

# Welcome Home

Your Greater Toronto Area Real Estate Newsletter

July/August 2009

## Bouncing back Strong spring market

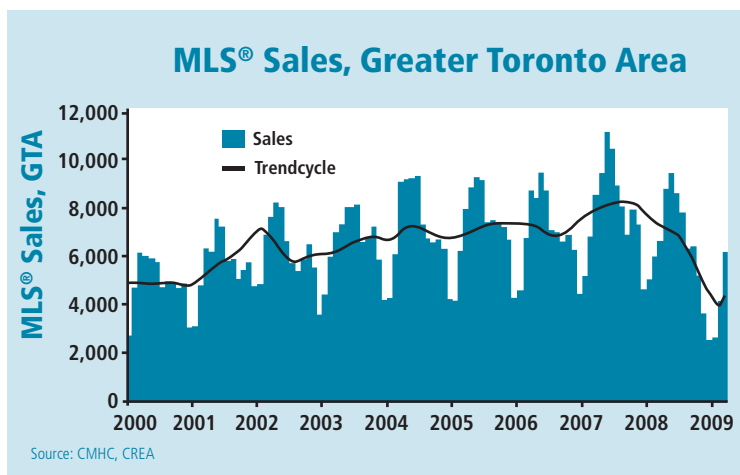
The real estate market had a spring in its step in May as consumers shook off winter and economic doldrums and recorded 9,589 sales. That's two per cent more than last May, making it the first annual increase since December 2007. Low mortgage rates and affordable prices played a major role in boosting sales.

The number of homes on the market has dropped, and the active listings were down by 21 per cent compared to last year. With fewer houses for sale there were multiple offers on well-priced homes in some neighbourhoods. Overall, the average price in May was \$395,609 compared to \$398,148 last May and the median price was \$337,000 compared to \$338,000 last May. These figures show only a marginal difference in price from May 2008.

The strong market is encouraging however there are a couple of things to consider, spring is traditionally the busiest time for GTA real estate sales, and activity does usually slow down in the summer months. Many economists believe that the economy will remain flat for the rest of the year, with substantial recovery not expected until 2010. That's

good news for buyers, because it will keep interest rates and prices down.

Canada Mortgage and Housing Corp (CMHC) says it's important to remember that the GTA is coming off a housing boom that lasted nearly eight years. However, net migration to the Toronto area will increase in 2010 and fewer Torontonians will leave to find work elsewhere, which will create a demand for housing. The GTA's large employment



base in the construction, finance, insurance and real estate industries is also a plus, since those industries fared well during the boom.

Downtown Toronto remains a popular

destination for homebuyers, and the condo market is expected to remain strong (see article inside). Traditionally sought-after city neighbourhoods will still be in demand, and we've heard anecdotal stories of bidding wars starting up again in some areas. CMHC also says that some affordable communities on the urban fringe, such as those in Scarborough and Etobicoke, will be hot real estate neighbourhoods.

If you are a current homeowner and have been waiting for the market to improve before listing your home, keep in mind that homes show at their best at this time of the year and there are plenty of buyers out there. Combine that with low inventory, great financing opportunities, government incentives for first-time buyers and the promise of a stronger economy next year, and the time is right to make a move. *WH*



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**July/Aug '09**

**2 Real estate  
deposits**

Show me the money!

**2 Investing in a  
condo**

Is it a good time?

**3 Garage sale  
rules**

What you need to know

**3 Buy or  
rent?**

Online calculator can help

**4 Air conditioning**

What you need to know before talking to a contractor

**Regular features:**

Monthly sales and average price by area.....**2**

Mortgage rates.....**3**

GTA home sales totals.....**4**

## Housing market indicators

for single-family dwellings

Source: TREB	May '08	May '09	% Change
<b>Sales</b> .....	<b>9,411</b>	<b>9,589</b>	<b>2%</b>
<b>New Listings</b> .....	<b>18,715</b>	<b>13,686</b>	<b>-27%</b>

