

Victoria Real Estate Market Performance Insights  
Q2 2021



CHRISTIE'S  
INTERNATIONAL REAL ESTATE



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## introduction

Welcome to our **Q Report** subscribers. We appreciate your readership, feedback and questions, and the chance to bring you our report on what *actually* happened in Victoria's Real Estate market in the eye-popping spring market of 2021.

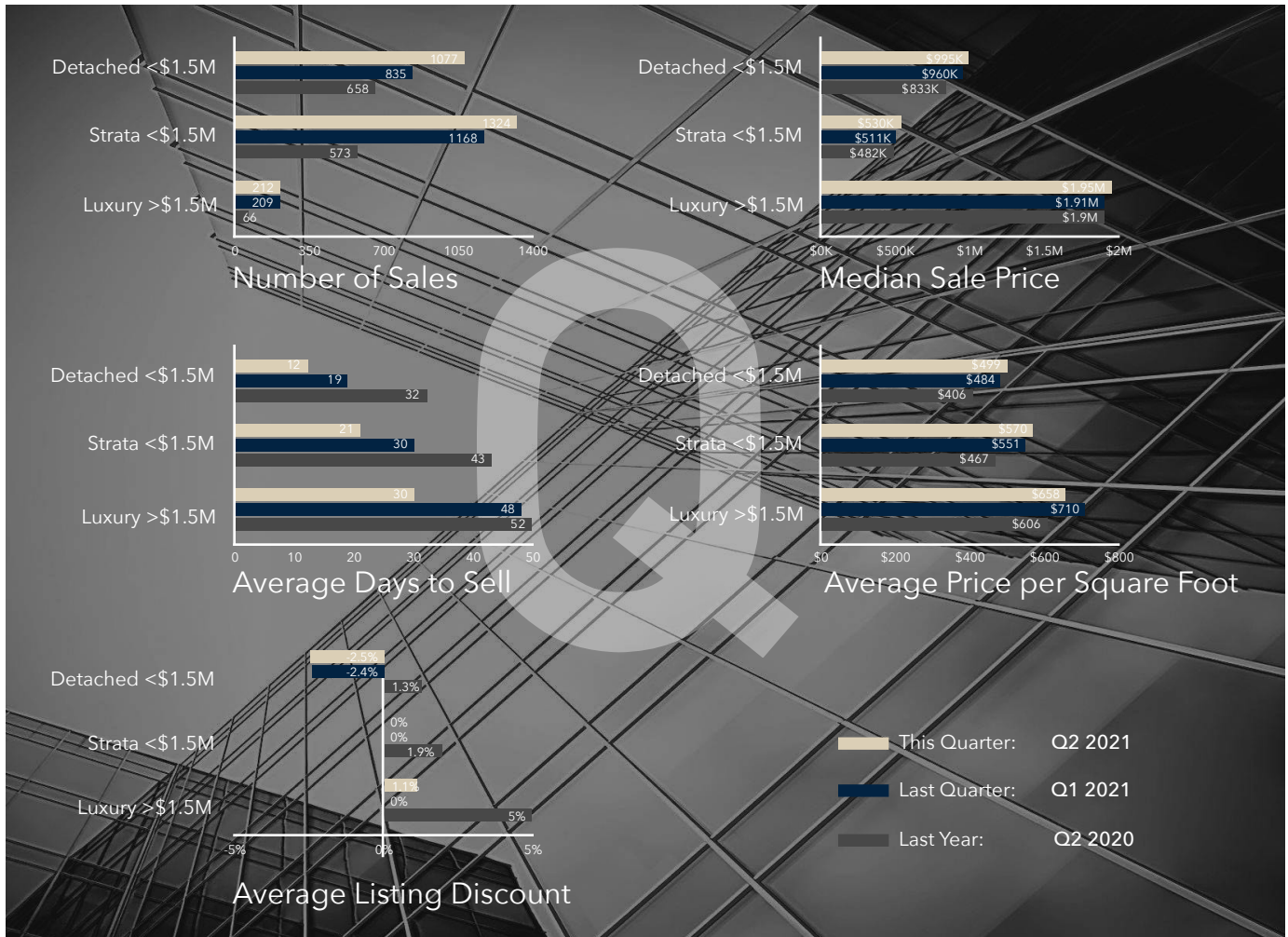
If you find reading the report valuable, please help us continue to grow our circle by sharing **The Q Report**. Join our Facebook community, follow us @victoriareport, share to your page, or post a link to [victoriareport.com](http://victoriareport.com) on your favourite online forum when you see someone asking about what's happening in local real estate. And, don't hesitate to reach out to us personally with your specific questions, topic ideas you'd like to see covered, or of course, for a complementary **Q Report** insider's consultation on your own real estate needs.

