

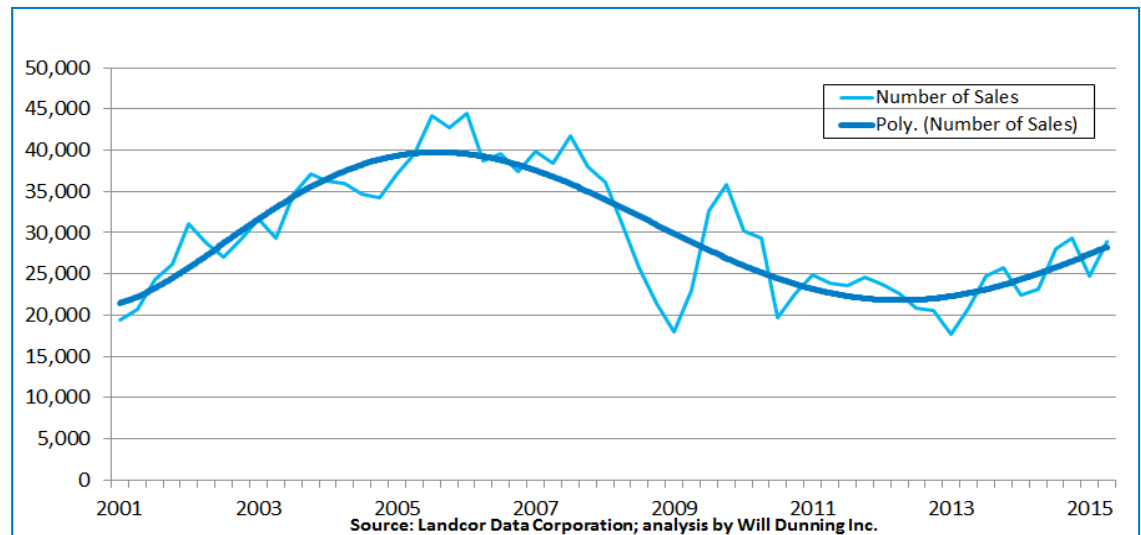
Report by economist WILL DUNNING. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

## BC Housing Market Overview

In this edition of my report, I'm taking a quick look at housing affordability in BC. Once again, I remind you that I am looking at your housing market from a considerable distance – from Etobicoke, Ontario. I don't have the benefit of taking part in heated discussions with the local population.

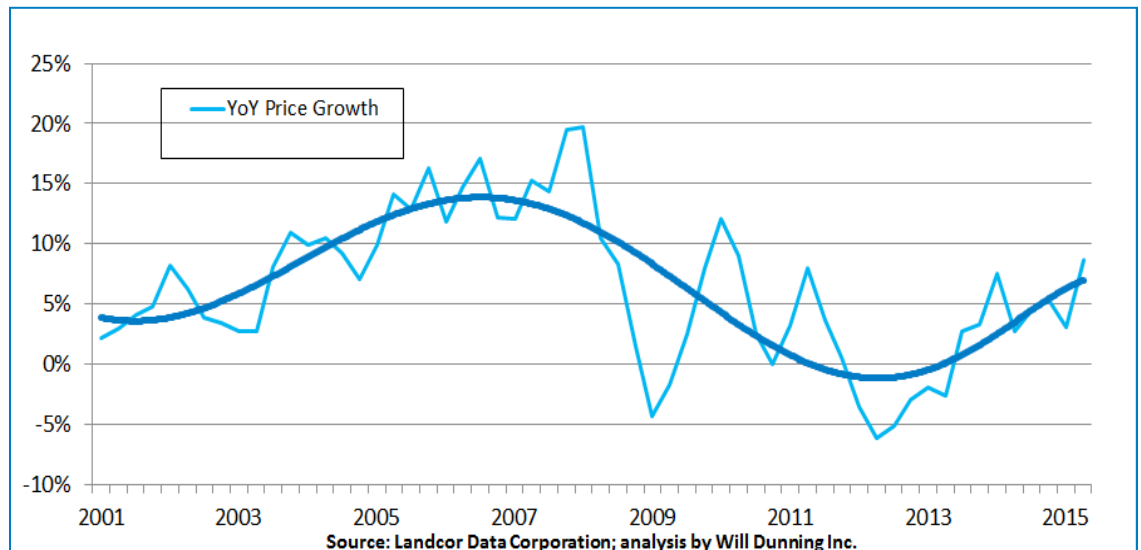
But first, we look at the sales trend. It continues to recover from the dip seen in 2011 and 2012, and remains well below the exuberant levels seen before the recession (in these charts "Poly." refers to a "polynomial" trend line that is generated by Excel). (In these charts "Poly." refers to a "polynomial" trend line that is generated by Excel).

