

Victoria Real Estate Market Performance Insights
Q3 2020



CHRISTIE'S
INTERNATIONAL REAL ESTATE



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introduction

A warm welcome to our new and returning **Q Report** subscribers. Thank you for reading. We know your time is valuable, so we aim to give you a concise in-depth breakdown of Victoria's Real Estate market that answers what *actually* happened during this most recent quarter of a truly unusual year.

If you find our publication valuable, please help us continue to grow our subscriber base by sharing **The Q Report** with those you know. Join our Facebook community (@victoriaqreport), share on your page, post a link to victoriaqreport.com on your favourite online forum, and don't hesitate to reach out to us with your questions and topic ideas.

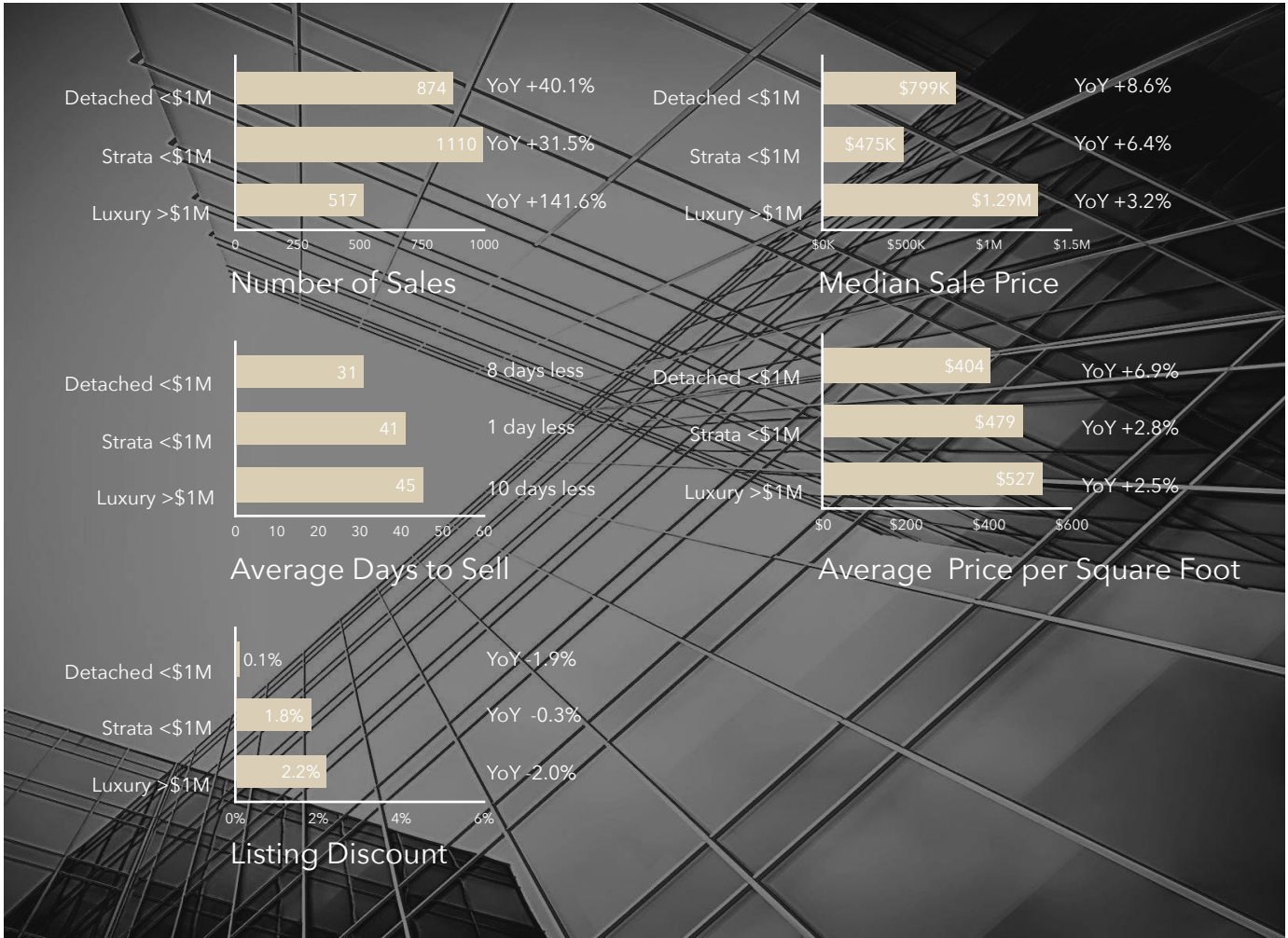
– Dirk & Fergus



list of terms

<i>Assessed Value</i>	BC Assessment's value for taxation based on property characteristics and classification
<i>B-20 Stress Test</i>	A federally mandated requirement for lenders to ensure borrowers are protected from 'rate shock' by requiring borrowers to qualify for financing at a higher rate than the actual rate on the mortgage
<i>Detached</i>	Single-family detached dwelling
<i>Listing Discount</i>	The difference between original list price and final sale price, expressed as a percentage
<i>Luxury >\$1M</i>	'Luxury' properties, comprised of detached and attached dwellings trading over \$1M
<i>PPSF</i>	Price Per Square Foot
<i>Strata</i>	Attached dwellings such as condominiums and townhouses
<i>YoY</i>	Year over year; comparing the current quarter to the same quarter last year unless otherwise noted.

1 market overview



Introduction

As we wrote about in Q2, the large-scale economic shutdown that took hold as B.C. braced for the first wave of the COVID-19 pandemic forced many to delay a home purchase or sale. Market commentators, including *The Q Report*, predicted a return to the housing trade in Q3, making for something of a delayed spring market – more on that ahead. In Q1, we pointed out that 2020 had started off strong, and homebuyers appeared to pick up right where they left off as the economy reopened in Q3.

