

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

A lot of economic commentary – including these reports that I write for Landcor Data Corporation – are backwards-looking. I think the main reason that this kind of research is useful is that understanding the recent past provides us with some clues about what might happen in the near future. After all, the future is usually a lot like the past. But that is definitely not the case now. From that point of view, I am currently finding it quite difficult to write these reports.

There are a few heroic people out there who are digging into “real-time” data and producing weekly commentaries on trends in their local markets. I am reading some of it, and I find it fascinating. But at the same time, I also know that it is not providing very much insight into how the housing market might be performing even a month from now, let alone over any longer time period.

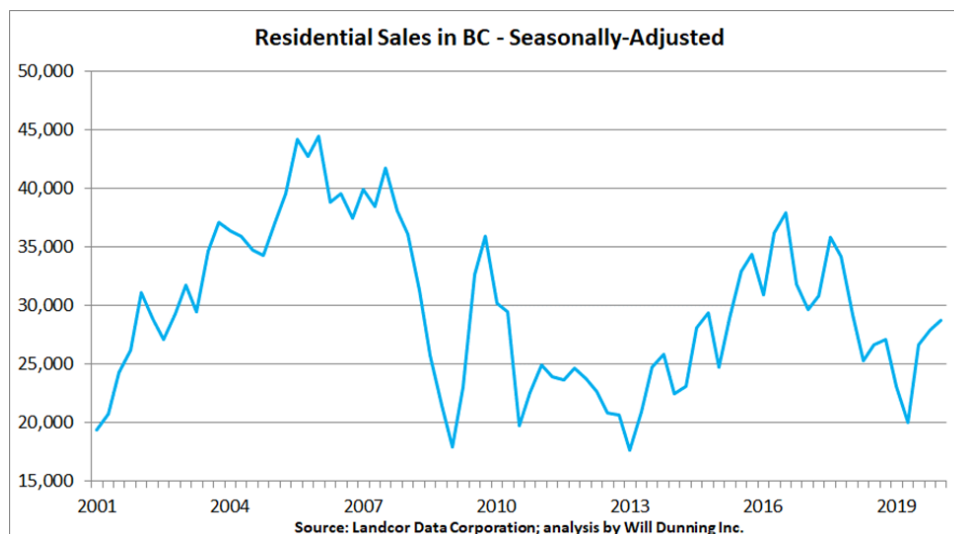
Even under perfect conditions, forecasting is partly science and partly a psychological event. Under current conditions, the science part of forecasting is not working, at all. Every economic forecast you see today is entirely a guess from the analyst, and so the forecast is telling us about their biases and predispositions.

All of this said, here is my review of the real estate data for the first quarter of 2020.

Landcor’s data showed further improvement for sales. The 22,086 actual sales were 25% higher compared to a year ago. On a seasonally adjusted basis, sales in the first quarter (estimated at 28,700) were 3% above the fourth quarter. But, as is illustrated in Figure 1, current sales are only average in historic terms.

(In some charts, trend lines have been added, where I judge that they help improve understanding of trends. Where those trend lines are present, they are labelled “Poly.”)

Figure 1



BC Housing Market Overview (cont'd)

