

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.

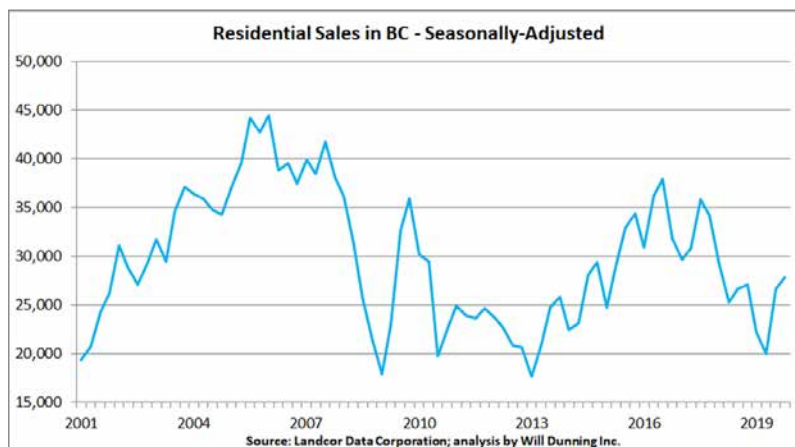
BC Housing Market Overview

This edition contains the usual brief analysis of housing market trends in BC. As well, there is an overview of rental market conditions across the province, using data from Canada Mortgage and Housing Corporation’s annual rental market survey.

Landcor’s data shows that sales continue to improve slightly during the fourth quarter. The 24,514 actual sales were 3% higher compared to a year ago, and on a seasonally-adjusted basis, sales in the fourth quarter (estimated at 28,100) were 4% above the third quarter. But, as illustrated in Figure 1, the market is in the early stages of recovery from activity that had been very weak. (In some of the charts below, 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.”)

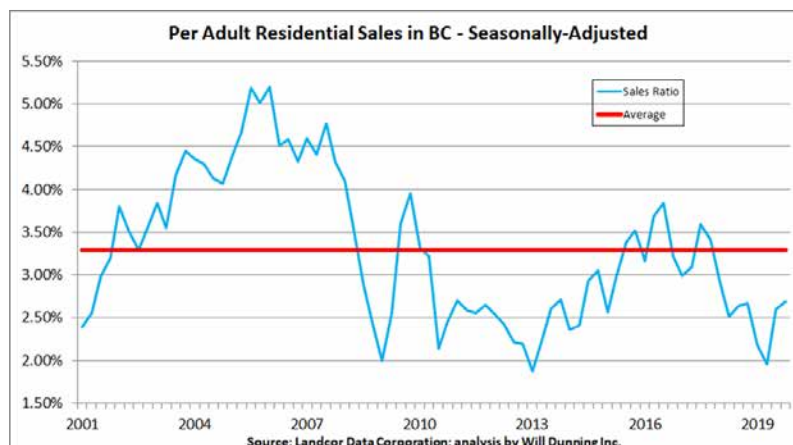
As has been discussed in previous editions of this report, fundamental economic conditions are quite favourable: weak sales are occurring because policies of the federal and provincial governments are weighing heavily on home buying in British Columbia.

Figure 1



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 find it useful to look at the data in terms of sales per adult: Figure 2 provides that data. At first glance, it looks quite similar to Figure 1. But, an important difference is that it highlights that there have now been eight consecutive quarters of below-average sales, and that the sales rate remains quite far below average (the Q4 figure of 2.69% is 18% 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.

Figure 2

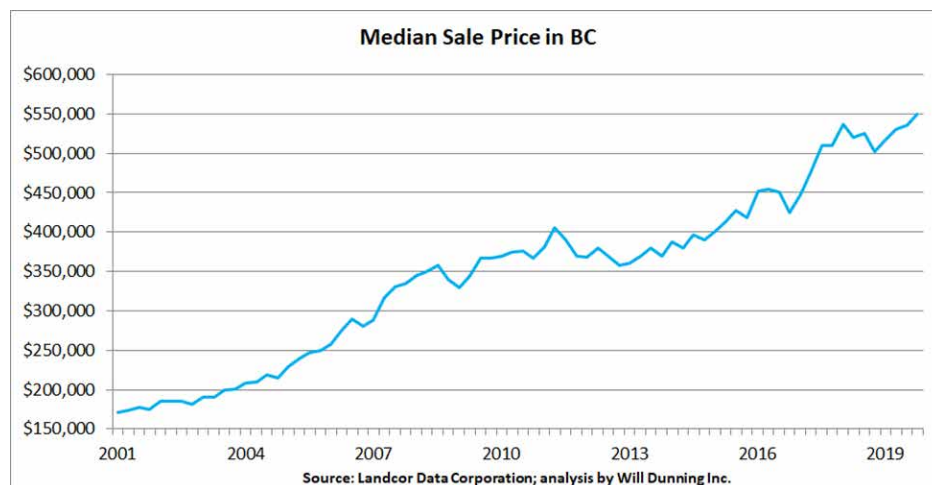


BC Housing Market Overview (cont'd)

Prices

The median sale price fell during 2018, but then increased during each quarter of 2019. As of 2019-Q4, the median price (\$549,900) is now at an all-time high (the prior record was \$537,000 as of 2018-Q1).

