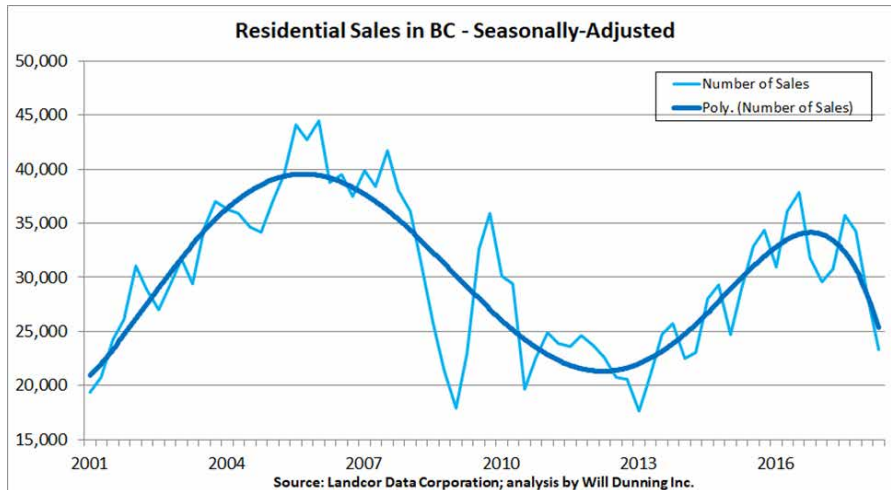


Report prepared by economist WILL DUNNING. Views expressed by Will Dunning are his own and do not necessarily represent those of Landcor Data Corporation. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

BC Housing Market Overview

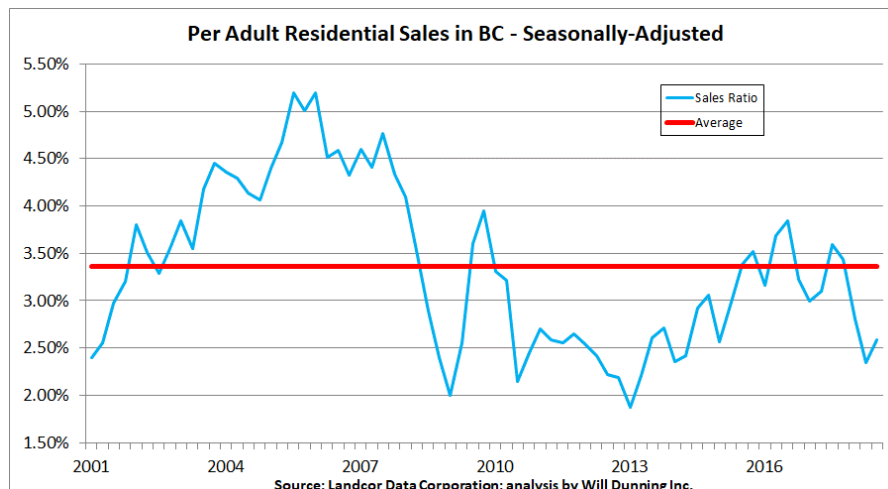
British Columbia's home sales improved in the third quarter. Actual sales totalled 30,068 units, which equates to 26,100 on a seasonally-adjusted basis. This was an improvement compared to the rate of 23,500 (also seasonally-adjusted) for the second quarter. But, as can be seen in Figure 1, housing activity in BC remains low in historic terms. As is discussed below, policies of the federal and provincial governments continue to weigh heavily on housing demand in British Columbia. (In these charts, the lines labelled "Poly." are trend lines generated by Excel.)

Figure 1



We should expect that sales will trend upwards over time, because the population is growing (and therefore there are more people who could potential buy homes). Meanwhile, the total stock of housing is expanding (and therefore there are more homes that could potentially be sold). Repeating a chart used in previous editions of this report, Figure 2 looks at sales on a "per adult" basis. This data shows that for Q3, the sales rate was just 2.59%. This is 23% below the average over the entire period (3.36%, which is shown by the flat red line). By this measure, home buying activity in BC is now exceptionally weak (as indicated in Figure 2.)

Figure 2



BC Housing Market Overview (cont'd)

Housing market performance, of course, is influenced by many factors. The two most important of these are job creation and affordability.

- Job creation influences how many people are in stable economic circumstances and can seriously consider buying a home.
- Affordability determines how many of these potential buyers can actually make a purchase (and what they can buy).

There is uncertainty about the actual current state of job creation within British Columbia.

