

real estate

UPDATE

Your Greater Toronto Real Estate Newsletter

Market takes a breather 2013 looks promising

Everyone has an opinion about why the GTA real estate market has slowed down. The mortgage brokers' organization blames the federal government's new mortgage rules introduced last summer, which makes it more difficult to qualify for an insured mortgage. The Toronto Real Estate Board blames the City of Toronto's land transfer tax, which adds thousands of dollars to the cost of buying a house. Others believe the housing market was overpriced and buyers finally came to their senses.

Whatever the reason, anyone who takes the long view and looks at the history of housing markets knew that a slowdown would come eventually. Toronto real estate markets have always been cyclical. If history holds, the market is taking a breather and we are in for a soft landing before sales once again pick up. Canada Mortgage and Housing Corporation forecasts "moderate" sales growth in 2013, along with a 1.5 per cent increase in prices.

Few economists believe there is a housing crash or that the market will experience a long drought like the one we have seen in the United States. Canadians have much more equity in their homes than many U.S. homeowners did before their market collapsed. Risky sub-prime loans account for only about 7 per cent of Canada's total mortgage portfolio, while the U.S. had almost 25 per cent. And although everyone is concerned about Canadians' personal debt levels, recent statistics show that we have been more cautious in recent months.

Toronto's employment numbers, while not spectacular, are solid enough to support the housing market. Record immigration is forecast for the GTA throughout 2013. Mortgage rates remain at near 60-year low and are not expected to rise soon.

So, we believe the sky is not falling. The market is just going through an unsurprising correction. Remember that buying a house is a long-term investment, and in the longer term we believe the market is in good shape.

With that in mind, let's take a look at the numbers. GTA real estate sales are down 16 per cent compared to this time last year. In the City of Toronto, the average price for a detached home is about \$740,000 and the average condo price is about \$350,000, both down four per cent compared to the same time last year. In the 905 regions, the average price for a detached home is about \$555,000 and the average condo price is about \$279,000, both up three per cent from a year ago.

The real estate market traditionally slows down over the holiday period, but we are looking forward to a promising 2013. **REU**



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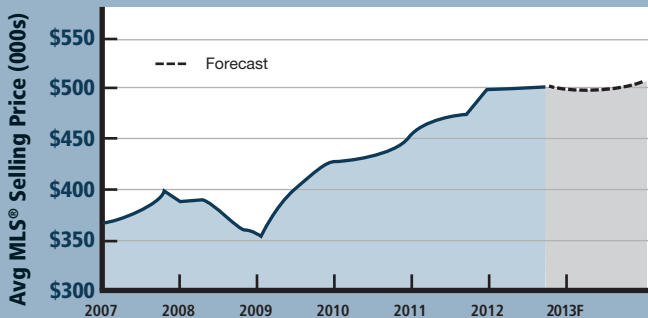
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Quarterly MLS® Average Prices Seasonally adjusted



Source: CREA, CMHC Forecast

Monthly sales

and average price
by area

November 2012

Central.....	1,003	\$612,603
East.....	1,407	378,502
North.....	1,144	547,825
West.....	2,239	463,511

October 2012

Central.....	1,214	634,288
East.....	1,642	385,549
North.....	1,362	568,952
West.....	2,678	483,189

September 2012

Central.....	1,012	658,196
East.....	1,453	386,097
North.....	1,180	578,792
West.....	2,234	470,440

August 2012

Central.....	1,005	576,960
East.....	1,588	376,764
North.....	1,257	566,787
West.....	2,568	461,152

July 2012

Central.....	1,172	579,837
East.....	1,811	378,671
North.....	1,527	561,461
West.....	3,060	453,529

June 2012

Central.....	1,519	682,341
East.....	2,165	389,443
North.....	2,001	571,565
West.....	3,737	473,352

May 2012

Central.....	1,863	681,261
East.....	2,428	395,183
North.....	2,308	577,079
West.....	4,251	481,426

April 2012

Central.....	1,762	680,087
East.....	2,391	393,339
North.....	2,229	574,696
West.....	3,968	488,394

