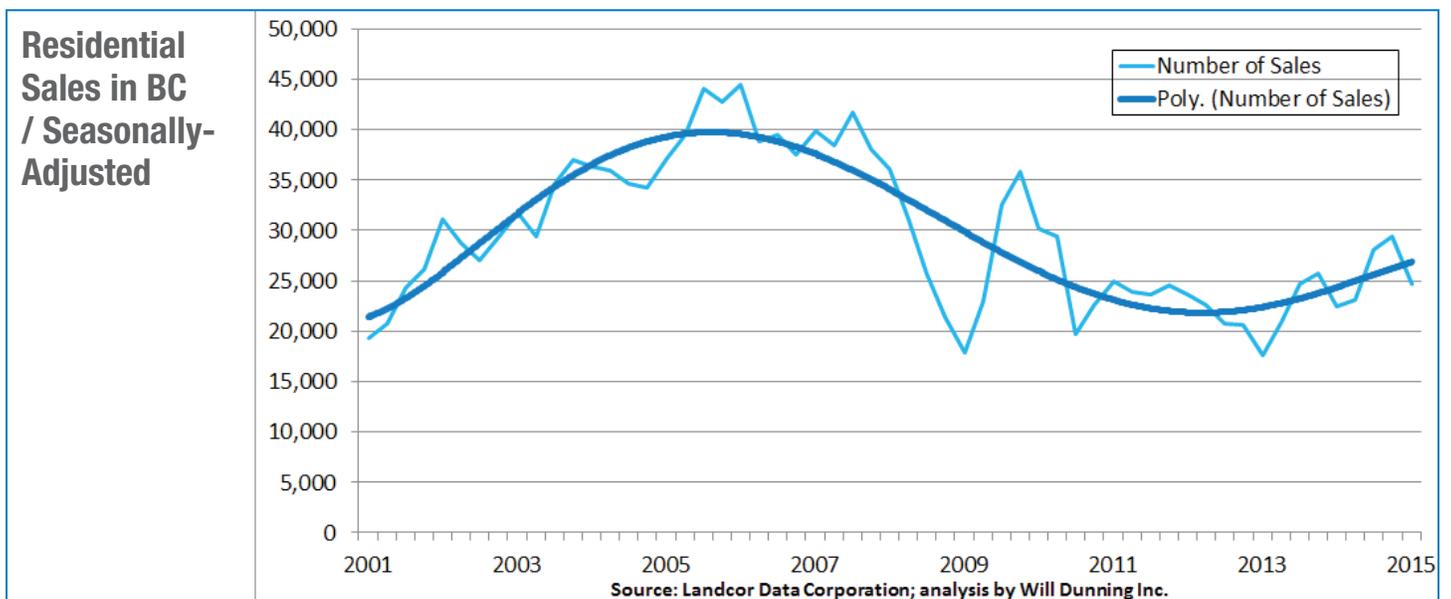


Report by economist WILL DUNNING. Will Dunning operates a consulting firm that specializes in analysis of housing markets.

