

Welcome Home

Your Greater Toronto Area Real Estate Newsletter

January/February 2008

2008 prediction: more of the same

Prices forecast to rise 4.6 per cent

The Toronto real estate market set a new record for sales of existing homes in 2007 – and it happened six weeks before the end of the year. Throughout the last 10 years, the amazing real estate market has withstood 9/11, the SARS crisis, and “bubble” fears caused by the U.S. subprime mortgage disaster. Yet, sales activity is stronger than ever and prices keep climbing.

In 2008, Canada Mortgage and Housing Corp. predicts that sales will rise another 4.6 per cent. Some major real estate firms believe that prices will go up even more, meaning the average house price in the GTA will approach \$400,000 by the end of this year. In November the average price was \$393,747, up 11 per cent over the \$355,727 recorded during November, 2006.

Low interest rates and a booming condo market continue to keep the market affordable, and attract many first-time buyers.

“Steady growth in jobs and household earnings coupled with rising but still historically low borrowing costs will keep consumers upbeat about the purchase of a home in 2008,” says Jason Mercer, a senior market analyst for CMHC. He explains that although home prices are growing at twice the rate of inflation in the GTA, the required household income to carry a mortgage on a \$388,000 home will be \$87,217. That’s

about six per cent less than the estimated average household income in the GTA.

New mortgage products – such as mortgages with longer amortizations – are popular with buyers and also help with affordability, but Canadians don’t need to fear a meltdown like the subprime mess in the U.S. Those types of mortgages did not catch on in the Canadian market.

Last year, the large forecasted increase in listings

did not materialize. In 2008, CMHC expects more homeowners will list their homes for sale to take advantage of equity gains and either trade up or downsize. While it will still be a seller’s market, it will be-

come more balanced than 2007, and should result in fewer bidding wars over homes.

Still, well-priced homes in the most sought-after neighbourhoods will sell quickly and, as always, overpriced homes will stay on the market longer. Despite media reports about all houses selling like hotcakes, an average house is listed for about 30 days and sells for 98 per cent of the list price.

CMHC says that while the City of Toronto will remain the tightest market, with prices rising at almost three times the rate of inflation, suburban areas will see less price growth. Price growth in Durham Region will be about 1.5 times the rate of inflation, with Peel, Halton and York regions experiencing average price growth of two to 2.5 times the rate of inflation.

So all in all, don’t expect much to change as we continue to ride a healthy and growing housing market. All the best to you and your family as we ease our way into 2008. If you have any questions about the real estate market, please don’t hesitate to call. *WH*



Housing market indicators

for single-family dwellings

| Source: TREB | Nov'06 | Nov'07 | %Change |
|--------------|--------|--------|---------|
| Sales | 6,281 | 7,313 | +16% |
| New Listings | 10,176 | 10,692 | +5% |



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Monthly sales

and average price
by area

January 2007

| | | |
|--------------|-------|-----------|
| Central..... | 878 | \$462,211 |
| East..... | 1,238 | 280,178 |
| North..... | 1,082 | 383,806 |
| West..... | 1,975 | 335,116 |

February 2007

| | | |
|--------------|-------|---------|
| Central..... | 1,224 | 504,381 |
| East..... | 1,631 | 290,392 |
| North..... | 1,395 | 389,306 |
| West..... | 2,522 | 342,060 |

March 2007

| | | |
|--------------|-------|---------|
| Central..... | 1,521 | 471,804 |
| East..... | 2,058 | 291,721 |
| North..... | 1,706 | 400,392 |
| West..... | 3,233 | 343,475 |

April 2007

| | | |
|--------------|-------|---------|
| Central..... | 1,696 | 517,418 |
| East..... | 2,267 | 300,530 |
| North..... | 1,898 | 401,355 |
| West..... | 3,591 | 351,415 |

May 2007

| | | |
|--------------|-------|---------|
| Central..... | 2,038 | 506,172 |
| East..... | 2,610 | 305,168 |
| North..... | 2,323 | 408,391 |
| West..... | 4,175 | 356,836 |