### Residential Sales in BC / Seasonally-Adjusted



However, the price trend (taking the median price for the province from the Landcor data) indicates that price increases have accelerated.

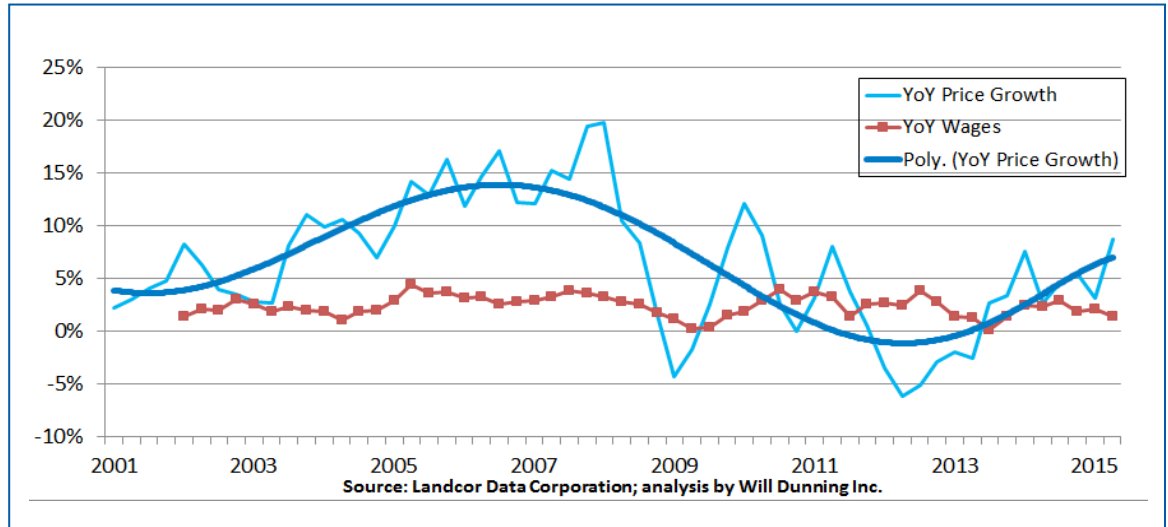
### Year-Over-Year Growth of the Median Sale Price in BC



## The Economic Background

What's more, during the past two years, the median price has increased at a rate of 5.6% per year. Wage growth in BC, on the other hand, has been slower, at 1.9% per year for the same period. During the past decade and a half, house price growth has exceeded wage growth almost all of the time (except for a period during 2010 to 2012), and the gap between price growth and wage growth has often been very large. Since the start of 2001, the average growth rate for the median price has been 6.4% per year, more than double the growth rate for wages (2.3%).

### Job Growth in BC



This discrepancy between price growth and wage growth spells trouble, right?

Not necessarily.

### Interest Rates to the Rescue

Record high house prices have a lot to do with record low interest rates.

Low borrowing costs have created “affordability space” in which prices could rise. Prices don’t have to rise to fill that space. What happens to prices depends on demand and supply. To what extent is job creation putting people into position to buy homes? On the other hand, is there enough housing supply to satisfy that demand?

The analysis shows that while prices have grown rapidly, they haven’t actually kept up with the space created by falling interest rates, at least for the province overall.