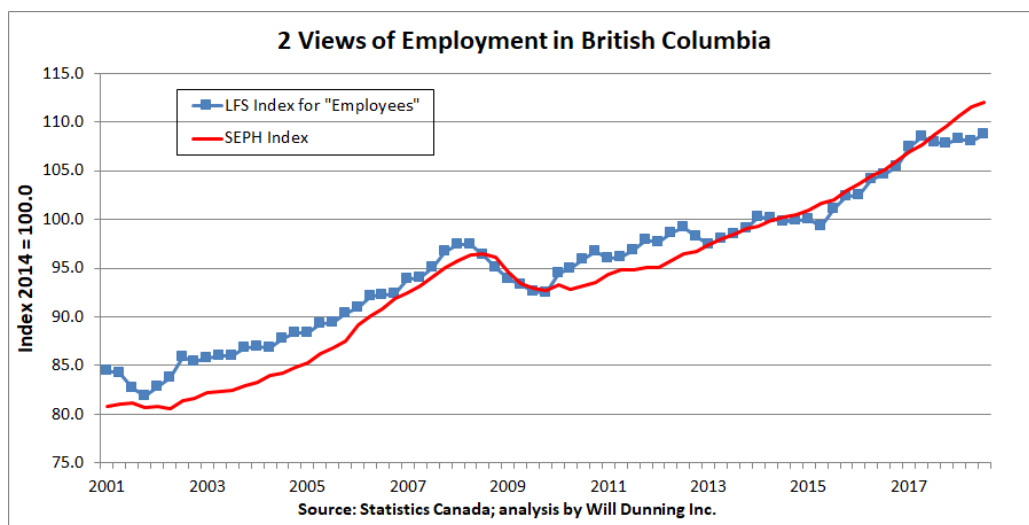
The main source of employment data in Canada is Statistics Canada's Labour Force Survey (or "LFS"). This dataset suggests that the job creation has slowed quite sharply, with a growth rate of just 0.5% for the year up to 2018-Q3. If that data is correct, it would help to explain the sharp slowing of home buying.

Statistics Canada produces another set of data on the employment situation (from its "Survey of Employment, Payrolls and Hours", or "SEPH"). However, the SEPH data comes out almost two months later than the LFS data and therefore it gets very little attention. In sharp contrast to the LFS data that shows no growth over the past year, the SEPH data shows a growth rate of 3.3%.

Figure 3 contrasts the data from the two surveys: the two datasets are converted into "indexes" of employment. The two indexes show that much of the time the datasets follow similar trends, but there are some periods where they disagree.

Both of these surveys are capable of generating erroneous data, but when they disagree, it is more likely that the Labour Force Survey is the culprit. It is based on a sample survey of households. Just like political opinion surveys, it can be wrong. For the second survey (SEPH), the employment estimates are based on the monthly filings that businesses submit to the Canada Revenue Agency (for payroll deductions). Based on the strong performance shown by the SEPH data, we should expect that housing activity would currently be strong in BC.

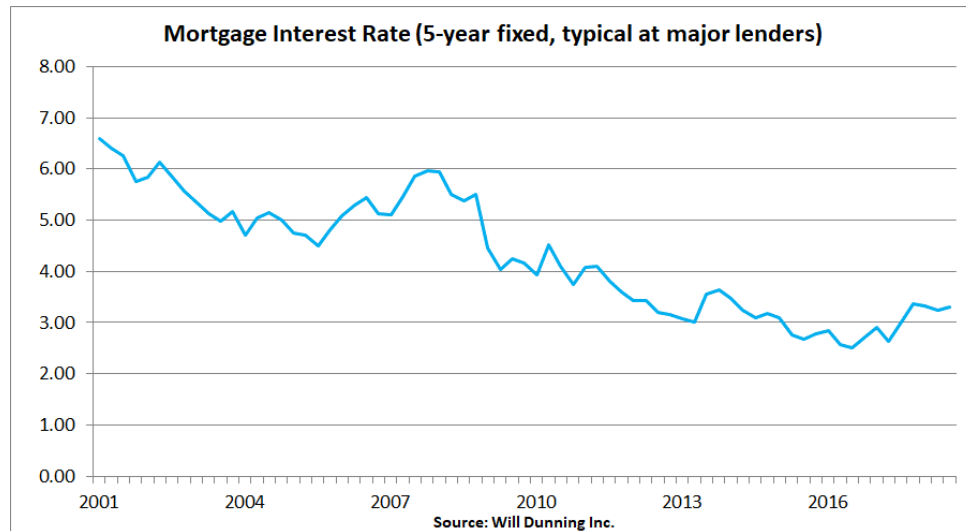
Figure 3



BC Housing Market Overview (cont'd)

