

Victoria's Real Estate Market Posts Gains in the Second Quarter of 2018 Despite Decline in Sales Volume

New mortgage rules and speculation tax taking its toll on market activity

VICTORIA, July 10, 2018 – According to the Royal LePage House Price Survey¹ and Market Survey Forecast released today, the aggregate price of a home in Victoria increased 5.3 per cent year-over-year to \$659,685.

When broken out by housing type, the median price of a two-storey home increased by 0.6 per cent year-over-year to \$863,206, while the median price of a bungalow and condominium appreciated by 8.2 per cent and 8.0 per cent year-over-year to \$730,872 and \$488,513, respectively.

Sales are down in the region compared to last year. In addition to acclimatizing to the new federal mortgage stress test rules, potential buyers in British Columbia are struggling to gauge the impact of the recently proposed speculation tax. Aimed at creating affordable housing, this tax is taking its toll on Victoria's housing market.

“Canadians who purchase in Victoria for their university aged kids or those that pre-purchase for their future retirement are mostly staying away until they see the effects of the speculation tax,” said Jay Rockwell, managing broker, Royal LePage Coast Capital Realty. “Victoria is a place where many Canadians like to ‘winter’ but now they are very concerned with how this tax will affect them. The new tax coupled with the new rules in the Residential Tenancy Act will make it near impossible for these people to come away unscathed.”

Rockwell added that diminished purchasing power brought on by the new mortgage rules has resulted in a decrease in sales volumes in the single family dwelling market while multifamily sales volumes has likely benefitted from the changes.

While inventory has modestly increased, levels are approximately 40 per cent below the 10-year average.

Looking ahead to the next quarter, home prices are expected to continue to appreciate but at a more modest rate if inventory continues to increase.

Nationally, price appreciation slowed across Canada in the second quarter of 2018, marked primarily by softness in the Greater Toronto Area (GTA), where many regions have witnessed year-over-year price declines.

“It was a spring market that never blossomed,” said Phil Soper, president and CEO, Royal LePage. “As anticipated in our original 2018 forecast, the new federal mortgage stress-test measures slowed the market to a standstill in much of the country, as some families adjusted

¹ Aggregate prices are calculated using a weighted average of the median values of all housing types collected. Data is provided by RPS Real Property Solutions.

their expectations in a world with lower borrowing capacity, and others not impacted by the OSFI regulations moved to the sidelines, adopting a ‘wait and see what happens to home prices’ approach.”

The Royal LePage National House Price Composite, compiled from proprietary property data in 63 of the nation’s largest real estate markets, showed that the price of a home in Canada increased 2.0 per cent year-over-year to \$613,968 in the second quarter of 2018. When broken out by housing type, the median price of a two-storey home rose 0.8 per cent year-over-year to \$720,504, while the median price of a bungalow climbed 1.8 per cent to \$512,979. At a national level, condominiums posted a significantly higher rate of appreciation when compared to the detached segment, rising 8.1 per cent year-over-year to \$435,421. Looking ahead, Royal LePage is projecting an uptick in home price appreciation in the third quarter and forecasts that the aggregate price of a home in Canada will increase 1.9 per cent over the next three months.

“The market has begun to absorb and adjust to the new realities; we expect an uptick in sales volumes and prices during the second half of 2018,” Soper continued. “The fundamentals have not changed. The economy is strong and unemployment is very low. We face shortages in our major cities, with many more people looking for homes than the market has available for purchase or rent. Upward pressure on prices will likely return to most markets this quarter.”

About the Royal LePage House Price Survey

The Royal LePage House Price Survey provides information on the three most common types of housing in Canada, in 63 of the nation’s largest real estate markets. Housing values in the House Price Survey are based on the Royal LePage National House Price Composite, produced quarterly through the use of company data in addition to data and analytics from its sister company, RPS Real Property Solutions, the trusted source for residential real estate intelligence and analytics in Canada. Commentary on housing and forecast values are provided by Royal LePage residential real estate experts, based on their opinions and market knowledge.

About Royal LePage

Serving Canadians since 1913, Royal LePage is the country’s leading provider of services to real estate brokerages, with a network of almost 18,000 real estate professionals in more than 600 locations nationwide. Royal LePage is the only Canadian real estate company to have its own charitable foundation, the Royal LePage Shelter Foundation, dedicated to supporting women’s and children’s shelters and educational programs aimed at ending domestic violence. Royal LePage is a Brookfield Real Estate Services Inc. company, a TSX-listed corporation trading under the symbol TSX:BRE.

For further information, please contact:

Catherine Snider
Kaiser Lachance Communications
647-725-2520 ext. 212



catherine.snider@kaiserlachance.com