



## BALANCED MARKET CONDITIONS PREVAIL

### HOME OWNERSHIP, PUBLIC POLICY AND MORTGAGE INSURANCE

Since the end of the second World War (WWII), the federal government has actively promoted home ownership in Canada as a matter of public policy. The principal means to achieve this goal has been the provision of government-backed mortgage insurance for "high-ratio mortgages" through the Canada Mortgage and Housing Corporation (CMHC). This policy has contributed to the gradual expansion of home ownership in Canada. Prior to WWII, the percentage of owner-occupied dwellings was about 40%. According to a Statistics Canada study released in May 2007, this figure rose to almost 69% in 2005. It is likely that this figure has increased further in the past five years.

The rules governing mortgage insurance have varied over the years. The rules were most relaxed in the mid-2000s. For example, CMHC changed the rule regarding the minimum down payment in 2004. Under this rule change, the minimum down payment of 5% did not have to come necessarily from the buyer's own funds, but rather, from any source, such as lenders' incentives (cash-backs), gifts or borrowed funds. *(Buyers still had to qualify, i.e., to prove their ability to meet the debt requirements of the mortgage).* In 2006, the amortization period for high-ratio mortgages was lengthened to 40 years. *(This moved it up from 35 years and well beyond the period of 25 years that had been the norm for years).*

In 2008, the federal government introduced new rules to tighten the criteria for mortgage insurance. First, all insured mortgages required buyers to make a down payment of at least 5% from their own funds. Second, the amortization period for insured mortgage products was revised back to 35 years.

Recently, there has been a growing concern with Canadians' indebtedness. The statistic most frequently cited is the "debt-to-income ratio" which measures Canadians' annual disposable (after-tax) income to their total debt, including mortgages, credit lines, credit cards and loans. **The ratio in Canada is now about 148% which means that "on average," for every \$1.00 of Canadians' annual disposable (after-tax) income, they have \$1.48 in debt.** This figure has risen from 117% in 2005 and is now slightly higher than that of Americans. As a consequence of this concern, the federal government further tightened the rules governing mortgages effective March and April of this year. These new measures include the following:

- **reducing the maximum amortization period for new government-backed insured mortgages from 35 to 30 years;**
- **reducing the amount home owners can refinance, from 90% to 85% of the value of their home; and**
- **removing government-backed insurance for home equity lines of credit (HELOCs).**

The impact of these measures on the real estate market remains to be determined. In all likelihood, the impact will not be significant. It is probably prudent policy which will help provide ongoing stability to the real estate market in Canada. It is in Canadians' interest to avoid an American style real estate meltdown that has seen property values decrease approximately -30% nationally and the rate of home ownership fall from 70% to 66% in a few short years.

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

QUARTER-TO-QUARTER COMPARISONS			
	1 <sup>st</sup> Qtr 10	1 <sup>st</sup> Qtr 11	Change
New Listings	3,987	3,710	-277
Sales	1,704	1,393	-311
Avg Sale Price	\$504,491	\$490,512	-\$13,979
Median Sale Price	\$460,000	\$445,000	-\$15,000
Ratio Sales Listings	.44	.38	-.06
Avg Days to Sell	42	62	+20
Sale Price as % of Org List Price	96.6%	94.8%	-1.8%
Mortgages Rates (Posted 3 yr Fixed)	4.36%	4.35%	-0.01%

## THE VICTORIA MARKET

**Balanced market conditions continue to prevail for the Victoria real estate market.** The number of "residential properties" (i.e., all types of housing excluding lots/acreage and commercial) listed through the Victoria Real Estate Board's (VREB) MLS® in the 1<sup>st</sup> Qtr of 2011 was 3,710, down 7% from 3,987 in the 1<sup>st</sup> Qtr of 2010. Residential sales totalled 1,393, down 18% from 1,704 in the 1<sup>st</sup> Qtr of 2010, but up 15% from 1,207 in the 1<sup>st</sup> Qtr of 2009. The sales-to-new-listings ratio was .38, compared to .44 last year.

Perhaps the most significant change in the figures in Table 1 is the amount of time a property is spending on the market before it sells. Properties that sold in the 1<sup>st</sup> Qtr of 2011 were on the market for an average of 62 days versus 42 days in the 1<sup>st</sup> Qtr of 2010. Residential properties are now taking almost three weeks longer to sell.

