LANDCOR® DATA CORPORATION

The Landcor Report

British Columbia Q2 2013 Residential Sales Summary

August 26, 2013

It Was Easy Earlier...

We know a guy who likes to walk at night. When he's feeling grumpy or "ticked off at the world" he heads into the big, dark, heavily forested park near his home and hits the twisty trails, his lanky dog gamboling along beside him. On a moonless night, the trails are as black as the inside of a duck's gut. The dog manages easily, the guy, not so well, especially when he deliberately hits those paths without a flashlight, walking faster than the last time, navigating by memory, the crunch, crunch, crunch sound and feel of the gravel underneath.

Our guy claims the physical effort and intense concentration burns off irritants: "When I reach the end, I feel like a new man."

Or thoroughly buggered up if and when our near-blind speed demon slams into -- and over – any tree that inconsiderately fell across the path between now and the last daytime visit. Whap! Up and over, brain over butt, down hard. Wham!

To the ancient Greeks, we don't go 'forward' into the future. We walk backwards; we can only 'see' what's already happened, the past. We steer by educated guesswork at best. So what does Greek wisdom, gimped knees and crazy-fast walking in the dark have to do with real estate in British Columbia, or anywhere else?

[1] % change Q1 2013- Q122013 [2] % change Q2 2012- Q2 2013

BC		Q2 2013	Q1 2013	% Chg[1]	Q2 2012	% Chg[2]
Number of Sales		25,046	13,581	84.42%	27,101	-7.58%
Total Value of Sales		$12.46B	$6.59B	89.23%	$13.76B	-9.43%
Detached	Average	$490,038	$474,379	3.30%	$498,332	-1.66%
	Median	$470,000	$455,570	3.17%	$480,000	-2.08%
Condo	Average	$316,619	$307,504	2.96%	$327,026	-3.18%
	Median	$319,500	$300,000	6.50%	$323,000	-1.08%
Attached	Average	$360,583	$356,264	1.21%	$364,796	-1.15%
	Median	$358,000	$342,205	4.62%	$355,000	0.85%

We live in interesting, rapidly changing times. Urbanization, globalization, climate change, the Internet; what happens in Beijing or Brussels or wherever can have a near-immediate 'butterfly effect' on small-town Canada and the butterflies are everywhere, their wings are huge and in constant motion.

Flash floods in Alberta and Ontario, 'flash crashes' on Wall Street, win the 6/49 lottery, another 9/11, crunch down the gravel path to the end, blissful and unscathed . . . or suddenly flail into the ditch.

Even stable, comparatively safe and blessedly bland BC ripples with uncertainties, ranging from the relatively minor (e.g. mortgage rates, provincial deficits, the LNG slight of hand) and to the major, capped by the long-anticipated 9.0 plus Richter scale, mega-thrust coastal earthquake which will (we predict) cause a real shake up in local housing markets (and everything else).

Late . . . Too Late? . . . Night Reading

Every day, there's much written about the Canadian housing market. One of the interesting overviews comes from Ontario-based specialty corporate bond manager Canso Investment Counsel www.cansofund.com and its recent (July/13), well-researched and rather disquieting Canso PX report titled simply The Canadian Housing Market.

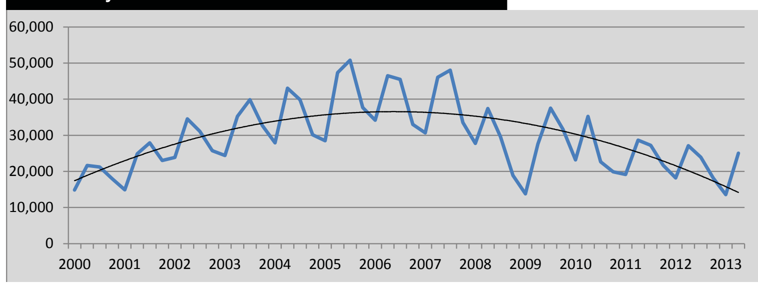
The report's preamble compares the US and Canadian housing markets as two competing racecars. Initially, the Yanks zipped far ahead of the lumbering Canucks. But when they almost blow their engine, whether through choice or not, the Yanks slowed down.

Meanwhile the Canuck team switched to 'CMHC fuel' boosted with additives such as longer amortization and 100-percent financing to scream past the Yanks who stopped, reworked their engine, switched back to a low-octane blend and now gingerly yet safely poke along.

