

Your Greater Toronto Real Estate Newsletter

## Market remains steady and stable Prices higher than last year

**T**he Greater Toronto Area real estate market is not as active as it was in 2010, but it is still busier than the average for this time of the year. Prices are up by about four per cent compared to this time last year.

A steady and stable market is expected for 2011, with few highs and lows. Recent changes to mortgage regulations (see article on page 2) probably will not make a huge difference to the market one way or the other. Although we may see a spike in first-time buyers rushing to buy a home before the mortgage changes take effect on March 18.

The Toronto Real Estate Board's senior analyst, Jason Mercer, states that, "A household earning the average income can afford mortgage payments associated with the purchase of an average-priced home."

Last year at this time, the market was quite different. Coming out of the recession, buyers were worried that interest rates would rise rapidly. There was also the looming impact of the HST, which many buyers mistakenly thought applied to the full price of a resale home. In fact, HST is only charged on the closing costs. These combined fears set off a flurry of buying that set a record sales pace, but dropped in the second half of the year. The talk of a real estate bubble proved to be unsubstantiated as prices slowly rose over the course of the year.

Today's market is much calmer. Sales are down by more than 13 per cent compared to last year, and the number of new listings coming on the market has also dropped. There are still more active listings on the market than this time last year, and it takes an average of 36 days on the market for a home to sell, up 8 days from last year.

Do not forget that sales do fluctuate and you should not place too much importance on sales in the months of December and January, a traditionally slow time for real estate activity. As the spring market approaches, you will start seeing a lot more "for sale" and "open house" signs around your neighbourhood.

Most analysts believe that interest rates will increase starting in the summer but they will not rise very much or very quickly, as the economy slowly continues to improve. Average prices are not expected to increase much, but they are also not expected to drop.

So if you are thinking of buying a home, there are lots of properties to choose from at all price ranges. If you are thinking of selling, well-priced homes will attract buyers as the economy continues to improve. *REU*



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### Average Home Prices - January in the Greater Toronto Area



## Monthly sales

and average price  
by area

### January 2011

|              |       |           |
|--------------|-------|-----------|
| Central..... | 803   | \$530,176 |
| East.....    | 1,000 | 332,396   |
| North.....   | 919   | 487,765   |
| West.....    | 1,615 | 400,936   |

### December 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 896   | 554,141 |
| East.....    | 992   | 337,675 |
| North.....   | 873   | 472,405 |
| West.....    | 1,634 | 405,935 |

### November 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 1,410 | 553,566 |
| East.....    | 1,399 | 339,238 |
| North.....   | 1,359 | 470,799 |
| West.....    | 2,342 | 408,470 |

### October 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 1,308 | 589,786 |
| East.....    | 1,471 | 339,387 |
| North.....   | 1,432 | 478,637 |
| West.....    | 2,470 | 408,286 |

### September 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 1,150 | 538,284 |
| East.....    | 1,432 | 335,396 |
| North.....   | 1,279 | 461,602 |
| West.....    | 2,449 | 411,084 |

### August 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 1,132 | 485,077 |
| East.....    | 1,371 | 331,002 |
| North.....   | 1,374 | 463,779 |
| West.....    | 2,355 | 391,202 |

### July 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 1,180 | 509,106 |
| East.....    | 1,488 | 333,033 |
| North.....   | 1,341 | 473,091 |
| West.....    | 2,555 | 402,870 |

### June 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 1,582 | 550,563 |
| East.....    | 1,946 | 337,770 |
| North.....   | 1,726 | 479,349 |
| West.....    | 3,188 | 413,083 |

### May 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 1,764 | 590,251 |
| East.....    | 2,151 | 349,402 |
| North.....   | 1,910 | 470,502 |
| West.....    | 3,645 | 421,895 |

### April 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 1,928 | 576,281 |
| East.....    | 2,441 | 344,476 |
| North.....   | 2,258 | 481,653 |
| West.....    | 4,271 | 404,930 |

### March 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 1,859 | 566,447 |
| East.....    | 2,293 | 346,989 |
| North.....   | 2,224 | 484,956 |
| West.....    | 4,054 | 396,317 |

### February 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 1,395 | 566,589 |
| East.....    | 1,623 | 326,461 |
| North.....   | 1,520 | 464,191 |
| West.....    | 2,753 | 406,946 |

Source: TREB

## Mortgages

### Mortgage insurance changes **No more 35-year amortizations**

**T**he federal government recently announced changes to Canada's mortgage insurance rules.

When you buy a house with a down payment of less than 20 per cent of the purchase price, you must buy mortgage insurance. This rule benefits the lender. If you default on the mortgage and the lender cannot sell the property for as much as the loan, the lender can place a

claim with the insurer.

