

Victoria Real Estate Market Performance Insights
Q1 2020



CHRISTIE'S
INTERNATIONAL REAL ESTATE



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introduction

Hello again and thanks to our readers for joining us for another edition. You'll find this report a little shorter than usual, as the COVID-19 pandemic has injected significant uncertainty into the real estate market, and as a result our capacity to look ahead with conclusiveness has found itself on shaky footing at the end of the first quarter.

We hope in reading on that you gain a sense of where real estate in Victoria set out at the beginning of 2020, and where we may see it may go in the near term.

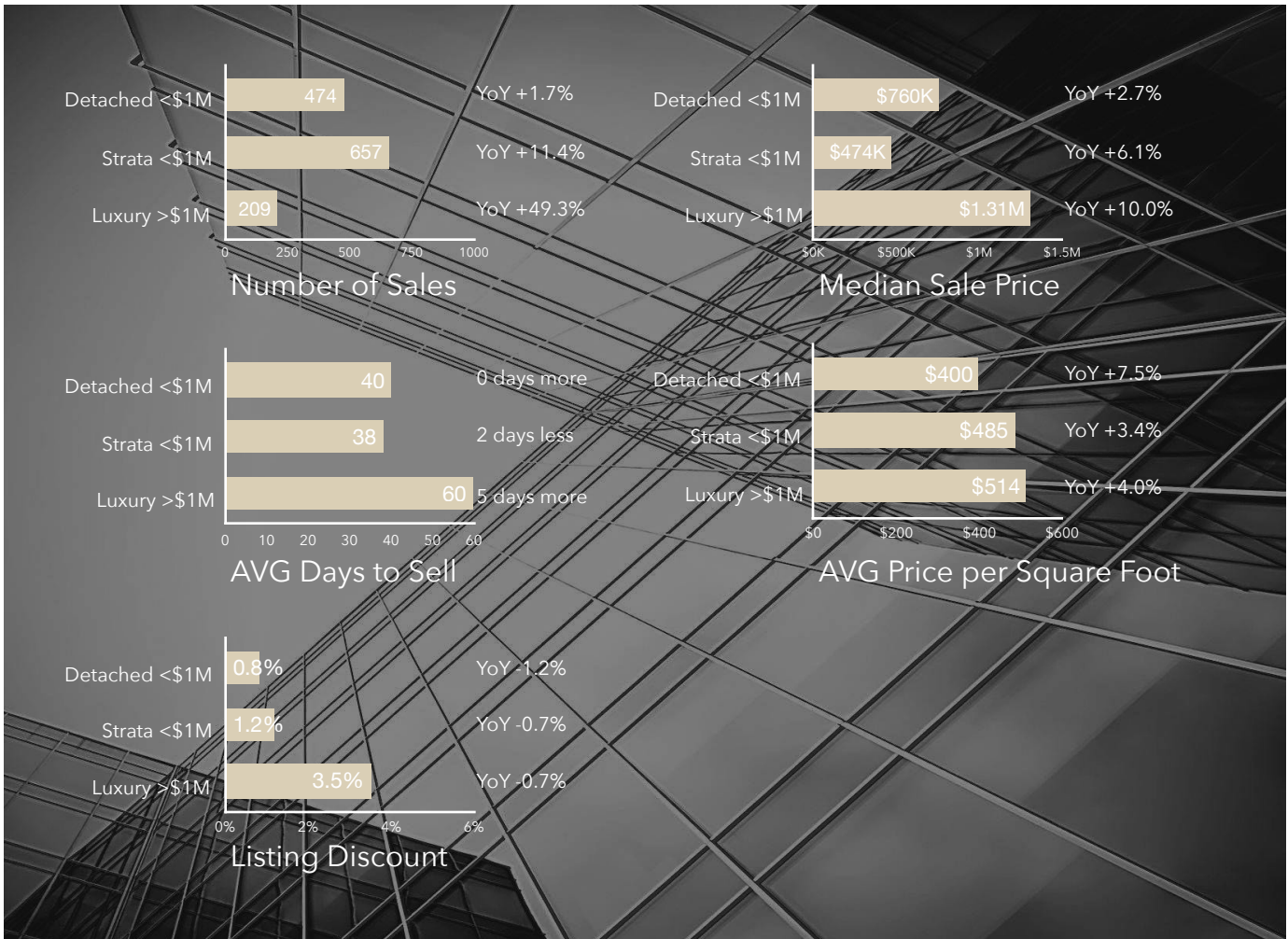
We will continue to update the numbers as the situation unfolds, and you can expect more in-depth reports from us in Q2, Q3, and beyond. To that end, please help us continue to grow our subscriber base by sharing *The Q Report* with someone you know, join our Facebook community, and don't hesitate to reach out to us to have any of your specific questions answered or to suggest a topic.

