



CANADIAN REAL ESTATE OUTPERFORMS

THE NATIONAL PICTURE

A Scotiabank Group report entitled "Global Real Estate Trends," released in October 2014, reported the results of a survey of the housing markets in twenty-two countries. This survey found that fifteen countries enjoyed "real house price" (i.e., inflation adjusted) increases in 2014. Canada ranked eighth with an average inflation adjusted price increase of 6.0% year-over-year in the 2nd Qtr of 2014. The top five countries included: Peru, Ireland, Colombia, China and Australia. The bottom five (i.e., countries that experienced home price declines) included Russia, India, Italy, Spain and Japan.

Sales and prices of residential real estate in Canada showed continued strength in 2014. New listings of residential properties on the MLS® in 2014 totalled 896,382, up +3.4% from 2013. Sales totalled 481,162, up +5.1%. The dollar value of MLS® residential sales was \$196.4 billion, up +12.1%. The sales-to-new-listings ratio (a measure of market strength) was .54, up +0.01 from 2013. **The national average sale price of residential properties was \$408,068 (a new high) in 2014, up +6.7% from \$382,613 in 2013.**

Table 1 provides an analysis of 2014 MLS® residential sales for selected cities/areas. Nearly all Canadian cities enjoyed a year-over-year increase in average sale prices in 2014, compared to 2013. The largest percentage increases were in the metropolitan centres of Toronto, Vancouver, and Calgary, (which also happen to have the most expensive real estate markets), together with areas that are adjacent, for example, the Fraser Valley and Hamilton.

Most areas of the country experienced balanced market conditions in 2014 and relatively modest increases in average prices and sales. A few areas, such as Calgary, Hamilton and Edmonton, had strong "seller's markets." Market conditions were weakest in Ottawa, Regina, Halifax/Dartmouth and Newfoundland/Labrador.

According to the Canadian Real Estate Association's (CREA) forecast, residential MLS® sales are expected to climb to about 485,300 units in 2015, and the average sale price will inch up to about \$409,200. According to the Canada Mortgage and Housing Corporation (CMHC): "Economic conditions in Canada are forecast to gradually improve in the short-term and lead to modest increases in employment and average earnings, which should support housing demand." CMHC is forecasting residential MLS® sales of about 482,500 units in 2015, and an average sale price of between \$403,600 and \$417,000. (Note: These forecasts were made before the recent fall in oil prices which has generated increased uncertainty in the Canadian economy, interest rates, job growth and consumer confidence).

TABLE 1: AN ANALYSIS OF SELECTED AREAS - 2014

City/Area	Avg Sale Price	Change	Sales-to-New Listings Ratio
Vancouver	\$812,653	+5.8%	.58
Toronto	\$566,491	+8.1%	.60
Fraser Valley	\$517,718	+5.6%	.55
Victoria	\$496,473	+3.2%	.55
Calgary	\$460,584	+5.4%	.70
Hamilton	\$406,366	+5.9%	.74
Ottawa	\$363,161	+1.2%	.45
Edmonton	\$362,657	+5.1%	.63
Saskatoon	\$341,061	+2.7%	.47
Montreal	\$331,068	+2.2%	.46
Regina	\$314,899	+0.8%	.45
Halifax/Dart.	\$276,858	+0.7%	.46
Nfld/Labrador	\$283,671	+0.1%	.37
Winnipeg	\$273,363	+1.9%	.59
Quebec City	\$264,536	-1.0%	.49
National	\$408,068	+6.7%	.54

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

QUARTER-TO-QUARTER COMPARISONS			
	4 th Qtr 13	4 th Qtr 14	Change
New Listings	1,880	1,843	-37
Sales	1,200	1,375	+175
Avg Sale Price	\$464,716	\$488,009	+\$23,293
Median Sale Price	\$425,000	\$440,000	+\$15,000
Ratio Sales-to-Listings	.64	.75	+0.11
Avg Days to Sell	80	74	-6
Sale Price as % of Org List Price	94.7%	94.8%	+0.1%
Mortgages Rates (Posted 3 yr Fixed)	3.55%	3.44%	-0.11%

THE VICTORIA MARKET

The real estate market in Victoria strengthened somewhat in 2014, but continued to lag behind the other expensive real estate markets in Canada. Supply was up slightly. Demand increased significantly, and properties took less time to sell. In strict technical terms, the Victoria real estate market was in "balanced market" territory for much of 2014.