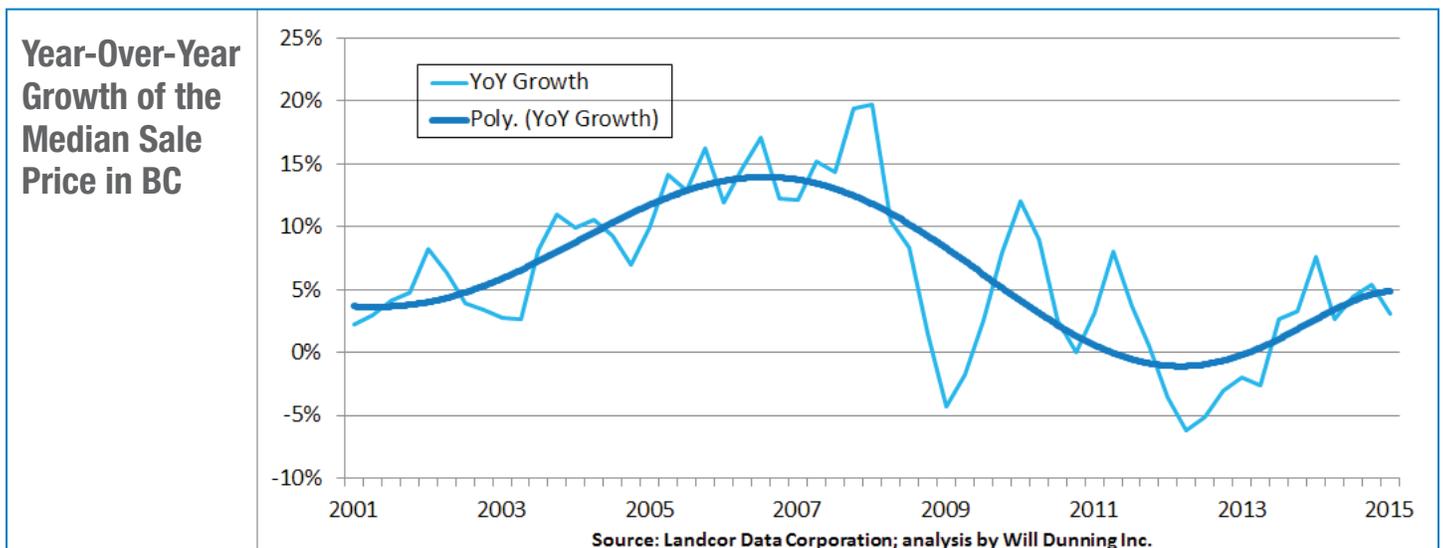
BC Housing Market Looking Healthy

BC Housing Market Overview | Watching from faraway (in Etobicoke, Ontario) housing market indicators for British Columbia look quite healthy to me.

The sales trend is somewhere in a range of flat-to-rising-slightly, at a level that is well below the pre-recession exuberance (in these charts "Poly." refers to a "polynomial" trend line that is generated by Excel).