## Monthly sales

and average price  
by area

### January 2009

Central	.....450	\$444,661
East	.....722	277,872
North	.....471	382,792
West	.....1,027	327,636

### February 2009

Central	.....739	437,991
East	.....1,030	291,508
North	.....814	394,911
West	.....1,537	336,101

### March 2009

Central	.....1,033	455,899
East	.....1,435	292,469
North	.....1,296	396,320
West	.....2,407	344,804

### April 2009

Central	.....1,496	493,103
East	.....1,820	306,890
North	.....1,713	405,462
West	.....3,078	368,945

### May 2009

Central	.....1,797	510,325
East	.....2,158	314,238
North	.....2,144	416,372
West	.....3,490	374,101

### 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 2008

Central	.....473	479,095
East	.....620	291,488
North	.....491	381,975
West	.....993	338,855

Source: TREB

## Money matters

### Real estate deposits

#### Show me the money!

**W**hen you submit an offer to buy a house, you normally include a deposit to show that you're serious about the offer. The deposit is usually about five per cent of the cost of the house, and represents part of the purchase price.

There's no legal requirement to provide a deposit, but it's considered a sign of good faith to include one. A large deposit can sometimes impress the vendor and help you get the house if the market is hot.

When submitting an offer, the purchaser specifies if the deposit is paid immediately, upon acceptance, or conditional on an event, such as obtaining financing. The vendor can sign back the offer and change the deposit terms.

Once an offer is accepted, deposits are received by real estate brokers and placed in a trust account. They do not earn interest unless that is specified in the Agreement of Purchase and Sale.

Trust accounts are tightly regulated by the Real Estate Council of Ontario. All registered real estate brokers and salespeople must have insurance that protects the consumer from fraud, insolvency of the brokerage or misappropriation of funds. The insurance provides coverage of up to \$100,000 per claim. *WH*

## Condo matters

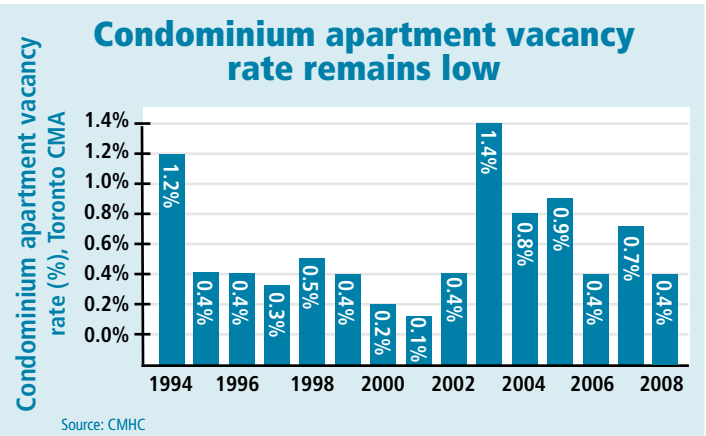
### Investing in a condo

#### Is it a good time?

**I**s this a good time to consider buying a condo as an investment and renting it out? Driving through downtown Toronto, you can't help but notice all the construction cranes working on new condominium buildings. Given all the talk about the economy, it's easy to assume that when these buildings are complete, there will be a glut of unsold condos on the market.

However, many economists don't see it that way. A recent report by TD Bank's Pascal Gauthier says that although "the Toronto condo market is often and anecdotally alleged to be a focal point of overbuilding," inventories have remained low relative to historical levels. And because many proposed condo projects have now been cancelled or put on hold because of the economy, once the current projects are built, there won't be many new units coming on the market for some time.

The report continues with the following assessment: "Is the Toronto condo market either experiencing or heading for a crash? Our short answer would be no. Many conditions present in shattered markets are thankfully lacking in Toronto, from a massive prior run-up in prices to excessive overbuilding and inventories, to unsound mortgage financing practices. While a crash scenario can never be dismissed entirely, our main conclusion is that the



GTA's condo market is in the midst of a cyclical downturn rather than a drawn-out structural downturn."