Overall, the number of new listings of residential properties in 2014 in Victoria was 11,568, up +1.3% from 11,417 in 2013. Demand was up substantially from the levels in recent years. Residential sales through the VREB's MLS® totalled 6,371 in 2014, up +11.9% from 5,691 in 2013. The sales-to-new-listings ratio was .55, up from .49 in 2013. The value of residential sales through the VREB totalled \$3.163 billion in 2014, up from \$2.737 billion in 2013. **The average sale price of a residential property in 2014 was \$496,473**, up \$15,476 or +3.2% from \$480,997 in 2013.

THE MARKET INVENTORY

For the most part, the inventory of properties for sale in 2014 ran slightly below the levels in 2013. As shown in Table 3, there were 1,959 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, 2015, down -11% from 2,199 on Jan 1, 2014.

SINGLE FAMILY DWELLINGS (SFDs)

Sales of SFDs in Greater Victoria totalled 3,452 in 2014, up +12.5% from 3,068 in 2013. **The average sale price of SFDs in 2014 was \$609,713, up +1.9% from \$598,635 in 2013.** The median sale price was \$537,500 in 2014, up from \$525,000 in 2013. The sales-to-new-listings ratio in 2014 rose to .57, up from .52 in 2013. SFDs that sold in 2014 were on the market for an average of 57 days, down from 62 days in 2013. As shown in Chart 2, the average sale price has bounced around the \$600,000 mark over the past few years with no discernable trend evident. The average sale price was \$585,933 in the 4th Qtr of 2014, little changed from \$587,216 in the 4th Qtr. of 2013 and well below the market peak of \$641,170 in the 4th Qtr of 2010.

CONDOMINIUMS

Condominium sales increased in 2014 with total sales of 1,657, up +15.0% from 1,440 in 2013. **The average sale price for a condo was \$325,229 in 2014, up +6.9% from \$304,165 in 2013.** The median sale price was \$275,900. The sales-to-new-listings ratio was .53 in 2014, up from .47 in 2013. Condos that sold in 2014 were on the market for an average of 69 days, down from 77 days in 2013. As shown in Chart 3, the average and median sale prices of condominiums have shown an upward trend since the 1st Qtr of 2013. The average sale price in the 4th Qtr of 2014 was \$340,370, up from \$300,487 in the 4th Qtr of 2013.

CHART 1: RES'L SALES-TO- NEW-LISTINGS RATIO
1st Qtr 2010 (1/10) to 4th Qtr 2014 (4/14)



TABLE 3: INVENTORY - GREATER VICTORIA

Type of Property	Jan 2014	Jan 2015	Change
Single Family Dwelling	999	858	-141
Condominiums	663	605	-58
Townhouses	205	175	-30
Lots/Acreage	243	253	+10
Man. Home/Rental Pad	77	59	-18
Duplexes (Revenue)	6	2	-4
Triplexes+ (Revenue)	6	7	+1
Totals	2,199	1,959	-240

CHART 2 - QUARTERLY SALE PRICES - SFDs
1st Qtr 2012 (1/12) to 4th Qtr 2014 (4/14)

