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## Sales above seasonal average Are stress test rules excessive?

Despite the number of government initiatives to slow the GTA housing market, demand continues to be strong. November sales were higher than in October, bucking the usual seasonal trend. The increase may be caused by buyers rushing to make their purchases before the new mortgage regulations come into force in January. These rules require those taking out a mortgage to qualify at a rate two percentage points higher than the contractual mortgage rate.

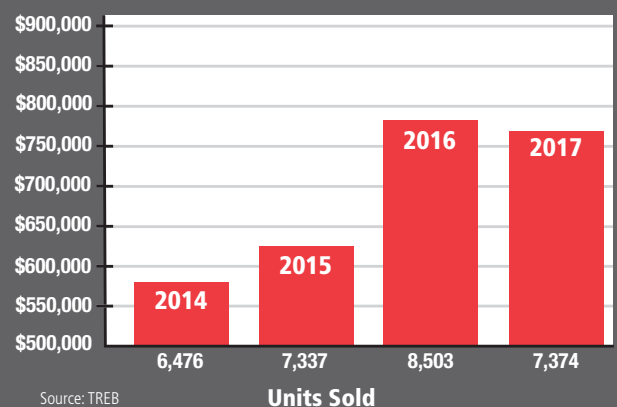
Many people believe this strict stress test is excessive and will put many would-be homeowners on the sidelines, including many who could qualify for a home under current regulations. A recent study noted that Canadians are highly motivated to repay their mortgages and that about one-third of mortgage holders take actions that will shorten their amortization periods. Mortgage arrears are just 0.24 per cent in Canada.

The average price for a detached home in the City of Toronto was \$1,276,184 in November, down 5.1 per cent from a year ago. In the 905 regions, detached homes sold for an average of \$898,605, down 6.2 per cent from November 2016. Detached homes spent an average of 26 days on the market and sold for 97 per cent of the listed price. Much of the action took place in the condominium market, where the average price in the City of Toronto was \$555,396, up 17.7 per cent compared to last year. In the 905 regions, condo apartments sold for an average price of \$414,782.

Demand for GTA real estate continues to be strong thanks to a robust economy. Canada's unemployment rate is at its lowest rate in almost a decade; it has dropped a full percentage point from the end of 2016. Demographic fundamentals also support the market. The growth rate of the GTA's adult population has moved upwards from 1.6 per cent in 2015 to 2 per cent, which is above the area's long-term average. The federal government recently increased its immigration targets, which will bring many new residents to the city.

The recent census showed that the number of people aged 20-35 who are still living with their parents is increasing. Many of them are saving for a down payment and will eventually enter the housing market, some with help from the "bank of mom and dad." Studies show that most millennials believe that housing is a great investment and want to buy a home. REU

**Average Home Prices - November**  
in the Greater Toronto Area



## Monthly sales and average price by area

### November 2017

Central.....	1,740	\$910,508
East .....	1,744	624,941
North .....	1,869	877,410
West .....	3,194	719,284

### October 2017

Central.....	1,853	901,180
East .....	1,968	649,981
North .....	2,125	908,652
West .....	3,822	738,997

### September 2017

Central.....	1,250	906,357
East .....	1,479	643,346
North .....	1,108	935,945
West .....	2,542	718,223

### August 2017

Central.....	1,257	798,797
East .....	1,393	626,990
North .....	1,099	883,513
West .....	2,608	692,759

### July 2017

Central.....	1,144	820,906
East .....	1,334	621,778
North .....	937	897,574
West .....	2,506	721,771

### June 2017

Central.....	1,562	926,177
East .....	1,728	658,865
North .....	1,314	926,533
West .....	3,370	750,149

### May 2017

Central.....	1,958	1,022,740
East .....	2,210	701,423
North .....	1,747	1,024,017
West .....	4,281	809,811

### April 2017

Central.....	2,099	1,080,388
East .....	2,482	752,289
North .....	2,402	1,128,008
West .....	4,647	831,593

### March 2017

Central.....	2,166	1,003,774
East .....	2,330	743,897
North .....	2,803	1,121,479
West .....	4,778	841,025

