

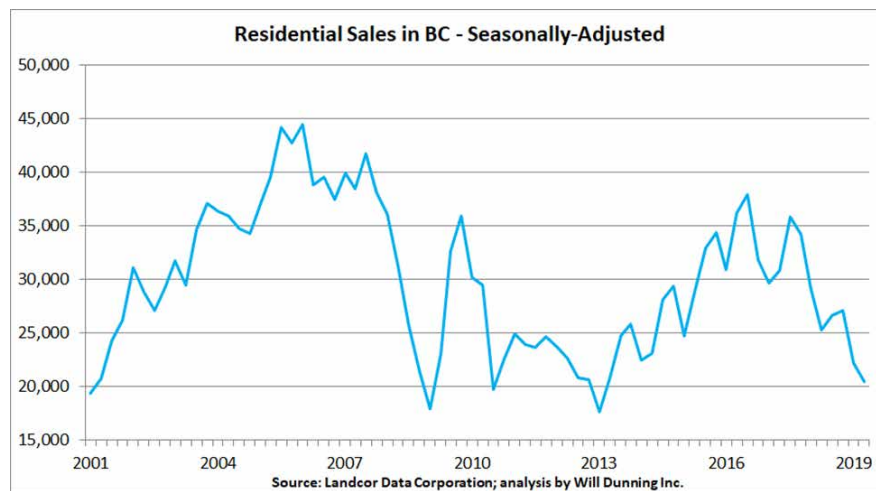
Report prepared by economist WILL DUNNING. Views expressed by Will Dunning are his own and do not necessarily represent those of Landcor Data Corporation. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

BC Housing Market Overview

Housing market conditions continue to deteriorate in British Columbia. Second quarter sales totalled 24,512 units, which equates to just 20,400 on a seasonally-adjusted basis. As is shown 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.

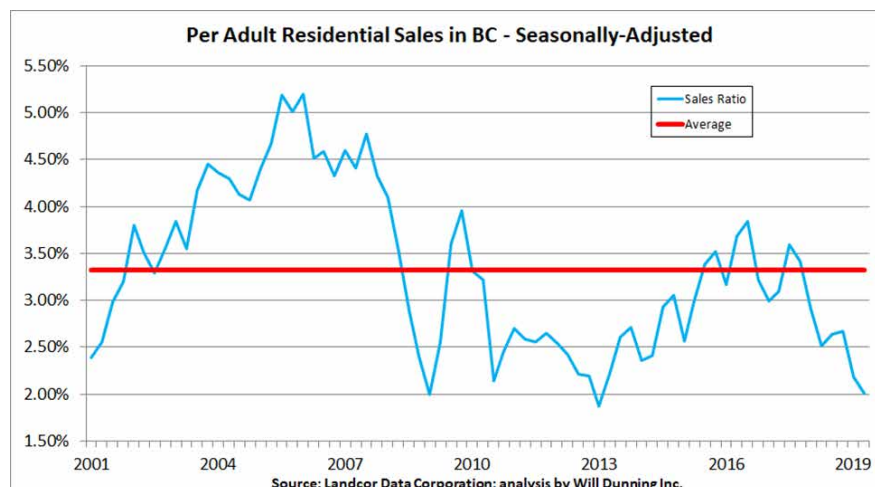
Figure 1



Another way to look at the data is in terms of sales per adult: 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). *Figure 2* looks at the data in this slightly different way. It shows that for Q2, the sales rate was just 2.00%. This is the second lowest sales rate seen in the entire history of this data, and is 39% below the average over the entire period (3.31%, which is shown by the flat red line).

By this measure, home buying activity in BC is now exceptionally weak.