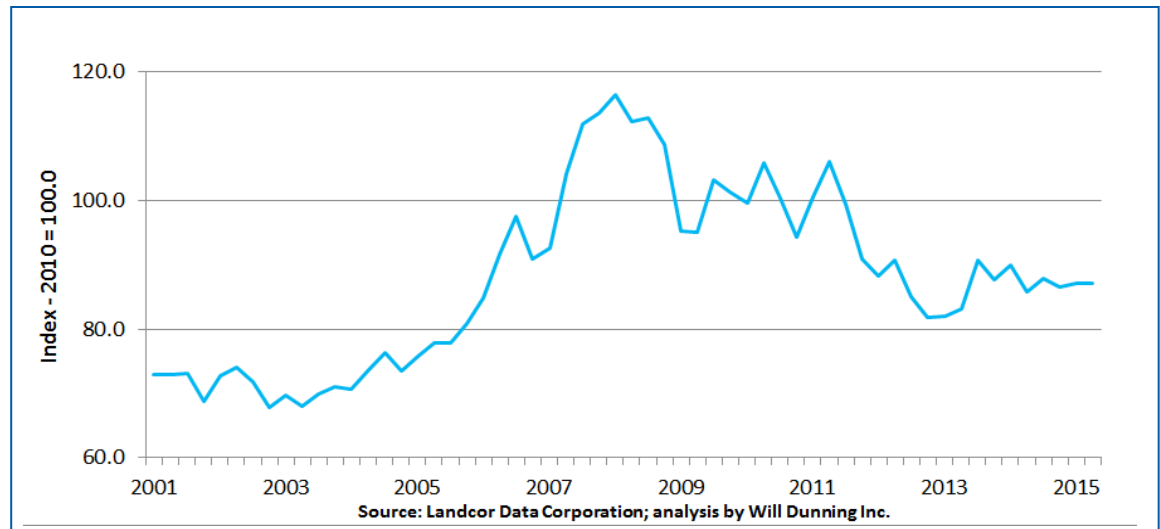
The following chart combines Landcor’s median price data, data on wages from Statistics Canada, and my estimates of interest rates for 5-year fixed rate mortgages (after discounts typically offered by major lenders). The data have been used to create a ratio of mortgage payments (for median priced homes purchased in each of the quarters) versus average wages. Those estimates are then converted to an index.

*Continued next page*

This index suggests that during 2001 to 2015, housing affordability was at its best during the first one-third of the period and its worst during the middle part (especially 2007 and 2008). More recently, calculated affordability has recovered. The current index figure of 87.2 for 2015-Q2 is about the same as the average seen over the entire period (88.0).

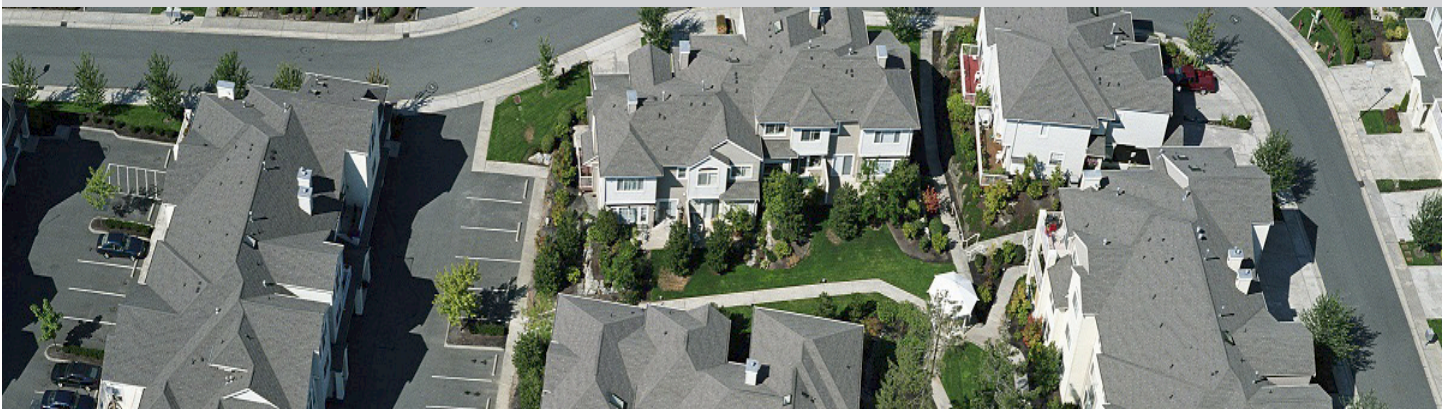
So, while this index does not tell us whether home ownership affordability is favourable or unfavourable at present, it does tell us that affordability now is no worse (or better) than it has been over the past decade and a half.

