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REAL ESTATE IN VICTORIA...Keeping You Informed

Winter 2007

## OUTLOOK 2007 - A BALANCED MARKET

### THE NATIONAL PICTURE

Real estate sales in Canada showed surprising strength in 2006. **The total dollar volume** for MLS® "residential" sales (*i.e., excluding lots/acreage and commercial properties*) in the Major Market Statistical Survey by the Canadian Real Estate Association **was \$98.96 billion in 2006, up 10.6% from \$89.46 billion in 2005.** The number of residential properties listed on the MLS® in the major market areas was 561,699 in 2006, up 3.3% from 543,613 listings in 2005. Residential sales totalled 336,271, little changed from 336,071 in 2005. The sales to listings ratio (*a measure of market strength*) was .60 in 2006, a bit weaker than .63 in 2005.

Table 1 provides an analysis of 2006 MLS® residential sales for selected cities in the major market areas. Nationally, the average sale price of residential properties was **\$294,270 in 2006, up 10.5% from \$266,204 in 2005.** With the exception of Newfoundland/Labrador, all cities had an increase in average sale prices in 2006. *However, the 10.5% increase was largely attributable to real estate activity in western Canada, in particular Calgary, Edmonton and Vancouver which had extremely strong markets. In fact, if we strip these three cities from the calculations, the increase in the average sale price of residential properties would have been about 5%.*

**From a longer term perspective** (*i.e., 2000 to 2006*), **the average sale price of residential properties in the major market areas has increased 66.5%.** Cities with the largest percentage increases during this six year period include: Edmonton (100.2%), Calgary (96.1%), **Victoria (90.5%);** Vancouver (72.1%) and Montreal (71.7%).

The consensus among analysts is that the Canadian real estate market will continue to slow and move into a decidedly balanced position in 2007. Similar to last year's forecast, they offer the following reasons: growth in the Canadian economy and job creation may slow but are expected to remain at healthy levels; the direction of mortgage rates is unclear but forecast to remain at attractive levels; the affordability of housing will deteriorate only modestly; demand is expected to dampen; and the supply of housing is expected to increase.

**Nationally, sales are expected to slow in 2007. The western provinces are forecast to have stronger real estate markets than those in central and eastern Canada (*the markets in central Canada have already softened*). Housing prices are still expected to continue to increase in 2007, but at a more modest pace - likely in the 4% to 6% range.**

TABLE 1: AN ANALYSIS OF SELECTED CITIES - 2006

City/Area	Avg. Sale Price	Change	Sales to Listings Ratio
Vancouver	\$509,876	+19.8%	.66
<b>Victoria</b>	<b>\$426,567</b>	<b>+12.4%</b>	<b>.58</b>
Toronto	\$352,388	+4.8%	.54
Calgary	\$346,675	+38.2%	.74
Durham	\$258,362	+2.3%	.51
Ottawa	\$257,481	+3.7%	.59
Edmonton	\$250,915	+29.4%	.87
Hamilton	\$248,754	+8.3%	.71
Montreal	\$215,659	+4.0%	.51
Halifax/Dart.	\$203,178	+11.9%	.61
Saskatoon	\$160,577	+10.9%	.74
Winnipeg	\$154,607	+12.6%	.76
Quebec City	\$148,657	+5.1%	.60
Nfld/Lab.	\$139,542	-1.2%	.49
Regina	\$131,851	+6.7%	.70
National	\$294,270	+10.5%	.60

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

QUARTER-TO-QUARTER COMPARISONS			
	4 <sup>th</sup> . Qtr 05	4 <sup>th</sup> . Qtr 06	Change
Properties Listed	2114	2108	-6
Sales	1414	1463	+49
Avg. Sale Price	\$400,175	\$440,853	+\$40,678
Median Sale Price	\$351,000	\$390,000	+\$39,000
Ratio Sales Listings	.67	.69	+0.02
Avg. Days to Sell*	45	54	+7
Sale Price as % of List Price*	97.3%	97.3%	n/c
Mortgages Rates (Posted 3 yr Fixed)	5.9%	6.4%	+0.5%

