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## OUTLOOK: THE UPS AND DOWNS OF REAL ESTATE

### THE NATIONAL PICTURE

A Scotiabank Group report entitled "Global Real Estate Trends," released in December 2012, provided an international perspective on the housing market. This survey of seventeen countries found that five countries enjoyed "real house price" (i.e., inflation adjusted) increases in 2012: Columbia, the US, Switzerland, Chile and South Korea. Canada ranked 10<sup>th</sup> with an inflation adjusted price change of -1.5% year-over-year in the 3<sup>rd</sup> Qtr. Not unexpectedly, the housing markets were weakest in the Euro-zone countries.

Sales and prices of residential properties in Canada either levelled off, or declined, in most areas in the 2<sup>nd</sup> half of 2012. Thus apparently ending an upward trend that has been underway for almost a decade. New MLS® listings of residential properties in 2012, were up +1.0% from 2011. Sales were down -1.1%. The dollar volume for MLS® residential sales was down -0.9% in 2012. The sales-to-new-listings ratio (*a measure of market strength*) was .52 in 2012, down slightly from .53 in 2011. The national average sale price of residential properties was \$363,740 (*a new high*) in 2012, up +0.3% from \$363,346 in 2011. (*These figures exclude statistics from the province of Quebec which were unavailable at the time of writing*).

As shown in Table 1, most cities enjoyed a year-over-year increase in average sale prices in 2012. The largest percentage increases were in Toronto, Hamilton and Regina.

Most areas of the country experienced balanced market conditions in 2012 and relatively modest increases in average sale prices compared to 2011. A few areas had decreases in average sale prices in 2012, for example, Vancouver (-6.4%) and the Fraser Valley (-3.7%). However, these decreases follow increases of +15.4% in Vancouver and +11.4% in the Fraser Valley in 2011. Indeed, the average sale price in Vancouver still remains up +8.3% over the average sale price in 2010 and the Fraser Valley remains up +7.4%.

The organizations which closely monitor trends and underlying conditions in the Canadian real estate market foresee a moderate slowing in the market, but remain confident in the continued stability going into 2013. According to the Canadian Real Estate Association's (CREA) forecast, residential MLS® sales are expected to ease a modest -2.0% in 2013 to about 447,400 units and average sales prices will hold around the \$365,000 mark. The Canada Mortgage and Housing Corporation's (CMHC) outlook for 2013 is a bit more optimistic, forecasting residential MLS® sales of about 450,100 units and an average sale price of about \$370,500.

TABLE 1: AN ANALYSIS OF SELECTED AREAS - 2012

City/Area	Avg Sale Price	Change	Sales-to-New Listings Ratio
Vancouver	\$730,063	-6.4%	.42
Toronto	\$498,973	+7.0%	.56
<b>Victoria</b>	<b>\$484,164</b>	<b>-2.8%</b>	<b>.43</b>
Fraser Valley	\$483,730	-3.7%	.47
Calgary	\$412,315	+2.3%	.63
Hamilton	\$360,059	+8.0%	.71
Ottawa	\$352,610	+2.3%	.51
Edmonton	\$334,318	+2.7%	.56
Montreal	\$326,202*	+4.0%	.52
Saskatoon	\$315,834	+4.8%	.54
Regina	\$301,145	+8.5%	.62
Halifax/Dart.	\$270,742	+3.8%	.60
Quebec City	\$259,217*	+5.1%	.57
Nfld/Labrador	\$268,776	+6.8%	.50
Winnipeg	\$255,058	+5.7%	.73

National \$363,740 +0.3% .52

\* Year-to-date November 2012

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

QUARTER-TO-QUARTER COMPARISONS			
	4 <sup>th</sup> Qtr 11	4 <sup>th</sup> Qtr 12	Change
New Listings	2,266	2,037	-229
Sales	1,236	945	-291
Avg Sale Price	\$480,658	\$480,358	-\$300
Median Sale Price	\$430,000	\$429,000	-\$1,000
Ratio Sales-to-Listings	.54	.46	-.08
Avg Days to Sell	72	78	+6
Sale Price as % of Org List Price	94.0%	92.2%	-1.8%
Mortgages Rates (Posted 3 yr Fixed)	4.05%	3.70%	-0.35%

## THE VICTORIA MARKET

The real estate market in Victoria continued to languish through 2012. The supply of housing continued to run at historically high levels. Demand remained weak. Properties took longer to sell. **Overall, the Victoria market continued to favour buyers.**

The number of new MLS® listings of residential properties in 2012 was 13,584, up slightly from 13,427 in 2011. Demand was down from the levels in recent years. Residential MLS® sales continued to drift lower, 5,458 in 2012, down -5.5% from 5,773 in 2011. From a longer term perspective, sales were down -28.8% from 7,660 in 2009. The sales-to-new-listings ratio was .43, unchanged from 2011. **The value of residential sales through the VREB totalled \$2.644 billion in 2012**, down from \$2.877 billion in 2011 and down from \$3.647 billion in 2009. **The average sale price of a residential property in 2012 was \$484,164**, down -2.8% from \$498,300 in 2011 and down -4.0% from \$504,561 (*the market peak*) in 2010.

