

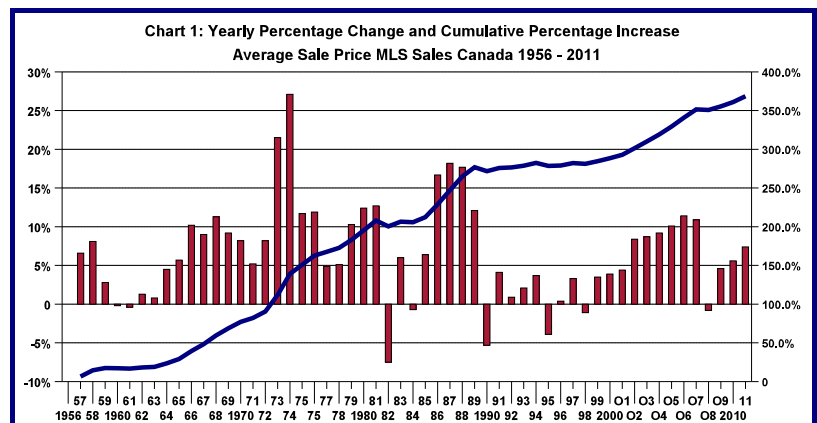


VICTORIA MARKET REMAINS FLAT

IS THE DISCUSSION OF A REAL ESTATE "BUBBLE" OVERDONE?

The media fixation on the notion of a "bubble" dates back at least seven years. In 2005, the TD Bank Financial Group launched a report titled: **"Housing Bubble Watch."** In September 2008, Canwest News Service featured the headline: **"Canada's housing bubble could soon burst: Merrill Lynch."** In April 2011, the Globe carried an article headlined: **"Signs point to a severe housing correction in Canada."** In August of this year, the Globe carried an article headlined: **"Correction coming in housing market - 10% drop expected,"** citing a Scotiabank report.

Chart 1 provides a historical perspective on changes in sale prices of real estate in Canada. Between 1956 and 2011, MLS® sales rose from an average price of \$11,993 to \$367,770 for an average yearly percentage change of +6.7%. (During the same period, the consumer price index increased an average of +4.0%). Forty-seven of the fifty-five years experienced an increase in the average sale price. Eight years experienced a decrease. Only two years sustained a decline of greater than -5%.



In 1982, the average sale price in Canada fell -7.5%. This decline was in large part attributable to the Vancouver market where prices fell -27.6%. (What is perhaps noteworthy here is that the decline in 1982 was preceded by a combined increase of 86% in 1980 and 1981). The 1982 decrease coincided with the 1981-82 recession. GDP fell by -4.9%. Unemployment in Vancouver rose +4.9% to 9.8% and the five-year mortgage rate rose to 21.5%. **In 1990, the average sale price in Canada fell -5.3%.** Ontario was particularly hard hit. In Toronto, prices began a steady decline, falling a total of -23% by 1995. (The decline in 1990 in Toronto was preceded by increases totalling 93% in the years 1987, 1988 and 1989). The 1990 decrease similarly coincided with the 1990-92 recession. GDP fell by -3.4% and unemployment in Toronto rose from below 4% in 1989 to more than 12% in 1992.

There are several points to emerge from this analysis. First, the recent real estate boom has not been stronger or longer than those that marked the 70s and 80s. Second, the 2008-09 recession seems to have had little impact on the real estate market in Canada and the unemployment rate currently hovers around the 7% mark. Third, neither Toronto nor Vancouver has experienced the run-up in prices in percentage terms (a "spike" if you will) similar to that which immediately preceded the 1982 and 1990 declines. For example, between 2009 and 2012 (year-to-date), Vancouver has increased +24.4% and Toronto has increased +26.3%.

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

QUARTER-TO-QUARTER COMPARISONS			
	3 rd Qtr 11	3 rd Qtr 12	Change
New Listings	3,664	3,343	-321
Sales	1,450	1,333	-117
Avg Sale Price	\$495,716	\$474,422	-\$21,294
Median Sale Price	\$440,000	\$430,000	-\$10,000
Ratio Sales Listings	.40	.40	n/c
Avg Days to Sell	64	70	+6
Sale Price as % of Orig List Price	93.5%	93.5%	n/c
Mortgage Rates (Posted 3 yr Fixed)	4.35%	4.05%	-0.20%

THE VICTORIA MARKET

The real estate market in Victoria remained flat in the 3rd Qtr of 2012. Sales were down slightly from the 3rd Qtr of 2011. Prices have drifted lower and properties are taking longer to sell. In addition, the inventory of properties for sale remains relatively high.