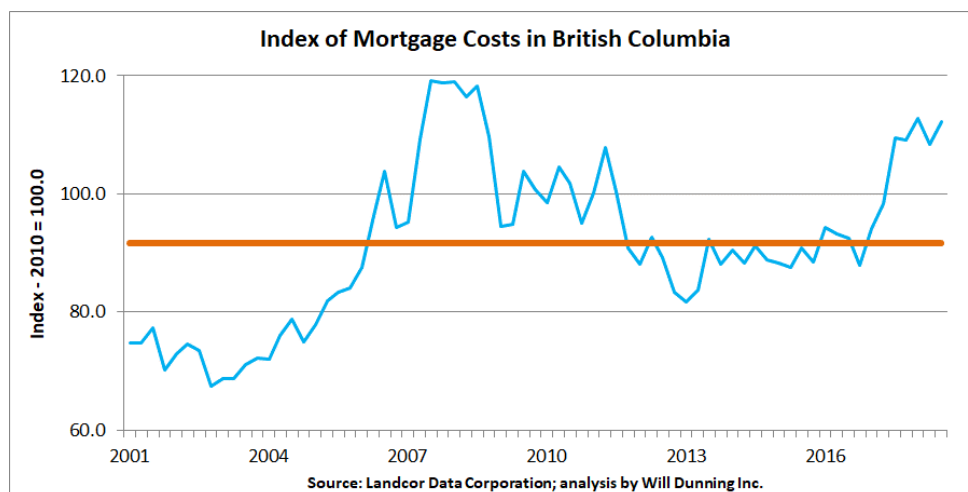
Another key factor is interest rates and affordability. Figure 4 shows the history for the interest rate that matters the most for the housing market. The rate has increased compared to a year ago (for Q3 a typical “special offer” interest rate for 5-year fixed-rate mortgages was 3.3%, versus an average of 2.75% for 2015 and 2016). In historic terms, mortgage interest rates are still very low.

Figure 4



While interest rates remain quite low, higher house prices have impaired affordability in British Columbia. Figure 5 provides an index of the affordability of mortgage payments. In this chart, the flat orange line is the average for the entire period. The current level is not the worst ever, but it is definitely much worse than average.

Figure 5



BC Housing Market Overview (cont'd)

Government Policies are Weighing on the Housing Market

For the two major factors, the first (the employment situation) is strongly favourable for housing demand, the second (affordability) is weakly negative. Overall, we should expect that housing activity might have slowed slightly during the past year, to levels that would be relatively strong in historic terms. The fact that activity is now very weak in historic terms points out the strong negative effects of federal and provincial government policies.

Federal government policies now require that most new mortgages must be “stress tested” at interest rates that are about 2 percentage points above the actual contracted rates. Consequences are being seen across the country. In some regions (most communities west of Ottawa), activity has dropped from prior levels. In others (Ottawa and areas to the east) the stress tests have disrupted what had been strong growth trends.

Within BC, provincial government policies have been a further deterrent to home buying. The speculation tax (in major urban centres) starts at a rate of 0.5% of property value for 2018, and increases in 2019 to:

- 2% for foreign investors and satellite families;
- 1% for Canadian citizens and permanent residents who do not live in BC; and
- 0.5% for British Columbians (Canadian citizens or permanent residents) who own a vacant second property (through the application of a tax credit, it is intended that for BC residents the tax will apply only to the portion of value above \$400,000).

The speculation tax is in addition to the previously-announced foreign buyers' tax. As of this year, the tax rate has been increased to 20% (from the initial 15% rate) and the geographic coverage has been expanded. In addition to the Greater Vancouver Regional District, the tax now applies within Capital Regional District, Fraser Valley Regional District, Regional District of Central Okanagan, and Regional District of Nanaimo.

Some analysts try to downplay the negative effects of these policies. Some of them expect that the impacts will fade, as consumers will make adjustments and activity will return to prior levels. Others characterize the current situations as the establishment of normalcy.