Figure 2

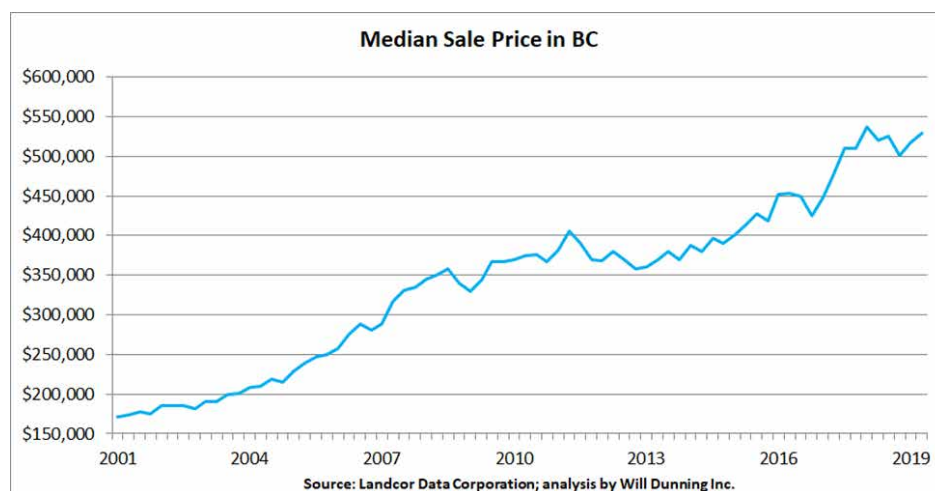


BC Housing Market Overview (cont'd)

Prices

The median sale price rose slightly during 2019-Q2, to \$529,900 from \$518,000 in 2019-Q1. Compared to a year ago, the median price has increased by 1.9% (see *Figure 3*).

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. 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, price trends have been strongest in the two least-expensive areas BC North/Northwest and Kootenay – apart from one outlier, for condos in BC North/Northwest).

Year-Over-Year Changes in Median Selling Prices by Region and Type of Dwelling 2018-Q2 to 2019-Q2

Region	Detached	Condo	Attached
Greater Vancouver	-6.77%	-3.96%	-4.06%
Vancouver Island	2.18%	0.00%	4.44%
Kootenay	5.58%	6.39%	10.12%
Okanagan	2.88%	5.65%	8.28%
Fraser Valley	-4.06%	3.06%	-1.73%
BC North/Northwest	6.56%	-45.85%	3.16%
BC Total	-2.37%	0.00%	-1.43%
Source: Landcor Data Corporation			
Note: Figures may vary from other published data due to on-going revisions.			

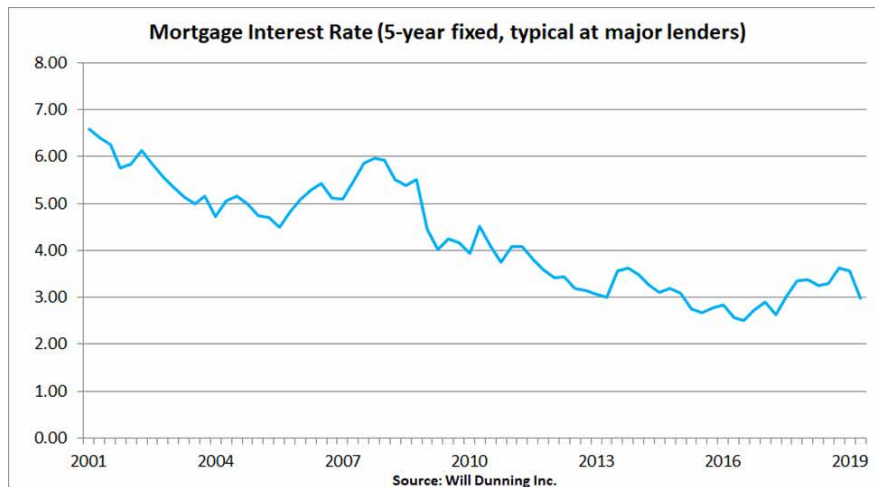
BC Housing Market Overview (cont'd)

Economic Fundamentals are Very Favourable

Interest rates, job creation, and population growth are currently very favourable for housing demand in BC, and the sales trend should be strong and rising.

Mortgage interest rates started falling during January. My opinion-estimate of typical “special offer” interest rates was 3.62% for the fourth quarter of last year and for the second quarter this year it was 2.98% (these are advertised rates for 5-year fixed rate mortgages from major lenders – even lower rates can often be negotiated).

