

Homebuyers eager to enter market: studies

BY DAVID FLEISCHER
Staff Writer

One of the oldest investment rules in the book is you can't go wrong with real estate.

A pair of new studies suggest home-owners are confident with their purchases and are ready for more.

RBC Royal Bank's 14th Annual Home Ownership Survey, released Tuesday, shows a majority of those in the real estate market want to buy now rather than waiting to see what happens.

The nationwide study showed 59 per cent of GTA residents saying it made more sense to buy now, not surprising, since 63 per cent expect prices to rise over the next 12 months.

"Overall, home buying intentions in the GTA are on par with or higher than most other regions of the country," Royal Bank vice-president Paul Bimm said.

"Still, a majority of residents are saying now's the time to buy — a feeling perhaps in part due to a concern of rising housing prices and interest rates."

Ralph Umansky, president of Concord-based BestPlan Financial Strategies Inc., isn't surprised. While renting is a viable option for many, "a lot of people still believe land and property are the way to go," he noted.

For most people, home ownership has been more of a necessity of life than an investment vehicle.

The RBC study showed 91 per cent of GTA residents classifying a house or condominium as a good or very good investment. They also believe the value of their houses has increased by 15 per cent in the past two years alone; both statistics echoed another study.

Re/Max released numbers last month touting a 264-per-cent increase in average house values since 1981 — but what really lies behind those numbers?

The 264 number is a national average and, according to the study, house values in the GTA have actually increased more at a rate of 290 per cent.

While several media outlets reprinted Re/Max's numbers at face value, a closer look shows the math neither puts the numbers in context nor adjusts them for inflation.

The study says, for example, a house bought 25 years ago for \$90,203 would now be worth \$351,941. At first glance, the \$260,000 in profit makes it look like a superb investment.

But, as most longtime homeowners know, the fact you can sell your house for that much does not necessarily mean you are far ahead. For starters, whether you are downsizing or upsizing, you're going to need a new home and its price has risen at the same rate.

"For most people, home ownership has been more of a necessity of life than an investment vehicle," said Michael Polzler, executive vice-president and regional director of Re/Max Ontario-Atlantic Canada.

You need to be wary of studies based on averages, especially over a long period of time, Mr. Umansky said.

"There is no individual answer going back 20 years," he said.

Every investment comes with risks and every person is in a different situation, though he added, "You've got to live somewhere."

"There are good arguments for rental but a lot of people still believe buying

land and property is the way to go. There's always an argument to be made and it depends on individual circumstances."

The minimum wage, recently rose to \$8 an hour, was \$3.50 in 1981.

Between 1981 and 2007 there has also been a steep decline in mortgage interest rates, from nearly 20 per cent to the current 5 per cent range.

According to Statistics Canada, the Consumer Price Index, by which inflation is measured, has gone up 221 per cent.

Amortized over 25 years, Re/Max's 264 per cent increase is shown to actually be 5.3 per cent, compounded annually. That's barely above inflation.

While that hardly makes for a poor investment, Mr. Umansky said other options, such as GICs, increased in the 12 to 13 per cent range over the same term.

Market downturns in the 1980s and 1990s make another one seem inevitable, but Mr. Umansky doesn't expect the next correction to be as severe as those.

Daylight savings time ideal for checking smoke alarms

Clocks spring forward this Sunday at 2 a.m. and that means an early check on your smoke alarms, according to the province's fire marshal.

Even though the time change is about a month sooner than previous years, it's still a perfect time to check your alarm, fire marshal Patrick Burke said.

It was more than a year ago when the fire code was changed to make smoke alarms mandatory on all levels and sleeping areas of your home. A recent review of provincial data shows 79 per cent of homes that had fires had an alarm and less than half of these alarms were working.

The main reason behind this is batteries were taken out to stop nuisance alarms from cooking or steam. However, removing batteries and tampering with smoke alarms is illegal.

If you have a nuisance alarm, go to www.makeitstop.ca or contact the fire department for advice.

—Alex Karkheck

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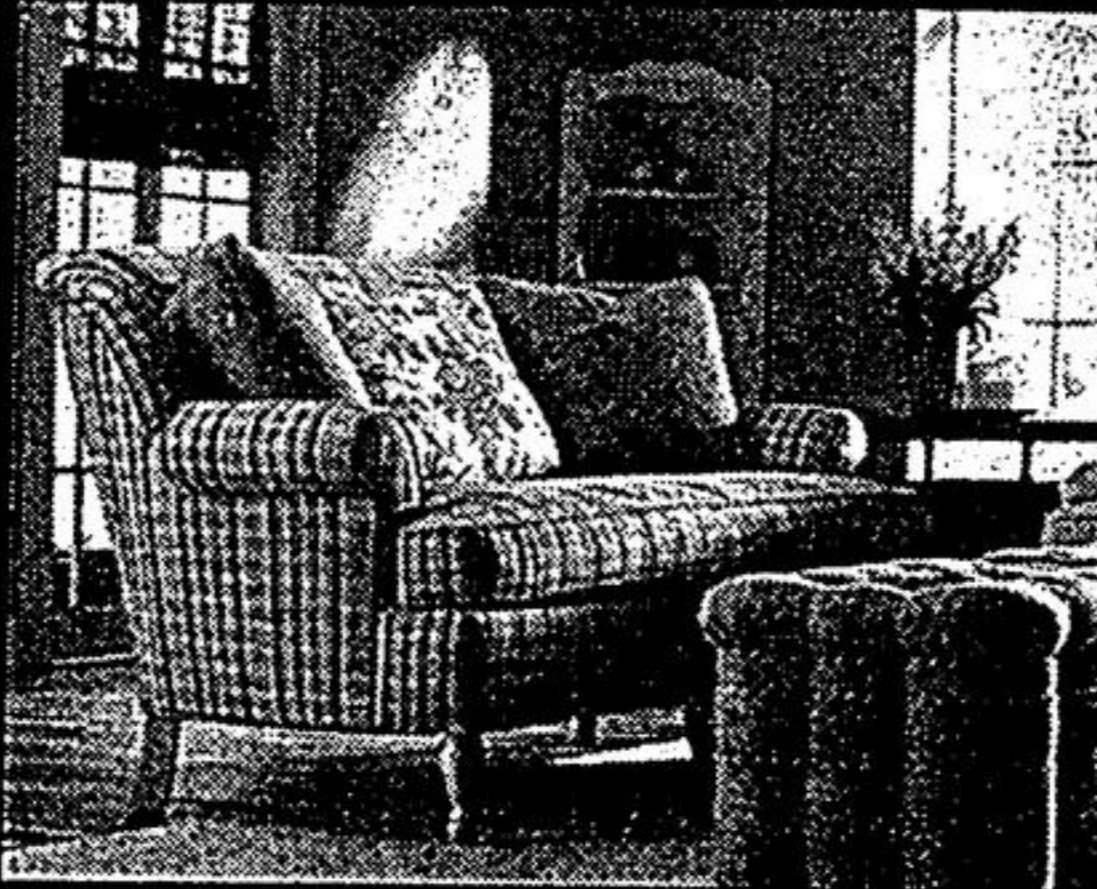


