



REAL ESTATE NEWS

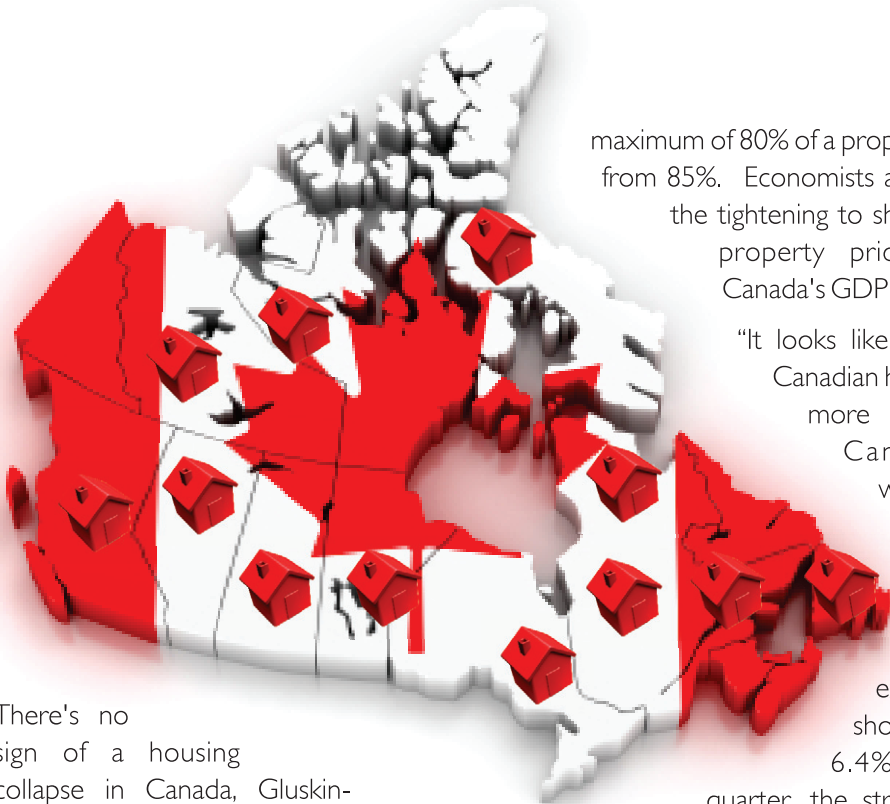


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ALL'S FINE ON THE CANADIAN HOMEFRONT



maximum of 80% of a property's value — down from 85%. Economists at the time expected the tightening to shave 10% to 20% off property prices, and cut into Canada's GDP.

"It looks like the much-maligned Canadian housing market is way more resilient than those Canada-doomsayers would believe," Rosenberg wrote in a briefing in mid-July

The economist said existing home sales shot up "an impressive" 6.4% in the second quarter, the strongest performance since the end of 2010.

Existing home sales in June strengthened across the country, including a 6.4% leap in Vancouver, the market hardest hit by the slowdown. Even Toronto, "a notable under performer," saw sales climb 1%, he said.

"Bottom line: The Canadian housing market is not collapsing, but rather stabilizing after achieving the government-induced soft landing," said Rosenberg.

There's no sign of a housing collapse in Canada, Gluskin-Sheff's chief economist says.

David Rosenberg, the latest pundit to weigh in on the hard versus soft landing debate, says Canada's housing market has almost recouped all the losses brought on by Ottawa tightening the mortgage rules in 2012.

Last year the federal government, concerned about Canadians' rising debt levels, cut the maximum amortization period for a government-insured mortgage to 25 years from 30 years and capped home equity loans at a

STEADY AS SHE GOES. NO MAJOR FLUCTUATIONS FOR OTTAWA REALES

Members of the Ottawa Real Estate Board (OREB) sold 1,339 residential properties in July 2013 compared with 1,376 in July 2012, a decrease of 2.7 percent. There were 1,594 home sales in June 2013.

"Although the number of residential properties, including condominiums, is down since last year, residential-class units sold increased 0.5 percent from this time last year" said OREB's President. "The market has definitely cooled down since last year, as a result of the introduction of new mortgage rules by the Government. However, Ottawa remains balanced, and we are not seeing major fluctuations that other large Canadian cities sometimes experience.