Armed with financial security from government aid programs, and nearly-free-to-borrow money as interest rates plummeted to record lows, consumers drove Victoria’s real estate market to unprecedented heights in Q3. Comparing the number of sales in Q3 2020 to Q3 2019 was astonishing, with volumes up more than 30% - 40% from last summer at price points under \$1M, and a show-

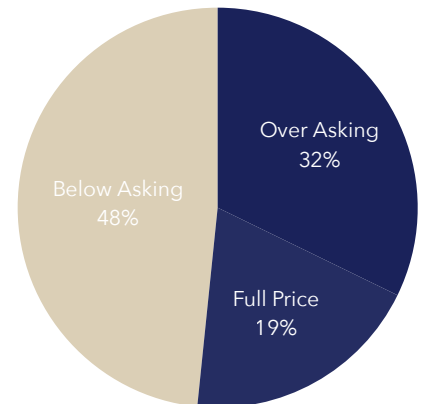
stopping 141% for properties over \$1M, making for far and away the largest transaction volume for properties over \$1M ever in Victoria.

Looking at the bar graphs above, returning readers will likely notice a continuation of the trend we broke down in depth in our last quarterly report: the three primary market segments that we track have continued to operate somewhat independently of one another in Q3. Rather than breaking down the current numbers by pricing metric, this edition will look at each market segment in turn.

Detached <\$1M

In the last edition of *The Q Report*, we discussed how unexpectedly strong performance at the higher end of the market had succeeded in pulling the average sale price of a single family detached home above \$1M for the first time, from a springtime average just under \$900K. This trend has persisted in Q3, hitting another high of \$1.1M in September, for precisely the same reason. Sales activity at the upper end of the market has the potential to pull the average price up when all homes are lumped together, but it doesn't necessarily mean that buyers and sellers at various points on the pricing scale are experiencing the specific degree of price change reflected in the monthly average.

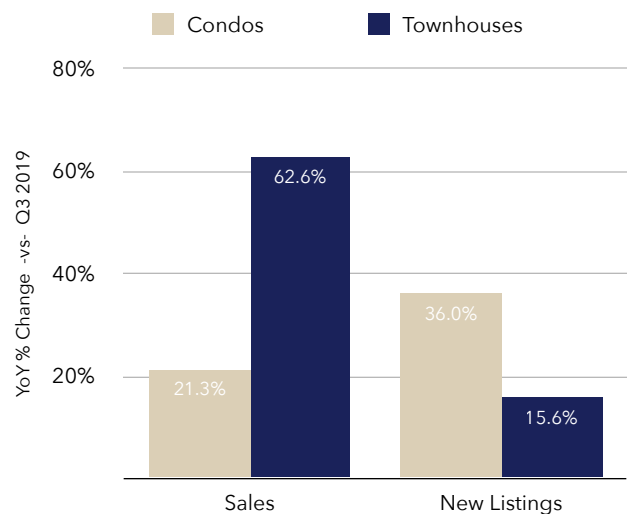
Of course, this is not to say that buyers for more accessibly-priced detached homes haven't felt increased pressure on pricing recently. It just hasn't been to the degree suggested by the total market average. A shortage of listing inventory and strong demand have made for a tight market, resulting in more than half of sales occurring at full price or above. For those buyers fortunate enough to negotiate their home purchase for less than list price, the listing discount averaged a paltry 0.1%. Median sale price for detached homes under \$1M was up 8.6% YoY, market times were down 20% from a year ago but unchanged from spring, and PPSF was pushed over \$400 for the first time.



