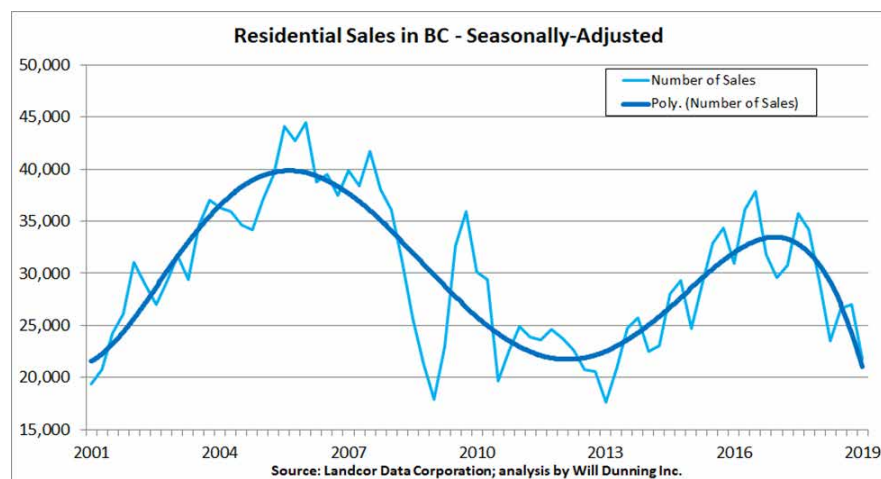


Report prepared by economist WILL DUNNING. Views expressed by Will Dunning are his own and do not necessarily represent those of Landcor Data Corporation. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

BC Housing Market Overview

Housing market conditions are worsening in British Columbia. First quarter sales totalled 16,751 units, which equates to just 21,800 on a seasonally-adjusted basis. As can be seen in Figure 1, this is one of the lowest sales rates seen during the past two decades. (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



Sales should trend upwards over time: 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). Therefore, another way to look at the sales data is on a per adult basis, which is done in Figure 2. This data shows that for Q1, the sales rate was just 2.14%. This is the third lowest sales rate seen in the entire history of this data, and is 36% below the average over the entire period (3.32%, which is shown by the flat red line). By this measure, home buying activity in BC is now exceptionally weak.

Figure 2

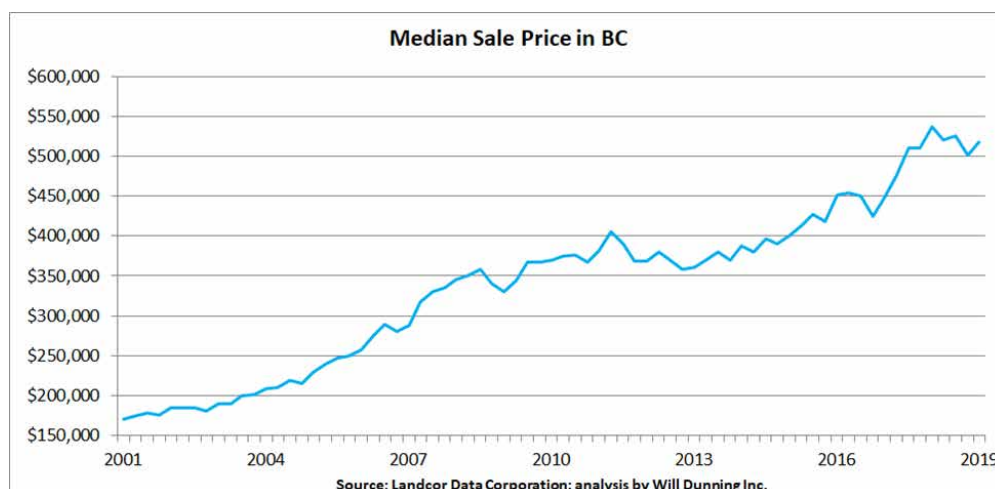


BC Housing Market Overview (cont'd)

Prices

The median sale price rose slightly during 2019-Q1, to \$518,000 from \$501,500 in 2018-Q4. But, compared to a year ago, the median price dropped by 3.5%. (see Figure 3).