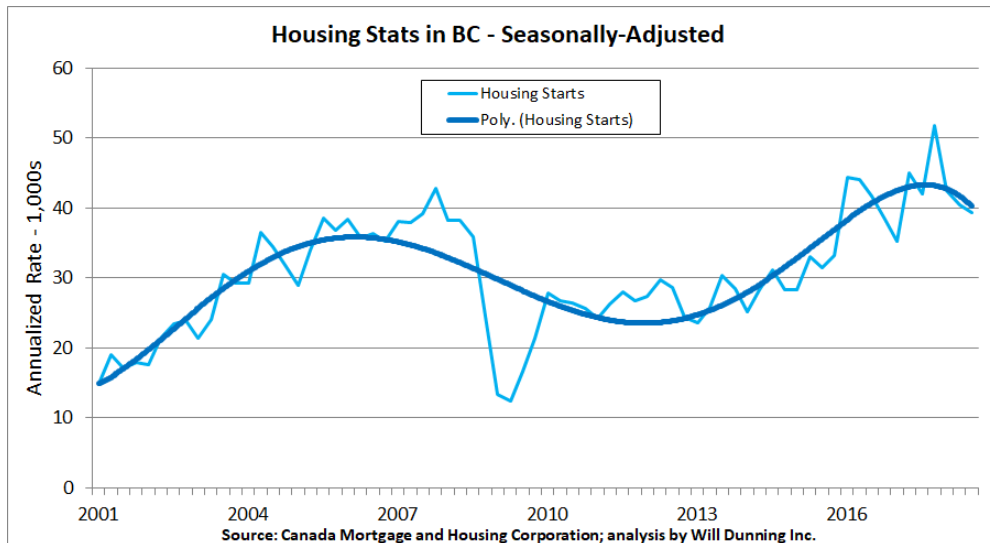
I am inclined to disagree. I expect that so long as these policies remain, they will continue to depress housing demand. Current levels of housing activity are not normal, for Canada as a whole and certainly not for British Columbia. There are too many potential home buyers in Canada who, based on their personal circumstances (especially based on their incomes and their personal economic prospects), should be able to buy homes in their communities, but are prevented from doing so by the federally-mandated stress tests.

Looking forward:

- For 2017 (prior to the onset of the second of the two mortgage stress tests), Landcor's data shows total residential sales at about 131,000.
- Based on the economic factors (the positives of job creation and population growth, and the negative factor of higher interest rates) activity should be the same or decrease slightly this year, to 120,000 to 125,000, or a reduction of 5% to 8% versus 2017.
- But, because of the policy factors (the federal stress tests and the provincial non-resident and speculation taxes), sales have been at an average rate of 104,000 (annualized) during the first nine months of this year.
- A further factor is that the policies are gradually affecting housing starts, as is illustrated in Figure 7. High levels of starts in the recent past are currently resulting in high volumes of housing completions and high numbers of new registrations of ownership, which is bolstering the numbers of sales transactions. The developing downturn of housing starts will result in a slow erosion of housing completions during 2019 and into 2020, adding a further negative factor for future sales figures.
- I expect that total sales in 2018 will be in the area of 105,000, a drop of about 20% from 2017. 2019 is unlikely to show very much (if any) improvement.

BC Housing Market Overview (cont'd)

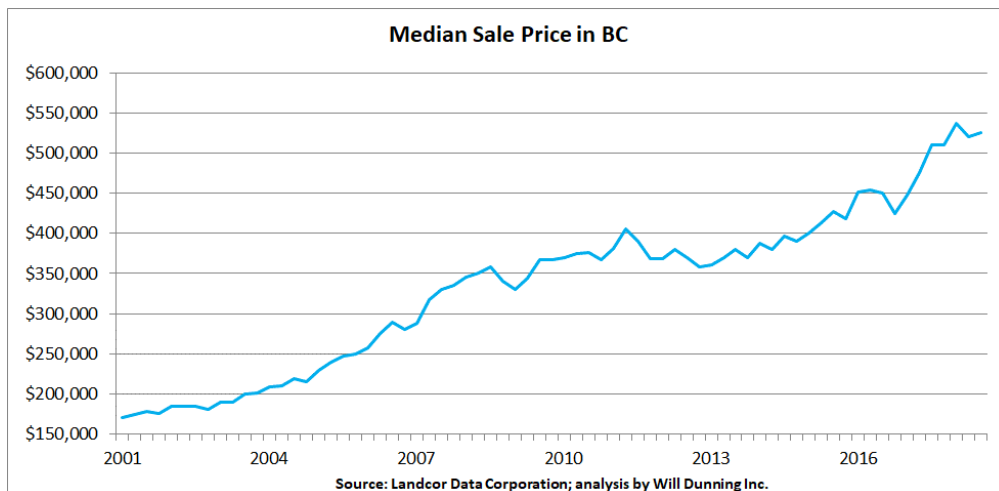
Figure 7



Prices

The median sale rose slightly during 2018-Q3, to \$525,000 from \$519,800 in 2018-Q2. It was up by 3.0% compared to a year ago (see Figure 8).

