

Personal Real Estate Corporation
Geoff and Associates
McLean
 PREC
 Victoria's Real Estate Experts



Geoff McLean



Heather Wilde



Jodi Baker



REAL ESTATE IN VICTORIA...Keeping You Informed

Winter 2014

REAL ESTATE PUTS IN A SOLID PERFORMANCE

THE GLOBAL AND NATIONAL PICTURE

A Scotiabank Group report entitled "Global Real Estate Trends," released this past December found that the global housing market continued to strengthen in 2013. This survey of twenty-three countries found that sixteen enjoyed "real house price" (i.e., inflation adjusted) increases when comparing prices in the 3rd Qtr of 2013 with those of the 3rd Qtr of 2012. Canada ranked 5th with an inflation adjusted price change of +7.0%. The United States was among the leaders at +8.0%.

Real estate markets across Canada put in a solid performance in 2013. The upward trend in sales and prices that has been underway for a decade continued, albeit at a more moderate and perhaps sustainable pace. New MLS® residential listings totalled 867,061 in 2013, down -0.7% from 2012. Sales totalled 457,893, up +0.8% from 2012. The dollar volume for MLS® residential sales was \$175.1 billion, up +6.0% from 2012. The sales-to-new-listings ratio (*a measure of market strength*) was .53 in 2013, up from .52 in 2012. **The national average sale price of residential properties was \$382,466 (a new high) in 2013, up +5.2% from \$363,401 in 2012.**

Most areas of the country experienced balanced market conditions in 2013 and relatively modest increases in average sale prices when compared to the double digit increases that were experienced in many cities over the past decade. As shown in Table 1, most cities enjoyed a year-over-year increase in average sale prices in 2013. The largest percentage increases were in Vancouver, Toronto, Calgary, Hamilton and Nfld/Labrador. Many areas also experienced an increase in the number of sales of residential properties compared to 2012. The leaders included: Vancouver (+13.9%), Calgary (+12.5%) and Edmonton (+10.8%). However, sales were down significantly in Montreal (-9.2%), Quebec City (-13.8%) and Halifax/Dartmouth (-16.9%).

TABLE 1: AN ANALYSIS OF SELECTED AREAS - 2013

| City/Area | Avg Sale Price | % Change Avg Price | % Change # Unit Sales | Sales-to-New Listings Ratio |
|-----------------|------------------|--------------------|-----------------------|-----------------------------|
| Vancouver | \$767,765 | +5.2 | +13.9 | .51 |
| Toronto | \$524,089 | +5.0 | +0.9 | .57 |
| Fraser Valley | \$490,433 | +1.4 | -1.4 | .50 |
| Victoria | \$480,997 | -0.7 | +4.2 | .50 |
| Calgary | \$437,036 | +6.0 | +12.5 | .70 |
| Hamilton | \$383,892 | +6.6 | +3.3 | .71 |
| Ottawa | \$358,876 | +1.8 | -3.1 | .47 |
| Edmonton | \$344,977 | +3.2 | +10.8 | .65 |
| Montreal | \$323,271* | +1.3 | -9.2 | .47 |
| Saskatoon | \$332,058 | +3.9 | +2.7 | .49 |
| Regina | \$312,355 | +3.7 | -6.6 | .52 |
| Nfld/Labrador | \$283,101 | +5.3 | -7.5 | .43 |
| Halifax/Dart. | \$274,880 | +1.5 | -16.9 | .48 |
| Winnipeg | \$268,382 | +5.2 | -0.0 | .67 |
| Quebec City | \$268,084* | +4.1 | -13.8 | .49 |
| National | \$382,466 | +5.2 | +0.8 | .53 |

* Year-to-date November 2013

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

| QUARTER-TO-QUARTER COMPARISONS | | | |
|--------------------------------|------------------------|------------------------|-----------|
| | 4 th Qtr 12 | 4 th Qtr 13 | Change |
| New Listings | 2,037 | 1,880 | -157 |
| Sales | 945 | 1,200 | +255 |
| Avg Sale Price | \$480,358 | \$464,716 | -\$15,642 |
| Median Sale Price | \$429,000 | \$425,000 | -\$4,000 |
| Ratio Sales-to-Listings | .46 | .64 | + .16 |
| Avg Days to Sell | 78 | 80 | +2 |
| Sale Price as % | | | |
| of Org List Price | 92.2% | 94.7% | +2.5% |
| Mortgages Rates | | | |
| (Posted 3 yr Fixed) | 3.70% | 3.55% | -0.15% |