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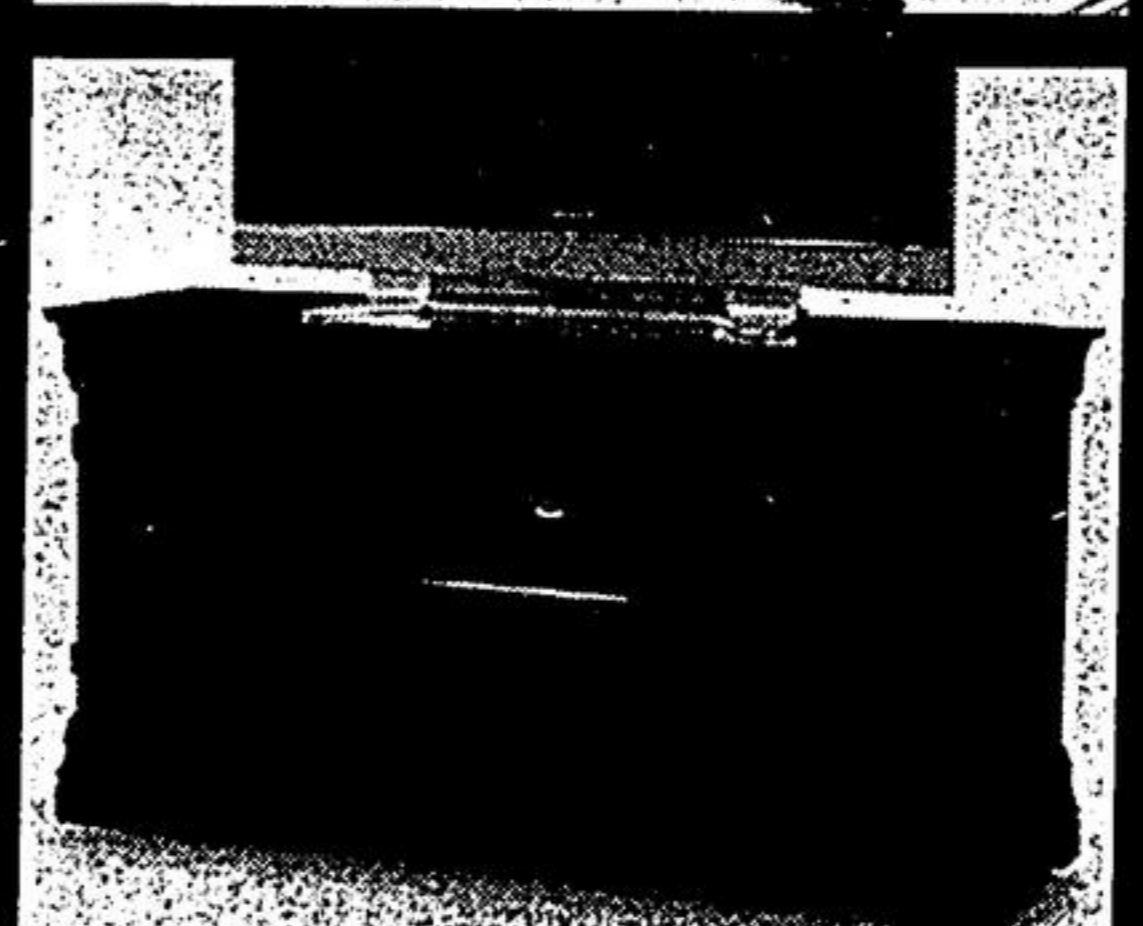
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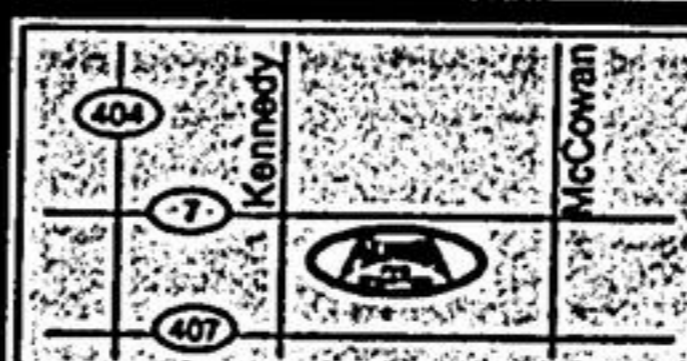
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