4.79%	\$335,078	7.89%
	Median	\$315,000	\$332,500	5.56%	\$332,700	5.62%

<sup>1</sup>% change Q2 '15 – Q3 '15   <sup>2</sup>% change Q3 '14 – Q3'15   <sup>3</sup>% change month to previous month

## Quarterly Sales

Okanagan		Q3 2015	Q2 2015	% Chg <sup>1</sup>	Q3 2014	% Chg <sup>2</sup>
Number of Sales		5,214	4,853	7.44%	4,870	7.06%
Total Value of Sales		\$1.93B	\$1.69B	14.19%	\$1.72B	12.09%
Detached	Average	\$417,598	\$401,022	4.13%	\$401,473	4.02%
	Median	\$420,000	\$404,900	3.73%	\$400,000	5.00%
Condo	Average	\$234,177	\$220,052	6.42%	\$230,426	1.63%
	Median	\$240,000	\$222,000	8.11%	\$235,000	2.13%
Attached	Average	\$296,352	\$286,598	3.40%	\$280,997	5.46%
	Median	\$303,000	\$296,750	2.11%	\$285,000	6.32%

## Monthly Sales

Okanagan		July	August	% Chg <sup>1</sup>	Sept.	% Chg <sup>3</sup>
Number of Sales		1,910	1,738	-9.01%	1,566	-18.01%
Total Value of Sales		\$0.71B	\$0.65B	-7.83%	\$0.56B	-20.60%
Detached	Average	\$414,480	\$431,742	4.16%	\$405,638	-2.13%
	Median	\$415,000	\$430,000	3.61%	\$415,000	0.00%
Condo	Average	\$239,009	\$238,374	-0.27%	\$223,091	-6.66%
	Median	\$242,700	\$248,700	2.47%	\$228,036	-6.04%
Attached	Average	\$298,309	\$302,622	1.45%	\$288,289	-3.36%
	Median	\$305,550	\$304,750	-0.26%	\$300,000	-1.82%

## Quarterly Sales

Fraser Valley		Q3 2015	Q2 2015	% Chg <sup>1</sup>	Q3 2014	% Chg <sup>2</sup>
Number of Sales		4,551	4,069	11.85%	3,494	30.25%
Total Value of Sales		\$2.06B	\$1.74B	18.34%	\$1.44B	43.40%
Detached	Average	\$520,448	\$493,560	5.45%	\$478,570	8.75%
	Median	\$519,000	\$485,000	7.01%	\$471,715	10.02%
Condo	Average	\$184,072	\$181,413	1.47%	\$189,354	-2.79%
	Median	\$189,000	\$194,700	-2.93%	\$194,000	-2.58%
Attached	Average	\$304,864	\$299,995	1.62%	\$302,762	0.69%
	Median	\$312,000	\$308,000	1.30%	\$302,900	3.00%

## Monthly Sales

Fraser Valley		July	August	% Chg <sup>1</sup>	Sept.	% Chg <sup>3</sup>
Number of Sales		1,730	1,446	-16.42%	1,375	-20.52%
Total Value of Sales		\$0.78B	\$0.69B	-12.00%	\$0.60B	-23.67%
Detached	Average	\$519,954	\$524,141	0.81%	\$516,747	-0.62%
	Median	\$518,000	\$517,000	-0.19%	\$522,000	0.77%
Condo	Average	\$186,366	\$186,095	-0.15%	\$179,889	-3.48%
	Median	\$185,000	\$189,000	2.16%	\$189,900	2.65%
Attached	Average	\$299,543	\$313,898	4.79%	\$302,236	0.90%
	Median	\$310,000	\$317,250	2.34%	\$307,900	-0.68%



<sup>1</sup>% change Q2'15 – Q3 '15    <sup>2</sup>% change Q3'14 – Q3'15    <sup>3</sup>% change month to previous month

## Quarterly Sales

BC North/NW		Q3 2015	Q2 2015	% Chg <sup>1</sup>	Q3 2014	% Chg <sup>2</sup>
Number of Sales		2,223	1,989	11.76%	2,421	-8.18%
Total Value of Sales		\$0.54B	\$461.98M	17.58%	\$0.59B	-8.21%
Detached	Average	\$271,297	\$260,386	4.19%	\$269,893	0.52%
	Median	\$277,250	\$265,500	4.43%	\$274,950	0.84%
Condo	Average	\$165,772	\$90,908	82.35%	\$95,626	73.35%
	Median	\$219,400	\$123,000	78.37%	\$107,500	104.09%
Attached	Average	\$201,553	\$208,198	-3.19%	\$215,550	-6.49%
	Median	\$245,000	\$253,421	-3.32%	\$226,259	8.28%

