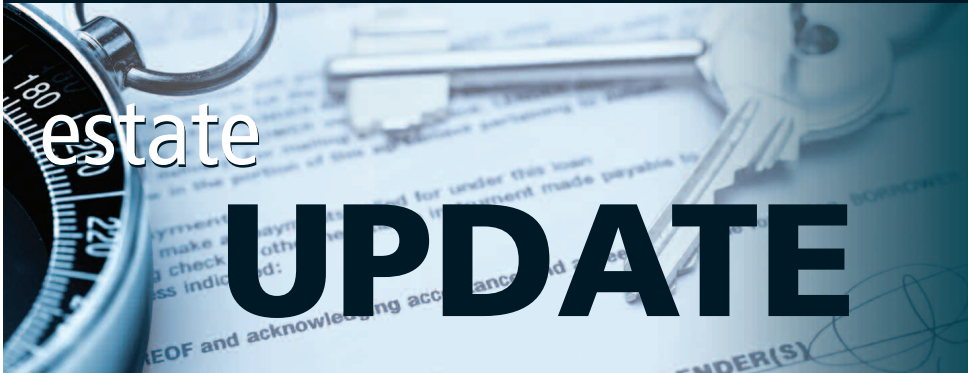


real estate



Your Greater Toronto Real Estate Newsletter

## 2011 a "win-win" year For buyers and sellers

**A**t a recent Canada Mortgage and Housing Corp. (CMHC) housing forecast conference, market analyst Dana Senagama said 2011 will be a "win-win" for buyers and sellers in the GTA. How can market conditions be good for both sides of a transaction?

Senagama says the market will be much less volatile than it was in 2010, and a stable market means buyers should have lots of choice when searching for a home. Although multiple offers may still occur in the most popular neighbourhoods, for the most part there will be plenty of listings to meet the demand. For sellers, a stable market means that prices will hold steady.

Sustained low interest rates will continue to bring some heat to the housing market, but slow job and income growth will keep things from boiling over.

A few people still insist that housing is overvalued, but most analysts disagree. CMHC predicts prices will rise at about the rate of inflation throughout the year, supported by the low rates and a rising population due to immigration. A recent report by BMO Capital Markets stated, "the absence of widespread speculation and egregiously loose credit standards suggests the market is not in a bubble. Instead, Canada's housing market remains reasonably affordable because of exceptionally low interest rates. Barring a sharp spike in mortgage rates or a relapse into recession, a substantial price correction is unlikely to occur."

Buyers who are moving up or downsizing will play a more significant role in the market this year, taking some of the real estate activity away from first-time buyers. That factors into average house prices, since move-up buyers are purchasing more expensive homes.

Baby boomers are still very active in the housing market and will continue to be for many years. CMHC says that in about 10 years, another buying peak is expected when the "echo boomers" – the children of the baby boomers – enter the housing market.

In the past year, 1.4 million Canadians renewed their mortgages, and 72 per cent were able to negotiate a lower rate than they had previously. Although variable-rate mortgages are less expensive than fixed-rate loans, 66 per cent still choose a fixed-rate mortgage because it is a safer choice, says CAAMP.

Another recent survey shows that the majority of Ontarians still don't realize that HST does not apply to resale homes. You must pay HST on closing costs, but not on the sale price of the home. After the roller-coaster market we experienced in 2010, the calm and stable forecast for 2011 sounds just fine. **REU**



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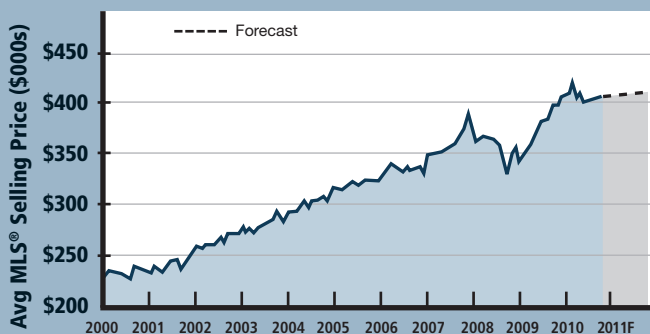
IN THIS ISSUE

**2** Condos attract older buyers  
Shifting demographics in GTA

**2** Becoming a landlord  
Do your homework

**3** TFSA  
Flexibility makes saving for a house easier

### GTA Average Prices Will Flatten



Source: CREA, CMHC Forecast

## Monthly sales

and average price  
by area

### 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 |

### January 2010

|              |       |         |
|--------------|-------|---------|
| Central..... | 882   | 517,846 |
| East.....    | 1,123 | 313,741 |
| North.....   | 1,001 | 455,973 |
| West.....    | 1,979 | 390,990 |

