

# Real Estate Monthly

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## Canada's Housing Market Expected To Stay Strong

CMHC Predicts that this Year Will Mark the Strongest Price Growth Nationally Since 1989

It's just one page in a larger report from Canada Mortgage and Housing Corporation titled "Key factors and their effects on home building," but it pretty much encapsulates what builders and consumers can expect over the next year and a bit.

This report looks at the cross-Canada picture and lists eight factors that will impact the national industry and consumers for this year and next.

**Mortgage rates:** Short-term rates will move higher this year, increasing by between 100 and 125 basis points (100 points equals one percent). Longer-term rates will gain 10 to 50 basis points by the time this year is over.

In 2007, interest rates in Canada are expected to stay within 25 basis points of their 2006 levels.

**Employment:** With a record high employment-to-population ratio, the Canadian economy is operating at full employment. Therefore, future job growth will be constrained by population growth.

**Incomes:** The tight national labour market will continue to support strong income growth. Rising incomes will partially offset higher

mortgage carrying costs, thereby lessening the anticipated drop in home ownership demand.

**Net migration:** It will be higher this year and next. Ontario, Quebec and B.C. will remain the top destinations for international migrants.

**Natural population increase:** As Canada continues to get greyer, a smaller proportion of people will be in their child-bearing years, and the rate of increase will ease up.

**Consumer confidence:** The Conference Board of Canada's index of consumer confidence will stay strong through 2007, and that

confidence will continue to support demand for home ownership.

**Resale housing:** After registering its second best sales record in history, transactions will back off in 2007 and bring the market closer to a balanced situation. This year will mark the strongest price growth since 1989, thanks to sharp gains in western centres. But through the final half of this year and next, the rate of average price increase will slow down.

**Vacancy rates:** Across the country, the growth in rental demand due to increased immigration will be offset by modest rental construction and increased competition from the condo market. As a result, the national vacancy rates for larger centres will edge higher this year.



### Eye on Ottawa Real Estate

According to statistics just released by the Ottawa Real Estate Board (OREB), 1,249 homes were sold in August 2006 compared with 1,240 in August 2005. There were 1,241 sales in July 2006.

"The condo segment of the market continues to grow in Ottawa, with nearly 200 more units sold in the first 8 months of the year than in 2005," said OREB's President. "Thanks in part to that, I would say the Ottawa resale housing market is steady. We are on track to meet or even surpass 13,000 sales this year."

The average price of the homes sold in August in the Ottawa area was \$260,784, an increase of almost 9 percent over August 2005. Year to date, the average price is \$256,380.

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# Real Estate News

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## Capital Gains for the Economy

The unemployment rate in the national capital region slid another 10th of a percentage point in August and now stands at 4.8% -- one of the best performances in Eastern Canada, according to Statistics Canada labour force analyst Vincent Ferrao.

"Nothing earth-shattering," said Ferrao. "Just stability and slow, steady growth."

The region has added more than 40,000 jobs since August 2005 -- 18,000 in the first eight months of this year alone, he said. "We burst out of the gate very fast, with increases of 8,000 jobs in January, 7,000 in February and 2,000 in March," said Ferrao.

Since then, the employment gains have been less dramatic, but the job growth has continued.

The region's retail sector is on fire, adding 11,000 new jobs in the past year, Ferrao said -- a pace that was equalled by the scientific and technical services area. Hi-tech continues its recovery and now employs 62,400 -- a gain of 6,800 positions since the year began.

The public administration sector, which includes jobs at all levels of government, slipped last month, perhaps partially explained by the winding down of census activities.

Another indicator of economic muscle -- Ottawa's resale housing sector -- continued to strengthen in August.

The Ottawa economy is performing better than that of the nation as a whole. The national jobless rate rose to 6.5% in August from 6.4% in July, still near 30-month lows.

It was the third consecutive month of job losses as the unemployment rate fell short of the expectations of analysts who had generally forecast that it would hold steady at 6.4%.

August saw 16,000 jobs shaved from the national workforce, Statistics Canada reported.

CIBC World Markets economist Avery Shenfeld said that last month's jobless numbers appear to represent a weakening economic trend after May's strong employment data and a jobless rate of 6.1%, its lowest point since December 1974. For May, Statistics Canada had reported the economy gained 97,000 jobs.



## Canada Gets Serious About Radon

Health Canada is poised to tighten up guidelines for radon gas levels in indoor air, to a level four times more stringent than current guidelines. It could mean that radon testing will become mandatory in future real estate transactions and that building codes for new homes will be upgraded.

Canada's current guideline of 800 becquerels per cubic metre is the second highest allowed in the world. The new proposal would set the level at 200 becquerels, which is the same as the United Kingdom, Australia, Norway, Spain and several other countries. The toughest guideline is in the United States, at 150 becquerels.

Radon is an odourless radioactive gas that occurs naturally in the environment. It is caused by the natural breakdown of uranium in soils and rocks. In the open air, it does not pose a health risk, but in an enclosed space, such as a mine or a basement, breathing in radon decay products can lead to lung cancer.

The Health Canada report estimates that lung cancers from radon exposure account for about 10% of all lung cancers, second only behind smoking. It says an estimated 1,600 lung cancer deaths in 2000 can be attributed to radon. "The number of radon-induced lung cancers is about one half of the deaths due to automobile accidents and is equal to the combined total of deaths due to accidental poisonings, homicides, drownings and fires," says the Health Canada report. "In any other situation, this number of deaths would certainly justify a major public health initiative."

Radon can seep into a house through dirt floors, cracks in concrete walls and floors, sumps, basement drains, and through concrete block walls. One estimate says that about 175,000 Canadian homes, or almost 3% of single-family homes, have radon levels above the proposed new guideline of 200 becquerels and will need to be repaired to ensure the safety of its occupants.

The report says that "a combination of radon-resistant requirements in new homes and mandatory testing of existing homes could lead to virtually complete compliance with the new Canadian radon guidelines within a decade."

For more information about radon in the home, download "Radon: A Guide for Canadian Homeowners", produced jointly by Canada Mortgage and Housing Corporation and Health Canada.