– 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 &gt;\$1.5M</i>	'Luxury' properties, comprised of detached and attached dwellings trading over \$1.5M
<i>MOI</i>	Months of Inventory; the amount of time (in months) it would take to exhaust the current number of available listings at the current pace of sales. Also known as absorption rate
<i>PPSF</i>	Price Per Square Foot
<i>Strata</i>	Attached dwellings such as condominiums and townhouses
<i>Y/Y</i>	Year over year; comparing the current quarter to the same quarter last year unless otherwise noted.

# market overview



## Introduction

What is left to say about the heat wave, both weather-wise, and in the local real estate market? So much ink has been spilled telling everyone what they are experiencing first-hand: not enough places for sale for buyers who want to buy.

Moreover, comparisons to Q2 2020 are virtually pointless. What has turned out to be the hottest streak real estate has ever seen here contrasts particularly badly against a period a year ago in which the entire world shut down and stayed home on lockdown.

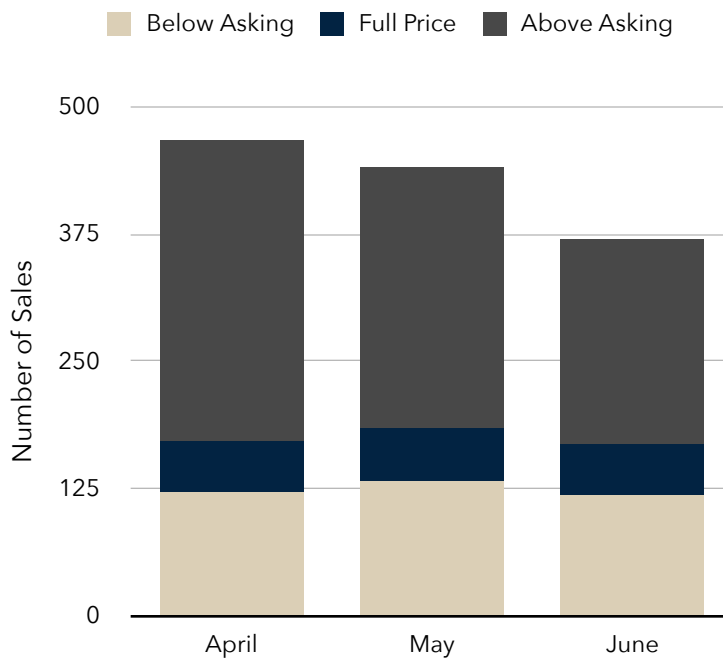
But the silver lining as we stand at the dusk of 2021's spring market is that the peak of this current market cycle is already behind us, as we laid out in our last *Q Report*. The wholesale slackening of restrictions, buyer fatigue, and the easy days of summer have plenty of people deciding to get back to the market after

a long-awaited getaway. In the meantime, we see fewer listings delaying offers and fewer buyers bidding over to get them.

But with only half the active listings on market compared with a year ago, there is still no reason to expect a slide. In fact, the chief economist for the BC Real Estate Association posited in June that Victoria has only half the number of active listings needed for long-term market stability.

### Detached Homes

Notwithstanding the challenges with Y/Y comparisons, we see incredible strength in the market even compared to Q1, in sales volume, market times, listing discounts, and pricing. List prices and sale prices have moved up in lockstep over the course of Q2, but the list:sale price ratio has been easing back down toward 100%.



In this chart, we see the reason why: the volume of full-price and below-asking sales have remained highly consistent from month to month; almost 100% of the decline in sales volume is coming out of sales above asking.

Whether this is the result of some number of buyers turning their attention elsewhere, either seeking summer fun or just turning away from a market that has not been kind to them, being priced out of the market, or other factors, is always hard to pinpoint; it's most likely a combination. And, while it looks like things are taking a step in the right direction, we hasten to remind you that even in June, only one third of detached homes in Greater Victoria sold for less than their asking price.