## Monthly Sales

BC North/NW		July	August	% Chg <sup>1</sup>	Sept.	% Chg <sup>3</sup>
Number of Sales		843	707	-16.13%	673	-20.17%
Total Value of Sales		\$207.61M	\$170.69M	-17.79%	\$164.88M	-20.58%
Detached	Average	\$274,537	\$258,964	-5.67%	\$281,643	2.59%
	Median	\$280,000	\$270,000	-3.57%	\$280,116	0.04%
Condo	Average	\$133,160	\$131,995	-0.87%	\$197,832	48.57%
	Median	\$146,750	\$176,500	20.27%	\$239,900	63.48%
Attached	Average	\$186,429	\$220,078	18.05%	\$200,177	7.37%
	Median	\$203,000	\$304,000	49.75%	\$225,000	10.84%

## Quarterly Sales

Kootenay		Q3 2015	Q2 2015	% Chg <sup>1</sup>	Q3 2014	% Chg <sup>2</sup>
Number of Sales		1,056	1,072	-1.49%	1,098	-3.83%
Total Value of Sales		\$282.97M	\$273.68M	3.39%	\$294.36M	-3.87%
Detached	Average	\$294,727	\$285,977	3.06%	\$294,843	-0.04%
	Median	\$310,000	\$295,000	5.08%	\$300,000	3.33%
Condo	Average	\$158,009	\$137,488	14.93%	\$167,729	-5.80%
	Median	\$178,250	\$156,500	13.90%	\$180,476	-1.23%
Attached	Average	\$248,041	\$262,294	-5.43%	\$274,249	-9.56%
	Median	\$260,000	\$260,000	0.00%	\$277,500	-6.31%

## Monthly Sales

Kootenay		July	August	% Chg <sup>1</sup>	Sept.	% Chg <sup>3</sup>
Number of Sales		383	334	-12.79%	339	-11.49%
Total Value of Sales		\$104.91M	\$88.30M	-15.83%	\$89.76M	-14.44%
Detached	Average	\$297,484	\$295,987	-0.50%	\$290,190	-2.45%
	Median	\$317,000	\$305,500	-3.63%	\$300,000	-5.36%
Condo	Average	\$171,801	\$163,117	-5.06%	\$138,887	-19.16%
	Median	\$172,000	\$165,000	-4.07%	\$180,750	5.09%
Attached	Average	\$242,731	\$238,082	-1.92%	\$267,166	10.07%
	Median	\$260,000	\$250,484	-3.66%	\$269,944	3.82%

# LANDCOR® DATA CORPORATION

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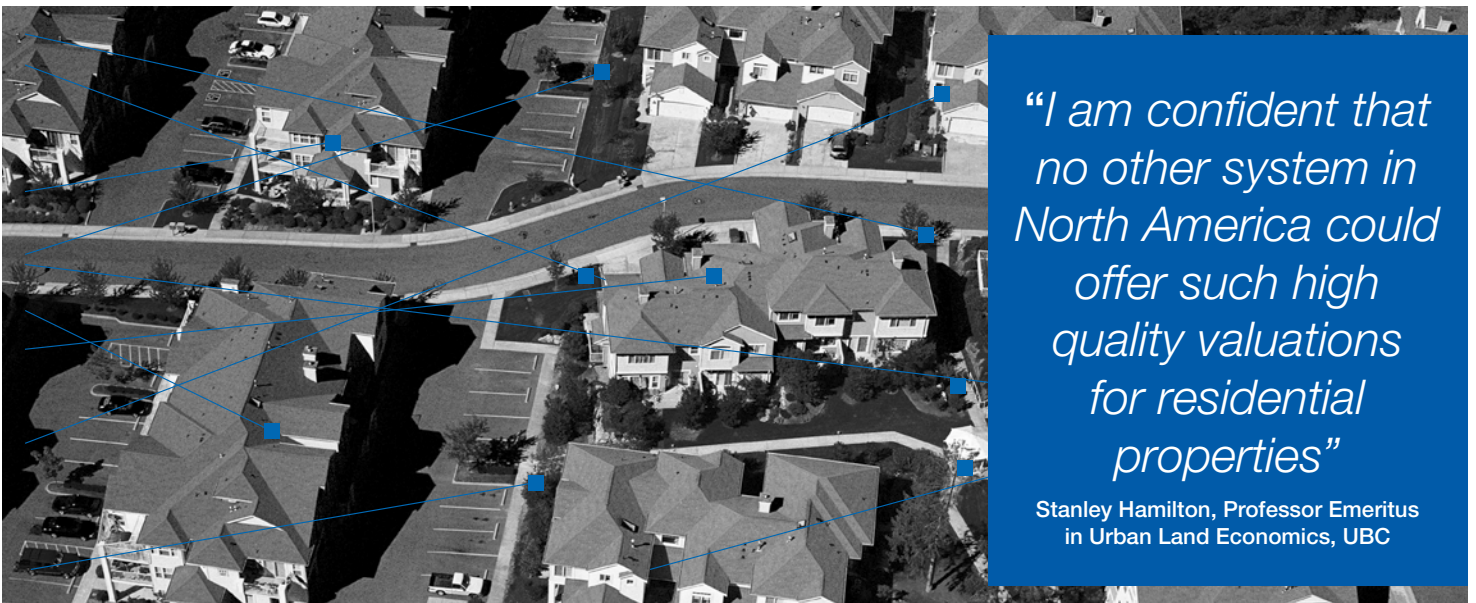
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