– 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 borrows 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



Overview

2020 started off with a bang, with January finishing almost 25% ahead of last year. February was up 33% YoY. Perhaps not surprisingly, March broke this trajectory, finishing 12% down from 2019, with a drop in activity setting in around mid-month and proceeding in step with worsening news and tightening restrictions that quickly escalated as the pandemic came to the fore. Bear in mind as we review our metrics, they cover the entire quarter, so the early surge in the market will be disproportionately represented below.

Number of Sales

While detached housing units just kept pace with last year, strata homes surged, and homes priced over \$1M showed an impressive jump from Q1 2019, which had recorded the lowest volume of luxury sales since we began tracking data for *The Q Report*. Interestingly, the number of sales was within 1%

of Q1 2018, the last quarter before the restrictive B-20 borrowing guidelines came into full effect.

Average Days to Sell

Market times appeared stable YoY, following the usual trend of peaking in Q4, dropping slightly in Q1, and – we would typically expect – bottoming out in Q2. Read on for more on the market's response to the pandemic later in the report.

Median Sale Price

As predicted in our last edition, prices crept up across all categories in Q1. Strata properties continue to outperform detached, and the sale price for homes over \$1M was up 10% YoY (that's well over \$100K, for those of you doing the math), underlining the increased early demand evidenced by the number of sales.

Average Price per Square Foot

Echoing the trends in median sale price, average PPSF was up across all categories as well in Q1. In spite of strata sales showing strong gains in transaction volume and median price, the average PPSF climbed less by comparison, suggesting that perhaps strata purchasers have been getting more bang for their buck.

Listing Discount

Listing discounts shrank across the board, both YoY and compared to Q4 2019, to the lowest levels we have seen since early 2018, as many market segments saw more competition amongst buyers early in the season. If the next few months see a market dominated by properties listed only because they must sell, there is a possibility our listing discount metric could be in for a few bumps.

Summary


We had pointed out in our previous edition that multiple indicators suggested the market was poised for a strong start to 2020, as the shock of the B-20 stress test had finally subsided, interest rates had become more favourable, and supply of listings had been gradually rising, suggesting that sellers were moving back to the market to take advantage of these improvements on the demand side. By contrast, Q2 looks as though it will break records in the opposite direction, as home sales take a back seat to protecting public health.