### February 2017

Central.....	1,489	986,604
East .....	1,485	699,779
North .....	1,819	1,076,445
West .....	3,221	792,875

### January 2017

Central.....	963	811,972
East .....	1,065	623,967
North .....	1,114	983,357
West .....	2,046	711,980

### December 2016

Central.....	1,082	790,734
East .....	1,009	604,624
North .....	1,180	895,773
West .....	2,067	665,993

Source: TREB

## Money matters

### Schools and property values Big impact on home prices

Research before buying a home should include finding out more about neighbourhood schools and the reputation they hold. Even if you don't have children, the school catchment area has a significant impact on the resale value of your home.

The value added by a good school to your property's value depends on the local neighbourhood and the home in question, but some research has been

conducted on the issue. One Toronto real estate firm estimated in 2015 that being "in district" for one of the top schools in the area could add from 20 to 36 per cent to a home's value, while another estimated that it could add up to \$800,000 to a home's price.

A survey discovered that 84 per cent of Canadian homebuyers check out school districts when looking for a home. Another survey of 1,000 potential homebuyers found that one out of five said they would give up an extra bedroom or a garage if it meant getting into the right school district. Thirty-three per cent said they would opt for a smaller home to get their children into their chosen school.

What this means to you as a homebuyer or seller is that a home in a good school district commands higher demand and higher demand begets higher home prices which in turn equates to higher appreciations rates.

You can check out school rankings compiled by the Fraser Institute at <https://www.fraserinstitute.org/school-performance>. REU



## Condo update

### The condo blacklist Due diligence essential

You decide to buy a condo. You qualify for a mortgage and, maybe, mortgage insurance. But that doesn't automatically mean you will get the loan. Sometimes lenders and mortgage insurers can blacklist an entire condo building because there is an issue with the condo's finances that make the lenders nervous.

What makes lenders nervous? Well, someone may be suing the condo corporation or there may be liens against the property. The corporation may be broke and has loans to pay for common expenses. There may be increased foreclosures in the building triggering a drop in property values.

That is why it's essential that buyers conduct the due diligence on the condo corporation before buying. It is

prudent not to remove financing conditions and close the deal before you know that your lender and mortgage insurer are ready to finance that particular condo.

Mike Bricknell of Canwise Financial suggests that it's a red flag if you find a condo where the seller insists on at least a 20-per-cent down payment. It could mean they are looking for buyers who don't need mortgage insurance, hoping to avoid a situation where the buyers can't get financing or insurance.

You and your lawyer should carefully examine the condo's Status Certificate to ensure the condo is in sound financial shape. The certificate outlines the corporation's financial status, including outstanding bills, liens or work orders, how much money is in the reserve fund for operating expenses and whether there are any legal issues involving the condo corporation. REU



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### **diabetes.ca**

Supports people affected by diabetes by providing information, research, education, service, and advocacy.

*These sites are believed to be reliable but their accuracy cannot be guaranteed.*

## Mortgages

### New mortgage rules What they mean when you buy and renew

The controversial new mortgage qualifying rate, or stress-test rate, has been called "a war on homebuyers" by the Ontario Real Estate Association. But like it or not, as of January 1, 2018, anyone who gets a mortgage from a federally regulated lender must qualify at the contractual mortgage rate plus two percentage points.

"It is estimated that about 10 per cent of current loan applications would no longer qualify under the new rules," says Adrienne Warren of Scotiabank Economics. "The overall impact on sales, however, is likely to be smaller, as some potential buyers could choose to purchase a lower-priced home, while others may be able to extend their amortization period or opt for a lower variable mortgage rate in order to extend their buying power."

The Macdonald-Laurier Institute believes the new rules "effectively shuts many homeowners out of the market, drives them into less suitable housing, or sends them into the arms of credit unions or sub-prime lenders that are not federally regulated."

Benjamin Tal of CIBC Capital Markets says, "That change reduces the purchasing power of typical buyers by close to 20 per cent, and we estimate that no less than 10 to 15 per cent of mortgage originations will be impacted..."