## THE MARKET INVENTORY

The inventory of properties for sale in 2012 remained at relatively high levels, similar to 2011. As shown on Table 3, there were 2,508 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, 2013, little changed from last year, but up nearly +60% from 1575 on Jan 1, 2010.

## SINGLE FAMILY DWELLINGS (SFDs)

**Sales of SFDs in Greater Victoria totalled 2,907 in 2012**, down from 3,069 in 2011 and down from 3,236 in 2010. **The average sale price of SFDs in 2012 was \$603,298**, down \$10,541, or -1.7% from \$613,839 in 2011 and down \$26,627 or -4.2% from \$629,925 (*the market peak*) in 2010. The median sale price was \$535,900 in 2012, down from \$550,000 in 2011 and down from \$564,900 in 2010. As shown in Chart 2, sale prices have trended down since their peak in 2010. The average sale price was \$613,030 in the 4<sup>th</sup> Qtr of 2012, up from \$593,504 in the 4<sup>th</sup> Qtr of 2011, but well below the quarterly peak of \$641,170 in the 4<sup>th</sup> Qtr of 2010. The sales-to-new-listings ratio in 2012 was .44, down from .45 in 2011. SFDs that sold in 2012 were on the market for an average of 56 days compared to 54 days in 2011 and 43 days in 2010.

## CONDOMINIUMS

**Condominium sales totalled 1,532 in 2012**, little changed from 1,581 in 2011, but down from 1,781 in 2010. **The average sale price for a condo was \$313,833 in 2012**, down from \$326,570 in 2011. The median sale price was \$269,900. As shown in Chart 3, sale prices have also trended down over the past couple of years. The average sale price in the 4<sup>th</sup> Qtr of 2012 dipped to \$279,184 and the median sale price dropped to \$259,000. The sales-to-new-listings ratio was .42 in 2012 compared to .43 in 2011. Condos that sold in 2012 were on the market for an average of 67 days compared to 61 days in 2011.

CHART 1: RES'L SALES-TO- NEW-LISTINGS RATIO  
1st Qtr 2010 (1/10) to 4th Qtr 2012 (4/12)

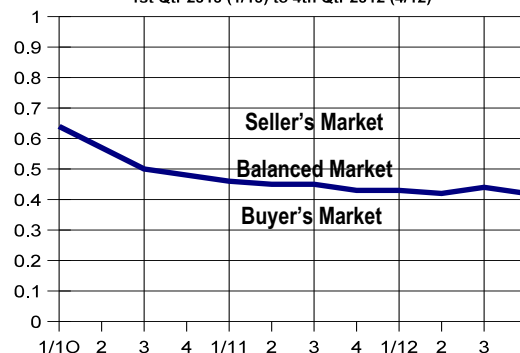


TABLE 3: INVENTORY - GREATER VICTORIA

Type of Property	Jan 2012	Jan 2013	Change
Single Family Dwelling	1112	1107	-5
Condominiums	821	830	+9
Townhouses	298	276	-22
Lots/Acreage	256	195	-61
Man Home/Rental Pad	77	80	+3
Duplexes (Revenue)	8	12	+4
Triplexes+ (Revenue)	8	7	-1
<b>Totals</b>	<b>2,580</b>	<b>2,508</b>	<b>-72</b>

CHART 2 - QUARTERLY SALE PRICES - SFDs  
1st Qtr 2010 (1/10) to 4th Qtr 2012 (4/12)

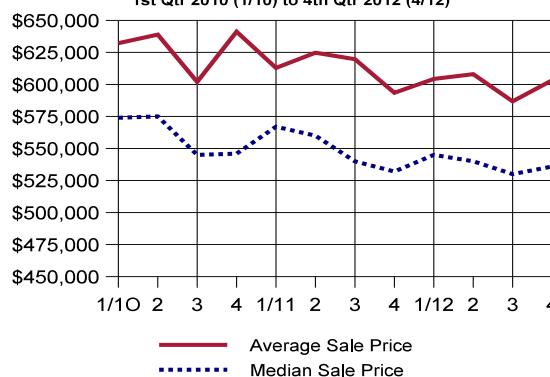
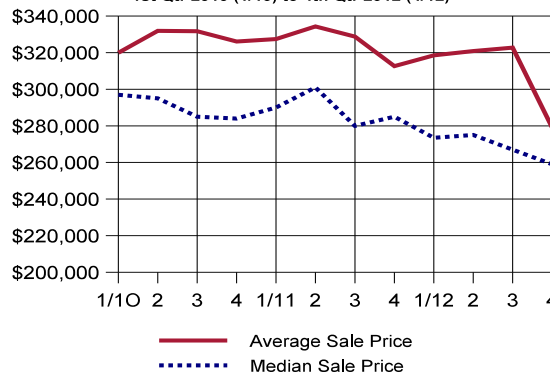


