

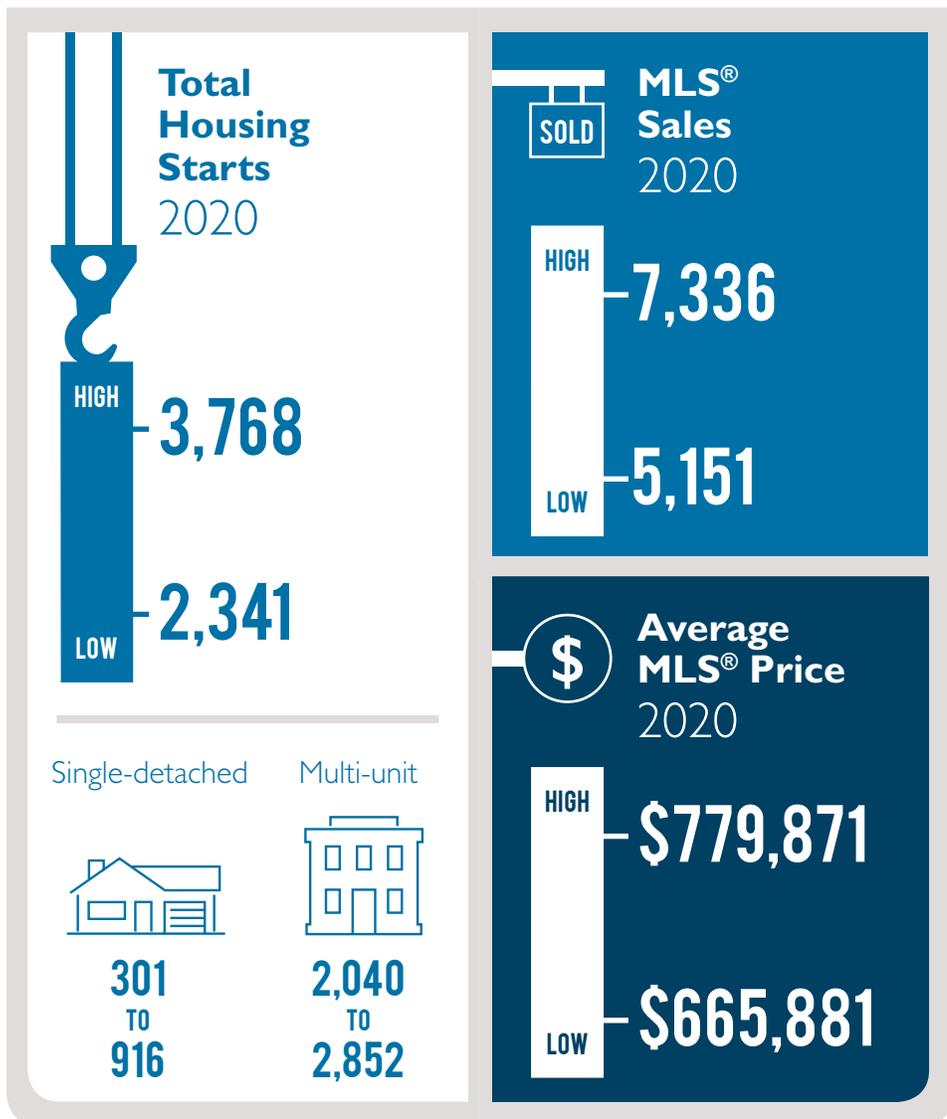
# HOUSING MARKET OUTLOOK

Victoria CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2019<sup>1</sup>



**Housing demand will slow from 2019 to 2021.**

“Over the forecast horizon, demand for housing will grow more slowly while new supply will be introduced in the market. Compared to the last few years, this will mean fewer starts, sales, and slower price growth, but also a more balanced market and a rising vacancy rate.”

**Braden T. Batch**  
Senior Analyst, Economics

<sup>1</sup> The forecasts and historical data included in this document reflect information available as of September 12, 2019.

