

# HOUSING MARKET OUTLOOK

## Victoria CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2011

### Victoria Highlights<sup>1</sup>

- Resale market expected to remain in balanced territory.
- Average resale prices will stabilize in 2011 and 2012.
- Housing starts are forecast to be 2,000 units in 2011, down six per cent from 2010, but slightly above the ten-year average.

- Economic and demographic factors will support a positive housing demand outlook.

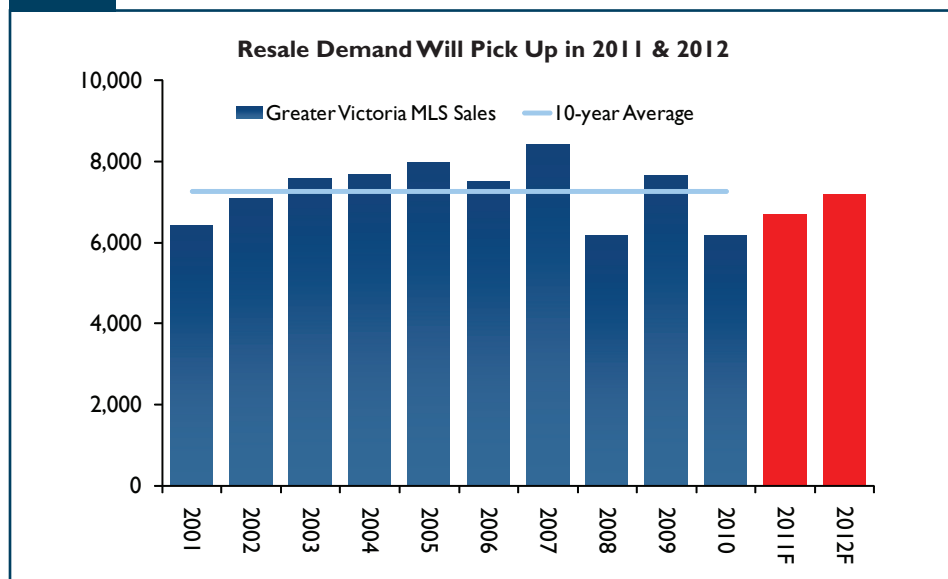
### Balanced Resale Market

During the past six months (October 2010-March 2011) the Victoria resale market<sup>2</sup> has exhibited balanced market conditions (see Figure 1). This trend will continue through the remainder

### Table of Contents

- Victoria Highlights
- Balanced Resale Market
- Stable Level of New Home Construction
- Rental Market: Expect Lower Vacancy Rate
- Economy to Support Housing Demand
- Forecast Summary

Figure 1



Source: CMHC, adapted from MLS® data supplied by CREA. MLS® is a registered trademark of the Canadian Real Estate Association.

<sup>1</sup> The forecasts included in this document are based on information available as of April 28, 2011.

<sup>2</sup> The Victoria resale market refers to the area served by the Victoria Real Estate Board (VREB). This area includes Greater Victoria (from Sooke to Sidney), up-Island as far as Cherry Point Road in Cobble Hill, and the Gulf Islands (source: [www.vreb.org](http://www.vreb.org)).

### SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at [www.cmhc.ca/housingmarketinformation](http://www.cmhc.ca/housingmarketinformation). View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

of 2011 and into 2012, as the sales to new listings ratio will increase slowly.

Victoria resale market demand will pick up during the remainder of 2011 in response to an increase in the number of full-time jobs, mortgage rates that are still low compared to historic levels, and expectations of a steady climb in mortgage interest rates. Multiple Listings Service (MLS®) sales will rebound nine per cent to 6,700 transactions in 2011, and increase a further eight per cent to 7,200 sales in 2012.<sup>3</sup>

The resale market outlook for 2011 follows a period of dampened resale demand. Some of the weakness in demand was caused by buyers who moved forward their decisions to buy in 2009 and during the first half of 2010 in order to take advantage of opportune buying conditions, specifically mortgage interest rates that were low in comparison to historic levels.

The supply of existing homes remains elevated from a historical perspective with a six month supply of active listings, and has risen across all dwelling types relative to March of last year when there was a four month supply.<sup>4</sup> As demand picks up over the short-term, the number of active MLS® listings will decline initially before stabilizing.