Figure 4



There are several different ways we can look at the employment situation. *Figure 5* shows year-over-year job growth according to Statistics Canada’s two surveys of employment (the Labour Force Survey, or “LFS” and the Survey of Employment, Payrolls and Hours, or “SEPH”). Both of these surveys indicate that there has been very rapid job growth during the past four years (the Labour Force Survey does include a short-lived negative hiccup, but this was quite likely a statistical aberration). It takes time for new jobs to translate into home buying, so the prolonged period of strong job growth should now be causing a rising trend for sales.

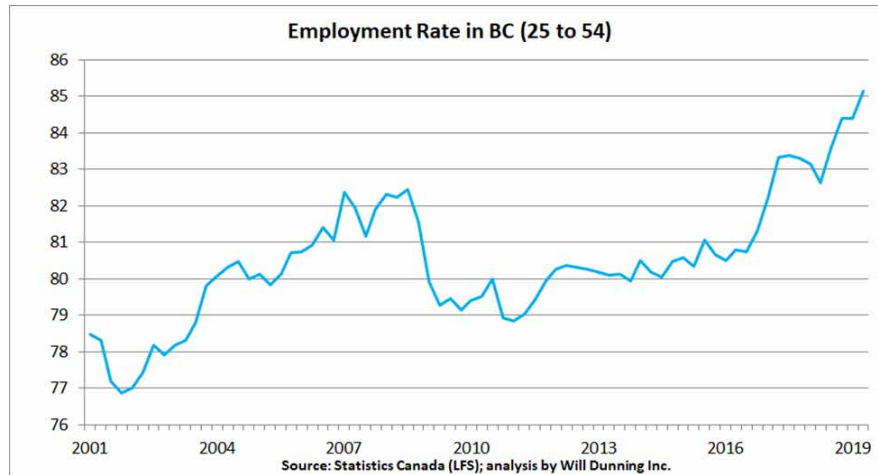
Figure 5



BC Housing Market Overview (cont'd)

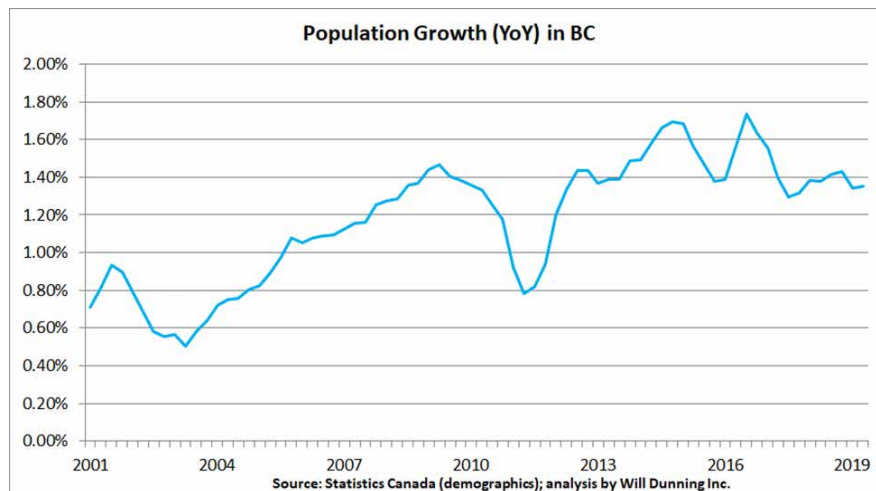
A second look at employment considers the percentage of the population that has jobs, especially for the “prime working ages” of 25 to 54. This indicator has been very strong during the past three years, and this should be contributing to a rising trend for home buying.

Figure 6



Concerning population growth, Statistics Canada estimates a growth rate of 1.35% for Q2. While this is less than during 2013 to 2016, it is relatively strong, and is at least a neutral indicator for housing demand.

Figure 7



BC Housing Market Overview (cont'd)

The sharp discrepancy between the actual weakened trend in the BC housing market versus the strength we should expect based on the fundamentals, shows how powerful government policies can be. 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 a 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 (and the speculation 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, 2.4% in 2018, and even fewer (1.8%) for the first seven months of this year. Consequently, the direct effect of the tax should have been very small. But, it is possible 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.