Strata <\$1M

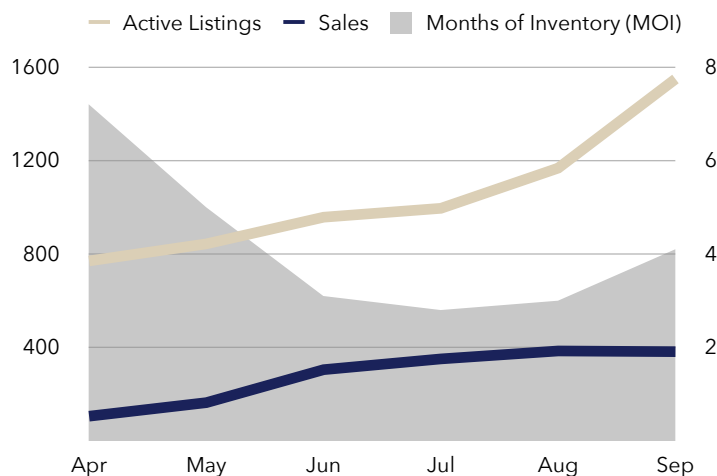
Another trend that continued from Q2 was the attached housing segment lagging behind other sales. The stats for strata properties appear strong on their own, showing both sales and prices up YoY, but were weaker than the other segments by comparison.

Looking a little closer, our analysis reveals a disparity even within the attached homes sub-market. This next illustration (at right) shows that even when the overall market numbers appear to be showing gains, things may not be as bright as they seem. Compared to the



same time last year, townhouses have been seeing far more sales than new listings, and condos have been doing the exact opposite, with the increase in sales trailing the increase in new listings by 40%.

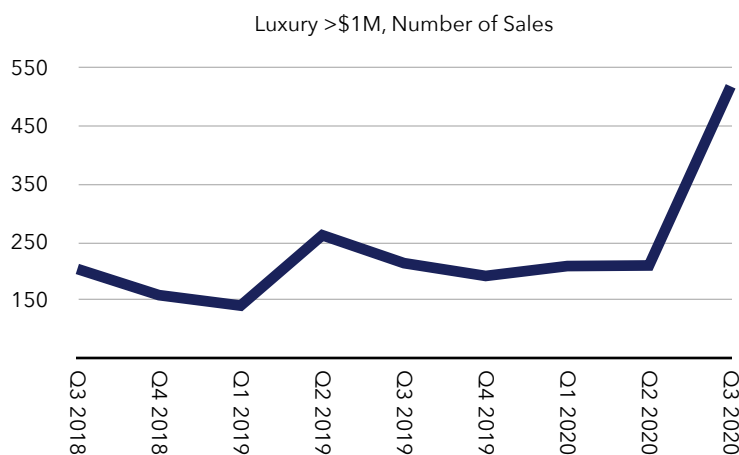
As this graph shows, condo inventory continues to climb and the pace of sales remains flat heading into Q4. It looks like things are about to shift out of 'sellers market' territory there, with months of inventory over 4 and rising at the end of September. Conditions aren't soft enough to stoke major concern at present, but if they continue to slide, there is potential for lagging condo sales to pull the rest of the market down, as many single family home purchases are reliant upon the sale of a condo for the buyer to 'move up.'



For now, with low interest rates forecast to continue into 2021, the condo market could signal a prescient opportunity for investors and first-time buyers in Q4.

Luxury >\$1M

Our third repeat trend from the last report was the explosive performance of sales over \$1M, with Q3 2020 marking the single largest quarter for luxury sales ever recorded in Greater Victoria, more than double virtually every previous quarter we have covered. At 141.6% more sales than Q3 2019, and 147.3% more sales than last quarter, we have been looking for the 'why.'