2 home price index® trends

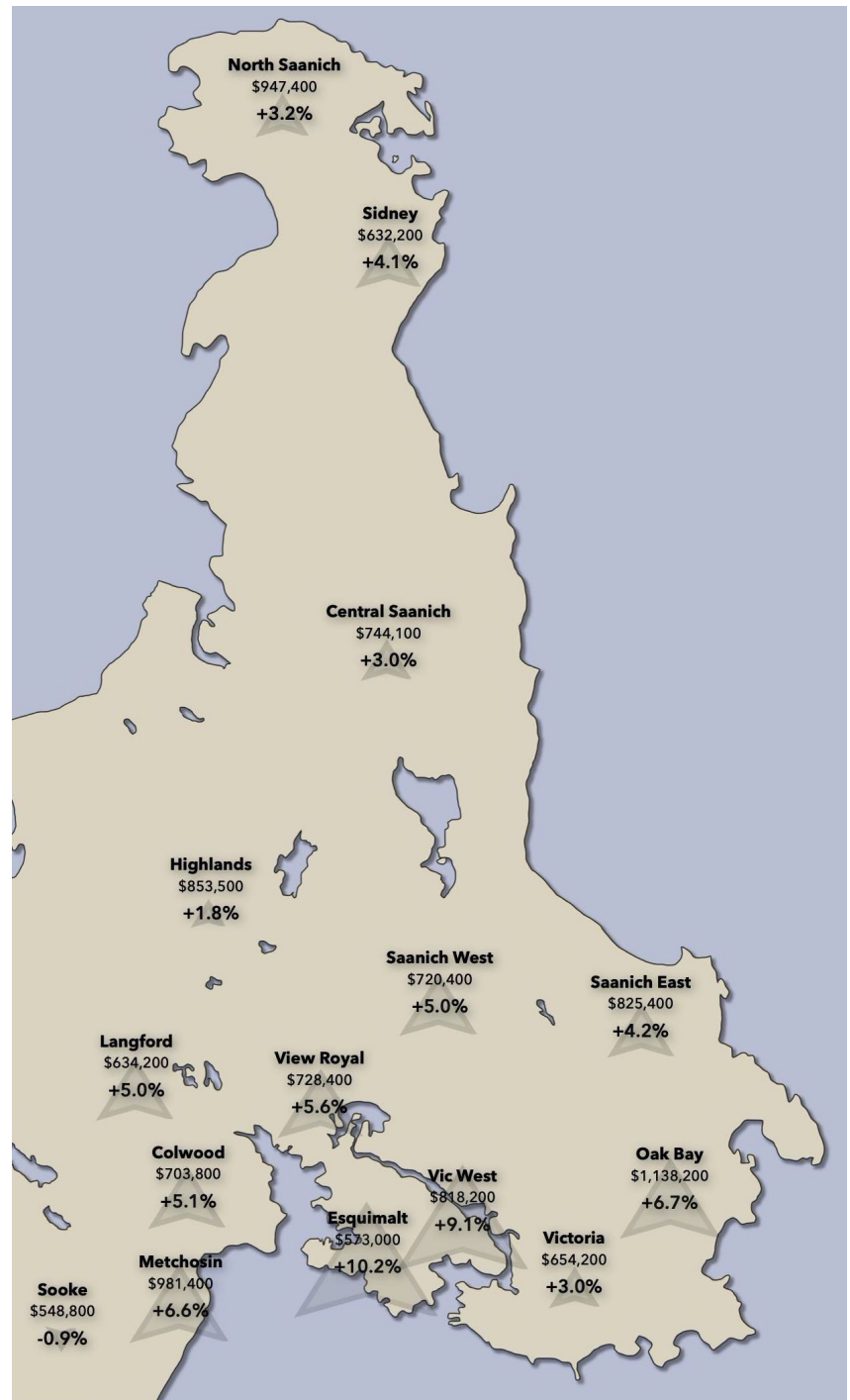
Overview

Each quarter, we examine YoY price trends in the MLS® Home Price Index® (HPI®), which tracks the value of a number of statistically-averaged 'notional' homes in different areas over time, using MLS® sales data. In *The Q Report's* analysis for this edition, we saw two interesting themes, the first of which wasn't overly surprising, and another that was, reversing a year-long trend, but right in line with what we saw in the Market Overview.

Biggest Gains



West of the Johnson Street Bridge was *hot* in Q1. Our returning readers will recall the number of times we have pointed out Esquimalt's status as the core's most under-valued district, and it now seems the word has gotten out. With multiple new construction projects taking shape around the area, and strong demand for resales at more attractive price points than elsewhere in the region, the composite HPI® value increased over 10% from the same time last year. A little more on Q1 resale activity in Esquimalt: nearly 40% of all sales occurred at full price or higher, listing discount for all sales averaged less than 1%, and the average sale price was up more than 5% compared to Q4.



Vic West, Esquimalt's immediate neighbour, posted the second-largest gain in composite benchmark value, buoyed in part by sales of higher-end condos in the harbour-adjacent Songhees neighbourhood.

Bucking a Trend

After several consecutive quarters of reporting YoY declines in HPI® values in North Saanich and Oak Bay, the already-high average value of these municipalities saw their numbers jump considerably in Q1, which we attribute to the fact that sales of \$1M+ homes were up by over 49% YoY.

Modest Decline

To the west, Sooke was the only district to record a decline compared to last year, which was modest at less than 1%. With similar affordability to Esquimalt, and after ranking at the top for HPI® gains around this time last year, it seems to be showing a temporary levelling off, although it is worth noting that in spite of the slight YoY decrease, the composite index value had actually increased by almost 2% from last quarter.



Summary

HPI® trends showed healthy growth around the region from early 2019 to early 2020. As we ride out the next quarter and beyond, we may see some irregularities in index values if sales volumes drop, as smaller pools of data have the potential to skew numbers, but you can count on us to bring you the best analysis and interpretation available, quarter by quarter, as we brave this new reality.