Figure 3



Price trends vary across the province, as well as by type of dwelling. The table below summarizes year-over-year changes in median selling prices for the six regions of the province and three major dwelling type categories. Pricing has been weakest in the most expensive market area (Greater Vancouver) and for the most expensive dwelling type (detached homes). On the other hand, overall price trends have been strongest in the two least-expensive areas, BC North/Northwest and Kootenay.

Year-Over-Year Changes in Median Selling Prices by Region and Type of Dwelling 2018-Q1 to 2019-Q1			
Region	Detached	Condo	Attached
Greater Vancouver	-6.72%	-5.22%	-3.75%
Vancouver Island	4.43%	5.73%	3.35%
Kootenay	12.46%	-1.80%	-1.07%
Okanagan	-0.38%	3.37%	4.22%
Fraser Valley	-4.67%	12.29%	-1.92%
BC North/Northwest	9.38%	3.30%	9.11%
BC Total	-7.43%	-4.65%	-3.73%

Source: Landcor Data Corporation
Note: Figures may vary from other published data due to on-going revisions

BC Housing Market Overview (cont'd)

Falling House Prices are Risky

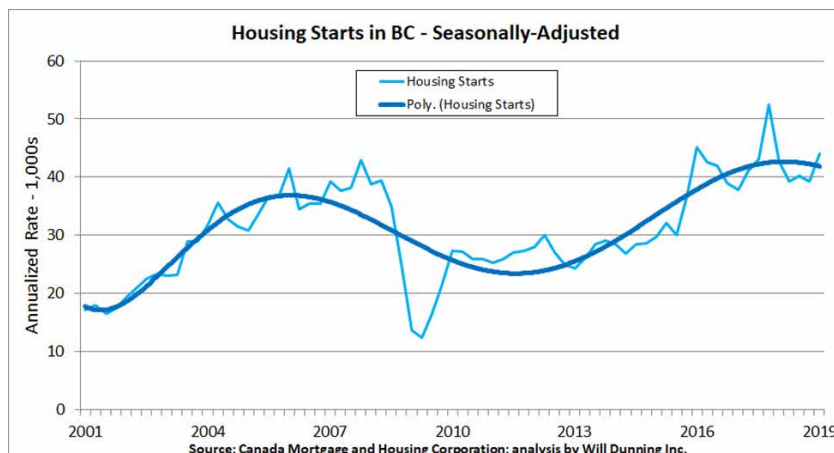
It is tempting to see falling house prices as a positive event, as this will contribute positively to affordability, and help make home ownership more accessible. But there are downsides to falling prices:

- For most home owners, their home is their most valuable asset. A decrease in the value of their home can weigh quite heavily on their confidence (especially for people who have purchased recently and/or have large amounts of mortgage debt). If reduced confidence causes people to reduce their spending, the economy will be weakened. Businesses will suffer and employment will be negatively affected. This, in turn, will reduce home buying.
- Secondly, and as I discussed in more detail in my report for the fourth quarter of 2018, if people see that prices are falling (or expect that prices will fall), many of them will be hesitant to buy (because they do not want to lose home equity).
- The reduction in home buying has two effects:
 1. It raises the risks that prices will fall (fears can be self-fulfilling).
 2. Housing activity is a major generator of jobs. The Canadian Real Estate Association estimates that each home sale generates about one-third of a “person-year” of employment. Housing construction is even more powerful. In research for the Canadian Home Builders Association, I have estimated that each new single-detached home results in about four person-years of employment. Semi-detached and row homes result in about 2.5 person-years per dwelling unit and apartments result in about two person-years. New housing construction takes time to react to changing conditions, because most new homes are sold before construction starts, and then there are further delays as builders get ready to start construction.

Figure 4 looks at the data from CMHC on housing starts. The data shows that the period of a rising trend has ended. I expect that the trend will soon turn downwards, and a year from now the trend for starts will have fallen by at least one-quarter. This will have significant economic consequences.

- When employment is reduced due to weaker housing activity (due to the negative impacts on confidence of reduced prices, or due to reduced buying of resale and new homes), the employment reduction in turn will weaken housing demand.
- In short, a weaker housing market can, through a “feedback” process, cause further weakening of housing activity.