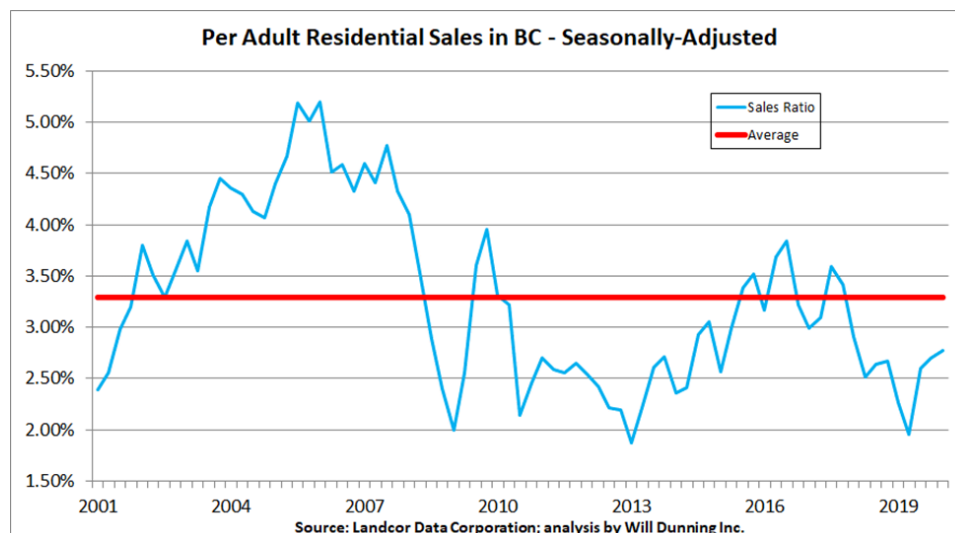
Figure 2 takes a slightly different view of the data. We should expect that sales will trend upwards over time, because the population is growing (and there are more people who could potentially buy homes). Meanwhile, the total stock of housing is expanding (and there are more homes that could potentially be sold). Therefore, I also look at the data in terms of sales per adult. At first glance, Figure 2 looks quite similar to Figure 1. An important difference is that it highlights that for more than two years the sales rates have been quite far below average (the Q1 figure of 2.77% is 16% below the long-term average of 3.29%). By this measure, home buying in BC remains weak and there is a long way to go before we can say that the market has returned to strength.

So, in combination, these charts are telling us that we are entering into an economic crisis from a position that was already somewhat weak.

Trying to look forward a bit: I expect that sales figures will turn sharply downwards for the coming 4-6 months. The data we see reflects transactions that have been entered into the land registry system. Some sales that were contracted before the start of the crisis will be completed (and therefore recorded as sales) during April and May, and even beyond. In addition, newly-built homes that are completed and have a transfer of ownership will continue to support the transactions numbers for some time.

Therefore, I am guessing, and I want to emphasize that this is strictly a guess, that the seasonally adjusted sales for the second quarter might be about one-third lower than for all of 2019 (resulting in perhaps 15,000-16,000 actual sales), due to the extended filing time on these completed sales. The third quarter sales might be down by about 40-50% (12,000 to 15,000 actual sales). What actually happens will, of course, be determined by forces that have extremely little to do with economics.

Figure 2



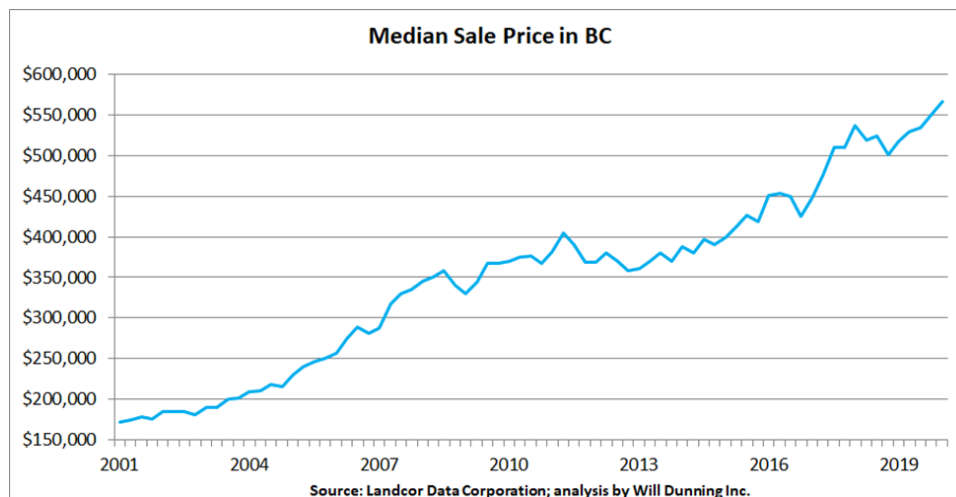
Prices

Prices in Q1 2020 continued to recover, and the median price (\$567,366) hit another all-time high. Future movements will depend, to be obvious, on how many people want to sell and how many want to buy. In a very negative economic climate, there is a substantial risk of an imbalance that results in price reductions. Government policies that support incomes plus the mortgage payment deferral policies (allowing deferrals of up to six months) will help to limit the numbers of home owners that are forced to sell, and therefore reduce this economic risk.

