

Welcome Home

Your Greater Toronto Area Real Estate Newsletter

Surprising strength in market On track for another solid year

The strength of Toronto's housing market so far this year has taken a lot of people by surprise. There are more transactions than many analysts predicted, with January setting a new all-time record, and February coming in a close second. March was a very strong month, with more than 8,000 sales. The chart on this page shows how the market compares to last year.

One senior economist from a major bank said the housing market is like the TV commercial bunny that just keeps going and going. The current housing boom started nine years ago.

While many economists still think the market will slow-down by the end of the year, most also believe that prices will rise by about five per cent.

During the last 25 years, inflation-adjusted Toronto home prices have increased, on average, 2.4 per cent. In all of Canada, that's second only to Vancouver.

Although you hear a lot about Alberta's red-hot real estate market, consider that Toronto is the number one destination for immigrants to this country. Immigration averages 250,000 people annually, which is two and a half times greater than the country's natural population increase. That bodes well for the long-term future of GTA real estate.

Much has been said and written recently about real estate troubles in the United States. The market there has slowed considerably and there are a lot of stories about homeowners who have defaulted on

their mortgages. It's raising questions about some new mortgage products – like the sub-prime mortgages – that have recently become available in Canada. While these products make it easier for people with credit issues to qualify for a mortgage, they come with added risk for lenders. That's causing Canadians to ask if the situation in the U.S. will repeat itself north of the border.

The Canadian Association of Accredited Mortgage Professionals (CAAMP) says that's not likely. It says the sub-prime market makes up five per cent or less of all outstanding mortgages in Canada, while in the U.S.,

the market is closer to 20 per cent. Canadians are also a more conservative lot than Americans when it

comes to mortgages. CAAMP says Canadian underwriting practices are "more prudent, as we have not been focused on a market share war for the sub-prime business." And it says that Canada doesn't use option adjustable rate mortgages for sub-prime borrowers, as they do in the U.S. In Canada, "lenders qualify mortgages with consideration for payment variation, which has not been the practice in the U.S.," says the association.

In the United States, mortgage interest is tax deductible, which encourages real estate speculation. Household debt in the U.S. is 25 per cent higher per capita than in this country, and U.S. affordability is at its worst level in 20 years. Here, thanks to a strong job market and continuing low interest rates, housing is more affordable. *WH*

Toronto area sales						
Average and median prices of single-family dwellings						
	2006			2007		
Source: TREB	Sales	'06 Avg	Median	Sales	'07 Avg	Median
January	4,587	332,687	288,200	5,173	353,724	300,000
February	6,756	353,928	298,000	6,772	368,687	309,000
March	8,707	353,134	301,000	8,518	365,285	312,500



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May/June '07

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Housing market indicators for single-family dwellings

Source: TREB

	Mar. '06	Mar. '07	% Change
Sales	8,707	8,518	-2%
New Listings	16,457	15,218	-7%

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 2006

Central.....	1,442	499,194
East.....	2,029	290,262
North.....	1,701	393,841
West.....	3,189	340,900

May 2006

Central.....	1,739	483,682
East.....	2,293	292,600
North.....	1,898	390,999
West.....	3,504	340,841

June 2006

Central.....	1,579	463,581
East.....	2,144	286,174
North.....	1,762	385,084
West.....	3,245	339,469

July 2006

Central.....	1,279	428,031
East.....	1,716	278,028
North.....	1,407	373,573
West.....	2,680	325,417

August 2006

Central.....	1,181	401,244
East.....	1,675	275,050
North.....	1,493	388,674
West.....	2,627	321,415

September 2006

Central.....	1,166	443,881
East.....	1,592	278,154
North.....	1,312	386,360
West.....	2,552	331,006

October 2006

Central.....	1,317	473,336
East.....	1,656	283,339
North.....	1,383	379,680
West.....	2,520	330,585

November 2006

Central.....	1,223	457,730
East.....	1,482	278,785
North.....	1,152	391,959
West.....	2,424	334,085

December 2006

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

Source: TREB

Suites that avoid suits

Second suites

Why they must be legal

If you're thinking of adding a second suite to your house – either as a rental unit, in-law residence or basement apartment – you must comply with building and fire regulations. If you already have a second suite but it doesn't conform to regulations, you should seriously think about making it a legal unit.

About one-fifth of the rental stock in Toronto is second suites. Canada Mortgage and Housing Corp. estimates the cost of converting to a legal suite averages about \$15,000, and says that money will quickly be recouped by rental income. However, major changes to some houses may be necessary and could cost more.

According to the non-profit Landlord's Self-Help Centre in Toronto, there are many reasons why you should ensure your suite is legal. The most important one is that if you rent out a non-conforming suite and there's an accident or fire, you could be held liable for the deaths and/or injuries of the occupants. The centre staff say, "Ultimately the onus is on you to ensure that your home complies with provisions set out in the Ontario Fire Code. In all cases, minimum fire safety regulations must be met. The penalty for fire code violations is a fine of up to \$25,000 or a prison term of up to one year, or both."