Why did sales volume at the top end of our market more than double in recent months? We think it seems unlikely that such a large number of local Victorians

suddenly had such a significant increase in their means during the midst of the pandemic, and we know that new purchases from buyers originating outside of Canada, already decimated by the expanded Foreign Buyers Tax, were put on ice by the ongoing border closure, accounting for only 1.5% of all sales, going back to the beginning of this year.

With almost half of all the upper end sales having been sold for \$1.25M or less, a proportion of the activity can be attributed to recently minted million dollar properties – homes in core-adjacent areas that would have traded in the high \$900k range a year ago but were recently pushed over the border into the seven-figure price bracket – but that alone wouldn't account for the level of growth we have recorded.

VREB's Buyer Origin Report may offer some clues, with the REALTOR®-reported data suggesting that buyers from Vancouver snapped up more than 300 properties in Victoria during the summer. The recent resurgence of Vancouver's real estate market harkens back to the conditions that led to 2016's surge of demand from mainland buyers, who cashed out in droves at price points hundreds of thousands of dollars higher, and bid up property prices here. Nearly 300 more homes were sold to a mix of buyers from Alberta, Ontario and Quebec, and dozens more to buyers from other parts of Canada. Meaningful numbers of buyers coming from outside of our market area are a consequential consideration, as they represent pure demand and no offsetting supply, taking each property off the local market without offering another one for sale.

Unfortunately, the Buyer Origin Report does not break down sales by area, price point, or property type, but anecdotally, consensus within the real estate profession is that people of means in other parts of the country and those who have been living outside of Canada have expressed a renewed interest in Vancouver Island's lifestyle, picturesque scenery, mild climate, and low COVID-19 caseload. Recent media reports from Alberta have noted that province's net migration losses to B.C. We are beginning to see the normalization and longer-term effects of far more people working from home than we would have thought possible even a year ago. As we collectively adapt to this new reality, we recognize that plenty of white-collar workers are taking hold of the advantages of being able to do their job from a different area code than head office.

You'll find more on the luxury market just ahead on the next page.

Summary

The record-smashing market through Q3 was a result of a mix of numerous factors playing in tandem: pent up supply and demand from a spring market that didn't really get to happen, record low financing rates spurring investors

and first-time buyers, interest from out-of-towners, and others. We expect a stronger than usual Q4 to come, though the market will likely taper off toward the end of the year. We anticipate seeing more in 2021, provided the current forecast for low mortgage rates and the federal government's apparent intent to continue forking over endless pork in the form of subsidies and Bank of Canada bond-buying continue.

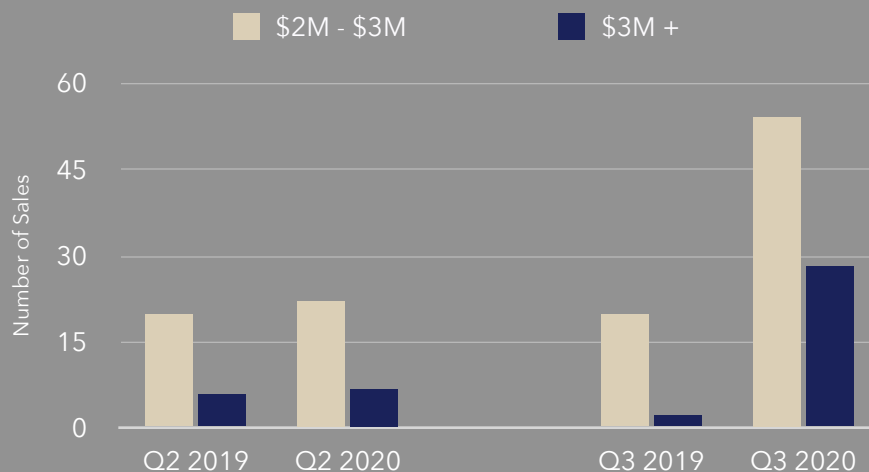
Is \$2M going to become the new \$1M in Victoria?

When we took a look at homes priced over \$2M in our Q2 2020 report, we noted that never had more properties at that price point changed hands in one quarter in the history of VREB recording sales data, with nearly thirty sales during that time, as the rest of the market stalled.

