



OUTLOOK 2010 - GUARDED OPTIMISM

THE NATIONAL PICTURE

It will be recalled that in the last half of 2008 there was a lot of doom and gloom headlines suggesting a U.S. style meltdown in the Canadian real estate market. We were in the midst of a financial crisis, threat of a global recession and even talk of a 1930s-style depression. Consumer confidence hit rock bottom. Many prospective buyers simply put their buying decisions on hold. As a result, sales plummeted and average sale prices trended down. Signs the real estate market was recovering became evident in early spring of 2009. Strengthening consumer confidence, signals the economic crisis was ending, low interest rates and a release of pent-up demand propelled sales and prices upward through the last three quarters of 2009.

Nationally, new listings of residential properties on the MLS® were **down 12.6%** from 2008 and **sales were up 7.7%**. The total dollar volume for MLS® residential sales was **up 9.9% to \$139.67 billion in 2009**. The sales-to-new-listings ratio (a measure of market strength) was .58 in 2009, up from .47 in 2008. The average sale price of residential properties was **\$320,333 in 2009, up 5.5% from \$303,549 in 2008**. Table 1 provides an analysis of 2009 MLS® residential sales for selected areas. The strongest price increases were in Montreal, Regina, Winnipeg, Quebec City and Newfoundland/Labrador, areas that all enjoy more moderately priced housing.

From a longer term perspective (i.e., 2000 to 2009), the average sale price of residential properties in Canada has increased some **81%**. Cities with the largest percentage increases during this period include; Regina (158%), Edmonton (158%), Saskatoon (148%), Quebec City (133%), Winnipeg (133%), Calgary (119%), Montreal (117%) and **Victoria (113%)**.

Most analysts are forecasting continued strength in the Canadian real estate market in 2010. According to the Canadian Real Estate Association's (CREA) forecast, residential MLS® sales are expected to rise 7% nationally in 2010, slightly below the record number of sales in 2007. CREA is forecasting average sales prices to increase by 4.7%. The Central Mortgage and Housing Corporation (CMHC) is forecasting that MLS® sales will increase modestly in 2010 and average sales prices will increase by 3.7%. The British Columbia Real Estate Association (BCREA) is forecasting that residential MLS® sales will increase by about 8% in British Columbia in 2010 and the average sale price will increase by about 4%.

TABLE 1: AN ANALYSIS OF SELECTED AREAS - 2009

City/Area	Avg Sale Price	Change	Sales-to-New-Listings Ratio
Vancouver	\$592,441	-0.2%	.66
Victoria	\$476,137	-1.8%	.65
Calgary	\$385,882	-4.8%	.60
Toronto	\$396,154	+4.3%	.66
Edmonton	\$320,378	-3.8%	.62
Ottawa	\$304,801	+4.8%	.67
Saskatoon	\$278,895	-3.1%	.59
Hamilton	\$290,946	+3.6%	.71
Durham	\$278,505	+2.2%	.69
Montreal	\$271,748	+5.3%	.60
Halifax/Dart.	\$239,158	+3.0%	.58
Regina	\$244,088	+6.3%	.60
Winnipeg	\$207,342	+5.3%	.74
Quebec City	\$210,374	+8.9%	.75
Nfld/Labrador	\$206,374	+15.6%	.59
National	\$320,333	+5.5%	.58

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

QUARTER-TO-QUARTER COMPARISONS			
	4 th Qtr 08	4 th Qtr 09	Change
New Listings	2,223	2,100	-123
Sales	780	1,664	+884
Avg. Sale Price	\$448,397	\$494,195	+\$45,798
Median Sale Price	\$416,500	\$442,000	+\$25,500
Ratio Sales-to-Listings	.35	.79	+.44
Avg Days to Sell	64	50	-14
Sale Price as % of Org List Price	95.5%	97.6%	+2.1%
Mortgages Rates (Posted 3 yr Fixed)	6.3%	4.48%	-1.82%

THE VICTORIA MARKET

The story of the Victoria real estate market in 2009 was one of "from gloom to boom." Sales remained fairly stagnant into the 1st Qtr of 2009 then sharply rebounded through the remainder of the year. Overall, the number of new listings of residential properties in 2009 was 11,745, down 15.7% from 2008. Demand rose dramatically from 2008 levels and sales of residential properties through the VREB's MLS® totalled 7,660, up 24.1% from 2008. The value of residential sales through the VREB totalled **\$3.647 billion** in 2009, up from **\$2.981 billion** in 2008.