It's also important that your insurance provider and your mortgage holder are aware of the second suite.

"Compliance with established standards increases the marketability of the property and may enable you to qualify for a larger mortgage loan," according to the centre. "If you buy a house containing a rental unit, you may find lenders or mortgage insurance brokers reluctant to provide funding if it does not meet fire safety standards...when purchasing a home containing a second suite, be sure to request and carefully review documentation relating to permits and inspections required for an authorized unit. Similarly, (if you are selling) consider upgrading the existing unit so that it fits within established standards, as compliance may make your home easier to sell."

In Toronto, the floor area of the second suite must be less than the rest of your house. Each unit must be self-contained from other rooms and areas by a fire separation. Walls between a common corridor and

dwelling units must have a 30-minute fire resistance rating. You can have drywall and plaster walls and ceilings, but suspended ceilings, wood paneling and non-rated ceiling tiles are not adequate. There can be no exposed joists; ceilings must be continuous. Doors must be solid wood or metal and at least 1 3/4-inches thick.

A suite must pass an inspection by the Electrical Safety Authority, and any deficiencies identified by the inspector must be addressed before it is deemed legal.

For detailed information about second suites and all the implications of having one in your house, visit the Landlord's Self-Help Centre at www.landlordselfhelp.com or call 416-504-5190. *WH*

Condo update

The Condo Act Financial protection

It's been six years since Ontario's "new" Condominium Act was declared law, replacing the previous act that dated back to 1967. The new legislation provides improved protection for buyers and owners. For buyers, it requires that extensive information about the condominium corporation's rules, by-laws and financial situation be made available on request. It requires condo corporations to conduct studies of their reserve funds every three years to make sure there is enough money to pay for major repairs and the replacement of common elements in the complex.

Unlike the previous vague rules, it also sets out controls on what a condominium corporation can do with its money, including proceeds earned from investing it. Some condominiums have budgets that run into millions of dollars, so keeping strict control of the money is critical. Each corporation is required to have separate operating and trust accounts. In the past, some corporations put all the funds into one account and sometimes didn't have enough money on hand to handle operating costs.

The new act also created several new types of condominiums, and although they are not plentiful, commercial condos may be the wave of the future. Retail condos, industrial condos, marina condos and vacant land condos already exist.

Not everything is perfect. For example, the new act allows corporations to pass by-laws to limit the number of people who can live in one unit. But critics say

that if the corporation attempts to enforce their rules, they may run afoul of the Human Rights Code.

There are also concerns about condominium buildings that have been renovated from other existing uses, such as a warehouse. The provincial new home warranty program does not cover these units, leaving owners on the hook if a major building system fails. *WH*

Who... are you

Identity theft

What you can do about it

In the telecommunications and computer age, identity theft is a growing problem. The Office of the Privacy Commissioner of Canada defines it as "the unauthorized collection and use of your personal information, usually for criminal purposes."

Identity theft could leave you with bills and taxes to pay and bad cheques to cover. Here are some suggestions from the Privacy Commissioner on how to safeguard your personal information:

- Be careful about sharing information. If someone asks for your social insurance number, date of birth, credit card numbers or even your address, ask how and why the information will be used. Give out no more information than is necessary.
- Be particularly careful about safeguarding your SIN number.
- Don't give credit card numbers over the phone, in an email or on a voice mail unless you know the person it's going to and you know the information will be secure.
- Take advantage of online security and privacy technologies such as digital signatures and data encryption.
- Notify creditors immediately if your I.D. or credit cards are lost or stolen.
- Pay attention to your billing cycles. If your bills don't arrive on time, contact the companies to make sure they have not been redirected elsewhere.
- Check your credit report from a credit-reporting agency once a year to make sure it's accurate and doesn't include debts that you don't know about.
- Choose difficult passwords for your electronic banking and payment activities. Change them frequently.

- Hide your PIN number when using debit pads, bank machines or telephones.
- For more information, visit www.privcom.gc.ca. *WH*

Tax advantage

Capital gains tax Designating principal residence

If you sell your principal residence in Canada, it is exempt from capital gains (or profit) taxes. If you own more than one property, you can designate which one is your principal residence for tax purposes, subject to certain conditions. This may be beneficial if, for example, you want to sell a cottage that is worth more than a home you own elsewhere.

A principal residence can be a house, a condo unit, a cottage, a mobile home, a trailer or even a houseboat. It can also be a leasehold interest in any of the above, or a share of the capital stock of a co-op.

An exception to the principal residence condition is that if two single people each own a house, both of them are eligible for capital gains tax exemptions. But once they live together for a period of one year or get married, they are considered a family and can only claim one residence for exemption purposes.