**THE VICTORIA MARKET**

In 2006, the supply of housing increased and demand eased in the area covered by the Victoria Real Estate Board (VREB). The number of listings of residential properties was 13,011 up 15.5% from 11,264 listings in 2005. Sales of residential properties through the VREB's MLS® eased in 2006. Sales totalled 7480, down 5.9% from 7947 in 2005. However, the figure of 7480 is still well above the 4902 sales in 2000. Residential sales through the VREB totalled **\$3.191 billion** in 2006, up from **\$3.017 billion** in 2005 and some 3 times the **1.098 billion** in sales in 2000.

The average sale price of a residential property in 2006 was **\$426,682 up \$46,996 or 12.4% from \$379,686 in 2005**. 2006 marked the fourth consecutive year with a double digit percentage increase in the annual average sale price. As shown in Table 1, Victoria remains in solid 2<sup>nd</sup>. place in terms of the average sale price of residential properties in the cities included in the major market areas.

With a sales to listings ratio of .58, down from .71 in 2005, Victoria experienced a much more balanced market in 2006. The frenzy and frantic pace and the number of multiple offer situations that marked 2004 and 2005, have diminished. Generally speaking, sale prices levelled off through much of 2006. And, properties are taking a bit longer to sell. Indeed, 2006 experienced a lot more price reductions than in the previous two years. This is clearly good news for Buyers. The changed market will also benefit certain Sellers, particularly those home owners looking to relocate within Greater Victoria (e.g. either to down-size or move-up). These Sellers now have a greater chance of having an offer accepted that is contingent upon the sale of their property and to have the "pending" sale go through the process to completion.

**THE MARKET INVENTORY**

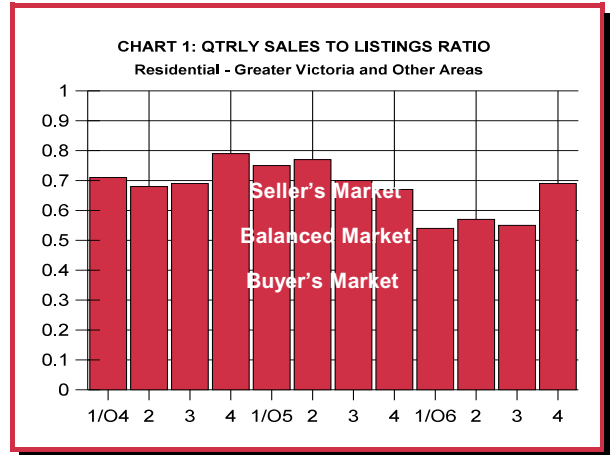
With the demand for housing running slightly below the 2005 levels, the inventory of properties for sale increased in the past year. As shown on Table 3, there were 1706 properties (including lots and acreage) active on the VREB's database for the Greater Victoria area (i.e., excluding the Malahat, Up-Island and the Gulf Islands) on Jan 1, 2007, up markedly from 1265 on Jan 1, 2006, but still well below the 2017 properties on the market on Jan 1, 2000.

**SINGLE FAMILY DWELLINGS (SFDS)**

Sales of SFDs in Greater Victoria totalled 4008 in 2006, down from 4214 in 2005. As shown in Chart 2, both average and median sale prices levelled off through 2006. The average sale price of SFDs in 2006 was **\$521,460, up \$58,061 or 12.5% from an average of \$463,399 in 2005**. The median sale price was **\$443,000** in 2006. And, the average sale price was **\$522,582** in the 4<sup>th</sup>. Qtr. of 2006. SFDs took an average of 40 days to sell in 2006, up from 34 days in 2005.

