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Building Lifetime Relationships

REAL ESTATE IN VICTORIA...Keeping You Informed

Winter 2021

OUTLOOK 2021: CONTINUED STRENGTH

THE NATIONAL PICTURE

The real estate market was one of the few bright spots in the Canadian economy for 2020. The real estate market was soft in 2018 with year-over-year sales down nearly -5% and the average sale price of a residential property down -4.1%. The decline in housing prices, lower mortgage rates, continued population and economic growth, led many prospective buyers to return to the real estate market in the latter part of 2019 and early 2020. Some areas of the country experienced positive gains in prices and sales. After the initial shock of the Covid-19 pandemic and associated restrictions and lock-downs in March and April, the real estate market found its footing and went on a record-setting pace for the remainder of 2020.

On the supply side, residential listings on the Canadian MLS® totalled 785,213 in 2020, down -4.3% from 820,420 in 2019. On the demand side, there were 551,392 sales in 2020, up +12.6% from 489,880 sales in 2019. The value of MLS® residential sales in Canada was \$313.024 billion, up +27.1% from \$246.317 billion in 2019. The sales-to-new-listings ratio (*a measure of market strength*) was .70, up from .60 in 2019. **The average sale price of residential properties in Canada was \$567,699 (a new high) in 2020, up +12.9% from \$502,812 in 2019.** The three largest markets, (i.e., Montreal, Toronto and Vancouver) experienced solid price gains.

Table 1 provides a summary analysis of MLS® residential sales for selected cities/areas in 2020. Generally speaking, most Canadian cities experienced strong market conditions and many experienced a strong seller's market. Toronto, Hamilton, Ottawa, Montreal, Halifax/Dartmouth, Fraser Valley and Victoria enjoyed double digit price increases. Most other areas experienced balanced market conditions with relatively modest price increases. No city/area experienced a year-over-year price decline in 2020.

Given the prospects of low interest rates, improving economic conditions and a return to normal immigration levels, there is considerable optimism for the real estate market in 2021. According to a recent assessment by Canada Mortgage and Housing Association (CMHC), which takes into account such factors as: overheating, overbuilding, price acceleration and overvaluation, the Canadian housing market as a whole remains at a moderate degree of vulnerability to a price correction. The Canadian Real Estate Association (CREA) is forecasting that the current market strength will continue into 2021. Residential MLS® sales are forecast to increase +7.2% to about 584,000 units in 2021, and the average sale price will increase a further +9.1% to about \$620,404. (*The real estate market in Canada has been an important part of the economy for decades. Even in the face of severe headwinds, it has shown remarkable resilience over the years. As one columnist observed, if a pandemic and major recession doesn't derail it, what will?*)

TABLE 1: AN ANALYSIS OF SELECTED AREAS - 2020

City/Area	Avg Sale Price	*Change	Sales-to-New Listings Ratio
Vancouver	\$1,066,199	+8.0%	.57
Toronto	\$929,673	+13.4%	.61
Fraser Valley	\$826,005	+14.4%	.65
Victoria	\$777,993	+13.0%	.69
Hamilton	\$691,968	+17.1%	.80
Ottawa	\$531,791	+19.9%	.83
Montreal	\$476,512	+16.7%	.83
Calgary	\$460,148	+0.7%	.59
Edmonton	\$371,604	+1.9%	.54
Halifax/Dart.	\$369,435	+14.6%	.89
Saskatoon	\$329,113	+4.4%	.56
Winnipeg	\$317,931	+4.9%	.68
Regina	\$306,227	+2.0%	.60
Quebec City	\$294,579	+6.3%	.87
Nfld/Labrador	\$248,661	+3.1%	.49
National	\$567,699	+12.9%	.70

* Percentage Change over 2019

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

QUARTER-TO-QUARTER COMPARISONS			
	4 th Qtr 19	4 th Qtr 20	Change
New Listings	1,913	2,423	+510
Sales	1,506	2,259	+753
Avg Sale Price	\$714,205	\$794,559	+\$80,354
Median Sale Price	\$645,000	\$690,000	+\$45,000
Ratio Sales-to-Listings	.79	.93	+0.21
Avg Days to Sell	51	39	-12
Sale Price as % of Org List Price	95.8%	97.5%	-1.7%
Mortgage Rates (Nat Avg 3 yr Fixed)	3.44%	2.98%	-0.46%

THE VICTORIA MARKET

After the initial shock of the impact of the Covid-19 virus on the economy in early spring, the real estate market in Victoria rebounded quickly in the summer and the momentum carried through the remainder of 2020. Residential listings through the VREB's MLS® totalled 11,647, up +1.9% from 11,427 in 2019. Residential sales totalled 8,060, up +16.9% from 6,892 in 2019, but still below the record of 10,028 sales in 2016. The sales-to-new-listings ratio was .69 up from .61 in 2019. The value of residential sales through the VREB MLS® was \$6.271 billion in 2020, up +32.1% from \$4.746 billion in 2019. The average sale price of a residential property in 2020 was \$777,993 (a new high), up \$89,304 or +13.0% from \$688,689 in 2019. The market strength continued into the 4th Qtr of 2020. There were 2,259 residential sales, up +50% from 1,506 in the 4th Qtr of 2019. The average sale price was \$794,559, up \$80,354, or +13.3% from \$714,205 in the 4th Qtr of 2019. The median sale price was \$690,000, an increase of \$45,500, or +7.0% over \$645,000 in the 4th Qtr of 2019.

