



# VREB net~doc

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website at  
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## 'BUT I CAN'T AFFORD TO BUY...'

**You may be pleasantly surprised that you can afford to buy after all!**

Many people would like to start building equity in their own home, but are held back by concerns about cost. In fact, the Canada Mortgage & Housing Corporation estimated that over 32 per cent of renters in the Victoria area during 1997 could afford to buy their own home. If affordable housing options are available to so many renters, what's holding them back?

Sometimes the media reports of housing prices can give a misleading impression about the cost of home-ownership. The media typically report median or average prices without explaining the distribution of home prices behind those figures.

### **MEDIAN PRICE**

A median is that price at which half the homes sold for more while half sold for less. That means that there are just as many homes that sold at a price lower than the median than those that sold at prices higher than the median price. The median price doesn't give any indication of the spread of these prices. Many properties are sold at *much lower* — and higher prices, of course — than the median price.

### **AVERAGE PRICE**

An average price is the total dollar volume of homes sold for a particular period, divided by the number of units sold. Average prices are typically reported for the sales activity in a given area for a given month, quarter or year, and provide a snapshot of past activity. Average prices of properties sold in the past give only a limited indication of what housing inventory for sale is priced at today. An understanding of the housing in a particular community is needed to put average prices into perspective. For example, sales of a new sub-division or townhouse project of larger, upscale homes at higher prices will bring the overall average price up, giving the impression that all housing prices have risen, when in reality, prices for the older, smaller housing units in the community may not have changed, or they may have even have dropped.

### **AFFORDABILITY AND SELECTION**

Attractive mortgage rates combined with affordability and selection have made the Greater Victoria area increasingly popular for buyers. Over 60 per cent of all single family homes in 1997 sold for less than \$240,000 while over 56 per cent of all condominium homes sold for less than \$140,000. Thirty-eight percent of all townhomes and strata duplexes sold for less than \$170,000.

A REALTOR with experience in the community in which you're interested in buying can provide a knowledgeable market analysis and show you what is available within your budget. You can use the Internet (*mils.ca*) to view all properties listed for sale on the Multiple Listing Service®. For further information, contact a Victoria Real Estate Board REALTOR. You may well find that you *can* afford that dream of home ownership after all.

### **INCENTIVE PROGRAMS FOR BUYERS**

#### **CMHC Home Loan Insurance (5% down program)**

Under this program CMHC insures mortgages for 95 per cent of purchase price. The program is open to both first-time and previous buyers who can manage the costs of home ownership and have a minimum down payment of five per cent of the purchase price.

#### **RRSP Home Buyers' Plan for First-time Buyers**

Participants are eligible to withdraw a maximum \$20,000 tax-free from his/her own RRSP for a down payment. Participants must be first-time buyers, not have owned a home that has been used as a principal residence within the last five years and must intend to occupy the home as a principal residence. The minimum repayment schedule



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is 15 equal installments. The funds to be withdrawn must have been invested into the RRSP for a minimum of 90 days prior to withdrawal.

## Property Transfer Tax Exemption for First-time Buyers

First-time buyers are exempt from the property transfer tax (PTT). Normally PTT is 1% on the first \$200,000 and 2% on the balance. To qualify, a buyer must not have owned an interest in a *principal residence* anywhere. The purchaser must be Canadian citizen or permanent resident and have resided in B.C. for a minimum of 12 months prior to the purchase or transfer. The exemption is subject to a maximum purchase price depending on location in the province. Mortgage financing must be 70% or greater of the purchase price and there are limits to the amount that the mortgage can be paid down in the first year. The property must be an owner-occupied principal residence.

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