LANDCOR® DATA CORPORATION

The Landcor Report

British Columbia Q3 2011 Residential Sales Summary

November 17th, 2011

The old grey terre just ain't what she used to be...

In the old-time western Canadian cattle country, prolonged droughts were nasty things. The longer the drought, the deeper the literal damage. Pounded on the molten anvil of the sun, month after month, year after year, green pastures wither, earth dries out, plump cattle become stringy beef jerky on the hoof. All is dust, desiccation and despair.

The wild animals that can flee, do. Burdened by nothing save their own bodies, they move off, noses snuffling for the sweet scent of water. Forget this; we're out of here.

[1] % change Q211 - Q311 [2] % change Q310 - Q311

BC		Q3 2011	Q2 2011	% Chg[1]	Q3 2010	% Chg[2]
Number of Sales		27,205	28,668	-5.10%	22,647	20.13%
Total Value of Sales		$14.18B	$16.03B	-11.52%	$10.77B	31.74%
Detached	Average	$531,083	$542,412	-2.09%	$486,797	9.10%
	Median	$500,000	$525,000	-4.76%	$481,000	3.95%
Condo	Average	$334,703	$352,633	-5.08%	$316,077	5.89%
	Median	$330,900	$346,500	-4.50%	$314,000	5.38%
Attached	Average	$373,648	$383,797	-2.64%	$366,849	1.85%
	Median	$363,000	$374,000	-2.94%	$363,000	0.00%

The pioneer humans aren't so quick to go. Loath to abandon hard-won homes, ranches and land, they hunker down, hold on, dig ever-deeper wells, conserve, hope, endure and wait for the rains to return.

In situations like this, reliable watering holes are vital, magnets for all animals, domestic or wild, on four legs or in two shoes. As the rest of the region dries out, congestion grows in these rare spots of green.

Those already there tell themselves they should feel fortunate, even though, gee, the neighbourhood is getting kind of crowded, tempers fray and damn, it's harder to find a flat spot to graze, let alone build a shack. Darn, where did all these people come from, anyway? Meanwhile, the encroaching desert creeps ever closer.

In what's been a modern and prolonged western Canadian economic drought, the difference between the wet and the dry is just as profound; the damage not so visible, but it runs just as deep, especially in residential realty world.

Following the residential market peak of 2007/08 and what's been a long, dry stretch since, all of BC has felt the pain, but the type of pain has been markedly different.

In hard-hit outlying areas, prices suffer, homeowners lament, transient workers flee for greener pastures and the herds of once well-fed local realtors thin out to a few gaunt-ribbed, dazed individuals with fixed rictus grins and outthrust, tatty business cards. (There's a silver lining in any cloud, bone dry or otherwise.)

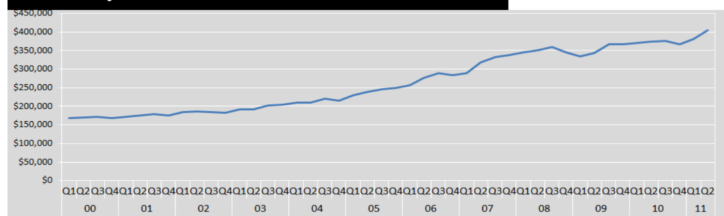
The 'watering holes' a.k.a. larger urban pools such as Metro Vancouver, Kelowna, the Capital Regional District (CRD) a.k.a. Victoria and environs have more stamina. They tap into deeper economic springs, but as the parched times continue, internal economic stresses grow.

In 'normal' harder economic times, later or sooner, these larger markets lose steam and either stagnate or suffer slippage... unless that particular big green spot becomes an oasis for all of the world -- and very soon after that, affordability goes plop! into the drink.

Somewhere, Over the Rain Glow

Recession be damned; in Metro Vancouver a steady infusion of outside wealth and investment/home-seekers buoys up what otherwise should be a static or even declining market.