Giddy with the speed and excitement, the Canadians add "a secret ingredient called IMPP" (Insured Mortgage Purchase Program) to the fuel blend and to the wonderment of the world, go flat out, engine howling.

The preamble ends: "No one listens to the few Canadian team members worried about the risk of an explosion. They believe the safety of the car and driver are being sacrificed for fame and fortune. Winning races has become everything."

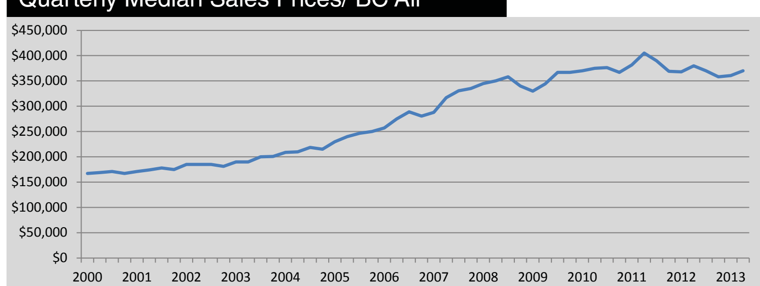
Quarterly Sales Counts/ BC All



Augmented with charts provided by "the stalwart analysts at the Bank Credit Analyst" and sourced from StatsCan, CMHC, Genworth Canada and others, the Canso report succinctly details the history and fundamentals of the market, the 'whys' behind the creation of the high-octane blend now driving the market, consumer debt, 'securitized' mortgage pools, feckless bankers and fool-hardy borrowers, "streamlined" automated appraisals, the now "massive" participation of Ottawa in the mortgage markets, the thoughtless rah-rah role of the media as cheer leaders for bloated, burgeoning markets versus the contrary and cold actual indicators and many other inputs.

Simply and clearly put, the report shows how, year by year, the overwrought, overbought vehicle called the Canadian housing market is now lifting up on two wheels, juddering, barely in control and heading for the immovable wall.

Quarterly Median Sales Prices/ BC All



In summation, the report's authors "hope very much to be proven wrong but the analysis is clear. Canada borrowed its way out of the 2009 Recession by stoking our residential housing market to absurd levels. We [now] cannot afford the houses we are now living in."

Not Having Read the Report . . .

In July the Canadian Real Estate Association (CREA) reported that although average home prices and sales in Canada have fallen year-over-year, the figures appear to have bottomed out three months ago and have risen since.

BMO Capital Markets senior economist Robert Kavcic and TD Economics economist Diana Petramala were quoted, respectively, as saying the rebound has “all but erased any threat of an eminent melt in prices” and the “existing home market has almost fully shaken off” the effects of Ottawa’s tightened mortgage-insurance rules implemented almost a year ago, thus easing concerns of a “deeper correction” in the offing.

(But with the eyes-backward caveat of rising mortgage rates that Petramala warns “may temper demand in the months ahead.”)

Meanwhile, in two thirds of the cities examined by CREA, year-over-year sales were up with more of the action in western markets such as Winnipeg, Saskatoon, Calgary, Edmonton, Metro Vancouver and the Capital Regional District (CRD) a.k.a. Victoria and area.

Landcor Data Agrees, with Caveats

In BC’s two bellwether markets --Metro Vancouver and the CRD – most prices, values and volume are down year-over-year but have shown a healthy rebound in the last quarter, not enough to motor past the y-o-y loss but coming on stronger. Sales volumes almost doubled, from 6,261 sales in Q1/13 to 11,538 in the second quarter and nearing the 12,527 quarterly sales one year ago, prices are coming back as buyers return.

As always, the only exception is Metro Vancouver SFD that continues to post steady price gains on the y-o-y and quarterly basis. Last year, the average price for single-detached product was $849,441. Last quarter, and despite Ottawa’s attempt to cool the national housing market, a Metro Vancouver manse average sale price was $873,510 and what is a heady 6.21-percent jump over the last quarter.

The smaller BC regional markets largely show the same pattern: Q2/13 figures are down on the year-over-year comparable but have somewhat rebounded over the first-quarter figures with SFD in most all markets showing the best legs.

However, some product categories are still getting kicked in the rump. Examples: condos in the Fraser Valley matrix and attached/townhouse product in the BC North/NW. (FYI but northern BC has very few condos; a few sales skew the figures enormously.)