June 2007

| | | |
|--------------|-------|---------|
| Central..... | 1,819 | 513,491 |
| East..... | 2,448 | 302,558 |
| North..... | 2,248 | 406,565 |
| West..... | 3,936 | 356,513 |

July 2007

| | | |
|--------------|-------|---------|
| Central..... | 1,590 | 470,464 |
| East..... | 2,101 | 293,819 |
| North..... | 1,797 | 392,360 |
| West..... | 3,424 | 347,978 |

August 2007

| | | |
|--------------|-------|---------|
| Central..... | 1,444 | 453,718 |
| East..... | 1,905 | 285,665 |
| North..... | 1,653 | 403,539 |
| West..... | 3,057 | 343,493 |

September 2007

| | | |
|--------------|-------|---------|
| Central..... | 1,298 | 501,419 |
| East..... | 1,575 | 306,467 |
| North..... | 1,380 | 404,663 |
| West..... | 2,613 | 351,328 |

October 2007

| | | |
|--------------|-------|---------|
| Central..... | 1,602 | 522,800 |
| East..... | 1,794 | 307,950 |
| North..... | 1,555 | 415,071 |
| West..... | 2,964 | 367,139 |

November 2007

| | | |
|--------------|-------|---------|
| Central..... | 1,529 | 519,841 |
| East..... | 1,705 | 311,738 |
| North..... | 1,354 | 417,967 |
| West..... | 2,725 | 362,272 |

December 2006

| | | |
|--------------|-------|---------|
| Central..... | 779 | 408,599 |
| East..... | 1,084 | 271,463 |
| North..... | 941 | 382,065 |
| West..... | 1,643 | 318,364 |

Source: TREB

Condo Update

Condo queries

Read the status certificate

If you were buying a single-family house, chances are you would ask for a home inspection. It provides you with peace of mind since you know about any potential repairs or needed upgrades.

Similarly, if you're buying a condominium unit, you need to ask questions to make sure there are no nasty financial surprises. This means carefully reading through the condominium's status certificate. Each condominium is required by law to make a status certificate available for \$100 or less.

The status certificate reveals information such as if the condo's vendor has paid the required share of common expenses, and if there is a lien on the unit you are buying. The condo's budget, reserve fund balance and management contract, if applicable, are also included.

If there are plans to do major work on common elements – like a parking garage or roof – the condominium corporation may require a special assessment for additional condo fees to pay for the work. These plans should be spelled out in the status certificate.

If the information in the certificate is incomplete, it's up to you to ask questions and find out exactly what the condo complex's financial situation is. Once you've signed the agreement of purchase and sale, you're committed to a share of the costs. **WH**

Protecting the past

Heritage conservation

Preserving history

Part of what makes Toronto a great city is its heritage architecture and communities.

Designation of houses, buildings and entire communities under the Ontario Heritage Act ensures that the importance of these properties is recognized and protected.

Having your home designated as a heritage property doesn't mean you can't sell or renovate it, but it does add an extra step before you can make changes. On the plus side, a heritage designation may provide the property owner with access to grants, loans or tax

relief to support the conservation of the property.

In Toronto, a building, structure or site may be considered important for a number of reasons besides its architecture. It may be the scene of an important event in history or it may relate to a significant person. There are 7,000 properties in the city's Inventory of Heritage Properties, and not all of them are old. A landmark building such as Roy Thomson Hall or the CN Tower also qualifies.



Both "listed" and "designated" properties are included in the inventory. A property that is "listed" is noted as being important but there are no legal restrictions on the property. A property that is "designated" is protected under the Ontario Heritage Act, and that gives City Council the legal authority to approve or deny proposed alterations if they don't retain the building's heritage characteristics. There are about 2,000 designated properties in the city. The designation is also registered on the property's title. If you own a designated property and then sell it, the buyer is required to advise the city clerk of the change in ownership.

