

# Real Estate Monthly

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## Focus on "Local" for Real Estate Prices

Canadian property owners intent on following real estate price fluctuations should remember that local professionals and local news are excellent resources.

Paying attention to local changes, improvements and patterns is crucial when determining real estate value for many reasons.

**Competition:** If three similar properties were for sale on one street, an individual property owner may receive a slightly lower offer from a buyer who is comparison shopping.

**Changes:** A new neighbourhood development may drive area prices up or down depending on how well the project is integrated into the neighbourhood.

**Demographics:** Population shifts on a local level may result in a net migration into or out of the area and a parallel impact on housing demand.

You should continue to track Canadian and North American real estate news, since buyers and sellers can take their cue from media hype, but search for local relevance. The

insight and knowledge contributed by an experienced local real estate professional may prove invaluable in keeping abreast of shifts in pricing climate.

Statistics from real estate boards and other local organizations may offer useful context when the investigation goes



beyond broad-stroke regional figures. Which statistics are most useful to sellers in their determination of the best pricing strategy and to buyers evaluating relative value? That's what professionals are paid to know.

Just as an average increase in area or regional prices does not add equal value to every property in the area concerned,

an average decrease in prices does not forecast doom for every property owner. Facts matter when markets shift. Solid, reliable, intelligently presented local real estate information is essential to owners and buyers intent on keeping a "pricing" finger on the real estate pulse -- locally, that is.

***At Royal LePage, we're uniquely equipped to give you the local perspective on residential real estate. Call today to learn more!***

### Eye on Ottawa Real Estate

According to statistics just released by the Ottawa Real Estate Board (OREB), 1,092 homes were sold in September 2006 compared with 1,078 in September 2005. There were 1,246 sales in August 2006. So far this year, 11,226 homes have been sold in Ottawa

"We are on track to surpass 13,000 sales this year. Ottawa's housing market is still growing, though it is a more controlled growth now than it has been in the past several years. Interest rates are still low, and many buyers are taking advantage of the diverse housing choices available to them here in Ottawa," said OREB's President.

The average price of the homes sold in September in the Ottawa area was \$255,026, an increase of 6.5% over September 2005. Year to date, the average price is \$256,117.

## “I'd Rather be Renovating,” say Canadian Homeowners

The time that it takes to renovate a home, the inconvenience involved and the cost of the work are all cited as “headaches” in a recent survey of Canadian homeowners. Even so, 80 percent of Canadians would rather renovate than move to a different house.

Conducted by Ipsos-Reid for RBC Royal Bank, the survey says that renovation intentions have dropped 6 percent from last year, but that 70 percent of homeowners are still planning renovations or home improvements during the next two years.

Canada Mortgage and Housing Corp. (CMHC) forecasts that renovation spending will climb by 8.2 percent this year, to \$43.5 billion. It says that growth next year will slow to 6.9 percent or \$46.5 billion in 2007, due to slower job growth and a decrease in new home construction and resale activity.

Canada's hot housing market during the last several years has created a corresponding boom in renovations. Surveys by CMHC show that households tend to renovate their houses within the first three years following the purchase of an existing home.

The RBC Royal Bank survey says that Canadians will spend an average of \$8,982 on their renovations. Forty-eight percent plan to do the work themselves, while 40 percent will use a contractor. The most popular renovations being planned are to bathrooms (36 percent), kitchens (28 percent) and basements (27 percent). Painting, staining and caulking are the most common tasks planned, followed by improvements to floors, windows and roofs.

While homeowners are eager to fix up their homes and seem confident about tackling the work themselves, RBC says many people have trouble establishing realistic renovation budgets. Of the 64 percent of Canadians who budgeted for work completed during the last two years, four out of 10 went over their budgets -- by an average of 88 percent. The bank also says that only 13 percent of Canadians planning a renovation would consider using a home equity line of credit to pay for it, even though that is the lowest cost of all borrowing options.

"When people are looking for a mortgage, they're usually very cost sensitive, and they seek advice about the best possible rate and product combination," says Catherine Adams, a vice-president with RBC Royal Bank. "We don't always see those same savvy cost comparisons being made when it comes to home renovations."

Sixty-nine percent of those planning to renovate said that they would pay for all of it with cash or from their savings. Seventeen percent said that some would be paid with cash or savings, and only one percent said that they would borrow all of the money required for the job. Adams says that homeowners should get advice about their lowest financing options before they take on a home improvement project.

Renovation fever is most rampant in the Atlantic Provinces, where 80 percent of residents are planning a renovation in the next two years. The lowest renovation intentions are in British Columbia, where 65 percent intend to renovate.



The explosion of "big box" retailers on the Canadian marketplace has had a profound effect on those who plan to renovate. These large retailers are the number one source of inspiration for those planning to renovate. That's good news for Lowe's, the latest big box retailer to enter the Canadian market. A couple of weeks ago, Lowe's broke ground with its first Canadian store, in Hamilton, Ont. It also announced that it has identified

new locations in Brantford, South Brampton and Toronto, and there are nine more locations about to be approved. Lowe's says that the first stores will open in the second half of 2007 and that each store represents an average investment of \$20.5 million.

Lowe's joins Canada's two other major big-box retailers, Home Depot and Rona, to duke it out for a piece of the residential building materials market.

After the big box stores, magazines provide the inspiration for 39 percent of survey respondents, while TV home improvement shows inspired 29 percent, and the Internet was credited with providing design inspiration for 23 percent. The survey noted that, for the most affluent homeowners, magazines provide the most inspiration.

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