Figure 4



BC Housing Market Overview (cont'd)

I have said this many times: in a modern economy, one of the most dangerous things that can happen is for house prices to fall. As an extension, one of the saddest things that can happen is for government policies to unnecessarily cause house prices to fall, potentially precipitating a recession, causing a great deal of hardship for a lot of people.

This could happen. Will it happen? I don't know. There are a lot of moving parts here:

Landcor's data is already showing a sharp reduction for sales, to the extent that prices are eroding in many situations. The current momentum is worrisome.

The two major economic fundamentals point in opposite directions:

1. Very strong job creation is a positive (job growth has been even faster than the rate of population growth, with the result that the share of "prime working age" adults who have jobs is at a record high – see Figure 5).
2. On the other hand, interest rate increases that started at mid-2017, combined with further growth of house prices, have caused a very substantial deterioration of housing affordability (in Figure 6, the thick, flat line shows the average of my mortgage cost index for the entire period).

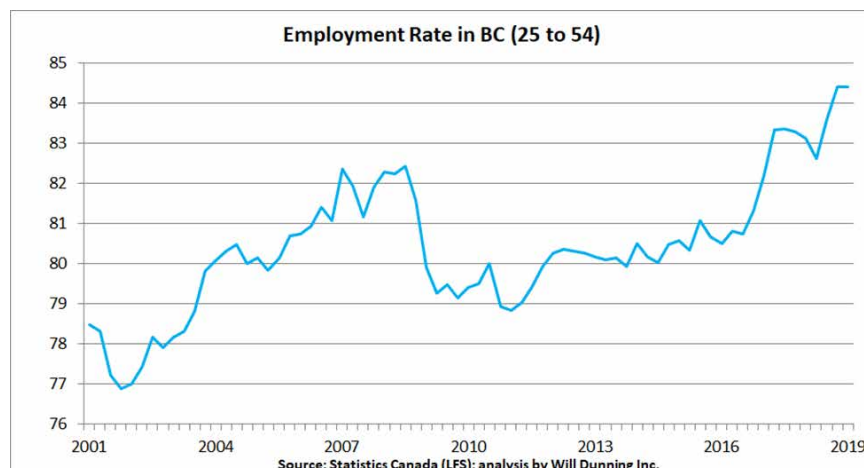
These two factors are roughly offsetting. Home-buying activity should be a lot stronger.

As discussed previously, government policies are having sharply negative effects.

- The mortgage stress tests that are required by federal policies (for most potential residential mortgage loans in Canada) have resulted in an additional sharp *de facto* reduction in affordability. The impact of these policies is worst in areas that have the highest house prices (my reviews of housing markets across Canada show that the downturn is most severe within British Columbia).
- 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 (this was reported in my report for the fourth quarter. As far as I can tell, data is not yet available for 2019). 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.

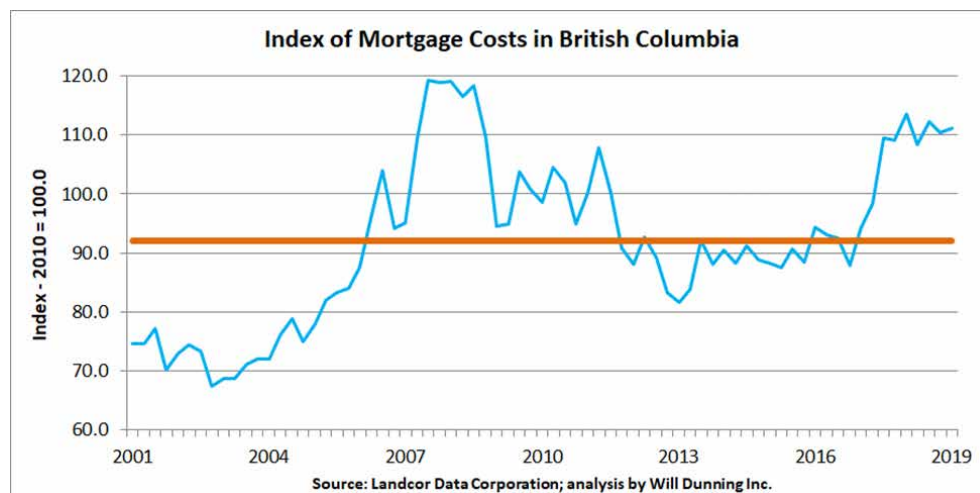
All of this considered, as far as BC housing markets go (and this applies in many other areas of Canada) there is a lot to worry about at present.