There are also Heritage Conservation Districts, where entire communities are designated because of the quality of the buildings, streets and even open spaces. Some of Toronto's existing Heritage Conservation Districts include most of Cabbagetown, Harbord Village, much of Rosedale, Lyall Avenue, and Yorkville-Hazelton. Several other areas are currently being studied and may be designated, including Balmy Beach, Summerhill,

Toronto Islands, and parts of Queen Street East and Queen Street West.

If you want to make alterations to a building that is designated or in a designated area, Heritage Preservation Services will automatically review your plans if they require a permit from the city. Usually it's a good idea to go to that department before applying for a permit to speed up the process.

You can search all listed and designated properties by street address in the City of Toronto's inventory at www.toronto.ca/heritage-preservation. The list of Ontario's designated properties can be found at www.culture.gov.on.ca/english/heritage/hpd.htm. *WH*

Restricted rents

Rent increase guideline 1.4% is lowest in history

Each year the Ontario Government announces the province's rent increase guideline for the following year. The rent increase guideline set by the Ministry of Municipal Affairs and Housing is the maximum amount by which a landlord can increase the rent of a tenant without getting approval from the Landlord and Tenant Board.

Past Guidelines

| | |
|-------------|-------------|
| 2007 | 2.6% |
| 2006 | 2.1% |
| 2005 | 1.5% |
| 2004 | 2.9% |
| 2003 | 2.9% |
| 2002 | 3.9% |
| 2001 | 2.9% |
| 2000 | 2.6% |
| 1999 | 3.0% |
| 1998 | 3.0% |
| 1997 | 2.8% |
| 1996 | 2.8% |
| 1995 | 2.9% |

Source: Gov't of Ontario

The 2007 guideline was the last guideline to be released under the Tenant Protection Act, 1997. It was based on a formula that takes into account inflation in the costs of operating a rental building. These costs were weighted as per Ministry estimates. The 2007 guideline was calculated by averaging, over three years, the changes in these weighted operating costs of a building. The 2008 increase guideline is 1.4 per cent, the lowest in the history of rent regulation in the province. It applies to a rent increase that begins any time between January 1, 2008,

and December 31, 2008, and applies to most residential units in Ontario.

The guidelines started in 1975, and have been as high as eight per cent. For the first time, the guideline is based on the changes in the Ontario Consumer Price

Index, which compares prices for all goods and services from one year to the next. The time period we're looking at now is from June 2006 to May 2007.

The government says that Ontario has witnessed very low-to-moderate increases between September 2006 and January 2007, mainly due to lower energy prices, including gasoline and natural gas. That's why the rent increase guideline is low.

The guideline applies to most private residential rental accommodation covered by the Residential Tenancies Act, 2006. It does not apply to residential dwellings first occupied on or after November 1, 1991 (landlords are covered by the RTA rules that allow one increase per year and requires a 90 day notice); nor does it apply to social housing units and nursing homes. *WH*

Dollars and sense

Mortgage or RRSP? Where to put your money

In an ideal world, homeowners could afford to pay down their mortgage debts every year, while at the same time contributing to their RRSPs and collecting tax refunds. But in real life, many people must choose between contributing to their RRSPs or reducing their mortgage debt.

The best idea? It depends on your financial goals, and whether you value financial security or debt reduction.

Putting money into an RRSP builds for the future and provides a tax return, but it has been argued that paying down the mortgage can also save you tax dollars. That's because if you reduce the principal on your mortgage, you'll reduce the interest that must be paid over the span of the mortgage. And since all those interest payments would have been made with after-tax dollars, you not only save that interest, but the tax on that interest too.

Another point to consider is one of risk. Paying down a mortgage is a sure thing. You can determine exactly how much money you are saving in interest charges. Although you may think that your mutual fund can earn more than you can save by paying down the mortgage, don't forget that most mutual funds also come with service charges that reduce your take.

