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REAL ESTATE IN VICTORIA...*Keeping You Informed*

Summer 2009

## VICTORIA MARKET GAINS MOMENTUM

### THE ECONOMIC IMPACT OF MLS® HOME SALES

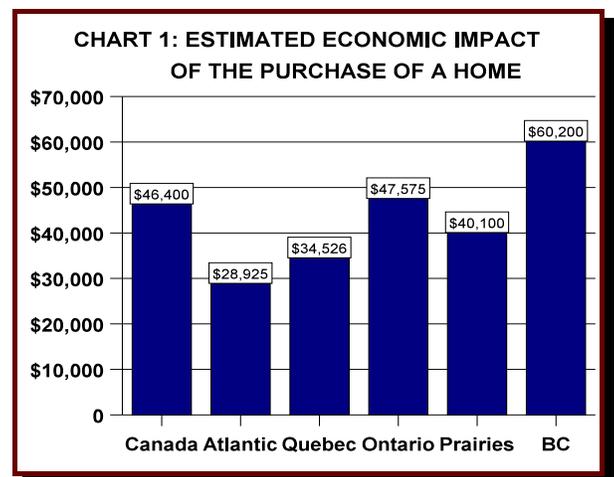
The economic impact of the construction and sale of "new" homes is well understood, particularly on the forestry, construction and manufacturing sectors. **The economic influence of the "resale" housing market is not as well appreciated.** In an effort to measure the economic impact of MLS® home sales in Canada, the Canadian Real Estate Association (CREA) commissioned a study with the Altus Group Economic Consulting. The results were released in a report dated April 24, 2009, entitled; "Economic Impacts of MLS® Home Sales and Purchases in Canada and the Provinces 2006 - 2008." The following presents a summary of the major findings of the study and an analysis of the implications to BC and Victoria. The full report is available at [http://www.crea.ca/public/news\\_stats/pdfs/clayton2009.pdf](http://www.crea.ca/public/news_stats/pdfs/clayton2009.pdf).

The purchase and sale of homes have a significant impact on the economy in terms of both direct and indirect expenditures. These expenditures include fees to professionals such as: surveyors, lawyers, appraisers, movers, insurance brokers, real estate agents as well as taxes and fees to government. In addition, home buyers often purchase new appliances and furnishings and undertake renovations and repairs to meet their specific requirements.

Using data from Statistics Canada's "Survey of Household Spending" and CREA's MLS® sales data, the report found that during the period between 2006 and 2008, there was an estimated **\$46,400 in ancillary spending** for each residential real estate transaction in Canada in the three year period following the date of the purchase (see, Chart 1). Given an average of 480,120 MLS® residential sales per annum for the period 2006 - 2008, **the report estimated that the contribution to the overall Canadian economy was some \$22.3 billion and 202,750 jobs per year.**

The study **estimated that ancillary spending** for each residential purchase and sale during the period 2006 - 2008 **in BC was \$60,200.** There was an annual average of 89,466 residential MLS® sales during this period, **for an estimated contribution to the economy of some \$5.4 billion and 44,700 jobs.**

The study did not extend its analysis to the level of individual cities. However, the analysis provide a basis to estimate the economic impact of **real estate activity in greater Victoria.** There was an annual average of 7,358 residential MLS® purchase and sales through the Victoria Real Estate Board during the period 2006 - 2008. Assuming an estimated \$60,200 in ancillary spending for each residential purchase and sale, **it is estimated that the contribution to the economy was \$444 million and some 3,674 jobs per annum.**



**TABLE 1: STATISTICAL TRENDS - ALL RESIDENTIAL (Greater Victoria and Other Areas)**

#### QUARTER-TO-QUARTER COMPARISONS

	2 <sup>nd</sup> Qtr 08	2 <sup>nd</sup> Qtr 09	Change
New Listings	4,737	3,701	-996
Sales	2,143	2,446	+303
Avg Sale Price	\$494,347	\$471,798	-\$22,549
Median Sale Price	\$450,000	\$429,500	-\$20,500
Ratio Sales Listings	.47	.66	+19
Avg Days to Sell	44	58	+14
Sale Price as %			
of Org List Price	94.9%	95.1%	+0.2%
Mortgages Rates			
(Posted 3 yr Fixed)	6.77%	4.68%	-2.09%