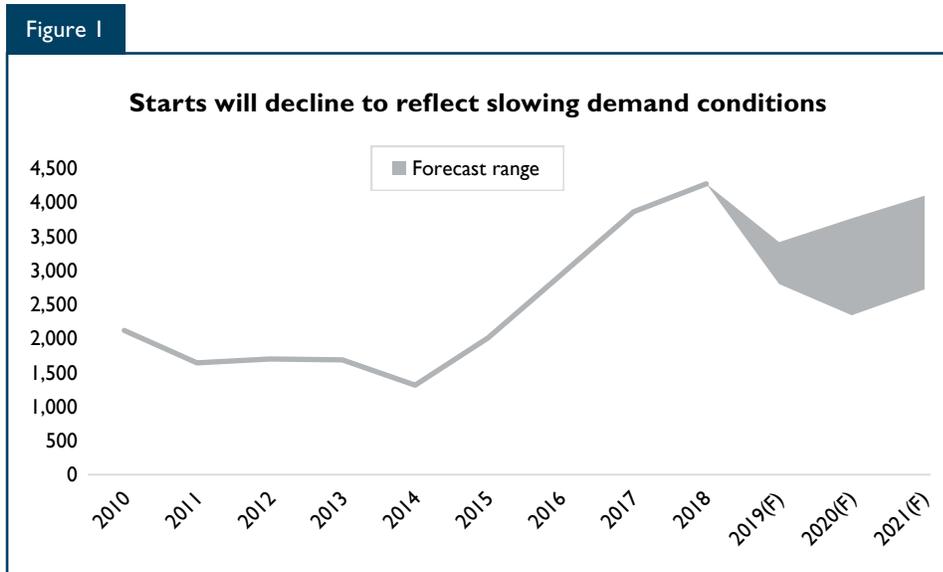
## Highlights

- Total starts will continue to fall as previously started units begin to supply the market with new homes.
- Sales activity will level off with slower price growth.
- The vacancy rate will rise on slowing demand growth and new supply.

### Starts will decline with slowing demand growth

We forecast housing starts to continue to fall in the near term, but to resume growth by the end of the forecast period. The forecast period will see a slowing of population and employment growth coupled with the completion of many already started units in both rental and ownership markets. New construction going forward is likely to have a higher share of multi family units, while starts of single detached units will continue to fall, due to demand for relatively more affordable housing.

There remains a large number of units under construction, specifically in rental and condo apartments. While the completion rate of rental apartments reflects recent elevated construction, condo apartment completions continue to lag. As a result, the inventory of new condo units remains historically low. A risk to the forecast is the rate of market absorption. The forecast period will see a combination of slower



Source: CMHC  
(F): Forecast

demand growth paired with a higher completion rate. This could produce a higher rental vacancy and a build-up of complete and unsold condo units. This potential market outcome would increase the risk of new projects, and the supply side of the market would adjust by reducing new starts, leading to total starts in the lower bound of the forecast range.

### Sales will normalise to reflect population growth

Sales will level out over the forecast horizon, halting the decline in total sales experienced in 2018. Sales will adjust to be more in line with population growth. Slower price growth will aid first-time homebuyers saving for a down payment, and this will limit further sales decline to

some degree. A greater availability of homes will also help buyers as listings trend away from historical lows. In addition, the price gap between apartment and single detached units has fallen to roughly 2015 levels, enabling some move-up buyers.

