Real Estate Monthly

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Federal Budget a Boost for First-time Homebuyers

The federal government's recent budget, entitled Canada's Economic Action Plan, contained some financial incentives for homeowners and first-time buyers.

Faced with rapidly rising home prices during the last few years, first-time home buyers had a devil of a time climbing onto the first rung of the property ladder.

That step towards homeownership has become a little easier. Prices and mortgage rates have dropped and inventory has expanded.

First-time buyers who have squirrelled away cash in their registered retirement savings plans can now withdraw, tax free, up to $25,000 to purchase their first home.

Couples jointly purchasing a home may together withdraw $50,000. This $5,000 increase for individuals and $10,000 for couples is the first adjustment in the withdrawal limit since the plan rolled out in 1992.

Also, more relief for first-timers is offered in the form of a 15 percent tax credit to help defray closing costs such as legal fees, property transfer tax and other disbursements. This credit is applied on closing costs up to $5,000, which equates to a maximum tax savings of $750.

Both those tax-adjustment components are laudatory and helpful, and they follow on the heels of the feds reducing the GST to five percent last year, easing the load for buyers of new homes.

All Canadian homeowners can benefit from another initiative announced in the federal budget: there is a time-sensitive Home Renovation Tax Credit available.

The 15 percent tax credit will apply to eligible home renovation expenditures for work performed, or goods acquired, before February 1, 2010. The credit may be claimed on the portion of improvements exceeding $1,000, but not more than $10,000, meaning that the maximum tax credit for a married couple is $1,350. However, unmarried individuals, such as sisters who share joint ownership of a home, can each claim a tax credit.

Eligible work includes painting, finishing the basement, building a deck or fence, replacing kitchen cabinets, installing laminate flooring, and a host of other materials and contractor labour. Not eligible are such items as the purchase of tools, homeowner labour (without a business tax number), and maintenance contracts such as lawn care, furnace cleaning or snow removal.

Eye on Ottawa Real Estate

Members of the Ottawa Real Estate Board (OREB) sold 530 residential properties in January 2009 compared with 652 in January 2008, a decrease of 18.7 percent. There were 467 sales in December 2008.

“While the market in Ottawa may not be booming, it’s certainly not a bust either. Sales declined by the same amount in January as they did in December, which tells me that buyer confidence is holding steady here in the national capital,” said OREB’s President.

The average price of residential properties, including condominiums, sold in January 2009 in the Ottawa area was $288,105, an increase of 1.5 percent over January 2008.

“Also, most homes in Ottawa are holding their value, in spite of the fact that winter is always a quieter time of year for real estate, and in the face of a generally pessimistic economic outlook across Canada,” he added.

Boomers on the Move

Many will choose to stay in their current home, while others look to adult lifestyle communities, or seek the vitality of urban condos.

Some 3.7 million Canadian boomers are between 55 and 64 years old, prime retirement age, according to Statistics Canada's 2006 census. In less than 10 years, that age group will skyrocket to one in five Canadians.

It will take a while for all the boomers -- those born between 1946 and 1965 and the largest group in the Canadian population -- to retire, and no one knows exactly what housing choices they will finally make or how it will impact housing. The huge numbers, however, will mean changes to how and where we live.

The changes have already started, with builders creating adult-lifestyle communities of bungalow townhomes, sometimes including a central community centre where residents gather for cards, potlucks or swimming classes.

Condo builders have attracted silver buyers with luxury apartments featuring tennis courts and hobby rooms.

The momentum for housing alternatives is building.

For starters, 28 percent of Canadians polled in a 2006 Royal LePage survey said that they intend to sell their homes as part of their retirement plan. Granted, the downturn in the housing market has temporarily shrunk resale opportunities, and many Canadians, stung by the recession, have postponed retirement. But stability will return, and hordes of boomers will be scouting for new digs.

Depending on immigration patterns, the homes left behind could be snapped up by new Canadians or by younger folks; if boomers move downtown, their old homes could help ease urban sprawl.

That same Royal LePage survey found that about 37 percent of relocating boomers will want a smaller home.

Whether it's a condo, bungalow or a spot in one of the new adult communities springing up, boomers are demanding amenities to complement their active lives.

Soaking tubs and space for hobbies are *de rigueur*, as well as proximity to bike paths and fitness centres. While a well-appointed kitchen is a plus, big is not always better: retired boomers like restaurants.

Not that boomers are about to move far for these amenities. Between 1990 and 2000, according to AARP (formerly the American Association of Retired Persons), 9 out of 10 Americans over 60 were living in the same county in which they'd lived five years earlier.

More significantly, over 75 percent of those in the survey stayed in the same house -- not all that different from the Royal LePage finding in 2006, but the absolute numbers are mushrooming. "Aging in place," as it's called, seems a human instinct.

That reluctance to move, again because of sheer numbers, could create the same bottleneck in the resale housing market that Generation X says their elders have fostered in the employment market. That, in turn, might fuel the very urban sprawl that some boomers' downsizing is helping combat.

Another sure bet: a renovation explosion among flush boomers who stay put.

In fact, a Home Depot survey a couple of years back reportedly found that 65 percent of boomers plan to renovate. Look for everything from in-law suites for aging parents to home theatres and workout rooms.

Other retiring boomers -- 22 percent of those Royal LePage polled -- will put money into recreational properties. Yet others will travel.

Bottom line? Don't expect easy answers when it comes to retiring boomers and the housing market. The generation has never been big on predictability.