THE MARKET INVENTORY

As shown in Table 3, there were 883 properties 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, 2021, down -32.7% from 1,312 on Jan 1, 2020. (*This is the lowest inventory level in over two decades*).

SINGLE FAMILY DWELLINGS (SFDs)

Sales of SFDs in the Greater Victoria area totalled 3,941 in 2020, up +18.5% from 3,325 sales in 2019. Driven in large part by the sale of luxury homes, the average sale price of SFDs in 2020 reached \$1,019,855 (a new high), up \$141,098 or +16.1% from \$878,757 in 2019. The median sale price was \$870,000, up \$70,100 or +8.8% from \$799,900 in 2019. The sales-to-new-listings ratio rose to .73, up from .58 in 2019. SFDs that sold in 2020 were on the market for an average of 37 days, down from 43 days in 2019. As shown in Chart 2, the sale price of SFDs has been on a steady upward trend since the 1st Qtr of 2019. The average sale price in the 4th Qtr of 2020 was \$1,061,925, up \$139,109, or +15.2% from \$922,816 in the 4th Qtr of 2019.

CONDOMINIUMS

Condominium sales totalled 2,409 in 2020, up +8.7% from 2,217 sales in 2019. The average sale price for a condo was \$484,740 in 2020, up +2.9% from \$471,169 in 2019. The median sale price was \$429,000, up +2.4% from \$419,000 in 2019. The sales-to-new-listings ratio was .60, down from .62 in 2019. Condos that sold in 2020 were on the market for an average of 41 days, up slightly from 40 days in 2019. As shown in Chart 3, the sale prices of condominiums remained relatively flat over the past three years. The average sale price in the 4th Qtr of 2020 was \$484,412, up \$11,868, or +2.5% from \$472,544 in the 4th Qtr of 2019.

CHART 1: AVERAGE SALE PRICES - RESIDENTIAL AND SALES-TO-LISTINGS RATIO

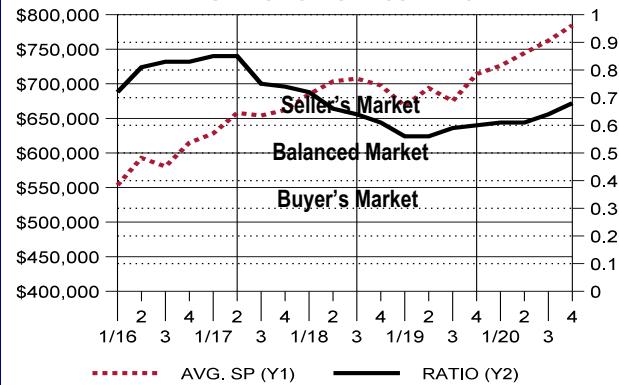


TABLE 3: INVENTORY - GREATER VICTORIA

Type of Property	Jan 2020	Jan 2021	Change
Single Family Dwelling	576	315	-261
Condominiums	412	374	-38
Townhouses	135	71	-64
Lots/Acreage	155	98	-57
Man. Home/Rental Pad	25	15	-10
Revenue (Dupl, Tripl +)	7	10	+3
Totals	1,312	883	-429

CHART 2: QUARTERLY SALE PRICES - SFDs
1st Qtr 2018 (1/18) to 4th Qtr 2020 (4/20)

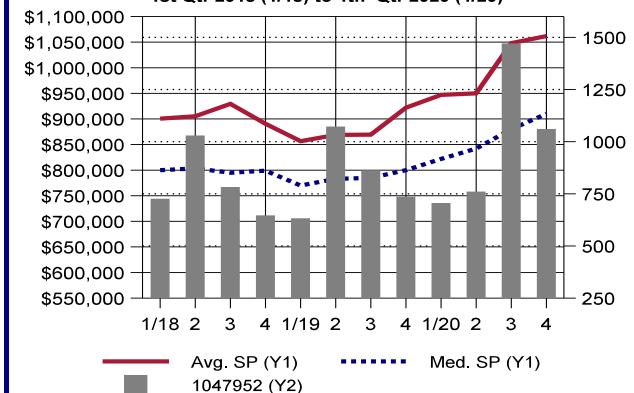
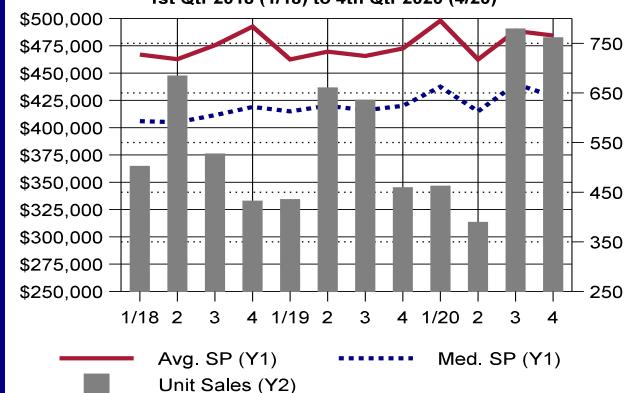