Everyone's financial situation and priorities are different, so do your homework before making a choice. *WH*

On the internet

Interesting websites

bank-banque-canada.ca

It's everyone's dream: found money. To find out if you have money in an old bank account click on "Services" menu and select "Unclaimed Balances."

chocophile.com

This site for chocolate lovers reviews high-end chocolate from around the world.

vancity.com

To calculate mortgage, net worth, retirement and other figures click on "my money" then "tools and calculators" then "online calculators."

fauxdirectory.com/cgi-bin/search_request.cgi

If you're interested in redecorating this year, you can find information about faux bois painting and painters available across Canada.

These sites are provided for your interest and entertainment only. The information is from various sources believed to be reliable, but their accuracy cannot be guaranteed.

Mortgages

2007 Rates

Mortgage rates are negotiable with individual lenders. Check to be sure that you are getting today's best possible rate.

At December 6, 2007

Mortgage Rates

| | |
|-------------------|-------------------|
| 6-month |6.15% |
| 1-year |5.65% |
| 2-year |5.70% |
| 3-year |5.75% |
| 4-year |5.85% |
| 5-year |5.85% |
| Prime rate |6.00% |

GTA '07 totals

Sales activity of single-family homes

Most recent month, year to date

Active

November18,309

YTDN/A

Listed

NovemberN/A

YTD148,856

Sales

November7,313

YTD88,695

Average price

November\$393,747

YTD\$375,445

Median price

November\$325,000

YTD\$318,000

Average days on market

November32

YTD31

Average percentage of list price

November98

YTD98

Source: TREB

Next issue

Real estate market in the GTA

How the New Year began

Condo market

Sales and prices

Powers of attorney

Life and death decisions

Reverse mortgage

Things you need to know

New real estate law

Starts in March

Home maintenance

Forced-air furnaces

Paying attention to the venting system

The function of the venting system on a natural-draft gas-fired, forced-air furnace is to carry the products of combustion safely and quickly out of the house (before they cool) using the natural buoyancy of the warm gases (convection). The products of combustion get heavier and wetter as they cool. We want to avoid them cooling to the point where they linger in the house or chimney, and we want to get them outside before they condense.

Vent connectors, which join the furnace to the chimney, are typically single-wall metal pipes on conventional gas furnaces. They run from the appliance to the chimney, and the shorter the vent connector, the better.

Two fundamental things can go wrong: spillage and condensation.

Spillage (backdrafting) occurs when the exhaust products don't leave the house through the chimney, but enter the house itself. This has safety implications, especially where incomplete combustion is involved and carbon monoxide is produced.

Common causes of spillage and condensation are:

- an appliance that is too big or a flue that is too small;
- a lack of air available for draft (e.g., negative pressure inside relative to outdoors);
- downdraft owing to a chimney that is too short;
- an improperly sloped vent connector;
- an excessively long vent connector;
- a disconnected, split or rusted-through vent connector;
- an obstructed chimney;
- a poor vent cap size; or
- an excess number of changes in direction.

The field test of a venting system is relatively simple. When the furnace is operating, do the exhaust gases leave the house safely through the

chimney or vent, or do they spill into the house?

This can be a little misleading, because a chimney that vents properly on the day of the inspection may not vent properly under all weather conditions. When the weather outside is colder or the wind is from a different direction, the chimney's operation may be quite different. Similarly, a furnace may vent properly with the furnace room door open, but may spill when the door is closed.

When the appliance is operating, you can identify spillage by the high temperature, high humidity and, in some cases, the odour of the products of combustion entering the house. A common spot for spillage is at the draft hood (diverter hood).

You may be able to see condensation in the venting system. Sometimes it will drip out at seams in the vent connector. You may see it at the draft hood, at the heat exchanger, or dripping into the burner compartment after the burner shuts down.

Condensation may only occur during certain seasons. You won't necessarily get condensation on your inspection day, even if it is a problem with your furnace. Often you only see evidence of condensation, which includes rusting and corrosion. This is sometimes evident along the bottom surfaces of the vent connector, and/or around the draft hood. **WH**

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