Average sale prices bottomed in early 2009 and then trended up through the remainder of the year, reaching an average sale price of \$494,195 in the 4th Qtr. **The average sale price of a residential property for 2009 was \$476,137, down \$8,761 or -1.8% from \$484,898 in 2008.** As shown in Table 1, Victoria has the 2nd most valuable residential property in Canada. **With a sales-to-new-listings ratio of .65 for the year, up from .44 in 2008, Victoria quickly shifted into a seller's market through most of 2009.**

THE MARKET INVENTORY

With the growing demand, the inventory of properties for sale in 2009 ran well below the levels in 2008. As shown on Table 3, there were 1,575 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, 2010, down 40% from Jan 1, 2009.

SINGLE FAMILY DWELLINGS (SFDs)

Sales of SFDs in Greater Victoria totalled 4,117 in 2009, up 23% from 2008. **The average sale price of SFDs in 2009 was \$580,748, down \$2,953 or -0.5% from 2008.** The median sale price was **\$525,000** in 2009, unchanged from 2008. As shown in Chart 2, the average sale price bottomed in the 1st Qtr of 2009 and has trended higher since then. The average sale price was **\$615,337 in the 4th Qtr of 2009 (a new quarterly high)**, up 12.3% from the 4th Qtr of 2008. *(It should be recalled that the average sale price in the 4th Qtr of 2008 was depressed, in part, by the major slump in the sale of high-end properties at that time. This segment of the market has recovered and sales above the \$1million mark were on par with those during the boom period in 2007).* The sales-to-new-listings ratio in 2009 rose to a strong .69, up from .47 in 2008. SFDs that sold in 2009 were on the market for an average of 45 days, compared to 40 days in 2008.

CONDOMINIUMS

Condominium sales also rose in 2009 with total sales of 2,158, up 27.3% from 2008. **The average sale price for a condo was \$311,392 in 2009, down \$9,036 or 2.8% from in 2008.** The median sale price was **\$282,500**. As shown in Chart 3, the average and median sale prices of condominiums bottomed in the 1st Qtr of 2009 and have trended up over the past three quarters. The average sale price in the 4th Qtr was **\$327,692**. The sales-to-new-listings ratio was .63 in 2009, up from .40 in 2009. Condos that sold were on the market for an average of 61 days in 2009, up from 59 days in 2008.

CHART 1: RES'L SALES-TO-NEW-LISTINGS RATIO
1st Qtr 2007 (1/07) to 4th Qtr 2009 (4/09)



TABLE 3: INVENTORY - GREATER VICTORIA

Type of Property	Jan 09	Jan 10	Change
Single Family Dwelling	1,106	608	-498
Condominiums	939	538	-401
Townhouses	254	124	-130
Lots/Acreage	250	232	-18
Man Home/Rental Pad	46	66	+20
Duplexes (Revenue)	3	5	+2
Triplexes+ (Revenue)	6	2	-4
Totals	2,604	1,575	-1,029

CHART 2 - QUARTERLY SALE PRICES - SFDs
1st Qtr 2007 (1/07) to 4th Qtr 2009 (4/09)

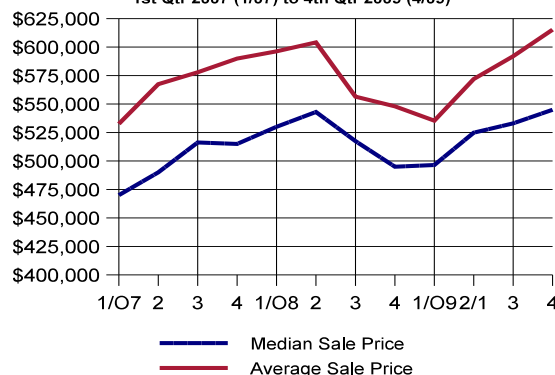
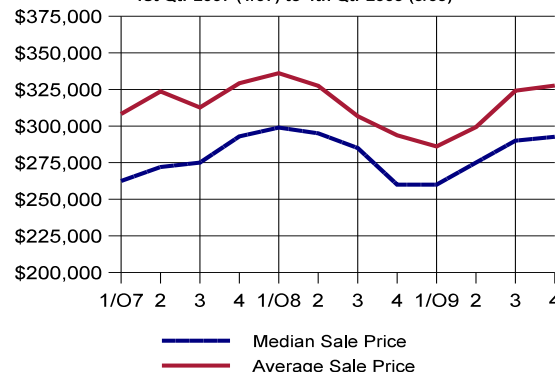


CHART 3 - QUARTERLY SALE PRICES - CONDOS
1st Qtr 2007 (1/07) to 4th Qtr 2009 (3/09)



TOWNHOUSES

Townhouse sales totalled 850 in 2009, up 37% from 2008. **The average selling price was \$429,753 up \$1002 or 0.23% from 2008.** The median sale price was **\$399,000**. The average sale price in the 4th Qtr was **\$456,695**. The sales-to-new-listings ratio in 2009 was .72, compared to .46 last year. Townhouses that sold were on the market for an average of 57 days in 2009, compared with 48 days in 2008.

