

# Welcome Home

Your Greater Toronto Area Real Estate Newsletter

January/February 2009

## The sky isn't falling Toronto market still reasonably healthy

**W**e've been pummeled with bad news about the worldwide economic crisis and the tumbling real estate market, but the market isn't that bad. When all the 2008 numbers are added up, MLS sales in the GTA will be the sixth or seventh best year in history. Canada Mortgage and Housing Corp. (CMHC) forecasts 75,000 sales in 2009, still a strong number.

Yes, it is well off the record-setting pace of 2007. Then, many deals were rushed through in the City of Toronto in order to avoid the new land transfer tax. When you compare recent sales figures with those from a year

ago, it sounds like the market has seen a huge crash, when in fact it is still well above historic sales levels.

The economic crisis started with the U.S. subprime mortgage meltdown, and some people predict that Canada's housing market will soon see a similar fate. Don't believe them. The situation here is very different. Scotiabank economist Adrienne Warren writes in a recent report, "We argue against taking an overly alarmist view to domestic housing prospects. This is not a 'U.S.-style' bust caused by overbuilding, speculative buying and imprudent lending, but, rather a cyclical slowdown..."

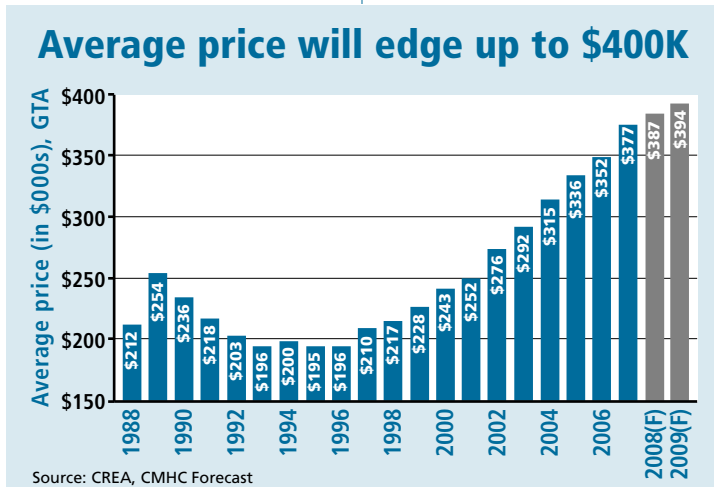
In Canada, the rate of mortgage arrears stands at less than one-third of one per cent. Another key difference from the U.S. experience is the amount of equity that Canadians have in their homes. While many Americans were able to buy with no money down and were, therefore, unable to build equity, the number of Canadian homeowners with less than 10 per cent equity in their homes is conservatively estimated by CMHC at 16.8 per cent.

"People who are most at risk of arrears are those with less than 10 per cent equity in their homes..." says CMHC senior economist Bob Dugan.

CMHC says that Toronto will continue to create jobs in the service sector at above the average rate for the rest of Ontario. Labour market conditions in the GTA are still tight, which means wages will continue to grow slightly above the rate of inflation. Immigration to the GTA remains strong, and mortgage interest rates will remain low. Despite the doom and gloom headlines, the federal housing agency says real estate prices in the GTA will be up 2.6 per cent to \$387,000 at the end of 2008, and will reach \$394,000 by the end of 2009 – another increase of 1.8 per cent.

With the end of the boom comes lots of choice for buyers, so if you're in the market for a home, now is a great time to start looking. If you are selling, price your home realistically and you'll still be able to cash in your equity.

Wishing you and your family all the best for 2009. *WH*



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### Housing market indicators

for single-family dwellings

Source: TREB	Nov '07	Nov '08	% Change
<b>Sales</b> .....	<b>7,313</b>	<b>3,640</b>	<b>-50%</b>
<b>New Listings</b> .....	<b>10,692</b>	<b>9,925</b>	<b>-7%</b>

## Monthly sales

and average price  
by area

### January 2008

Central	.....945	\$485,259
East	.....1,224	296,838
North	.....966	410,289
West	.....1,940	351,594

### February 2008

Central	.....1,017	522,480
East	.....1,455	300,975
North	.....1,185	409,155
West	.....2,358	357,884