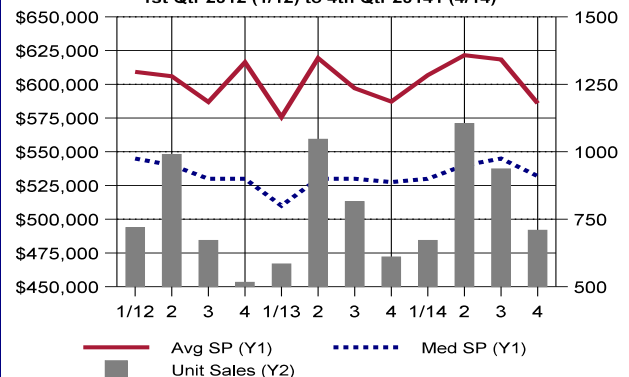
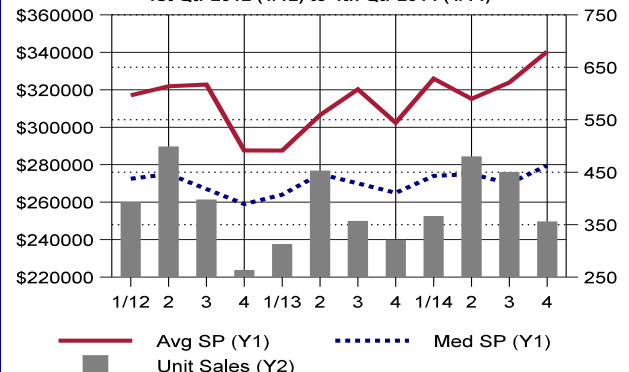


CHART 3 - QUARTERLY SALE PRICES - CONDOS
1st Qtr 2012 (1/12) to 4th Qtr 2014 (4/14)



TOWNHOUSES

Townhouse sales totalled 691 in 2014, up from 656 in 2013. **The average selling price was \$421,336 in 2014, up +1.4% from \$415,564 in 2013** and the median sale price was \$390,000. The sales-to-new-listings ratio in 2014 was .58, compared to .55 in 2013. Townhouses that sold in 2014 were on the market for an average of 62 days, down from 76 days in 2013. As shown in Chart 4, average and median sale prices remained flat over the past three years. The average sale price in the 4th Qtr of 2014 was \$426,035, little changed from \$421,989 in the 4th Qtr of 2013.

LOTS/ACREAGE

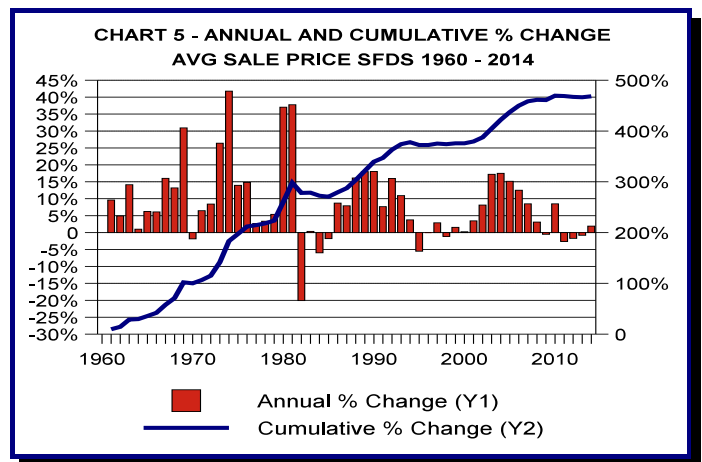
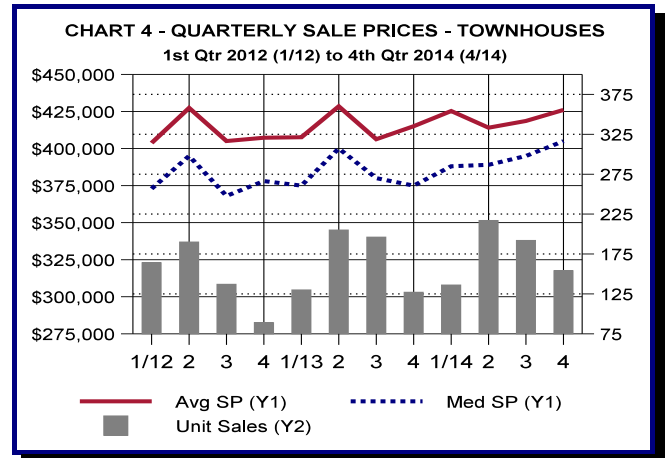
Sales of Lots/Acreage totalled 154 in 2014, compared to 121 in 2013. **The average sale price was \$411,425, compared to \$300,216 in 2013.** The median sale price was **\$290,000** in 2014. (Note: the average sale price in 2014 was inflated by the sale of a number of lots over the \$1 million mark and particularly by the sale of a 1.67 acre waterfront lot in Uplands for \$6.16 million).