March 2012

Central.....	1,666	665,856
East.....	2,214	378,285
North.....	2,135	567,940
West.....	3,675	469,524

February 2012

Central.....	1,277	667,708
East.....	1,590	380,790
North.....	1,498	561,157
West.....	2,667	463,030

January 2012

Central.....	770	616,598
East.....	1,084	357,623
North.....	893	542,066
West.....	1,820	423,326

December 2011

Central.....	871	566,589
East.....	1,079	355,886
North.....	928	515,168
West.....	1,840	421,068

Source: TREB

Good housekeeping

Waste reduction tips "Pre-cycling" plus the 3 Rs

The average North American will throw away 600 times their adult weight during their lifetime, according to several environmental groups.

Reducing waste will help the environment, save you money directly and also indirectly through municipal tax savings.

Here are some waste reduction tips:

- Learn to "pre-cycle." Think about the waste that will



be created before you buy something. Do you really need the item? If so, buy the item with the least amount of packaging. Buy the most durable item so you won't have to buy another one soon.

- Use reusable bags, coffee mugs, cutlery and rechargeable batteries. Buy a reusable coffee filter for home and at the office.

• Toronto and other GTA municipalities are always increasing the number of items they will accept for recycling. Old electronic items such as radios, stereos, VCRs, computers, printers, monitors and fax machines are now accepted for municipal recycling. Their components are recovered for reuse.

• Dispose of hazardous items properly. Call your municipality to find out how to dispose of items such as batteries, cleaning products, paint, pesticides, waste oil, pool chemicals, anti-freeze and propane tanks properly.

• You can compost up to half of your household waste, according to the City of Toronto. "It's a simple way to reduce waste and produce a nutrient-rich conditioner for your lawn, garden and houseplants." *REU*

Condo update

Market to stabilize Misconception about foreign owners

Resale apartment condominium sales are down by almost 25 per cent compared to a year ago, but the market "has seen the worst of it" and will stabilize in 2013, says CMHC senior market analyst Shaun Hildebrand. A combination of tighter qualification rules for insured mortgages and a retreat by investors has slowed the condo market. All the recent bad press probably hasn't helped.

Hildebrand's analysis shows condo prices will experience only a mild correction in the near term and that economic fundamentals and demographics point to a stable condo market going forward.

Hildebrand says there is about 4.5 months of supply for resale condos, creating a buyer's market. While he does not expect a strong spring market in 2013, by the second

half of the year Hildebrand believes prices may start going up. The strongest communities will be Mississauga and Scarborough, followed by downtown Toronto and North York. Etobicoke and York markets may be slowest to rebound.

Hildebrand also says there is a misconception that foreign investors own many of the region's condos. In fact, non-Canadians own just 3.7 per cent of GTA condos, and recent immigrants own many of those units.

Fifty-one per cent of GTA households have two people or less and one-person households grew by 15 per cent from 2006 to 2011. These are the people who continue to find condos an attractive option.

The average condo price in the GTA is about \$325,000. *REU*



Financial matters

RRSP, TFSA or mortgage? Depends on your situation

This is the time of year when we look at our finances and, if we have a little extra cash, decide where that money will be most beneficial. Most people think topping up their Registered Retirement Savings Plan (RRSP), putting money into a Tax Free Savings Account (TFSA) or paying down their mortgage are the best options.

However, if you have what financial planners call “bad debt” such as a credit card balance or a high-interest car loan, you are better off to pay down those loans first.

Chances are your mortgage interest rate is fairly low, since rates have been near historic lows for some time. But if your mortgage rate is more than the return on a TFSA or RRSP, concentrate on paying down the mortgage first.

Another reason to pay off the mortgage first is if your pension plan provides good retirement benefits. An RRSP may not be as important for your retirement years in that situation.

If you are looking for tax benefits, RRSP contributions are tax deductible and there is no tax on the investment growth within the RRSP. You will have to pay taxes when you withdraw the funds so you should discuss how to manage this with your financial planner.

