

UPDATE

Your Greater Toronto Real Estate Newsletter



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A balancing act More listings to slow price growth

The spring real estate market was wildly busy in the Greater Toronto Area, setting new records for both sales and new listings. But as the summer moves on, expect to see a more balanced market with moderated sales and price growth. It is still a strong market; just not as supercharged as we saw earlier this year.

The Toronto Real Estate Board (TREB) reported that the average price in May was up by about 13 per cent and sales were down by about 1 per cent compared to the same time last year. TREB says that the number of sales "will remain high for the remainder of 2010, but will dip from record levels."

TREB's forecast differs from the latest information from Canada Mortgage and Housing Corp. (CMHC), which predicts that for the first time GTA sales will surpass 100,000. CMHC also believes the market will slow in the second half of this year and early in 2011, but it is still going to be very good.

The federal housing agency says home sales in the GTA "are not expected to decline dramatically and will converge to the 10-year average in 2011. More jobs, stronger income growth and higher net migration will provide support for the market. Furthermore, demand from current homeowners is expected to pick up some of the slack left by first-time buyers."

CMHC notes that a full year of record-low mortgage rates "has made first-time buyers out of tens of thousands of renters and parents' basement dwellers in the GTA." But with this pent-up demand satisfied and higher borrowing costs, fewer first time buyers will jump into the market. Move-up buyers will become more active in the market. According to the CMHC, "Owners feel

the timing is right to make a move as prices for their current home climb to new highs and financing costs for their next purchase still remain low."

CMHC says price appreciation for detached homes in some parts of the GTA has not been as strong as the rest of the market, but with more move-up buyers coming in, established neighbourhoods should see above-average growth "due to their fixed level of supply and relatively low level of turnover."

CMHC also thinks the doomsayers have it wrong. "The attention paid towards the potential impact of rising interest rates on affordability and home sales tends to overshadow favourable developments that will occur in the broader economy," it says. "Employment in Toronto will rise by 1.5 per cent in 2010 and wages will grow by 2.5 per cent."

Whether you are buying or selling, it looks like a healthy, balanced market for the next two years at least. *REU*

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Average Home Prices - May
 in the Greater Toronto Area



Monthly sales

and average price
by area

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

November 2009

Central	1,466	532,019
East	1,623	328,153
North	1,455	449,947
West	2,902	395,614

October 2009

Central	1,642	556,402
East	1,898	329,720
North	1,756	460,138
West	3,180	390,775

September 2009

Central	1,501	519,583
East	1,857	323,805
North	1,730	442,187
West	3,108	382,425

August 2009

Central	1,394	472,648
East	1,818	303,896
North	1,756	439,160
West	3,067	369,882

July 2009

Central	1,784	499,201
East	2,201	311,238
North	2,221	436,628
West	3,761	371,108

June 2009

Central	2,049	518,423
East	2,360	317,748
North	2,449	434,392
West	4,097	378,215

Source: TREB

Money matters

Mortgage rates **What makes them rise...or fall**

Mortgage rates have been very low for the last 10 years, but now there is a lot of speculation that they will start rising. There is always a lot of interest when the Bank of Canada announces its overnight rate because if it goes up, mortgage rates seem to follow.

The Canadian Bankers Association (CBA) states, "Many people think that the interest rate that banks charge for fixed-rate mortgages is driven by the Bank of Canada's overnight rate. In fact, this is not true. While the Bank of Canada rate

does influence the pricing of very short-term commercial credit, longer-term fixed rates are more affected by factors such as prices in the bond market, the costs of longer-term deposits and generally the competition for funds in the financial markets."

The bond market is the main competition to mortgages for investors. Variable-rate mortgages are more closely tied to the Bank of Canada's rates. Many factors can influence interest rates, including the inflation rate and the demand and supply of money in the economy. For example, the CBA tells us, when more people want to borrow money, the price goes up. This pushes up interest rates, which encourages more people to invest. Once there are more investors than borrowers, the interest rate starts dropping.

Banks are also looking to make a profit and to protect themselves because mortgages are a riskier investment than bonds due to a higher risk of default and higher administration costs. However, stiff competition over the last several years has helped keep rates low. *REU*



Condo update

Condo market share grows **More choice for buyers**

The latest Toronto Real Estate Board's numbers show what we already knew: condos are increasing in popularity. They accounted for about 28 per cent of the real estate market at this time last year, but now represent about 31 per cent of the market.