As a result of balanced resale market conditions, little upward pressure will be applied on existing home prices over the short-term. The average MLS® price will decrease by approximately two per cent in 2011 – from \$504,561 in 2010 to \$495,000 – before increasing to \$498,000 in 2012.

Despite relatively stable resale price forecasts for 2011 and 2012, potential buyers will continue to benefit from a wide selection of existing homes at varying price points and locations. West Shore homes will continue to be priced at a discount relative to the core markets. In the first quarter of 2011, the median sale price of a new single-detached home in Langford (\$530,000) was 38 per cent below that recorded in Saanich (\$850,000).<sup>5</sup>

### Stable Level of New Home Construction

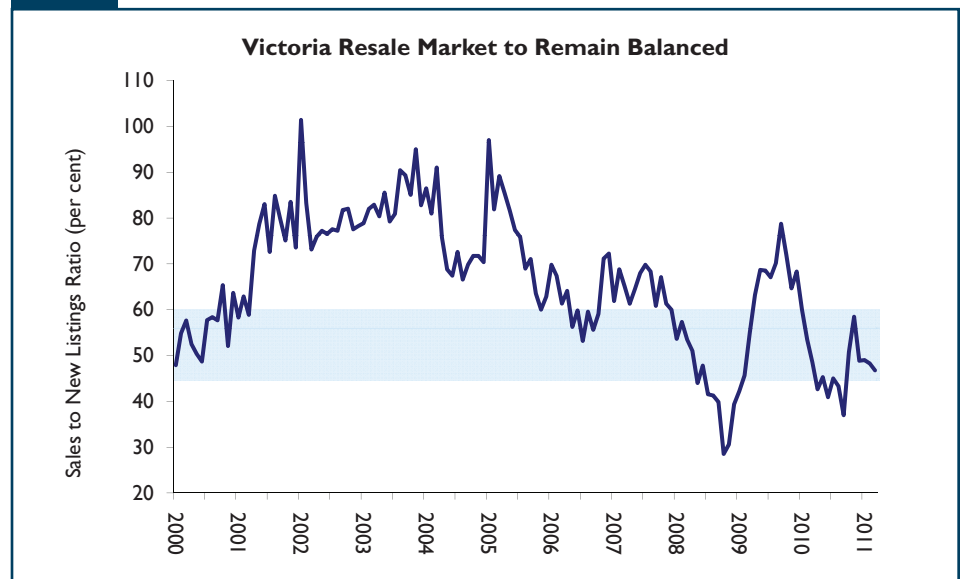
Following a strong year for local builders and developers in 2010, CMHC anticipates the level of residential construction activity in the Victoria Census Metropolitan Area (CMA) will remain slightly above the ten-year historical average both this year and next.<sup>6</sup> Despite lower levels of new home construction than

expected in the first quarter of 2011, the significant number of residential developments in either the planning or approvals stages suggests that 2,000 housing starts will be recorded in 2011 and 2,200 in 2012.

The demand for new homes will be driven by growth in employment and the shift to full-time jobs from part-time jobs, continued positive net migration, mortgage rates that remain low compared to historic levels, and an anticipated rebound in the demand for existing homes. Victoria CMA homebuilders and developers will look carefully at the inventory of new homes and the resale supply when looking to bring new product to the market. At the end of March, there were 442 newly completed and unoccupied units in Victoria, above the ten-year average of 213 homes.<sup>7</sup>

Construction will begin on more multi-unit homes this year and

Figure 2



Source: CMHC, adapted from MLS® data supplied by CREA. MLS® is a registered trademark of the Canadian Real Estate Association.

<sup>3</sup> Multiple Listing Services (MLS) is a registered certification mark owned by the Canadian Real Estate Association (CREA).

<sup>4</sup> Supply = (# of active MLS® listings) / (3 month average # of MLS® sales)

<sup>5</sup> Source: CMHC

<sup>6</sup> Victoria CMA 2001-2010 average number of annual housing starts = 1,941

<sup>7</sup> Average number of completed and unabsorbed homes between January 2001 and December 2010 was 213.

next than in 2010, as more low-rise wood-frame projects, that are geared to first-time homebuyers who seek smaller and less expensive housing types, get underway across the Victoria CMA. The majority of detached home starts expected during the next two years will be located in West Shore markets, as land is cheaper and more abundant than in the core markets. For developers looking to purchase a development site, the West Shore is home to nearly three-quarters of lots currently for sale through the MLS® system.