### Index of Mortgage Costs in British Columbia



This province-wide picture, of course, hides a lot of details: price trends have varied across the province and therefore trends in affordability have also varied. It would be very interesting to look at those variations. We will probably find some locations in which the “affordability space” has been completely filled by rising prices, and others in which prices have come nowhere close to filling the space. And that will be the topic another time.

*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](http://www.wdunning.com).*

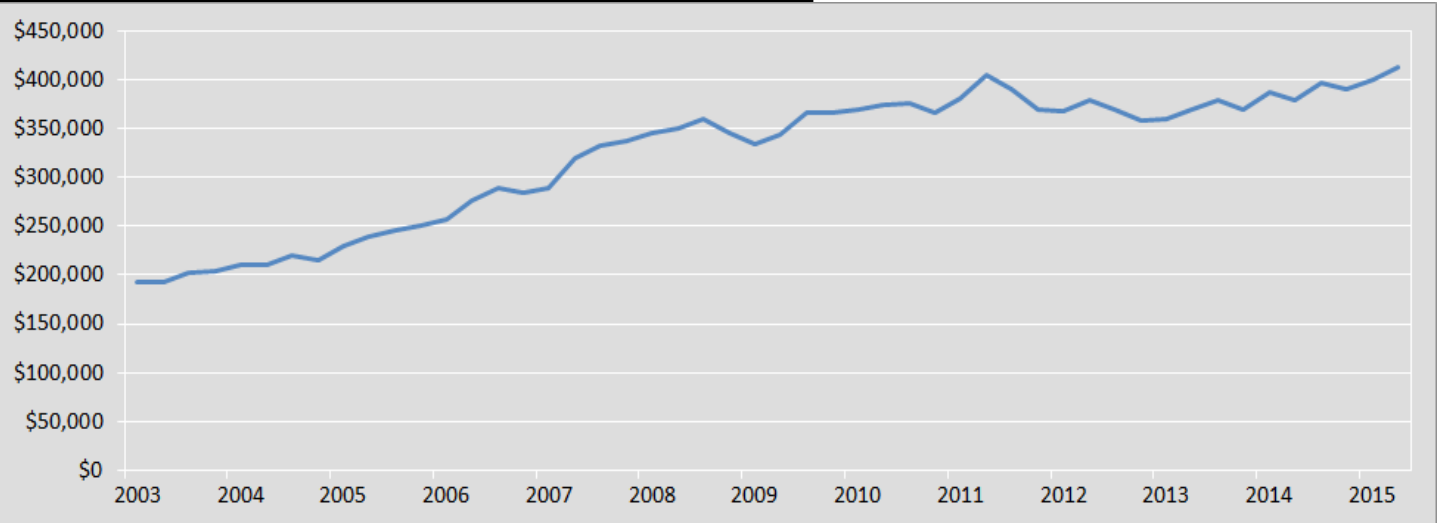


# BC Residential Sales Summary for Q2 2015

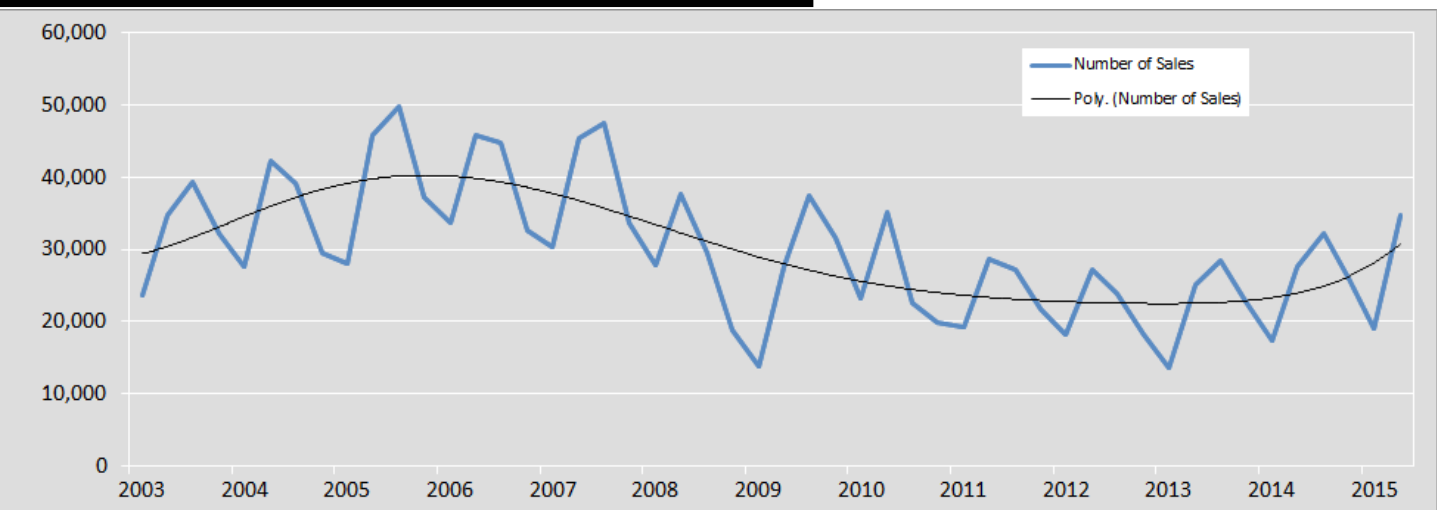
<sup>1</sup>% change Q1'2015- Q2'2015    <sup>2</sup>% change Q2'2014- Q2'2015

BC		Q2 2015	Q1 2015	% Chg <sup>1</sup>	Q2 2014	% Chg <sup>2</sup>
Number of Sales		34,655	18,993	82.46%	27,674	25.23%
Total Value of Sales		\$20.15B	\$11.09B	81.74%	\$14.72B	36.88%
Detached	Average	\$581,511	\$589,242	-1.31%	\$524,730	10.82%