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 weakest in the most expensive market area (Greater Vancouver) and for the most expensive dwelling type (detached homes). For detached homes in Vancouver, the median price is still lower than in 2018.

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.

Price growth remains strong in most of the province's regions.

Year-Over-Year Changes in Median Selling Prices, by Region and Type of Dwelling, 2018-Q4 to 2019-Q4			
<i>Region</i>	<i>Detached</i>	<i>Condo</i>	<i>Attached</i>
Greater Vancouver	-3.85%	4.73%	2.90%
Vancouver Island	6.63%	5.24%	8.92%
Kootenay	6.73%	5.71%	-4.45%
Okanagan	2.80%	16.83%	6.60%
Fraser Valley	0.67%	-4.99%	2.76%
BC North/Northwest	4.86%	-2.75%	4.45%
BC Total	12.93%	6.63%	2.75%
Source: Landcor Data Corporation			
Note: Figures may vary from other published data due to on-going revisions.			

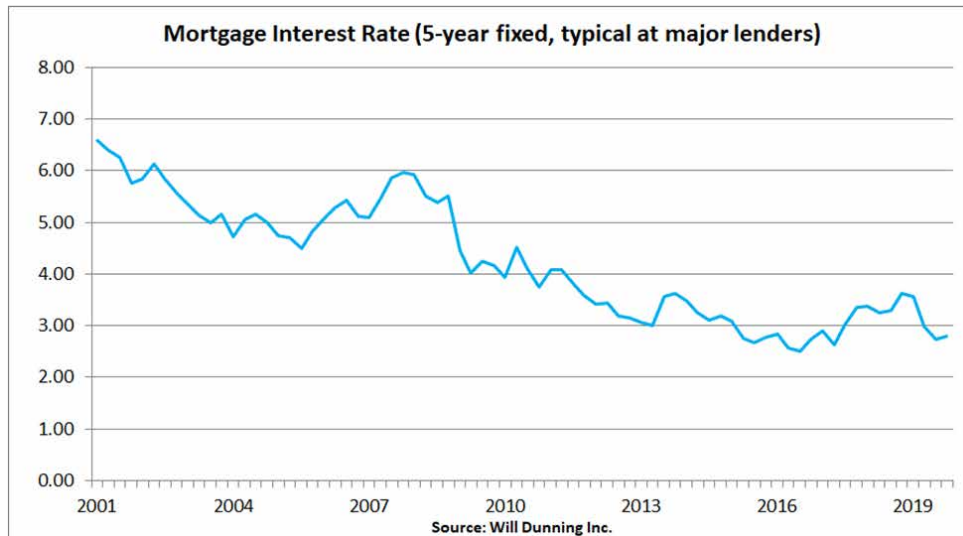
BC Housing Market Overview (cont'd)

Economic Fundamentals Remain Very Favourable

During the past four years, interest rates, job creation, and population growth have been quite favourable for housing demand in BC, and the sales trend should be strong and rising.

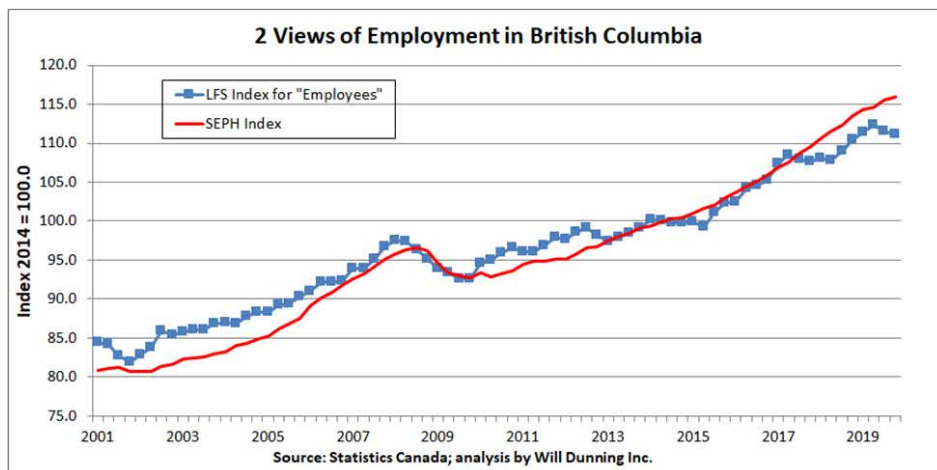
Mortgage interest rates fell last Spring. While they increased fractionally during the Fall, they remain quite low: my opinion-estimate of typical “special offer” interest rates was 2.85% at the end of the year, which is slightly above the all-time low of 2.5% seen at mid-2016 (these are advertised rates for 5-year fixed rate mortgages from major lenders – even lower rates can often be negotiated). Low interest rates have resulted in improved affordability, and there is a large number of potential buyers. However, the federally-mandated mortgage stress tests (which utilize a minimum interest rate of 5.19%) remain a barrier for too many people who are very good candidates for home ownership.