LOTS/ACREAGE

Sales of Lots/Acreage totalled 236 in 2009, compared to 153 the preceding year. The average sale price was **\$342,667**, compared to **\$349,526** in 2008. The median sale price was **\$316,00** in 2009.

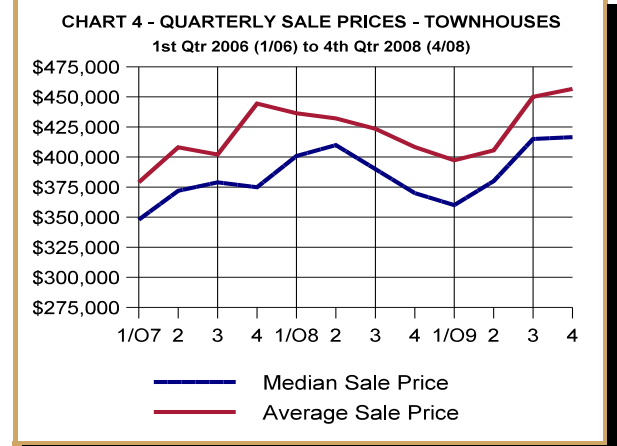
MARKET OUTLOOK - VICTORIA

Forecasts are always fraught with uncertainty. The fundamentals point to a strong market, indeed a seller's market, over the short term. The momentum from the last half of 2009 is expected to be carried into 2010. Mortgage rates are expected to start to inch up by mid-year but should remain at attractive levels through 2010. Consumer confidence has rebounded. The population of Capital District is expected to continue to increase at a healthy level, having averaged 3900 per year over the past three years. Economic growth in B.C. is projected at 3% and expected to outpace the rest of the country. The demand for housing is expected to remain stable and the tight supply will likely put pressure on price appreciation. The issue of affordability will likely slow some of the first-time buyer activity. At the same time, there is likely to be an increase in activity in the move-up buyer market. Out-of-town buyers, particularly those from other parts of Canada are enjoying robust real estate markets. They are in a better position, if they so desire, to move their real estate equity to Victoria.

There are a couple of potentially complicating factors that should be noted. First, the unemployment rate in Victoria has risen to 7.6%, up from a low of 3% a little over a year ago. Second, there seems to be a consensus among economists that the economic recovery is still fragile. The idea of a "double dip" recession has cooled somewhat but some still see a remote chance of a worrisome "W" scenario. They argue that it wouldn't take much to trigger another economic decline. This could negatively impact on consumer confidence. *(We witnessed the dramatic impact of a sudden loss of consumer confidence on the real estate market in 2008).*

Unless the economic recovery falters, there is every indication that the Victoria market will remain strong in 2010. A number of forecasts are available on the real estate market in Victoria in 2010. CMHC is forecasting that sales will increase some 2.1% and the average sale price of a residential property will increase by about 2.7% to \$487,000. The BCREA forecast is somewhat more optimistic, namely that residential sales will increase by 5% and the average price for a residential property will rise by 6%.

The longer term prospects for the real estate market in Victoria also seem positive. Victoria has traditionally enjoyed a relatively stable local economy and a healthy employment base. Land is scarce and very costly to develop. The "echo" generation - children of the baby boomers, born in the 1980s and early 1990s - is large and growing and will form a new and larger pool of first-time home buyers. Victoria remains the destination of choice for many retirees, a segment of the population (i.e. the baby-boom) that will increase dramatically over the next two decades. The average sale price of single family dwellings in Victoria between 1960 and 2009 increased in forty one years and decreased in eight years. In fact, only three years experienced a decrease of greater than 2%. The average sale price of a single family dwelling increased an average of about 9% per annum during this period, about 6.0% above the CPI. Despite a couple of "bust" periods, Victoria has had one of the strongest real estate markets in the country over the past fifty years. There is no reason to think this will change.



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**REAL ESTATE ACTIVITY -
GREATER VICTORIA
Single Family Dwellings
January 2009 to December 2009
With an Analysis of Year-Over-Year
Changes and a Breakdown by District**

