

# FORECAST IS INCREASED STABILITY FOR HOUSING



VRBA's Annual Crystal Ball Housing Forecast was recently held with presentations by:

- Graden Sol, Chair, Victoria Real Estate Board
- Brendon Ogmundson, Chief Economist, BC Real Estate Association
- Pershing Sun, Senior Analyst, CMHC
- Casey Edge, Executive Director, VRBA

This year will likely be a more stable environment for inflation and interest rates, resulting in more consumer confidence.

Last year's rising interest rates to get inflation under control significantly impacted housing affordability and sales. Inflation and interest rates are expected to stabilize in 2023.

Rising rates starting in March 2022 were followed by a steady decline in sales volume and prices. That said, prices are still higher than last year.

In December 2022, the benchmark price of a single family home in Greater Victoria was \$1,135,600, up from \$1,127,600 in December 2021.

After experiencing a sellers' market in 2021 and early 2022, BC is now in balanced territory.

Most home buyers in our region are from BC at 89%, while 9.3% are from the rest of Canada. Only 1.6% are from outside Canada.

Total housing starts in Greater Victoria declined marginally from 4809 in 2021 to 4787 in 2022. However, rising interest rates hit new single family homes the hardest, with starts down 21% while multi-family starts were up 4%.

Unabsorbed single detached inventory increased while unabsorbed condo inventory decreased.

Last year's high housing starts will not likely represent the market in 2023. They are based on spring's pre-sales prior to increases in the interest rate and challenging mortgage stress test.

Spec home construction may be scaled back, however, housing demand will remain strong over the long term due to millennial demographics, immigration and stabilizing inflation and mortgage rates.

Unfortunately, rising government regulations and fee increases do not accommodate market realities. Low mortgage rates subsidized these government increases, adding to unaffordability.

To improve housing supply, VRBA recommends:

- Put a provincial cap on municipal fees and increases as Ontario is doing;
- Create an enforceable timeline on development and building approvals;
- Pre-zone for new housing based on regional planning principles;
- Index the GST New Home Rebate to inflation;
- End the Speculation Tax and change Property Transfer Tax and Building Permits to a fee for service, not a tax on the rising cost of housing.

These initiatives would be the biggest contribution by government to assist affordability.

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