	Median	\$544,500	\$550,000	-1.00%	\$495,000	10.00%
Condo	Average	\$335,508	\$321,312	4.42%	\$310,705	7.98%
	Median	\$341,125	\$325,000	4.96%	\$312,800	9.06%
Attached	Average	\$391,402	\$377,463	3.69%	\$367,933	6.38%
	Median	\$372,000	\$367,500	1.22%	\$355,320	4.69%

## Median Sale Prices/BC All



## Sales Counts/BC All



<sup>1</sup>% change Q1 '15 – Q2 '15    <sup>2</sup>% change Q2 '14 – Q2'15    <sup>3</sup>% change month to previous month

## Quarterly Sales

GR. Vancouver		Q2 2015	Q1 2015	% Chg <sup>1</sup>	Q2 2014	% Chg <sup>2</sup>
Number of Sales		16,903	9,556	76.88%	12,083	39.89%
Total Value of Sales		\$13.70B	\$7.74B	76.94%	\$9.38B	46.04%
Detached	Average	\$1,015,664	\$1,013,362	0.23%	\$926,926	9.57%
	Median	\$945,500	\$930,000	1.67%	\$845,000	11.89%
Condo	Average	\$392,295	\$376,500	4.20%	\$380,357	3.14%
	Median	\$388,900	\$370,000	5.11%	\$370,688	4.91%
Attached	Average	\$500,728	\$484,632	3.32%	\$474,585	5.51%
	Median	\$485,000	\$471,500	2.86%	\$465,000	4.30%