Figure 4



There are several different ways we can look at the employment situation. Figure 5 looks at the level of employment, 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”). While the two surveys show different rates of growth during the past 2.5 years, they both show that there has been a lot of job creation during the past 5 years. It takes time for people to get ready to buy a home, and this data means that a lot of people in BC have been getting ready to buy. This should be resulting in strong home buying.

Figure 5

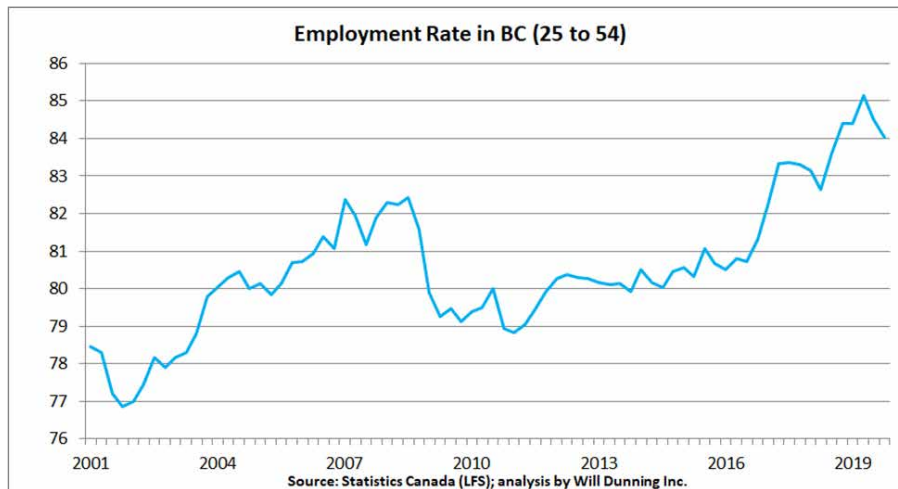


BC Housing Market Overview (cont'd)

Another way to look at employment is via the percentage of the population that has jobs, especially for the “prime working ages” of 25 to 54. This indicator has been exceptionally strong during the past three years. During the second half of 2019, the employment rate fell slightly.

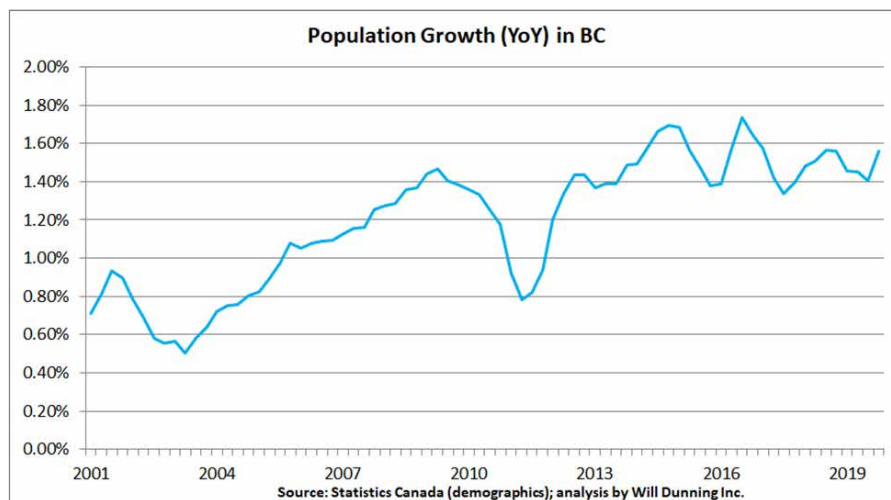
For now, it is uncertain if this is a real event or if it is one of the statistical artifacts that often appear in this data. Even if the recent data is correct, the prime age employment rate is still at a very high level, and should be supporting robust home buying.

Figure 6



Concerning population growth, Statistics Canada estimated a growth rate of 1.56% for Q4. This is slightly slower than during 2013 to 2016, but it is still quite strong (for the entire period shown in this chart, the average growth rate is 1.23%).

Figure 7



As I have commented before, there is a sharp discrepancy between actual home buying activity in BC housing market versus the considerable strength that we should expect based on the fundamentals: government policies (federal and provincial) continue to impair buying.

- As mentioned already, the federally-mandated mortgage stress tests (which apply to most new mortgages) are conducted at an interest rate (5.19%) that is far above the rates that can be obtained in the mortgage market (usually below 3%). The impact is worst in areas that have the highest house prices: in other words, British Columbia is the worst-affected province.
- The provincial foreign buyers' tax and the speculation tax are also impediments to buying.