BC Housing Market Overview (cont'd)

In my view, one of the most dangerous things that can happen in the economy is a sharp reduction in house prices, because of both the “negative wealth effect” and because of the damage that can be done to confidence. Furthermore, falling house prices can result in a self-reinforcing downward spiral, because they discourage potential buyers, which worsens the price reductions. I am sure that the federal and provincial governments are very mindful of this economic risk and will consider it as they fine-tune their economic and housing-related policies.

Figure 3



Price trends vary across the province, and by type of dwelling. The table below summarizes year-over-year changes for the six regions of the province, and three major dwelling type categories. During the past year, pricing has been strongest for detached homes, especially for Vancouver Island and the Okanagan. For Greater Vancouver, there has been a developing recovery (which will most likely now be disrupted to some degree). For the first quarter, the data indicates that pricing was weakest in the Kootenay region.

An interesting anomaly in this data is that for detached homes, the province-wide median price has increased by substantially more than in any of the regions. This is because there has been a big shift in locations: sales had been very weak in Vancouver, but a recovery of sales has sharply raised the median for the entire province.

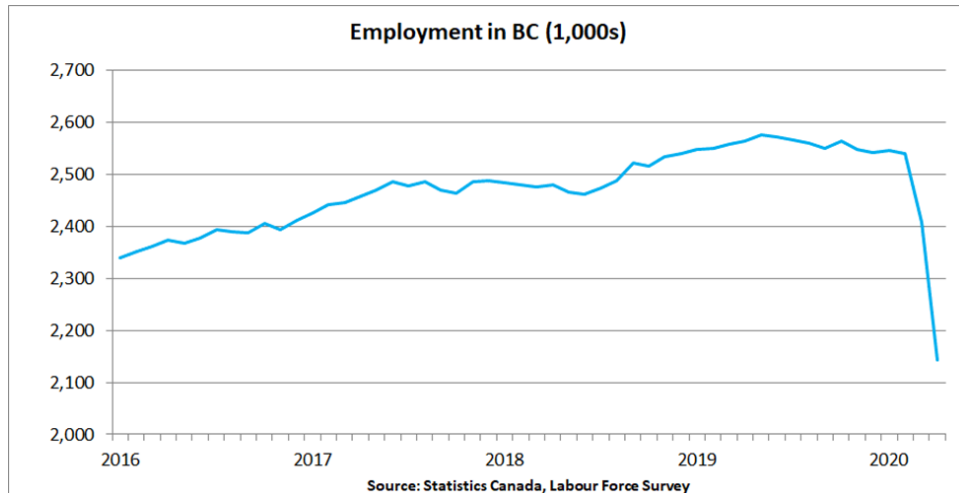
Year-Over-Year Changes in Median Selling Prices by Region and Type of Dwelling 2019-Q1 to 2020-Q1			
<i>Region</i>	<i>Detached</i>	<i>Condo</i>	<i>Attached</i>
Greater Vancouver	3.6%	5.0%	6.1%
Vancouver Island	6.7%	1.3%	10.1%
Kootenay	-1.3%	-12.5%	-1.6%
Okanagan	6.1%	-2.3%	1.3%
Fraser Valley	3.3%	0.0%	3.8%
BC North/Northwest	1.2%	1.4%	17.8%
BC Total	14.9%	9.2%	4.5%
Source: Landcor Data Corporation			
Note: Figures may vary from other published data due to on-going revisions.			

BC Housing Market Overview (cont'd)

An Extreme Shift for Economic Fundamentals

Suddenly, the economy has changed from encouraging to frightening. During just two months March (-132,000) and April (a further -264,000), employment in BC has fallen by more than 15% and more than a decade of job growth has been obliterated. The percentage of BC's adults who have jobs (51.5% as of April) is at the lowest level ever recorded in the survey (since 1976). By contrast, the average for the entire historic period is 59.7%.