### **Strata Units**

Condos and townhouses saw phenomenal sales volume in Q2. In fact, Q2 2021 tied with Q2 2016 for the highest count of strata sales ever in a quarter. More than just sheer volume, performance was strong across every metric: prices were up, market times down, and listing discount remained at zero. After a lacklustre summer last year, it's safe to say that condos are back, and we see demand continuing to strengthen as a reopening city core draws people back in to urban life, aided of course by the tailwind of price accessibility.

### **Luxury Homes**

We wrote quite a bit about the surprising vigour of the luxury market throughout the pandemic in our last few reports, but the \$1.5M+ market seems to be holding steady at present, rather than continuing to accelerate. Q/Q metrics showed little movement, so it is not a market in decline, but our personal experiences working in the luxury market during Q2 saw anecdotes play out that showed how sticky pricing can be for buyers between \$1.5M-\$2M, and the highlighted value of sound pricing advice.

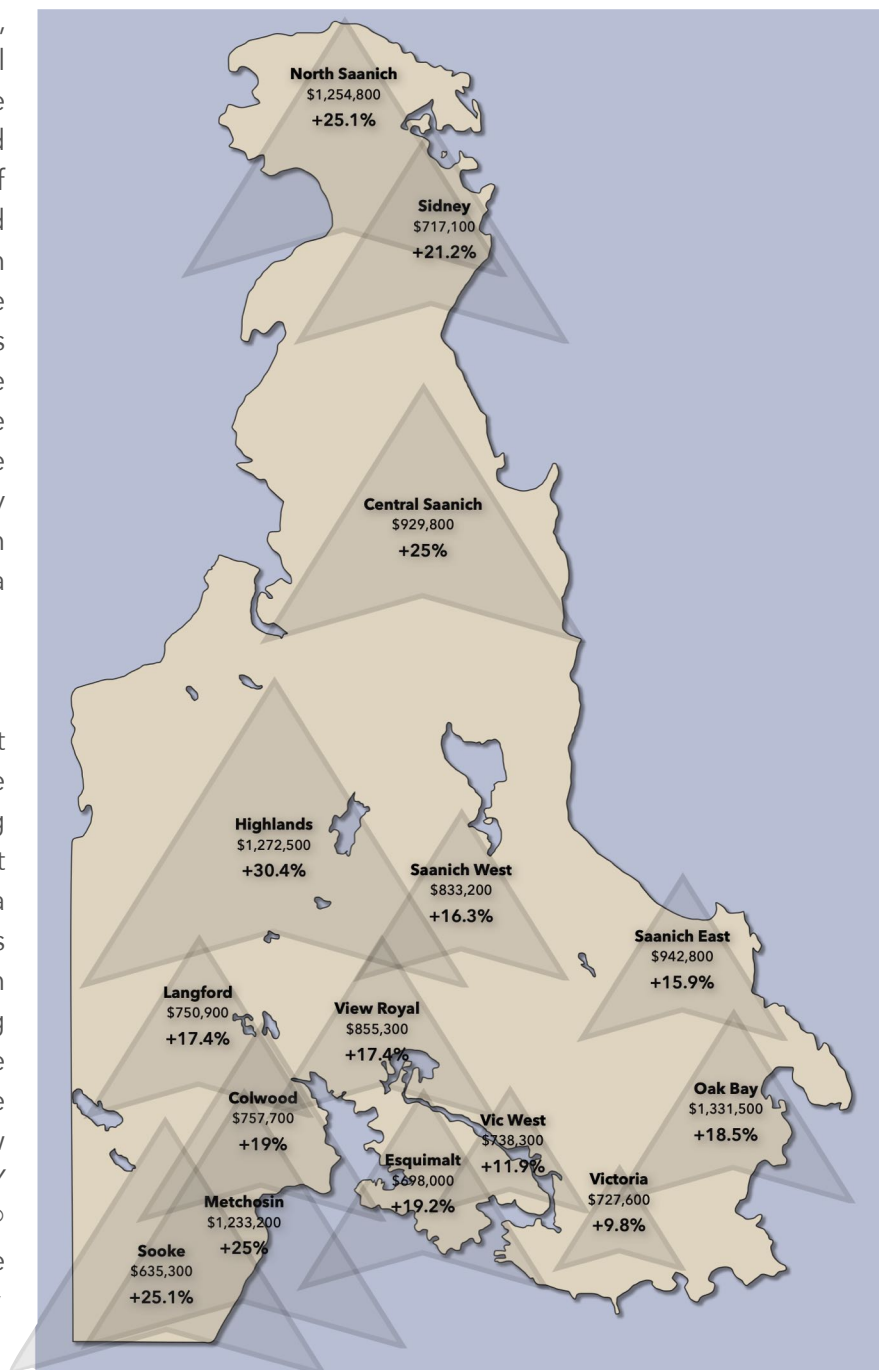
# home price index® trends

## Introduction

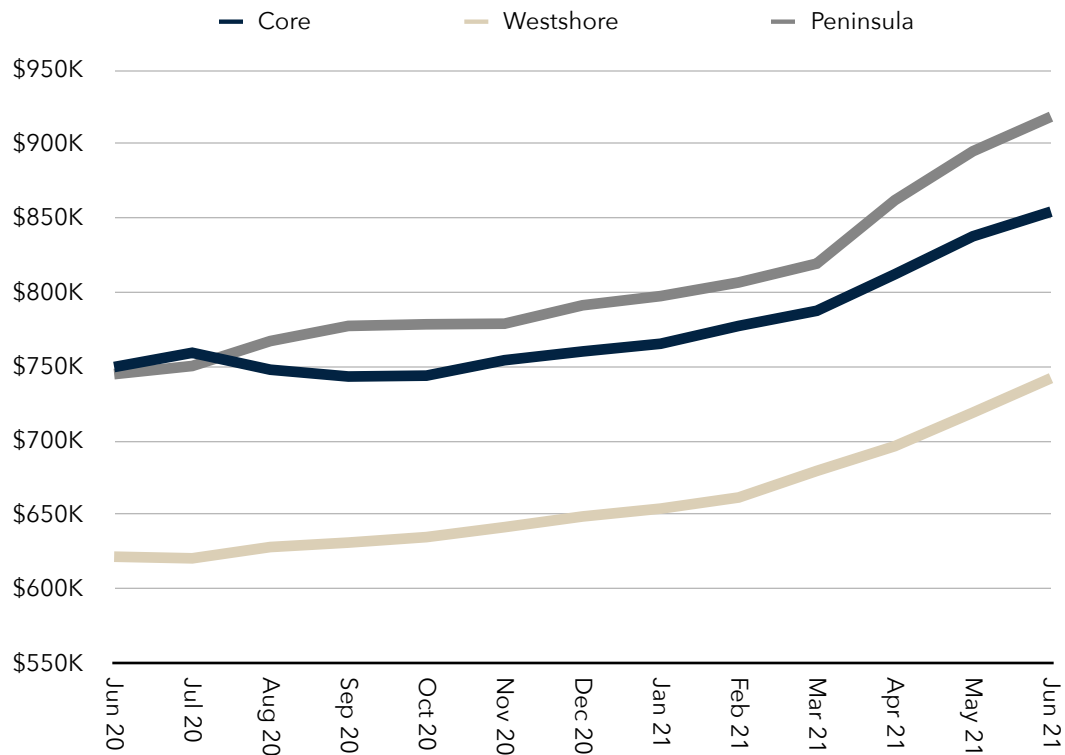
If you've read *The Q Report* before, you'll be familiar with our regional price trend analysis. The MLS® Home Price Index® (HPI®) tracks Indexed benchmark values for a number of different types of statistically modelled homes over time, and by area, which tends to be less sensitive to the swaying of averages and medians found in monthly sales figures. Where most market stats talk about the regional housing market as a single market, we find it's always especially interesting to see what's happening in different parts of greater Victoria relative to one another.

## Massive Gains

We mentioned in our last edition that there were some areas that the Home Price Index® may have been lagging behind actual street values, however it appears to have caught up in Q2. As a result, this edition's HPI® map is understandably hard to decipher. In following the same formatting conventions we have since the beginning of *The Q Report* – where the size of the up/down arrow corresponds to the size of the Y/Y increase or decrease in HPI® Benchmark Price for each district – the explosive price growth in so many areas has made for many large and overlapping graphics.



The most surprising overall HPI® trend is just how much of this price growth has happened just over the course of Q2 – at least half, in most areas. The chart below shows composite benchmark prices for the Core, Westshore, and Peninsula over the past 12 months:



All three regions saw steady gains coming into early 2021. Q1 heated up rapidly, and as the spring market took off in March, and looking back we see a bending of the curve – to borrow a phrase from Dr. Bonnie Henry – though this bend went in the exact opposite direction of Vancouver Island’s COVID numbers.