However, the combination of the creative imagination of borrowers, some exceptions to the rule and increased activity among alternative lenders will soften the blow to the market as a whole with actual demand slowing by only five to seven per cent in the coming year."

One of those exceptions is that homeowners renewing a mortgage with their current lender are exempt from the new rules. "The problem is this approach unnecessarily



limits competition," says Jim MacGee of the C.D. Howe Institute. "By imposing an interest rate stress test on a borrower if they switch lenders, borrowers with high debt-to-income ratios may find that they can only qualify for a renewal with their existing lender. This removes the option to shop for a better rate and limits borrowers' bargaining power on renewal." REU

## Mortgages

### At December 5, 2017

*Mortgage rates are negotiable with individual lenders. Rates are subject to change without notice. OAC E&OE*

6-month .....	3.69%
1-year.....	2.84%
2-year.....	2.89%
3-year.....	2.94%
4-year.....	2.99%
5-year.....	2.99%
<b>Prime rate .....</b>	<b>3.20%</b>





## Duct Cleaning Getting your ducts in a row

Many people often wonder whether duct cleaning is a valuable service or simply a scam. Luckily, it's an easy question to answer. Duct cleaning is important for the quality of air within your home, and therefore, for your health - for this reason, it's a very valuable service.

In a typical six-room home, up to 40 pounds of dust are created annually. When not properly maintained, the air ducts in your home can harbor all kinds of allergens, including cobwebs, dust, mold, fungus, and chemical pollutants.

Air ducts are the lungs of your home. Their purpose is to circulate fresh, clean air for you to breathe. There are all kinds of circumstances and contributors adding to or creating dirty air ducts. These can include: Animals in your home that shed hair, fur and dander. Construction in your neighbourhood. Dirt and dust travel - if your windows are open you are inviting them inside. Indoor renovations. Excess moisture in the air can lead to mold build up in some duct systems.

Dirty air ducts can also affect your energy bills. They cause your furnace and air conditioners to work overtime. This can result in increased maintenance and reduced performance for both of these systems. The strain dirty ducts put on these systems can also contribute to overly high hydro and gas bills.

We encourage cleaning your air ducts upon moving into a home, or if you have just completed a major renovation or remodeling project. Homes with family members who have allergies or asthma may be particularly sensitive to air quality issues, and duct cleaning on a more regular basis may be appropriate. Homes with smokers or pets that shed hair and dander may need more frequent ductwork as well.

This simple maintenance will help ensure the longevity of these systems and the health and cleanliness of your home. If you are not sure of what to look for in a service provider, consider the following:

- Is the company able to show proof of NADCA (National Air Duct Cleaners Association) membership and certification?
- Is the contractor willing to conduct a thorough inspection of the heating and cooling system prior to performing any work?
- Does the contractor agree to disclose any problems discovered during the inspection - NADCA's Assessment, Cleaning and Restoration Standard requires this?
- Is the heating or cooling system fully operational before cleaning?
- Will/did the contractor clean the supply ductwork?
- Will/did the contractor clean the return air ductwork?

*The above article is reprinted with the permission of Carson, Dunlop & Associates Ltd., Consulting Engineers – Expert Home Inspections.*

## LePage & Stewart

Rob LePage, Broker | Jill Stewart, Broker

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## GTA '17 totals

### Sales activity of single-family homes

Most recent month, year to date

#### Active listings

November ..... 18,197  
YTD..... N/A

#### New listings

November ..... 14,349  
YTD..... 172,280

#### Sales

November ..... 7,374  
YTD..... 87,513

#### Average price

November .... \$761,757  
YTD..... \$827,608

#### Median price

November .... \$640,000  
YTD..... \$682,000

#### Average days on market

November ..... 24  
YTD..... 16

#### Average percentage of list price

November ..... 98  
YTD..... 104

Source: TREB

## Housing market indicators

### Single-family dwellings

Source: TREB	Sales	New Listings
Nov '16	8,503	10,456
Nov '17	7,374	14,349
% Change	-13.3%	37.2%

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