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REAL ESTATE IN VICTORIA...*Keeping You Informed*

Fall 2018

SALES SLOW...INVENTORY GROWS

PERCEPTIONS MATTER

In June 2018, Central Mortgage and Housing Corporation (CMHC), released the results of a survey of home buyers who purchased a home in 2017 in the Montreal, Toronto and Vancouver Census Metropolitan Areas. The objective was to determine buyers' attitudes as to factors drive the market, particularly prices. The study was an effort to explore "behavioural economics" or what the layman might term the psychology of buying. The basic thesis being that the human brain has a natural draw toward stories, whether they are factual or not, and these stories have a powerful impact on ones' financial decisions.

Table 1 presents a summary of the survey results, which confirm the strong perception that foreign and domestic investors are driving up prices in Vancouver and Toronto. In fact, this influence is perceived to be stronger than supply constraints and demand side factors such as employment and population growth and land scarcity. The story as portrayed in the media is that foreign buyers arrive with suitcases full of dollars and outbid local buyers. This perception contrasts with the reality that nonresident home ownership is only 4.8% in Vancouver and 3.4% in Toronto.

Between 2010 and 2017, the average sale price of a residential property moved from \$675,853 to \$1,031,546 **(+52.6%) in Vancouver**, from \$432,264 to \$823,874 **(+90.6%) in Toronto** and from \$297,621 to \$364,510 **(+22.5%) in Montreal**. Studies have shown that sustained price growth such as experienced in Toronto and Vancouver, leads to confidence in the market and optimism about future price growth. This is reflected in the survey findings that in Vancouver and Toronto 48% of home buyers spent more than they planned versus only 24% in Montreal and about 55% of home buyers experienced a bidding war in Vancouver and Toronto compared to 17% in Montreal. The data suggest two potential factors at play. First, media reports of "bidding wars" and "fear of missing out" in a rising market impacts how much the buyer is willing to spend. And second, strong markets, or "hot markets" as cast in the media in themselves impact the perceptions of home buyers on expectations on future home prices. In other words, **strong markets as evidenced by sustained price growth tend to be self-reinforcing**, and in fact may contribute to price growth beyond the usual "supply/demand" factors that are the focus of economists. While the CMHC study is not conclusive, it suggests that there are many factors that influence the real estate market.

TABLE 1: FACTORS INFLUENCING PRICES

| | No or Little Influence | Some or a Lot of Influence |
|---------------------------|------------------------|----------------------------|
| Employment Growth | | |
| Vancouver | 34.5% | 65.5% |
| Toronto | 24.9% | 75.1% |
| Montreal | 17.0% | 83.0% |
| Population Growth | | |
| Vancouver | 7.8% | 92.2% |
| Toronto | 8.0% | 92.0% |
| Montreal | 11.6% | 88.4% |
| Land Scarcity | | |
| Vancouver | 14.3% | 85.7% |
| Toronto | 21.8% | 78.2% |
| Montreal | 19.4% | 80.6% |
| Foreign Investors | | |
| Vancouver | 7.6% | 92.4% |
| Toronto | 16.5% | 83.5% |
| Montreal | 18.7% | 81.3% |
| Domestic Investors | | |
| Vancouver | 9.6% | 90.4% |
| Toronto | 12.4% | 87.6% |
| Montreal | 23.2% | 76.8% |

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

| QUARTER-TO-QUARTER COMPARISONS | | | |
|--|------------------------|------------------------|-----------|
| | 3 rd Qtr 17 | 3 rd Qtr 18 | Change |
| New Listings | 2,908 | 2,883 | -25 |
| Sales | 2,046 | 1,683 | -363 |
| Avg Sale Price | \$654,046 | \$707,531 | +\$53,495 |
| Median Sale Price | \$580,000 | \$605,000 | +\$25,000 |
| Ratio Sales Listings | .70 | .58 | -.12 |
| Avg Days to Sell | 26 | 40 | +14 |
| Sale Price as % of Org List Price | 99.9% | 97.8% | -2.1 |
| Mortgage Rates (Posted 3 yr Fixed BoC) | 3.39% | 4.30% | +0.91 |

THE VICTORIA MARKET

The Victoria real estate market has slowed significantly. The upward pressure on prices eased in the 3rd Qtr of 2018. On the supply side, the number of listings was down slightly from the same period last year. On the demand side there was a decrease in the number of sales. The ratio of sales-to-listings (a measure of market strength) was down from last year. While prices are up from a year ago, they have either levelled off or are down slightly from the 2nd Qtr of 2018. Properties are spending more time on the market before they sell. Overall, the Victoria real estate market entered into balanced market territory. The number of new residential listings through the Victoria Real Estate Board's (VREB's) MLS® in the 3rd Qtr of 2018 was 2,883, up slightly from 2,909 a year ago. Sales of residential properties (i.e., all types of housing excluding lots/acreage and commercial) totalled 1,683 in the 3rd Qtr of 2018, down -17.8% from 2,046 sales in the 3rd Qtr of 2017. The sales-to-new-listings ratio was .58 in the 3rd Qtr of 2018, down from .70 a year ago but still up from .51 four years ago. Both average and median sale prices edged up from last year but now appear to be levelling off. **The average sale price of a residential property in Greater Victoria and other areas was \$707,531 in the 3rd Qtr of 2018**, up +8.2% from \$654,046 in the 3rd Qtr of 2017. The median sale price was \$605,000, up +4.3% from \$580,000 last year. Properties sold about 2.1% below the original list price. The figure of \$707,531 compares to August 2018 average residential sale prices and percentage changes of \$1,011,395 (+2.9%) in Vancouver, \$765,270 (+4.5%) in Toronto, \$734,735 (+6.5%) in the Fraser Valley and \$466,043 (+1.1%) in Calgary.