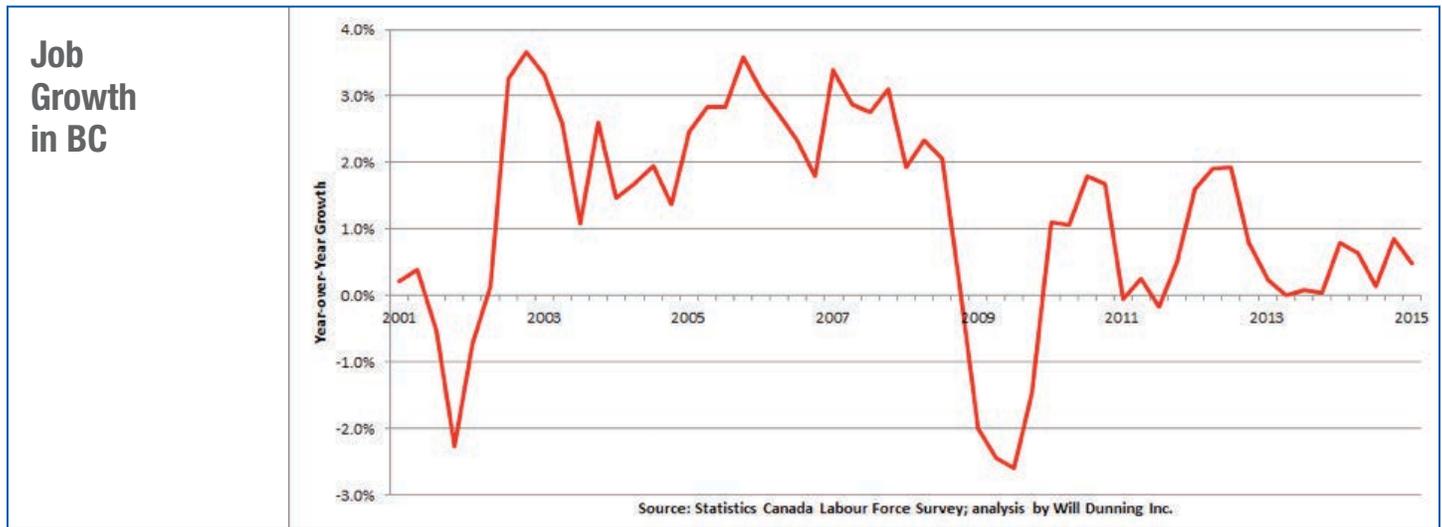


Meanwhile, the price trend (taking the median price from the Landcor data) suggests that prices are growing at a moderate rate. While the current rate of increase is about 5%, that is partly distorted (upwards) by the fact that the Vancouver area is currently receiving a rising share of provincial activity.



The Economic Background

According to Statistics Canada estimates, BC's employment growth has been barely positive for the past two years. While I am often skeptical about this data, I don't see any evidence that there is a different reality out there.



The recent lack of job growth should now be starting to contribute to a slowdown of sales, which has not occurred. That's because further falls in mortgage interest rates have more than offset the weak job situation. In this chart I am showing my estimates of typical rates for 5-year fixed-rate mortgages (you will not find this data published anywhere).



Looking forward...

Well, I have to start here by adding to the confessions I made in my previous report (about the weaknesses of forecasting). The opinions expressed by analysts (whether economists, financial analysts, or psychoanalysts) very much reflect their ingrained biases: those biases encourage us to see what we expected to see and to give less credence to facts that contradict our expectations.

Continued next page

A critical part of maturing as an analyst is to recognize our biases and fight back against them. In other words, to be able to draw conclusions different than we expected!

I think I'm starting to make progress on that mighty quest.

My life-long bias is that it is easier for me to find negatives than positives, and so my opinions are often pessimistic compared to most other economists (there are a few who are even more pessimistic than I am).

That said, I once again see more negatives than positives, for economic conditions in general and for the BC housing market outlook in particular.

- The drop in the price of oil is still the big issue on my mind. Most opinions suggest that we are in a temporary soft patch in Canada and that economic growth will strengthen during the second half of this year and into next year. I'm not totally convinced. In Alberta, the process of winding down major investment projects is not instantaneous. Employment in Alberta will probably fall for at least another 12 months. This will mean that spending by Albertans (companies and individuals) will fall, with economic repercussions across the country.
- The recent slow job creation in BC is unlikely to gain much traction. Mortgage interest rates are unlikely to fall much further (versus the 2.75% mortgage rate seen at present, in the second quarter). This combination means that BC housing activity will tend to slow (although I expect that the second quarter numbers will be quite good).
- Lack of job creation means that housing demand needs to be supplemented by in-migration of non-working people.
- For the international contingent of migrants, I don't see cause for any reductions in the near term.
- But, in-migration of retired people from other provinces depends a lot on Alberta. There are two forces at work here. Firstly, it's possible that more people will decide to retire in Alberta and move-away – based on their expectations about pension incomes and often due to growth in their investments over the past few years. But, on the other hand, it is currently more difficult to sell a home in Alberta. I expect that there will be less in-movement from other provinces during the next couple of years.

Overall, I expect a slowing in BC housing activity. But, I do not expect anything like a crash. My reading of the Landcor data has been that a soft landing is underway in BC. That may change only slightly in degree, but without altering the broad conclusion.

The drop in the price of oil is still the big issue on my mind.

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.