MARKET OUTLOOK - VICTORIA

The average sale price of single family dwellings has increased from \$8,795 in 1960 to \$609,713 in 2014. Chart 5 shows the year-over-year percentage and cumulative percentage change from 1960 to 2014. During this period, the average sale price increased in forty-one of the fifty-four years and decreased in thirteen. 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 +8.6% per annum during this 54-year period, about +5% above the annual increase in 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. There is no indication that the underlying fundamentals have changed.

Chart 5 also illustrates the cyclical nature of the real estate market. This is to say, a sustained period of rising prices (i.e., 1961 - 1981, 1986 - 1994 and 2001 - 2007) that is followed by a period of flat or falling prices (i.e., 1982 - 1985, 1996 - 2000 and 2008 - to date). Unlike the other expensive real estate markets in Canada (e.g., *Vancouver, Toronto, the Fraser Valley and Calgary*) which have seen average prices increase over the past few years, prices have been flat in Victoria since 2009. It remains to be determined whether or not Victoria is poised for a period of price increases.

The Canada Mortgage and Housing Corporation is forecasting that Victoria will experience a continuing recovery in the real estate market, with largely balanced market conditions in 2015. A general improvement in economic conditions, full time job growth and attractive interest rates will sustain the number of residential sales in 2015 at about 6,200. CMHC is forecasting that the average sale price for a residential property will be around \$497,550 in 2015. The British Columbia Real Estate Association forecast is somewhat more optimistic, citing a more robust economy, increased growth in employment, improved interprovincial migration and strength in the tourism industry as having a positive impact on the Victoria real estate market. It is forecasting that residential sales in 2015 will increase by +2.8% to about 6,500 and that the average price for a residential property will increase 2.2% to about \$510,000.