A principal residence can be a house, a condo unit, a cottage, a mobile home, a trailer or even a houseboat.

If you have several residences, you can designate any one as your principal residence, subject to a set of rules set down by the Canada Revenue Agency. You don't even have to have lived in the house to call it your principal residence for tax purposes, as long as your spouse, previous spouse, common-law partner, or your child is living there.

For many years, the Canadian Real Estate Association has been asking the government to allow real estate investors to defer their capital gains tax and recaptured capital cost allowance when a property is sold, and the proceeds of the sale are put into another investment property within a year. The association says this would provide several economic benefits, including a boost in Canada's productivity and more rental housing. *WH*

On the 'Net

Interesting websites

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.

toronto.ca/doorsopen

Doors Open takes place on May 26 and 27. Over 100 buildings from heritage landmarks to modern structures open their doors to the public.

servicecanada.gc.ca

Service Canada helps Canadians gain access to a wide range of federal government services and benefits quickly and easily.

justcottages.ca

Just Cottages is a Canadian owned and operated resource for cottage owners and renters.

winecountrytours.ca

Wine Country Tours offers customized group tours to the beautiful Niagara wine region and Niagara Falls. Enjoy wine tasting, food and much more.

Mortgages

2007 Rates

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

At April 4, 2007

Mortgage Rates

6-month5.70%
1-year5.30%
2-year5.30%
3-year5.25%
4-year5.25%
5-year5.25%
Prime rate6.00%

GTA '07 totals

for sales activity
of single-family homes

Most recent month
Year to date

Active

March.....21,919
YTDN/A

Listed

March.....N/A
YTD39,399

Sales

March8,518
YTD20,228

Average price

March.....365,285
YTD363,263

Median price

March.....312,500
YTD309,000

Average days on market

March.....31
YTD35

Average percentage of list price

March.....98
YTD98

Source: TREB

Next Issue

Toronto and area real estate market

Mid-year review

Competitive mortgage market

More products available

Fixed-price contracts

Sold at the door

Reserve fund studies

Need to be updated
regularly

Property taxes

What to expect

Home maintenance

Fresh indoor air

A simplified approach

All homes have some indoor air pollution, which can contain pet or human dander, dust mites, particles from cooking or tobacco, and chemical residues from cleaning, new furniture or carpets. Outdoor air also makes its way in, adding car exhaust, smog, pollen and dirt, etc. While a normal level of air-borne pollutants doesn't bother most people, some are more sensitive, and everyone is affected if the level becomes excessive. We don't usually notice the pollutants until we have breathing troubles.

What to do about it

Unless someone in your home is medically sensitive to common air pollutants, you don't need any special techniques or equipment to keep the air relatively clean. It involves three steps: elimination, ventilation, and cleaning.

Elimination

Eliminating pollutants is the first step to cleaner air. Exterior pollutants are the most difficult to eliminate because they come from sources beyond your control. Clean up fallen leaves and other organics to reduce mould spores. Keep gutters clean. If you're really sensitive, don't live near a major highway.

Regular house cleaning can eliminate many of the particulates and bio-aerosols. Pets are a prime source of dander and need to be brushed and washed regularly. Don't let the animal into sleeping areas.

Mould is a major indoor pollutant, and it's unavoidable anywhere there is moisture. It often smells musty or earthy. If you don't see or smell anything, you probably don't have a problem. If you do, clean up the mould, find out where the moisture source is, and fix it.

Ventilation

The tried and true way is to open all

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the windows. The mechanical equivalent is to turn on an exhaust fan, creating low pressure inside the house so outside air will push its way in through the various gaps and cracks. However, it trades inside air – that you've paid to heat up or cool down – for outside air, which is usually either too hot, too cold or too dry.

The best mechanical ventilation solution for home use is an air exchanger. There are two categories: heat recovery ventilators (HRV) and energy recovery ventilators (ERV). During the heating season, warm air is exhausted out of the house through the HRV. The heat in the exhausted air gets transferred into the cold fresh air coming into the house and recovers the heat (or some of it). ERVs are designed to capture heat or cold during the exhaust process and also control humidity.

Cleaning

If your house is outfitted with a conventional furnace:

- Don't use the cheapest filters.
- Avoid anything that is cleanable.
- Bigger filters are usually better. A 4" pleated media lasts longer and usually restricts air flow less.
- Use a good disposable filter and change it every 2-3 months.

Studies have shown that electronic air filters are the most cost effective because they produce the most amount of clean air, and cost very little to do so. **WH**

This year marks my 18th year in

real estate. If you are considering a move, I would be happy to provide you with up-to-date information. Thank you for your past business and referrals.

I look forward to speaking with you soon.

ANN MAGNUS

Sales Representative



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