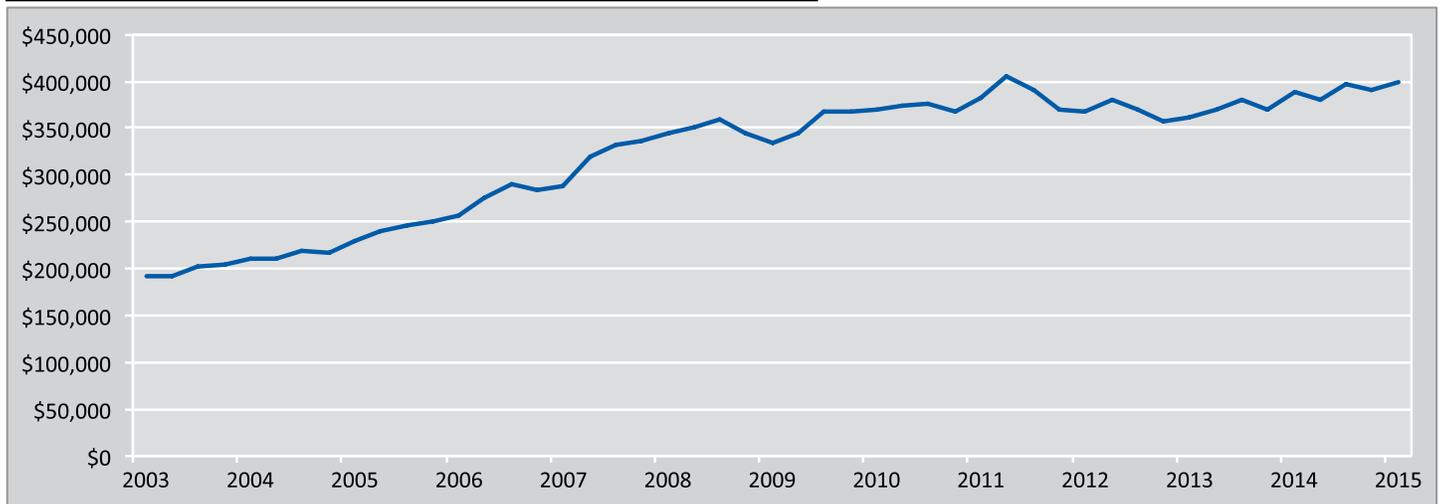


BC Residential Sales Summary for Q1 2015

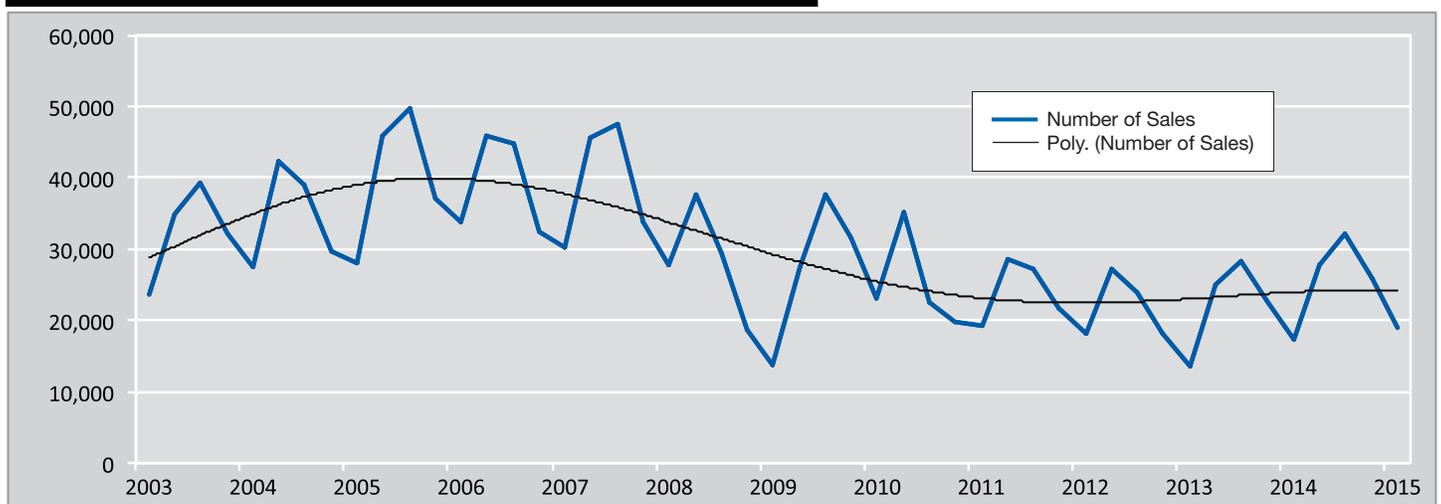
¹% change Q4'2014- Q1'2015 ²% change Q1'2014- Q1'2015