### March 2008

Central	.....1,114	481,115
East	.....1,582	302,235
North	.....1,390	424,742
West	.....2,545	360,524

### April 2008

Central	.....1,531	539,133
East	.....2,065	311,350
North	.....1,768	429,262
West	.....3,398	372,575

### May 2008

Central	.....1,606	528,938
East	.....2,241	310,724
North	.....1,938	430,240
West	.....3,626	377,098

### June 2008

Central	.....1,483	518,471
East	.....2,063	314,755
North	.....1,697	430,498
West	.....3,357	374,043

### July 2008

Central	.....1,349	467,743
East	.....1,893	301,658
North	.....1,519	409,865
West	.....3,045	352,956

### August 2008

Central	.....1,091	436,120
East	.....1,487	297,896
North	.....1,246	419,694
West	.....2,494	346,285

### September 2008

Central	.....1,067	464,397
East	.....1,598	300,772
North	.....1,220	407,424
West	.....2,539	352,249

### October 2008

Central	.....892	450,437
East	.....1,253	290,719
North	.....946	382,032
West	.....2,064	335,329

### November 2008

Central	.....629	473,346
East	.....907	295,470
North	.....651	410,253
West	.....1,453	350,199

### December 2007

Central	.....1,057	531,366
East	.....1,062	302,113
North	.....771	420,508
West	.....1,756	357,711

Source: TREB

## Condo update

### Condo checklist

#### Questions to ask when buying

It's more than just location, location, location when buying a condo. Certain rules and regulations set out in the condominium's documentation may surprise you. When buying a condo, ask the following questions:

- What are the rules about the number of people who can live in the unit?
- Can I rent out my unit?
- What percentage of units are rented out?
- Can I have pets?
- Can I operate a business from my unit?
- What are the rules concerning decorating my condo, inside and out? (e.g., paint front door, hang up a wreath or door decoration, etc.)
- What types of renovations are permitted?
- Can I use a barbecue on my patio or balcony?
- Can I use patio furniture?
- Is there guest parking?
- What are the rules concerning use of common elements such as pools, exercise rooms and party rooms?
- What portions of my unit are covered by the condo corporation's insurance? What is excluded?
- What are the regulations regarding security of the condo?
- Is the corporation in good financial condition?
- Are there any legal claims or judgements against the corporation?
- What is the age mix of people who live in the condo? Is it mostly seniors, young adults, or families with children?
- Are utilities included in the monthly maintenance fees? If not, how much will I have to spend for them?
- What are the rules regarding cable/satellite television and Internet access?

Finally, don't forget that while location isn't the only important thing; it is probably the most important thing. Make sure your new condo is close to whatever neighbourhood amenities you'll require. If you are in a developing neighbourhood, check to see if an about-to-be-constructed building will impede your view. *WH*

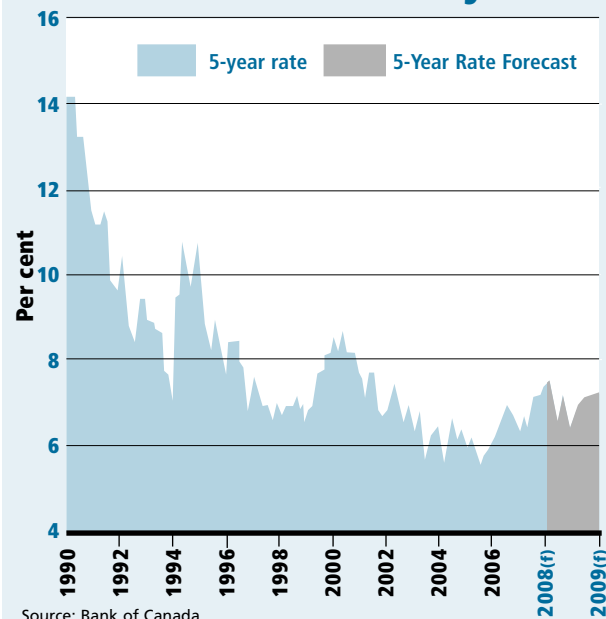
## Mortgages

### Rate forecast

#### Low rates to continue

Low interest rates were a big reason why the real estate boom lasted as long as it did. And, the good news is, they have not changed much. Buyers now have a lot of listings to choose from and can still take advantage of low inter-