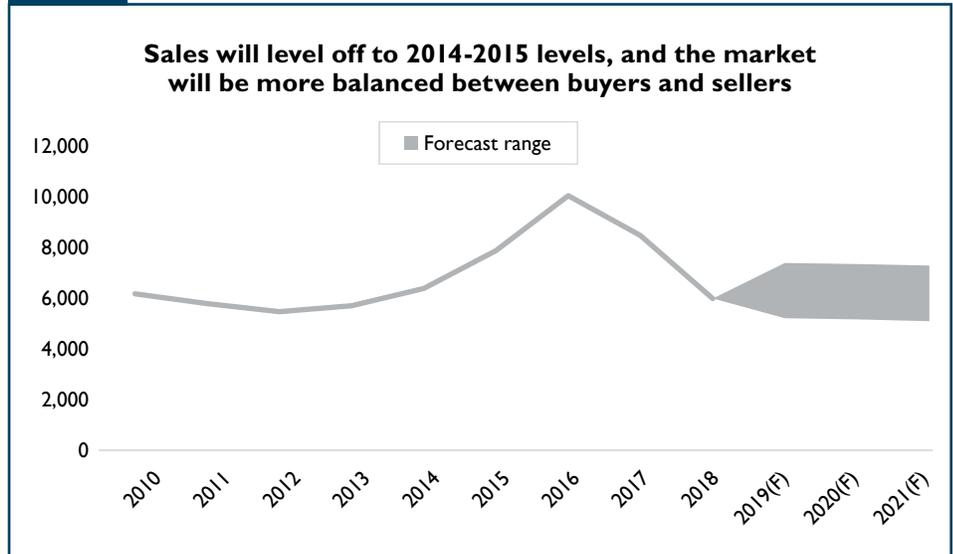
Affordability headwinds remain as we expect mortgage rates to increase, reducing the potential size of mortgages available to consumers. Properties over \$1 million will likely decline in value, while units in lower price ranges move higher. Apartment units continue to have a higher sales-to-listings ratio, indicating more upward pressure on prices. Price growth will end 2019 flat and resume growth above inflation into the forecast period, as the lower end of the price distribution shifts upward.

## New rental supply and slowing rental demand growth will lead to higher vacancy rates

The vacancy rate in Metro Victoria will continue to climb over the forecast horizon. The primary driver of the increase will come from the introduction of new supply. As projects currently under construction enter the market, it will expand available housing for renters. Demographics will also slow the rate of rental demand growth. Lower migration to Victoria from other parts of British Columbia as well as the rest of Canada will result in slower growth for the young adult population. In addition, as young adults age they become more likely to exit the rental market and become homeowners.

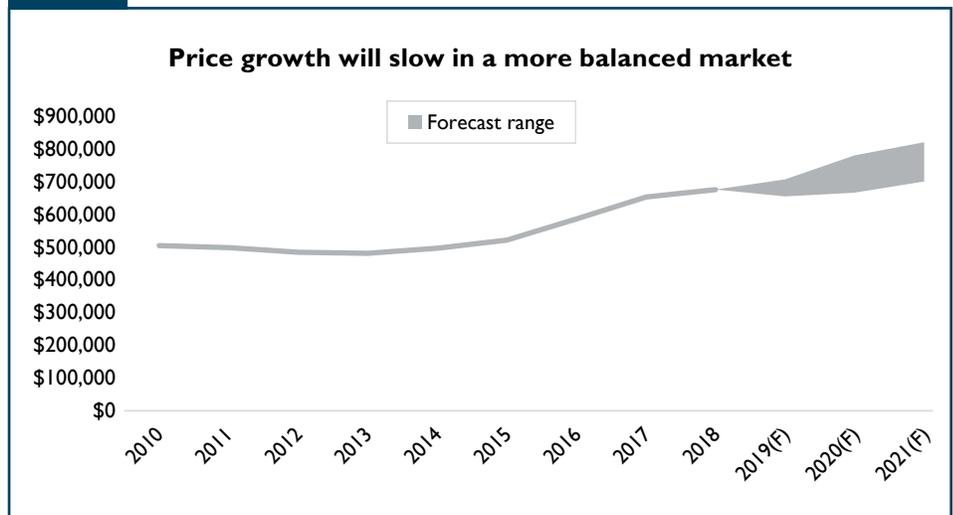
Despite a higher vacancy rate, we expect average rents to increase. For one, a significant share of new units will enter the market, they will command higher rents, and this effect will pull the average rents up. Second, as current renters exit their units, the rents paid for those units will likely increase as current market rents exceed the reported averages.