Both average and median sale prices have drifted a bit lower when compared to the 1<sup>st</sup> Qtr of 2010. The average sale price of a residential property in Greater Victoria and other areas was **\$490,512 in the 1<sup>st</sup> Qtr of 2011**, -2.8% lower than \$504,491 in the 1<sup>st</sup> Qtr of 2010. The median sale price was \$445,000, down -3.3% from \$460,000 last year. In terms of the year-to-date change from 2010, the figure of \$490,512 is down -2.9% from the 2010 average sale price of \$504,561. The figures for Victoria compare with average residential sale prices and year-to-date percentage changes from 2010 of \$780,819 (+15.5%) in Vancouver, \$467,076 (+3.5%) in the Fraser Valley, \$443,293 (+2.6%) in Toronto and \$398,362 (-.001%) in Calgary for the first two months of 2011. *(Note: according to media reports the extraordinary increase in Greater Vancouver is largely attributable to the inordinately high number of sales of "high-end" properties to overseas buyers).*

The British Columbia Real Estate Association has updated its forecast for the Victoria real estate market for 2011. It is now forecasting that residential MLS® sales will increase about 7% over 2010 and the average price will increase a modest 0.7%.

## THE MARKET INVENTORY

There were 3060 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 April 1, 2011, up 13.5% from 2,696 on April 1, 2010.

## SINGLE FAMILY DWELLINGS (SFDs)

There were 721 sales of SFDs in Greater Victoria in the 1<sup>st</sup> Qtr of 2011, down 17% from 871 in the 1<sup>st</sup> Qtr of 2010. As shown in Chart 2, the average and median sale prices have stabilized in a fairly narrow range over the past year. This is to say, prices are neither trending up nor trending down. **The average sale price of SFDs in the 1<sup>st</sup> Qtr of 2011 was \$612,897, -3.1% lower than \$632,243 in the 1<sup>st</sup> Qtr of 2010.** The median sale price was \$567,000, down -1.2% from \$574,000 last year. SFDs that sold in the 1<sup>st</sup> Qtr of 2011 were on the market for an average of 53 days, up significantly from 33 days last year. The sales-to-listings ratio was .41 in the 1<sup>st</sup> Qtr of 2011, down from .46 last year.

CHART 1: RES'L SALES-TO- NEW-LISTINGS RATIO  
2nd Qtr 2008 (2/08) to 1st Qtr 2011 (1/11)



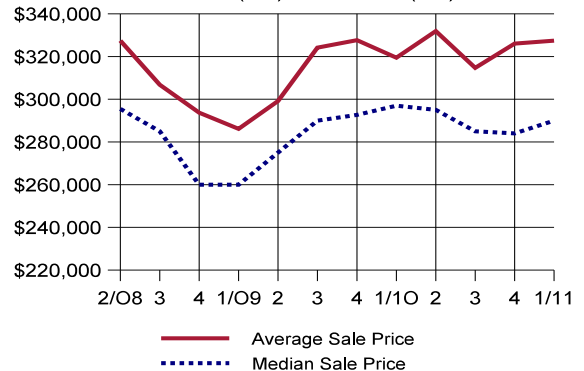
TABLE 2: INVENTORY - GREATER VICTORIA

Type of Property	Apr 10	Apr 11	Change
Single Family Dwelling	1,207	1,427	+220
Condominiums	875	958	+83
Townhouses	234	311	+77
Lots/Acreage	295	254	-41
Man Home/Rental Pad	76	97	+21
Duplexes (Revenue)	6	8	+2
Triplexes+ (Revenue)	3	5	+2
<b>Totals</b>	<b>2,696</b>	<b>3,060</b>	<b>+364</b>

CHART 2 - QUARTERLY SALE PRICES - SFDs  
2nd Qtr 2008 (2/08) to 1st Qtr 2011 (1/11)



CHART 3 - QUARTERLY SALE PRICES - CONDOS  
2nd Qtr 2008 (2/08) to 1st Qtr 2011 (1/11)