Figure 5



BC Housing Market Overview (cont'd)

Figure 6



Regional Variations

Landcor's data show that during 2019-Q1 the residential sales counts was 25% lower than a year earlier. As is shown in the table below, reductions were widespread as none of the regions showed increases. One region (Kootenay) showed a small reduction; the other five regions have shown severe reductions.

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 an increase in their shares.

Residential Sales in British Columbia, by Region 2018-Q1 and 2019-Q1

<u>Region</u>	<u>Quarterly Sales</u>			<u>Share of BC</u>	
	<u>2018-Q1</u>	<u>2019-Q1</u>	<u>% Change</u>	<u>2018-Q1</u>	<u>2019-Q1</u>
Greater Vancouver	10,229	6,954	-32.02%	45.6%	41.5%
Vancouver Island	3,923	3,225	-17.79%	17.5%	19.3%
Kootenay	668	648	-2.99%	3.0%	3.9%
Okanagan	3,160	2,453	-22.37%	14.1%	14.6%
Fraser Valley	3,277	2,419	-26.18%	14.6%	14.4%
BC North/Northwest	1,163	1,052	-9.54%	5.2%	6.3%
BC Total	22,420	16,751	-25.3%	100.0%	100.0%

Source: Landcor Data Corporation

Note: Figures may vary from other published data due to on-going revisions

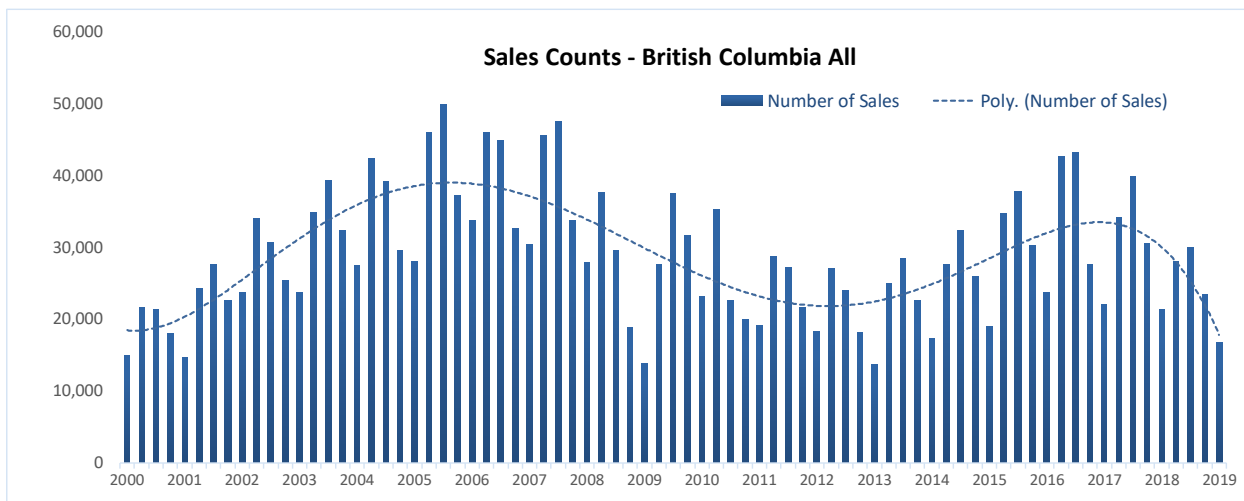
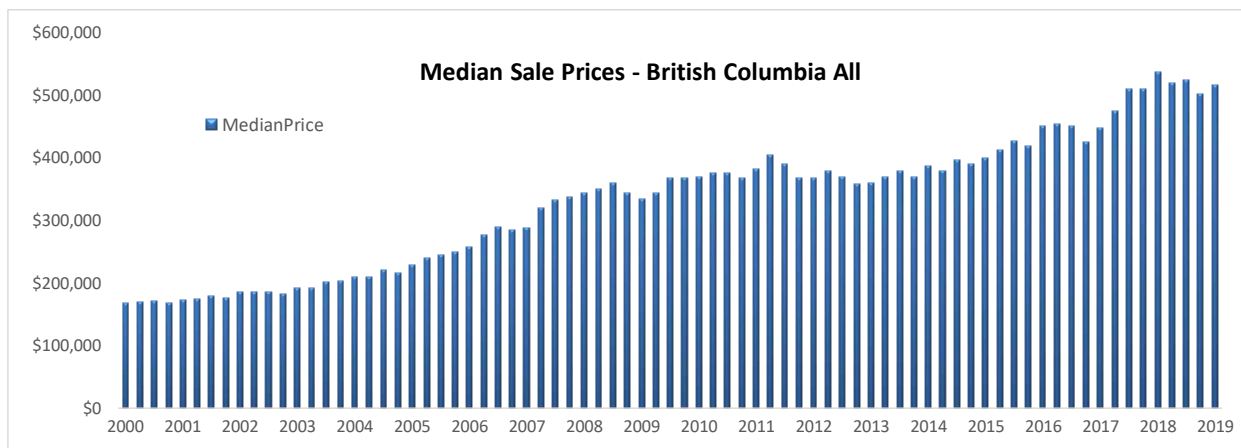
Will Dunning has been analyzing housing markets since 1982. His consulting firm provides custom analysis to clients in the private, public, and non-governmental sectors. His website is www.wdunning.com.