As shown in Table 1, sales of residential properties through the Victoria Real Estate Board's (VREB) MLS® in the 3rd Qtr of 2012 totalled 1,333, down from 1,450 sales in the 3rd Qtr of 2011. The number of new listings in the 3rd Qtr of 2012 totalled 3,343, down from 3,664 new listings last year. The sales-to-new-listings ratio was .40 in the 3rd Qtr of 2012, unchanged from .40 in the 3rd Qtr of 2011. While technically in balanced territory, the market continues to favour buyers.

Both average and median sale prices slid a bit lower in the 3rd Qtr of 2012. The average sale price of a residential property in Greater Victoria and other areas was \$474,422 in the 3rd Qtr of 2012, down -4.3% from \$495,716 last year. The median sale price was \$430,000, down slightly from \$440,000 last year. The figure of \$474,422 compares with average residential sale prices of \$725,086 in Vancouver, \$483,174 in the Fraser Valley, \$479,095 in Toronto and \$400,277 in Calgary for the month of August 2012.

Victoria seems to be part of a broader trend that has seen cooling real estate markets, particularly in the highly urbanized areas of BC (i.e., Vancouver and the lower mainland). To quote from a recent press release from the British Columbia Real Estate Association (BCREA): "Consumer demand continued to trend lower in August," said Cameron Muir, BCREA Chief Economist. "Tighter mortgage credit conditions introduced in July appear to be taking a toll on an already tentative market. However, with home sales slower than improving economic conditions suggest, a rebound may be in store before year-end."

THE MARKET INVENTORY

There were 3,544 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 Oct 1, 2012, about the same as 3,551 on Oct 1, 2011. From a longer term perspective, the current inventory is 54% higher than the 2,305 properties active on Oct 1, 2009.

SINGLE FAMILY DWELLINGS (SFDs)

Sales of SFDs in Greater Victoria in the 3rd Qtr of 2012 totalled 678, down from 745 sales in the 3rd Qtr of 2011. As shown in Chart 3, the average sale and median sale prices continue to trend lower. The average sale price of SFDs in the 3rd Qtr of 2012 was \$586,765, down -5.3% from an average of \$619,723 in the 3rd Qtr of 2011. The median sale price was \$530,000, down from \$540,000 in the 3rd Qtr of 2011. SFDs that sold were on the market for an average of 60 days in the 3rd Qtr of 2012, compared to 53 days in the 3rd Qtr of last year. (Indicative of how the market has changed in the past five years, SFDs that sold in the 3rd Qtr of 2007 were on the market for an average of 38 days). The sales-to-listings ratio was .44 in the 3rd Qtr of 2012, a bit stronger than .41 last year.

CHART 2: RES'L SALES-TO-NEW-LISTINGS RATIO
4th Qtr 2009 (4/09) to 3rd Qtr 2012 (3/12)



TABLE 2: INVENTORY - GREATER VICTORIA

Type of Property	Oct 11	Oct 12	Change
Single Family Dwellings	1,718	1,724	+11
Condominiums	1,047	1,039	-8
Townhouses	373	383	+10
Lots/Acreage	280	259	-10
Man Home/Rental Pad	105	108	+3
Duplexes (Revenue)	18	14	-4
Triplexes+ (Revenue)	10	8	-2
Totals	3,551	3,544	-7

CHART 3 - QUARTERLY SALE PRICES - SFDs
4th Qtr 2009 (4/09) to 3rd Qtr 2012 (3/12)