Organizations that monitor the trends and the underlying conditions in the Canadian real estate market are forecasting a steady market with moderate growth in prices and sales in 2014, with continued strength in the western provinces. For example, the Canadian Real Estate Association is forecasting that residential MLS® sales will increase about +3.5% in 2014 to about 475,000 units and that the average sale price will increase about +2.3% to around \$391,100. The Canada Mortgage and Housing Corporation's outlook for 2014 is not quite as optimistic. It is forecasting residential MLS® sales of about 467,600 units and an average sale price of about \$382,800.

THE VICTORIA MARKET

After a very slow start, the real estate market in Victoria strengthened in the latter part of 2013. Overall, the Victoria market was firmly in balanced territory for most of the year. This was in large part the result of a decrease in supply rather than an increase in demand. The number of new MLS® listings of residential properties in 2013 was 11,417, down some -11% from 12,766 new listings in 2012. Residential MLS® sales totalled 5,691 in 2013, up +4.2% from 5,460 sales in 2012. From a longer term perspective, sales were down -25.9% from 7,660 sales in 2009. The sales-to-new-listings ratio was .50 in 2013, up from .43 in 2012. **The value of residential sales through the VREB totalled \$2.737 billion in 2013**, up a bit from \$2.644 billion in 2012 but still well below the figure of \$3.647 billion in 2009. **The average sale price of a residential property in 2013 was \$480,997**, down -0.7% from \$484,164 in 2012 and down -4.8% from \$504,561 (*the market peak*) in 2010.

THE MARKET INVENTORY

The inventory of properties for sale in 2013 exhibited a modest decline, relative to the high levels that marked recent years. As shown on Table 3, there were 2,199 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, 2014, down -12.3% from a year ago, but still up nearly +40% from 1,575 active listings on Jan 1, 2010.

SINGLE FAMILY DWELLINGS (SFDs)

Sales of SFDs in Greater Victoria totalled 3,068 in 2013, up slightly from 2,907 in 2012. **The average sale price of SFDs in 2013 was \$598,637**, down \$4,661, or -0.8% from \$603,298 in 2012 and down \$31,288 or -5.0% from \$629,925 (*the market peak*) in 2010. The median sale price was \$525,000 in 2013, down from \$535,900 in 2012 and down from \$564,900 in 2010. The sales-to-new-listings ratio in 2013 was .52, up from .44 in 2012. SFDs that sold in 2013 were on the market for an average of 62 days, up from 56 days in 2012 and up from 43 days in 2010. As shown in Chart 3, sale prices have trended down since their peak in 2010. The average sale price was \$587,216 in the 4th Qtr of 2013, down from \$613,030 in the 4th Qtr of 2012, and well below the quarterly peak of \$641,170 in the 4th Qtr of 2010.

CONDOMINIUMS

The condominium sector remained soft in 2013. **Condominium sales totalled 1,440 in 2013**, down from 1,532 in 2012. **The average sale price for a condo was \$304,165 in 2013**, down from \$313,833 in 2012. The median sale price was \$269,000 unchanged from 2012. The sales-to-new-listings ratio was .47 in 2013 compared to .42 in 2012. Condos that sold in 2013 were on the market for an average of 77 days compared to 67 days in 2012. As shown in Chart 4, sale prices have trended down over the past few years. The average sale price in the 4th Qtr of 2013 dipped to \$300,457 and the median sale price dropped to \$265,000.

CHART 1: RES'L SALES-TO-NEW-LISTINGS RATIO
1st Qtr 2009 (1/09) to 4th Qtr 2013 (4/13)



TABLE 3: INVENTORY - GREATER VICTORIA

| Type of Property | Jan 2013 | Jan 2014 | Change |
|------------------------|--------------|--------------|-------------|
| Single Family Dwelling | 1107 | 999 | -108 |
| Condominiums | 830 | 663 | -167 |
| Townhouses | 276 | 205 | -71 |
| Lots/Acreage | 195 | 243 | +48 |
| Man Home/Rental Pad | 80 | 77 | -7 |
| Duplexes (Revenue) | 12 | 6 | -6 |
| Triplexes+ (Revenue) | 7 | 6 | -1 |
| Totals | 2,508 | 2,199 | -309 |