BC Housing Market Overview (cont'd)

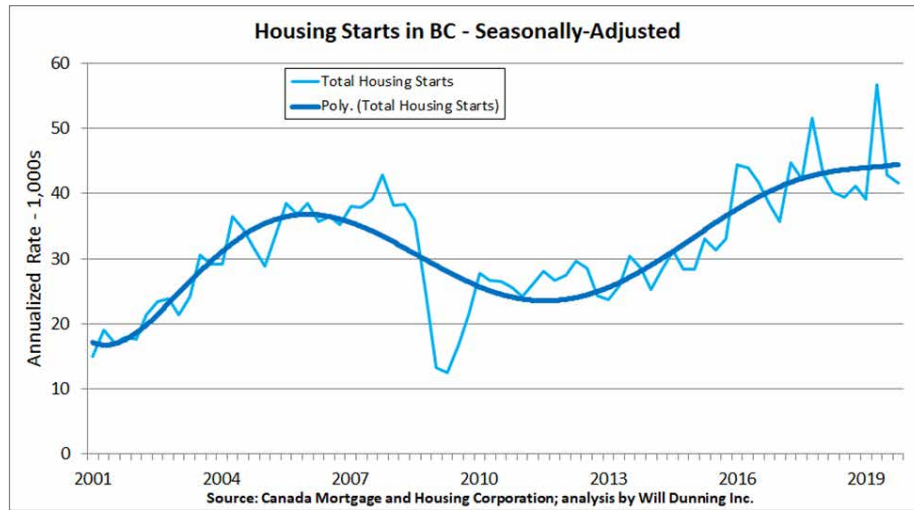
House Prices Might Be Stabilizing

I have commented previously that in a modern economy, one of the most dangerous things that can happen is for house prices to fall. Therefore, the fall in prices that occurred during 2018 was a cause for concern. The data for 2019 has provided increasing comfort that sales are now strong enough to support the existing price levels (and even allow for some growth). In short, this economic risk is becoming much less worrisome.

Strong Housing Starts

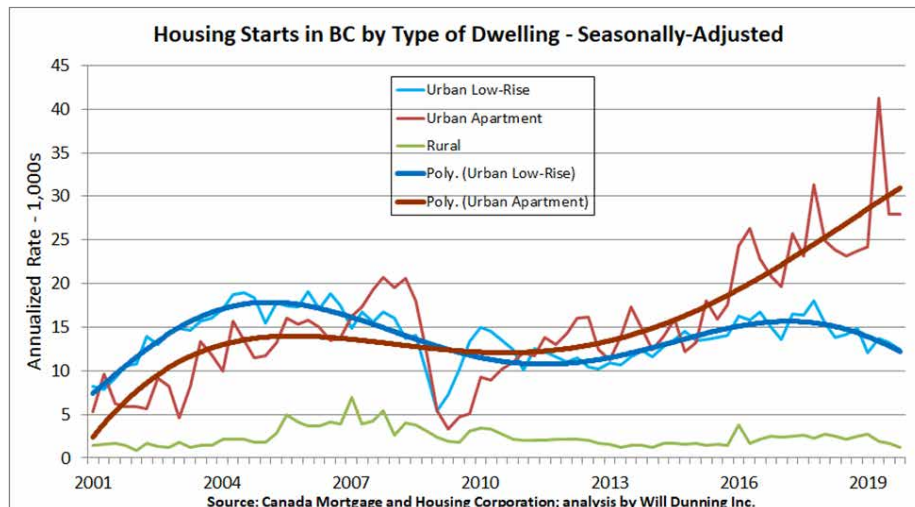
I commented last quarter that on a “demographic” basis, BC needs about 35,000 new dwellings per year. During the past three years, housing starts have exceeded the requirements. It takes time for construction to be completed so that new dwellings can be occupied. Now, larger amounts of housing are being completed, and this is reducing pressures within the BC housing market (but of course, there are a lot of variations, across locations, and different segments of the housing market). Continued high volumes of starts are encouraging that there should be further depressurization for at least the next two years.

Figure 8



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. Looking forward, it might be expected that conditions would remain quite tight in the low-rise sector (causing prices to rise) but that there could be excess supply for apartments (possibly deflating prices).

Figure 9



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, 2018-Q4 and 2019-Q4					
Region	Quarterly Sales		% Change	Share of BC	
	2018-Q4	2019-Q4		2018-Q4	2019-Q4
Greater Vancouver	9,697	10,298	6.2%	40.8%	42.0%
Vancouver Island	4,301	4,530	5.3%	18.1%	18.5%
Kootenay	1,123	1,133	0.9%	4.7%	4.6%
Okanagan	3,722	3,751	0.8%	15.6%	15.3%
Fraser Valley	3,078	3,175	3.2%	12.9%	13.0%
BC North/Northwest	1,870	1,627	-13.0%	7.9%	6.6%
BC Total	23,791	24,514	3.0%	100.0%	100.0%
Source: Landcor Data Corporation					
Note: Figures may vary from other published data due to ongoing revisions.					