## Monthly Sales

Gr. Vancouver		April	May	% Chg <sup>1</sup>	June	% Chg <sup>3</sup>
Number of Sales		1,643	1,799	9.49%	2,327	41.63%
Total Value of Sales		\$0.63B	\$0.71B	14.19%	\$0.95B	51.82%
Detached	Average	\$1,023,806	\$1,006,581	-1.68%	\$1,016,437	-0.72%
	Median	\$950,000	\$935,000	-1.58%	\$948,000	-0.21%
Condo	Average	\$383,785	\$384,771	0.26%	\$404,874	5.50%
	Median	\$378,000	\$382,000	1.06%	\$402,000	6.35%
Attached	Average	\$491,265	\$492,357	0.22%	\$515,181	4.87%
	Median	\$475,000	\$475,000	0.00%	\$498,000	4.84%

## Quarterly Sales

Vancouver Island		Q2 2015	Q1 2015	% Chg <sup>1</sup>	Q2 2014	% Chg <sup>2</sup>
Number of Sales		5,769	3,110	85.50%	4,647	24.14%
Total Value of Sales		\$2.29B	\$1.22B	87.75%	\$1.80B	27.49%
Detached	Average	\$422,087	\$409,958	2.96%	\$406,118	3.93%
	Median	\$420,000	\$407,241	3.13%	\$407,500	3.07%
Condo	Average	\$263,477	\$244,132	7.92%	\$238,251	10.59%
	Median	\$260,658	\$254,000	2.62%	\$255,000	2.22%
Attached	Average	\$307,574	\$306,315	0.41%	\$306,827	0.24%
	Median	\$313,492	\$310,000	1.13%	\$315,200	-0.54%

## Monthly Sales

Vancouver Island		April	May	% Chg <sup>1</sup>	June	% Chg <sup>3</sup>
Number of Sales		4,885	5,160	5.63%	6,858	40.39%
Total Value of Sales		\$3.94B	\$4.02B	2.16%	\$5.73B	45.62%
Detached	Average	\$416,973	\$415,281	-0.41%	\$430,352	3.21%
	Median	\$420,000	\$409,000	-2.62%	\$430,000	2.38%
Condo	Average	\$258,532	\$270,515	4.64%	\$262,611	1.58%
	Median	\$262,000	\$264,000	0.76%	\$257,500	-1.72%
Attached	Average	\$300,794	\$299,340	-0.48%	\$319,296	6.15%
	Median	\$309,980	\$305,000	-1.61%	\$329,000	6.14%

<sup>1</sup>% change Q1 '15 – Q2 '15    <sup>2</sup>% change Q2 '14 – Q2'15    <sup>3</sup>% change month to previous month

## Quarterly Sales

Okanagan		Q2 2015	Q1 2015	% Chg <sup>1</sup>	Q2 2014	% Chg <sup>2</sup>
Number of Sales		4,853	2,272	113.60%	4,248	14.24%
Total Value of Sales		\$1.69B	\$0.78B	116.39%	\$1.42B	18.83%
Detached	Average	\$401,022	\$389,834	2.87%	\$384,228	4.37%
	Median	\$404,900	\$395,850	2.29%	\$385,000	5.17%
Condo	Average	\$220,052	\$206,956	6.33%	\$191,337	15.01%
	Median	\$222,000	\$217,000	2.30%	\$205,000	8.29%
Attached	Average	\$286,598	\$275,555	4.01%	\$280,215	2.28%
	Median	\$296,750	\$282,500	5.04%	\$284,600	4.27%

## Monthly Sales

Okanagan		April	May	% Chg <sup>1</sup>	June	% Chg <sup>3</sup>
Number of Sales		1,371	1,470	7.22%	2,012	46.75%
Total Value of Sales		\$450.53M	\$497.55M	10.44%	\$0.74B	64.20%
Detached	Average	\$395,120	\$386,322	-2.23%	\$414,990	5.03%
	Median	\$397,000	\$390,000	-1.76%	\$415,000	4.53%
Condo	Average	\$225,810	\$219,360	-2.86%	\$215,482	-4.57%
	Median	\$215,000	\$225,750	5.00%	\$220,500	2.56%
Attached	Average	\$283,732	\$292,581	3.12%	\$283,536	-0.07%
	Median	\$282,500	\$302,500	7.08%	\$297,751	5.40%