CHART 3 - QUARTERLY SALE PRICES & UNIT SALES - SFDs
1st Qtr 2011 (1/11) to 4th Qtr 2013 (4/13)

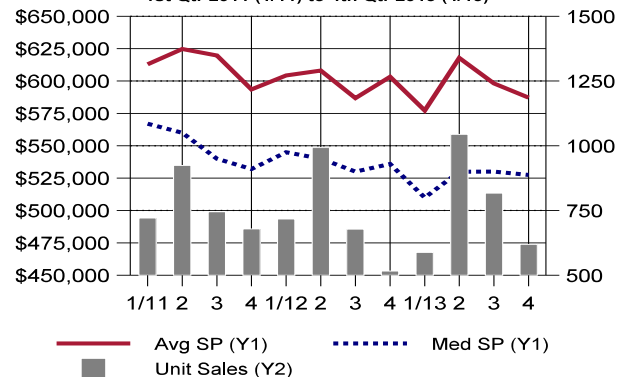
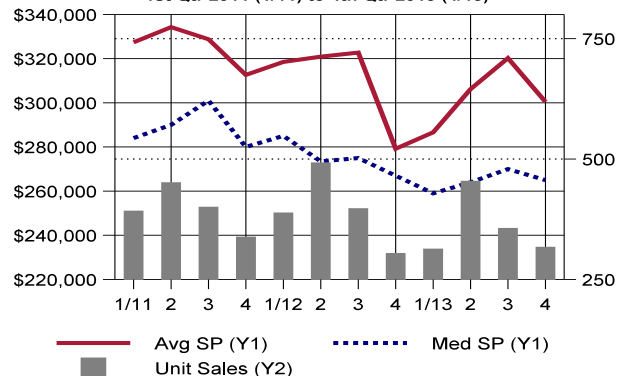


CHART 4 - QUARTERLY SALE PRICES & UNIT SALES - CONDOS
1st Qtr 2011 (1/11) to 4th Qtr 2013 (4/13)



TOWNHOUSES

Townhouse sales totalled 656 in 2013, up from 577 in 2012. The average selling price was \$415,564 in 2013, up slightly from \$412,943 in 2012 but down from the peak of \$443,325 in 2010. The median sale price was \$385,000 in 2013, down from \$402,500 in 2012. The sales-to-new-listings ratio in 2013 was .55 compared to .46 in 2012. Townhouses that sold in 2013 were on the market for an average of 76 days, up from 72 days in 2012. The average sale price in the 4th Qtr of 2013 was \$421,989 and the median sale price was \$375,000.

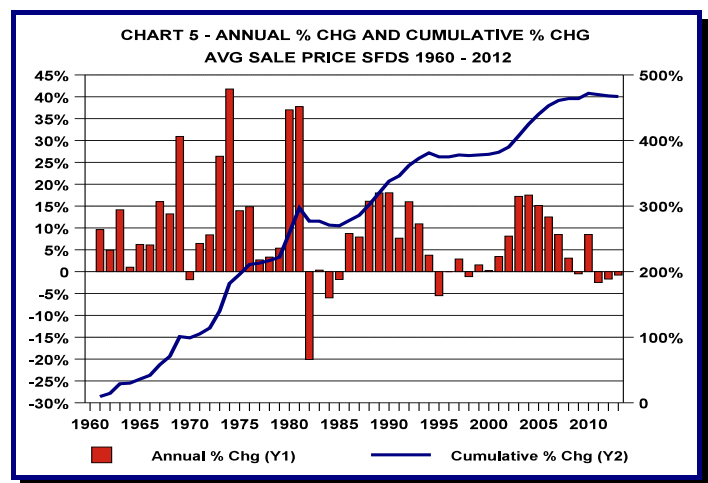
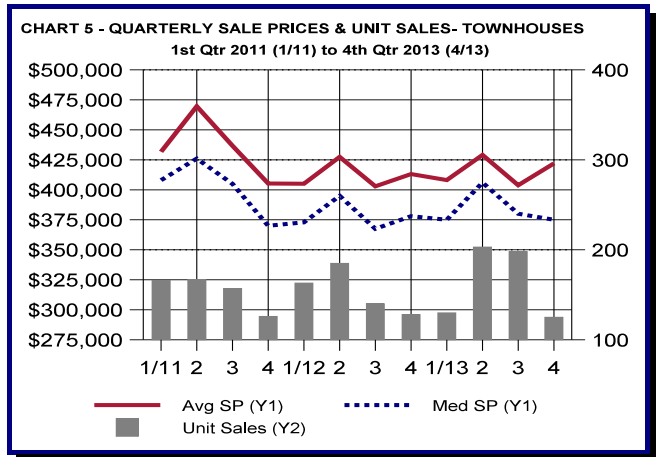
LOTS/ACREAGE

