

Victoria housing market remains robust

Despite high prices, higher interest rates, buyers continue to outnumber sellers.

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There are lots of homes for sale. Prices are rising. Interest rates are going up. Victoria's residential real estate market would be gasping and wheezing if it were not alive and growing thanks to a new pool of buyers, technology, and some evolution in banking.

Western Canada's strong economy has stimulated significant growth in new construction. According to the Canada Mortgage and Housing Corporation, "Urban housing starts in the Prairies were up 11.5 per cent to 45,400 units while in British Columbia they surged 22.6 per cent to 39,100 units."

At the end of March the Victoria Real Estate Board noted 810 local listings. That's up from 602 last March and 586 in March 2004.

"There's definitely more available this year," said Peggy Prill, senior market analyst for the Canadian Mortgage and Housing Corporation. "And prices are not going down."

Average house prices can be wildly misleading when a couple of high-end sales skew the numbers, as happened this spring. March sales of \$21-million-plus homes, including two \$10-million properties, sent the average price of a home in Greater Victoria to a new record of \$565,217. However, the median price for single-family homes was much lower, at a mere \$439,500.

Even at those prices there are still more buyers than sellers says Liz Grambart, a realtor with Royal LePage Coast Capital Realty. There is "quite a good inventory," but not in the lower price range, she adds. Most of the new condos are in the higher-end \$400,000 and up.

And the clients are different, Grambart says. They're not necessarily first-time buyers going into an older condo. The brand-new units are selling to people who are scaling down from bigger houses, coming from Toronto with lots of equity, or Albertans who will use a Victoria condo as a weekend getaway.

The thing is, those units aren't built yet. Clients are buying MLS-listed units that are just a set of plans and a rezoning permit. People are willing to wait from six months to two years for their new Island pied-à-terre.

It's a very tight market if you want to move in next month, Grambart says. While builders are promising occupancy dates two years away, realistically they're often up to a year behind schedule.

CMHC's Prill explained that builders are taking longer to start construction because, with the industry booming in B.C. and Alberta and with costs rising so rapidly, they want to make sure all the trades will be available at the right time. Delays can add significantly to the construction cost – and that cuts into profits.

According to Prill that doesn't apply to new single-family homes as much because many of those are being custom-built. Supply and demand are moving in lock step for that segment of the market. During the first quarter of 2006, Vancouver Island single detached housebuilding was 11 per cent ahead of 2005. Prill said this reflects builder response to strong demand for new houses.

However, multifamily projects trail 2005 levels by 17 per cent.

"In fact, no apartment condos have broken ground north of Metro Victoria so far this year. Condo construction is expected to pick up this spring and summer as projects now in site preparation phases proceed to lay foundations. Developers are taking time to closely review project schedules and costs during construction as well as prior to start, in view of rising materials costs and high demand for workers in skilled

trades," added Prill in her monthly CMHC market update.

Townhouses are popular with buyers, but there aren't as many new ones because either the land isn't available or developers can't make the numbers work. It's more profitable to build apartment-type condominiums. Victoria Real Estate Board president Scott Kendrew said that average prices for townhomes reached a record high, although they were affected by a number of high-priced sales. "Three townhome sales of over \$700,000 in March helped push the average to \$385,284," he said. The median was lower at \$360,500.

Prill expects that the strong demand for local housing will continue for several years, although the rate of increase will diminish.

Rising interest rates don't seem to be a stumbling block for new-home buyers.

"A lot of people who want to buy already own a place. They're bringing equity,"

Grambart explains. She adds that the increase in rates hasn't yet been substantial and she doesn't expect it to become prohibitive soon.

As well, 30- to 35-year amortization is now fairly common and interest-only mortgages have crossed the Atlantic and the 49th Parallel into Canada.

"This year will be stronger than 2005," Prill says.

And with vibrant employment growth and migration, there's no sign of a slowdown any time soon.

By Rachel Goldsworthy

Business Examiner contributor

rmgoldsworthy@shaw.ca