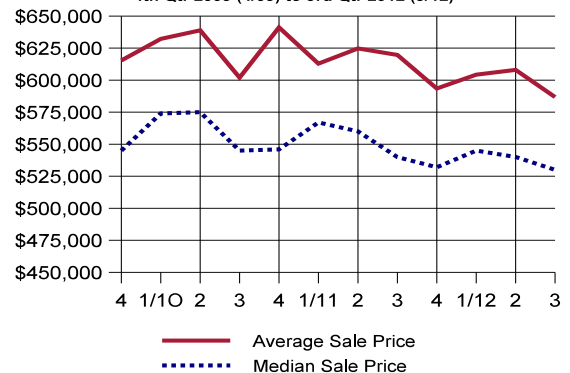


CHART 4 - QUARTERLY SALE PRICES - CONDOS
4th Qtr 2009 (4/09) to 3rd Qtr 2012 (3/12)

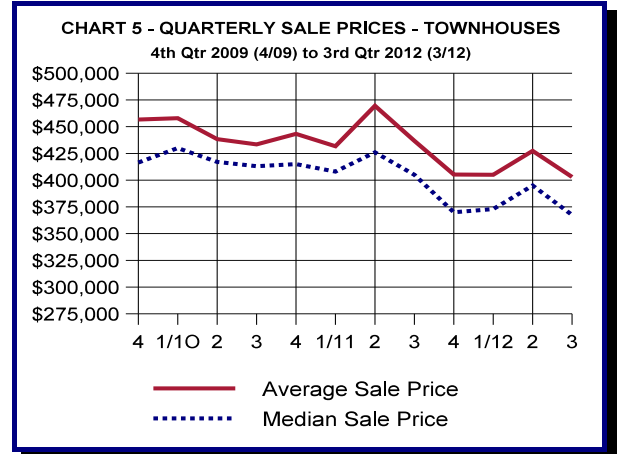


CONDOMINIUMS

There were 397 condominiums sold in the 3rd Qtr of 2012, little changed from 400 sales in the 3rd Qtr of 2011. **The average sale price for a condo was \$322,766, down slightly from \$328,779 in the 3rd Qtr of 2011.** The median sale price was \$267,000 compared to \$280,000 last year. Condos took an average of 70 days to sell in the 3rd Qtr of 2012, up from 59 days last year. The sales-to-listings ratio was .45 in the 3rd Qtr of 2012, compared to .40 last year.

TOWNHOUSES

Townhouse sales totalled 140 in the 3rd Qtr of 2012, down from 157 sales in the 3rd Qtr of 2011. **The average selling price in the 3rd Qtr of 2012 was \$402,954, down from \$436,725 in the 3rd Qtr of 2011.** The median sale price was \$367,500 down from \$405,000 last year. Townhouses took an average of 75 days to sell in the 3rd Qtr of 2012, up from 60 days last year. The sales-to-listings ratio was .45, compared to .42 last year.



LOTS/ACREAGE

There were 23 lots/acreage sold in the 3rd Qtr of 2012, most of which were in the Westshore. The average and median sale prices were **\$277,389** and **\$209,000** respectively.

VICTORIA CELEBRATES ITS 150TH ANNIVERSARY



On August 2, 1862, the town-site of Fort Victoria was incorporated as the City of Victoria. The city of Victoria would become the capital of British Columbia and one of the most desirable cities to live in Canada. Housing has evolved over the past 150 years and the photographs below illustrate examples of housing from each of the past fifteen decades.



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**REAL ESTATE ACTIVITY -
GREATER VICTORIA**
Single Family Dwellings
October 2011 to September 2012
With an Analysis of Percentage
Changes and a Breakdown by District