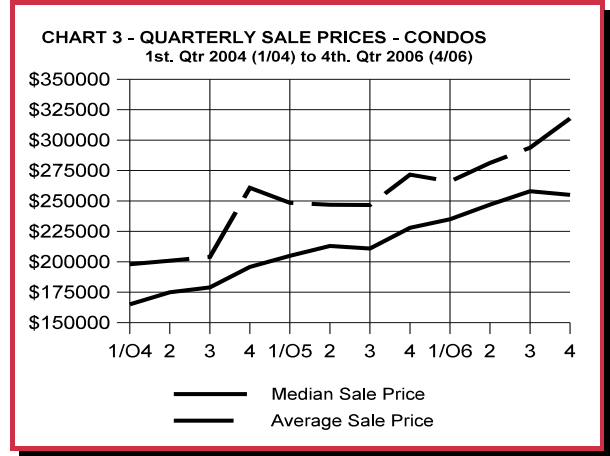
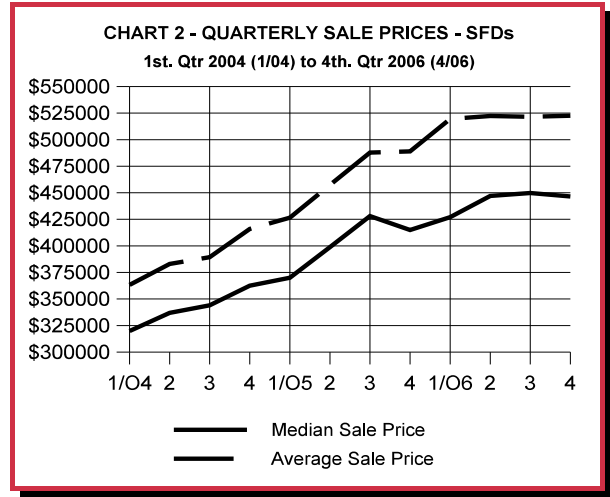
**CONDOMINIUMS**

Condominium sales remained steady in 2006 with total sales of 2140, down slightly from 2279 sales in 2005. As shown in Chart 3, the average sale price of condominiums continues to rise. The average



**TABLE 3: INVENTORY - GREATER VICTORIA**

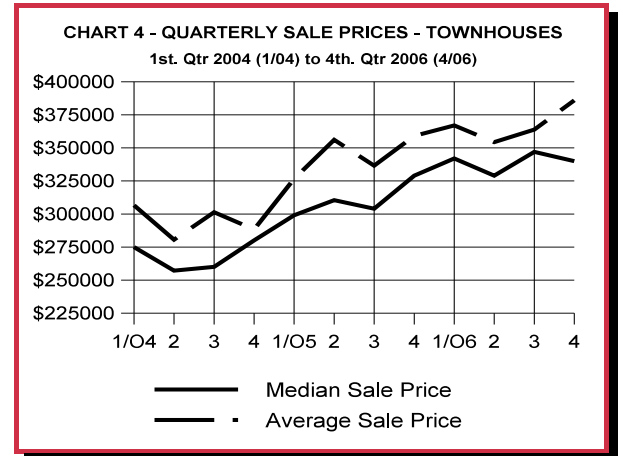
Type of Property	Jan 06	Jan 07	Change
Single Family Dwelling	589	675	+86
Condominiums	403	668	+265
Townhouses	90	131	+41
Lots/Acreage	116	182	+66
Man Home/Rental Pad	47	27	-20
Duplexes (Revenue)	10	13	+3
Triplexes+ (Revenue)	10	10	-1
<b>Totals</b>	<b>1265</b>	<b>1706</b>	<b>+441</b>



sale price for a condo was **\$286,058** in 2006, up 13.7% from **\$251,655** in 2005. The median sale price was **\$245,000**. Although the median sale price of condominiums levelled off in the 3<sup>rd</sup>. and 4<sup>th</sup>. Qtrs., the average sale price spiked up to **\$311,160** in the 4<sup>th</sup> Qtr., reflecting the impact of 12 sales above the \$1 million mark. The sales to listings ratio for condominiums was .58 for 2006. Condos took an average of 45 days to sell in 2006, compared to 48 days 2005.