Sales of Lots/Acreage totalled 121 in 2013, compared to 99 in 2012. The average sale price was \$300,216, compared to \$363,023 in 2012. The median sale price was \$275,000 in 2013. (It should be noted that some 65% of the sales of lots in 2013 occurred in the Westshore where unimproved land is less expensive than other parts of the region).

MARKET OUTLOOK - VICTORIA

It is perhaps best to maintain a long view on the real estate market. The average sale price of single family dwellings in Victoria has increased from \$8,795 in 1960 to \$598,637 in 2013. Chart 5 shows the annual percentage change in the average sale price of single family dwellings and the cumulative percentage change for this period. The average sale price increased in forty-two of the fifty-three years and decreased in eleven. Only four years experienced a decrease of greater than -2%: 1982 (-20%), 1984 (-6%), 1995 (-5.5%) and 2011 (-2.6%). The average sale price of a single family dwelling has increased an average of about +8.5% per annum during this fifty-three year period, about +4.7% above the Consumer Price Index. This is all to say that, historically, Victoria has enjoyed one of the strongest, most stable real estate markets in the country. Victoria tends to enjoy a relatively stable economy and real estate market. There is no indication that the underlying fundamentals have changed. Chart 5 also illustrates the cyclical nature (i.e., ups and downs) of the real estate market. A sustained period of rising prices (i.e., 1961 - 1981, 1986 - 1994 and 2001 - 2007) followed by a period of relatively flat or declining prices (i.e., 1982 - 1985, 1996 - 2000 and 2008 - to date). The recent period of flat sales and prices is reminiscent of the market conditions in the 1996 - 2000 period. An editorial in the Times Colonist last year summarized the situation as well as anyone: "This short-term blip in house prices is likely just a footnote for most capital region homeowners, who are in for the long haul. For others, who are eager for a chance to own a home in Victoria, it could be an indication that this is the time to get into the market."

The Canada Mortgage and Housing Corporation is forecasting that the Victoria real estate market will experience modestly improved conditions in 2014. It is forecasting that residential MLS® sales will increase about +3.6% in 2014 and that the average sale price will increase about +2.1% in 2014. The British Columbia Real Estate Association's forecast for 2014 is similar, citing improved growth in employment, increased interprovincial migration and improvements in the tourism sector as having a small but positive impact on the Victoria real estate market. It is forecasting that residential sales will increase about +4.3% and that the average price for a residential property will increase about +1.2% and in 2014.



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**REAL ESTATE ACTIVITY -
GREATER VICTORIA**
Single Family Dwellings
January 2013 to December 2013
With an Analysis of Year-Over-Year
Changes and a Breakdown by District