If you put the money in a TFSA, it is not tax deductible

but there is also no tax on the investment growth, and you don't pay tax when you withdraw the funds. That makes TFSA's perfect for use as an emergency fund or for saving for things like a down payment, a vacation or a vehicle. This year you can contribute up to \$5,500 to your TFSA. The maximum contribution amount to an RRSP is based on a percentage of your annual income.

One way to contribute to both your RRSP and your



mortgage is to put extra cash into your RRSP, and then use your tax refund to help pay down your mortgage.

The decision all comes down to looking carefully at your current debt load, your tax bracket, your current workplace benefits and your retirement plans. *REU*



On the internet

Interesting websites

interiordesignshow.com

This event showcases the newest trends in design. Promises to delight with inspirational exhibits, speakers, architects and designers. (Jan 24-27)

greensaver.org

This not-for-profit organization helps you reduce your energy and environmental footprint whilst helping you take advantage of government rebates.

moneytools.ca

Financial government agency working to protect and educate consumers about financial products and services such as, credit cards, mortgages, loans, investments etc.

webmd.com

Provides health information, timely articles and tools for managing your health.

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

Mortgages

2012 Rates

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

At December 5, 2012

6-month	4.00%
1-year	3.00%
2-year	3.10%
3-year	3.15%
4-year	3.15%
5-year	2.95%
Prime rate	3.00%



Electrical safety devices Fuses, breakers and other stuff

Electrical wiring is stupid and greedy. Wiring will take as much electricity as you can care to give it – until it melts. Needless to say, melting wire presents a serious safety hazard.

In order to give the system some intelligence, fuses were introduced. The fuse would melt before the wire melted. The melted fuse would shut off the power to the circuit, and the electrical flow – as well as the hazard – would stop. Fuses are pretty smart, and arguably more accurate than circuit breakers. Fuses can be manufactured to very tight tolerances so they always operate properly. Unfortunately, the same can't be said for humans. If a 15 amp fuse blows, many humans like to put in a 20 or 30 amp fuse, which appears to solve the problem but instead it creates a bigger one.

To prevent humans from messing up a perfectly good system, circuit breakers were invented. They are reusable, and not nearly as easy to change to the wrong size. While they are not quite as accurate as fuses, they are better at preventing humans from interfering.

Fuses and circuit breakers prevent wiring from overheating and starting a fire. But there is another scenario that can cause a loss of life or a fire: a ground fault. This is a fancy

way of saying electricity in a circuit is leaking. When electricity leaks, it always leaks to the ground, through whatever path it can.

Ground Faults

A properly functioning circuit does not leak any electricity. Imagine a radio plugged into an electrical outlet. If you measured the amount of electricity flowing out to the radio and the amount flowing back from the radio, the current would be identical.

However, if the radio has a slight short-circuit it would be a different story. Imagine you grab the metal knob with your wet hands to turn up the volume. As you grab the knob, some of the electricity leaks out to ground – through you. You can easily be killed by a couple of amps, while the 15-amp circuit breaker back to the panel thinks that it is doing a good job.

In this scenario a circuit breaker will not save you, but a ground fault circuit interrupter will. It will actually measure the amount of electricity flowing out to the radio and compare it to the electricity flowing back from the radio. If the two are different (by as little as five thousandths of an amp) it knows that some electricity is leaking to the ground, and it shuts off the electrical flow even if the flow is well below 15 amp.

Ground fault interrupters can be outlets or breakers. They are inexpensive and you should have them installed everywhere you may come in contact with water, such as bathrooms, kitchens, garages and outdoor outlets.

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

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GTA '12 totals

Sales activity of single-family homes

Most recent month, year to date

Active listings

November18,311
YTDN/A

New listings

November9,838
YTD154,691

Sales

November5,793
YTD82,200

Average price

November\$485,328
YTD\$498,243

Median price

November\$410,000
YTD\$420,000

Average days on market

November30
YTD25

Average percentage of list price

November97
YTD99

Source: TREB

Housing market indicators

Single-family dwellings

Source: TREB	Sales	New Listings
Nov '11	6,908	9,707
Nov '12	5,793	9,838
% Change	- 16.1%	1.3%

