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REAL ESTATE IN VICTORIA...Keeping You Informed

Winter 2009

OUTLOOK - CHALLENGES AND OPPORTUNITIES

THE NATIONAL PICTURE

The real estate market in Canada started 2008 on a positive note but signs that the "boom" was nearing an end emerged in late spring. Weakening consumer confidence, concerns with economic and job growth, falling stock markets, the credit crunch and fears of a global recession were felt throughout the real estate market in the last half of 2008. As a result of waning demand, **new listings** of residential properties on the MLS® **were up 7.7% from 2007 and sales were down 17.1%.** **Nationally, the total dollar volume for MLS® residential sales was down 17.7% to \$131.91 billion in 2008.** The sales to new listings ratio (*a measure of market strength*) fell to .47 in 2008 from .62 in 2007.

The average sale price of residential properties was **\$303,549 in 2008, down -0.7% from \$305,822 in 2007.** Table 1 provides an analysis of 2008 MLS® residential sales for selected areas. Despite flagging sales and declining prices in the second half, most cities actually enjoyed a year-over-year increase in average sale prices in 2008. The strongest price increases were in Winnipeg, Regina, Saskatoon and Newfoundland/Labrador. Only Calgary and Edmonton, which have had two of the "hottest" markets in recent years, experienced a decrease in average sale prices.

From a longer term perspective (i.e., 2000 to 2008), **the average sale price of residential properties in Canada has increased some 89%.** Cities with the largest percentage increases during this eight year period include Edmonton (168%), Calgary (130%), Saskatoon (156%), Regina (143%) and **Victoria (117%).**

Most analysts are forecasting a continued cooling of the Canadian real estate market in 2009; however, the consensus is that Canada will not experience a meltdown anywhere comparable to that in the United States. According to the Canadian Real Estate Association's (CREA) forecast, residential MLS® sales are expected to slow by about a further 3% nationally in 2009 and average sales prices to decrease by 2.1%. The Central Mortgage and Housing Corporation (CMHC) is forecasting that MLS® sales will fall 4.2% in 2009 and average sales prices will remain about the same as 2008. CREA is forecasting that residential MLS® sales will decrease by 11.7% in British Columbia in 2009 and the average sale price will decrease by 7.8%.

TABLE 1: AN ANALYSIS OF SELECTED AREAS - 2008

City/Area	Avg Sale Price	Change	Sales to New Listings Ratio
Vancouver	\$593,767	+4.0%	.39
Victoria	\$484,898	+3.8%	.44
Calgary	\$405,267	-2.1%	.41
Toronto	\$379,943	+0.8%	.47
Edmonton	\$332,852	-1.7%	.43
Ottawa	\$290,803	+6.5%	.57
Saskatoon	\$287,483	+23.7%	.43
Hamilton	\$280,790	+4.4%	.61
Durham	\$272,429	+2.6%	.47
Montreal	\$258,041	+3.7%	.53
Halifax/Dart.	\$232,103	+7.3%	.60
Regina	\$229,716	+38.7%	.53
Winnipeg	\$196,940	+13.1%	.74
Quebec City	\$193,197	+9.0%	.63
Nfld/Labrador	\$178,477	+19.6%	.62
National	\$303,549	-0.7%	.47

TABLE 2: STATISTICAL TRENDS - ALL RESIDENTIAL (Greater Victoria and Other Areas)

QUARTER-TO-QUARTER COMPARISONS			
	4 th Qtr 07	4 th Qtr 08	Change
New Listings	2,229	2,223	-6
Sales	1,639	780	-859
Avg. Sale Price	\$480,462	\$448,397	-\$32,065
Median Sale Price	\$423,000	\$16,500	-\$6,500
Ratio Sales Listings	.71	.35	-.36
Avg. Days to Sell	52	64	+12
Sale Price as % of Org List Price	97.0%	95.5%	-1.5%
Mortgages Rates (Posted 3 yr Fixed)	7.6%	6.3%	-1.3%

THE VICTORIA MARKET

The story of the Victoria real estate market in 2008 consists of two parts. The first half of 2008 saw the number of residential sales drop 15% from the first half of 2007 and average sales prices rise 7.6%. The second half of 2008 saw sales plunge 45% and prices drop a modest 1.1% from the second half of 2007. Overall, the number of new listings of residential properties in 2008 was 14,745, up 14.8% from 2007. Demand fell from 2007 levels and sales of residential properties through the VREB's MLS® totalled 6,445, down 23% from 2007. The value of residential sales through the VREB totalled **\$2.981 billion** in 2008, down from **\$3.904 billion** in 2007.