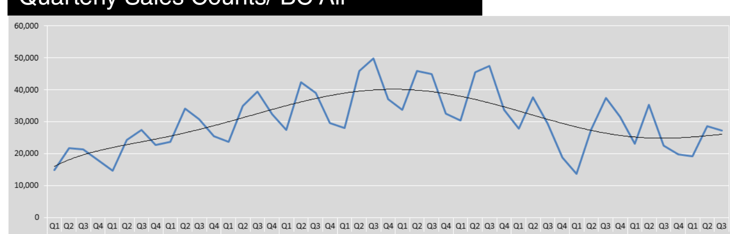
Quarterly Median Sales Prices/ BC All



With global and specifically Asian politics and the human wish to preserve wealth and shield family, outside interest in Metro Vancouver is ramping up, especially in higher end single-family detached (SFD) product in select areas, such as West Vancouver and Richmond, this focus in turn is rippling into secondary residential investment products. (For more detail, see the Q1 2011 Residential Sales Summary.)

Higher demand, limited supply, ever higher home prices as sellers rejoice, realtors fatten their wallets, out-of-luck locals mutter, Cassandra pundits vainly wax on about 'bubbles' and 'normalcy'... and meanwhile and like genetically rubberized grapes on a overly watered vine, the sales averages keep swelling beyond the natural bursting point.

Quarterly Sales Counts/ BC All



Meanwhile, the dusty folk who live outside the verdant green spots, they have their own worries; the vagaries of employment, fuel costs, the slow erosion of the value of their land. The flip side: real estate values decline and bargains abound ... assuming you've got the extra cash to buy. Which, for most people, means having well-paid, steady employment. Catch-22...

But, as the recession ebbs and the global hunger for commodities reawakens, the long-suffering outlying desert regions look like they're in for a sprinkle, if not better.

Dancing in the Furnace

Back in 2007/08, the real estate market in BC was one big splotch of green. From northern cabin to southern mainland condo, home prices steadily climbed, realtors propagated like mushrooms after a summer cloud burst, developers feverishly planted condos in ever-more remote grounds, pundits kept assuring their investors that across its entire breadth and depth, Eden by the Pacific is forever ... so buy now! And by the way, have I got an investment-grade condo deal for you!

... and then the whole thing fell apart.

In late 2008, financial giant Lehman Brothers imploded, the global financial cascade began and in BC, the baking hot, soul-sucking repercussions rolled in from all sides. Vulnerable, export-dependent pine-tree Eden got napalmed.

The endless recession, the collapse of the US housing market (a.k.a. the major consumer of BC forest products), moribund global stock markets, the ravages of the mountain pine beetle, growing debt and frozen capital markets and more recently, the corrosive effects of American debt/political problems and economic mess in the Euro zone kept the fears and tears flowing.

For the next four, five years, property values in most all of British Columbia withered and dried. Most, but not all places. The urbanized cores -- the aforementioned watering holes of Greater Vancouver, Vancouver Island and Kelowna -- largely held their own.

For reasons to come, all product classes in Greater Vancouver seemed to be clad in Pyrex, invulnerable to the furnace blast of the global downturn. Especially with Single Family Dwellings.

(In general and in all markets, SFD is the most desirable form of housing; everyone wants privacy and their very own patch of dirt. In bad times, SFD holds its value the longest, followed by attached/townhouses and bringing up the rear, the ubiquitous condo. In good times and assuming it's affordable to the market demographic, SFD shows the most appreciation, emotionally if not financially. In bad times, SFD is the last to erode.)

Although the Vancouver Island and Kelowna markets did suffer abrasion, especially in the more easily duplicated attached and condo product, the fall off was nothing compared to the more vulnerable Interior, upper Vancouver Island (sans the CRD) and Northern markets.

In the killing drought, total sales values and volumes in these outlying 'lesser' markets twist, splinter and dry up. Bad times for homeowners desperate to sell, great for bargain hunters, assuming these wannabe homeowners can afford to stick around.

Greater Vancouver? Although prices and volumes did twitch briefly downward during the recession, the recovery was almost immediate, the gains since then continually hefty. For example, on the year-over-year scale, Greater Vancouver Q3 2011 volume is up about 24 percent and prices are up on all product types.

Rooted in a deeper, diverse economy, constrained by physical geography and land-use provisions, and heavily buoyed by higher-end single-family home and 'ripple-effect' residential-investment purchases by foreign homebuyers and investors, the 'iron bubble' refuses to pop, so far.