**THE VICTORIA MARKET**

Sales of “residential properties” (i.e., all types of housing excluding lots/acreage and commercial) through the Victoria Real Estate Board’s MLS® picked up in the 2<sup>nd</sup> Qtr of 2009. As shown in Table 1, sales of residential properties totalled 2,446, up 14% from 2,143 sales in the 2<sup>nd</sup> Qtr of 2008. The number of new listings fell dramatically to 3,701, down 22% from 4,737 new listings in the 2<sup>nd</sup> Qtr of 2008. **The sales to new listings ratio (a measure of the market strength) rose to .66 in the 2<sup>nd</sup> Qtr of 2009, compared to .47 in the 2<sup>nd</sup> Qtr of 2008. Both average and median sale prices were down when compared to the 2<sup>nd</sup> Qtr of 2008. The average sale price of a residential property in Greater Victoria and other areas was \$471,798 in the 2<sup>nd</sup> Qtr of 2009, down 4.6% from \$494,347 in the 2<sup>nd</sup> Qtr of 2008. The median sale price was also down 4.6% to \$429,500. The figure of \$471,798 compares to average sale prices of \$583,674 in Vancouver, \$395,609 in Toronto and \$382,632 in Calgary for May.**

The market was exceptionally strong for moderately priced housing in the 2<sup>nd</sup> Qtr of 2009. For example, the sales to new listing’s ratio for SFDs priced less than \$500,000 was .83 and sales were up 28% from the 2<sup>nd</sup> Qtr of 2008. Indeed, 15% of these properties sold above the list price. Moreover, there are indications the high-end market is also gaining strength. There were 76 sales of SFDs with an asking price more than \$1 million, down only slightly from 81 in the 2<sup>nd</sup> Qtr of 2008.

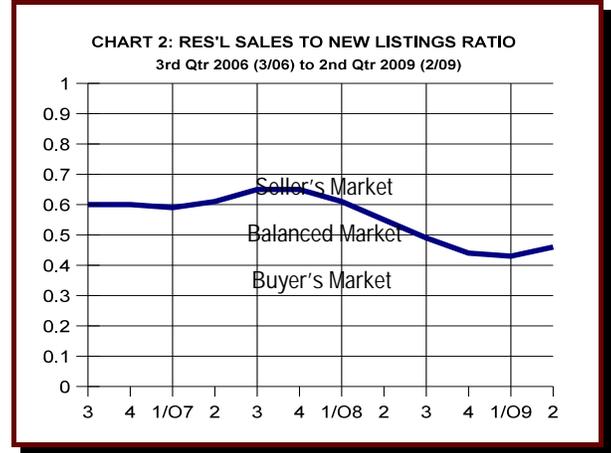
While average and median sale prices remain below the figures for 2008, it should be recalled that prices peaked in the first half of 2008. Average and median sale prices have turned around in the 2<sup>nd</sup> Qtr of 2009, up 7.3% and 4.8% respectively over the 1<sup>st</sup> Qtr of this year. It would be premature to conclude that the Victoria real estate market is in a full recovery mode. *(At question is whether the current momentum will be sustained, or whether the current surge in sales and prices is partly the result of unfulfilled demand from the last half of 2008 and early 2009 when few people were buying in the stagnant market of last fall and winter).*

**THE MARKET INVENTORY**

As shown in Table 2, there were 2,639 properties (including lots and acreage) active on the VREB’s MLS® database for the Greater Victoria area (i.e., excluding the Malahat, Up-Island and the Gulf Islands) on July 1, 2009, down 19% from the inventory level of 3,296 on July 1, 2008.