In a recent (August 11/13) article in The Canadian Press, the mixed signals were weighted and although some data such as home prices and starts suggest that the “soothing” soft landing that Ottawa, economists, banks and not a few worried homeowners “are fingers-crossed hoping for, others [data sources] suggest the real message is: the crash is coming.”

In early August, Statistic Canada reported that national residential building permits fell 12.9 percent in June with multi-unit (a.k.a the ‘starter home’ for many first-time urban buyers) fell by 18.8 percent. In turn, The Canadian Press cited research from RealNet Canada which is “even more frightening” in that in bellwether markets such as Greater Toronto Area (GTA), Metro Vancouver and Calgary, building permits have “already crashed through the floor, plunging 51, 52 and 30 per cent respectively.”

[1] % change Q1 ’13- Q2 ’13 [2] % change Q2 ’12- Q2 ’13 [3] % change month to previous month

Gr. Vancouver		Q2 2013	Q1 2013	% Chg[1]	Q2 2012	% Chg[2]
Number of Sales		11,538	6,261	84.28%	12,527	-7.89%
Total Value of Sales		$8.00B	$4.24B	88.68%	$8.89B	-10.04%
Detached	Average	$873,510	$822,416	6.21%	$849,441	2.83%
	Median	$788,800	$749,625	5.23%	$781,000	1.00%
Condo	Average	$364,082	$364,066	0.00%	$379,474	-4.06%
	Median	$359,900	$351,500	2.39%	$370,000	-2.73%
Attached	Average	$463,550	$446,507	3.82%	$466,035	-0.53%
	Median	$441,500	$413,018	6.90%	$445,000	-0.79%

Gr. Van. Monthly		April	May	% Chg[3]	June	% Chg[3]
Number of Sales		3,664	3,898	6.39%	3,976	8.52%
Total Value of Sales		$2.49B	$2.73B	9.87%	$2.78B	11.93%
Detached	Average	$882,707	$872,850	-1.12%	$867,204	-1.76%
	Median	$785,500	$790,000	0.57%	$785,000	-0.06%
Condo	Average	$360,170	$369,876	2.69%	$361,826	0.46%
	Median	$350,000	$369,900	5.69%	$353,000	0.86%
Attached	Average	$456,744	$463,831	1.55%	$469,209	2.73%
	Median	$441,500	$441,000	-0.11%	$441,750	0.06%

Vancouver Island		Q2 2013	Q1 2013	% Chg[1]	Q2 2012	% Chg[2]
Number of Sales		4,139	2,375.00	74.27%	4,316	-4.10%
Total Value of Sales		$1.53B	$0.84B	82.99%	$1.67B	-8.48%
Detached	Average	$392,098	$377,240	3.94%	$407,137	-3.69%
	Median	$398,000	$381,500	4.33%	$408,000	-2.45%
Condo	Average	$248,232	$229,685	8.07%	$251,650	-1.36%
	Median	$249,900	$235,182	6.26%	$254,377	-1.76%
Attached	Average	$311,653	$296,965	4.95%	$316,123	-1.41%
	Median	$318,346	$305,000	4.38%	$325,000	-2.05%

Van. Island Monthly		April	May	% Chg[3]	June	% Chg[3]
Number of Sales		1,149	1,507	31.16%	1,483	29.07%
Total Value of Sales		$400.78M	$0.55B	38.24%	$0.58B	43.82%
Detached	Average	374,864	393,384	4.94%	403,710	7.70%
	Median	380,000	398,627	4.90%	410,000	7.89%
Condo	Average	241,891	252,928	4.56%	249,352	3.08%
	Median	242,400	253,000	4.37%	256,500	5.82%
Attached	Average	307,589	311,087	1.14%	314,996	2.41%
	Median	318,346	310,000	-2.62%	323,000	1.46%

Okanagan		Q2 2013	Q1 2013	% Chg[1]	Q2 2012	% Chg[2]
Number of Sales		3,458	1,742	98.51%	3,573	-3.22%
Total Value of Sales		$1.11B	$0.54B	107.37%	$1.18B	-6.11%
Detached	Average	$365,762	$355,464	2.90%	$372,192	-1.73%
	Median	$370,000	$360,414	2.66%	$372,000	-0.54%
Condo	Average	$214,454	$202,187	6.07%	$210,267	1.99%
	Median	$217,500	$199,950	8.78%	$212,000	2.59%
Attached	Average	$267,659	$263,294	1.66%	$280,081	-4.44%
	Median	$274,450	$280,000	-1.98%	$295,000	-6.97%