Cassandra Mutters But Few Listen

For years Greater Vancouver has swollen on, albeit with a growing focus on 'affordable' units, smaller in size (but ever pricier per square foot). For example, Canada Mortgage and Housing Corporation (CMHC) recently noted that Greater Vancouver September 2011 year-over-year housing starts are up more than nine percent, or from 1,644 to 1,783 units, with strong activity in multi-family product in the cities of Vancouver and Richmond, with Surrey opting with 'less dense housing' such as attached townhouse and single-family detached (SFD).

[1] % change Q211 - Q311 [2] % change Q310 - Q311 [3] % change month to previous month

Gr. Vancouver		Q3 2011	Q2 2011	% Chg[1]	Q3 2010	% Chg[2]
Number of Sales		13,124	14,995	-12.5%	10,589	23.9%
Total Value of Sales		$9.58B	$11.44B	-16.3%	$6.74B	42.0%
Detached	Average	$881,520	$860,791	2.4%	$770,623	14.4%
	Median	$800,000	$790,000	1.3%	$717,250	11.5%
Condo	Average	$386,275	$407,564	-5.2%	$359,411	7.5%
	Median	$373,900	$386,000	-3.1%	$349,900	6.9%
Attached	Average	$477,211	$479,882	-0.6%	$450,464	5.9%
	Median	$468,000	$467,196	0.2%	$438,000	6.8%

Gr. Van. Monthly		July	Aug	% Chg[3]	Sept	% Chg[3]
Number of Sales		4,699	4,710	0.2%	3,715	-21.1%
Total Value of Sales		$3.42B	$3.47B	1.3%	$2.68B	-22.7%
Detached	Average	$878,760	$893,797	1.7%	$869,682	-2.7%
	Median	$793,250	$821,000	3.5%	$780,500	-4.9%
Condo	Average	$394,038	$383,196	-2.8%	$379,670	-0.9%
	Median	$375,100	$373,000	-0.6%	$367,500	-1.5%
Attached	Average	$480,351	$486,919	1.4%	$460,550	-5.4%
	Median	$468,000	$489,900	4.7%	$445,073	-9.2%

Vancouver Island		Q3 2011	Q2 2011	% Chg[1]	Q3 2010	% Chg[2]
Number of Sales		4,579	4,505	1.6%	4,008	14.2%
Total Value of Sales		$1.71B	$1.77B	-3.1%	$1.57B	9.0%
Detached	Average	$413,636	$410,008	0.9%	$415,680	-0.5%
	Median	$415,000	$412,500	0.6%	$415,000	0.0%
Condo	Average	$268,584	$271,228	-1.0%	$278,520	-3.6%
	Median	$275,000	$276,333	-0.5%	$287,000	-4.2%
Attached	Average	$322,048	$341,171	-5.6%	$327,860	-1.8%
	Median	$332,000	$357,725	-7.2%	$322,500	2.9%

Van. Island Monthly		July	Aug	% Chg[3]	Sept	% Chg[3]
Number of Sales		1,567	1,561	-0.4%	1,451	-7.0%
Total Value of Sales		$0.60B	$0.59B	-1.2%	$0.52B	-11.5%
Detached	Average	$416,030	$420,343	1.0%	$403,266	-4.1%
	Median	$413,392	$417,250	0.9%	$407,000	-2.5%
Condo	Average	$270,338	$278,020	2.8%	$257,519	-7.4%
	Median	$287,000	$278,000	-3.1%	$264,962	-4.7%
Attached	Average	$336,347	$313,257	-6.9%	$317,482	1.3%
	Median	$332,000	$334,950	0.9%	$330,000	-1.5%

Okanagan		Q3 2011	Q2 2011	% Chg[1]	Q3 2010	% Chg[2]
Number of Sales		3,303	3,279	0.7%	2,900	13.9%
Total Value of Sales		$1.06B	$1.10B	-3.9%	$0.99B	6.5%
Detached	Average	$380,487	$381,497	-0.3%	$386,010	-1.4%
	Median	$380,000	$379,450	0.1%	$385,000	-1.3%
Condo	Average	$227,524	$233,032	-2.4%	$239,556	-5.0%
	Median	$224,000	$225,000	-0.4%	$247,250	-9.4%
Attached	Average	$285,912	$280,680	1.9%	$288,084	-0.8%
	Median	$290,250	$282,750	2.7%	$285,000	1.8%