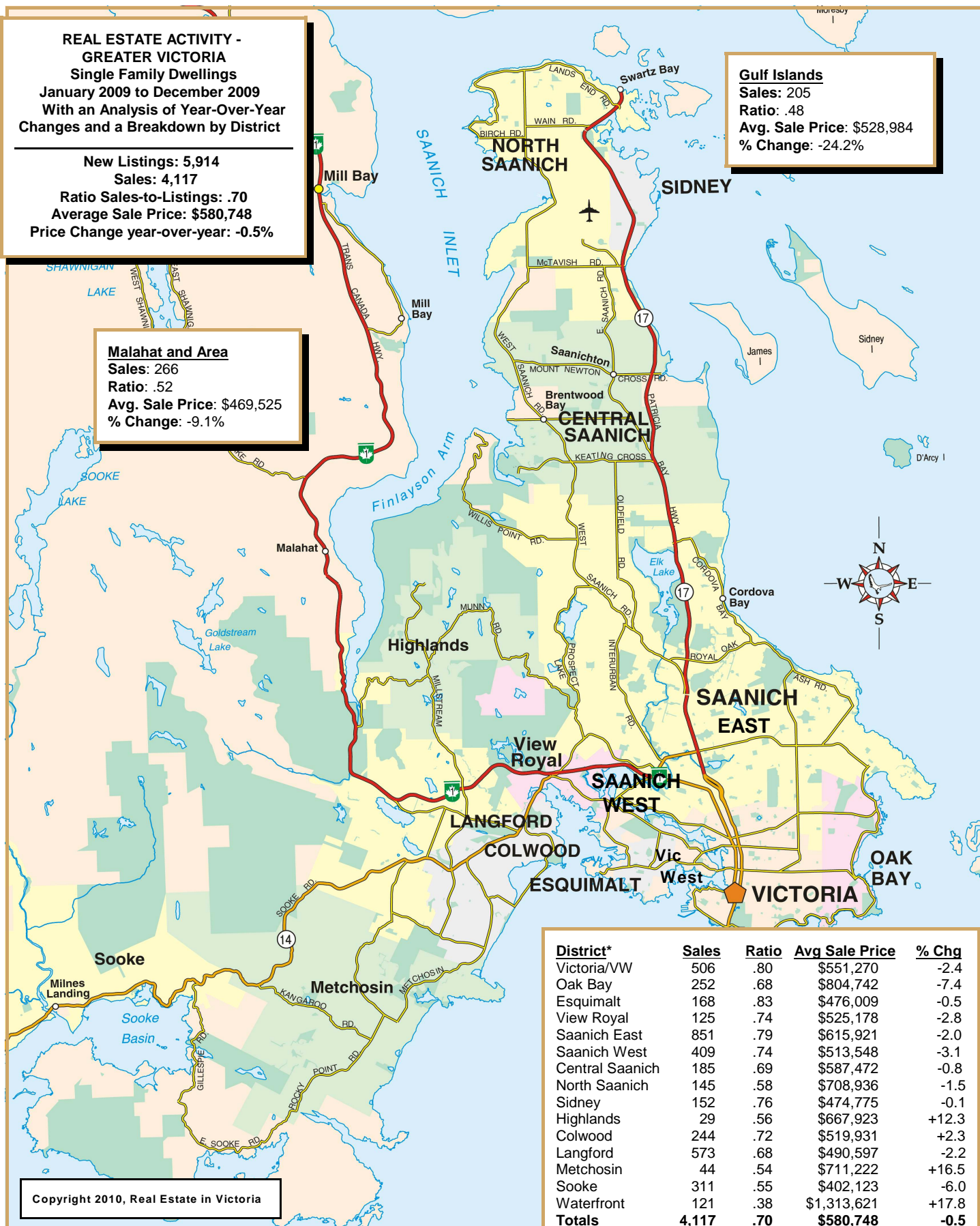
**New Listings: 5,914
Sales: 4,117
Ratio Sales-to-Listings: .70
Average Sale Price: \$580,748
Price Change year-over-year: -0.5%**

Malahat and Area

**Sales: 266
Ratio: .52
Avg. Sale Price: \$469,525
% Change: -9.1%**

Gulf Islands

**Sales: 205
Ratio: .48
Avg. Sale Price: \$528,984
% Change: -24.2%**



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District*	Sales	Ratio	Avg Sale Price	% Chg
Victoria/VW	506	.80	\$551,270	-2.4
Oak Bay	252	.68	\$804,742	-7.4
Esquimalt	168	.83	\$476,009	-0.5
View Royal	125	.74	\$525,178	-2.8
Saanich East	851	.79	\$615,921	-2.0
Saanich West	409	.74	\$513,548	-3.1
Central Saanich	185	.69	\$587,472	-0.8
North Saanich	145	.58	\$708,936	-1.5
Sidney	152	.76	\$474,775	-0.1
Highlands	29	.56	\$667,923	+12.3
Colwood	244	.72	\$519,931	+2.3
Langford	573	.68	\$490,597	-2.2
Metchosin	44	.54	\$711,222	+16.5
Sooke	311	.55	\$402,123	-6.0
Waterfront	121	.38	\$1,313,621	+17.8
Totals	4,117	.70	\$580,748	-0.5

*District Avg Sales Prices exclude sales of "Waterfront"