CHART 3 - QUARTERLY SALE PRICES - CONDOS  
1st Qtr 2010 (1/10) to 4th Qtr 2012 (4/12)



## TOWNHOUSES

**Townhouse sales totalled 577 in 2012**, down from 616 in 2011 and down from 668 in 2010. **The average selling price was \$412,943 in 2012**, down \$437,838 in 2011 and down from \$443,325 in 2010. The median sale price was \$402,500 in 2012. Average and median sale prices have trended down in the past three years. The average sale price in the 4<sup>th</sup> Qtr of 2012 was \$413,126 and the median sale price was \$378,000. The sales-to-new-listings ratio in 2012 was .46 compared to .42 in 2011 and .52 in 2010. Townhouses that sold in 2012 were on the market for an average of 72 days, up from 62 days in 2011.

## LOTS/ACREAGE

Sales of Lots/Acreage totalled 99 in 2012, compared to 120 in 2011. The average sale price was **\$363,023**, compared to **\$399,717** in 2011. The median sale price was **\$260,000** in 2012.

## MARKET OUTLOOK - VICTORIA

Victoria tends to enjoy a relatively stable economy and real estate market. **The average sale price of single family dwellings has increased from \$8,795 in 1960 to \$603,298 in 2012.** 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-two years and decreased in ten. 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 +9% per annum during this fifty-two year period, about +5% 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. There is no indication that the underlying fundamentals have changed.

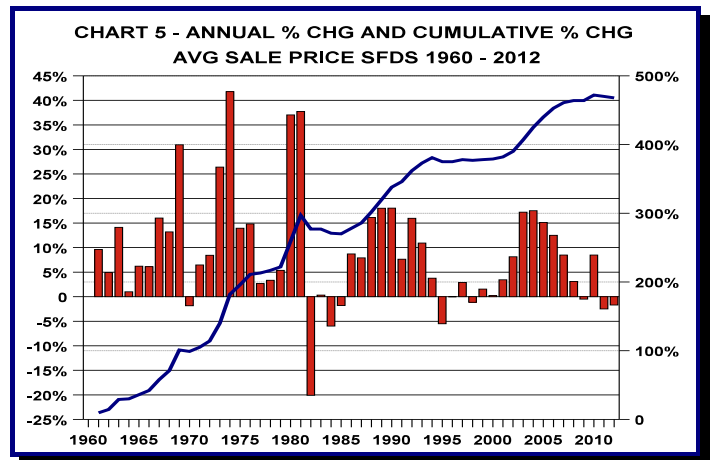


Chart 5 also illustrates the cyclical nature (*i.e., ups and downs*) of the real estate market. A sustained period of rising prices (*i.e., 1961 - 1981, 1986 - 1994 and 2001 - 2007*) followed by a period of relatively flat or falling prices (*i.e., 1982 - 1985, 1996 - 2000 and 2008 - to date*). A recent editorial in the Times Colonist summarized the current situation as follows: *"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 in 2013 will experience conditions much the same as 2012. Residential MLS® sales of about 5,800 are forecast for 2013, which would be up about +6% from 5,458 in 2012. CMHC is forecasting an average sale price of about \$485,000 for 2013, virtually unchanged from the figure of \$484,130 in 2012. The British Columbia Real Estate Association's forecast for 2013 is very similar, citing slow growth in employment, reduced interprovincial migration and weakness in the tourism industry as having a negative impact on the Victoria real estate market. It is forecasting that the average price for a residential property will increase to about \$492,500 and residential sales will increase to about 6,060 in 2013.