## Quarterly Sales

Fraser Valley		April	May	% Chg <sup>1</sup>	June	% Chg <sup>3</sup>
Number of Sales		1,203	1,204	0.08%	1,662	38.15%
Total Value of Sales		\$498.38M	\$0.50B	0.48%	\$0.74B	49.04%
Detached	Average	\$488,683	\$490,612	0.39%	\$498,803	2.07%
	Median	\$480,000	\$484,400	0.92%	\$493,550	2.82%
Condo	Average	\$191,410	\$180,736	-5.58%	\$173,943	-9.13%
	Median	\$202,000	\$189,750	-6.06%	\$190,000	-5.94%
Attached	Average	\$300,147	\$301,797	0.55%	\$298,404	-0.58%
	Median	\$303,000	\$311,000	2.64%	\$309,000	1.98%

## Monthly Sales

Fraser Valley		April	May	% Chg <sup>1</sup>	June	% Chg <sup>3</sup>
Number of Sales		1,203	1,204	0.08%	1,662	38.15%
Total Value of Sales		\$498.38M	\$0.50B	0.48%	\$0.74B	49.04%
Detached	Average	\$488,683	\$490,612	0.39%	\$498,803	2.07%
	Median	\$480,000	\$484,400	0.92%	\$493,550	2.82%
Condo	Average	\$191,410	\$180,736	-5.58%	\$173,943	-9.13%
	Median	\$202,000	\$189,750	-6.06%	\$190,000	-5.94%
Attached	Average	\$300,147	\$301,797	0.55%	\$298,404	-0.58%
	Median	\$303,000	\$311,000	2.64%	\$309,000	1.98%

<sup>1</sup>% change Q1 '15 – Q2 '15    <sup>2</sup>% change Q2 '14 – Q2'15    <sup>3</sup>% change month to previous month

## Quarterly Sales

BC North/NW		Q2 2015	Q1 2015	% Chg <sup>1</sup>	Q2 2014	% Chg <sup>2</sup>
Number of Sales		1,989	1,097	81.31%	2,278	-12.69%
Total Value of Sales		\$461.98M	\$238.00M	94.11%	\$0.51B	-10.13%
Detached	Average	\$260,386	\$248,901	4.61%	\$261,263	-0.34%
	Median	\$265,500	\$260,000	2.12%	\$270,000	-1.67%
Condo	Average	\$90,908	\$138,410	-34.32%	\$121,884	-25.41%
	Median	\$123,000	\$185,000	-33.51%	\$125,500	-1.99%
Attached	Average	\$208,198	\$186,845	11.43%	\$208,793	-0.29%
	Median	\$253,421	\$218,900	15.77%	\$211,000	20.10%

## Monthly Sales

BC North/NW		April	May	% Chg <sup>1</sup>	June	% Chg <sup>3</sup>
Number of Sales		535	623	16.45%	831	55.33%
Total Value of Sales		\$123.58M	\$144.37M	16.83%	\$194.03M	57.01%
Detached	Average	\$261,253	\$260,610	-0.25%	\$259,712	-0.59%
	Median	\$275,000	\$260,000	-5.45%	\$269,950	-1.84%
Condo	Average	\$78,356	\$112,170	43.15%	\$85,700	9.37%
	Median	\$97,000	\$222,000	128.87%	\$84,500	-12.89%
Attached	Average	\$207,137	\$209,384	1.08%	\$208,693	0.75%
	Median	\$268,750	\$255,000	-5.12%	\$234,000	-12.93%

## Quarterly Sales

Kootenay		Q2 2015	Q1 2015	% Chg <sup>1</sup>	Q2 2014	% Chg <sup>2</sup>
Number of Sales		1,072	542	97.79%	1,059	1.23%
Total Value of Sales		\$273.68M	\$124.00M	120.71%	\$272.10M	0.58%
Detached	Average	\$285,977	\$269,815	5.99%	\$283,491	0.88%
	Median	\$295,000	\$275,000	7.27%	\$295,500	-0.17%
Condo	Average	\$137,488	\$121,794	12.89%	\$157,694	-12.81%
	Median	\$156,500	\$121,000	29.34%	\$170,750	-8.35%
Attached	Average	\$262,294	\$244,752	7.17%	\$252,359	3.94%
	Median	\$260,000	\$252,500	2.97%	\$250,000	4.00%