Condo sales have also increased about 12 per cent from last year's pace. Prices for apartment condos in the 416 area code are up by about 25 per cent; in the 905 area code, prices are up about 9 per cent.

The latest forecast from Canada Mortgage and Housing Corp. (CMHC) notes that with many more listings coming on board, prices will moderate. In fact, CMHC numbers show that about 17,000 new high-rise condos will be completed this year. The housing agency's research shows that about 20 per cent of

the new condos registered in 2009 went on the resale market as investors cashed in their equity. That means that about 10,000 new condominium units will likely go on the resale market over the next couple of years. Add that to a growing supply of other resale units and it will lead to lower price growth, says CMHC.

"There is a risk that prices could come down some in late 2010 or early 2011," says CMHC. "However, any declines would be short-lived. In fact it is quite difficult to call a decline in house prices that lasts longer than six months in Toronto as prices have recorded annual increases in each of the last 14 years. That streak is expected to increase to 16 years in 2011 with a balanced market producing price growth of less than two per cent," says the federal housing agency. *REU*



Legalities

Power of Attorney **Why you need one**

A Power of Attorney is a legal document that gives someone the right to act on your behalf if you are unable to do so. Legal authority is needed to make any financial decisions and you should decide who will do it for you. If you are unable to make decisions for yourself and do not have a Power of Attorney, someone must apply to become the “guardian” of your affairs. If no one steps forward, the Ontario government’s Office of the Public Guardian and Trustee (OPGT) will act.

The term “attorney” just refers to the person you choose to act on your behalf; they do not have to be a lawyer. Ontario has three kinds of Powers of Attorney.

The *Continuing Power of Attorney for Property* covers all of your financial affairs and allows the person you name to act for you, even if you become mentally incapable.

A *Non-Continuing Power of Attorney for Property* cannot be used if you become mentally incapable. However, you may find this useful if, for example, you are planning to be out of the country for a long time and

need someone to take care of your Canadian affairs.

A *Power of Attorney for Personal Care* is used for personal decisions such as health care and housing decisions.

You can name one or more people to be your Power of Attorney, but make sure that person (or persons) knows

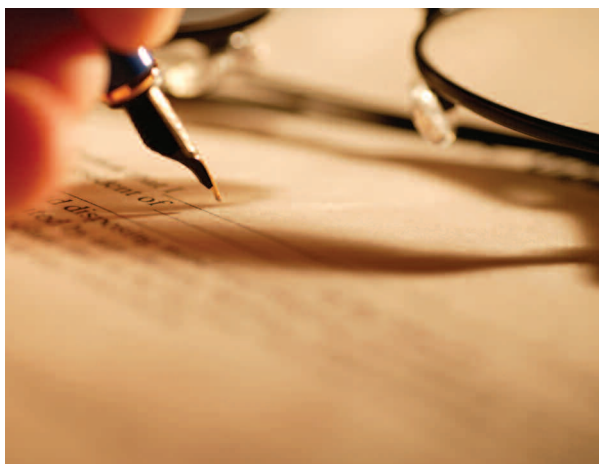
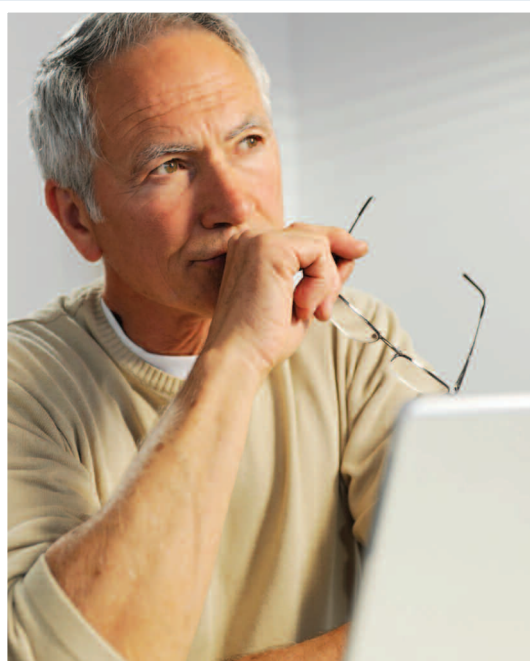
about it in advance and is willing and able to do the job. To avoid conflicts, some people name two or more family members or friends who must agree on any course of action.

