



IF YOU WANT IT GONE CALL SUZY HAHN



Suzy Hahn - Ocean City Realty (2003) Ltd - 762 Goldstream Ave, Victoria, BC, V9B 2X3

Phone: 250-381-7899 Toll Free: 1-877-380-7899 Web: www.suzyhahn.com Email: sellwithsuzy@shaw.ca

REAL ESTATE IN VICTORIA...Keeping You Informed

Fall 2010

SALES PULL BACK FROM RECENT HIGHS

THE HARMONIZED SALES TAX (HST) AND REAL ESTATE

The HST took effect in BC on July 1, 2010. It combined the 7% provincial sales tax (PST) and the 5% federal goods and services tax (GST). In effect, it created single tax of 12% on goods and services. The following outlines the key features of the application of the new HST regime on the purchase of "resale" and "new" homes. It also assesses the cost implications of the HST on the purchase of a new home, compared to the tax regime (i.e. GST) which existed prior to July 1, 2010.

Purchase of Resale Homes

The HST, similar to the GST, does not apply to the purchase of a resale (i.e. existing home) home. However, the HST does apply to REALTOR® fees or commissions and related closing costs, appraisals and inspections. This will add 12% to real estate fees or commissions, rather than the 5% under the GST.

Purchase of New Homes

The 12% HST does apply to the purchase of new residential construction, substantially renovated homes and building lots. However, an HST rebate is available on the purchase of a "primary" residence. This includes a rebate of 36% of the federal portion of the HST for new homes costing up to \$350,000, which declines to 0% at \$450,000. It also includes a rebate of 71.43% of the provincial portion of the HST up to a maximum rebate of \$26,250.

As shown in Table 1, there are substantial taxes associated with the purchase of a new home in BC. The question is whether the HST regime adds to the total cost of a new home. The answer is "NO" for moderately priced homes, according to figures from the Canadian Homebuilders' Association of BC. Under the GST regime, the PST on goods and materials used in construction was included in, rather than added to, the price of a new home. It added an estimated average of 2% to the price. **HST/GST comparison calculations indicate that the HST on a primary residence is cost neutral to \$550,000, will add about 0.9% at \$700,000 and 2.0% at \$1,000,000, compared to the tax regime that existed prior to July 1, 2010.** (See: <http://www.chbabc.org/content.php?id=498>). The HST will add about 5% to the cost of a property not used as a primary residence.

(Note: Buyers and Sellers should obtain legal advice from their lawyer regarding the application of the HST to a real estate transaction.)

TABLE 1: TAXES ON THE SALE OF NEW HOMES

Price Excluding Taxes	PTT*	Net HST**	Total Cost***
\$200,000	\$2,000	\$10,400	\$212,400
\$300,000	\$4,000	\$15,600	\$319,600
\$400,000	\$6,000	\$24,850	\$430,850
\$500,000	\$8,000	\$35,000	\$543,000
\$600,000	\$10,000	\$45,750	\$655,750
\$700,000	\$12,000	\$57,750	\$769,750
\$800,000	\$14,000	\$69,750	\$883,750
\$900,000	\$16,000	\$81,750	\$997,750
\$1,000,000	\$18,000	\$93,750	\$1,111,750

* The Property Purchase Tax figures exclude any First Time Buyer exemptions.

** These figures include 12% HST less the HST Rebate.

*** The Total Cost figures exclude related closing costs,

TABLE 2: STATISTICAL TRENDS - ALL RESIDENTIAL (Greater Victoria and Other Areas)

QUARTER-TO-QUARTER COMPARISONS			
	3 rd Qtr 09	3 rd Qtr 10	Change
New Listings	3,234	3,047	-187
Sales	2,336	1,268	-1,068
Avg Sale Price	\$485,608	\$484,446	-\$1,162
Median Sale Price	\$440,000	\$445,000	+\$5,000
Ratio Sales Listings	.72	.42	-.30
Avg Days to Sell	54	60	+6
Sale Price as % of Orig List Price	96.2%	93.6%	+2.6%
Mortgage Rates (Posted 3 yr Fixed)	4.68%	4.20%	-0.48%

THE VICTORIA MARKET

Reminiscent of 2008, the real estate market in Victoria cooled in the 3rd Qtr. As shown in Table 2, sales of residential properties through the Victoria Real Estate Board's MLS® decreased in the 3rd Qtr of 2010. Sales of residential properties totalled 1,268, down 46% from 2,336 sales in the 3rd Qtr of 2009. However, it should be recalled that the 3rd Qtr of 2009 had the strongest 3rd Qtr sales over the past two decades. The sales-to- listings ratio dropped well into "Balanced Market" territory at .42 in the 3rd Qtr, compared to .72 in the 3rd Qtr of 2009. **Both average and median sale prices decreased from the highs of earlier this year. The average sale price of a residential property in Greater Victoria and other areas was \$484,446 in the 3rd Qtr of 2010, little changed from \$485,608 in the 3rd Qtr of 2009, and down 5.7% from the peak of \$513,556 in the 2nd Qtr of this year.** The median sale price was \$445,000, up slightly from \$440,000 in the 3rd Qtr of 2009. The figure of \$484,446 compares with average residential sale prices of \$576,803 in Vancouver, \$411,012 in Toronto and \$395,833 in Calgary for the month of August 2010. The slow-down in sales seems to be national in scope as all provinces experienced a decline in sales in the month of August 2010 compared to August last year. Perhaps this isn't surprising given that the real estate market has been remarkably strong over the past 12 months even in the face of a recession. Beyond this, uncertainty has resurfaced about the state of the economic recovery. If prices remain at current levels, the average sale price of a residential property in Victoria in 2010 will likely be up a few percentage points over 2009.