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 Q1'2019—Q4'2018 ²% change Q1'2019—Q1'2018

Quarterly Sales		Q1 2019	Q4 2018	% Chg ¹	Q1 2018	% Chg ²
Number of Sales		16,751	23,834	-29.72%	22,420	-25.29%
Total Value of Sales		\$11.25B	\$16.17B	-30.44%	\$16.36B	-31.22%
Detached	Average	\$879,183	\$864,947	1.65%	\$977,883	-10.09%
	Median	\$685,000	\$645,000	6.20%	\$740,000	-7.43%
Condo	Average	\$554,688	\$538,899	2.93%	\$585,586	-5.28%
	Median	\$457,950	\$448,987	2.00%	\$480,300	-4.65%
Attached	Average	\$615,512	\$602,900	2.09%	\$636,840	-3.35%
	Median	\$550,000	\$549,900	0.02%	\$571,292	-3.73%



¹% change Q1'2019—Q4'2018 ²% change Q1'2019—Q1'2018 ³% change month to previous month

Greater Vancouver

Quarterly Sales		Q1 2019	Q4 2018	% Chg ¹	Q1 2018	% Chg ²
Number of Sales		6,954	9,736	-28.57%	10,229	-32.02%
Total Value of Sales		\$6.49B	\$9.47B	-31.44%	\$10.31B	-37.05%
Detached	Average	\$1,537,804	\$1,647,238	-6.64%	\$1,689,584	-8.98%
	Median	\$1,250,000	\$1,300,000	-3.85%	\$1,340,000	-6.72%
Condo	Average	\$653,950	\$634,278	3.10%	\$699,654	-6.53%
	Median	\$545,000	\$528,900	3.04%	\$575,000	-5.22%
Attached	Average	\$795,017	\$799,406	-0.55%	\$814,251	-2.36%
	Median	\$672,675	\$689,900	-2.50%	\$698,900	-3.75%

Monthly Sales		January	February	% Chg ¹	March	% Chg ³
Number of Sales		2,700	1,921	-28.85%	2,333	21.45%
Total Value of Sales		\$2.65B	\$1.68B	-36.55%	\$2.15B	27.70%
Detached	Average	\$1,578,721	\$1,506,969	-4.54%	\$1,512,438	0.36%
	Median	\$1,266,250	\$1,240,000	-2.07%	\$1,238,095	-0.15%
Condo	Average	\$670,278	\$614,254	-8.36%	\$669,963	9.07%
	Median	\$564,450	\$509,900	-9.66%	\$563,000	10.41%
Attached	Average	\$789,458	\$840,641	6.48%	\$762,194	-9.33%
	Median	\$677,373	\$720,000	6.29%	\$650,000	-9.72%