BC		Q1 2015	Q4 2014	% Chg ¹	Q1 2014	% Chg ²
Number of Sales		18,993	25,866	-26.57%	17,285	9.88%
Total Value of Sales		\$11.09B	\$14.11B	-21.43%	\$9.79B	13.21%
Detached	Average	\$589,242	\$539,424	9.24%	\$550,697	7.00%
	Median	\$550,000	\$515,000	6.80%	\$515,000	6.80%
Condo	Average	\$321,312	\$339,181	-5.27%	\$330,651	-2.82%
	Median	\$325,000	\$350,000	-7.14%	\$329,000	-1.22%
Attached	Average	\$377,463	\$377,629	-0.04%	\$378,301	-0.22%
	Median	\$367,500	\$364,900	0.71%	\$366,000	0.41%

Median Sale Prices/BC All



Sales Counts/BC All



¹% change Q4 '14 – Q1 '15 ²% change Q1 '14 – Q1 '15 ³% change month to previous month

Quarterly Sales

Gr. Vancouver		Q1 2015	Q4 2014	% Chg ¹	Q1 2014	% Chg ²
Number of Sales		9,556	12,657	-24.50%	8,666	10.27%
Total Value of Sales		\$7.74B	\$9.48B	-18.37%	\$6.94B	11.57%
Detached	Average	\$1,013,362	\$945,571	7.17%	\$964,905	5.02%
	Median	\$930,000	\$870,000	6.90%	\$865,000	7.51%
Condo	Average	\$376,500	\$386,306	-2.54%	\$387,167	-2.76%
	Median	\$370,000	\$380,900	-2.86%	\$378,575	-2.27%
Attached	Average	\$484,632	\$471,731	2.73%	\$476,916	1.62%
	Median	\$471,500	\$446,000	5.72%	\$439,900	7.18%

Monthly Sales

Gr. Van. Monthly		January	February	% Chg ³	March	% Chg ³
Number of Sales		3,418	2,768	-19.02%	3,370	-1.40%
Total Value of Sales		\$2.82B	\$2.18B	-22.70%	\$2.74B	-2.84%
Detached	Average	\$1,021,053	\$994,450	-2.61%	\$1,020,485	-0.06%
	Median	\$936,500	\$925,000	-1.23%	\$930,000	-0.69%
Condo	Average	\$384,016	\$371,602	-3.23%	\$372,869	-2.90%
	Median	\$372,900	\$370,647	-0.60%	\$368,000	-1.31%
Attached	Average	\$491,323	\$489,511	-0.37%	\$473,901	-3.55%
	Median	\$485,000	\$471,200	-2.85%	\$460,000	-5.15%

Quarterly Sales

Vancouver Island		Q1 2015	Q4 2014	% Chg ¹	Q1 2014	% Chg ²
Number of Sales		3,110	4,180	-25.60%	2,855	8.93%
Total Value of Sales		\$1.22B	\$1.61B	-24.03%	\$1.03B	18.44%
Detached	Average	\$409,958	\$409,725	0.06%	\$387,275	5.86%
	Median	\$407,241	\$409,155	-0.47%	\$393,000	3.62%
Condo	Average	\$244,132	\$257,339	-5.13%	\$239,765	1.82%
	Median	\$254,000	\$260,000	-2.31%	\$235,871	7.69%
Attached	Average	\$306,315	\$315,307	-2.85%	\$316,567	-3.24%
	Median	\$310,000	\$323,579	-4.20%	\$325,000	-4.62%