Falling House Prices Remain a Serious Risk

This section repeats comments made previously.

In a modern economy, one of the most dangerous things that can happen is for house prices to fall:

- For most home owners, their home is their most valuable asset. A fall 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).

A reduction in home buying has two effects.

- Firstly, it raises the risks that prices will fall (fears can be self-fulfilling).
- Secondly, 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 8* looks at the data from CMHC on housing starts. The data shows that the period of a rising trend might have 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.
- A more detailed view of the housing starts data in *Figure 9* shows that starts of low-rise dwellings has unambiguously turned downwards, while the trend for apartments remains very strong. Starts for apartments largely reflect pre-construction sales that happened earlier and therefore the trend takes longer to adjust to changing conditions.

BC Housing Market Overview (cont'd)

Figure 8

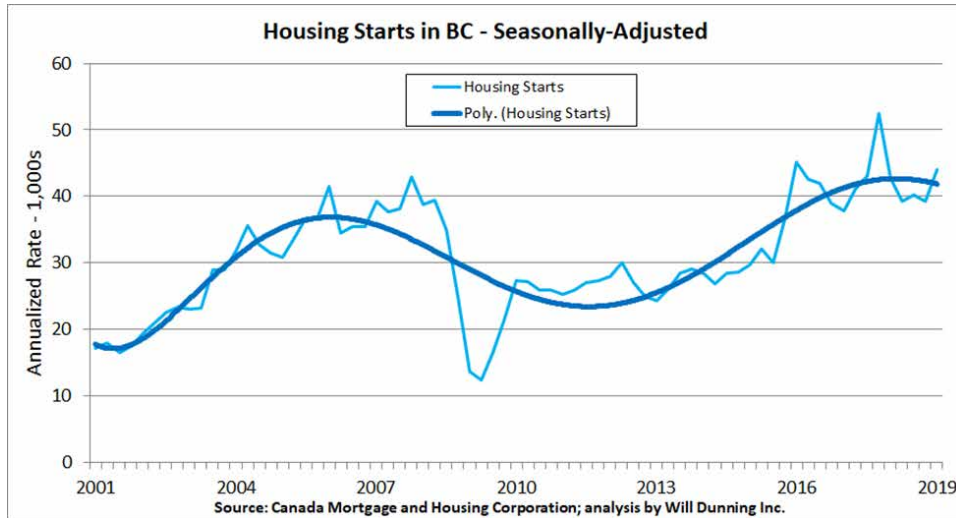
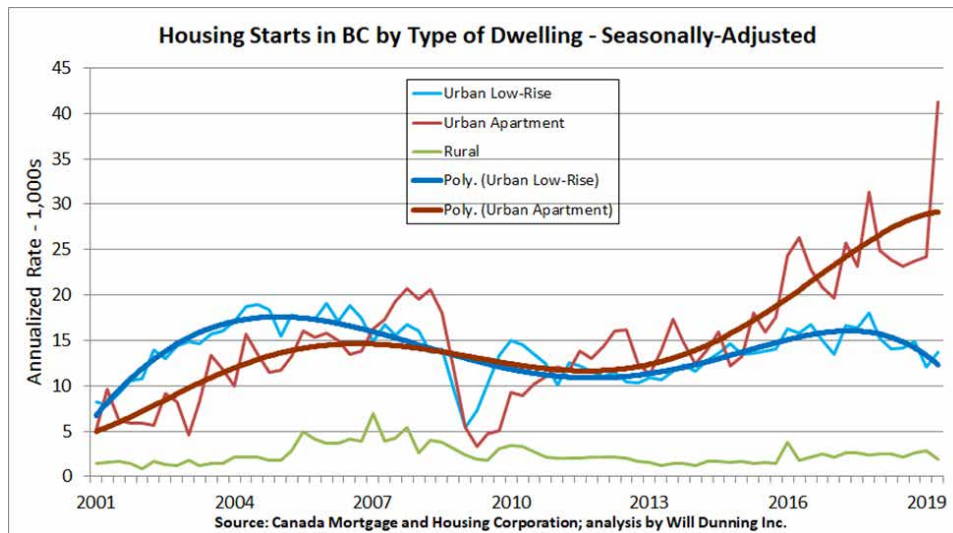


Figure 9



The fact that home sales in BC are weakening at a time when they should be strengthening is a worrying sign. I am writing this from Ontario. I can't feel the local buzz and I don't know for sure that this is happening, but this data is hinting quite strongly that fears of price reductions may be deterring people from buying. This might be a "feedback" process in which fears become self-fulfilling.