Starting on March 18, 2011, you will not be able to get mortgage insurance on a mortgage with an amortization longer than 30 years. The previous maximum was 35 years. The idea is to encourage savings through home ownership. For those buyers who were stretched to the limit under the old rules, it means they probably won't be able to afford a home, or they may be forced to look for a smaller home or in a different neighbourhood.

A buyer who put five per cent down on a home priced at \$345,000, with an interest rate of 4.5 per cent, will see the annual mortgage payment rise by \$1,320 annually when it is amortized over 30 years rather than 35.

For buyers who want to re-finance their mortgage, the government has reduced the limit on refinancing from 90 per cent to 85 per cent of the value of the home, also starting on March 18.

Finally, the government will no longer allow mortgage insurance for "non-amortizing" lines of credit such as a home equity line of credit, effective April 18. *REU*



## Home improvements

### Planning a renovation **How to get started**

**O**ne of the first things people do when they move into a house is make changes to suit their individual tastes and needs. The changes can range from applying a fresh coat of paint to gutting the home completely and re-building.

Here are some key questions to ask before starting any renovation. Why are you renovating? Is it primarily for aesthetics or to replace worn-out systems or components? Repairs to wiring or structural parts of the house cannot wait for safety reasons, and should take priority. Renovations that increase the energy efficiency of the house will pay for themselves over time with the money saved on your hydro bill.

According to the Appraisal Institute of Canada, the

renovations that offer the greatest payback potential when you sell your home are renovations to bathrooms and kitchens, interior and exterior painting. But things you don't see – roof replacement or a heating system upgrade – can also fetch strong returns at resale time.

Once you have identified what you want to renovate, your next step is to set a budget. You may need to discuss your renovation with a financial institution to determine the best way to pay for it – such as obtaining a second mortgage or using a line of credit.

Finally, you must decide if you can do the work yourself or need to hire a contractor. If you do hire one, make sure you check references and have a signed contract in place. *REU*



# Condo matters

## Investing in a condo **What to look for**

**A** recent bank survey found that 10 per cent of Torontonians would consider buying a condo for their children as an investment. Condo living has taken off in the GTA, with people of all ages and incomes embracing the condo lifestyle, and many more enjoying the financial benefits of buying a condo as an investment. Especially in light of the fact that condo rents are going up. According to some estimates, investors own as much as a third of some condo buildings.

As with any real estate investment, there are a number of financial, tax planning and social aspects to consider before buying a condo. The usual rules of real estate apply: location, location, location. You must ensure that the property will be in demand for renters. If there are already a lot of investor-owned units, will it create too much competition for renters?

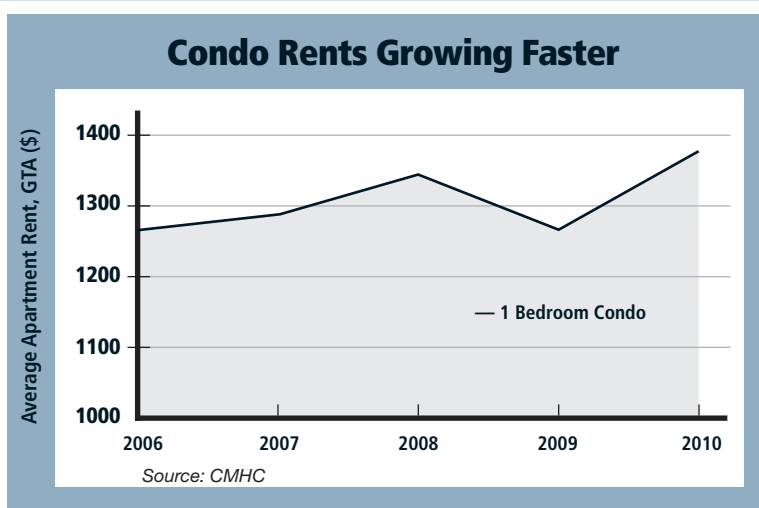
When buying a condo, check out the status documents of the condo corporation to find out if there are any major repairs or other expenses planned in the next few years.

Some condo buildings have rules about how many suites can be rented out. You also have to be aware of other regulations such as whether pets are allowed and what kinds of improvements can be made to the unit.