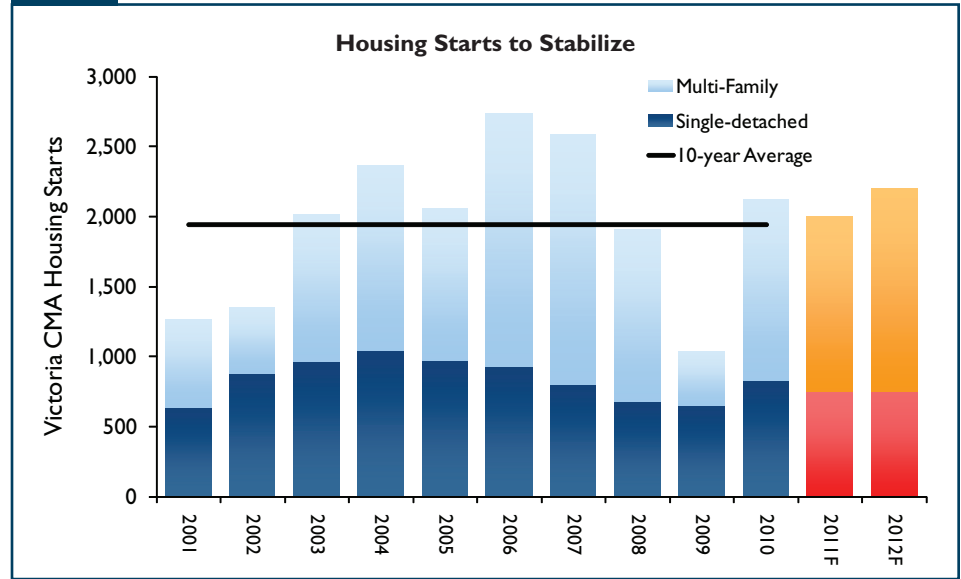
### Rental Market: Expect Lower Vacancy Rate

Compared to 2009 and 2010, renters could have a slightly more difficult time finding accommodations in Victoria in 2011. Despite an expanding secondary rental stock and a number of renters making the move to homeownership while mortgage rates remain at historically low levels, average vacancy rates will edge down as a result of rising rental demand. Demand for rental accommodations will be driven by improved labour market conditions, and positive net migration to the region.

The average purpose-built apartment vacancy rate is expected to remain at 1.5 per cent in 2011, before declining to 1.0 per cent in 2012. Average rents in existing rental structures are forecast to increase two to four per cent in 2011 and 2012.

The secondary rental market will continue to expand, as it is a substitute for the relatively static purpose-built rental stock in the Victoria CMA. The supply of secondary suites will grow, as homeowners continue to take advantage of

Figure 3



Source: CMHC

these “mortgage helpers” as a method of dealing with the elevated costs associated with purchasing a detached home in the Victoria CMA. Because the supply of newer apartment condominiums remains elevated from a historical perspective, expect a portion of the investor-owned units to enter the local rental stock.

### Economy to Support Housing Demand

The markets for both new and existing homes in the Victoria CMA will be buoyed in the short-term by an expanding economy and continued population-driven demand. Although not large, the Victoria economy is diversified and will benefit from the stabilizing effect of post-secondary institutions, demographic driven demand for services, such as health care, and tourism. As well, economic growth will be fuelled by elevated levels of non-residential construction and investment, a growing advanced technology sector, and the gradual recovery of full-time jobs.