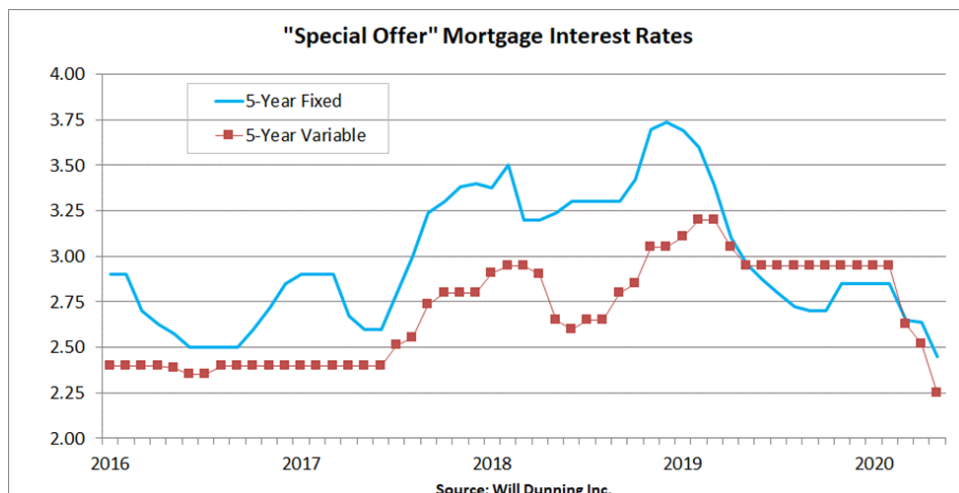
Figure 4



In response to the emergency, mortgage interest rates have fallen. In looking at an estimate of typical “special offer” interest rates that are advertised by major lenders, the last data point in this chart (created May 13) shows the rate for 5-year fixed rate mortgages at the lowest-ever level (2.45%). Rates for variable rate mortgages have also fallen, but while it is now quite low, it isn't at a record low (variable rates were below 2% during 2010). It should be noted that the variable rate is for new initiations, for most borrowers in continuing variable rate mortgages, the current rates are lower. Since the rates shown in this chart are based on lenders' advertisements, some borrowers will be able to negotiate even lower rates.

In normal times, these rates would be highly stimulating for home buying. But interest rates are much less powerful as a driver of sales in the current circumstances. Yet, these rates have some relevance in that they will allow for lower payments for borrowers who renew mortgages and for variable rate mortgage holders: thus, these lower rates are helpful to the broader economy.

Figure 5

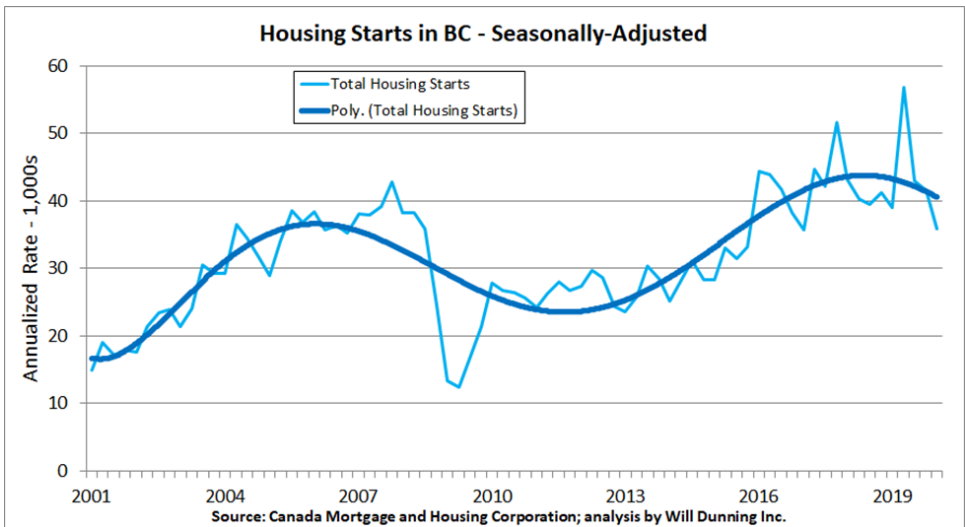


BC Housing Market Overview (cont'd)