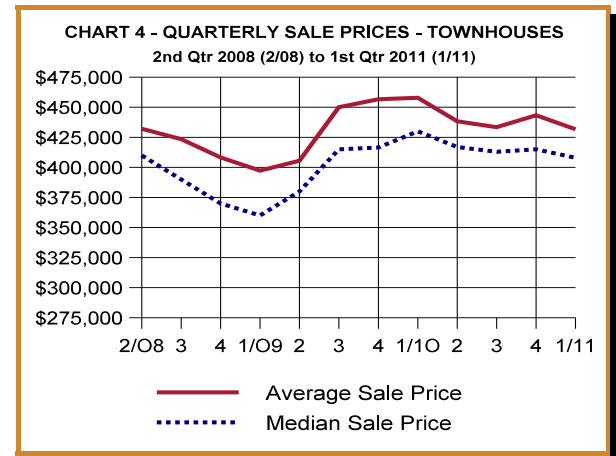


## CONDOMINIUMS

Condominium sales totalled 392 in the 1<sup>st</sup> Qtr of 2011, down -21% from 497 in the 1<sup>st</sup> Qtr of 2010. As shown in Chart 3, the average and median sale prices of condominiums have levelled off. **The average sale price for a condo was \$327,427 in the 1<sup>st</sup> Qtr of 2011, up 2.5% from \$319,483 in the 1<sup>st</sup> Qtr of 2010.** The median sale price was \$290,000. Condos that sold in the 1<sup>st</sup> Qtr of 2011 were on the market for an average of 58 days, up from 42 days last year. The sales-to-listings ratio was .38 in the 1<sup>st</sup> Qtr of 2011, down from .43 last year.

## TOWNHOUSES

Townhouse sales totalled 166 in the 1<sup>st</sup> Qtr of 2011, down -22% from 212 in the 1<sup>st</sup> Qtr of 2010. The average and median sale prices of townhouses have trended down slightly over the past year. **The average selling price in the 1<sup>st</sup> Qtr of 2011 was \$431,690, down -5.7% from \$457,923 in the 1<sup>st</sup> Qtr of 2010.** The median sale price was \$408,000. Townhouses that sold in the 1<sup>st</sup> Qtr of 2011 were on the market for an average of 61 days, up from 41 days last year. The sales-to-listings ratio was .44, compared to .53 last year.



## LOTS/ACREAGE

There were 29 lots/acreage sold in the 1<sup>st</sup> Qtr of 2011, down from 62 in the 1<sup>st</sup> Qtr of 2010. The average and median sale prices were **\$473,051** and **\$350,500** respectively.

## MARK YOUR CALENDAR - UPCOMING EVENTS IN GREATER VICTORIA

Victoria has a vibrant arts and culture scene and a host of events over the year that caters to the interests of just about everyone, many of which are free. The following are but a few of these events. For a complete list, check out the Tourism Victoria website at [www.tourismvictoria.com](http://www.tourismvictoria.com).

- **Emily Carr: On the Edge of Nowhere** - Art Gallery of Greater Victoria (throughout the year)
- **Greater Victoria Performing Arts Festival** - various sites [www.gvpaf.com](http://www.gvpaf.com) (March 25 - May 14)
- **Victoria Day Parade** - three hour parade along Douglas Street downtown (May 23)
- **Swiftsure International Yacht Race** - Dallas Road (May 28 - 29)
- **48<sup>th</sup> Annual Oak Bay Tea Party and Parade** - Oak Bay and Willows Beach (June 5 - 6)
- **TD Victoria international JazzFest 2010** - various venues downtown (June 25 - July 4)
- **Canada Day Celebrations - Victoria and Westshore** (July 1)
- **Victoria International Buskers Festival** - various sites in downtown (July 15 - 24)
- **Art Gallery Paint In** - Moss Street (July 16)
- **Symphony Splash 2011** - Inner Harbour (July 31)
- **Victoria Dragon Boast Festival** - Inner Harbour (August 12 - 14)
- **2011 Victoria Fringe Festival** - various venues downtown (August 25 - September 4)
- **Classic Boat Festival** - Inner Harbour (September 2 - 4)
- **Victoria Marathon, Half Marathon and 8K** (October 9)