How this will evolve is, at this time, unpredictable. The feedback process could lead to further deterioration. Or, that process could end spontaneously and the positive economic fundamentals could prevail.

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.

BC Housing Market Overview (cont'd)

Regional Variations

Landcor's data show that during 2019-Q2, residential sales were 19% lower than a year earlier. As is shown in the table below, reductions were widespread, as none of the regions showed increases. The smallest reduction was in BC North/Northwest (-12%) and the largest was in Fraser Valley (-26%).

Greater Vancouver, Okanagan, and Fraser Valley all have lost market share compared to a year ago. Vancouver Island, Kootenay, and BC North/Northwest have gained market share.

Residential Sales in British Columbia, by Region 2018-Q2 and 2019-Q2

Region	Quarterly Sales		% Change	Share of BC	
	2018-Q2	2019-Q2		2018-Q2	2019-Q2
Greater Vancouver	12,024	9,709	-19.3%	39.7%	39.6%
Vancouver Island	5,557	4,717	-15.1%	18.3%	19.2%
Kootenay	1,377	1,167	-15.3%	4.5%	4.8%
Okanagan	4,978	3,922	-21.2%	16.4%	16.0%
Fraser Valley	4,271	3,160	-26.0%	14.1%	12.9%
BC North/Northwest	2,092	1,837	-12.2%	6.9%	7.5%
BC Total	30,299	24,512	-19.10%	100.0%	100.0%
Source: Landcor Data Corporation					
Note: Figures may vary from other published data due to on-going revisions.					

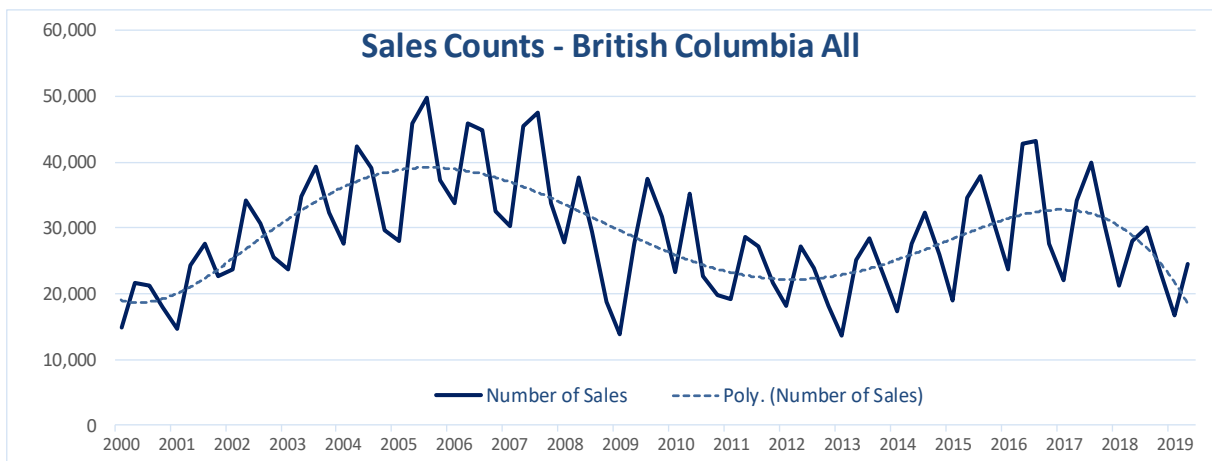
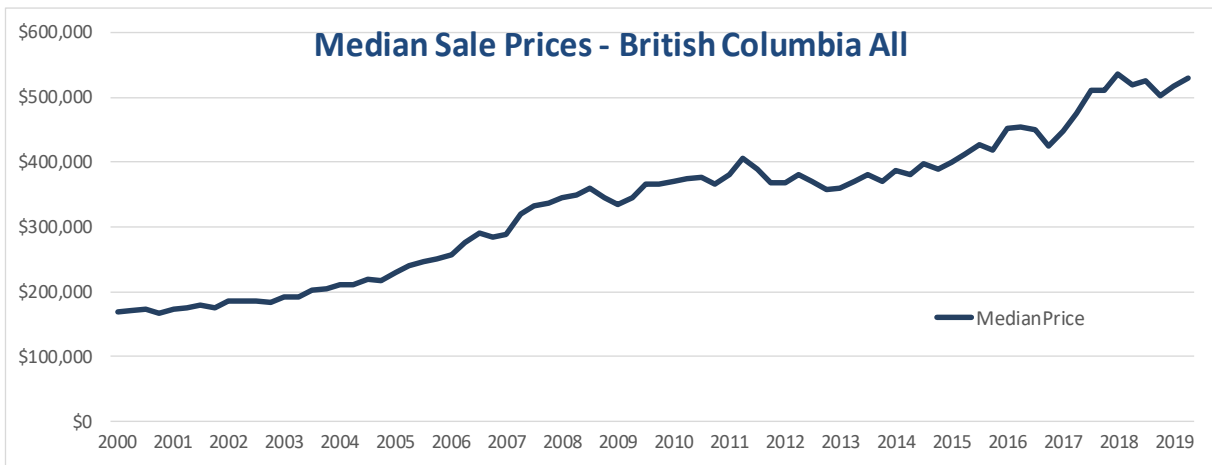
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Landcor's quarterly residential sales summary reports on property sale values in British Columbia. Providing sales information on a regional level, the charts compare average and median pricing on different property types: Detached, Condo and Attached.

