

# Real Estate Monthly

## Grace Glastonbury



Sales Representative  
Office: (613) 725-1171 Fax: 725-3323  
graceglastonbury@royallepage.ca



## Home Price Outlook for 2007

**M**aking money in real estate wasn't hard for many Canadians in 2006.

In Alberta, an economic boom drove house prices through their heavily insulated roofs, while the rest of the country saw average house prices rise in the double digits, according to Royal LePage.

But as a new year dawns, investors and homeowners are questioning if there are enough solid foundations in place to support more gains. For example, resale home price increases are expected to register only about 3.1 percent for both Ontario and Quebec in 2007.

The number of new houses starting construction will probably decline to 210,900 in 2007 from about 227,900 in 2006, according to CMHC estimates. Even so, that number of new homes is still higher than the estimated 185,000 new households formed in Canada annually. As for resale homes, a streak of five straight years of record-setting prices came to an end last year and will drop for this year and next.

Canadians shouldn't be too hung up over the U.S. housing market fallout, said the managing director of institutional equity research and investment analyst for the real-estate sector at CIBC World Markets.



"We never had the run-up that they had in the United States," he explains. "We didn't have the incredible lending policies that they had south of the border", such as a proliferation of zero-money-down house purchases.

Canada's interest rates are expected to stay steady through 2007, after the Bank of Canada kept its benchmark rate unchanged for a fourth-straight rate policy meeting, hinting that further changes are unnecessary because of "balanced" risks to the economy.

The target rate for overnight loans is 4.25 percent, at its highest level since August 2001, but still a full point less than the comparable U.S. Federal Reserve's target.

Canada's target rate will likely remain unchanged at that level for a while, until a cut in the third quarter of next year, according to a collection of analysts surveyed by Bloomberg.

The CMHC predicts that the fixed posted mortgage rate will go down to 6.4 percent in the second quarter of 2007, before climbing in the final quarter.

Predictions are made based on the five-year, fixed-term mortgage because about half of all mortgages across the country have a five-year, fixed-rate term.

"We're now facing 2007 with lower rates, and that brings down carrying costs" and helps keep up the pace of sales, Bob Dugan said.

**Call today to learn how this forecast will affect you!**

### Record-Breaking Year for Home Sales in Ottawa

According to statistics just released by the Ottawa Real Estate Board (OREB), 682 homes were sold in December, setting a new record of 13,783 residential sales for 2006. The previous record was 13,152 in 2004. There were 615 sales in December 2005.

"Overall, it was a very healthy year for Ottawa's residential real estate market," said OREB's President. "The average sale price of a home continued to trend upward, and the still-growing condominium market drove sales numbers all year long. Condos are also selling more quickly than they did in 2005, while residential sales stayed on pace with the previous year."

The average price of the homes sold in December in the Ottawa area was \$247,833, and for the year the average price was \$255,889.

**Call today for real estate advice and information!**

## Buy If You Love Canada

How much are Canadians worth? The short answer: a lot. Last week's study by Statistics Canada, "The Wealth of Canadians," was so full of good tidings that one scarcely knows where to start. The total value of Canadians' assets is up 42 percent since 1999, to a staggering \$5.6 trillion. And the net worth of the median Canadian family now stands at \$148,400.

Curiously, most reporting on this study fixated on the increase in household debt, which also rose substantially to \$760 billion. This was widely seen as evidence that Canadians are finding themselves deeper in debt and worse for it. A closer look reveals not a dangerous predilection for careless spending, but rather an astute investment in both personal wealth and social stability.

According to Statistics Canada, three quarters of total household debt is mortgages. Credit card debt is a mere 3.4 percent. This great emphasis on mortgage debt has pushed the rate of home ownership in Canada from 59.6 percent to 61.9 percent over the past six years. It's a statistic worth celebrating. But can we do even better?

The financial benefits of owning your own home are substantial. It represents the bulk of Canadian families' personal assets, as well as a kind of retirement savings program. But the country as a whole also gains from broad-based home ownership. In many ways, the homeowner is the modern version of Thomas Jefferson's yeoman farmer, the bedrock of democracy and political participation. Owning a home means having a stake in the functioning of society. Homeowners tend to be regular voters, are more engaged in

their local institutions and contribute to their neighbourhoods in ways that renters do not. Rising home ownership rates reflect a general sense of optimism in Canada. Even higher levels of debt would thus be welcome, if it meant more Canadian families were getting their own bit of land.

It is an odd thing, then, that no politician or political party seems interested in championing the Canadian dream of home ownership. Low inflation and corporate competition have resulted in innovations such as zero-down mortgages and 35- or 40-year amortizations, making mortgages more affordable. But at the same time, a great many government policies seem specifically designed to drive home prices upward. Greenbelts, mandated density rules and other

forms of restrictive planning conspire to frustrate home ownership by making houses more expensive, particularly in larger urban centres. "Sprawl" is the pejorative that urban planners use when they wish to ignore the benefits of owning your own home.



The Australians, by contrast, embrace this dream. "We should encourage and nurture the aspiration to home ownership," said Peter Costello, the treasurer of Australia, this past summer in lamenting the various local planning barriers to growth in his country. Home ownership rates in Australia are nearly 70 percent, among the highest in the world. Yet, the federal government wants to push it even higher because the benefits are so obvious and wide ranging. Is there anyone in Canada who will take up a similar crusade?