Okanagan Monthly		April	May	% Chg[3]	June	% Chg[3]
Number of Sales		994	1,188	19.52%	1,276	28.37%
Total Value of Sales		$309.25M	$382.5M	23.71%	$419.88M	35.77%
Detached	Average	343,113	366,987	6.96%	381,482	11.18%
	Median	352,000	370,000	5.11%	380,000	7.95%
Condo	Average	208,339	218,221	4.74%	215,729	3.55%
	Median	215,000	210,620	-2.04%	219,500	2.09%
Attached	Average	297,773	250,905	-15.7%	262,878	-11.72%
	Median	302,500	253,125	-16.3%	262,000	-13.39%

Another Camp Weighs In

More about Ottawa but when housing construction cools and homebuilding and ancillary jobs fall away, entities such as the Canadian Association of Accredited Mortgage Professionals (CAAMP) believe that the feds should take their focus off of mortgage-rule tightening and do more to bolster first-time homebuyers, in turn helping the economically crucial home-construction industries. For examples, index the RRSP homebuyers' plans and/or stretch amortization from its current 25-year maximum and back to 30 years for qualified first-time homebuyers, thus allowing lower yet longer monthly payments . . . which, with the echoes of the sub-prime mess in the United States still ringing, might be double-edged.

On a positive note, an April, 2013 CAAMP/Maritz online survey of 2,000 homeowners nationwide revealed that almost 70 percent prudently took advantage of the lower-interest rate environment, 18 percent have increased their payments, 16 percent are making lump-sum payments to reduce the loan principals and substantially cut the amortization periods.

More 'stand back' stats from national pollster Ipsos Canada, Bank of Canada and Bloomberg's discovery that in 2012 an 'astonishing' and record 13.5 percent or more than one in 10 Canadian households were 'highly indebted' as in carrying debts equal to or greater than 250 percent of gross annual income. Most of this debt is real-estate related which, because the markets are still generally solid, wipes away most of the sweat. As well, the Q1/2013 figure shows a reduction in the 'highly indebted' cohort to under 12 percent of all Canadian households.

Merrily We (Bank) Roll Along

There are approximately 1.94 million property titles of all types in BC; Federal Finance Minister Jim Flaherty has long been the Cassandra of the Hill, warning Canadians to save more, reduce debt, be fiscally prudent. Going by recent reports and surveys, Canadians have heeded the call, to a point, maybe.

In its recent Wealthscapes study, Environics Analytics, a marketing and analytical service company, found the average Canadian household net worth grew by almost six percent last year and now tops $400,000, an historic high; credit the 5.4-percent gain in 'liquid assets' and 5.1-percent in real estate values.

Now consider our non-mortgage debt levels of 160 plus percent of annual disposable income, one of the highest ratios in the world (not factoring in per-capita government debt that grows yearly as governments of all levels trend deeper into the red.)

Good news: a recent TransUnion Canada analysis found that after growing 3.5 percent year-over-year, non-mortgage consumer debt fell two percent in Q2/13 to $26,935 on average. This is the highest quarterly national drop since 2004 when TransUnion began to track such debt. Ontario households have gone farther, paying down household consumer debt by 3.6 percent; in Toronto, by five percent.

On the flip side and after falling in Q3 and Q4 of 2012, consumer debt in British Columbia actually rose 3.3 percent y-o-y, powered along by the 3.7-percent between Q4/12 and Q1/13. On average, the average BC adult carries $38,619 (and growing) in personal debt and what is the highest level in Canada.

Wealthscapes lead author Peter Miron noted that Metro Vancouver households have the highest net worth in Canada: $662,000 as of last year. However, 83 percent or about $550,000 of this wealth is beholden to an "out of this world" real estate market making it the one large egg in what could be a fragile basket.