### December 2009

|              |       |         |
|--------------|-------|---------|
| Central..... | 1,096 | 551,052 |
| East.....    | 1,223 | 308,892 |
| North.....   | 1,112 | 458,252 |
| West.....    | 2,110 | 374,979 |

Source: TREB

## Condo update

### Condos attract older buyers shifting demographics in GTA

**A**s we examined in our cover story, the real estate market is shifting away from first-time buyers toward move-up buyers and older homeowners who are downsizing. You might think this means less interest in condominiums, but the opposite is true.

The condo lifestyle offers less maintenance and

locations that are usually near public transit and amenities like shopping, schools and recreational centres. In recent years, condo buildings have been sprouting up everywhere. They are most noticeable in downtown Toronto and in Mississauga's city centre, but there are lots of condo buildings throughout the GTA. For someone who wants to downsize but not leave their familiar neighbourhood, there is likely a nearby condo they can consider.

Twenty-three per cent of the Canadian population is aged 45 to 54 and sixteen per cent is 55 to 64. This age group earns the most money and includes many current homeowners. Half of them are mortgage-free and the rest have considerable equity in their homes. In a 2009 survey of home buyers, Canada Mortgage and Housing Corp. found that 40 per cent of those aged 65 and up and 28 per cent in the 55 to 64 age group purchased condos. It also found that 75 per cent of new condos that cater to empty nesters are pre-sold.

What does it all mean? Demand for condos will continue for many years, for all age groups, both downtown and in the GTA suburbs. *REU*



## Legalities

### Becoming a landlord Do your homework

**O**ntario may just have the strictest requirements for landlords in North America. That is why if you are thinking of buying an investment property or renting out part of your own home to help pay the mortgage, do your homework first.

There are many regulations relating to the rental property, such as fire separation requirements between dwelling units, escape regulations, and rules concerning fire alarms and wiring. Some municipalities prohibit secondary living units, and some have rules concerning parking regulations, minimum square footage and more.

There may also be some issues with your mortgage if you add a rental unit to your existing house and don't tell your lender. If you are renting all or part of a condominium unit, you will have to make sure that it is allowed under the

condo corporation's bylaws.

Once you have become a landlord, legislation limits how much rent you can charge, how much you can raise the rent and how often you can do it.

There are also rules about maintaining the rental unit and rules that allow a freeze on rental increases until certain repairs are made.

If it seems like that is a long list that's because it is. But help is available from a number of sources. First of all, check out the Landlord and Tenant Board at [www.ltb.gov.on.ca](http://www.ltb.gov.on.ca). It has a Q&A section and brochures about all of these topics. If you are going to buy an investment property, hire a lawyer who knows the regulations to go over all the details. There are also rent control consultants and property management companies that can help. *REU*



# Money matters

## TFSA Flexibility makes saving for a house easier

**T**ax-free savings accounts (TFSAs) are a relatively new way to save money for a house, renovation project or anything else without the tax consequences that you get when you borrow from your RRSP.

Every Canadian 18 years of age or older may contribute up to \$5,000 into a TFSA each year. Financial institutions offer TFSAs in mutual funds, GICs and bonds.

As the name says, income earned in a TFSA is tax-free, and can be withdrawn at any time.

If you don't contribute the full \$5,000 in one year, you can put the unused contribution into the TFSA in following years. You can also repay any amount you have taken out from the TFSA. Beware though that re-contributing money in the same year you take it out may result in a tax penalty for over-contribution.

Contributions to a TFSA are not tax-deductible like RRSPs, but the big advantage is that you can withdraw them at any time without a tax penalty. You can give money to your spouse or common-law partner for them to invest, and TFSA assets can usually be transferred to a spouse or common-law partner upon death.

Unlike an RRSP, which must be terminated and becomes taxable at age 71, there is no age limit on TFSAs.

While RRSPs were designed to be retirement plans, the TFSA is something you can adapt to fit your current needs. For example, you could save \$5,000 a year in a TFSA for 8 years, earning investment income on those savings. Say you then take out \$50,000 that has accumulated in the TFSA account to buy a house, tax free. Ten years later you decide to sell the house and with the proceeds from the sale, you can re-contribute the



\$50,000 you took out of the TFSA 10 years ago. All this can be done without reducing the other contribution room you have in the TFSA or in an RRSP.