Figure 8



However, this has been influenced by a change in “composition” (the locations and types of homes sold). The data for the third quarter illustrates a case of distortion: for all of BC, the median price for detached homes fell by 2.0% during the past year, but all of the regions saw increases in their **median prices** for **detached** homes:

Greater Vancouver:	4.00%
Vancouver Island:	8.38%
Kootenay:	9.23%
Okanagan:	6.73%
Fraser Valley:	9.24%
North/northwest BC:	7.46%

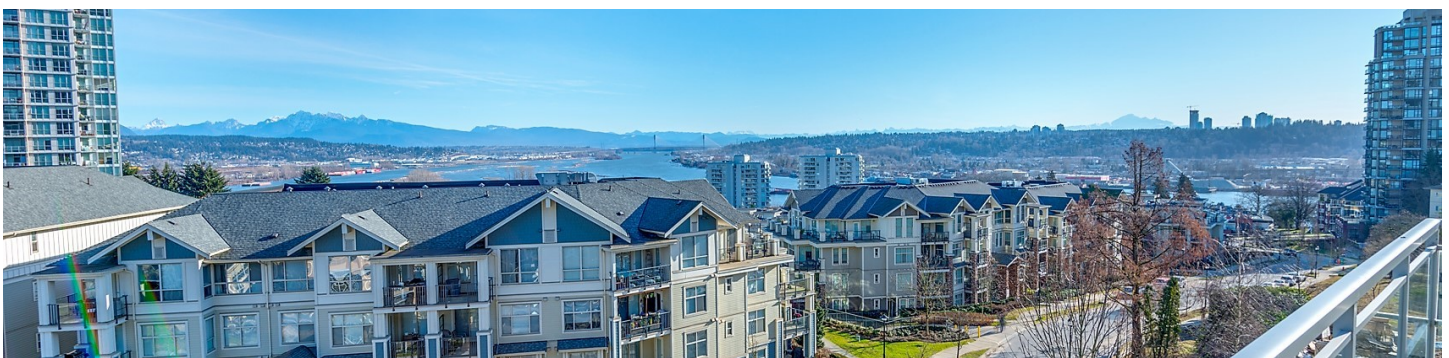
BC Housing Market Overview (cont'd)

Regional Variations

Landcor's data show that during 2018-Q3, residential sales were 27% lower than a year earlier. As is shown in the table on the next page, reductions were widespread, as only the North/Northwest region showed a notable increase (and Kootenay region was essentially unchanged). Other regions have shown severe reductions.

As is shown in the table, the largest reduction was in Greater Vancouver. In consequence, the GVRD lost a significant amount of market share. The Fraser Valley also saw a drop in its share. The four other regions saw increases.

Residential Sales in British Columbia, by Region, 2017-Q3 and 2018-Q3					
<i>Region</i>	<i>Quarterly Sales</i>		<i>% Change</i>	<i>Share of BC</i>	
	<i>2017-Q3</i>	<i>2018-Q3</i>		<i>2017-Q3</i>	<i>2018-Q3</i>
Greater Vancouver	17,982	11,732	-34.76%	43.7%	39.0%
Vancouver Island	7,294	5,642	-22.65%	17.7%	18.8%
Kootenay	1,513	1,545	2.12%	3.7%	5.1%
Okanagan	6,521	5,155	-20.95%	15.9%	17.1%
Fraser Valley	5,706	3,653	-35.98%	13.9%	12.1%
BC North/Northwest	2,124	2,341	10.22%	5.2%	7.8%
BC Total	41,140	30,068	-26.91%	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.