Vancouver Island

Quarterly Sales		Q1 2019	Q4 2018	% Chg ¹	Q1 2018	% Chg ²
Number of Sales		3,225	4,293	-24.88%	3,923	-17.79%
Total Value of Sales		\$1.71B	\$2.32B	-26.32%	\$1.97B	-13.50%
Detached	Average	\$657,215	\$652,702	0.69%	631,814	4.02%
	Median	\$590,000	\$590,000	0.00%	564,950	4.43%
Condo	Average	\$419,015	\$417,582	0.34%	372,264	12.56%
	Median	\$369,000	\$380,000	-2.89%	349,000	5.73%
Attached	Average	\$489,140	\$476,589	2.63%	462,528	5.75%
	Median	\$443,355	\$442,350	0.23%	429,000	3.35%

Monthly Sales		January	February	% Chg ³	March	% Chg ³
Number of Sales		1,189	1,011	-14.97%	1,025	1.38%
Total Value of Sales		\$0.68B	\$495.52M	-26.84%	\$0.53B	7.76%
Detached	Average	\$681,254	\$633,513	-7.01%	\$649,928	2.59%
	Median	\$611,500	\$568,250	-7.07%	\$584,250	2.82%
Condo	Average	\$401,284	\$422,129	5.19%	\$435,363	3.14%
	Median	\$360,000	\$374,500	4.03%	\$374,900	0.11%
Attached	Average	\$504,498	\$452,695	-10.27%	\$509,679	12.59%
	Median	\$452,402	\$426,350	-5.76%	\$451,750	5.96%

¹% change Q1'2019—Q4'2018 ²% change Q1'2019—Q1'2018 ³% change month to previous month

Kootenay

Quarterly Sales		Q1 2019	Q4 2018	% Chg ¹	Q1 2018	% Chg ²
Number of Sales		648	1,133	-42.81%	668	-2.99%
Total Value of Sales		\$170.29M	\$317.62M	-46.39%	\$181.59M	-6.22%
Detached	Average	\$376,700	\$358,654	5.03%	\$339,605	10.92%
	Median	\$343,000	\$341,750	0.37%	\$305,000	12.46%
Condo	Average	\$190,701	\$179,191	6.42%	\$194,840	-2.12%
	Median	\$188,000	\$173,250	8.51%	\$191,446	-1.80%
Attached	Average	\$309,260	\$330,524	-6.43%	\$320,879	-3.62%
	Median	\$305,000	\$301,895	1.03%	\$308,300	-1.07%

Monthly Sales		January	February	% Chg ³	March	% Chg ³
Number of Sales		192	233	21.35%	223	-4.29%
Total Value of Sales		\$52.94M	\$55.91M	5.61%	\$61.45M	9.91%
Detached	Average	\$363,420	\$359,031	-1.21%	\$403,630	12.42%
	Median	\$331,690	\$342,500	3.26%	\$349,950	2.18%
Condo	Average	\$226,076	\$174,732	-22.71%	\$180,130	3.09%
	Median	\$200,000	\$190,000	-5.00%	\$160,000	-15.79%
Attached	Average	\$308,232	\$304,505	-1.21%	\$316,357	3.89%
	Median	\$296,250	\$285,000	-3.80%	\$325,000	14.04%

Okanagan

Quarterly Sales		Q1 2019	Q4 2018	% Chg ¹	Q1 2018	% Chg ²
Number of Sales		2,453	3,714	-33.95%	3,160	-22.37%
Total Value of Sales		\$1.08B	\$1.65B	-34.47%	\$1.37B	-20.95%
Detached	Average	\$558,977	\$582,777	-4.08%	\$584,124	-4.31%
	Median	\$523,000	\$525,000	-0.38%	\$525,000	-0.38%
Condo	Average	\$345,464	\$288,892	19.58%	\$317,536	8.80%
	Median	\$320,451	\$270,000	18.69%	\$310,000	3.37%
Attached	Average	\$416,061	\$421,127	-1.20%	\$397,719	4.61%
	Median	\$395,000	\$389,900	1.31%	\$379,000	4.22%