**SINGLE FAMILY DWELLINGS (SFDs)**

Sales of SFDs in Greater Victoria in the 2<sup>nd</sup> Qtr of 2009 totalled 1,359, up 16.5% from 1,167 sales in the 2<sup>nd</sup> Qtr of 2008. **The average sale price of SFDs in the 2<sup>nd</sup> Qtr of 2009 was \$572,010, down 5.3% from an average of \$604,166 in the 2<sup>nd</sup> Qtr of 2008.** Moreover, the median sale price was \$524,900, down 3.3% from \$543,000 in the 2<sup>nd</sup> Qtr of 2008. As shown in Chart 3, sale prices have increased from the lows in the 1<sup>st</sup> Qtr of 2009. SFDs that sold in the 2<sup>nd</sup> Qtr of 2009 were on the market for an average of 46 days, versus 34 days last year. The sales to listings ratio was a healthy .73 in the 2<sup>nd</sup> Qtr of 2009, compared to .50 last year.



**TABLE 2: INVENTORY - GREATER VICTORIA**

Type of Property	Jul 08	Jul 09	Change
Single Family Dwelling	1,479	1,143	-336
Condominiums	1,179	813	-366
Townhouses	287	252	-35
Lots/Acreage	286	345	+59
Man Home/Rental Pad	36	71	+35
Duplexes (Revenue)	14	11	-3
Triplexes+ (Revenue)	11	4	-7
<b>Totals</b>	<b>3,296</b>	<b>2,639</b>	<b>-657</b>



## CONDOMINIUMS

Condominium sales also picked up in the 2<sup>nd</sup> Qtr of 2009 with sales of 669, up from 581 sales in the 2<sup>nd</sup> Qtr of 2008. **The average sale price for a condo was \$299,310 in the 2<sup>nd</sup> Qtr of 2009, down 8.6% from \$327,455 in the 2<sup>nd</sup> Qtr of 2008.** The median sale price was \$275,000, compared to \$295,000 last year. As shown in Chart 4, the average and median sale prices have increased from the lows of the 1<sup>st</sup> Qtr of this year. Condos took an average of 66 days to sell in the 2<sup>nd</sup> Qtr of 2009, compared to 51 days last year. The sales to listings ratio was a fairly strong .65, compared to .44 last year.

## TOWNHOUSES

Townhouse sales totalled 262 in the 2<sup>nd</sup> Qtr of 2009, up from 221 sales in the 2<sup>nd</sup> Qtr of 2008. **The average selling price in the 2<sup>nd</sup> Qtr of 2009 was \$407,185, down 5.8% from \$432,101 in the 2<sup>nd</sup> Qtr of 2008.** The median sale price was \$379,000. As shown in Chart 5, prices have started to edge up. Townhouses took an average of 56 days to sell in the 2<sup>nd</sup> Qtr of 2009, up from 42 days last year. The sales to listings ratio was .77, compared to .54 last year.

## LOTS/ACREAGE

There were 69 lots/acreage sold in the 1<sup>st</sup> Qtr of 2009, up from 59 in the 1<sup>st</sup> Qtr of 2008. The average and median sale prices were **\$360,496** and **\$296,000** respectively.