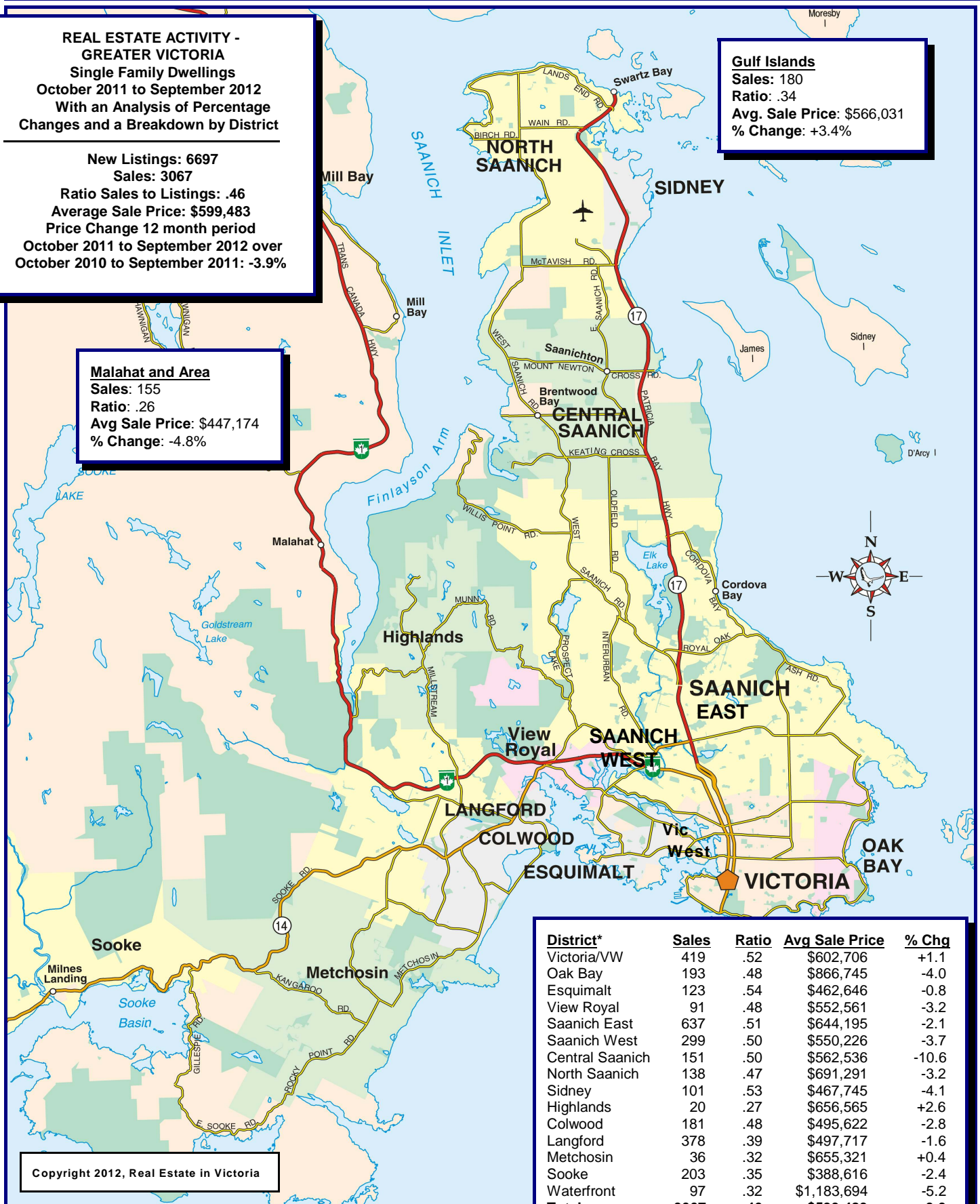
New Listings: 6697
Sales: 3067
Ratio Sales to Listings: .46
Average Sale Price: \$599,483
Price Change 12 month period
October 2011 to September 2012 over
October 2010 to September 2011: -3.9%

Gulf Islands

Sales: 180
Ratio: .34
Avg. Sale Price: \$566,031
% Change: +3.4%

Malahat and Area

Sales: 155
Ratio: .26
Avg Sale Price: \$447,174
% Change: -4.8%



District*	Sales	Ratio	Avg Sale Price	% Chg
Victoria/VW	419	.52	\$602,706	+1.1
Oak Bay	193	.48	\$866,745	-4.0
Esquimalt	123	.54	\$462,646	-0.8
View Royal	91	.48	\$552,561	-3.2
Saanich East	637	.51	\$644,195	-2.1
Saanich West	299	.50	\$550,226	-3.7
Central Saanich	151	.50	\$562,536	-10.6
North Saanich	138	.47	\$691,291	-3.2
Sidney	101	.53	\$467,745	-4.1
Highlands	20	.27	\$656,565	+2.6
Colwood	181	.48	\$495,622	-2.8
Langford	378	.39	\$497,717	-1.6
Metchosin	36	.32	\$655,321	+0.4
Sooke	203	.35	\$388,616	-2.4
Waterfront	97	.32	\$1,183,694	-5.2
Totals	3067	.46	\$599,483	-3.9

*District Avg Sale Prices exclude sales of "Waterfront"