What will be most interesting to watch going forward will be how much recent trends persist, and for how long. The Home Price Index® has been a clear indicator of strong buyer preferences for larger properties further from the core during the pandemic, but as Victorians gradually get used to going out to enjoy nightlife, shopping, concerts, and shows, and as they begin commuting back into their places of work, will Highlands, North Saanich, Sooke, and Metchosin see a moderation in their price gains?

Keep up with *The Q Report*, and we will find out.

# your questions answered

Our piece on how we address the challenges of pricing in a rapidly rising market in Q1 opened by highlighting that some of the most dreaded questions that real estate professionals face these days are “what do you think this will go for?” or, “how much should we offer?”

This quarter, we took three top trending Google search terms – what consumers and market watchers are typing into the world’s leading search engine – and share our opinions on how we would answer them.



## #1: “Is this a bubble?”

According to Google, this search is up more than 2,000%. Of course, talk of a “bubble” makes for great headlines and clickbait, but if you understand the local market, you will quickly see it’s just a gimmick to get your attention.

Any consumer market lives by the law of supply and demand. In order for a bubble to pop, there would need to be a profound change to one or the other.

On the supply side, inventory is extremely low. When we saw the market decline during the financial crisis in 2008, there was about four times more listing inventory on the market. With the majority of sellers gridlocked needing to buy their next home locally, we see little relief there. There is no chance of overbuilding tilting the market either, considering the scarcity of developable land in the CRD and deplorable municipal approvals processes, timelines, costs, and restrictions faced by builders.

What about demand then? It continues to run hot. The pandemic has proven that people are willing to pay top dollar for space, privacy, amenities and lifestyle – all of which is difficult to beat here on the Island. Even the federal government’s recent tweaks to the B-20 stress test have not succeeded in cooling things off in the face of the many other factors driving demand.

Interest rates remain low, keeping the cost of borrowing down and increasing buyers’ purchasing power. The Bank of Canada (BoC) continues to assure Canadians that we can expect rates to stay down for a while longer. The only question at the moment is what is happening with inflation, which determines how the BoC sets its prime lending rate. Some economists believe that we are in a temporary inflationary rise caused by industries scrambling to get back to pre-pandemic levels of production and services against a shortage of materials and labour, but others insist that the additional monetary supply that was pumped into the economy to head off an economic crash during the pandemic is pushing prices up as a result of currency devaluation, which will



stick around longer-term. Both camps definitely agree that a sustained increase in inflation would force the BoC's hand into raising rates sooner, which would certainly have a cooling effect on demand.

So, could the market decline? Possibly – but in the short term, if at all. As soon as there were to be a dip, a wave of sidelined buyers would step in.

And, while COVID spurred many people on to making a housing move, there are also many who likely delayed a move due to the pandemic. Think of someone you know who has a chronic condition or is immune-compromised. With vaccinations and easing restrictions, there may be another wave of pent-up demand waiting in the wings.

We will continue to say what we have been saying: we expect the market to gradually stabilize, but not see a substantial drop. Those who are holding off and waiting for the “inevitable” crash to happen are unfortunately kidding themselves.

## **#2: “Why is the market so hot?”**

Here's another search term that has multiplied in popularity recently, according to Google. And, like the first question, the answer to this one comes from the same underpinnings of supply and demand, and the unpredictable ways demand manifested as the result of the pandemic.

Take millions of people, in lockdown, working from home, schooling from home, doing everything from home, wishing for a little more space, suddenly less concerned about commuting, and with loads of time to cruise real estate listings. Add to that copious amounts of federal stimulus money, to the point that household savings rates skyrocketed even while millions were unemployed (and more savings means more buying power), plus the lowest interest rates in history (meaning even more buying power)... It doesn't take a PhD to solve this one.

Aside from those acutely gridlocked sellers mentioned above, issues on the supply side are not so specifically pandemic-related; they have been building for decades. They're not making any more land here, and the pearl-clutching NIMBY army has repeatedly let municipal decision-makers know that they aren't interested in anything that looks like development or density, thank you very much. Unless you live in Langford. The result is grossly insufficient housing starts for a region that consistently attracts in-migration from everywhere else in Canada – not to mention the flood of international newcomers that the federal government aims to welcome to the country over the coming years.

While we see some relief coming in the form of careful steps toward a new post-pandemic world, which will tear people away from their MLS® searches as they drift back into restaurants, movie theatres, airports, concerts (remember those?), even the allure of in-person mingling won't have much more effect than bringing the market down from a rolling boil to a bubbling simmer.