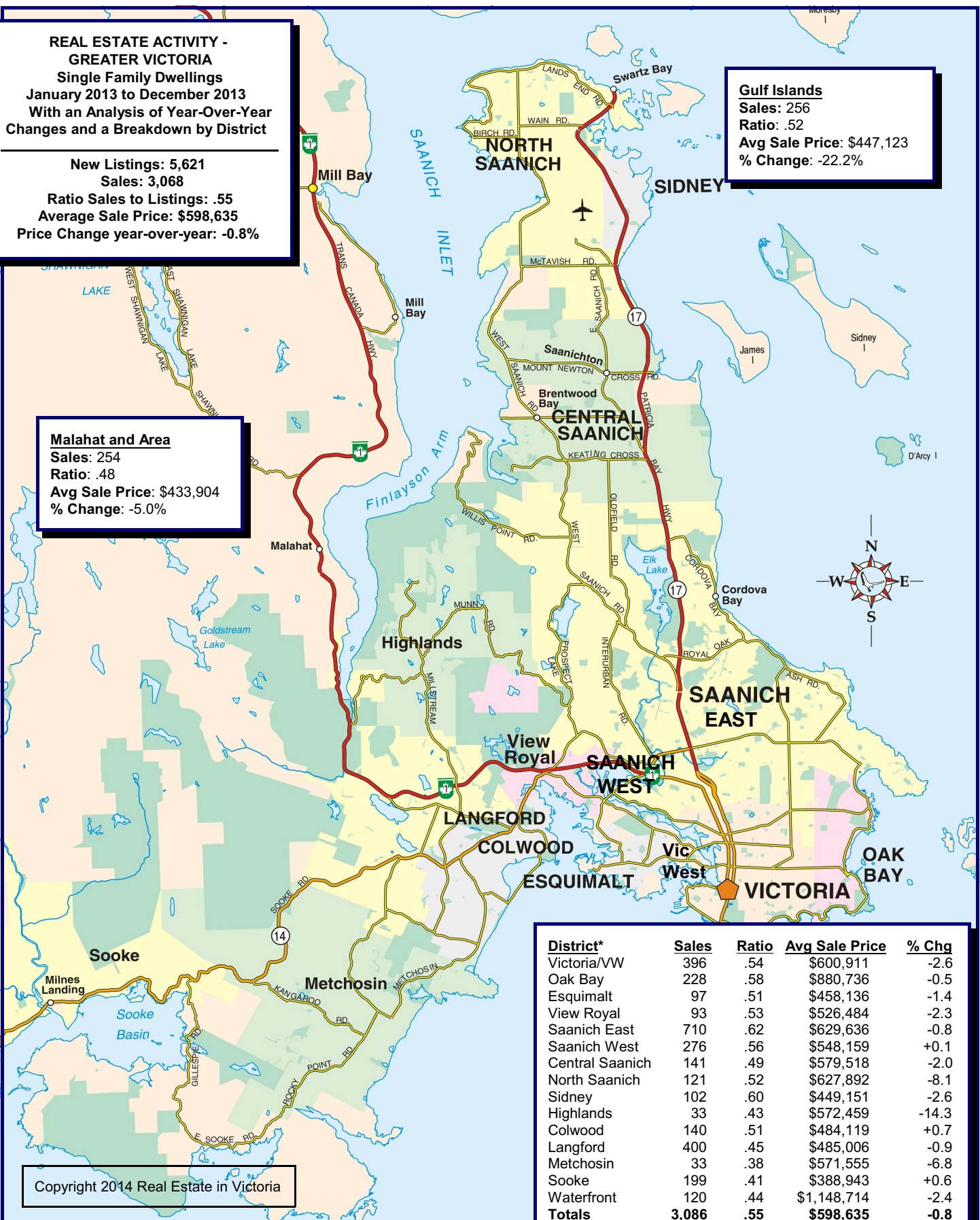
New Listings: 5,621
Sales: 3,068
Ratio Sales to Listings: .55
Average Sale Price: \$598,635
Price Change year-over-year: -0.8%

Gulf Islands

Sales: 256
Ratio: .52
Avg Sale Price: \$447,123
% Change: -22.2%

Malahat and Area

Sales: 254
Ratio: .48
Avg Sale Price: \$433,904
% Change: -5.0%



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| District* | Sales | Ratio | Avg Sale Price | % Chg |
|-----------------|--------------|------------|------------------|-------------|
| Victoria/VW | 396 | .54 | \$600,911 | -2.6 |
| Oak Bay | 228 | .58 | \$880,736 | -0.5 |
| Esquimalt | 97 | .51 | \$458,136 | -1.4 |
| View Royal | 93 | .53 | \$526,484 | -2.3 |
| Saanich East | 710 | .62 | \$629,636 | -0.8 |
| Saanich West | 276 | .56 | \$548,159 | +0.1 |
| Central Saanich | 141 | .49 | \$579,518 | -2.0 |
| North Saanich | 121 | .52 | \$627,892 | -8.1 |
| Sidney | 102 | .60 | \$449,151 | -2.6 |
| Highlands | 33 | .43 | \$572,459 | -14.3 |
| Colwood | 140 | .51 | \$484,119 | +0.7 |
| Langford | 400 | .45 | \$485,006 | -0.9 |
| Metchosin | 33 | .38 | \$571,555 | -6.8 |
| Sooke | 199 | .41 | \$388,943 | +0.6 |
| Waterfront | 120 | .44 | \$1,148,714 | -2.4 |
| Totals | 3,086 | .55 | \$598,635 | -0.8 |

*District Avg Sale Prices exclude sales of "Waterfront"