

TIMES COLONIST

Real estate prices skyrocket, returns rise over past decade

Times Colonist (Victoria)

Fri 22 Feb 2008

Page: B1 / FRONT

Section: Business

Byline: Carla Wilson

Source: Times Colonist

The last decade in Greater Victoria's real estate market delivered an average 7.8 per cent annual compounded rate of return, said a report from real estate company Re/Max.

Across Canada, the rate was lower at 7.1 per cent, but showed average home prices nearly doubled from \$154,606 in 1997 to \$307,265 last year. The total number of sales also rose, topping 500,000 in 2007 compared with 331,092 in 1997.

Last month, the average selling price of a house in Greater Victoria was \$606,449, with a median price of \$530,200. The Multiple Listing Service shows seven properties listed at more than \$14.5 million.

B.C. prices rose most significantly in the past five years, Elton Ash, executive regional vice-president of Re/Max in western Canada, said yesterday. He anticipates a more balanced market in 2008, resulting in an average increase of about seven per cent.

"Immigration and in-migration have played a serious role in jump-starting residential housing markets, particularly in B.C., Alberta and, to some extent, Saskatchewan over the past decade," Ash said. Economic strength, low interest rates, low unemployment and consumer confidence have all driven sales.

As prices went up, "There has been huge movement by investors to buy condominiums either to hold for the short term or long term," he said. The average selling price of a Greater Victoria condominium last month was \$349,045, with a median price of \$326,904.

Dunnery Best, managing director, portfolio manager and investment adviser with CIBC Wood Gundy in Victoria, recommends taking into account expenses such as taxes, insurance, maintenance and improvements when looking at property value increases.

IMAGES



Darren Stone, Times Colonist

Condominium construction continues across the region as the most popular -- and often affordable -- form of home on the market. Costs to buyers range from \$55,000 fractional ownership to more than \$1 million for areas such as Langford's Bear Mountain Resort.

"If the average goes up by 7.8 per cent, the fact is in many cases you are not netting that."

Although homes are an important part of many people's investment portfolios, they should remember that, despite strength in local real estate, markets can also go the other direction for a sustained period, he said. Also, a property may be difficult to sell or not bring in an expected price.

In addition, "the environment of declining interest rates is over," Best said. He warned that extrapolating from the past decade to the next decade is "faulty logic."

Although Tony Joe, Victoria Real Estate Board president, would have preferred a bigger move, he said the province's decision, announced this week, to increase the property purchase tax exemption to \$425,000 from \$375,000 helps make homes more affordable. It may allow qualifying buyers to spend money on improvements or needed items for their home.

First-time homebuyers in B.C. are choosing condominiums at close to double the rate of buyers elsewhere in Canada, said a report released yesterday by Genworth Financial.

An average of 14 per cent of British Columbians surveyed said they had either bought a condo or were planning to do so.

"The condo markets in Vancouver and Victoria remain vibrant -- both cities are estimated to have posted record-high starts volumes in 2007. Condos are filling the need for relatively affordable housing in the province where available land for new home construction is limited ...," said Genworth president Peter Vukanovich. First-time condo buyers in B.C. can expect to pay the highest rate in the country, the report said.

In Greater Victoria, condominium prices range widely, from about \$55,000 for fractional ownership typically of vacation units, to more than \$1 million for luxury homes.

When it comes to buying condos, out-of-town buyers often prefer the downtown or Songhees near the harbour, while local residents are likely to buy in buildings such as the Strathmore in Langford, said Re/Max Camosun real estate agent Guy Crozier. "We find that our buyers tend to be more local young people getting into the market," he said.

Remaining units in the Strathmore include a loft for under \$300,000. Some buyers are downsizing from larger homes and want features such as granite countertops and hardwood floors, Crozier said.

cjwilson@tc.canwest.com

Illustration:

- Colour Photo: Darren Stone, Times Colonist / Condominium construction continues across the region as the most popular -- and often affordable -- form of home on the market. Costs to buyers range from \$55,000 fractional ownership to more than \$1 million for areas such as Langford's Bear Mountain Resort.
- Chart/Graph: (See hard copy for Chart/Graph).

Idnumber: 200802220067

Edition: Final

Story Type: Business

Length: 642 words