Sale prices peaked in early 2008 and trended down through the remainder of the year. **The average sale price of a residential property in 2008 was \$484,898, up \$17,924 or 3.8% from 2007.** As shown in Table 1, Victoria has the 2nd most valuable residential property in Canada. **With a sales to listings ratio of .44, down from .65 in 2007, Victoria quickly shifted into a buyer's market in towards the end of 2008.**

THE MARKET INVENTORY

With the slowing demand, the inventory of properties for sale in 2008 ran well above the levels in 2007, indeed at levels not seen in the past couple of decades. As shown on Table 3, there were 2,604 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 Jan 1, 2009, up 50% from Jan 1, 2008.

SINGLE FAMILY DWELLINGS (SFDs)

Sales of SFDs in Greater Victoria totalled 3,355 in 2008, down 24.8% from in 2007. **The average sale price of SFDs in 2007 was \$583,701, up \$17,797 or 3.1% from 2007.** The median sale price was **\$525,000** in 2008 up 5.9% from 2007. As shown in Chart 2, sale prices peaked in the 2nd Qtr of 2008 and have drifted lower since then. The average sale price was \$547,944 in the 4th Qtr of 2008, down 6.5% from the 4th Qtr. of 2007. *(The average in the 4th Qtr of 2008 was depressed, in part, by the major slump in the sale of high end properties. For example, whereas sales of SFDs were down 50% from the 4th Qtr of 2007, sales above the \$1million mark were down 80%).* The sales to new listings ratio in 2008 fell to .47 from .68 in 2007. SFDs that sold in 2008 were on the market for an average of 40 days, compared to 39 days in 2007.

CONDOMINIUMS

Condominium sales also declined in 2008 with total sales of 1,695, down 28.3% from 2007. **The average sale price for a condo was \$320,428 in 2008, up 0.8% from in 2007.** The median sale price was **\$288,750**. As shown in Chart 3, the average and median sale prices of condominiums peaked in the 1st Qtr of 2008 and have trended down over the past three quarters. The average sale price in the 4th Qtr. was **\$293,716**. The sales to new listings ratio was .40 in 2008, down from .63 in 2007. Condos that sold were on the market for an average of 59 days in 2008, up from 49 days in 2007.

CHART 1: RES'L SALES TO NEW LISTINGS RATIO
1st Qtr 2006 (1/06) to 4th Qtr 2008 (4/08)

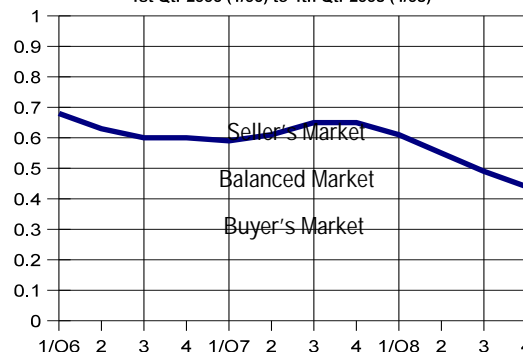


TABLE 3: INVENTORY - GREATER VICTORIA

Type of Property	Jan 08	Jan 09	Change
Single Family Dwelling	619	1,106	+487
Condominiums	622	939	+313
Townhouses	189	254	+65
Lots/Acreage	237	250	+13
Man Home/Rental Pad	57	46	-11
Duplexes (Revenue)	5	3	-2
Triplexes+ (Revenue)	4	6	+2
Totals	1,733	2,604	+871

