

Real Estate Outlook

Surprising number of young buyers

Royal LePage has just released one of the largest surveys of real estate consumers ever conducted in Canada.

The survey covers close to 50,000 Canadians who bought or sold homes in 1986.

"Because of the scope of this survey, we are just beginning to scratch the surface of our findings," comments Ozie Jurock. "We can see some significant trends, especially the increase in the more mature, more experienced segment of the population who were active in the real estate market last year."

"In 1985 it appears that real estate markets were led by young and first-time buyers," says Mr. Jurock. "However, in 1986 the impetus spread upwards through the market."

Mr. Jurock adds: "There are still a surprising number of young home buyers, but their number decreased in 1986 compared to the previous year. In 1985, 30 per cent of all buyers in the Royal LePage survey were under 30 years of age. In 1986, this group dropped to 24.4 per cent of the total."

The population age group that was most active in terms of home buying in 1986 were the so-called baby boomers. In the Royal LePage study, the 20 to 29-year-old age group accounted for 63 per cent of all home buying activity. Compared to the census population distribution, the baby boomers were inordinately active.

"It would appear," says Mr. Jurock, "that the Canadian tradition of homeownership is just as strong, or even stronger among young people. Owning a home evidently continues to be seen as an excellent investment."

The number of first-time buyers continues as a major segment of the home-buying public, at 37 per cent of the total. However, this percentage is down from the 41 per cent of the market reported in 1985.

The number of multi-time buyers (people who have bought more than two homes in their lifetime) increased five per cent, from 27 per cent of the market in 1985 to 32 per cent in 1986. This tends to confirm the idea that home buying activity in 1986 spread up into the older, move-up market in 1986, as the more mature segment of the home buying population upgraded into larger or more expensive homes.

The survey also traced the characteristics of home sellers (vendors), with results largely similar to those for the buyer groups.

One of the most significant changes in the demographics of vendors in 1986 was the large increase in the number of 40 to 49-year-olds who sold homes. This group increased from 18 per cent of the total in 1985 to 21 per cent in 1986.