Okanagan Monthly		July	Aug	% Chg[3]	Sept	% Chg[3]
Number of Sales		1,028	1,223	19.0%	1,052	-14.0%
Total Value of Sales		$333.50M	$402.10M	20.6%	$320.14M	-20.4%
Detached	Average	$382,151	$395,269	3.4%	$361,827	-8.5%
	Median	$385,000	$395,000	2.6%	$365,000	-7.6%
Condo	Average	$238,452	$223,566	-6.2%	$222,499	-0.5%
	Median	$248,000	$220,000	-11.3%	$220,000	0.0%
Attached	Average	$279,869	$294,716	5.3%	$280,911	-4.7%
	Median	$297,000	$307,000	3.4%	$276,000	-10.1%

Interestingly, CMHC says most SFD activity in the City of Vancouver was 'replacement' housing or, in other words, teardowns and replacements. And so the streetscapes change as old, smaller houses give way to what generally are new and larger city manses taking full measure of allowed floor space ratio (FSR).

Meanwhile, Stats Canada reports the price of new homes in Vancouver slipped by 0.4 percent in August 2011 versus August last year. (Victoria posted a slightly smaller 0.3 percent y-o-y decline.)

The StatsCan new-home price survey covers 21 metropolitan areas. Of these areas, 16 posted price gains. According to StatsCan, the Greater Van and CRD decline is the result of tougher haggling and negotiations by would-be buyers.

In turn, Landcor Data has Q3/11 sales volume for new and resale residential dropping by 5 percent over the previous quarter, to 27,205 total. However this is still more than 20 percent above last year's quarterly comparable of 22,647 units sold (hangover of the HST run-up). One reason for the slowdown could be buyers coyly holding back or delaying purchase, as they and fidgety developers wait for Victoria to dispel the murk surrounding the demise of the HST and its effect on new construction.

To move new inventory in this limbo, developers are promoting hard, trimming margins, offering hefty above-market interest payments (i.e. six percent) on buyers' deposits, pushing the politicians and doing everything possible to secure buyers' signatures.

Total values, volumes and prices in Greater Vancouver are up y-o-y, across the board. For example, the average price for condos jumped 7.5% to $386,275, but are down from Q2 by 5%, whereas SFD rose over 2% to $881,520 last quarter and more than 14% y-o-y from the mere $770,623 in 2010.

Greater Vancouver now enjoys dubious global recognition as one of the most expensive cities in the world. Depending on one's economic footing, what's a lovely 'world-class' watering hole to the favoured some, could easily be the housing equivalent of the La Brea tar pits to others.

As home prices rise, affordability shrinks, personal debt loads rise and siren situations arise where deceptively thin skins of cool, soothing equity camouflage deeply sticky mortgages, the financial burden assumed on the Pollyanna assumption that prices will keep rising and the new homeowners' 'paper wealth' will steadily increases.

Conversely, when interest rates jump and/or the buttressing foreign investment weakens or suddenly pulls out of Greater Van, the bubble might not pop, but it will sag mightily. Bad enough to go under water; even worse to suck in a lungful of bitumen.

Over the Bills and Far Away

Meanwhile, the rest of BC is showing an interesting and very encouraging resurgence and one not dependent upon 'hot house' growth such as in Greater Vancouver.

Compared to the previous quarter, Q3/11 prices and volumes show signs of firming up in various sub-markets in outlying British Columbia. Set against the year-over-year quarterly comparable, Q3/11 wasn't stellar with volume, value and prices still in the red.

Compared to last year, 2011 third-quarter prices are mostly increasing (aside from minor anomalies such as attached product in BC North/NW) but these numbers have risen markedly from the start of the year.

More about tar pits and hydrocarbons, but the global recession will slowly recede and the provincial economy will slowly improve, buoyed along by this same increased foreign interest and investment in, and purchase of, BC natural resources, energy commodities and transportation of BC and other western provinces' natural wares.

The huge natural gas fields of northeastern BC, the ever increasing expansion on reliable, commodity-hungry Asia markets, the steady but slow recovery of the US economy and new-housing uptakes, huge new infrastructure upgrades; all this bodes well. BC is an export-driven, entrepreneurial powerhouse now coming back into its own.

Even more significantly, this pattern repeats in the Okanagan, Fraser Valley and BC North/NW matrixes. Sales volume and prices, all up in the third quarter, attached and condo still wobbly but bellwether SFD is holding its own.