One advantage of investing in a condo is that the

corporation takes care of the building's management and maintenance. You also don't have to worry about the upkeep of the common areas such as a swimming pool or parking garage. This makes being a landlord a little easier than renting out a detached dwelling. However, you still need to brush up on your knowledge of Ontario's Residential Tenancies Act, the legislation that regulates landlords and tenants.

If your adult child is going to live in the condo, there are pros and cons to having the unit registered in your name or



your child's name. If it is registered in the child's name it protects you from a tax hit if the unit is sold. However, if the child has a spouse and they break up, the spouse may be entitled to half of the sale proceeds.

Always get legal and financial advice before making a major investment. *REU*



## On the internet

### Interesting websites

#### **tiff.net/sprockets**

Sprockets is the Toronto International Film Festival For Children - offers engaging and entertaining cultural perspectives from around the world through the power of film (Apr 5-7).

#### **glassdoor.com**

Get an inside look at jobs and companies including company reviews, salaries, and interview questions - all posted anonymously by past and present employees.

#### **moonfruit.com**

This elegant website lets you build your own free website. You can add whatever content you like with just a few clicks of your mouse.

#### **epilepsy.ca**

Provides information to enhance the quality of life for those affected by epilepsy.

*These sites are believed to be reliable but their accuracy cannot be guaranteed.*

## Mortgages

### 2011 Rates

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

February 4, 2011

#### **Mortgage Rates**

|            |       |
|------------|-------|
| 6-month    | 3.95% |
| 1-year     | 2.80% |
| 2-year     | 3.25% |
| 3-year     | 3.64% |
| 4-year     | 3.84% |
| 5-year     | 3.94% |
| Prime rate | 3.00% |



## Roofing perspective

### What to expect when re-roofing

It is time to replace your roof. You have done your homework, obtained at least three quotes from contractors, checked their references and hired one of them. Other than paying the roofer when the job is complete, all the difficult stuff is done. Right? Not so fast.

Even though replacing a roof is a minor renovation project in the grand scheme of things, you should prepare for what you may have to endure while the work is going on. Roof replacement is noisier, dirtier and more disruptive than most people think. Going into the process with a realistic understanding can make the disturbance easier to bear.

Let's look at a few things that you can expect.

#### Noise

Removing the existing shingles from your roof will be noisy. Shingles are put on to stay, and it requires some effort to get them off. Your roof surface amplifies the noise; it is like a big drum. As the roofers pound, pull and pry, it will sound like they are tearing your house apart. And once the old shingles are removed, they will need to nail the new ones into place.

#### Odour

If you have a flat roof, there may be a large kettle of molten

asphalt bubbling away all day. Most people find the odour from the asphalt unpleasant.

#### Dust and dirt

Every thump and bump inevitably generates some dust. It sneaks out below the baseboards, around the windows and through the light fixtures. Dust is almost magical. It gets into everything.

#### Nails

When the existing shingles are stripped off, thousands of nails will come out too. Good roofers will collect 99 per cent of them during cleanup, but they are sure to miss a few which you may find in your garden months later.

#### Mess

You will need to make sure the roofers cover your plants and shrubs to protect them. There will be a big garbage bin that always seems to be in the way. There will be bundles of new shingles and other building materials. While roofers clean up the site daily, the outside of your house is going to look pretty messy while you are in the midst of re-roofing.

Even when roofers have completed the job and cleaned up, you may still have to put up with the loose granular material that a new roof will often shed into the gutters and the flapping plastic strips that stick out from between the shingles. The loose granules are normal and those plastic strips are not a problem. (You don't need to remove them; they will disappear eventually). In the end though, all the trouble will be worth it and you will have the comfort and security of a new roof. You will also have the knowledge that you will not have to put up with any of this again - for another fifteen to twenty years anyway.

*The above article is reprinted with the permission of Carson, Dunlop & Associates Ltd., Consulting Engineers – Building Inspections.*

## GTA '11 totals

### Sales activity of single-family homes

Most recent month, year to date

#### Active

January .....12,152  
YTD .....N/A

#### Listed

January .....N/A  
YTD .....8,960

#### Sales

January .....4,337  
YTD .....4,337

#### Average price

January .....\$427,037  
YTD .....\$427,037

#### Median price

January .....\$360,000  
YTD .....\$360,000

#### Average days on market

January .....36  
YTD .....36

#### Average percentage of list price

January .....98  
YTD .....98

Source: TREB

## Housing market indicators

### Single-family dwellings

| Source: TREB | Sales | New Listings |
|--------------|-------|--------------|
| Jan '10      | 4,986 | 10,021       |
| Jan '11      | 4,337 | 9,008        |
| % Change     | -13%  | -10%         |

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