Figure 2



Source: Victoria Real Estate Board  
(F): CMHC Forecast

Figure 3



Source: Victoria Real Estate Board  
(F): CMHC Forecast

To access regional and CMA housing market outlook reports, click on the following link: <https://www.cmhc-schl.gc.ca/en/data-and-research/publications-and-reports/housing-market-outlook-highlights>

| Forecast Summary<br>Victoria CMA<br>Fall 2019 |         |         |         |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   | 2016    | 2017    | 2018    | 2019(F) |         | 2020(F) |         | 2021(F) |         |
|   |         |         |         | (L)     | (H)     | (L)     | (H)     | (L)     | (H)     |
| <b>New Home Market</b>                        |         |         |         |         |         |         |         |         |         |
| <b>Starts:</b>                                |         |         |         |         |         |         |         |         |         |
| Single-Detached                               | 910     | 896     | 818     | 466     | 768     | 301     | 916     | 286     | 897     |
| Multiples                                     | 2,023   | 2,966   | 3,455   | 2,334   | 2,650   | 2,040   | 2,852   | 2,437   | 3,202   |
| Starts - Total                                | 2,933   | 3,862   | 4,273   | 2,800   | 3,418   | 2,341   | 3,768   | 2,723   | 4,099   |
| <b>Resale Market</b>                          |         |         |         |         |         |         |         |         |         |
| MLS® Sales                                    | 10,028  | 8,464   | 6,770   | 5,201   | 7,378   | 5,151   | 7,336   | 5,088   | 7,273   |
| MLS® Average Price(\$)                        | 585,745 | 652,928 | 700,630 | 654,358 | 706,830 | 665,881 | 779,871 | 700,289 | 820,170 |
| <b>Economic Overview</b>                      |         |         |         |         |         |         |         |         |         |
| Mortgage Rate(5 year)(%)                      | 4.66    | 4.78    | 5.27    | 5.00    | 5.60    | 5.40    | 6.20    | 5.50    | 6.50    |

|  | 2016    | 2017    | 2018    | 2019(F) | 2020(F) | 2021(F) |
|--|---------|---------|---------|---------|---------|---------|
| <b>Rental Market</b>                   |         |         |         |         |         |         |
| October Vacancy Rate (%)               | 0.5     | 0.7     | 1.2     | 1.5     | 1.6     | 1.8     |
| Two-bedroom Average Rent (October)(\$) | 1,188   | 1,288   | 1,406   | 1,535   | 1,675   | 1,829   |
| One-bedroom Average Rent (October)(\$) | 912     | 988     | 1,076   | 1,175   | 1,282   | 1,400   |
| <b>Economic Overview</b>               |         |         |         |         |         |         |
| Population                             | 384,681 | 390,613 | 395,523 | 399,672 | 403,989 | 408,405 |
| Annual Employment Level                | 184,300 | 192,200 | 195,800 | 194,000 | 197,900 | 200,400 |

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

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 12th September 2019. (L)= Low end of range. (H)= High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey - Market Absorption Survey - Rental Market Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2019-2021).

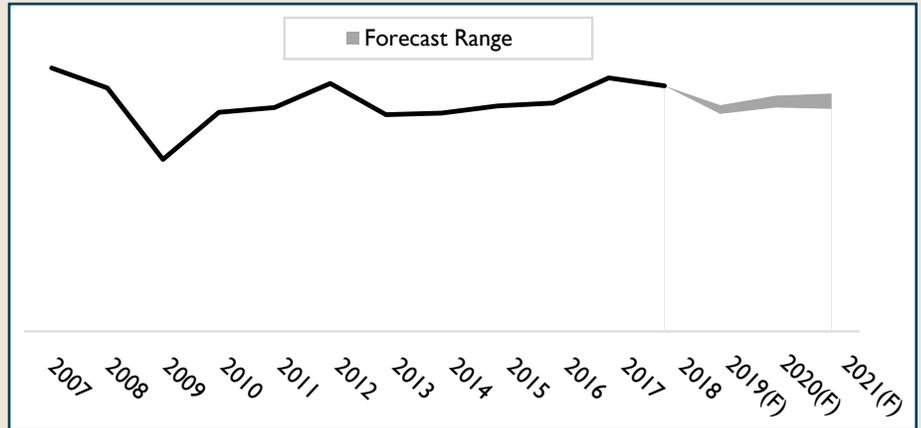
## Methodology for forecast ranges

This edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. However, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available.