Victoria is home to three well established post-secondary institutions - the University of Victoria, Camosun College, and Royal Roads University. These three educational institutions are important to the local economy, as they attract students to the Victoria CMA, and maintain stable workforces. It was estimated that roughly 45,000 students (part-time and full-time) were enrolled at these schools in 2010, with the University of Victoria alone employing close to 4,500 in 2010.<sup>8</sup>

Even as Victoria’s economy becomes increasingly diversified, the tourism sector remains a vital component. As jobs are created and earnings increase across North America and internationally, tourism demand will rise, leading to more visitors to Victoria and increased spending. While improved labour market conditions will have a positive impact on tourism, the strong Canadian dollar will temper demand from the United States. The cruise ship industry is a large contributor to the local tourism

<sup>8</sup> Source: Association of Universities and Colleges of Canada (AUCC), www.aucc.ca

sector. The Greater Victoria Harbour Authority expects cruise ships will make 210 scheduled calls to Ogden Point in 2011, generating over \$150 million in economic benefits to the region.<sup>9</sup>

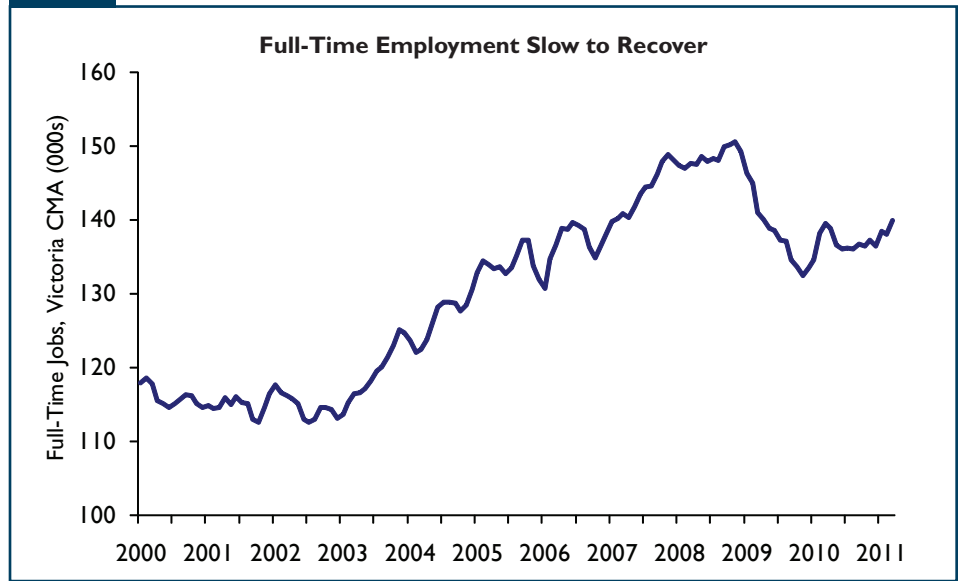
Statistics Canada reports \$274 million in non-residential building permits were issued in 2010 across the Victoria CMA. While this represents a reduction in value from the 2009 level it exceeds the annual ten-year (2001-2010) average. The permits issued in 2010 will translate into construction starting on a number of significant infrastructure, commercial and industrial projects over the next couple of years.

Victoria's advanced technology sector will continue to grow, in terms of jobs and spending, further diversifying the local economy. This sector generates an estimated \$1.95 billion in annual revenues, and is made up of 800 firms that employ roughly 13,000 people.<sup>10</sup>

The Victoria CMA labour market has been operating below its full capacity since employment peaked in the third quarter of 2008. Compared to the peak in August 2008, roughly 17,500 fewer full-time jobs were held in March 2011.<sup>11</sup> As the economy continues to expand, this will generate additional full-time job opportunities, which will translate into increased housing demand. The housing market outlook assumes that total employment will increase two to three per cent in both 2011 and 2012.

In addition to economic and labour market conditions driving housing demand, population-based demand is also significant in this market.

Figure 4



Source: Statistics Canada, adjusted by CMHC (seasonally-adjusted 3-month moving average).

Over the past ten years, annual net migration to the Victoria CMA has averaged over 3,600 persons.<sup>12</sup> This has been vital to the local housing market, as it has translated into the creation of an estimated 1,600 new households per year (on average).<sup>13</sup> Net migration to the CMA reached nearly 6,000 people in 2009/10, and is expected to surpass 5,000 both this year and next.

## Mortgage Rates

On April 12th, the Bank of Canada announced that it was leaving the Target for the Overnight Rate unchanged at 1.0 per cent. The last increase in the overnight rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. The Bank of Canada is expected to resume raising the overnight rate in the fourth quarter of 2011. Mortgage rates, particularly short term mortgage rates and

variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat in 2011 before increasing moderately in 2012. For 2011, the one-year posted mortgage rate is assumed to be in the 3.1 to 3.5 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.1 to 5.6 per cent range. For 2012, the one-year posted mortgage rate is assumed to be in the 3.4 to 4.3 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2 to 6.3 per cent range.