## Monthly Sales

Kootenay		April	May	% Chg <sup>1</sup>	June	% Chg <sup>3</sup>
Number of Sales		307	276	-10.10%	489	59.28%
Total Value of Sales		\$72.80M	\$69.26M	-4.87%	\$131.63M	80.80%
Detached	Average	\$269,923	\$274,407	1.66%	\$302,378	12.02%
	Median	\$289,000	\$280,000	-3.11%	\$309,000	6.92%
Condo	Average	\$132,930	\$137,915	3.75%	\$141,684	6.59%
	Median	\$124,000	\$156,000	25.81%	\$157,750	27.22%
Attached	Average	\$254,495	\$274,163	7.73%	\$259,109	1.81%
	Median	\$269,000	\$255,000	-5.20%	\$260,000	-3.35%

# LANDCOR® DATA CORPORATION

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President and CEO

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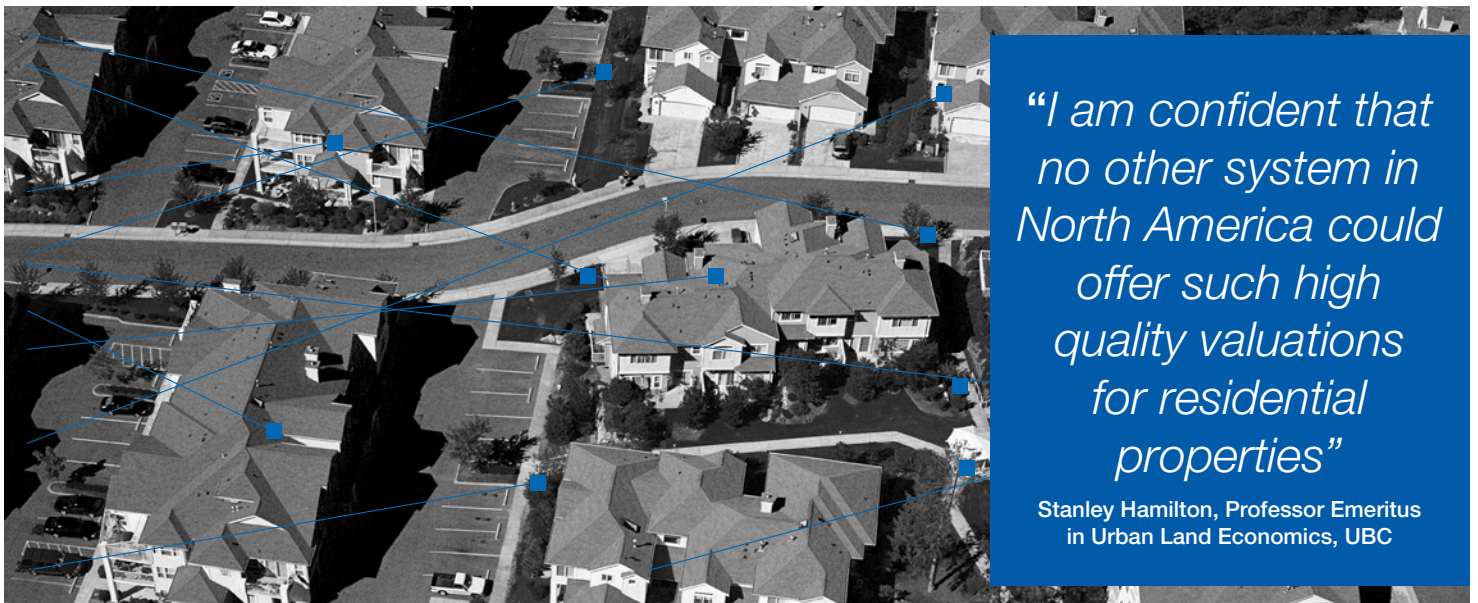
- BC Assessment data on 1.96 million properties,
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Stanley Hamilton, Professor Emeritus  
in Urban Land Economics, UBC