### Mortgage rates will remain relatively flat



est rates. Canada Mortgage and Housing Corp. predicts interest rates will likely remain within 25 to 50 basis points of their current levels into the first half of 2009. It says that rising bond yields may push rates marginally higher during the last six months of 2009. CMHC forecasts that the one-year posted mortgage rate will be in the 6.00 to 6.75 per cent range, and that five-year posted mortgage rates will be in the 6.50 to 7.25 per cent range. As you see on the chart, those rates are very low by historic levels.

A recent survey by the Canadian Association of Accredited Mortgage Professionals (CAAMP) says that

borrowers who took out five-year, fixed-rate mortgages during the last year had an average interest rate of 5.59 per cent. Advertised rates during the same period averaged 7.18 per cent, showing that borrowers were able to negotiate an average discount of 1.59 per cent below advertised rates.

Half of the mortgages taken out during the last year were for amortizations longer than 25 years. Longer amortization mortgages account for 16 per cent of all outstanding mortgages. CAAMP says that most people were not aware that the government recently introduced stricter regulations on insured mortgages, but that once the changes were explained, 60 per cent supported the changes.

The CAAMP says 66 per cent of mortgages are fixed, but "there has been a pronounced shift towards variable rate and adjustable rate mortgages." The market share for these kinds of mortgages almost doubled during the last year, which suggests that consumers may be expecting interest rates to go down. CAAMP says that 84 per cent of the people surveyed are satisfied with their mortgages. *WH*

## Money matters

### Tax-free accounts

#### Let you keep more of your money

**I**n January, you can start saving for a home – or anything else – with a tax-free savings account (TFSA), a new financial product. As the name says, investment income earned with money in the account is tax-free and can be withdrawn anytime.

You must be a Canadian resident, 18 years and older, and have a Social Insurance Number to sign up for a TFSA. Each year you can contribute up to \$5,000, in either stocks, GICs, Canada Savings Bonds or various other market funds or savings accounts. The money can be withdrawn anytime, depending on what you invested in, and you don't have to pay tax on it.

Another advantage is that you can carry forward unused contribution room indefinitely and you can replace funds that you withdrew.

For example, if you and your spouse each put \$5,000 into a TFSA for each of the next three years, by the end of that time you would have \$30,000 plus whatever interest has accrued. You can then withdraw this amount tax-free to use as a downpayment, buy a

new car or do whatever you need. Later, you can replace that money if you wish.

Unlike RRSPs, contributions to TFSAs are not tax deductible. However, for first-time home buyers, there may be some advantages to using a TFSA to save for a downpayment, rather than using the Home Buyer's Plan that has been in place for several years. Under the Home Buyer's Plan, you can borrow \$20,000 from a RRSP interest-free for a downpayment. However, you must repay this amount within 15 years or pay taxes on it. The withdrawal also reduces the amount in your RRSP that could come in handy at retirement.

By using a TFSA to save, you still get the tax-free advantages and you don't have to repay it. However, you may be able to save faster in a RRSP, so discuss which strategy is best for you with your financial advisor. Don't forget that the Home Buyer's Plan applies only to first-time buyers.

For more information about TFSAs, contact your financial institution. *WH*

## Legal matters

### Rent increase guideline

#### Set annually by government

**T**he 2009 rent increase guideline is 1.8 per cent. That's the maximum percentage by which a landlord can raise the rent for residential tenants without getting approval from the Landlord and Tenant Board. The Ontario government sets the increase guideline annually based on the changes in the Ontario Consumer Price Index for all goods and services. Last year's guideline was 1.4 per cent. If at least 12 months have passed since the tenant first moved in or since the last rent increase, a landlord can raise the rent by as much as 1.8 per cent. However, the tenant must be given proper written notice of the rental increase at least 90 days before it takes effect.

Landlords can apply to the board for a larger increase if they can prove that their costs for municipal taxes and utilities have increased by more than the rent guideline plus 50 per cent (i.e. 2.7 per cent for 2009). They can also apply for larger increases to help cover costs related to security services and capital expenses.