Strong Housing Starts

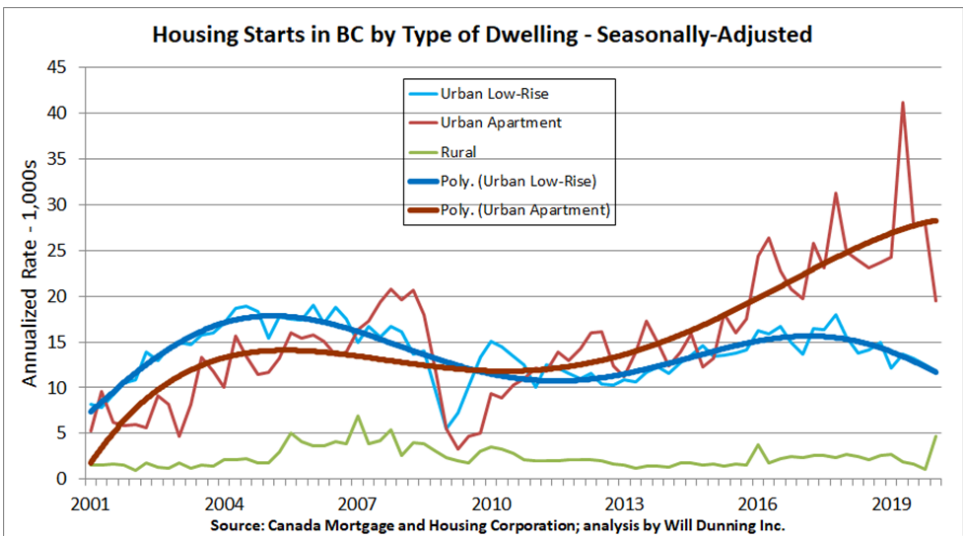
I have commented previously that on a “demographic” basis, BC needs about 35,000 new dwellings per year. During the past four years (as can be seen in Figure 6), housing starts have exceeded the requirements. It takes time for construction to be completed so that new dwellings can be occupied. For some time, BC will see elevated levels of completions, at a time when an economic crisis is going to reduce actual demand to less than the “demographic requirement”. These housing completions will be a source of some downward pressure for prices (especially for apartments).

Figure 6



A more detailed view of the data shows that starts of low-rise dwellings remain quite weak. Similarly, starts in rural areas have been reduced. On the other hand, starts of apartments are extremely strong.

Figure 7



BC Housing Market Overview (cont'd)

Regional Variations

Landcor's data show that during 2019-Q4, residential sales were 3% higher than a year earlier. As is shown in the table below, gains were seen in all of the regions except for BC North/Northwest. The largest rise was in Greater Vancouver (6.2%) followed by Vancouver Island (5.3%). Greater Vancouver and Vancouver Island recovered market share compared to a year ago, and BC North/Northwest lost share. Other regions saw minor changes in their shares versus a year ago.

Residential Sales in British Columbia, by Region, 2019-Q1 and 2020-Q1					
<i>Region</i>	<i>Quarterly Sales</i>		<i>% Change</i>	<i>Share of BC</i>	
	2019-Q1	2020-Q1		2019-Q1	2020-Q1
Greater Vancouver	7,869	11,496	46.1%	44.4%	52.1%
Vancouver Island	3,295	3,398	3.1%	18.6%	15.4%
Kootenay	599	701	17.0%	3.4%	3.2%
Okanagan	2,515	2,719	8.1%	14.2%	12.3%
Fraser Valley	2,413	2,751	14.0%	13.6%	12.5%
BC North/Northwest	1,044	1,021	-2.2%	5.9%	4.6%
BC Total	17,735	22,086	24.5%	100.0%	100.0%
Source: Landcor Data Corporation					
Note: Figures may vary from other published data due to on-going revisions.					