## DEFECTS, DISCLOSURE AND CAVEAT EMPTOR

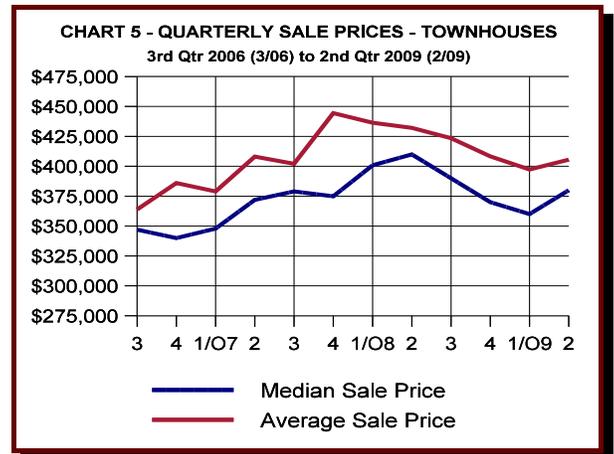
The British Columbia Real Estate Association provides Realtors® in the province with summaries of Court decisions that could impact on the conduct of their business. In the May 2009 issue of "Legally Speaking," it reported on a matter dealing with the disclosure of defects. To quote from the report; "It's trite law that a seller and listing Realtor® have a duty to disclose known material latent defects. Sometimes the distinction as to what constitutes a patent defect or a latent defect isn't clear."

In summary, the basics of the fact situation were as follows. After briefly viewing the property and reviewing the Property Disclosure Statement (PDS), which indicated that the seller wasn't aware of any water problems in the crawl space; the buyers made a subject free offer which the seller accepted. The seller did not disclose the existence of a sump pump in the crawl space. The buyers did not inspect the crawl space. The buyers subsequently found water standing in the crawl space.

The buyers sued and the Provincial Court found the seller and the listing agent liable for negligent misrepresentation and negligence; "concluding the presence of the sump pump signified a structural defect that should have been disclosed on the PDS." On appeal, the BC Supreme Court held that the existence of a sump pump wasn't a material defect and even if it was, it was a patent defect, discoverable upon reasonable inspection and didn't require disclosure.

Buyers and sellers should obtain their own legal advice on matters of real estate law. However, as the report concludes: "Where there's confusion about whether a particular condition may be categorized as patent or latent, full disclosure is recommended to avoid a lawsuit ... buyers should be warned to carefully inspect the property they propose to purchase and, if they aren't qualified to do so, to engage qualified professionals to do so on their behalf."

The full report is available at [http://www.bcrea.bc.ca/publications/legally\\_speaking430.htm](http://www.bcrea.bc.ca/publications/legally_speaking430.htm) (Copyright British Columbia Real Estate Association. Reprinted with permission.)