Scotiabank's Adrienne Warren states that apartment rental vacancy rates are low, and "tight rental markets make condo ownership more attractive to renters, and rental condominiums more attractive to investors." Nationally, she says about 20 per cent of condo units are rented, but Canada Mortgage and Housing Corp. figures show the number is closer to 30 per cent in Toronto.

A recent survey by TD Bank Financial Group found that perceptions of the condo market have greatly improved over last year. Forty-four per cent of people surveyed said that current conditions have improved for buying a condo as an investment, versus 21 per cent in 2008. The number one reason for the change in perceptions is lower condo prices.

Buying a condo as an investment is now more affordable than in the recent past, but the fundamental things to consider have not changed. The location of the condo, the condition of the building, the financial standing of the condo corporation, and the rental vacancy rate in the area are key points to research before you make a decision. *WH*

## Legalities

### Garage sale rules What you need to know

Summer is garage sale season, and offers a great opportunity to get rid of items you don't need or that your family has outgrown. But there are some legal regulations you need to know before you hold the sale.

In the City of Toronto, it's illegal to hold more than two garage sales a year from the same residential location. The city's municipal code also says that "no person shall sell property at a garage sale other than personal property that has actually been used on, about, or in connection with the residential premises or, in the case of a joint garage sale held with a neighbour, the residential premises of the neighbour." This also means you can't sell items on a consignment basis that have been left by others, and you can't acquire things for the purpose of reselling it at a sale.

Most municipalities in Ontario have similar garage sale rules, and there are also bylaws that restrict the size and placement of signs advertising the sale. Some sale items may fall afoul of federal regulations too. For example, it's illegal to sell lawn darts with elongated tips or baby walkers.

Health Canada says it's the responsibility of the seller to ensure that products they sell meet current Canadian safety requirements. Many products for babies and children have been upgraded in recent years, so if you are selling a baby gate or stroller, check Health Canada's website at [www.hc-sc.gc.ca/cps-spc/advisories-avis/index-eng.php](http://www.hc-sc.gc.ca/cps-spc/advisories-avis/index-eng.php) to make sure it has not been recalled. For car seats, check the Transport Canada website at [www.tc.gc.ca](http://www.tc.gc.ca) or call 1-800-333-0371.

There's a long list of other products that have been recalled for safety reasons. Children's jewellery and many toys cannot be sold because they are made of lead and could cause lead poisoning. Toys with mag-

nets can cause serious injury or death if swallowed. Loose-fitting children's sleepwear is a fire danger if it's made of cotton or cotton blends.

Hockey helmets normally last only three to five years, and should not be resold if they have been subjected to a major impact. Other products that have recently been recalled and redesigned for safety reasons include cribs, and window blinds and curtains. For a complete list, visit the Health Canada website. *WH*

## A tenant's dilemma

### Buy or rent?

#### Online calculator can help

Industry Canada's website has an online calculator designed to help consumers decide if it's a good time to buy or if they should continue renting their home.

There are some long-term financial advantages of buying a home instead of paying a lot of money to a landlord. Studies have shown that long-term renters have not fared as well as buyers financially, because they don't save as much money as homeowners do. Paying off a mortgage is a great way to save money, because it forces you to put money toward the equity in your home.

The decision to buy or rent depends on your individual circumstances: how secure your job situation is, what your future plans are, and where you see yourself in a few years. The website calculator at [www.tinyurl.com/csajt9](http://www.tinyurl.com/csajt9) allows you to input some details of your own financial situation, and comes up with a comparison of buying versus renting a home. It assumes that if you rent, you will invest all the money you would have used as a down payment.

In the current economy, interest rates are near an all-time low. House prices were dropping at the beginning of the year, but show signs of stabilizing during the spring market. While most forecasters believe that prices will stay fairly flat for the rest of the year, no one has a crystal ball, and it's impossible to predict when the bottom of the market will come – or if it already has. With more affordable home prices, low interest rates, and the government incentives that are available to first-time buyers, it really is a great time to buy. *WH*

## On the internet

### Interesting websites

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

Bask in electric, innovative, and traditional jazz at the Beaches Jazz Festival. July 17 – 26.