CHART 2 - QUARTERLY SALE PRICES - SFDs
1st Qtr 2006 (1/06) to 4th Qtr 2008 (4/08)

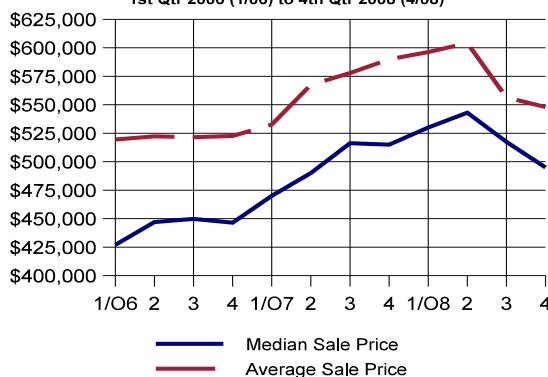
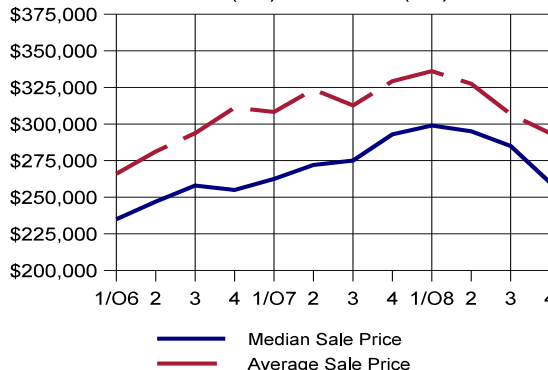


CHART 3 - QUARTERLY SALE PRICES - CONDOS
1st Qtr 2006 (1/06) to 4th Qtr 2008 (4/08)



TOWNHOUSES

Townhouse sales totalled 620, down 29% from 2007. **The average selling price was \$428,751, up 5.4% from 2007.** The median sale price was **\$394,900**. The average sale price in the 4th Qtr was **\$408,315**. The sales to new listings ratio in 2008 was .46, compared to .69 last year. Townhouses that sold were on the market for an average of 48 days in 2008, compared with 41 days in 2007.

LOTS/ACREAGE

Sales of Lots/Acreage totalled 153 in 2007, compared to 242 in 2007. The average sale price was **\$349,526**, compared to **\$442,829** in 2007. The median sale price was **\$306,600** in 2008.

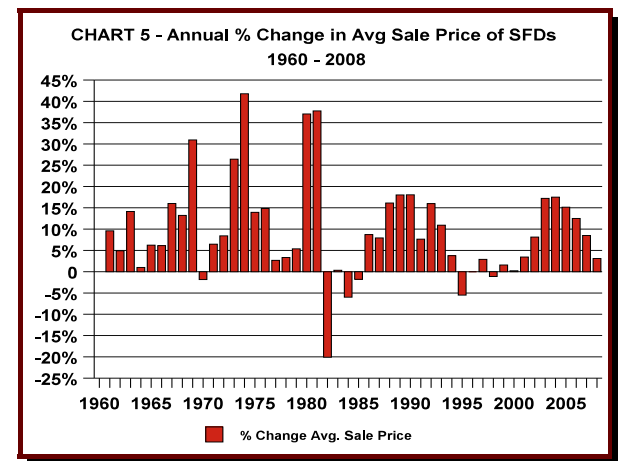
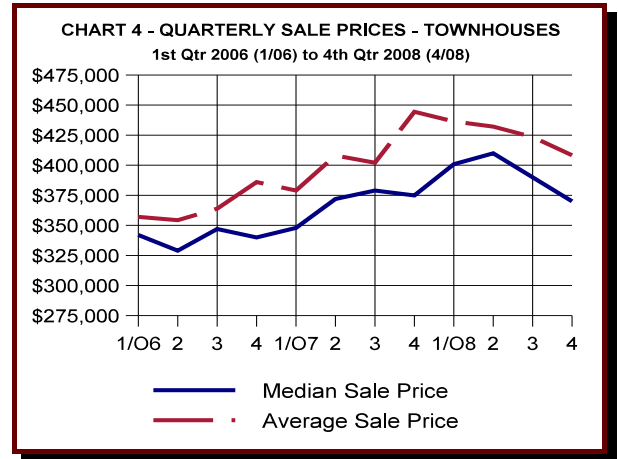
MARKET OUTLOOK - VICTORIA

