

REAL ESTATE NEWS



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DESPITE CHALLENGES, CANADA'S GENERATION Y STILL PLAN TO OWN HOMES, ACCORDING TO ROYAL LEPAGE NATIONAL SURVEY

Although there are genuine hurdles to owning a home for Canadians, a new Royal LePage Real Estate survey shows that Generation Y (born between 1980 and 1994) and Baby Boomers (born between 1947 and 1966) still strongly desire a house of their own.

The survey conducted by Leger Marketing found that four-in-five (80.9 per cent) of the Generation Y sample indicated that they have plans to move to another primary residence at some point in the future, with significant proportion (39 per cent) stating that they have a move planned at some point in the next two years. Baby Boomers were less interested in moving, with 56.6 per cent stating that they currently have no plans to move to another residence.

"Baby Boomers have built homes for themselves. They are established in their neighbourhoods and their residences have become a place of happiness for family and friends," said Phil Soper, CEO of Royal LePage Real Estate. "It's their children that are seeking to create a similar atmosphere of their own, even though new impediments exist for this younger generation."

While Generation Y is more likely to rent their primary residence at this stage in their lives, they do not see this as desirable long-term solution. An overwhelming 85.7 per cent disagreed with the statement that "I do not desire to own a property in my lifetime as renting is preferable to me," including 90.5 per cent of Quebecers. British Columbians in the same age group were among the most open to renting, with one-in-five (21.4 per cent) saying they prefer renting over home ownership.

Of those who are planning a move, 55.1 per cent of Generation Y and 60.1 per cent of Baby Boomers intend to purchase their next primary residence. While the majority prefers to purchase their next home, a sizeable proportion of Generation Y (32.6 per cent) says they plan to rent. When examined

regionally, there are some interesting divergences in intentions on buying versus renting. For instance, Generation Y in the Prairies and Quebec (62.6 and 61.3 per cent, respectively) intend to purchase their next primary residence. On the other hand, British Columbians in the same age group are less likely to become home buyers, with 38.3 per cent stating that they intend to rent their next primary residence.

Regardless of intent to move or not, Canadians remain confident in the sturdiness of the real estate market. Trust in the value of real estate remains very high amongst Canadians young and old. The majority of respondents from both groups stated that they see real estate as a sound investment, including 80.3 per cent of Generation Y and 88.7 per cent of Baby Boomers. Only approximately one-in-ten (8.5 per cent and 12.8 per cent, respectively) from either group did not believe that real estate was a sound investment.

"Across locations and ages, Canadians are investing in their future and they see value in real estate," said Soper.

While interest in home ownership remains high, potential home buyers from Generation Y face a number of regulatory and financial barriers. For instance, the survey found discontent among Generation Y about recent changes made to mortgage rules. Just under half of respondents (45.8 per cent) said that the new rules will affect their ability to purchase a home to some or a large extent. A much smaller proportion (20.8 per cent) of Baby Boomers was concerned about the effect of the recent regulatory changes to mortgages.



SPRING MARKET SHOWS MODERATING TREND

Members of the Ottawa Real Estate Board (OREB) sold 1,167 residential properties in March 2013 compared with 1,388 in March 2012, a decrease of 15.90 per cent. There were 914 home sales in February 2012.

"The Ottawa market has been described as steady and stable for the past few years. It's not going up drastically, and it's not going down drastically," said OREB's President. "The market was forecasted to slow down in 2013 as a result of recent mortgage changes, and indeed it has" he added.

"According to chief economists at the Canadian Real Estate Association (CREA) and intelligence garnered from large mortgage lenders, large mortgage brokers, and large real estate brokers, the most recent changes to mortgage rules and guidelines has largely impacted first-time buyers by forcing them to focus on more affordably priced homes. They were, to a much lesser extent, priced out of the market. When the changes were first announced, those who were actively shopping had to re-evaluate how much home they could afford to finance. Another factor for the slow-down of the Ottawa market could be the role of public service employment cuts in the local economy."

The average sale price of residential properties, including condominiums, sold in March in the Ottawa area was \$358,012, an increase of 1 per cent over March 2012.

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REAL ESTATE NEWS

REAL ESTATE HOME INSPECTION: BUYER BEWARE

Mark Weisleder is a Toronto real estate lawyer. Reprinted from article published in the Toronto Star February 2013.

Buyers must be very careful to check for minor defects in a home by themselves, as they may not be protected if they find out about it later.

One reader complained that after closing, they learned that one of the mirrored closet doors was cracked. When they had first inspected the home, the closet doors were open, such that the cracked one was behind one that was not cracked. The buyer says that they were fooled by the seller.

Another reader complained that they did not want to disturb anything on the kitchen counter when they visited the home, only to find after closing a crack in the countertop under the spot where the coffeemaker was sitting.

This highlights the legal subject of patent or obvious defects.

The general principal is that a seller does not have the obligation to disclose defects that are visible to any buyer. However, a seller cannot try to conceal obvious defects either. The following case demonstrates that this is not always easy to figure out:

Randall and Catharine Reiss bought a home from Dr. Emil and Maria Grigore in West Lorne, Ontario in January 2005. The sellers had been in the home 14 years.

The buyers had two opportunities to visit the home before making the offer. The second visit took at least two hours. As Mr. Reiss was an electrician, he did not bother with a home inspection. He had asked the sellers whether they had experienced problems with the air conditioning, furnace or plumbing systems and the answer was no.

He asked whether all the windows opened and the answer was yes. He only tested one of the windows himself. He also checked under many of the rugs in the home.

After closing the buyers discovered numerous problems with the home and sued. Some of the complaints were as follows:

There was soapy water and dishes in the kitchen sink at the time of the visits. After closing the buyers noticed that the entire sink was rusted and had to be replaced.

Some of the window cranks did not work so the windows would not open.

There was a large stain under the bed in the master bedroom, which resulted in the buyer having to replace the entire bedroom broadloom.

There were 50 cracked tiles around the bathtub and on the bathroom floor that were concealed by a combination of a rug on the floor, a vase and a stack of towels.

According to the buyers, even though these were minor defects, they were actively concealed by the sellers.

According to the sellers, they did not say anything untruthful and did not conceal anything. They permitted the buyers as long as they needed to inspect their home before putting in an offer. They did not have a dishwasher so it was not unusual for dishes to be piled up in the sink.

The dog slept under the bed and must have had some accidents that they were not aware of. They tried to remove the stain when they moved out and noticed it for the first time but were not able to get the stain out.

The case was decided on June 30, 2010. Justice Lynne Leitch noted that the sellers were long-standing members of the community, who had family in the area and were not trying to move away and unload a home with problems. She accepted the sellers' explanations and denied the buyers any damages.

As to the readers who discovered the cracks in the mirrored closet door or under the coffee machine on the kitchen counter, in my opinion they would probably lose their cases as well.

The lesson is that buyers must be very careful to do their own due diligence when visiting a property, before making any offer. This includes testing all windows, looking behind pictures, under rugs and lifting anything off the counters.

Test the appliances, electrical outlets and faucets as well. Being prepared before you make an offer will prevent unwanted surprises after closing.