Continued Tightness in the Rental Sector

The depressurization noted above is now resulting in a slight improvement in the vacancy rate in the rental sector. But, at a rate of 1.5% for the fall of 2019, the market remains very tight and is very challenging for tenants. Using statistical analysis, I estimate that for BC, the "balanced market" vacancy rate is in the range of 3-3.5% (this is the vacancy rate at which rents should be expected to rise by 2% per year). In truth, it is difficult to confidently draw a conclusion on the balanced rate, since the province's vacancy rates are often very low (see Figure 10 – the average vacancy rate for the entire period is 2.3%), and because rents usually rise by more than 2% (as shown in Figure 11 – for the entire period, the average increase is 3.4% per year).

Figure 10

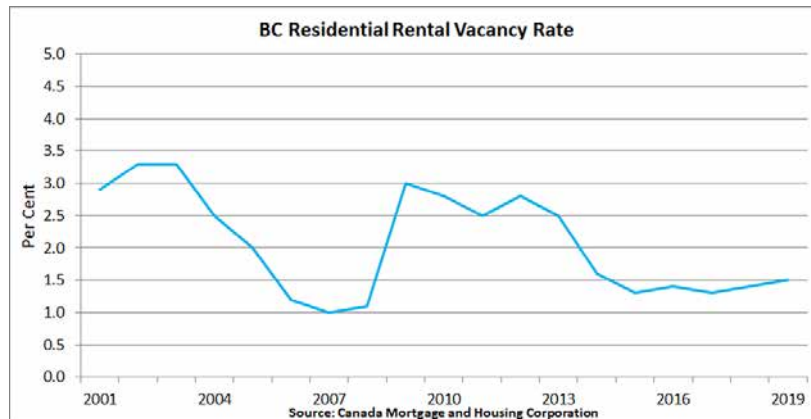
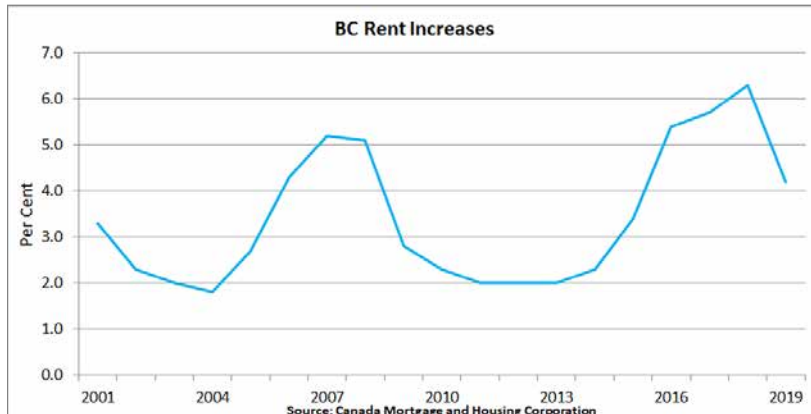


Figure 11



BC Housing Market Overview (cont'd)

CMHC generates rental market data for a large number of urban areas across Canada and the provinces. The next table provides the CMHC estimates of vacancy rates and rent increases across BC, for 2019. Vacancy rates were below 2% in 16 out of 26 areas, plus the province. Out of 22 local areas for which rent increases were estimated, the increases exceeded 2% in 18.

Rental Market Indicators for British Columbia (October 2019)		
	Vacancy Rate (Per Cent)	Year-over-Year Rent Change
Abbotsford - Mission	1.2	4.8
Campbell River	0.4	7.0
Chilliwack	1.4	n/a
Courtenay	1.3	11.5
Cranbrook	1.1	4.7
Dawson Creek	18.0	-1.1
Duncan	0.9	6.3
Fort St. John	12.7	-1.9
Kamloops	2.1	2.7
Kelowna	2.6	2.4
Nanaimo	1.9	5.4
Nelson	0.4	5.0
Parksville	0.5	4.1
Penticton	2.1	5.1
Port Alberni	1.1	6.1
Powell River	0.5	7.5
Prince George	2.8	3.6
Prince Rupert	3.4	n/a
Quesnel	4.0	1.4
Salmon Arm	1.7	5.5
Squamish	0.3	1.2
Terrace	2.1	n/a
Vancouver	1.1	4.7
Vernon	1.7	4.2
Victoria	1.0	3.4
Williams Lake	3.9	n/a
British Columbia	1.5	4.2
Source: Canada Mortgage and Housing Corporation		
Note: n/a indicates estimate not published..		