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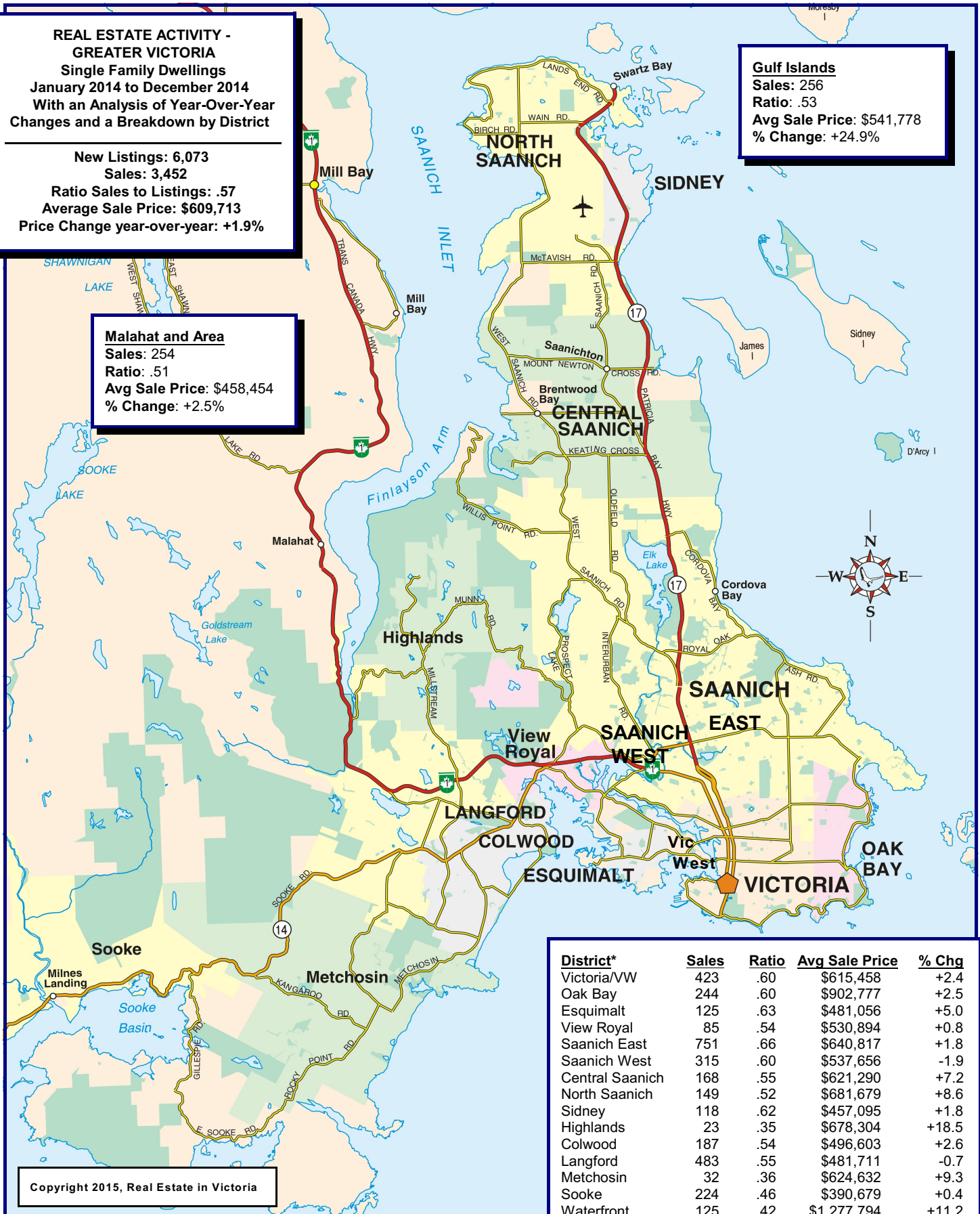
**REAL ESTATE ACTIVITY -
GREATER VICTORIA**
Single Family Dwellings
January 2014 to December 2014
With an Analysis of Year-Over-Year
Changes and a Breakdown by District

New Listings: 6,073
Sales: 3,452
Ratio Sales to Listings: .57
Average Sale Price: \$609,713
Price Change year-over-year: +1.9%

Malahat and Area
Sales: 254
Ratio: .51
Avg Sale Price: \$458,454
% Change: +2.5%

Gulf Islands

Sales: 256
Ratio: .53
Avg Sale Price: \$541,778
% Change: +24.9%



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District*	Sales	Ratio	Avg Sale Price	% Chg
Victoria/VW	423	.60	\$615,458	+2.4
Oak Bay	244	.60	\$902,777	+2.5
Esquimalt	125	.63	\$481,056	+5.0
View Royal	85	.54	\$530,894	+0.8
Saanich East	751	.66	\$640,817	+1.8
Saanich West	315	.60	\$537,656	-1.9
Central Saanich	168	.55	\$621,290	+7.2
North Saanich	149	.52	\$681,679	+8.6
Sidney	118	.62	\$457,095	+1.8
Highlands	23	.35	\$678,304	+18.5
Colwood	187	.54	\$496,603	+2.6
Langford	483	.55	\$481,711	-0.7
Metchosin	32	.36	\$624,632	+9.3
Sooke	224	.46	\$390,679	+0.4
Waterfront	125	.42	\$1,277,794	+11.2
Totals	3,452	.57	\$609,713	+1.9

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