As renewed activity creates new wealth and employment, so should residential activity in what have been – and still are – economically parched regions of BC. For every mutter in Greater Vancouver, there's a heap of hosannas wafting up in the hinterland.

[1] % change Q211 - Q311 [2] % change Q310 - Q311 [3] % change month to previous month

Fraser Valley		Q3 2011	Q2 2011	% Chg[1]	Q3 2010	% Chg[2]
Number of Sales		3,084	3,024	2.0%	2,548	21.0%
Total Value of Sales		$1.18B	$1.15B	2.8%	$0.94B	25.6%
Detached	Average	$462,062	$450,222	2.6%	$455,506	1.4%
	Median	$462,000	$449,000	2.9%	$440,000	5.0%
Condo	Average	$196,614	$187,142	5.1%	$191,529	2.7%
	Median	$200,000	$192,000	4.2%	$192,000	4.2%
Attached	Average	$294,629	$294,767	0.0%	$287,868	2.3%
	Median	$299,900	$295,000	1.7%	$296,750	1.1%

Fraser Valley Monthly		July	Aug	% Chg[3]	Sept	% Chg[3]
Number of Sales		1,180	1,059	-10.3%	845	-20.2%
Total Value of Sales		$442.36M	$419.92M	-5.1%	$318.84M	-24.1%
Detached	Average	$462,525	$469,676	1.5%	$451,698	-3.8%
	Median	$462,000	$468,000	1.3%	$452,000	-3.4%
Condo	Average	$206,509	$192,295	-6.9%	$187,823	-2.3%
	Median	$204,500	$200,000	-2.2%	$194,884	-2.6%
Attached	Average	$289,865	$295,996	2.1%	$301,019	1.7%
	Median	$297,000	$305,000	2.7%	$299,000	-2.0%

BC North/NW		Q3 2011	Q2 2011	% Chg[1]	Q3 2010	% Chg[2]
Number of Sales		2,192	1,998	9.7%	1,831	19.7%
Total Value of Sales		$428.61M	$359.31M	19.3%	$335.72M	27.7%
Detached	Average	$232,251	$213,136	9.0%	$214,350	8.4%
	Median	$237,500	$222,000	7.0%	$227,000	4.6%
Condo	Average	$100,928	$84,144	19.9%	$119,873	-15.8%
	Median	$90,000	$89,000	1.1%	$157,000	-42.7%
Attached	Average	$126,681	$148,560	-14.7%	$151,077	-16.1%
	Median	$152,500	$160,000	-4.7%	$187,500	-18.7%

BC North/NW Monthly		July	Aug	% Chg[3]	Sept	% Chg[3]
Number of Sales		681	744	9.3%	767	3.1%
Total Value of Sales		$141.27M	$144.45M	2.3%	$142.88M	-1.1%
Detached	Average	$241,046	$234,110	-2.9%	$222,320	-5.0%
	Median	$247,000	$241,500	-2.2%	$230,000	-4.8%
Condo	Average	$79,843	$92,025	15.3%	$125,863	82.4%
	Median	$69,000	$89,000	29.0%	$125,963	41.5%
Attached	Average	$166,079	$126,162	-24.0%	$105,342	-16.5%
	Median	$184,500	$133,750	-27.5%	$134,350	0.4%

Hark! The Nail Guns' Sweet Song

Call it the canary in the crawl space but the value/number of building permits issued is a key harbinger of future construction activity. It's not exact; between the optimistic developer's permit and the Realtor's celebratory gift bottle of champagne, home-building projects can die, and do. However, the more and more valuable the permits issued, the louder the nail guns.

Statistics Canada reports the August 2011 monthly value of building permits in Metro Vancouver was $494 million or off almost five percent from the $528 million posted in July. However, from January to August 2011, Metro Vancouver had 11,477 housing starts or up 21 percent from the 9,493 housing starts in the 2010 comparable. Translation: more units, lower price points.

Across BC, housing starts are up, especially in the multi-family arena as Stats Can reports that BC posted the largest increase nationwide in the value of permits issued. In August, BC saw $305 million in multi-family permit value, up almost 35 percent from $227 million in July. However, on y-o-y activity, August 2011 was off 16 percent from the $362 million posted in August 2010.