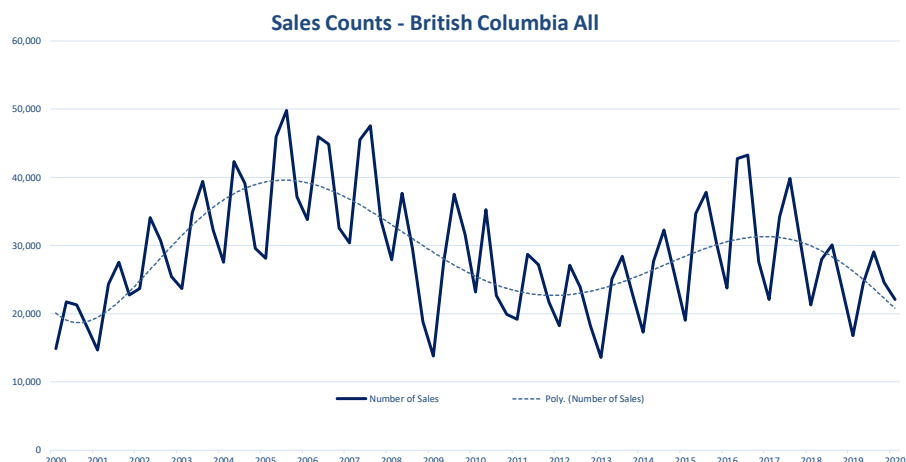
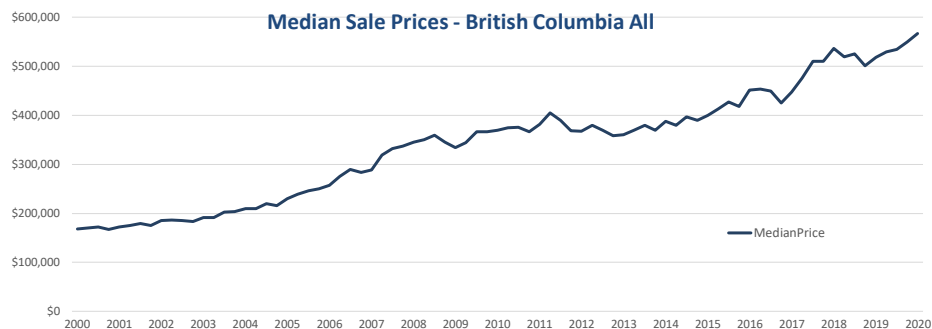
Will Dunning has been analyzing housing markets since 1982. His consulting firm provides custom analysis to clients in the private, public, and non-governmental sectors. His website is www.wdunning.com.

Landcor's Quarterly Residential Sales Summary reports on property sale values within British Columbia. Providing sales information on a regional level, these charts compare average and median pricing on different property types: Detached, Condo and Attached.

British Columbia - All

¹% change Q1'2020—Q4'2019 ²% change Q1'2020—Q1'2019

Quarterly Sales		Q1 2020	Q4 2019	% Chg ¹	Q1 2019	% Chg ²
Total Number of Sales		22,086	24,564	-10.09%	17,735	24.53%
Total Value of Sales		\$15.89B	\$17.17B	-7.45%	\$11.69B	35.97%
Detached	Average	\$978,054	\$898,443	8.86%	\$879,659	11.19%
	Median	\$785,000	\$725,000	8.28%	\$683,414	14.86%
Condo	Average	\$582,317	\$563,921	3.26%	\$554,920	4.94%
	Median	\$500,000	\$481,083	3.93%	\$458,000	9.17%
Attached	Average	\$642,808	\$629,172	2.17%	\$623,325	3.13%
	Median	\$585,000	\$565,000	3.54%	\$559,900	4.48%



¹% change Q1'2020—Q4'2019 ²% change Q1'2020—Q1'2019 ³% change month to previous month

Great Vancouver Region

Quarterly Sales		Q1 2020	Q4 2019	% Chg ¹	Q1 2019	% Chg ²
Total Number of Sales		11,496	10,456	9.95%	7,869	46.09%
Total Value of Sales		\$10.43B	\$10.01B	4.22%	\$6.93B	50.59%
Detached	Average	\$1,555,133	\$1,512,323	2.83%	\$1,543,246	0.77%
	Median	\$1,295,000	\$1,250,000	3.60%	\$1,250,000	3.60%
Condo	Average	\$643,918	\$653,790	-1.51%	\$638,049	0.92%
	Median	\$550,100	\$559,900	-1.75%	\$524,000	4.98%
Attached	Average	\$818,994	\$813,702	0.65%	\$799,111	2.49%
	Median	\$720,000	\$711,000	1.27%	\$678,325	6.14%

Monthly Sales		January	February	% Chg ³	March	% Chg ³
Total Number of Sales		4,486	3,046	-32.10%	3,964	30.14%
Total Value of Sales		\$4.02B	\$2.80B	-30.30%	\$3.61B	28.71%
Detached	Average	\$1,561,116	\$1,517,655	-2.78%	\$1,579,547	4.08%
	Median	\$1,302,000	\$1,282,500	-1.50%	\$1,299,000	1.29%
Condo	Average	\$633,689	\$657,235	3.72%	\$645,917	-1.72%
	Median	\$549,850	\$560,000	1.85%	\$546,000	-2.50%
Attached	Average	\$830,087	\$813,548	-1.99%	\$811,746	-0.22%
	Median	\$721,900	\$719,950	-0.27%	\$719,650	-0.04%