If you are a landlord or tenant who needs more information, call (416) 645-8080 or visit [www.ltb.gov.on.ca](http://www.ltb.gov.on.ca). *WH*

## On the internet

### Interesting websites

#### [download.com](http://download.com)

You can find AVG and Avira – two of the most popular free anti-virus programs for PCs – on this site.

#### [getsafeonline.com](http://getsafeonline.com)

This site tackles the thorny issue of safety on the Internet.

#### [waybacktimes.com](http://waybacktimes.com)

This is a guide for antique lovers. It provides information on shows, tips on buying antiques, and more.

#### [arthritis.ca](http://arthritis.ca)

Find out about the best possible care and treatment for people with arthritis.

*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

### 2008 Rates

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

**At December 5, 2008**

#### Mortgage Rates

<b>6-month</b>	<b>.6.50%</b>
<b>1-year</b>	<b>.5.75%</b>
<b>2-year</b>	<b>.5.75%</b>
<b>3-year</b>	<b>.5.75%</b>
<b>4-year</b>	<b>.5.90%</b>
<b>5-year</b>	<b>.6.00%</b>
<b>Prime rate</b>	<b>.4.00%</b>

## GTA '08 totals

### Sales activity of single-family homes

Most recent month, year to date

#### Active

November .....27,037

YTD .....N/A

#### Listed

November .....N/A

YTD .....156,988

#### Sales

November .....3,640

YTD .....72,086

#### Average price

November .....\$368,582

YTD .....\$379,989

#### Median price

November .....\$312,250

YTD .....\$325,000

#### Average days on market

November .....41

YTD .....32

#### Average percentage of list price

November .....96

YTD .....98

Source: TREB

## Home maintenance

### Winter woes

#### What to do when the mercury drops

If you want to stay warm this winter, one option, especially with an older house, is to increase the amount of insulation in the attic and exterior walls, but you may be better off to decrease the amount of air getting through the walls. This involves caulking and sealing your home from the inside to prevent air leakage. It's often best to hire professionals to do this job. The monetary payback is relatively short, but the payback in terms of comfort is immediate.

**How do you know where the leaks are?** We recommend the Natural Resources Canada program, ecoENERGY for Buildings and Houses. This residential energy assessment service provides a thorough basement-to-attic assessment of your home's energy use. The energy advisor's written report will help you plan retrofits that will improve your home's energy efficiency.

**How does the residential energy assessment service work?** The service includes a detailed energy evaluation of your home, carried out by a licensed energy advisor; a "blower door" test to find air leaks; a printed report that shows where your energy dollars are being spent and what you can do to improve your home's energy efficiency; and an energy efficiency rating label showing you how energy efficient your home is compared with others in your region.

system, your advisor can suggest improvements that can make a difference to the size of the heating and cooling system that your home needs.

**Selling your house?** After you've made upgrades and improvements, the energy efficiency rating label shows potential buyers how much you've improved your home's energy efficiency and how it compares to other homes in your area.

**Worried about conflict of interest?** Natural Resources Canada's energy advisors provide unbiased advice on how to improve your home's energy use. The service is also quality assured by the Government of Canada to ensure the integrity of the service.

**Short on loonies?** As a bonus, homes that have had pre- and post-retrofit evaluations from a Natural Resources Canada licensed energy advisor are eligible for grants, based on each of the recommended retrofits you have completed and the relative impact the retrofits have on your home's energy efficiency. Your energy advisor can suggest the retrofits that are your best options.

**For more information go to:**

<http://oee.nrcan.gc.ca/residential/personal> **WH**

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## Next issue

### GTA real estate market

How the year started

### Condo market

Sales and prices

### Credit report

Understand your credit status

### Second suites

Help pay mortgage

### Drafts, cold spots and frosted windows.

Once your house has been "ecoASSESSED," you will have found the source of problems and have information about repairing them, and not just caulking and weather-stripping. Whether you are renovating or retrofitting your energy advisor uses state-of-the-art evaluation practices and can advise on the best techniques and types of products.

If you are thinking about upgrading your heating and cooling

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