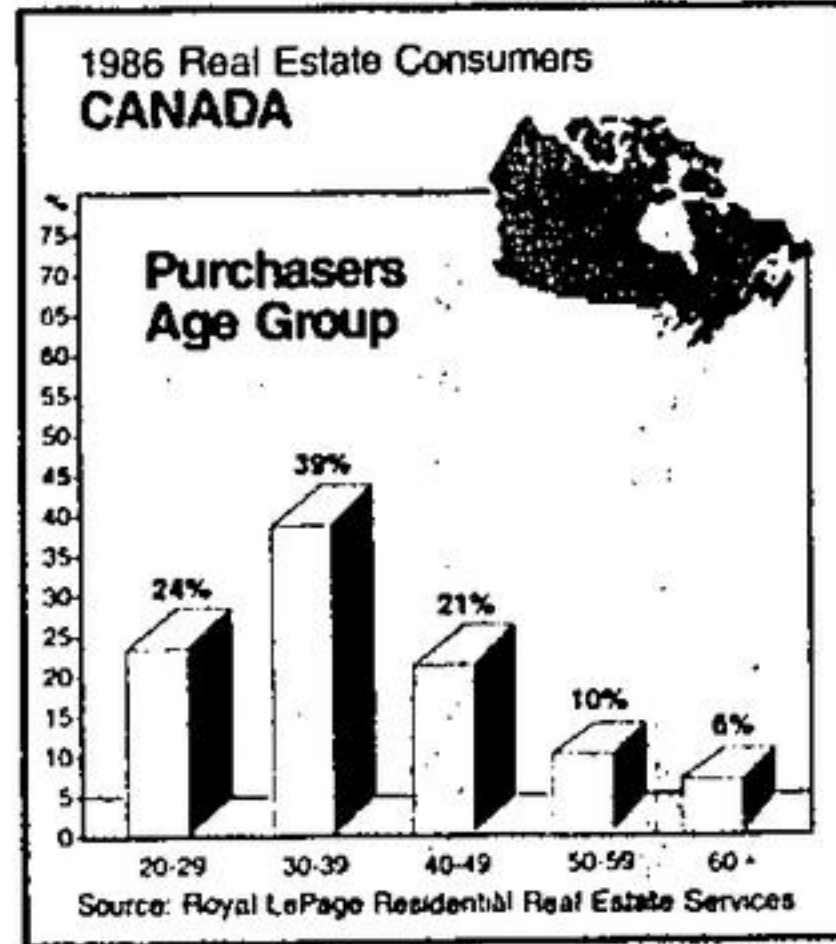
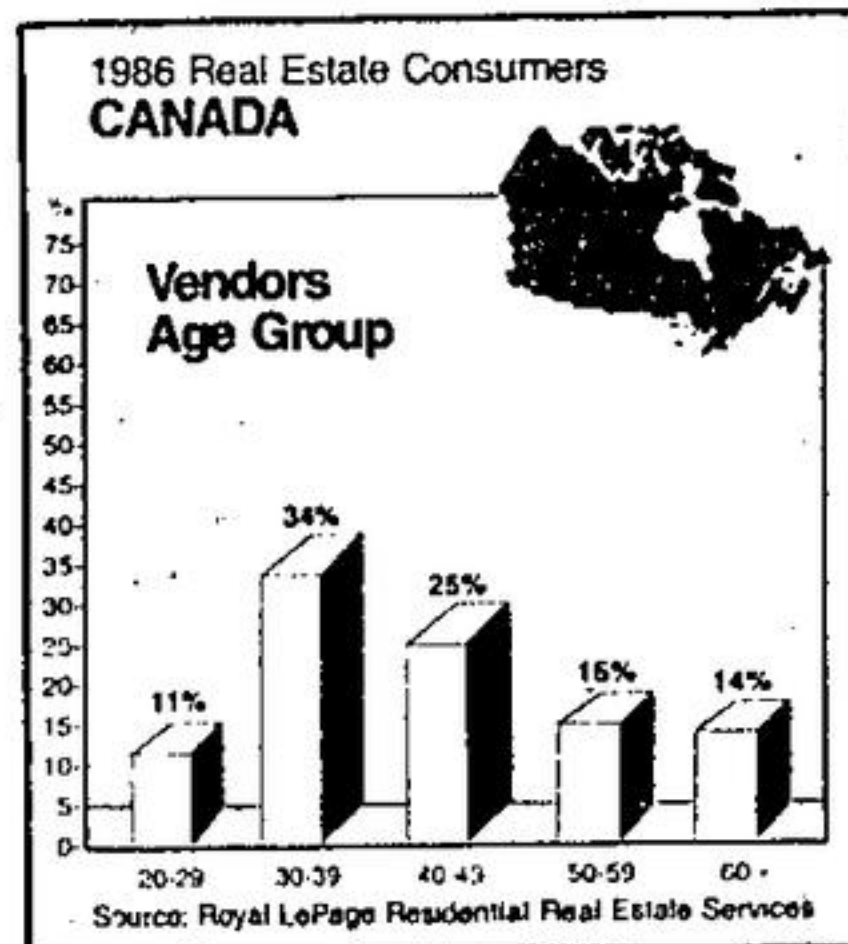
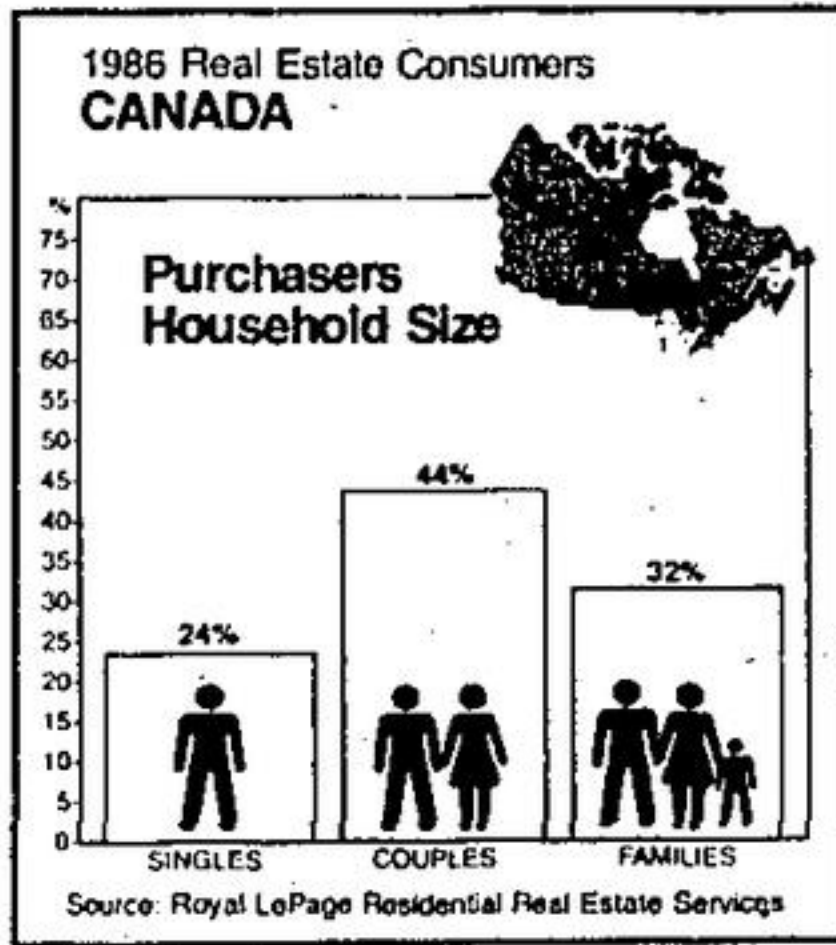
This also reinforces the finding that older, more experienced home owners exerted a stronger influence on real estate markets in 1986.

Also of note, the number of first-time vendors dropped dramatically, from 38 per cent of the market in 1985 to 33 per cent in 1986. Almost all of this increase was absorbed by the multi-time vendor group, which increased from 32 to 39 per cent.

"The findings of our survey are producing the first real, quantifiable insights into the demographic characteristics of real estate consumers," says Mr. Jurock. "To our knowledge, no other organization has ever conducted a study as comprehensive as the one we're now undertaking."

"In future, we will break down the findings and examine individual cities and regions. We also plan to correlate the various categories, so we can determine such things as the type of housing young people are buying, the age of first-time buyers, and how much people are spending for different types of housing."

"We suspect, for instance, that not all first-time buyers are single; some may be divorced or older singles."



Paying for your home

Before you begin looking for the home of your dreams, think about that down payment.

Most lenders will ask for a minimum down payment of 10% of the purchase price of the home you have in mind.

You must also consider the financing you will be able to obtain, which will depend on the monthly payment you can carry. Interest rates will be a major factor in determining your monthly payment.

If you find yourself still short, you may try to find another, less expensive way of financing. Alternatively, you might lower your expectations or even postpone your purchase for a year or two.

There will be other expenses as well. These include legal fees, registration fees, appraisal fees, moving expenses, possibly additional furniture or appliances and so forth. Add these costs to the total of the down payment and this figure will represent what you should have in the form of cash in hand before making a commitment to buy a house.

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