Vancouver Island Region

Quarterly Sales		Q1 2020	Q4 2019	% Chg ¹	Q1 2019	% Chg ²
Total Number of Sales		3,398	4,502	-24.52%	3,295	3.13%
Total Value of Sales		\$1.98B	\$2.57B	-23.05%	\$1.71B	15.63%
Detached	Average	\$710,080	\$697,891	1.75%	\$665,139	6.76%
	Median	\$635,000	\$629,080	0.94%	\$595,000	6.72%
Condo	Average	\$416,158	\$455,197	-8.58%	\$428,936	-2.98%
	Median	\$379,950	\$399,900	-4.99%	\$375,000	1.32%
Attached	Average	\$515,510	\$513,403	0.41%	\$488,791	5.47%
	Median	\$490,000	\$482,250	1.61%	\$445,000	10.11%

Monthly Sales		January	February	% Chg ³	March	% Chg ³
Total Number of Sales		1,184	955	-19.34%	1,259	31.83%
Total Value of Sales		\$0.67B	\$0.55B	-17.27%	\$0.76B	37.36%
Detached	Average	\$698,679	\$712,493	1.98%	\$720,028	1.06%
	Median	\$626,000	\$651,000	3.99%	\$625,000	-3.99%
Condo	Average	\$416,553	\$410,756	-1.39%	\$420,293	2.32%
	Median	\$380,000	\$365,000	-3.95%	\$385,125	5.51%
Attached	Average	\$508,410	\$518,790	2.04%	\$519,753	0.19%
	Median	\$485,000	\$505,000	4.12%	\$489,900	-2.99%

¹% change Q1'2020—Q4'2019 ²% change Q1'2020—Q1'2019 ³% change month to previous month

Kootenay Region

Quarterly Sales		Q1 2020	Q4 2019	% Chg ¹	Q1 2019	% Chg ²
Total Number of Sales		701	1,102	-36.39%	599	17.03%
Total Value of Sales		\$198.24M	\$345.58M	-42.63%	\$169.98M	16.63%
Detached	Average	\$387,979	\$404,830	-4.16%	\$385,100	0.75%
	Median	\$353,571	\$365,000	-3.13%	\$349,000	1.31%
Condo	Average	\$189,793	\$202,424	-6.24%	\$195,769	-3.05%
	Median	\$166,250	\$188,500	-11.80%	\$190,000	-12.50%
Attached	Average	\$329,154	\$343,510	-4.18%	\$307,765	6.95%
	Median	\$300,000	\$303,500	-1.15%	\$305,000	-1.64%

Monthly Sales		January	February	% Chg ³	March	% Chg ³
Total Number of Sales		278	177	-36.33%	246	38.98%
Total Value of Sales		\$80.37M	\$50.16M	-37.59%	\$67.72M	35.00%
Detached	Average	\$384,212	\$393,094	2.31%	\$388,547	-1.16%
	Median	\$339,000	\$341,000	0.59%	\$368,000	7.92%
Condo	Average	\$173,222	\$228,889	32.14%	\$180,552	-21.12%
	Median	\$150,000	\$205,000	36.67%	\$172,500	-15.85%
Attached	Average	\$366,800	\$303,130	-17.36%	\$301,548	-0.52%
	Median	\$322,500	\$265,000	-17.83%	\$294,500	10.02%

Okanagan Region

Quarterly Sales		Q1 2020	Q4 2019	% Chg ¹	Q1 2019	% Chg ²
Total Number of Sales		2,719	3,702	-26.55%	2,515	8.11%
Total Value of Sales		\$1.26B	\$1.74B	-27.47%	\$1.11B	13.98%
Detached	Average	\$607,498	\$594,987	2.10%	\$555,814	9.30%
	Median	\$557,000	\$538,888	3.36%	\$525,000	6.10%
Condo	Average	\$352,291	\$339,265	3.84%	\$364,418	-3.33%
	Median	\$330,000	\$316,393	4.30%	\$337,683	-2.28%
Attached	Average	\$438,413	\$427,789	2.48%	\$421,257	4.07%
	Median	\$405,250	\$415,450	-2.46%	\$400,000	1.31%