### TOWNHOUSES

Townhouse sales also eased in 2006, totalling 681, down from 808 in 2005. **The average selling price was \$366,080 up 6.0% from \$345,095 in 2005.** The median sale price was **\$340,000**. The average sale price in the 4<sup>th</sup>. Qtr. was **\$385,998**. The sales to listings ratio was fairly strong at .69. Townhouses took an average of 37 days to sell in 2006 compared with 43 days in 2005.



### LOTS/ACREAGE

Sales of Lots/Acreage totaled 321 in 2006. The average sale price was **\$325,556 up \$36,620 from \$288,936** in 2005.

### MARKET OUTLOOK - VICTORIA

A little over a year ago, there was a lot of media hype on the real estate market and the notion that this was a "bubble" ready to burst. For example, the Turner Report in June 2005 ran with the headline: "Do you really think real estate is not operating in a bubble?" The TD Bank Financial Group introduced a periodic report entitled "Housing Bubble Watch." The July 2005 report stated: "...Victoria's rapid price gains can be linked to an elevated level of irrational exuberance." **Market pressures have eased. However, there is little evidence that Victoria is poised for a major down-turn in the real estate market.**

Forecasts are always fraught with uncertainty. The real estate market is cyclical. We have already seen an easing of the upward trend in sale prices. At some point, we will likely see a decrease. However, the real estate market is largely driven by local economic conditions and the conditions in 2007 will likely be little changed from 2006. The fundamentals point to a healthy market in both the short and longer terms. Mortgage rates are forecast to remain at attractive levels through 2007. *Even now, with a little shopping around one can find a 5 year term at 5.05% and a 25 year term at 6.23%.* Economic growth on B.C. is projected to outpace the rest of the country. Victoria enjoys an unemployment rate around 4%, one of the best in Canada. The demand for housing is expected to remain stable and the supply will likely inch up. The recent increase in prices and diminished 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 British Columbia and Alberta have experienced a significant appreciation in their housing values in the past year. They are now in a better position, if they so desire, to move their real estate equity to Victoria. **There is every indication that the Victoria market will remain healthy in 2007 albeit balanced, that sales will likely be about the same as 2006 and that sale prices will remain stable.**

The longer term prospects for the real estate market in Victoria also seem positive. Victoria has traditionally enjoyed a relatively stable local economy and healthy employment base. *If there are any dark clouds on the horizon, they would be the new passport regulations regarding travel between Canada and the United States and the impact on the important tourism industry and any significant slow-down in the booming construction sector.* 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.