In BC overall, August saw $843 million in residential and non-residential building permits, a decent 3.3-percent gain from July's $815 million. However, on the y-o-y slate, August 2011 was off about 3.6 percent from the $874 million in August 2010.

HST - How will we miss thee? Let us count the ways...

What's next? In a word or two: more confusion and stagnation as latent recreational and new-construction buyers hold back, waiting for the HST to truly go away.

The government says the HST dismantle and rebuild of the old GST/PST means a $3-billion plus hole in its books (including the $1.6-billion payback to Ottawa) and the transition will take at least a year, say around 18 months with ETA in 2013... maybe.

As in the lead up to the HST, the post-HST landscape is confusing.

If it's new construction and principal residence and it's under $525,000 the saw-off is pretty well balanced. The tax ding is about the same, be it HST or the old (and soon to be renewed) GST/PST regime. Meanwhile and until the transition is completed, principal new residential above $525,000 will continue to be open to sliding-scale HST. As will consternation and buyer hesitancy.

Summation: longer-term market optimism tinged with immediate-term uncertainty and buyer coyness, possibly in part over the uncertainty surrounding the follow up to the late-August 2011 demise of the HST, rest in peace, and what's to follow.

[1] % change Q211 - Q311 [2] % change Q310 - Q311 [3] % change month to previous month

Kootenay		Q3 2011	Q2 2011	% Chg[1]	Q3 2010	% Chg[2]
Number of Sales		923	867	6.5%	771	19.7%
Total Value of Sales		231.87M	$216.36M	7.2%	$184.88M	25.4%
Detached	Average	$293,096	$270,065	8.5%	$281,090	4.3%
	Median	$290,000	$272,000	6.6%	$295,000	-1.7%
Condo	Average	$186,812	$168,001	11.2%	$151,245	23.5%
	Median	$202,678	$172,750	17.3%	$161,900	25.2%
Attached	Average	$254,179	$265,496	-4.3%	$261,888	-2.9%
	Median	$255,500	$272,500	-6.2%	$253,000	1.0%

Kootenay Monthly		July	Aug	% Chg[3]	Sept	% Chg[3]
Number of Sales		300	268	-10.7%	355	32.5%
Total Value of Sales		$74.52M	$67.60M	-9.3%	$89.76M	32.8%
Detached	Average	$300,240	$288,447	-3.9%	$290,312	0.6%
	Median	$305,000	$285,000	-6.6%	$281,000	-1.4%
Condo	Average	$170,895	$199,358	16.7%	$190,025	-4.7%
	Median	$200,000	$194,196	-2.9%	$221,250	13.9%
Attached	Average	$236,415	$268,949	13.8%	$257,106	-4.4%
	Median	$235,000	$263,000	11.9%	$260,000	-1.1%

Watch these spaces, especially in outlying areas away from the jostling waterhole of Metro Vancouver. Or even closer in. For example and despite its relative proximity to Metro Vancouver, the Fraser Valley market is more reflective of the current soft (but slowly firming?) markets in greater BC. Then again, the Kootenay matrix posted a neat turnaround on all markers in the last quarter. Sure, attached product is still off on the y-o-y scale but detached are condominium are up and the year isn't over.

It's early days but Landcor Data numbers suggest the 'outer' regions could be bottoming out. The big question: Does this signal the waning of the drought, the first trembles up from market trough -- and the signal for the canny and the quick to move in, buy wisely, prudently and longer-term?

In uncertain times, nothing can be said with certainty but it seems, maybe, the rains are finally coming.

Maybe.

Sound real estate decisions are made using the best possible information. Incorporated in 1987, Landcor Data Corporation has grown to be one of the most trusted providers of objective real estate data and analysis in British Columbia.

During the past two decades we've helped hundreds of clients achieve their goals by offering the most comprehensive real estate data, analysis and insight available. From real estate valuation 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 maintains the largest, most comprehensive database of historical sales and current information on BC residential and commercial real estate.

Landcor's database includes:

- BC Assessment data on 1.91 million properties
- sales transaction data for BC, including prices updated weekly
- geographic location data used in custom reports

Methodology: This report summarizes all residential sales transactions occurring in BC between July 1st and September 30th of 2011. All numbers are based on BC Assessment data available as of November 8th, 2011.

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