3 Q1 feature: what happens now?

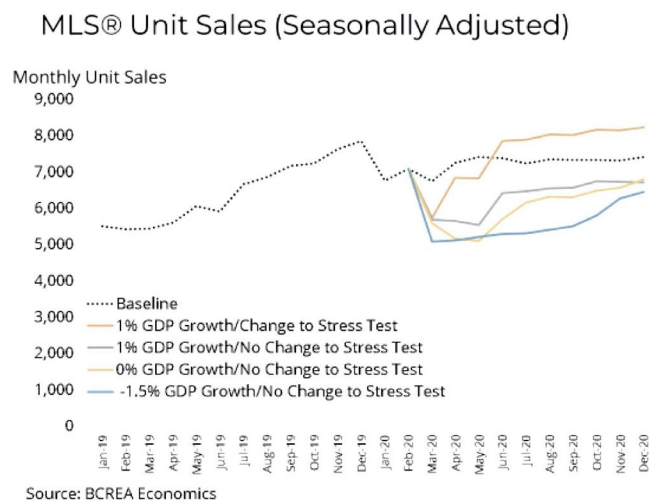
With the COVID-19 crisis hitting Canada like a ton of bricks in mid-March, only a few short weeks before publication of this edition of *The Q Report*, we have yet to see its full impact. As we noted earlier, Q1 was off to a strong start as predicted, but things took a sharp turn around Friday the 13th.

Housing is an essential human need, and so the housing sector has been deemed an essential service. Business has continued, but it's definitely not business as usual. Many listings that came on the market in early March were withdrawn, a number have sold, and new listings continue to come on, but at a trickle, as we head into the beginning of Q2. For the most part, both buyers and sellers are recognizing the need for social distancing; agents and clients are temporarily winding down to wait things out.

For the essential transactions that must proceed – those already underway, or individuals being forced to contemplate an urgent move by larger circumstances such as job changes, loss of a family member, divorce, or those who sold prior to the pandemic and will not have a home – REALTORS® have rapidly adjusted our business practices to protect health and safety in our communities. New technologies that allow virtual and remote property showings, meetings, and even document signing, allow clients to minimize physical contact. Our partner service providers such as inspectors and lawyers have also risen to the challenge of seeing those urgent and essential files through successful completion.

We might speculate on a range of possible outcomes, but as of this writing, the situation is still a moving target. Certainly, it's safe to say that Q2 will see a steep decline in activity no matter what. BCREA's chief economist considered how a few potential economic scenarios might play out though the rest of 2020, with chart below included courtesy of BCREA. Even the best-case scenario projections predict significant drops in sales volume throughout the province.

These better- and best-case scenarios would see restrictions lifted 10-12 weeks after being put in place, most workers returning to work, and a combination of pent-up demand and low interest rates spurring a market rally, shifting the traditional spring market into late summer/fall, resuming after a brief pause. However, the likelihood of longer-lasting measures, local economic fallout from massive losses in the




tourism sector (which remains the largest economic driver in Greater Victoria by dollar volume), and the looming potential of a second wave of outbreak portend what looks like a deeper sag and a longer, more gradual recovery, which would last into 2021 and possibly beyond.

As has already been said many times: we are in uncharted territory. Predictions on pricing are particularly difficult; while low listing inventory tends to sustain pricing, the stalemate we are seeing with purchasers staying home could force those who have no option to sell to make deals. Conversely, we could see opportunistic and risk-tolerant buyers – or those with no option but to buy during a period of uncertainty – snapping up what little is available, keeping the market from playing out those scenarios in which values crater.

Ultimately, how the market responds will be a function of the length and severity of social distancing measures, how readily businesses are able to return to operation and put people back to work, and what lending looks like on the other side, as the apparent oasis of low rates at the Bank of Canada may turn out to be a mirage in a harsh desert of lenders faced with liquidity challenges and increased credit risk in the face of mass payment deferrals or even defaults brought on by the pandemic.

We will be tracking and reporting as this continues to unfold. Stay safe, stay well, and stay tuned. Follow us on Facebook at [/victoriaqreport](#) where we will be posting more frequent updates, our ZOOM videoconferences, and more.



summary

In addition to making accurate and information-based predictions on local real estate, we have also suggested at different points over the past year and a half of publishing *The Q Report* that our outlooks would hold barring some unforeseen outside economic shock. The situation our global society faces today truly is the sort of 'black swan' event that experts the world over couldn't have predicted the timing or path of, but it is one which will have lasting economic outcomes.

However, we know that this will pass, people will continue to need homes, and some will continue to be lucky enough to call this bit of paradise home. We appreciate your readership, your feedback, and your sharing our work with your circle.

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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 2020/01/01 and 2020/03/31 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>Financial Post</i>	financialpost.com
<i>Office of the Superintendent of Financial Institutions (OSFI)</i>	osfi-bsif.gc.ca
<i>Rate SuperMarket</i>	ratesupermarket.ca
<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>Victoria Foundation</i>	victoriafoundation.bc.ca
<i>Victoria Real Estate Board (VREB)</i>	vreb.org

research & writing

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the **Q** report

Looking Back to Successfully Move Ahead

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