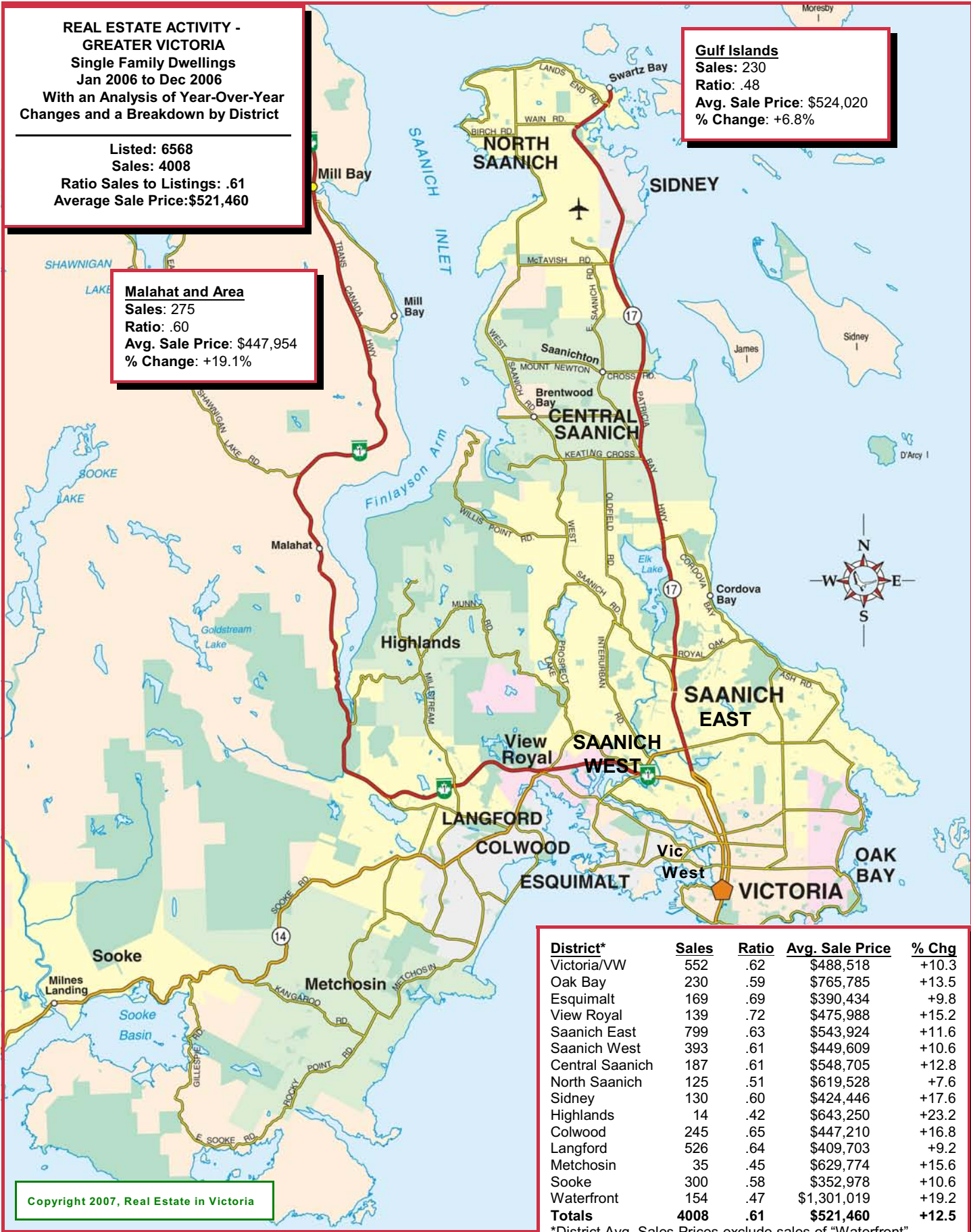
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**REAL ESTATE ACTIVITY -  
GREATER VICTORIA**  
Single Family Dwellings  
Jan 2006 to Dec 2006  
With an Analysis of Year-Over-Year  
Changes and a Breakdown by District

Listed: 6568  
Sales: 4008  
Ratio Sales to Listings: .61  
Average Sale Price: \$521,460

**Gulf Islands**  
Sales: 230  
Ratio: .48  
Avg. Sale Price: \$524,020  
% Change: +6.8%

**Malahat and Area**  
Sales: 275  
Ratio: .60  
Avg. Sale Price: \$447,954  
% Change: +19.1%



District*	Sales	Ratio	Avg. Sale Price	% Chg
Victoria/VW	552	.62	\$488,518	+10.3
Oak Bay	230	.59	\$765,785	+13.5
Esquimalt	169	.69	\$390,434	+9.8
View Royal	139	.72	\$475,988	+15.2
Saanich East	799	.63	\$543,924	+11.6
Saanich West	393	.61	\$449,609	+10.6
Central Saanich	187	.61	\$548,705	+12.8
North Saanich	125	.51	\$619,528	+7.6
Sidney	130	.60	\$424,446	+17.6
Highlands	14	.42	\$643,250	+23.2
Colwood	245	.65	\$447,210	+16.8
Langford	526	.64	\$409,703	+9.2
Metchosin	35	.45	\$629,774	+15.6
Sooke	300	.58	\$352,978	+10.6
Waterfront	154	.47	\$1,301,019	+19.2
<b>Totals</b>	<b>4008</b>	<b>.61</b>	<b>\$521,460</b>	<b>+12.5</b>

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

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