There were 3,019 properties (including lots and acreage) active on the Victoria Real Estate Board's MLS® database for the Greater Victoria area (i.e., excluding the Malahat, Up-Island and the Gulf Islands) on Oct 1, 2010, up 31% from 2,305 on Oct 1, 2009.

REAL ESTATE ACTIVITY

Table 3 presents an analysis of real estate activity in Greater Victoria for the 12 month period October 2009 to September 2010.

Sales of SFDs in Greater Victoria in the 3rd Qtr of 2010 totalled 667, down 46% from 1,226 sales in the 3rd Qtr of 2009. The average sale and median sale prices drifted lower from their peaks in the last Qtr. **The average sale price of SFDs in the 3rd Qtr of 2010 was \$602,018, up 1.7% from an average of \$592,041 in the 3rd Qtr of 2009.** Moreover, the median sale price was \$545,000, up from \$533,000 in the 3rd Qtr of 2009. SFDs that sold were on the market for an average of 52 days in the 3rd Qtr of 2010, up from 42 days last year. The sales-to-listings ratio was .45 in the 3rd Qtr of 2010, compared to .75 last year.

Condominium sales also sagged in the 3rd Qtr of 2010 with sales of 348, down 48% from 667 sales in the 3rd Qtr of 2009. **The average sale price for a condo was \$314,713, down from \$324,180 in the 3rd Qtr of 2009.** The median sale price was \$285,000. Condos took an average of 59 days to sell in the 3rd Qtr of 2010, virtually unchanged from last year. The sales-to-listings ratio was .48 in the 3rd Qtr of 2010, compared to .72 last year.

Townhouse sales totalled 120 in the 3rd Qtr of 2010, down 55% from 265 sales in the 3rd Qtr of 2009. **The average selling price in the 3rd Qtr of 2010 was \$433,470, down 3.8% from \$450,385 in the 3rd Qtr of 2009.** The median sale price was \$413,000. Townhouses took an average of 51 days to sell in the 3rd Qtr of 2009, down from 55 days last year. The sales to listings ratio was .52, compared to .84 last year.

Real Estate in Victoria... I provide this newsletter to clients, customers and friends to help them keep informed of developments in the real estate market in the Victoria area. If you do not want to receive this newsletter in the future, please let me know. The information contained herein is based on sources which are believed to be reliable, but it is not guaranteed. The content of this newsletter is copyright©. The data and information outlined herein was derived from a number of sources including the Victoria Real Estate Board and the Canadian Real Estate Association.

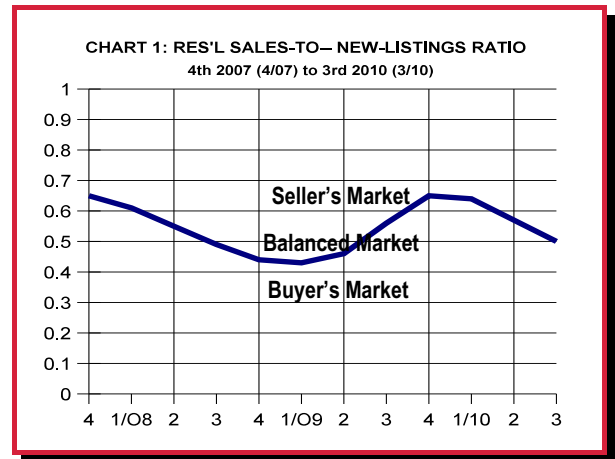


TABLE 3 REAL ESTATE ACTIVITY - Greater Victoria
October 2009 to September 2010

Single Family Dwellings				
District*	Sales	Ratio	Avg Sale Price	% Chg#
Victoria/VW	465	.56	\$606,436	+12.8
Oak Bay	234	.59	\$892,500	+11.0
Esquimalt	131	.63	\$489,360	+3.4
View Royal	96	.47	\$583,650	+15.0
Saanich East	694	.58	\$651,903	+7.5
Saanich West	348	.53	\$559,396	+11.0
Central Saanich	172	.53	\$607,485	+5.1
North Saanich	121	.45	\$766,973	+13.3
Sidney	112	.59	\$493,727	+5.2
Highlands	22	.35	\$724,552	+14.1
Colwood	256	.67	\$516,704	+0.3
Langford	473	.48	\$532,439	+9.6
Metchosin	30	.38	\$675,699	-1.1
Sooke	256	.42	\$418,780	+4.9
Waterfront	121	.36	\$1,310,207	+11.0
District Totals	3,468	.52	\$624,104	+8.5
Malahat & Area	239	.45	\$478,735	+3.3
Gulf Islands	186	.35	\$565,476	+10.1
*District Avg. Sales Prices exclude sales of "Waterfront"				
Condominiums	1894	.48	\$324,406	+6.2
Townhouses	731	.65	\$444,853	+5.7
# Percentage Change over period Oct 2008 to Sept 2009				