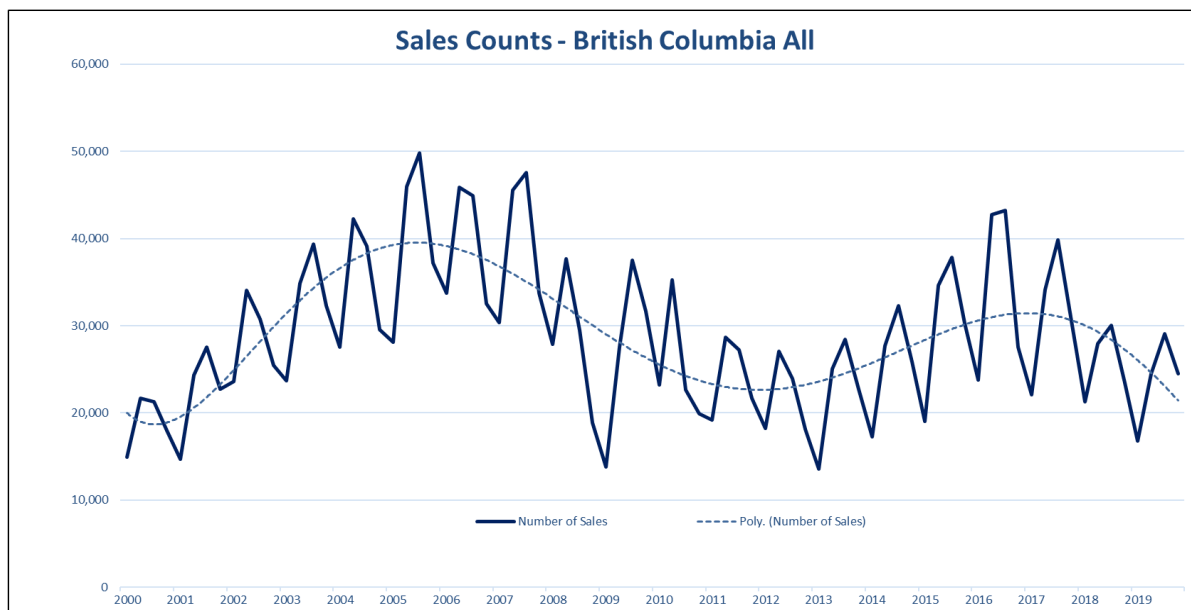
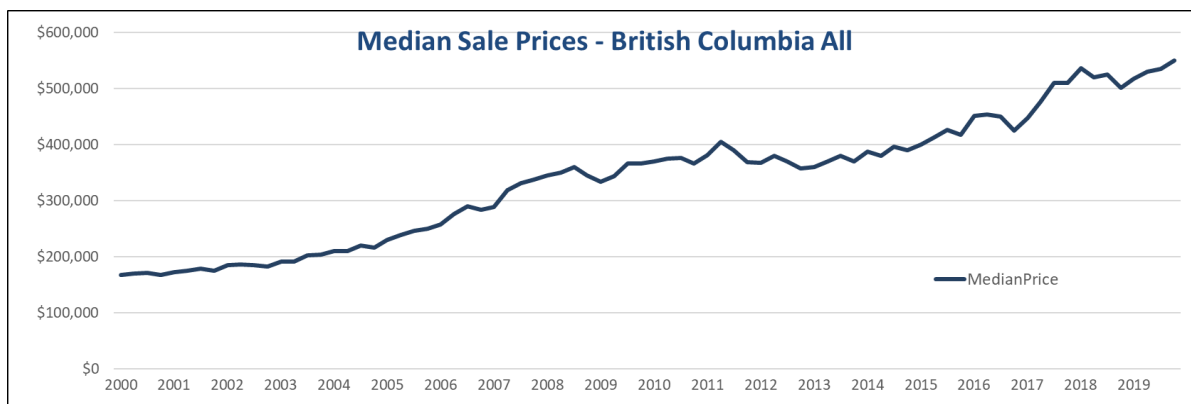
Will Dunning has been analyzing housing markets since 1982. His consulting firm provides custom analysis to clients in the private, public, and non-governmental sectors. His website is www.wdunning.com.

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.

¹% change Q4'2019—Q3'2019 ²% change Q4'2019—Q4'2018

British Columbia - All

Quarterly Sales		Q4 2019	Q3 2019	% Chg ¹	Q4 2018	% Chg ²
Total Number of Sales		24,514	30,656	-20.04%	23,791	3.04%
Total Value of Sales		\$17.03B	\$20.10B	-15.24%	\$16.02B	6.34%
Detached	Average	\$897,472	\$837,463	7.17%	\$861,689	4.15%
	Median	\$725,000	\$670,000	8.21%	\$642,000	12.93%
Condo	Average	\$553,211	\$520,876	6.21%	\$538,656	2.70%
	Median	\$477,700	\$460,000	3.85%	\$448,000	6.63%
Attached	Average	\$628,794	\$610,303	3.03%	\$603,341	4.22%
	Median	\$565,000	\$550,000	2.73%	\$549,900	2.75%



¹% change Q4'2019—Q3'2019 ²% change Q4'2019—Q4'2018 ³% change month to previous month

Region: Greater Vancouver

Quarterly Sales		Q4 2019	Q3 2019	% Chg ¹	Q4 2018	% Chg ²
Total Number of Sales		10,298	12,543	-17.90%	9,697	6.20%
Total Value of Sales		\$9.86B	\$11.02B	-10.50%	\$9.29B	6.19%
Detached	Average	\$1,512,296	\$1,477,938	2.32%	\$1,640,400	-7.81%
	Median	\$1,250,000	\$1,220,000	2.46%	\$1,300,000	-3.85%
Condo	Average	\$641,468	\$583,207	9.99%	\$634,089	1.16%
	Median	\$553,900	\$525,000	5.50%	\$528,900	4.73%
Attached	Average	\$815,271	\$802,814	1.55%	\$800,227	1.88%
	Median	\$710,000	\$697,500	1.79%	\$690,000	2.90%