Consider this: in Q2 2020, seven homes sold over \$3M, in Q3 this number quadrupled, with twenty-eight homes selling at an average of \$4.33M. We saw MLS® reported sales at \$8.9M and \$9.5M, and another that sold off market for \$8M, in Oak Bay's ultra-exclusive Uplands waterfront and Ten Mile Point. We'll be watching carefully to see if the market at the very top end continues its torrid pace going forward.

The \$2M-\$3M price range continued to impress as well, with more than fifty sales. The average sale price dipped minimally from \$2.47M to \$2.34M, but the price per square foot rose slightly from \$721 to \$726.

Is a \$2M sale here in Victoria set to become the new \$1M? With so many sales now over \$1M, should we consider changing our 'luxury' threshold to \$1.5M or higher? Will Q4 2020 continue to perform as the last two quarters have? These questions will be answered as we keep our ears to the ground and pursue the stories behind the numbers.

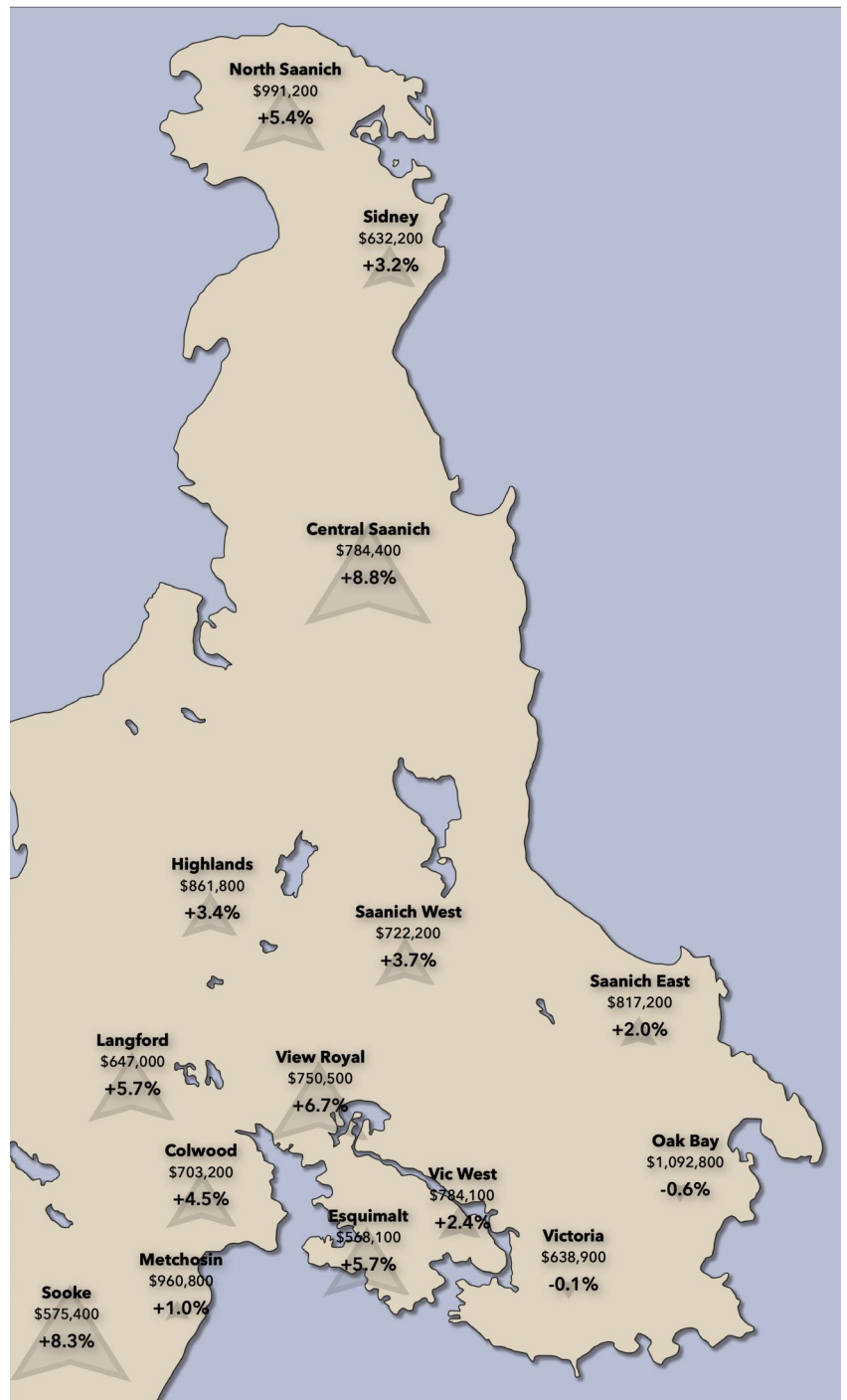


2 home price index® trends

Every edition, we highlight how powerful a tool the MLS® Home Price Index® (HPI®) is in assessing price movements in a given area. This is particularly true in the unusual market conditions we've seen during the pandemic. By design, the HPI® is less sensitive to the swings of averages and medians that get pulled up and down by the mix of properties that trade in a given month as we have observed and documented in recent months' average price statistics. The Home Price Index® tracks the indexed values of a number of different types of statistically modelled homes, which are based on the characteristics of actual homes in a given area, within that area, over time, updated each month with the latest MLS® sales figures.