British Columbia - All

¹% change Q2'2019—Q1'2019 ²% change Q2'2019—Q2'2018

Quarterly Sales		Q2 2019	Q1 2019	% Chg ¹	Q2 2018	% Chg ²
Total Number of Sales		24,512	17,080	43.51%	30,299	-19.10%
Total Value of Sales		\$16.54B	\$11.48B	44.10%	\$21.13B	-21.73%
Detached	Average	\$851,631	\$877,268	-2.92%	\$883,638	-3.62%
	Median	\$660,000	\$682,750	-3.33%	\$676,000	-2.37%
Condo	Average	\$533,900	\$563,875	-5.32%	\$540,056	-1.14%
	Median	\$450,000	\$469,900	-4.23%	\$450,000	0.00%
Attached	Average	\$617,532	\$624,585	-1.13%	\$631,456	-2.21%
	Median	\$552,000	\$560,000	-1.43%	\$560,000	-1.43%



¹% change Q2'2019—Q1'2019 ²% change Q2'2019—Q1'2018 ³% change month to previous month**Region: Greater Vancouver**

Quarterly Sales		Q2 2019	Q1 2019	% Chg ¹	Q2 2018	% Chg ²
Total Number of Sales		9,709	7,465	30.06%	12,024	-19.25%
Total Value of Sales		\$9.11B	\$6.78B	34.44%	\$12.29B	-25.83%
Detached	Average	\$1,562,040	\$1,541,699	1.32%	\$1,640,371	-4.78%
	Median	\$1,240,000	\$1,250,000	-0.80%	\$1,330,000	-6.77%
Condo	Average	\$628,177	\$654,403	-4.01%	\$648,563	-3.14%
	Median	\$530,000	\$540,000	-1.85%	\$546,186	-2.96%
Attached	Average	\$811,797	\$805,275	0.81%	\$842,985	-3.70%
	Median	\$688,800	\$680,000	1.29%	\$717,963	-4.06%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		3,212	2,936	-8.59%	3,561	21.29%
Total Value of Sales		\$2.83B	\$2.90B	2.41%	\$3.39B	16.92%
Detached	Average	\$1,563,315	\$1,598,019	2.22%	\$1,530,898	-4.20%
	Median	\$1,222,250	\$1,261,000	3.17%	\$1,238,048	-1.82%
Condo	Average	\$626,332	\$654,325	4.47%	\$608,509	-7.00%
	Median	\$517,450	\$554,500	7.16%	\$520,500	-6.13%
Attached	Average	\$805,351	\$826,709	2.65%	\$804,159	-2.73%
	Median	\$680,000	\$685,000	0.74%	\$690,000	0.73%