BC Residential Sales Summary for Q3, 2018

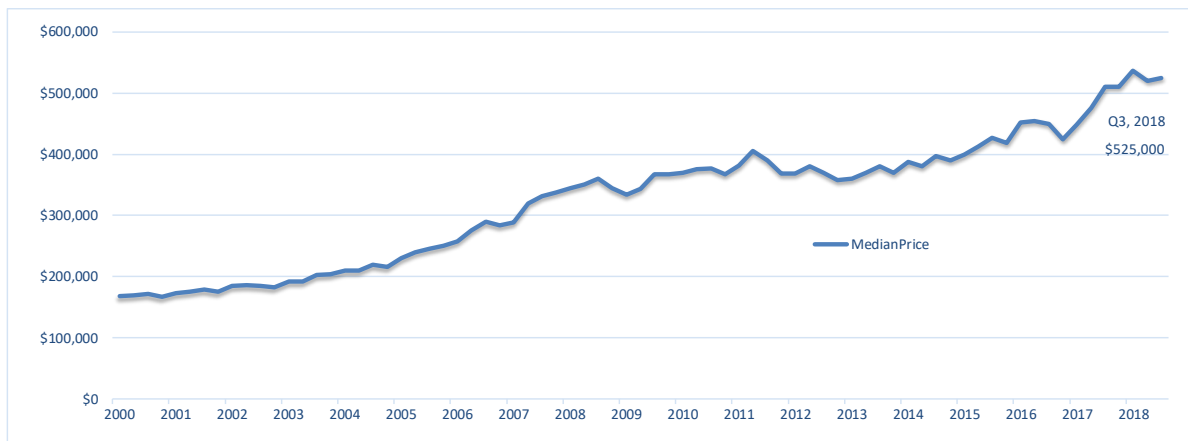
Landcor's quarterly residential sales reports on property sale values in British Columbia. Providing sales information on a regional level, the report compares average and median pricing on different property types.

¹% change Q3'2018—Q2'2018 ²% change Q3'2018—Q3'2017

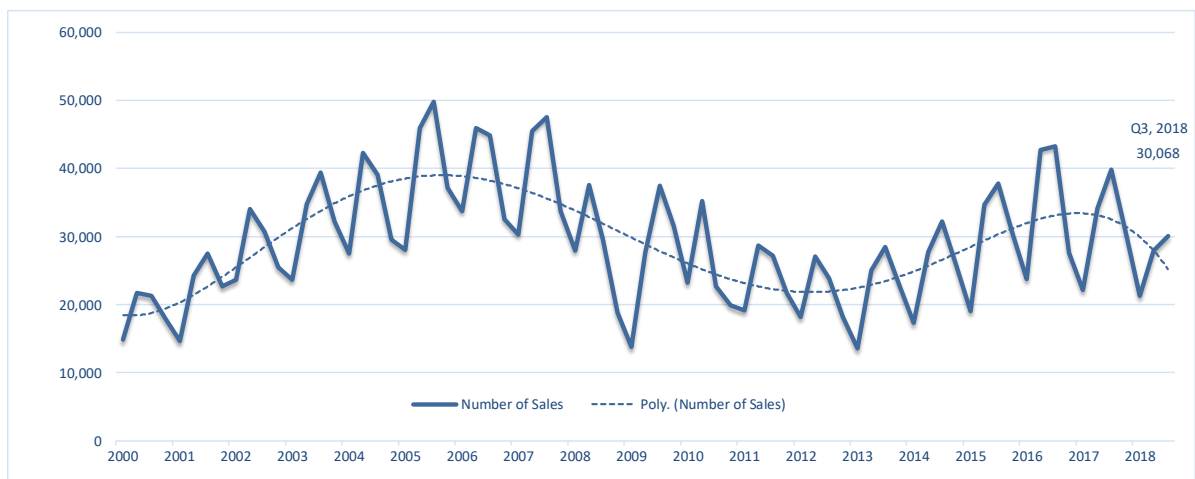
British Columbia - All

Quarterly Sales		Q3 2018	Q2 2018	% Chg ¹	Q3 2017	% Chg ²
Number of Sales		30,068	28,227	6.52%	41,140	-26.91%
Total Value of Sales		\$20.96B	\$19.81B	5.81%	\$28.15B	-25.53%
Detached	Average	\$881,857	\$887,465	-0.63%	\$906,876	-2.76%
	Median	\$675,000	\$676,000	-0.15%	\$689,000	-2.03%
Condo	Average	\$551,227	\$536,804	2.69%	\$494,068	11.57%
	Median	\$462,500	\$450,000	2.78%	\$424,900	8.85%
Attached	Average	\$621,272	\$626,521	-0.84%	\$604,714	2.74%
	Median	\$560,000	\$555,000	0.90%	\$532,000	5.26%

Median Sale Prices - British Columbia ALL



Sales Counts - British Columbia ALL



¹% change Q3'2018—Q2'2018 ²% change Q3'2018—Q3'2017 ³% change month to previous month**Region: Greater Vancouver**