A Power of Attorney is not the same as a “living will,” which is typically used to set out your wishes for treatment if you become ill. It also has nothing to do with your Last Will and Testament, which covers what happens to your property after your death.

Power of Attorney forms must name the specific people who will be your Powers

of Attorney, and must be signed and dated by you. There must also be signatures from two witnesses who were present when you signed the document.

These forms and more information are available free from the OPGT at (416) 314-2800 or online at www.attorneygeneral.jus.gov.on.ca/English/family/pgt/poa.pdf. **REU**



On the internet

Interesting websites

tasteofthedanforth.com

Toronto’s favourite street festival is a fun way to celebrate the flavour of Greece and summer in the city. It runs from August 6-8.

camps.ca

An excellent resource to find summer camps and profiles, read first-time camper reflections on the camp experience, and more.

themoneybelt.gc.ca

Your gateway to building knowledge and confidence in handling finances and decisions about money.

livestrong.com

Created in part by Lance Armstrong Foundation, this website is a wealth of information on health and an active lifestyle.

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 June 3, 2010

Mortgage Rates

6-month3.80%
1-year3.15%
2-year3.65%
3-year3.99%
4-year4.49%
5-year4.49%
Prime rate2.50%



Post-inspection concerns When things go wrong

There may come a time that you discover something wrong with your house, and you may find yourself disappointed with your home inspection.

Intermittent or concealed problems

You can only discover some problems by living in a house. They cannot be discovered during the few hours of a home inspection. For example, some shower stalls leak when people take a 20-minute shower, but do not leak when you simply turn on the tap. Some roofs and basements only leak when specific conditions exist. Some problems will only be discovered when carpets, furniture or finishes are removed.

No clues

Some problems may have existed at the time of the inspection but there were no clues as to their existence. Inspections are based on the house's past performance. If there are no clues of a past problem, it is almost impossible for inspectors to foresee a future problem.

Minor things

Inspection reports frequently identify some minor problems but not others. The minor problems that are identified were discov-

ered while looking for more significant problems. Inspectors note them simply as a courtesy. The inspection purpose is not to find the \$200 problems, but to find the \$2,000 problems. These are the things that affect people's purchasing decisions.

Why wasn't it seen

Contractors may say, "I can't believe you had this house inspected, and they didn't find this problem." There are several reasons for these apparent oversights:

- 1. Conditions during inspection:** It is difficult for homeowners to remember the circumstances in the house, at the time of the inspection. Homeowners seldom remember that it was snowing, there was storage everywhere in the basement or that the furnace could not be turned on because the air conditioning was operating, etc. It is impossible for contractors to know what the circumstances were when the inspection was performed.
- 2. A long look:** If inspectors spend 30 minutes under the kitchen sink or 45 minutes disassembling the furnace, they would find more problems too. If they did, the inspection would take several days and would cost considerably more.
- 3. Inspectors are generalists:** Inspectors are generalists and not specialists. The heating contractor may indeed have more heating expertise than inspectors do.

Not insurance

In conclusion, a home inspection is designed to better your odds. It is not designed to eliminate all risk. For that reason, a home inspection should not be considered an insurance policy. The premium that an insurance company would have to charge for a policy with no deductible, no limit and an indefinite policy period would be considerably more than the cost of an inspection. *REU*

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

GTA '10 totals

Sales activity of single-family homes

Most recent month, year to date

Active

May25,414
YTDN/A

Listed

MayN/A
YTD80,901

Sales

May9,470
YTD42,285

Average price

May\$446,593
YTD\$434,155

Median price

May\$376,750
YTD\$369,900

Average days on market

May22
YTD22

Average percentage of list price

May99
YTD99

Source: TREB

Housing market indicators

Single-family dwellings

Source: TREB	Sales	New Listings
May '09	9,589	13,357
May '10	9,470	18,940
% Change	-1%	38%

"The highest compliment my clients can give me is the referral of their friends,

family and neighbours. Thank you for your trust."

— Vito Vessio

VITO VESSIO

sales representative
/buyer specialist

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