Region: Vancouver Island

Quarterly Sales		Q2 2019	Q1 2019	% Chg ¹	Q2 2018	% Chg ²
Total Number of Sales		4,717	3,217	46.63%	5,557	-15.12%
Total Value of Sales		\$2.67B	\$1.71B	55.68%	\$2.97B	-10.07%
Detached	Average	\$668,005	\$654,977	1.99%	664,866	0.47%
	Median	\$600,000	\$585,000	2.56%	587,200	2.18%
Condo	Average	\$398,950	\$428,965	-7.00%	395,310	0.92%
	Median	\$360,000	\$375,000	-4.00%	360,000	0.00%
Attached	Average	\$508,360	\$485,432	4.72%	474,833	7.06%
	Median	\$470,000	\$443,355	6.01%	450,000	4.44%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		1,302	1,654	27.04%	1,761	6.47%
Total Value of Sales		\$0.69B	\$0.96B	38.17%	\$1.02B	6.37%
Detached	Average	\$633,414	\$678,396	7.10%	\$683,624	0.77%
	Median	\$584,950	\$619,000	5.82%	\$600,000	-3.07%
Condo	Average	\$404,908	\$387,773	-4.23%	\$406,979	4.95%
	Median	\$365,000	\$343,956	-5.77%	\$383,500	11.50%
Attached	Average	\$489,457	\$526,986	7.67%	\$505,733	-4.03%
	Median	\$449,950	\$475,000	5.57%	\$480,000	1.05%

¹% change Q2'2019—Q1'2019 ²% change Q2'2019—Q1'2018 ³% change month to previous month**Region: Kootenay**

Quarterly Sales		Q2 2019	Q1 2019	% Chg ¹	Q2 2018	% Chg ²
Total Number of Sales		1,167	598	95.15%	1,377	-15.25%
Total Value of Sales		\$364.63M	\$164.37M	121.83%	\$397.59M	-8.29%
Detached	Average	\$385,879	\$379,121	1.78%	\$368,112	4.83%
	Median	\$350,000	\$345,000	1.45%	\$331,500	5.58%
Condo	Average	\$202,035	\$193,590	4.36%	\$187,579	7.71%
	Median	\$191,500	\$189,000	1.32%	\$180,000	6.39%
Attached	Average	\$318,589	\$308,242	3.36%	\$307,894	3.47%
	Median	\$310,000	\$305,000	1.64%	\$281,500	10.12%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		332	408	22.89%	427	4.66%
Total Value of Sales		\$103.57M	\$128.36M	23.93%	\$132.70M	3.38%
Detached	Average	\$392,941	\$379,145	-3.51%	\$387,471	2.20%
	Median	\$360,000	\$350,500	-2.64%	\$347,000	-1.00%
Condo	Average	\$212,340	\$175,369	-17.41%	\$219,740	25.30%
	Median	\$229,500	\$147,500	-35.73%	\$198,750	34.75%
Attached	Average	\$313,029	\$291,149	-6.99%	\$351,148	17.09%
	Median	\$316,000	\$287,000	-9.18%	\$315,000	8.89%

Region: Okanagan

Quarterly Sales		Q2 2019	Q1 2019	% Chg ¹	Q2 2018	% Chg ²
Total Number of Sales		3,922	2,359	66.26%	4,978	-21.21%
Total Value of Sales		\$1.84B	\$1.06B	73.29%	\$2.21B	-16.79%
Detached	Average	\$582,581	\$555,698	4.84%	\$582,922	-0.06%
	Median	\$535,000	\$521,000	2.69%	\$520,000	2.88%
Condo	Average	\$342,082	\$364,114	-6.05%	\$322,584	6.04%
	Median	\$318,000	\$336,200	-5.41%	\$301,000	5.65%
Attached	Average	\$432,191	\$421,468	2.54%	\$402,056	7.50%
	Median	\$408,750	\$395,000	3.48%	\$377,500	8.28%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		1,088	1,402	28.86%	1,432	2.14%
Total Value of Sales		\$0.50B	\$0.66B	31.73%	\$0.68B	2.09%
Detached	Average	\$569,566	\$583,969	2.53%	\$590,988	1.20%
	Median	\$511,000	\$536,000	4.89%	\$555,000	3.54%
Condo	Average	\$338,558	\$353,410	4.39%	\$333,190	-5.72%
	Median	\$315,000	\$319,000	1.27%	\$318,750	-0.08%
Attached	Average	\$436,562	\$440,156	0.82%	\$418,233	-4.98%
	Median	\$410,000	\$425,625	3.81%	\$394,000	-7.43%