July's sales included 273 in the condominium property class, and 1,066 in the residential property class. The condominium property class includes any property, regardless of style (i.e. detached, semi-detached, apartment, townhouse, etc.), which is registered as a condominium, as well as properties which are co-operatives, life leases and timeshares. The residential property class includes all other residential properties.

The average sale price of residential properties, including condominiums, sold in July in the Ottawa area was \$359,551, an increase of 6.6 percent over July 2012. The average sale price for a condominium-class property was \$275,189, a increase of 3.7 percent over July 2012. The average sale price of a residential-class property was \$381,156, an increase of 6.3 percent over July 2012.

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REAL ESTATE NEWS

SECOND QUARTER MARKET TRENDS DEFY SUGGESTIONS OF HOUSING BUBBLES

Royal LePage forecasts modest house price gains for remainder of 2013, as Canadian housing emerges from current market cycle

The average price of a home in Canada increased between 1.2 per cent and 2.7 percent in the second quarter of 2013, according to the Royal LePage House Price Survey and Market Survey Forecast, recently released.

According to the survey, markets across the country continue to post gains. In the second quarter, standard two-storey homes and detached bungalows both showed a year-over-year average price increase of 2.7 percent to \$419,614 and \$386,547, respectively. Average prices for standard condominiums showed a more modest increase during the same period, rising 1.2 percent to \$248,750. Royal LePage forecasts that house prices will see modest gains throughout the remainder of 2013, projecting a 3.0 percent increase for the full year when compared to 2012.

Dialogue concerning the direction of Canada's housing market has remained front and centre in recent months. Changes to Canada's mortgage lending rules in mid-2012 coupled with concerns about consumer debt levels, housing affordability in cities like Toronto and Vancouver and continued international economic uncertainty have prompted a number of analysts to forecast large downward price adjustments.

"As we have stated consistently since the current market downturn began late in the second quarter of 2012, this is a normal cyclical correction which brings fewer home sales and softer prices. Those hoping their predictions of a bursting bubble and cataclysmic drops in home values will come true are out of luck again," said Phil Soper, president and chief executive of Royal LePage. "Price appreciation in most markets across the country has been well below the long-term average for Canada and will remain so through to the end of the year. We expect to see the number of homes trading hands to begin to rise slightly on a year-over-year basis in the second half of 2013, with price softness continuing until mid-2014, at which point we'll see an emergence from the current cycle."

Recent signals from major financial institutions in the United

States and Canada also point to a turn in the tide. In recent weeks, two of Canada's largest home-loan lenders, Royal Bank of Canada and TD Bank Group, raised their mortgage rates. At the same time, the U.S. Federal Reserve recently hinted that it may start winding up monetary stimulus later this year, should economic improvements continue.

"With the economy on both sides of the border performing better in recent months, a move off the record-low interest rates that we've experienced over the past few years is likely on the horizon," explained Soper. "Paradoxically, we expect the first increases in interest rates to be constructive for the housing

market. Rising rates would be driven by a strengthening economy, reduced unemployment and improving consumer confidence. Much of the dampening effect that would come with a transition towards higher rates has already been 'priced in' to both consumer attitudes and financial institutions' current lending policies."

As of late, the condominium sector has moved to the forefront of discussions concerning the health of Canada's real estate market with fears of oversupply in major centres like Toronto. Yet, condominium prices remained flat or

posted year-over-year gains in nearly all Canadian cities in the second quarter, with a couple of exceptions in British Columbia. While condominium prices in Vancouver saw a 3.3 percent decrease when compared to the same period in 2012, signs of an early recovery are evident across the Lower Mainland of British Columbia.

"We believe condominiums will be a housing class of increasing importance in the Canada of the future," said Soper. "In the short-term we anticipate some market uncertainty and moderate price adjustments, particularly in Toronto which is working through a supply spike, however, the medium and long-term prognosis remains very positive. Demographic and city planning trends, in conjunction with shifting consumer preferences, remain supportive of this housing category."

Housing prices in Ottawa remained relatively flat year-over-year, with higher inventories leading to more options for buyers in the market. Average home prices in this region are expected to remain steady over the balance of 2013, with a projected increase of 1.2 percent year-over-year.