Any income earned from a TFSA does not affect your eligibility for federal income-tested government benefits such as Old Age Security or the Canada Child Tax Benefit. *REU*



## On the internet

### Interesting websites

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

This event showcases the newest and most innovative trends in design. Promises to delight with inspirational exhibits, speakers, architects and designers. (Jan 27-30).

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

Planning a trip? Find the best seat. The ultimate source for seating, in-flight amenities and airline information for all major carriers.

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

A comprehensive resource for Canadian tax and financial information for individuals and businesses.

#### [ccachiro.org](http://ccachiro.org)

The Canadian Chiropractic Association - Try a drug-free, manual approach to health care for back and joint pain.

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

## Mortgages

### 2010 Rates

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

At December 4, 2010

#### Mortgage Rates

|            |       |
|------------|-------|
| 6-month    | 3.95% |
| 1-year     | 2.80% |
| 2-year     | 3.25% |
| 3-year     | 3.49% |
| 4-year     | 3.69% |
| 5-year     | 3.79% |
| Prime rate | 3.00% |



# In search of the perfect house

## What to expect

### Normal maintenance

If you strip away the cosmetics, a house is made up of the structure, roof, exterior envelope and the "systems" of the house. The "systems" are things like heating, plumbing, electrical and cooling.

All components and systems eventually wear out. Fortunately, they don't all wear out at the same time. Different components have different life cycles. Houses tend to settle into what you might call a "normal maintenance pattern".

### The 1% rule

A reasonable annual estimate of the cost of normal maintenance is 1% of the value of the house. One year you may replace the furnace; a few years down the road you may re-surface the roof. Throw in the odd unexpected repair in between and you average 1% per year. This rule is not far off regardless of the value of the house.

### What's the message?

A homebuyer should arrive at the home inspection with realistic expectations. If you are buying a 12-15 year old home, you may need a new roof. If you are buying a 60 year old home, you may have to update some plumbing.

### How long does it last?

Here is a short list of typical life cycles of the most common

components of the home. Keep in mind that there will be exceptions in every category.

### ROOF

- Conventional asphalt shingles .....12 - 15 years
- Top quality asphalt shingles .....25 - 30 years
- Low slope shingles .....10 - 15 years
- Slate .....40 - 200 years

### EXTERIOR

- Gutters and downspouts .....20 - 30 years
- Aluminum siding .....50 plus years
- Wood siding .....maintenance dependent
- Stucco .....maintenance dependent
- Exterior paint .....4 - 6 years
- Deck .....10 - 20 years
- Asphalt driveway surface .....10 - 20 years

### HEAT

- Conventional furnace .....10 - 25 years
- Mid efficiency furnace .....20 - 25 years
- High efficiency furnace.....Approx. 20 years
- Steel boiler .....20 - 30 years
- Humidifier .....5 - 10 years
- Electronic air filter .....10 - 20 years

### COOLING

- Air conditioning condenser .....10 - 15 years

### PLUMBING

- Galvanized steel supply pipe .....40 - 50 years
- Copper pipe .....indefinite
- Toilet .....30 - 40 years
- Sink .....12 - 20 years
- Faucet .....10 - 15 years
- Water softener .....5 - 15 years
- Water heater .....8 - 12 years

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

“The highest compliment  
my clients can give me  
is the referral of their friends,  
family and  
neighbours.  
Thank you for  
your trust.”

family and  
neighbours.  
Thank you for  
your trust.”

— Vito Vessio

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## GTA '10 totals

Sales activity  
of single-family  
homes  
Most recent month,  
year to date

### Active

**November** .....15,813  
**YTD** .....N/A

### Listed

**November** .....N/A  
**YTD** .....148,958

### Sales

**November** .....6,510  
**YTD** .....81,894

### Average price

**November** .....\$438,030  
**YTD** .....\$431,346

### Median price

**November** .....\$366,000  
**YTD** .....\$365,000

### Average days on market

**November** .....33  
**YTD** .....27

### Average percentage of list price

**November** .....98  
**YTD** .....98

Source: TREB

## Housing market indicators

### Single-family dwellings

| Source: TREB | Sales | New Listings |
|--------------|-------|--------------|
| Nov '09      | 7,446 | 9,923        |
| Nov '10      | 6,510 | 8,642        |
| % Change     | -13%  | -13%         |

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