¹% change Q2'2019—Q1'2019 ²% change Q2'2019—Q1'2018 ³% change month to previous month**Region: Fraser Valley**

Quarterly Sales		Q2 2019	Q1 2019	% Chg ¹	Q2 2018	% Chg ²
Total Number of Sales		3,160	2,419	30.63%	4,271	-26.01%
Total Value of Sales		\$2.04B	\$1.50B	36.21%	\$2.74B	-25.62%
Detached	Average	\$886,788	\$925,958	-4.23%	\$927,808	-4.42%
	Median	\$762,250	\$765,000	-0.36%	\$794,500	-4.06%
Condo	Average	\$348,094	\$355,545	-2.10%	\$333,766	4.29%
	Median	\$340,000	\$345,000	-1.45%	\$329,900	3.06%
Attached	Average	\$519,835	\$515,225	0.89%	\$525,649	-1.11%
	Median	\$511,000	\$510,000	0.20%	\$520,000	-1.73%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		860	1,075	25.00%	1,225	13.95%
Total Value of Sales		\$0.53B	\$0.70B	32.05%	\$0.82B	17.37%
Detached	Average	\$867,084	\$892,105	2.89%	\$894,656	0.29%
	Median	\$762,500	\$762,450	-0.01%	\$762,000	-0.06%
Condo	Average	\$367,228	\$341,195	-7.09%	\$332,829	-2.45%
	Median	\$360,000	\$325,000	-9.72%	\$320,000	-1.54%
Attached	Average	\$508,662	\$517,418	1.72%	\$530,047	2.44%
	Median	\$499,495	\$519,500	4.01%	\$509,000	-2.02%

Region: BC North / Northwest

Quarterly Sales		Q2 2019	Q1 2019	% Chg ¹	Q2 2018	% Chg ²
Total Number of Sales		1,837	1,022	79.75%	2,092	-12.19%
Total Value of Sales		\$0.51B	\$259.07M	96.80%	\$0.52B	-2.09%
Detached	Average	\$338,689	\$330,244	2.56%	\$314,961	7.53%
	Median	\$325,000	\$315,000	3.17%	\$305,000	6.56%
Condo	Average	\$157,016	\$177,321	-11.45%	\$188,687	-16.78%
	Median	\$104,500	\$164,250	-36.38%	\$193,000	-45.85%
Attached	Average	\$261,850	\$232,962	12.40%	\$246,238	6.34%
	Median	\$261,000	\$231,750	12.62%	\$253,000	3.16%

Monthly Sales		April	May	% Chg ¹	June	% Chg ³
Total Number of Sales		472	623	31.99%	742	19.10%
Total Value of Sales		\$121.77M	\$170.10M	39.68%	\$217.98M	28.15%
Detached	Average	\$316,760	\$325,657	2.81%	\$364,484	11.92%
	Median	\$315,000	\$320,000	1.59%	\$345,000	7.81%
Condo	Average	\$109,332	\$151,073	38.18%	\$202,975	25.57%
	Median	\$99,500	\$121,000	21.61%	\$178,000	32.02%
Attached	Average	\$246,948	\$266,734	8.01%	\$266,109	-0.23%
	Median	\$233,500	\$265,000	13.49%	\$269,000	1.51%

A MESSAGE FROM OUR PRESIDENT

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- BC Assessment data on 2.1+ million properties
- Sales transaction data for BC, including prices updated weekly
- Geographic location data used in reports



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