Monthly Sales		October	November	% Chg ¹	December	% Chg ³
Total Number of Sales		3,980	3,516	-11.66%	2,802	-20.31%
Total Value of Sales		\$3.68B	\$3.46B	-6.18%	\$2.72B	-21.28%
Detached	Average	\$1,476,891	\$1,500,138	1.57%	\$1,572,222	4.81%
	Median	\$1,225,000	\$1,250,000	2.04%	\$1,270,000	1.60%
Condo	Average	\$660,731	\$639,146	-3.27%	\$614,248	-3.90%
	Median	\$570,000	\$560,000	-1.75%	\$531,000	-5.18%
Attached	Average	\$827,564	\$791,851	-4.32%	\$832,588	5.14%
	Median	\$710,000	\$700,000	-1.41%	\$725,000	3.57%

Region: Vancouver Island

Quarterly Sales		Q4 2019	Q3 2019	% Chg ¹	Q4 2018	% Chg ²
Total Number of Sales		4,530	5,940	-23.74%	4,301	5.32%
Total Value of Sales		\$2.59B	\$3.39B	-23.71%	\$2.31B	11.89%
Detached	Average	\$696,458	\$678,398	2.66%	650,334	7.09%
	Median	\$628,571	\$620,000	1.38%	589,492	6.63%
Condo	Average	\$455,379	\$447,601	1.74%	418,023	8.94%
	Median	\$399,900	\$392,500	1.89%	380,000	5.24%
Attached	Average	\$512,548	\$496,331	3.27%	477,451	7.35%
	Median	\$481,000	\$469,000	2.56%	441,600	8.92%

Monthly Sales		October	November	% Chg ¹	December	% Chg ³
Total Number of Sales		1,692	1,587	-6.21%	1,251	-21.17%
Total Value of Sales		\$0.96B	\$0.91B	-5.29%	\$0.72B	-20.68%
Detached	Average	\$691,639	\$698,756	1.03%	\$700,302	0.22%
	Median	\$615,000	\$645,000	4.88%	\$635,500	-1.47%
Condo	Average	\$446,799	\$455,217	1.88%	\$465,977	2.36%
	Median	\$387,250	\$395,000	2.00%	\$417,000	5.57%
Attached	Average	\$496,198	\$520,465	4.89%	\$524,936	0.86%
	Median	\$469,262	\$491,200	4.68%	\$498,700	1.53%

¹% change Q4'2019—Q3'2019 ²% change Q4'2019—Q4'2018 ³% change month to previous month

Region: Kootenay

Quarterly Sales		Q4 2019	Q3 2019	% Chg ¹	Q4 2018	% Chg ²
Total Number of Sales		1,133	1,371	-17.36%	1,123	0.89%
Total Value of Sales		\$348.81M	\$428.25M	-18.55%	\$318.40M	9.55%
Detached	Average	\$403,666	\$396,891	1.71%	\$359,487	12.29%
	Median	\$365,000	\$365,000	0.00%	\$342,000	6.73%
Condo	Average	\$200,389	\$216,527	-7.45%	\$180,577	10.97%
	Median	\$185,000	\$195,800	-5.52%	\$175,000	5.71%
Attached	Average	\$341,217	\$321,841	6.02%	\$332,601	2.59%
	Median	\$290,000	\$310,000	-6.45%	\$303,500	-4.45%

Monthly Sales		October	November	% Chg ¹	December	% Chg ³
Total Number of Sales		466	390	-16.31%	277	-28.97%
Total Value of Sales		\$145.86M	\$118.15M	-19.00%	\$84.79M	-28.24%
Detached	Average	\$405,653	\$395,955	-2.39%	\$411,571	3.94%
	Median	\$366,000	\$354,000	-3.28%	\$371,918	5.06%
Condo	Average	\$221,711	\$164,422	-25.84%	\$231,920	41.05%
	Median	\$236,000	\$112,900	-52.16%	\$207,619	83.90%
Attached	Average	\$356,153	\$345,744	-2.92%	\$306,479	-12.81%
	Median	\$306,250	\$319,400	4.29%	\$267,500	-19.40%

Region: Okanagan

Quarterly Sales		Q4 2019	Q3 2019	% Chg ¹	Q4 2018	% Chg ²
Total Number of Sales		3,751	4,917	-23.71%	3,722	0.78%
Total Value of Sales		\$1.76B	\$2.26B	-22.35%	\$1.66B	6.01%
Detached	Average	\$593,788	\$590,522	0.55%	\$581,352	2.14%
	Median	\$538,694	\$539,450	-0.14%	\$524,000	2.80%
Condo	Average	\$338,539	\$340,120	-0.46%	\$289,648	16.88%
	Median	\$317,000	\$328,324	-3.45%	\$271,325	16.83%
Attached	Average	\$427,544	\$425,451	0.49%	\$420,602	1.65%
	Median	\$415,000	\$399,950	3.76%	\$389,300	6.60%