Monthly Sales

Van. Island Monthly		January	February	% Chg ³	March	% Chg ³
Number of Sales		994	904	-9.05%	1,212	21.93%
Total Value of Sales		\$425.00M	\$348.00M	-18.12%	\$451.00M	6.12%
Detached	Average	\$418,012	\$404,387	-3.26%	\$407,553	-2.50%
	Median	\$409,500	\$415,000	1.34%	\$402,240	-1.77%
Condo	Average	\$243,255	\$245,001	0.72%	\$244,136	0.36%
	Median	\$251,901	\$264,950	5.18%	\$250,000	-0.75%
Attached	Average	\$328,736	\$298,493	-9.20%	\$293,354	-10.76%
	Median	\$339,350	\$298,500	-12.04%	\$308,500	-9.09%

¹% change Q4 '14 – Q1 '15 ²% change Q1 '14 – Q1 '15 ³% change month to previous month

Quarterly Sales

Okanagan		Q1 2015	Q4 2014	% Chg ¹	Q1 2014	% Chg ²
Number of Sales		2,272	3,463	-34.39%	2,128	6.77%
Total Value of Sales		\$0.78B	\$1.20B	-35.22%	\$0.69B	12.30%
Detached	Average	\$389,834	\$392,634	-0.71%	\$379,748	2.66%
	Median	\$395,850	\$391,900	1.01%	\$385,000	2.82%
Condo	Average	\$206,956	\$214,760	-3.63%	\$207,180	-0.11%
	Median	\$217,000	\$213,500	1.64%	\$206,750	4.96%
Attached	Average	\$275,555	\$300,844	-8.41%	\$269,921	2.09%
	Median	\$282,500	\$301,000	-6.15%	\$270,500	4.44%

Monthly Sales

Okanagan Monthly		January	February	% Chg ³	March	% Chg ³
Number of Sales		654	652	-0.31%	966	47.71%
Total Value of Sales		\$232.00M	\$220.00M	-5.17%	\$328.00M	41.38%
Detached	Average	\$395,042	\$392,161	-0.73%	\$385,046	-2.53%
	Median	\$409,500	\$391,000	-4.52%	\$395,000	-3.54%
Condo	Average	\$212,869	\$187,458	-11.94%	\$218,721	2.75%
	Median	\$217,500	\$198,000	-8.97%	\$230,000	5.75%
Attached	Average	\$295,351	\$269,109	-8.88%	\$264,052	-10.60%
	Median	\$304,000	\$277,500	-8.72%	\$275,000	-9.54%

Quarterly Sales

Fraser Valley		Q1 2015	Q4 2014	% Chg ¹	Q1 2014	% Chg ²
Number of Sales		2,416	2,820	-14.33%	1,967	22.83%
Total Value of Sales		\$0.98B	\$1.14B	-13.79%	\$0.76B	29.13%
Detached	Average	\$470,671	\$472,538	-0.40%	\$458,470	2.66%
	Median	\$470,000	\$469,011	0.21%	\$445,888	5.41%
Condo	Average	\$185,119	\$180,594	2.51%	\$175,826	5.29%
	Median	\$192,000	\$185,000	3.78%	\$187,000	2.67%
Attached	Average	\$285,646	\$300,950	-5.09%	\$286,834	-0.41%
	Median	\$290,500	\$308,521	-5.84%	\$290,000	0.17%