### **#3: "How much above asking should I offer?"**

Now, why anyone would think the Google oracle would have the correct answer to this question is completely beyond us.

In a multiple offer situation, it is often clear very quickly that the list price will be exceeded. By how much is a question whose answer will vary according to a myriad of possible factors – number of showings, the possibility of delayed offers, pre-offer home inspections, timing of the listing, and many others. The specific circumstances, your representation, and communication with the listing agent will all help inform you. Fortunately, if you have this report in front of you, you can have a direct line to sound advice and answers.

It is helpful to determine if you would have been interested in the home were it listed at a higher price, and if there's a price you'd feel comfortable walking away and seeing another buyer pay for it. You may want to revisit our previous articles on this, particularly [Q12021's "The Price is Right?"](#) where we explored and explained a visual pricing approach we employ to give our clients confidence working in the grey area and knowing that they aren't overpaying. Of course, if you find yourself needing an answer to this question or one like it, send us an email – [info@victoriareport](mailto:info@victoriareport) – and we would be happy to help.



# opportunities

## sellers

- **Seller's Market:** Selling in this market might seem like shooting fish in a barrel, but the opportunities present in such strong demand mean you will be leaving money on the table if you don't execute correctly. Never has it been more tempting, or more foolish, to cut corners when bringing your property to market. There are a range of available values for a home, and getting to the top of that range requires the right representation, a top-notch marketing strategy, sales tracking and analysis of various metrics, and a sophisticated professional who knows how to create wins.

## buyers

- **Hedge Fund:** We discussed inflationary pressures on interest rates on pages 7-8, and most consumers are feeling the pinch at the grocery store, gas pump, and lumber yard. As inflation erodes the value of a dollar, it might be a good time to remember that leveraged real estate can be a great hedge against inflation. Why? You borrow against your home in today's dollars, and pay back in tomorrow's dollars.
- **Pre-sales:** Speaking of future-proofing, we continue to see pre-construction purchases as a great avenue for securing a future new home at present-day prices, without the same level of competition we see in the resale market, and there are a variety of options in different areas, and in a number of property types. New construction could be the best option for those buyers who want a toe-hold in the market but don't have to move in this year.

## investors

- **Suburban Pre-Sales:** Rapid development outside of the core offers a prescient opportunity for savvy investors. With many developers willing to work with 10% down – and some even less – there are options for securing a future revenue-producer and/or resale opportunity for a modest amount of capital up-front.

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



## summary

Though slightly shorter than our last two blockbuster reports, this quarter still brought us to some surprising and thought-provoking insights, which we hope you have enjoyed reading.

As always, we wish to thank you for taking the time to read, and to each of you who contacted us to share your feedback, questions, and business/real estate referrals. Thank you especially for sharing *The Q Report* with other bright minds like yours.

Notwithstanding some summer holidays, during the course of Q3, *The Q Report* office is carefully reopening, and we will be offering a number of confidential, complimentary consultation bookings reserved for *Q Report* Insiders. If you want a well-informed, data-based approach put to work as you make decisions about your largest asset, supported by trust, experience, and proven processes, we would love to talk to you.

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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 pending and completed sales that occurred between 2021/04/01 and 2021/06/30 except where specifically noted otherwise.

## data sources

<i>BC Real Estate Association (BCREA)</i>	<a href="http://bcrea.bc.ca">bcrea.bc.ca</a>
<i>Buffini &amp; Company</i>	<a href="http://buffiniandcompany.com">buffiniandcompany.com</a>
<i>The Canadian Real Estate Association (CREA)</i>	<a href="http://crea.ca">crea.ca</a>
<i>Capital Daily</i>	<a href="http://capitaldaily.ca">capitaldaily.ca</a>
<i>The Financial Post</i>	<a href="http://financialpost.com">financialpost.com</a>
<i>The Globe and Mail</i>	<a href="http://theglobeandmail.com">theglobeandmail.com</a>
<i>The National Post</i>	<a href="http://nationalpost.ca">nationalpost.ca</a>
<i>Real Estate Council of BC (RECBC)</i>	<a href="http://recbc.ca">recbc.ca</a>
<i>Statistics Canada</i>	<a href="http://statcan.gc.ca">statcan.gc.ca</a>
<i>Times Colonist</i>	<a href="http://timescolonist.com">timescolonist.com</a>
<i>Victoria Real Estate Board (VREB)</i>	<a href="http://vreb.org">vreb.org</a>

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*Looking Back to Successfully Move Ahead*

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