After eight consecutive years of price increases, it is not surprising that the Victoria market has begun to cool. What has caught many off guard was the significant plunge in the number of sales, particularly in the 4th Qtr 2008 where sales were off 51% from the same period in 2007. But, given the grim outlook for the economy, falling stock market and tightened credit, it is perhaps not surprising that many people have put their buying decision on hold.

A number of forecasts are available on the real estate market in Victoria. CMHC is forecasting that the average sale price for a residential property will decrease in 2009 by about 6% to \$455,000. The BCREA forecast is virtually identical, namely that the average price for a residential property will fall by 6% to \$455,000 and residential sales in 2009 will increase by 4%. The most pessimistic forecast comes from the Chief Economist of Credit 1 Credit Union who predicts that sales will fall a further 17% in 2009, that the average sale price of a residential property will fall approximately 9% in 2009 to \$442,000 and a further 5% in 2010 to \$421,000.

Chart 5 shows year-over-year percentage change in the average sale price of single family dwellings in Victoria between 1960 and 2008. The average sale price increased in forty one years and decreased in seven years. Only three years experienced a decrease of greater than 2%; 1982 (-20%), 1984 (-6%) and 1995 (-5.5%). In the 1970 depression, prices fell 1.9% and rebounded 6.5% the following year. Following increases totalling 75% in 1980 and 1981, and in the face of a major recession, prices fell 20% in 1982 and a further 6% in 1984. *(During this recession, unemployment ran around 14%, mortgage rates averaged about 15% and inflation was about 12%).* The real estate market in Victoria was unaffected by the 1990/91 recession; in fact, prices continued to increase. It wasn't until 1995 that the BC economy took a downturn and the Victoria real estate entered a flat period which extended to 2001.

No one knows precisely how bad the economy will be in Canada in 2009, nor the full impact on the real estate market. Victoria should weather the storm better than most cities. Victoria enjoys a relatively stable, diversified economy and currently one of the lowest unemployment rates in Canada. The current slump will likely carry into the 1st Qtr of 2009. We should have a better sense by the 2nd Qtr where prices and sales will level off. Despite a couple of "bust" or "flat" periods, Victoria has had one of the strongest real estate markets in the country over the past fifty years. Given the demographics of Canada, there is no reason to think this will change. **The short-term will present challenges to sellers and opportunities for buyers.**