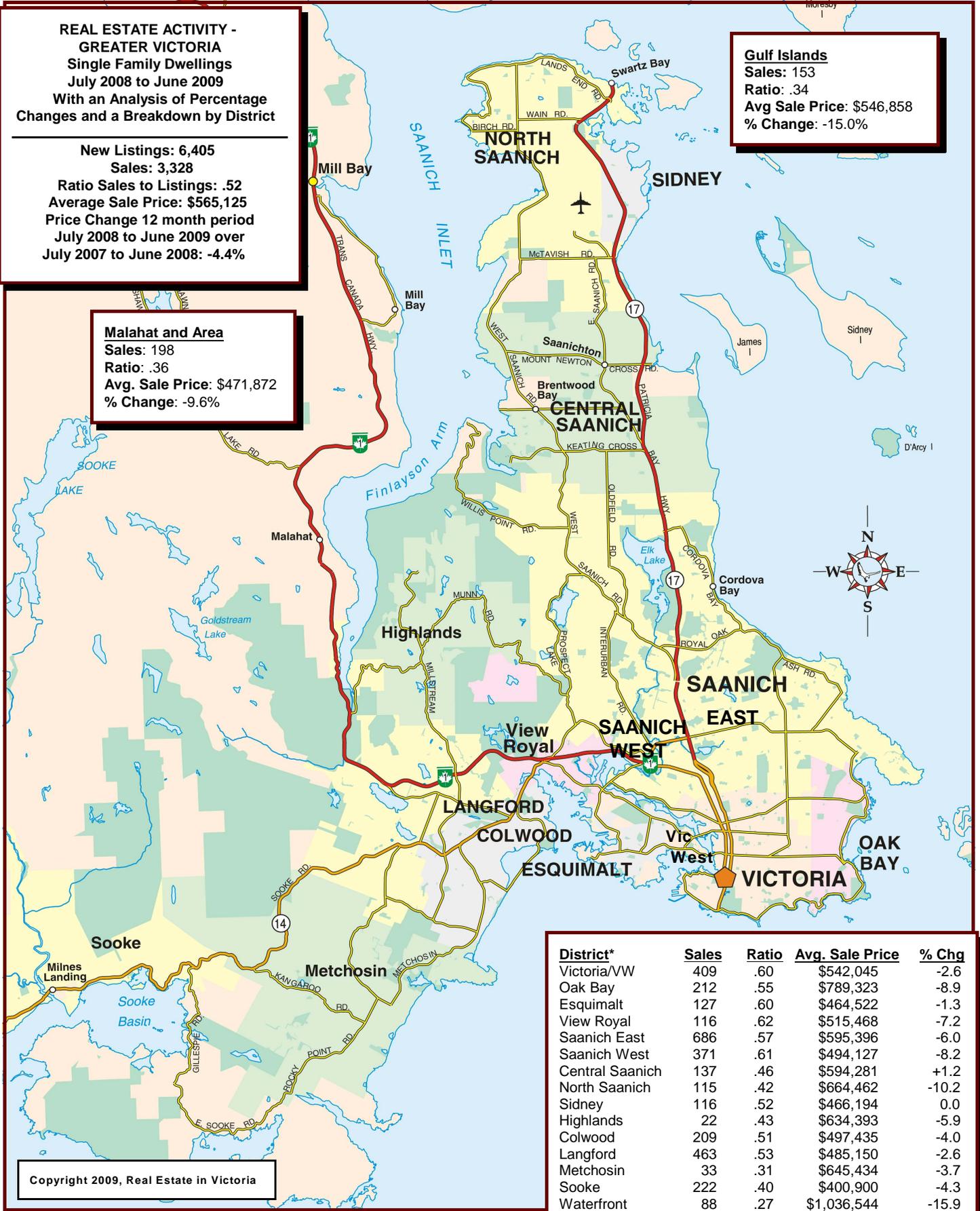
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**REAL ESTATE ACTIVITY -  
GREATER VICTORIA  
Single Family Dwellings  
July 2008 to June 2009**  
With an Analysis of Percentage  
Changes and a Breakdown by District

**New Listings: 6,405  
Sales: 3,328  
Ratio Sales to Listings: .52  
Average Sale Price: \$565,125  
Price Change 12 month period  
July 2008 to June 2009 over  
July 2007 to June 2008: -4.4%**

**Malahat and Area  
Sales: 198  
Ratio: .36  
Avg. Sale Price: \$471,872  
% Change: -9.6%**

**Gulf Islands  
Sales: 153  
Ratio: .34  
Avg Sale Price: \$546,858  
% Change: -15.0%**



District*	Sales	Ratio	Avg. Sale Price	% Chg
Victoria/VW	409	.60	\$542,045	-2.6
Oak Bay	212	.55	\$789,323	-8.9
Esquimalt	127	.60	\$464,522	-1.3
View Royal	116	.62	\$515,468	-7.2
Saanich East	686	.57	\$595,396	-6.0
Saanich West	371	.61	\$494,127	-8.2
Central Saanich	137	.46	\$594,281	+1.2
North Saanich	115	.42	\$664,462	-10.2
Sidney	116	.52	\$466,194	0.0
Highlands	22	.43	\$634,393	-5.9
Colwood	209	.51	\$497,435	-4.0
Langford	463	.53	\$485,150	-2.6
Metchosin	33	.31	\$645,434	-3.7
Sooke	222	.40	\$400,900	-4.3
Waterfront	88	.27	\$1,036,544	-15.9
<b>Totals</b>	<b>3,328</b>	<b>.52</b>	<b>\$565,125</b>	<b>-4.4</b>

\*District Avg. Sales Prices exclude sales of "Waterfront"