Looking at the HPI® composite benchmark values at the end of each quarter gives us a chance to go a level deeper in trends analysis, from observing our real estate market as a whole, to understanding how different sub-markets are moving relative to one another.

In that light, we picked up on a distinct trend present in the current HPI® numbers: index values in the region's core areas – Victoria, Vic West, Oak Bay, and Saanich – are all stagnant, while municipalities further out are showing the largest YoY gains in composite benchmark price – look at Central Saanich, Sooke, View Royal, North Saanich, and Langford. Could this be the suburban shift that other Canadian cities are witnessing as work-from-home becomes a bigger part of our lives, and



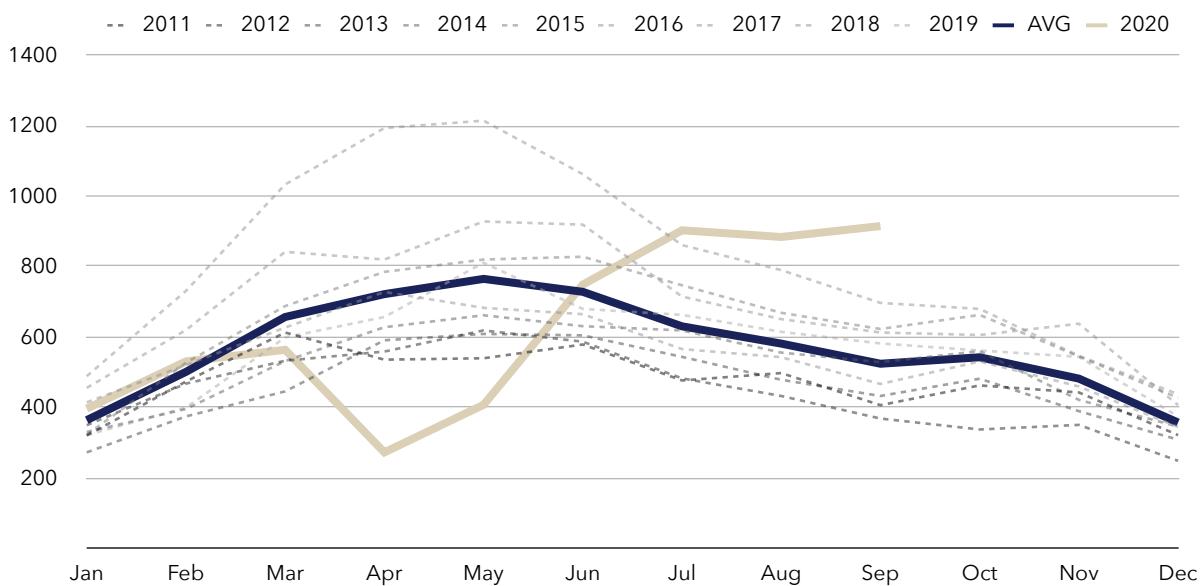
commuting to a physical office environment becomes increasingly optional? This swing may be evidence of locals' desire to trade centrality for a little more house or yard at a moment in time. Whether it continues will be another story; for as the old saying goes, they aren't making any more land...

Using our expertise with the Home Price Index® tools to zero in and analyze your particular neighbourhood, to interpret and deliver accurate information on pricing trends specific to your situation, your home, and your timing is an invaluable service we are proud to offer. Schedule a virtual consultation with us to see how we can put it to work for you.