Quarterly Sales		Q3 2018	Q2 2018	% Chg ¹	Q3 2017	% Chg ²
Number of Sales		11,732	11,059	6.09%	17,982	-34.76%
Total Value of Sales		\$11.91B	\$11.45B	4.00%	\$17.01B	-29.98%
Detached	Average	1,639,591	1,651,427	-0.72%	\$1,612,360	1.69%
	Median	1,352,000	1,330,000	1.65%	\$1,300,000	4.00%
Condo	Average	649,501	642,239	1.13%	\$572,712	13.41%
	Median	543,450	545,000	-0.28%	\$495,000	9.79%
Attached	Average	830,327	848,627	-2.16%	\$793,620	4.63%
	Median	700,000	710,000	-1.41%	\$684,050	2.33%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Number of Sales		4,481	3,949	-11.87%	3,302	-16.38%
Total Value of Sales		\$4.33B	\$4.25B	-1.85%	\$3.34B	-21.40%
Detached	Average	1,683,780	1,621,088	-3.72%	\$1,604,679	-1.01%
	Median	1,380,000	1,350,000	-2.17%	\$1,330,000	-1.48%
Condo	Average	624,321	670,113	7.33%	\$663,140	-1.04%
	Median	529,900	565,000	6.62%	\$545,000	-3.54%
Attached	Average	823,410	833,245	1.19%	\$835,534	0.27%
	Median	700,000	700,000	0.00%	\$709,900	1.41%

Region: Vancouver Island

Quarterly Sales		Q3 2018	Q2 2018	% Chg ¹	Q3 2017	% Chg ²
Number of Sales		5,642	5,264	7.18%	7,294	-22.65%
Total Value of Sales		\$3.08B	\$2.81B	9.81%	\$3.76B	-18.10%
Detached	Average	669,741	663,299	0.97%	630,904	6.16%
	Median	595,000	585,000	1.71%	549,000	8.38%
Condo	Average	400,535	393,930	1.68%	355,759	12.59%
	Median	365,250	360,000	1.46%	325,000	12.38%
Attached	Average	477,570	473,314	0.90%	433,401	10.19%
	Median	445,000	448,950	-0.88%	390,000	14.10%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Number of Sales		2,020	2,109	4.41%	1,513	-28.26%
Total Value of Sales		\$1.08B	\$1.17B	8.04%	\$0.83B	-29.05%
Detached	Average	658,336	685,945	4.19%	\$661,613	-3.55%
	Median	598,500	599,000	0.08%	\$590,000	-1.50%
Condo	Average	402,037	389,611	-3.09%	\$416,678	6.95%
	Median	375,000	357,000	-4.80%	\$382,500	7.14%
Attached	Average	466,548	482,286	3.37%	\$485,447	0.66%
	Median	434,950	439,900	1.14%	\$464,900	5.68%

¹% change Q3'2018—Q2'2018 ²% change Q3'2018—Q3'2017 ³% change month to previous month**Region: Kootenay**

Quarterly Sales		Q3 2018	Q2 2018	% Chg ¹	Q3 2017	% Chg ²
Number of Sales		1,545	1,311	17.85%	1,513	2.12%
Total Value of Sales		\$456.08M	\$376.31M	21.20%	\$438.48M	4.01%
Detached	Average	383,853	369,142	3.99%	\$362,662	5.84%
	Median	355,000	330,000	7.58%	\$325,000	9.23%
Condo	Average	201,951	186,710	8.16%	\$179,508	12.50%
	Median	193,869	177,900	8.98%	\$174,700	10.97%
Attached	Average	303,281	309,347	-1.96%	\$285,955	6.06%
	Median	290,000	285,750	1.49%	\$273,000	6.23%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Number of Sales		508	621	22.24%	416	-33.01%
Total Value of Sales		\$143.40M	\$189.92M	32.44%	\$122.76M	-35.36%
Detached	Average	371,938	404,325	8.71%	\$369,450	-8.63%
	Median	364,000	379,500	4.26%	\$331,000	-12.78%
Condo	Average	185,138	186,319	0.64%	\$242,749	30.29%
	Median	170,000	169,500	-0.29%	\$265,000	56.34%
Attached	Average	303,700	305,291	0.52%	\$300,277	-1.64%
	Median	300,000	314,000	4.67%	\$285,000	-9.24%