The range provides a relatively precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. The range is based on the coefficient of variation\* of historical data and on past

forecast accuracy. It provides precision and direction for forecasts of housing variables,

given a specific set of assumptions for the market conditions and underlying economic fundamentals.



\* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

## DEFINITIONS AND METHODOLOGY

### **New Home Market**

Historical home starts numbers are collected through CMHC's monthly [Starts and Completions Survey](#). Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

### **Dwelling Types**

#### **Single-Detached Start:**

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

#### **Semi-Detached Start:**

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

#### **Row (or Townhouse) Start:**

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

#### **Apartment and other Starts:**

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

### **Intended Market**

#### **Freehold Start:**

Refers to the commencement of construction of a residence where the owner owns the dwelling and lot outright.

#### **Condominium (including Strata-Titled) Start:**

Refers to the commencement of construction of an individual dwelling which is privately owned, but where the building and/or the land are collectively owned by all dwelling unit owners. A condominium is a form of ownership rather than a type of house.

#### **Rental Start:**

Refers to the commencement of construction of a dwelling constructed for rental purposes regardless of who finances the structure.

#### **Average and Median Single Detached Home Prices:**

Are estimated using CMHC's [Market Absorption Survey](#), which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

#### **New Home Price Indexes:**

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

## Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

### MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

### MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

## Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October **Rental Market Survey** (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

### Vacancy Rate:

The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

### Two Bedroom Rent:

The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

## Economic Overview

**Labour Force** variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

### Net Migration:

Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

## CMHC HELPS CANADIANS MEET THEIR HOUSING NEEDS

Canada Mortgage and Housing Corporation (CMHC) has been helping Canadians meet their housing needs for more than 70 years. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer unbiased housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at [www.cmhc.ca](http://www.cmhc.ca) or follow us on [Twitter](#), [LinkedIn](#), [Facebook](#), [Instagram](#) and [YouTube](#).

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.

©2019 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 this CMHC publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or the entire content of, this CMHC publication, please send a Copyright request to the Housing Knowledge Centre at [Housing\\_Knowledge\\_Centre@cmhc.ca](mailto:Housing_Knowledge_Centre@cmhc.ca). Please provide 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

## PUBLICATIONS AND REPORTS AVAILABLE ONLINE

Local, regional and national analysis and data on current market conditions and future trends.

- Housing Information Monthly
- Housing Market Assessment
- Housing Market Insight
- Housing Now Tables
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Northern Housing
- Housing Market Outlook, Canada and Major Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Seniors' Housing Reports
- Mortgage and Consumer Credit Trends Report

## DATA TABLES AVAILABLE ONLINE

- Funding and Securitization Data
- Household Characteristics
- Housing Market Data
- Housing Market Indicators
- Mortgage and Debt Data
- Rental Market Data

## HOUSING MARKET INFORMATION PORTAL

*The housing data you want, the way you want it.*

- ✓ Information in one central location
- ✓ Desktop and mobile friendly
- ✓ Neighbourhood-level data

[cmhc.ca/hmiportal](http://cmhc.ca/hmiportal)

## SUBSCRIBE NOW

*Get email notifications when CMHC publications are released or updated. Sign up for a free myCMHC account for enhanced site access, including one-click subscriptions to the reports and tables that matter to you.*

**Get your myCMHC account today!**

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

Find all the latest trends, research and insights at [cmhc.ca/housingmarketinformation](http://cmhc.ca/housingmarketinformation)

## Housing Observer

Featuring quick reads and videos on...

- Analysis and data
- Timely insights
- Updates to housing conditions, trends and much more!

Subscribe today to stay in the know!

[www.cmhc.ca/observer](http://www.cmhc.ca/observer)