3 Q3's delayed spring market

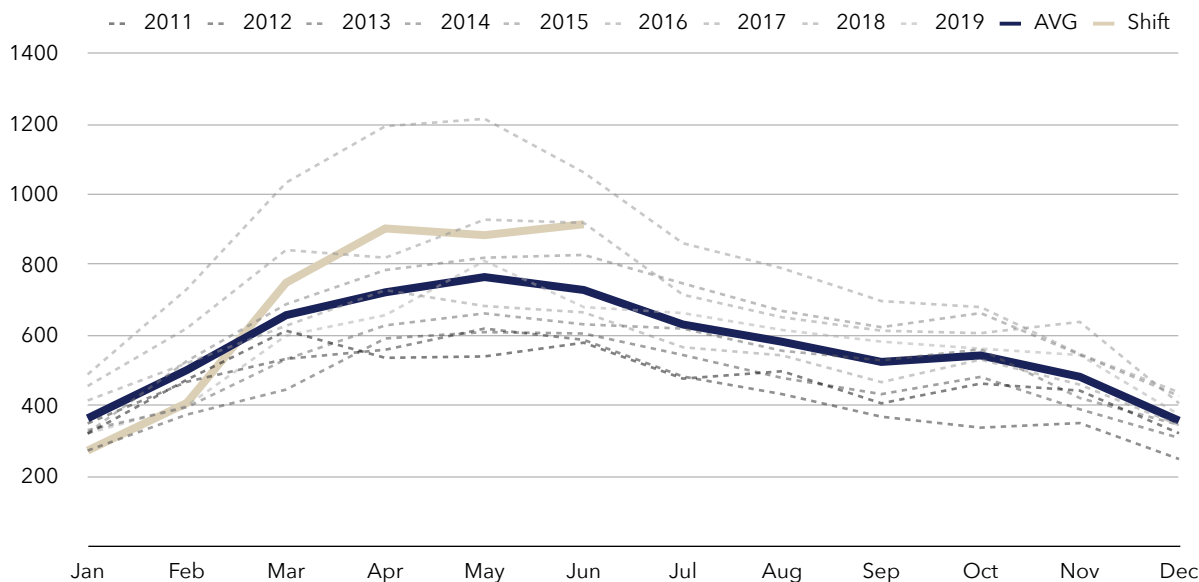
We wanted to share a pair of visualizations that underscore exactly why the Q3 metrics for 2020 are so far beyond recent years, and give credence to the notion that consumers have been experiencing a delayed spring market in Q3.

Below, 2020's monthly home sales (in beige) are compared to those of the previous decade. Each of the dotted lines represents a year, which we have averaged in dark blue.



The clear and deep dip in this year's home sales during the worst of the pandemic-related shutdown appears right where activity is usually approaching its highest point, in April and May. The steep rise and apparent peak of the 2020 market follow, but shifted to the right, later than usual. Note how sales surged at exactly the time when the typical market cycle is easing off, even in the most active years on record.

Interestingly, if we take out that 'lost time,' and shift the number of sales back by one quarter, we get the chart at the top of the following page:



With the 'lost time' taken out, it certainly looks like a spring market arriving right on schedule. Sales volume in the last quarter was still 22% higher than the historical average for spring, which we attribute to the combination of the those who had to delay buying or selling a home during that 'lost time,' added to the usual seasonal activity expected in Q3.

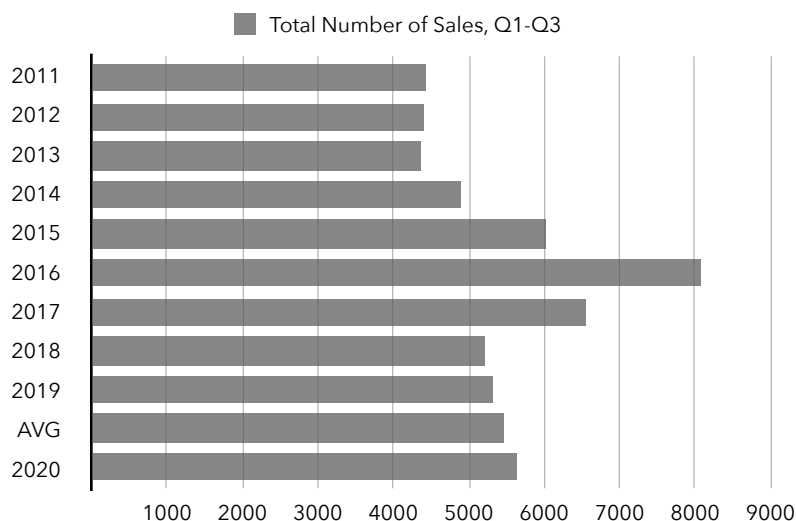
And, while this chart may not have any predictive power, if the trend follows, we should see sales volumes ease off in Q4, likely to higher-than-usual values. With COVID-19 case counts rising in BC as fall sets in, and public health officials enacting several new targeted restrictions, there is still plenty of possibility that the pandemic's resurgence will have some effect on the housing market.