[1] % change Q1 '13- Q2'13 [2] % change Q2 '12- Q2 '13 [3] % change month to previous month

Fraser Valley		Q2 2013	Q1 2013	% Chg[1]	Q2 2012	% Chg[2]
Number of Sales		2,787	1,714	62.60%	3,142	-11.30%
Total Value of Sales		$1.14B	$0.65B	75.07%	$1.26B	-9.29%
Detached	Average	$456,010	$446,470	2.14%	$455,445	0.12%
	Median	$450,000	$440,000	2.27%	$450,000	0.00%
Condo	Average	$172,386	$186,823	-7.73%	$186,110	-7.37%
	Median	$178,000	$194,700	-8.58%	$196,150	-9.25%
Attached	Average	$288,008	$284,876	1.10%	$289,669	-0.57%
	Median	$299,000	$287,000	4.18%	$295,000	1.36%

Fraser Valley Monthly		April	May	% Chg[3]	June	% Chg[3]
Number of Sales		775	989	27.61%	1,023	32.00%
Total Value of Sales		$311.06M	$394.03M	26.67%	$435.58M	40.03%
Detached	Average	$462,300	$450,298	-2.60%	$456,794	-1.19%
	Median	$452,886	$447,000	-1.30%	$444,700	-1.81%
Condo	Average	$184,649	$173,509	-6.03%	$160,704	-12.97%
	Median	$179,000	$178,900	-0.06%	$172,500	-3.63%
Attached	Average	$279,577	$288,003	3.01%	$294,673	5.40%
	Median	$288,000	$299,950	4.15%	$302,244	4.95%

BC North/NW		Q2 2013	Q1 2013	% Chg[1]	Q2 2012	% Chg[2]
Number of Sales		2,133	1,043	104.51%	2,487	-14.23%
Total Value of Sales		$435.59M	$213.18M	104.33%	$492.06M	-11.48%
Detached	Average	$237,517	$228,355	4.01%	$229,808	3.35%
	Median	$242,000	$237,500	1.89%	$235,000	2.98%
Condo	Average	$90,218	$92,143	-2.09%	$121,593	-25.80%
	Median	$114,000	$93,000	22.58%	$129,000	-11.63%
Attached	Average	$166,886	$189,114	-11.75%	$163,760	1.91%
	Median	$180,000	$205,000	-12.20%	$184,000	-2.17%

BC North/NW Monthly		April	May	% Chg[3]	June	% Chg[3]
Number of Sales		585	802	37.09%	746	27.52%
Total Value of Sales		$111.48M	$164.13M	47.23%	$159.98M	43.51%
Detached	Average	$226,162	$239,003	5.68%	$244,590	8.15%
	Median	$233,000	$245,000	5.15%	$248,500	6.65%
Condo	Average	$68,007	$107,746	58.43%	$111,418	63.83%
	Median	$73,000	$119,500	63.70%	$129,500	77.40%
Attached	Average	$165,589	$152,954	-7.63%	$195,453	18.03%
	Median	$163,500	$180,000	10.09%	$198,000	21.10%

Kootenay		Q2 2013	Q1 2013	% Chg[1]	Q2 2012	% Chg[2]
Number of Sales		991	446	122.20%	1,056	-6.16%
Total Value of Sales		$244.32M	$108.64M	124.90%	$261.27M	-6.49%
Detached	Average	$270,216	$253,773	6.48%	$268,156	0.77%
	Median	$278,250	$264,500	5.20%	$277,750	0.18%
Condo	Average	$166,460	$153,130	8.70%	$189,091	-11.97%
	Median	$182,000	$173,000	5.20%	$192,767	-5.59%
Attached	Average	$262,323	$238,451	10.01%	$248,589	5.52%
	Median	$267,196	$233,223	14.57%	$273,250	-2.22%

Kootenay Monthly		April	May	% Chg[3]	June	% Chg[3]
Number of Sales		279	372	33.33%	340	21.86%
Total Value of Sales		$66.71M	$92.32M	38.40%	$85.29M	27.86%
Detached	Average	265,473	274,935	3.56%	268,939	1.31%
	Median	284,625	275,500	-3.21%	275,400	-3.24%
Condo	Average	128,576	213,606	66.13%	168,125	30.76%
	Median	125,000	210,000	68.00%	187,000	49.60%
Attached	Average	269,855	255,980	-5.14%	264,044	-2.15%
	Median	267,196	264,500	-1.01%	269,500	0.86%

Interesting, the top three net-worth cities – Metro Vancouver, Calgary and the Greater Toronto Area –also ride high thanks to burgeoning real estate markets, so far.