Region: Okanagan

Quarterly Sales		Q3 2018	Q2 2018	% Chg ¹	Q3 2017	% Chg ²
Number of Sales		5,155	4,685	10.03%	6,521	-20.95%
Total Value of Sales		\$2.40B	\$2.11B	13.73%	\$2.83B	-15.29%
Detached	Average	605,682	584,837	3.56%	\$568,793	6.49%
	Median	539,000	520,000	3.65%	\$505,000	6.73%
Condo	Average	342,402	324,285	5.59%	\$310,431	10.30%
	Median	315,830	300,000	5.28%	\$287,750	9.76%
Attached	Average	418,377	395,810	5.70%	\$379,674	10.19%
	Median	391,000	369,900	5.70%	\$360,000	8.61%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Number of Sales		1,706	1,960	14.89%	1,489	-24.03%
Total Value of Sales		\$0.81B	\$0.88B	8.41%	\$0.70B	-20.01%
Detached	Average	610,976	594,505	-2.70%	\$614,470	3.36%
	Median	550,000	538,400	-2.11%	\$525,000	-2.49%
Condo	Average	309,495	332,510	7.44%	\$381,989	14.88%
	Median	286,750	320,000	11.60%	\$323,795	1.19%
Attached	Average	419,466	405,681	-3.29%	\$432,736	6.67%
	Median	389,500	380,000	-2.44%	\$423,045	11.33%

¹% change Q3'2018—Q2'2018 ²% change Q3'2018—Q3'2017 ³% change month to previous month**Region: Fraser Valley**

Quarterly Sales		Q3 2018	Q2 2018	% Chg ¹	Q3 2017	% Chg ²
Number of Sales		3,653	3,927	-6.98%	5,706	-35.98%
Total Value of Sales		\$2.50B	\$2.57B	-3.11%	\$3.57B	-30.16%
Detached	Average	952,605	931,924	2.22%	\$863,603	10.31%
	Median	820,000	795,800	3.04%	\$750,650	9.24%
Condo	Average	347,650	335,743	3.55%	\$271,176	28.20%
	Median	347,400	335,000	3.70%	\$265,000	31.09%
Attached	Average	535,474	520,988	2.78%	\$480,141	11.52%
	Median	526,808	516,930	1.91%	\$474,850	10.94%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Number of Sales		1,456	1,242	-14.70%	955	-23.11%
Total Value of Sales		\$1.01B	\$0.85B	-16.09%	\$0.64B	-25.01%
Detached	Average	968,198	958,039	-1.05%	\$918,216	-4.16%
	Median	823,000	820,000	-0.36%	\$811,000	-1.10%
Condo	Average	359,566	332,958	-7.40%	\$349,547	4.98%
	Median	360,000	322,000	-10.56%	\$353,500	9.78%
Attached	Average	536,659	526,027	-1.98%	\$545,596	3.72%
	Median	540,000	509,250	-5.69%	\$535,000	5.06%

Region: BC North / NW

Quarterly Sales		Q3 2018	Q2 2018	% Chg ¹	Q3 2017	% Chg ²
Number of Sales		2,341	1,981	18.17%	2,124	10.22%
Total Value of Sales		\$0.62B	\$493.68M	26.18%	\$0.54B	16.08%
Detached	Average	336,623	314,338	7.09%	\$312,299	7.79%
	Median	317,000	305,000	3.93%	\$295,000	7.46%
Condo	Average	186,585	187,127	-0.29%	\$170,049	9.72%
	Median	182,500	190,000	-3.95%	\$182,250	0.14%
Attached	Average	232,745	246,447	-5.56%	\$238,452	-2.39%
	Median	220,000	253,000	-13.04%	\$255,000	-13.73%

Monthly Sales		July	August	% Chg ¹	September	% Chg ³
Number of Sales		855	849	-0.70%	637	-24.97%
Total Value of Sales		\$231.89M	\$226.99M	-2.11%	\$164.06M	-27.72%
Detached	Average	339,184	342,645	1.02%	\$324,767	-5.22%
	Median	318,000	324,500	2.04%	\$300,000	-7.55%
Condo	Average	177,750	195,971	10.25%	\$182,603	-6.82%
	Median	173,000	260,000	50.29%	\$182,450	-29.83%
Attached	Average	236,438	224,664	-4.98%	\$239,701	6.69%
	Median	250,000	213,475	-14.61%	\$227,385	6.52%



A MESSAGE FROM OUR PRESIDENT

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.

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 and analysis 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.

Landcor's Database Includes:

Data Source—

Multi Year Agreement with BC Assessment

2.2+ Million Properties

—Residential, Commercial, Industrial, Farms, etc.

9.5 Million Sales

—Updated Weekly—(MLS/Private)

9.5 Million Sales Records Dating Back to mid '70's



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