#### [toronto.ca/special\\_events/wednesdays](http://toronto.ca/special_events/wednesdays)

Fresh Wednesdays at Nathan Phillips Square. Savour your favourite fruits and vegetables from Ontario farmers while listening to live music. July 15 – Aug 26.

#### [www.youngfilmmakersworkshop.com](http://www.youngfilmmakersworkshop.com)

A summer camp with a difference. Workshops that offer kids (9-16) a hands-on experience in filmmaking, animation and photography. Jul-Aug.

#### [www.diabetes.ca](http://www.diabetes.ca)

An excellent source for programs and services for people affected by diabetes.

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

## Mortgages

### 2009 Rates

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

At June 5, 2009

#### Mortgage Rates

6-month	.....	4.75%
1-year	.....	3.75%
2-year	.....	4.00%
3-year	.....	4.10%
4-year	.....	4.10%
5-year	.....	4.10%
Prime rate	.....	2.25%

## GTA '09 totals

### Sales activity of single-family homes

Most recent month, year to date

#### Active

May .....21,524

YTD.....N/A

#### Listed

May .....N/A

YTD .....60,364

#### Sales

May.....9,589

YTD .....30,233

#### Average price

May.....\$395,609

YTD.....\$376,967

#### Median price

May.....\$337,000

YTD .....\$325,000

#### Average days on market

May .....35

YTD.....39

#### Average percentage of list price

May .....98

YTD.....97

Source: TREB

## Home maintenance

### Air Conditioning

#### What you need to know before talking to a contractor

**W**hen it comes to buying central air conditioning, what do you really need to know? It all boils down to choosing the right contractor and the right equipment.

While you may have some brand preferences, the major components of most air conditioners come from the same suppliers. A good contractor will help you with the three big issues: size, efficiency and environmental considerations.

#### Design Criteria - What's it supposed to do?

During the heating season, the goal is to keep the house at roughly 21°C (70°F) regardless of how cold it is outside.

During the cooling season, believe it or not, the goal is to have an 8°C (15°F) differential between the outdoor temperature and indoor temperature. If this is achieved, the house will feel relatively comfortable. Therefore, when it's 38°C (100°F) outside, an indoor temperature of 29°C (85°F) is acceptable.

You're probably thinking, "I'll just get a bigger unit to cool down my house more." As you'll find out, that would be a big mistake.

#### Sizing: Bigger Is Not Better

An alarming number of contractors do not size cooling systems correctly. The biggest problem with air-conditioning systems is that they are oversized.

When listening to a weather forecast, during a summer heat wave, we all hear about the humidity index or "humidex". The temperature is high, but it feels much hotter because of humidity.

An air-conditioning system that reduces the humidity, even if it does not lower the temperature in the house, will make you feel significantly more comfortable.

Oversized air conditioners cool a house quickly, but leave the humidity. The result is a cold and clammy environment. To add insult to injury, they cost more to install and even more to operate. Smaller air conditioners, on the other hand, run longer to achieve the same drop in temperature. The result is a cooler and drier environment. This also means fewer equipment stops and starts, and therefore a potentially longer life.

#### Efficiency: SEER Rating (Seasonal Energy Efficiency Ratio)

With air conditioners, ignore terms like "high efficiency". Instead, pay attention to the SEER rating. SEER stands for Seasonal Energy Efficiency Ratio, which is how the efficiency of air conditioners is measured. The higher your SEER number, the more efficient your air conditioner is at converting electricity into cooling power.

#### Cooling: What factors affect it?

The amount of cooling required depends on many factors. These include the outdoor temperature; the outdoor humidity; the level of insulation in the house, and the amount of air leakage into or out of the house. *WH*

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## Next issue

### GTA real estate

Fall market update

### Condos

Best bang for your buck

### Mortgages

Refinance to consolidate debt

### Renovations

A few good questions will save headaches

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