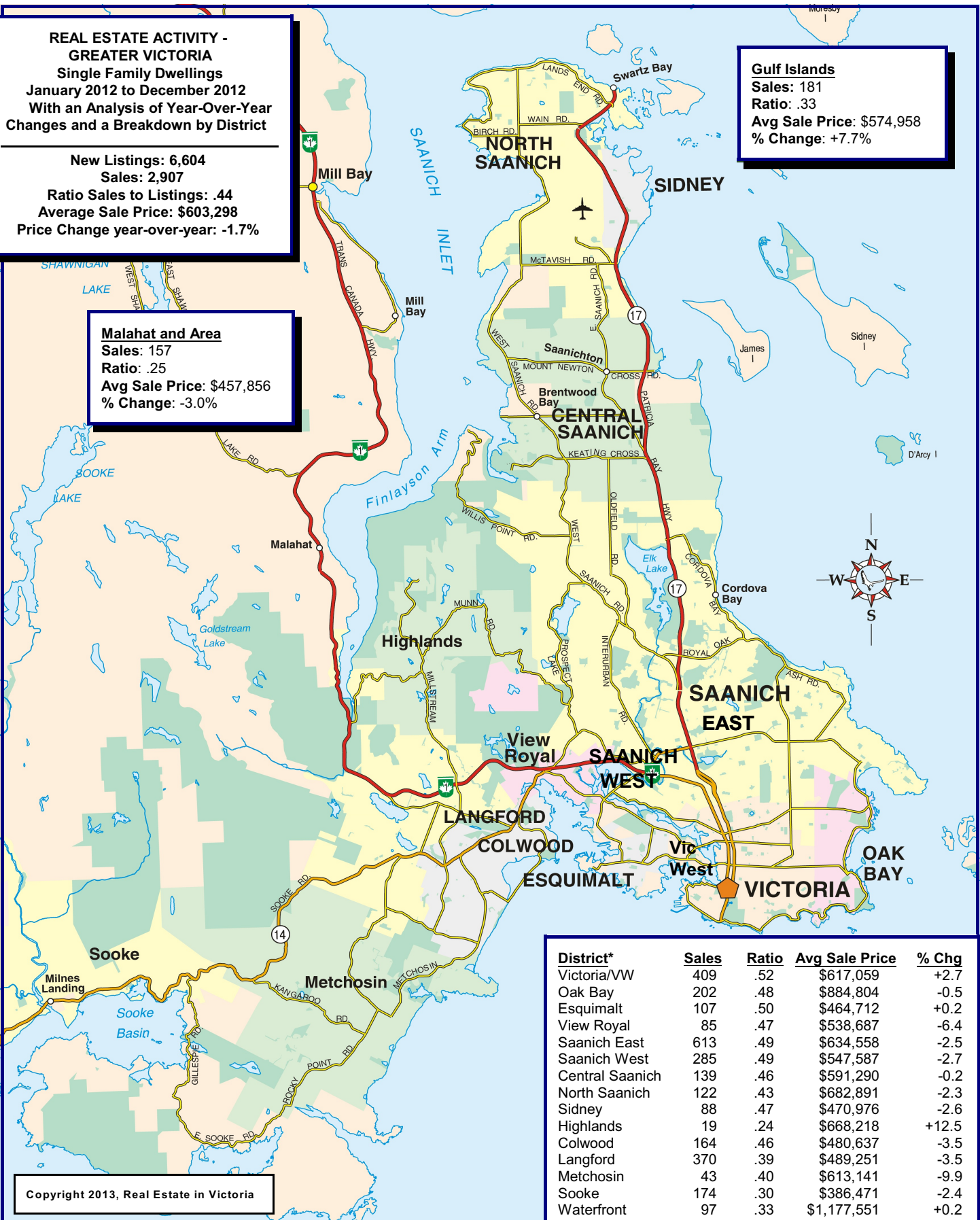
**REAL ESTATE ACTIVITY -  
GREATER VICTORIA**  
Single Family Dwellings  
January 2012 to December 2012  
With an Analysis of Year-Over-Year  
Changes and a Breakdown by District

New Listings: 6,604  
Sales: 2,907  
Ratio Sales to Listings: .44  
Average Sale Price: \$603,298  
Price Change year-over-year: -1.7%

**Malahat and Area**  
Sales: 157  
Ratio: .25  
Avg Sale Price: \$457,856  
% Change: -3.0%

**Gulf Islands**

Sales: 181  
Ratio: .33  
Avg Sale Price: \$574,958  
% Change: +7.7%



District*	Sales	Ratio	Avg Sale Price	% Chg
Victoria/VW	409	.52	\$617,059	+2.7
Oak Bay	202	.48	\$884,804	-0.5
Esquimalt	107	.50	\$464,712	+0.2
View Royal	85	.47	\$538,687	-6.4
Saanich East	613	.49	\$634,558	-2.5
Saanich West	285	.49	\$547,587	-2.7
Central Saanich	139	.46	\$591,290	-0.2
North Saanich	122	.43	\$682,891	-2.3
Sidney	88	.47	\$470,976	-2.6
Highlands	19	.24	\$668,218	+12.5
Colwood	164	.46	\$480,637	-3.5
Langford	370	.39	\$489,251	-3.5
Metchosin	43	.40	\$613,141	-9.9
Sooke	174	.30	\$386,471	-2.4
Waterfront	97	.33	\$1,177,551	+0.2
<b>Totals</b>	<b>2,907</b>	<b>.44</b>	<b>\$603,298</b>	<b>-1.7</b>

\*District Avg Sale Prices exclude sales of "Waterfront"