When Homebuyers Weep

Interestingly, Ottawa's decision not to extend mortgage-default insurance to properties valued at over $1 million has, reports The Financial Post (July 3/13), created a flurry of bids just under the mark as even some wealthy would-be homeowners struggle to secure the necessary financing under new government rules.". (At present, would-be buyers with less than a 20 percent down payment and borrowing from a financial institution must purchase mortgage-default insurance.

The Post also cites the rationale and figures behind the new Canada Mortgage and Housing Corporation (CMHC) threshold: in Q1 2013, a mere four percent of housing in CMHC's total insurance-in-force portfolio carried a loan amount of $550,000 plus; this also represents a one-percent decline year-over-year.

Ray Harris, president-elect of the Real Estate Board of Greater Vancouver was quoted as saying Ottawa's new ceiling probably won't ripple the Metro Vancouver market much as most buyers in that zone have deeper pockets and don't need mortgage insurance. Despite the headlines of home prices gone wild in Metro Vancouver, million-dollar plus is what Harris calls "definitely just a sliver of the market" and meanwhile, there's a lot of product available below the $1M threshold.

For anyone (buyer or bank) willing to take on or back stop the responsibility of a $999,999 (or somewhat less) mortgage with the minimum allowed down payment, and do it in uncertain times and 'dynamic' markets . . .

Bullish on Canadian real estate in general and vis-à-vis foreigners' interest in particular, global luxury realtor Sotheby's International Realty Canada does note that, although luxury SFD sales in Canada remains strong, not so much with luxury condo products.

Sotheby's Canada seasoned CEO Ross McCredie was quoted as saying Ottawa's stricter mortgage requirements did have a major effect on the high-end market in Metro Vancouver, yet he also believes "renewed confidence and market momentum" will prevail and "higher-end buyers have adjusted" to the new landscape.

Already Tuned In

Agree or disagree but in his July 3/13 'Stats' blog posting, financial author, gleeful gadfly and general economic pundit Garth Turner www.greaterfool.ca warns that "the flashing yellow signs are everywhere" that current and wannabe homebuyers in Canada are setting themselves up for a real hard fall.

The worrisome problem, says Turner, is when mortgage rates rise, they'll crimp these same housing markets; sales and values will fall. You got the cheap rate -- but now your place is worth less. Opines Turner: "Grabbing cheap rates to lock up houses that higher rates will knock down is a classic mistake. Then again, we're a nation of debt dummies."

Equally off the mark, continues Turner, are investors buying condos in overheated, oversaturated markets such as Greater Toronto and Metro Vancouver. Turner cites The Globe and Mail article written by macro-economist Sheryl King and what he calls an "upscale, erudite version of the pathetic drivel and anguished logic published daily".

In turn, King's article (July 2/13) cites billionaire Warren Buffet's maxim: "You never know who's swimming naked until the tide goes out." The tide being the recent "hint" from US Federal Reserve that, as the US economy improves, its bond-buying campaign could soon wind down, effectively putting the rise in interest rates. North of the border, the mouse follows the elephant with rising Canadian bond yields putting the prod to mortgage interest rates.

As mortgage rates rise, 'investment' condos lose their luster. Especially in major urban centers which are in an overbuilt environment vis-à-vis condominiums.

King writes the average rent for a one-bedroom condo in downtown Toronto has risen by 10 percent over two years to what's now $1,856 per month or $22,272 per annum. Average sale price for that condo: about $330,000 to yield a "healthy" 6.7 percent return on the investment.

Not bad, writes King, assuming one doesn't factor in the carrying costs. For example, a five-year fixed 3.05 percent mortgage (20-percent downpayment, 25-year amortization) eats $1,265 per month. Now, slice off the maintenance fees, taxes and so and, according to King's calculations, the net income is a mere $535 per annum or a piddling 0.16 percent ROI. Add a bad tenant to the mix, one single month of missed income, any minor repairs, special assessment or anything and that rental 'investment' is under water.

Wonders King: "Why would an investor take on the risk of owning a condo for virtually no annual return? The answer: They are not."

If and when that fixed five-year 3.05 mortgage rate rises even another 50 basis points, King warns that the rental investor holding the above scenario, will be "into a position of negative carrying costs. . . . Here's hoping the spike in mortgage rates is short-lived."

Getting Home Safe

Paths chosen and walked, the game of life made physical; exceed your earlier, personal goals and trust your feet are true, the path is open . . . and gamble that your skull is thick. Be alert, expect the best but anticipate, keep a wary (back of your head) eye open for the worst.

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