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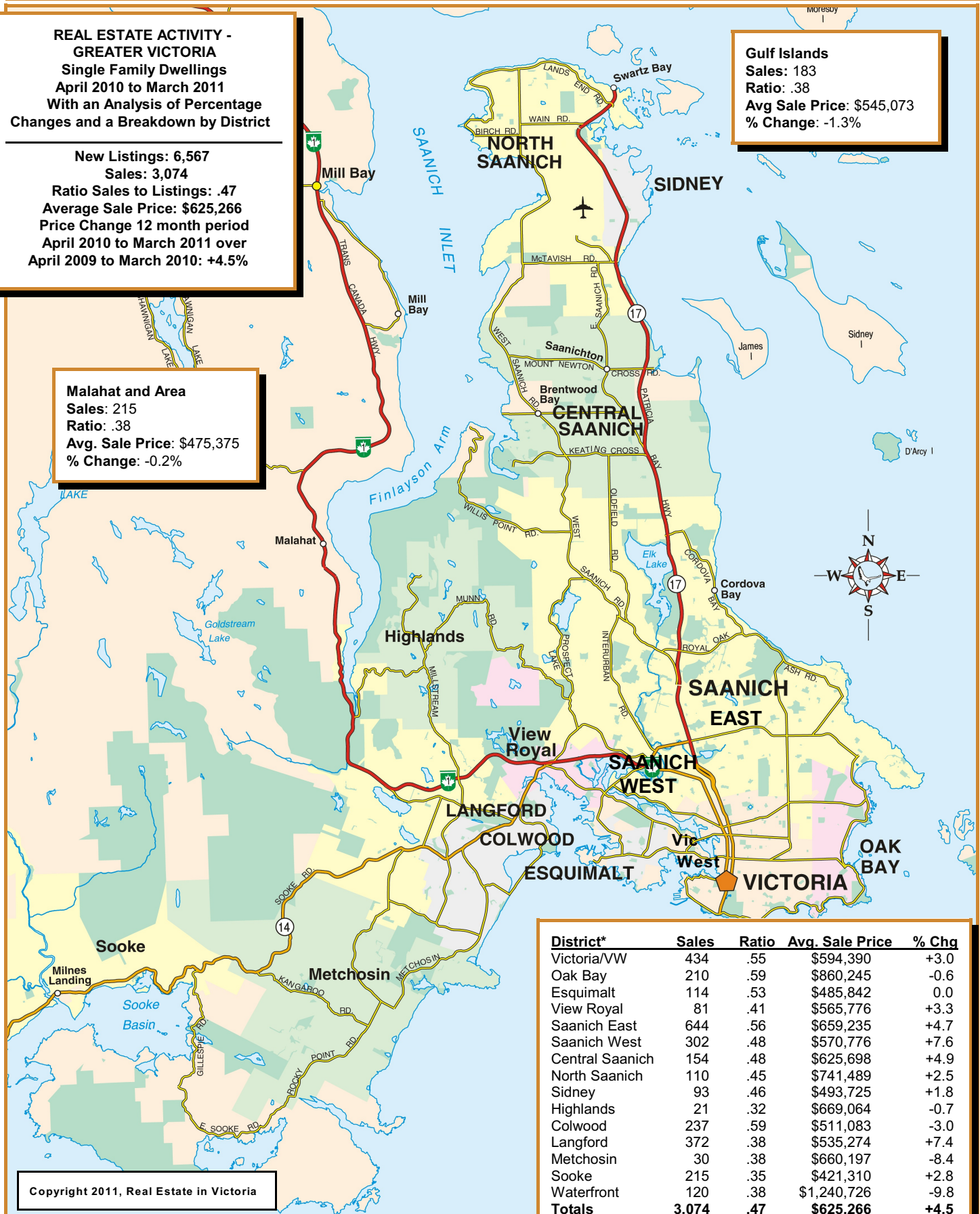


**REAL ESTATE ACTIVITY -  
GREATER VICTORIA**  
Single Family Dwellings  
April 2010 to March 2011  
With an Analysis of Percentage  
Changes and a Breakdown by District

New Listings: 6,567  
Sales: 3,074  
Ratio Sales to Listings: .47  
Average Sale Price: \$625,266  
Price Change 12 month period  
April 2010 to March 2011 over  
April 2009 to March 2010: +4.5%

**Malahat and Area**  
Sales: 215  
Ratio: .38  
Avg. Sale Price: \$475,375  
% Change: -0.2%

**Gulf Islands**  
Sales: 183  
Ratio: .38  
Avg Sale Price: \$545,073  
% Change: -1.3%



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District*	Sales	Ratio	Avg. Sale Price	% Chg
Victoria/VW	434	.55	\$594,390	+3.0
Oak Bay	210	.59	\$860,245	-0.6
Esquimalt	114	.53	\$485,842	0.0
View Royal	81	.41	\$565,776	+3.3
Saanich East	644	.56	\$659,235	+4.7
Saanich West	302	.48	\$570,776	+7.6
Central Saanich	154	.48	\$625,698	+4.9
North Saanich	110	.45	\$741,489	+2.5
Sidney	93	.46	\$493,725	+1.8
Highlands	21	.32	\$669,064	-0.7
Colwood	237	.59	\$511,083	-3.0
Langford	372	.38	\$535,274	+7.4
Metchosin	30	.38	\$660,197	-8.4
Sooke	215	.35	\$421,310	+2.8
Waterfront	120	.38	\$1,240,726	-9.8
<b>Totals</b>	<b>3,074</b>	<b>.47</b>	<b>\$625,266</b>	<b>+4.5</b>

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