Monthly Sales

Fraser Valley Monthly		January	February	% Chg ³	March	% Chg ³
Number of Sales		830	689	-16.99%	897	8.07%
Total Value of Sales		\$346.00M	\$274.00M	-20.81%	\$365.00M	5.49%
Detached	Average	\$476,037	\$463,920	-2.55%	\$470,857	-1.09%
	Median	\$475,000	\$463,500	-2.42%	\$464,000	-2.32%
Condo	Average	\$186,878	\$193,529	3.56%	\$176,016	-5.81%
	Median	\$192,500	\$201,900	4.88%	\$181,000	-5.97%
Attached	Average	\$289,482	\$287,293	-0.76%	\$280,864	-2.98%
	Median	\$305,000	\$285,500	-6.39%	\$284,500	-6.72%

¹% change Q4 '14 – Q1 '15 ²% change Q1 '14 – Q1 '15 ³% change month to previous month

Quarterly Sales

BC North/NW		Q1 2015	Q4 2014	% Chg ¹	Q1 2014	% Chg ²
Number of Sales		1,097	1,794	-38.85%	1,126	-2.58%
Total Value of Sales		\$238.00M	\$434.26M	-45.19%	\$244.43M	-2.63%
Detached	Average	\$248,901	\$259,734	-4.17%	\$236,674	5.17%
	Median	\$260,000	\$263,500	-1.33%	\$250,000	4.00%
Condo	Average	\$138,410	\$214,215	-35.39%	\$96,764	43.04%
	Median	\$185,000	\$266,375	-30.55%	\$104,500	77.03%
Attached	Average	\$186,845	\$235,620	-20.70%	\$210,806	-11.37%
	Median	\$218,900	\$229,900	-4.78%	\$255,000	-14.16%

Monthly Sales

BC North/NW Monthly		January	February	% Chg ³	March	% Chg ³
Number of Sales		353	328	-7.08%	416	17.85%
Total Value of Sales		\$75.66M	\$72.73M	-3.88%	\$90.07M	19.05%
Detached	Average	\$234,077	\$253,861	8.45%	\$257,450	9.99%
	Median	\$249,000	\$265,000	6.43%	\$272,500	9.44%
Condo	Average	\$167,289	\$174,794	4.49%	\$77,084	-53.92%
	Median	\$269,282	\$170,000	-36.87%	\$88,000	-67.32%
Attached	Average	\$160,866	\$275,375	71.18%	\$175,131	8.87%
	Median	\$164,728	\$296,000	79.69%	\$198,500	20.50%

Quarterly Sales

Kootenay		Q1 2015	Q4 2014	% Chg ¹	Q1 2014	% Chg ²
Number of Sales		542	952	-43.07%	543	-0.18%
Total Value of Sales		\$124.00M	\$243.82M	-49.14%	\$125.64M	-1.30%
Detached	Average	\$269,815	\$285,836	-5.60%	\$259,912	3.81%
	Median	\$275,000	\$290,000	-5.17%	\$270,000	1.85%
Condo	Average	\$121,794	\$155,993	-21.92%	\$156,917	-22.38%
	Median	\$121,000	\$161,450	-25.05%	\$161,500	-25.08%
Attached	Average	\$244,752	\$261,504	-6.41%	\$269,510	-9.19%
	Median	\$252,500	\$256,653	-1.62%	\$259,500	-2.70%

Monthly Sales

Kootenay Monthly		January	February	% Chg ³	March	% Chg ³
Number of Sales		169	159	-5.92%	214	26.63%
Total Value of Sales		\$41.69M	\$32.98M	-20.89%	\$49.61M	18.99%
Detached	Average	\$276,250	\$254,120	-8.01%	\$276,244	0.00%
	Median	\$269,000	\$272,000	1.12%	\$280,000	4.09%
Condo	Average	\$146,686	\$102,221	-30.31%	\$123,215	-16.00%
	Median	\$187,500	\$105,000	-44.00%	\$136,000	-27.47%
Attached	Average	\$252,745	\$217,238	-14.05%	\$265,806	5.17%
	Median	\$285,268	\$216,000	-24.28%	\$253,750	-11.05%

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Stanley Hamilton, Professor Emeritus
in Urban Land Economics, UBC