Monthly Sales		October	November	% Chg ¹	December	% Chg ³
Total Number of Sales		1,496	1,348	-9.89%	907	-32.72%
Total Value of Sales		\$0.68B	\$0.64B	-6.05%	\$440.42M	-30.89%
Detached	Average	\$588,971	\$594,251	0.90%	\$601,289	1.18%
	Median	\$527,500	\$547,500	3.79%	\$543,000	-0.82%
Condo	Average	\$330,726	\$344,131	4.05%	\$343,436	-0.20%
	Median	\$318,785	\$315,393	-1.06%	\$315,000	-0.12%
Attached	Average	\$427,367	\$417,475	-2.31%	\$444,580	6.49%
	Median	\$405,000	\$419,500	3.58%	\$418,450	-0.25%

¹% change Q4'2019—Q3'2019 ²% change Q4'2019—Q4'2018 ³% change month to previous month

Region: Fraser Valley

Quarterly Sales		Q4 2019	Q3 2019	% Chg ¹	Q4 2018	% Chg ²
Total Number of Sales		3,175	3,631	-12.56%	3,078	3.15%
Total Value of Sales		\$2.05B	\$2.37B	-13.48%	\$1.96B	4.57%
Detached	Average	\$861,631	\$860,342	0.15%	\$927,940	-7.15%
	Median	\$770,000	\$776,000	-0.77%	\$764,875	0.67%
Condo	Average	\$369,627	\$358,249	3.18%	\$370,817	-0.32%
	Median	\$351,900	\$345,000	2.00%	\$370,000	-4.89%
Attached	Average	\$519,308	\$523,891	-0.87%	\$507,842	2.26%
	Median	\$515,000	\$515,000	0.00%	\$501,175	2.76%

Monthly Sales		October	November	% Chg ¹	December	% Chg ³
Total Number of Sales		1,109	1,204	8.57%	862	-28.41%
Total Value of Sales		\$0.72B	\$0.77B	6.59%	\$0.56B	-27.09%
Detached	Average	\$856,107	\$853,145	-0.35%	\$882,656	3.46%
	Median	\$769,900	\$775,000	0.66%	\$771,800	-0.41%
Condo	Average	\$346,011	\$391,000	13.00%	\$367,262	-6.07%
	Median	\$335,000	\$357,750	6.79%	\$363,000	1.47%
Attached	Average	\$510,783	\$527,363	3.25%	\$517,956	-1.78%
	Median	\$508,000	\$520,000	2.36%	\$518,850	-0.22%

Region: BC North / Northwest

Quarterly Sales		Q4 2019	Q3 2019	% Chg ¹	Q4 2018	% Chg ²
Total Number of Sales		1,627	2,254	-27.82%	1,870	-12.99%
Total Value of Sales		\$427.49M	\$0.62B	-31.57%	\$481.26M	-11.17%
Detached	Average	\$341,026	\$346,735	-1.65%	\$322,182	5.85%
	Median	\$325,000	\$332,000	-2.11%	\$309,950	4.86%
Condo	Average	\$96,301	\$145,562	-33.84%	\$113,184	-14.92%
	Median	\$71,042	\$105,000	-32.34%	\$73,050	-2.75%
Attached	Average	\$258,371	\$259,058	-0.26%	\$242,034	6.75%
	Median	\$264,000	\$255,000	3.53%	\$252,750	4.45%

Monthly Sales		October	November	% Chg ¹	December	% Chg ³
Total Number of Sales		631	564	-10.62%	432	-23.40%
Total Value of Sales		\$168.09M	\$153.06M	-8.94%	\$106.34M	-30.53%
Detached	Average	\$331,050	\$352,989	6.63%	\$340,199	-3.62%
	Median	\$316,500	\$336,500	6.32%	\$330,750	-1.71%
Condo	Average	\$122,100	\$131,854	7.99%	\$76,606	-72.12%
	Median	\$98,000	\$96,500	-1.53%	\$69,119	-39.61%
Attached	Average	\$256,041	\$274,433	7.18%	\$248,834	-9.33%
	Median	\$264,000	\$312,899	18.52%	\$226,500	-27.61%

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A MESSAGE FROM OUR PRESIDENT

Sound real estate decisions are made using the best possible information. 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. Landcor maintains the largest, most comprehensive database of historical sales current information on BC residential real estate.



Rudy Nielsen, RI, FRI
President and Founder
NIHO Group of Companies Since 1976

Data Analytics & Market Insights

- BC Assessment data on 2.1+ million properties
- Sales transaction data for BC, including prices updated weekly
- Geographic location data used in reports
- Over 40 years of residential sales statistics
- Historic AVM's dating back to 2006

Landcor's comprehensive database allows us to deliver current property valuations, along with historical insights to help with your lending decisions or market research.

BC Residential Property Values:
Valuated by Landcor Since by 2000

Over \$55 Trillion

Celebrating
20 Years of
Valuations | 2000—2020

Access to
2+ Million
Properties in BC

Trusted by
800+
Companies

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