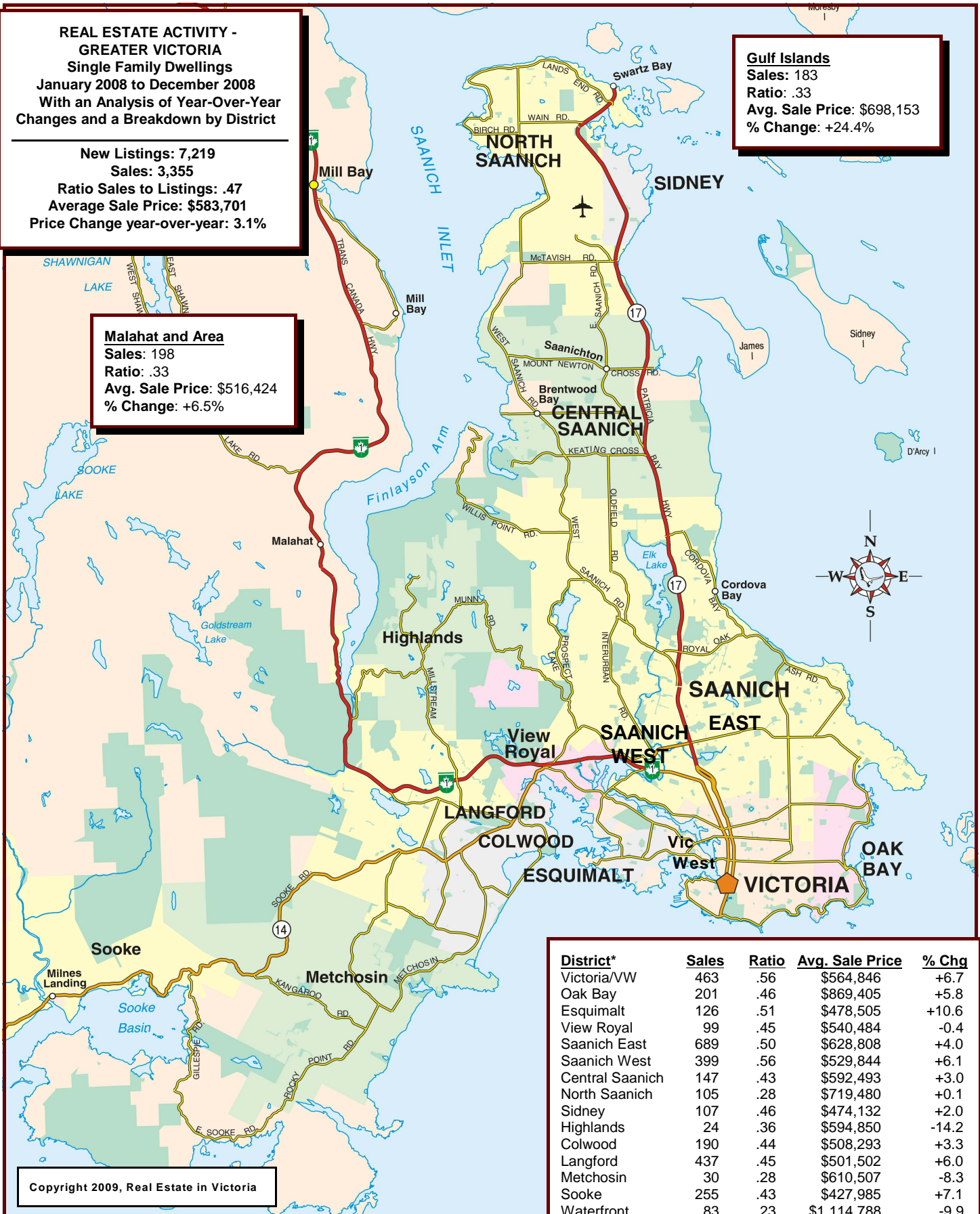
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**REAL ESTATE ACTIVITY -
GREATER VICTORIA
Single Family Dwellings
January 2008 to December 2008
With an Analysis of Year-Over-Year
Changes and a Breakdown by District**

**New Listings: 7,219
Sales: 3,355
Ratio Sales to Listings: .47
Average Sale Price: \$583,701
Price Change year-over-year: 3.1%**

**Malahat and Area
Sales: 198
Ratio: .33
Avg. Sale Price: \$516,424
% Change: +6.5%**

**Gulf Islands
Sales: 183
Ratio: .33
Avg. Sale Price: \$698,153
% Change: +24.4%**



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District*	Sales	Ratio	Avg. Sale Price	% Chg
Victoria/VW	463	.56	\$564,846	+6.7
Oak Bay	201	.46	\$869,405	+5.8
Esquimalt	126	.51	\$478,505	+10.6
View Royal	99	.45	\$540,484	-0.4
Saanich East	689	.50	\$628,808	+4.0
Saanich West	399	.56	\$529,844	+6.1
Central Saanich	147	.43	\$592,493	+3.0
North Saanich	105	.28	\$719,480	+0.1
Sidney	107	.46	\$474,132	+2.0
Highlands	24	.36	\$594,850	-14.2
Colwood	190	.44	\$508,293	+3.3
Langford	437	.45	\$501,502	+6.0
Metchosin	30	.28	\$610,507	-8.3
Sooke	255	.43	\$427,985	+7.1
Waterfront	83	.23	\$1,114,788	-9.9
Totals	3,355	.47	\$583,701	+3.1

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