Table 3 summarizes real estate activity over the past twelve months and shows the percentage change in average sale prices.

REAL ESTATE ACTIVITY 3rd QTR 2018

Sales of SFDs in Greater Victoria in the 3rd Qtr of 2018 totalled 780, down -20.0% from 975 sales in the 3rd Qtr of 2017. **The average sale price of SFDs in the 3rd Qtr of 2018 was \$929,576, up +8.1% from an average of \$860,047 in the 3rd Qtr of 2017.** However, the median sale price was \$795,000, up a rather modest 3.9% from \$765,000 in the 3rd Qtr of 2017. SFDs that sold in the 3rd Qtr of 2018 were on the market for an average of 38 days, up from 29 days last year. The sales-to-listings ratio was .51, clearly in balanced territory in the 3rd Qtr of 2018, down from .64 last year.

There were 527 condominium sales in the 3rd Qtr of 2018, down -20.2% from 660 sales in the 3rd Qtr of 2017. **The average sale price for a condo was \$475,479 in the 3rd Qtr of 2018, up +10.0% from \$432,159 in the 3rd Qtr of 2017.** The median sale price was \$411,500, up +8.8% from \$378,000 last year. Condos took an average of 32 days to sell in the 3rd Qtr of 2018, up from 22 days last year. The sales-to-listings ratio was .71, in seller's market territory, compared to .77 last year.

Townhouse sales weakened slightly in the 3rd Qtr of 2018 with sales of 176, down from 209 sales in the 3rd Qtr of 2017. **The average selling price in the 3rd Qtr of 2018 was \$591,716, up +9.7% from \$539,615 in the 3rd Qtr of 2017.** The median sale price was \$544,999, up +9.7% from \$497,000 last year. Townhouses took an average of 36 days to sell in the 3rd Qtr of 2018, compared to 20 days last year. The sales-to-listings ratio was .55, down from .74 last year.

TABLE 3 REAL ESTATE ACTIVITY - Greater Victoria
October 2017 to September 2018

Single Family Dwellings

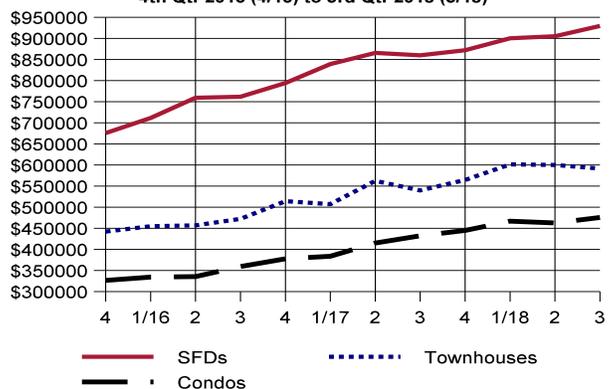
| District* | Sales | Ratio | Avg Sale Price | % Chg** |
|-----------------|--------------|------------|------------------|-------------|
| Victoria/VW | 365 | .61 | \$931,896 | +4.8 |
| Oak Bay | 197 | .51 | \$1,520,708 | +6.7 |
| Esquimalt | 117 | .70 | \$724,690 | +10.9 |
| View Royal | 100 | .63 | \$805,312 | +19.3 |
| Saanich East | 606 | .52 | \$1,009,926 | +4.9 |
| Saanich West | 312 | .71 | \$800,421 | +2.7 |
| Central Saanich | 161 | .63 | \$951,056 | +13.7 |
| North Saanich | 134 | .53 | \$993,783 | -1.6 |
| Sidney | 121 | .48 | \$804,017 | +15.3 |
| Highlands | 38 | .47 | \$953,156 | +13.6 |
| Colwood | 195 | .57 | \$734,833 | +12.8 |
| Langford | 570 | .58 | \$717,489 | +8.7 |
| Metchosin | 35 | .53 | \$926,008 | +12.7 |
| Sooke | 292 | .68 | \$552,098 | +11.6 |
| Waterfront | 92 | .37 | \$2,042,236 | +10.3 |
| Totals | 3,335 | .57 | \$905,653 | +7.0 |
| Gulf Islands | 240 | .66 | \$697,392 | +7.6 |
| Malahat & Area | 292 | .69 | \$668,669 | +12.0 |

*District Avg Sales Prices exclude sales of "Waterfront"

| | | | | |
|--------------|-------|-----|-----------|-------|
| Condominiums | 2,313 | .73 | \$461,844 | +13.4 |
| Townhouses | 801 | .69 | \$588,771 | +10.3 |

** Percentage Change over period Oct 2016 to Sep 2017

CHART 1: QUARTERLY SALE PRICES
4th Qtr 2015 (4/15) to 3rd Qtr 2018 (3/18)



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