Monthly Sales		January	February	% Chg ³	March	% Chg ³
Number of Sales		758	740	-2.37%	955	29.05%
Total Value of Sales		\$353.85M	\$312.51M	-11.68%	\$416.72M	33.35%
Detached	Average	\$563,018	\$537,214	-4.58%	\$570,167	6.13%
	Median	\$525,000	\$510,000	-2.86%	\$530,000	3.92%
Condo	Average	\$325,976	\$378,685	16.17%	\$331,228	-12.53%
	Median	\$302,450	\$342,150	13.13%	\$320,451	-6.34%
Attached	Average	\$407,219	\$415,994	2.15%	\$424,312	2.00%
	Median	\$397,000	\$379,450	-4.42%	\$399,999	5.42%

¹% change Q1'2019—Q4'2018 ²% change Q1'2019—Q1'2018 ³% change month to previous month

Fraser Valley

Quarterly Sales		Q1 2019	Q4 2018	% Chg ¹	Q1 2018	% Chg ²
Number of Sales		2,419	3,105	-22.09%	3,277	-26.18%
Total Value of Sales		\$1.54B	\$1.95B	-20.94%	\$2.26B	-31.77%
Detached	Average	\$926,964	\$923,405	0.39%	\$968,862	-4.32%
	Median	\$765,000	\$763,178	0.24%	\$802,500	-4.67%
Condo	Average	\$353,427	\$370,012	-4.48%	\$311,855	13.33%
	Median	\$345,000	\$369,900	-6.73%	\$307,250	12.29%
Attached	Average	\$514,092	\$507,897	1.22%	\$524,724	-2.03%
	Median	\$510,000	\$502,077	1.58%	\$520,000	-1.92%

Monthly Sales		January	February	% Chg ³	March	% Chg ³
Number of Sales		925	703	-24.00%	791	12.52%
Total Value of Sales		\$0.61B	\$451.51M	-26.12%	\$476.54M	5.54%
Detached	Average	\$937,836	\$990,296	5.59%	\$858,449	-13.31%
	Median	\$765,000	\$795,000	3.92%	\$750,000	-5.66%
Condo	Average	\$364,683	\$350,206	-3.97%	\$342,220	-2.28%
	Median	\$359,900	\$340,000	-5.53%	\$330,000	-2.94%
Attached	Average	\$520,259	\$524,011	0.72%	\$499,524	-4.67%
	Median	\$500,000	\$515,000	3.00%	\$510,000	-0.97%

BC North / NW

Quarterly Sales		Q1 2019	Q4 2018	% Chg ¹	Q1 2018	% Chg ²
Number of Sales		1,052	1,853	-43.23%	1,163	-9.54%
Total Value of Sales		\$260.49M	\$472.03M	-44.82%	\$267.39M	-2.58%
Detached	Average	\$329,181	\$321,480	2.40%	\$300,538	9.53%
	Median	\$315,000	\$308,000	2.27%	\$288,000	9.38%
Condo	Average	\$177,321	\$112,235	57.99%	\$152,951	15.93%
	Median	\$164,250	\$72,000	128.13%	\$159,000	3.30%
Attached	Average	\$233,024	\$245,516	-5.09%	\$223,426	4.30%
	Median	\$231,750	\$253,000	-8.40%	\$212,400	9.11%

Monthly Sales		January	February	% Chg ³	March	% Chg ³
Number of Sales		362	324	-10.50%	366	12.96%
Total Value of Sales		\$91.98M	\$77.44M	-15.81%	\$91.07M	17.59%
Detached	Average	\$325,400	\$327,425	0.62%	\$334,578	2.18%
	Median	\$310,000	\$321,000	3.55%	\$320,000	-0.31%
Condo	Average	\$193,900	\$148,786	-23.27%	\$187,193	25.81%
	Median	\$162,500	\$160,000	-1.54%	\$175,000	9.38%
Attached	Average	\$212,954	\$249,876	17.34%	\$236,029	-5.54%
	Median	\$193,750	\$255,000	31.61%	\$238,000	-6.67%

A MESSAGE FROM OUR PRESIDENT



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 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.

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.

Data Sources:

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- **2.2+ Million Properties**
 - Residential, Commercial, Industrial, Farms, etc.
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