Monthly Sales		January	February	% Chg ³	March	% Chg ³
Total Number of Sales		975	748	-23.28%	996	33.16%
Total Value of Sales		\$451.34M	\$318.21M	-29.50%	\$495.22M	55.63%
Detached	Average	\$594,608	\$575,528	-3.21%	\$638,843	11.00%
	Median	\$546,500	\$543,950	-0.47%	\$569,000	4.61%
Condo	Average	\$358,329	\$350,144	-2.28%	\$346,804	-0.95%
	Median	\$335,000	\$330,000	-1.49%	\$324,900	-1.55%
Attached	Average	\$429,653	\$400,921	-6.69%	\$477,593	19.12%
	Median	\$416,307	\$386,000	-7.28%	\$425,708	10.29%

¹% change Q1'2020—Q4'2019 ²% change Q1'2020—Q1'2019 ³% change month to previous month

Fraser Valley Region

Quarterly Sales		Q1 2020	Q4 2019	% Chg ¹	Q1 2019	% Chg ²
Total Number of Sales		2,751	3,182	-13.54%	2,413	14.01%
Total Value of Sales		\$1.75B	\$2.07B	-15.48%	\$1.50B	16.66%
Detached	Average	\$874,320	\$857,192	2.00%	\$932,650	-6.25%
	Median	\$790,000	\$770,000	2.60%	\$765,000	3.27%
Condo	Average	\$351,059	\$369,688	-5.04%	\$357,058	-1.68%
	Median	\$344,900	\$351,900	-1.99%	\$345,000	-0.03%
Attached	Average	\$529,764	\$520,603	1.76%	\$518,176	2.24%
	Median	\$529,990	\$515,000	2.91%	\$510,420	3.83%

Monthly Sales		January	February	% Chg ³	March	% Chg ³
Total Number of Sales		977	754	-22.82%	1,020	35.28%
Total Value of Sales		\$0.61B	\$486.88M	-20.56%	\$0.65B	33.59%
Detached	Average	\$849,735	\$900,315	5.95%	\$879,637	-2.30%
	Median	\$778,000	\$815,000	4.76%	\$790,000	-3.07%
Condo	Average	\$340,573	\$336,483	-1.20%	\$369,052	9.68%
	Median	\$323,000	\$322,500	-0.15%	\$359,900	11.60%
Attached	Average	\$528,473	\$525,757	-0.51%	\$534,500	1.66%
	Median	\$519,950	\$536,250	3.13%	\$534,012	-0.42%

BC Northern / Northwest Region

Quarterly Sales		Q1 2020	Q4 2019	% Chg ¹	Q1 2019	% Chg ²
Total Number of Sales		1,021	1,620	-36.98%	1,044	-2.20%
Total Value of Sales		\$264.51M	\$426.71M	-38.01%	\$266.73M	-0.83%
Detached	Average	\$342,556	\$341,557	0.29%	\$335,490	2.11%
	Median	\$323,750	\$325,000	-0.38%	\$320,000	1.17%
Condo	Average	\$198,818	\$96,301	106.45%	\$177,321	12.12%
	Median	\$166,500	\$71,042	134.37%	\$164,250	1.37%
Attached	Average	\$266,213	\$258,371	3.03%	\$233,795	13.87%
	Median	\$280,000	\$264,000	6.06%	\$237,650	17.82%

Monthly Sales		January	February	% Chg ³	March	% Chg ³
Total Number of Sales		311	294	-5.47%	416	41.50%
Total Value of Sales		\$77.65M	\$72.23M	-6.98%	\$114.63M	58.70%
Detached	Average	\$323,307	\$320,512	-0.86%	\$375,360	17.11%
	Median	\$312,500	\$307,000	-1.76%	\$340,000	10.75%
Condo	Average	\$167,458	\$253,643	51.47%	\$198,141	-28.01%
	Median	\$131,750	\$221,000	67.74%	\$170,000	-30.00%
Attached	Average	\$243,623	\$266,367	9.34%	\$277,140	4.04%
	Median	\$246,100	\$298,616	21.34%	\$285,000	-4.56%

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Rudy Nielsen, RI, FRI
President and Founder

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