

# Real Estate Monthly



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## Ontario Housing Markets Defy Industry Expectations

**D**espite concerns over a higher Canadian dollar and its impact on the province's manufacturing sector, housing markets across Ontario continue to perform above and beyond industry expectations, according to a recent report.

Stronger than expected consumer confidence levels have fuelled extraordinary demand for properties this year. Sales were climbing in 85 percent (28 out of 33) of markets surveyed, while all but one market saw average prices escalate. Parry Sound, Clarington/Bowmanville/Newcastle, Trenton, Belleville, North Bay and Pembroke lead the province in terms of percentage increase in unit sales, with double-digit gains of 20, 17, 15, 15, 12, and 11 percent respectively.

Average price has seen solid appreciation in the first five months of the year, with all but Windsor reporting an increase in values. The greatest gain occurred in Timmins, where the demand for residential properties prompted a 29 percent upswing in year-to-date average price, compared to one year ago.

Empty-nesters and retirees are also setting down stakes for their golden years, returning to their original hometowns flush with equity gains realized in larger,

metropolitan areas. In many instances, these purchasers are sparking demand for upper-end product – as evidenced by the 73 percent of markets reporting an uptick in luxury home sales in the first five months of the year.

Other highlights include:

- In-migration from other areas of the province has been a boon to residential real estate in small to mid-sized markets.



- Positive economic fundamentals have buyers spending more, with a growing number of first-time purchasers

forgoing starter product and opting for homes in the mid-range.

- Although the provincial average price now approaches \$300,000, starting prices for entry-level product can be as low as \$100,000, making homeownership a realistic expectation for most Ontarians.
- Detached homes were most popular in markets across the province, accounting for the vast majority of sales. Alternatives such as condominiums and townhomes, just gaining a foothold in smaller centres, were not necessarily the more affordable choice.

### Focus on Ottawa Home Sales

The resale housing market in Ottawa should hold steady while sales in other parts of Canada are poised to boom for the remainder of 2007, according to report released yesterday.

The Royal LePage Real Estate Services report predicts the average price of a home in Ottawa will increase 6.2 percent this year to \$273,445.

The number of resale homes sold in Ottawa will increase by five percent in 2007 to 14,705 units, the report suggests.

#### Ottawa Trends

Here's how the price of a "standard" two-storey house (1,500 square feet, three bedrooms, garage) has changed in six Ottawa regions tracked by Royal LePage Real Estate Services during the first half of 2007, as compared to a year earlier:

- South end: Up 6.1 percent to \$261,000.
- Kanata: Up 7.3 percent to \$280,000.
- Western Ottawa: Up 7.9 percent to \$329,000.
- Central Ottawa: Up 5.0 percent to \$418,000.
- Eastern Ottawa: Up 5.4 percent to \$253,000.
- Orleans: Up 6.6 percent to \$257,000.

## Canada's Love Affair With Condos Continues

Across Canada, from 2001 to 2005, condo starts have posted an annual increase of more than 16 percent, accounting for almost one third of new home construction. Despite the amount of new product available, in most parts of the country, it's still a sellers' market.

A recent survey by Ipsos-Reid for TD Canada Trust, and a follow-up report by TD Economics, says that both the short- and long- term outlook for condos in Canada is good. It says Canada's healthy labour market, low interest rates and an aging population will contribute to brisk condo sales.

Toronto condo prices are expected to increase by 4.2 percent this year, while Ottawa price gains rise from 3.6 percent last year to 4.5 percent. Montreal price increases are expected to drop to 3.5 per cent from 6.4 percent.

The survey found that the top two reasons for preferring condos were lower maintenance costs and greater affordability.

Other reasons for preferring condos are good building security, attractive design and environmentally friendly design/energy efficiency. Proximity to public transit, retail outlets and entertainment are also important factors for those looking for a condo.

The survey found that 39 percent of Canadians would consider buying a new or resale condo, an increase of 4 percent from a similar survey taken in June 2006.

Older Canadians are attracted to condos as they downsize and look for less maintenance in their homes. The median age in Canada was 37 in 2001 and is expected to be between 45 and 50 by 2056.



## The Impact of Home Sales on the Canadian Economy

According to a new report researched by the Canadian Real Estate Association (CREA,) the economic benefits of home sales is great, with each home sale impacting consumer spending by an additional \$32,200 over the subsequent three years after the purchase.

The purchase and sale of homes generate fees for lawyers, appraisers, real estate agents, surveyors, etc., as well as taxes and fees to the government. In addition, says the report, homebuyers purchase new appliances or furnishings, and typically undertake renovations that tailor the new home to specific household requirements.

In fact, the resale housing industry in Canada generated more than 158,000 jobs and an average of \$15.3 billion annually in the period between 2004 and 2006.

On average, job creation is the major side benefit of housing sales. The study found that more than 94,000 jobs are created in Canada each year as a result of resale housing transactions.

Homebuyers spent the following amounts:

- Moving - \$1,650 - 131 percent more than in 2002-2004
  - General household purchases - \$1,300 - 8 percent less than in 2002-2004
  - Furniture/appliances - \$3,950 - 15 percent more than in 2002-2004
  - Renovations - \$7,475 - 68 percent more than in 2002-2004
  - Professional services - \$15,550 - 18 percent more than in 2002-2004
  - Taxes (excluding GST) - \$2,275 - 47 percent more than in 2002-2004
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