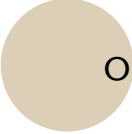
Year-to-Date Sales

With all the current statistics so far above what is typical for this time of year, one would be forgiven for thinking that 2020 is blowing through all sorts of records to date.

Even though things are currently up compared to our usual seasonality, comparing the total number of sales for Q1 to Q3 to historical counts shows our market is currently only 3% above the ten-year average.

We are certain that Q4 will have its own share of unprecedented data, so stay tuned to *The Q Report* as we reveal how this year unlike any other concludes.





opportunities

Sellers

- ▶ **Luxury Listings:** There's no other way to say it: the luxury market is hot right now. Million dollar listings are selling in more areas of town than we have ever seen. Whether you're just over the seven-figure line, or somewhere further up the range, you'll want to speak to us about how our commanding market share and specialized expertise in luxury property marketing as a leading affiliate of the Christie's International Real Estate network can benefit you.
- ▶ **Townhomes:** With sales outpacing new listings for row homes and townhomes, we've been seeing would-be buyers miss out on this undersupplied 'missing middle' housing in Q3. If it's your time to move on from your townhouse, we probably have some good news for you about your market value and sale timeline.
- ▶ **Single Family Detached:** Strong demand and low inventory have led to further price increases and multiple offers have been commonplace in the single family market lately. For those relocating, downsizing, or divesting, it's an ideal time to get some professional marketing in place and start packing.


buyers

- ▶ **First-Time Condo Buyers:** Prospective buyers who have been wondering about getting into the market with a first condo purchase should be getting to work to make it happen. Favourable market conditions paired with the lowest interest rates we've seen in our lifetimes make the present moment a particularly good one to take that first step on the property ladder. We have a successful track record serving first-time buyers, and make the process smooth and comfortable.

investors

- ▶ **Condos:** Although lower immigration numbers, job losses, and changes to post-secondary education have raised concerns about rising rental vacancy rates, Victoria remains a more-than viable market for investor landlords, even through the pandemic. Further increases in unsold condo inventory and the chance to leverage an asset at such low rates make now a great time to expand your single-unit rental portfolio.

Contact us today for a personalized assessment of what your best opportunities will be in the coming months, tailored to your unique circumstances.



summary

In a year that we keep thinking can't get any stranger, consumer trends in real estate continue to surprise us. We hope you have found our insights valuable in making some sense of what actually happened in Q3, both in the movements we predicted and those that were unexpected. We appreciate your readership, your feedback, your professional referrals, and seeing you share *The Q Report* with other savvy minds.

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notes

data analysis

The Q Report's analysis includes listing and sales data exclusively from the Victoria Real Estate Board's Multiple Listing Service® (MLS®) 'Core', 'Westshore', and 'Peninsula' regions. Data is analyzed for unconditional and completed sales that occurred between 2020/07/01 and 2020/09/30 except where specifically noted otherwise.

data sources

<i>BC Real Estate Association (BCREA)</i>	bcrea.bc.ca
<i>Black Press Media</i>	blackpress.ca
<i>Canada Housing & Mortgage Corporation (CMHC)</i>	cmhc-schl.gc.ca
<i>The Canadian Real Estate Association (CREA)</i>	crea.ca
<i>CTV News</i>	ctvnews.ca
<i>The Economist</i>	economist.com
<i>Financial Post</i>	financialpost.com
<i>RateSpy</i>	ratespy.com
<i>Real Estate Council of BC (RECBC)</i>	recbc.ca
<i>Statistics Canada</i>	statcan.gc.ca
<i>The Capital</i>	capnews.ca
<i>Times Colonist</i>	timescolonist.com
<i>Vancouver Sun</i>	vancouver.sun.com
<i>Victoria Real Estate Board (VREB)</i>	vreb.org

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Looking Back to Successfully Move Ahead

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