Rates could, however, increase at a faster pace if the economy ends up recovering more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

<sup>9</sup> Source: "News Release – 2011 Ogden Point Cruise Ship Schedule Goes Live" (January 25, 2011), Greater Victoria Harbour Authority.

<sup>10</sup> Source: [www.viatec.ca](http://www.viatec.ca)

<sup>11</sup> Full-time employment (3-month moving average) in the Victoria CMA peaked in August 2008 at 153,300 full-time jobs (source: Statistics Canada).

<sup>12</sup> Source: Statistics Canada

<sup>13</sup> Projected data from "P.E.O.P.L.E. Projection 35" prepared by: Demographic Analysis, BC Stats, Ministry of Citizens' Services.

Forecast Summary Victoria CMA Spring 2011							
	2008	2009	2010	2011f	% chg	2012f	% chg
<b>Resale Market</b>							
MLS® Sales	6,171	7,660	6,169	6,700	8.6	7,200	7.5
MLS® New Listings	13,928	11,745	13,250	12,100	-8.7	11,500	-5.0
MLS® Average Price (\$)	484,898	476,137	504,561	495,000	-1.9	498,000	0.6
<b>New Home Market</b>							
<b>Starts:</b>							
Single-Detached	673	647	827	750	-9.3	750	0.0
Multiples	1,232	387	1,291	1,250	-3.2	1,450	16.0
Semi-Detached	154	186	234	170	-27.4	190	11.8
Row/Townhouse	150	62	162	130	-19.8	150	15.4
Apartments	928	139	895	950	6.1	1,110	16.8
Starts - Total	1,905	1,034	2,118	2,000	-5.6	2,200	10.0
<b>Average Price (\$):</b>							
Single-Detached	676,701	668,875	635,664	649,000	2.1	658,000	1.4
<b>Median Price (\$):</b>							
Single-Detached	599,900	599,900	595,500	605,000	1.6	611,000	1.0
New Housing Price Index (% chg.)	-0.1	-7.8	-2.8	-1.0	-	2.0	-
<b>Rental Market</b>							
October Vacancy Rate (%)	0.5	1.4	1.5	1.5	0.0	1.0	-0.5
Two-bedroom Average Rent (October) (\$)	965	1,001	1,024	1,040	-	1,055	-
One-bedroom Average Rent (October) (\$)	764	790	806	820	-	835	-
<b>Economic Overview</b>							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.23	-	3.76	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.45	-	5.94	-
Annual Employment Level (persons)	190,600	183,100	183,400	184,000	0.3	188,000	2.2
Employment Growth (%)	4.8	-3.9	0.2	0.3	-	2.2	-
Unemployment rate (%)	3.3	6.5	6.0	5.8	-	5.4	-
Net Migration	4,905	6,175	5,997	5,300	-11.6	5,500	3.8

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

**NOTE:** Rental universe = Privately initiated rental apartment structures of three units and over

## CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at [www.cmhc.ca](http://www.cmhc.ca)

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.  
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to [www.cmhc.ca/housingmarketinformation](http://www.cmhc.ca/housingmarketinformation)

For more information on MAC and the wealth of housing market information available to you, visit us today at [www.cmhc.ca/housingmarketinformation](http://www.cmhc.ca/housingmarketinformation)

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2011 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at <mailto:chic@cmhc.gc.ca>; 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:  
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

# Housing market intelligence you can count on

## FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Renovation and Home Purchase Report
- Rental Market Provincial Highlight Reports *Now semi-annual!*
- Rental Market Reports, Major Centres
- Rental Market Statistics *Now semi-annual!*
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports
- Seniors' Housing Reports - Supplementary Tables, Regional

**Get the market intelligence you need today!**

**Click [www.cmhc.ca/housingmarketinformation](http://www.cmhc.ca/housingmarketinformation) to view, download or subscribe.**

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities — starts, rents, vacancy rates and much more.



## CMHC Client e-Update Newsletter

Get the latest market in-sight, housing research and news on CMHC mortgage loan insurance to grow your business and enhance your client relationships.

**Everything you need** to open new doors.