CHART 3: QUARTERLY SALE PRICES - CONDOS
1st Qtr 2018 (1/18) to 4th Qtr 2020 (4/20)



TOWNHOUSES

Townhouse sales totalled 1,029 in 2020, up +24.4% from 827 in 2019. The average selling price was \$615,861 in 2020, up +2.2% from \$602,870 in 2019. The median sale price was \$577,000, up +4.0% from \$555,000 in 2019. The sales-to-new-listings ratio was .77, compared to .62 in 2019. Townhouses that sold in 2020 were on the market for an average of 40 days, little changed from 41 days in 2019. After peaking in the 4th Qtr of 2018, prices remained fairly flat until the past Qtr. The average sale price in the 4th Qtr of 2020 was \$655,792, up \$59,652 or +10.0% from \$596,140 in the 4th Qtr of 2019.

LOTS/ACREAGE

Sales of Lots/Acreage totalled 207 in 2020, up from 169 in 2019.

The average sale price was \$649,199, compared to \$403,399 in 2019. The median sale price was \$560,000 in 2020, compared to \$329,000 in 2019.

MARKET OUTLOOK - VICTORIA

Victoria has enjoyed one of the strongest and most stable real estate markets in the country over the years. The average sale price of a single family dwelling has increased from \$8,795 in 1960 to \$1,019,855 in 2020. Chart 5 shows: (i) the annual percentage change and (ii) the change in the average sale price from 1960 to 2020. The average sale price increased in 46 of the 60 year period and decreased in 14. There were only 5 years that experienced a decrease in the average sale price of greater than -2%: namely 1982 (-20%), 1984 (-6%), 1995 (-5.5%), 2011 (-2.6%) and 2019 (-3.1%). The average sale price of a single family dwelling has increased an average of about +10.0% per annum during this 60-year period, about +6.5% above the annual increase in the Consumer Price Index. Chart 5 also illustrates the cyclical nature of the real estate market in Victoria. There is a pattern of a period of rising prices (i.e., 1961 - 1969, 1971 - 1981, 1986 - 1994, 2001 - 2007, 2014 - 2018 and 2020 - ?) that is followed by a period of flat or falling prices (i.e., 1970, 1982 - 1985, 1996 - 2000, 2008 - 2013 and 2019).

There are many factors affecting the real estate market in Victoria going forward. On one hand, Victoria has enjoyed a relatively strong economy, solid employment and population growth numbers. Currently, Canada has a stable and low-interest environment. Taken together, these factors should support a continuing demand for housing. However, Victoria is an expensive market, which will dampen demand, particularly for first-time home buyers. At the same time, supply is expected to remain tight in 2021. It remains to be determined if the strong momentum evident in 2020 will continue into 2021. Overall, it is expected that we will see continued strong market conditions in 2021.

The British Columbia Real Estate Association (BCREA) has an optimist forecast for the Victoria real estate market in 2021. It expects that the economy will be on a better footing going into 2021 with a recovery in the labour market. The report notes that the pent-up demand that marked 2020 will likely fade somewhat. However, this will be offset by a challenging supply environment. The BCREA is forecasting that residential sales in Victoria will increase about +5% in 2021 to about 8,400 units and that the average price for a residential property will increase about +2.0%.

CHART 4: QUARTERLY SALE PRICES - TOWNHOUSES

1st Qtr 2018 (1/18) to 4th Qtr 2020 (4/20)

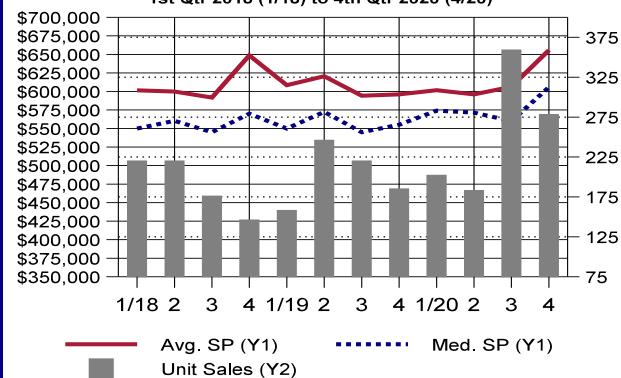


CHART 5 - AVG SALE PRICE SFDS 1960 - 2020 AND ANNUAL PERCENT CHANGE

