REAL ESTATE NEWS

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Demand for Realtors is increasing

You may or may not be aware of this fact, but more people are choosing to use a real estate agent than ever before. In correlation to the increased demand for real estate agents is the so-called democratization of information – the opening of the web, a.k.a. the Google factor, and the general trend of consumers choosing how and when they purchase products. When you analyze the statistics surrounding Internet adoption and demand for real estate agents, an untold story unfolds.

Let's start with the number of home buyers working with a Realtor, as published in a recent U.S. report issued on Realtor.org. In 2001 about 69 percent of all home buyers worked with a real estate agent. Dramatically, by 2012 that number increased to 89 percent, according to the National Association of Realtors (NAR). That's a whopping 20 percent increase.

That's a good news story for Canadian real estate. After an onslaught of news about an uncertain economy over the last four years, along with a general opening up of information online, you would be forgiven for assuming that Realtors' future in the marketplace might be at risk. The numbers are not reflecting that, and the story doesn't stop there.

The increased demand for real estate agents may be related to a surprising factor. A growing demographic of home buyers is adopting the Internet and technology in their home-buying process. An analysis of the 2012 Profile of Home Buyers and Sellers released by NAR found that home buyers using the Internet were more likely to work with a real estate agent. Twenty percent more likely, to be exact. This is counter to a common assumption that the more access a home buyer has to information online, the less they will need to work with a real estate agent.

In reality, "91 percent of home buyers who used the Internet to search for a home purchased through a real estate agent, as did 71 percent of non-Internet users," says the study.

Data released by the Parliament of Canada reveals that since 2000, Internet usage in Canada increased by 35 percent. Today 80 percent of Canadian mobile phone users are on a smartphone and 93 percent of Canadians go online for product information. These latest statistics divulge an interesting outcome. With the ability to search for homes online Canadians have spoken through their actions. They like using the Internet to search for information about property and real estate agents when purchasing.

Perhaps the greatest value a real estate agent provides for the home buyer is a sense of security that they are making the right decision and that the deal is put together correctly. With the increase in accessible information online, it is likely home buyers are realizing just how much information is available and are recognizing the need for an expert in the purchasing process

According to NAR, 87 percent of buyers surveyed viewed real estate agents as a source of valuable information. Another study by Mustel Group Market Research found home buyers believe that the greatest value a real estate agent provides is dealing with the details and negotiating the best price.

One can conclude from all this that with the rise of technology, Canadian home buyers are embracing real estate agents. That's not to say there isn't uncertainty. But the numbers expose strong demand for real estate agents from the most promising of all consumers groups, the emerging home-buying demographic. Canada's youngest home buyers using the Internet are also the most likely to work with a real estate agent. The future of Canada's real estate agents is remarkably good.

Jonathan Whiting is a founding partner of StreetText.com, a text message and web marketing platform that serves Canadian real estate agents and mortgage brokers coast to coast.

Ottawa resale market on the up and up.

Members of the Ottawa Real Estate Board (OREB) sold 1,219 residential properties in August 2013 compared with 1,145 in August 2012, a increase of 6.5 percent. There were 1,339 home sales in July 2013.

"It has been one year since the Canadian Government introduced the new mortgage rules, and although the Ottawa market has been slow-moving since the beginning of the year, this month's numbers are quite the opposite" said OREB's President. "With both residential and condo units sold up a respectable amount since last year, it breaks the downward cycle. In addition, average sale prices evened out in August, creating a welcomed lull in inflating property prices", he added.

August's sales included 272 in the condominium property class, and 947 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 August in the Ottawa area was $348,519, a slight increase of 0.4 percent over August 2012. The average sale price for a condominium-class property was $257,494, a decrease of 5.4 percent over August 2012. The average sale price of a residential-class property was $374,663, an increase of 1.8 percent over August 2012.

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Ottawa home price affordability steady in Q2

Prices for Ottawa second-quarter home resales rose 2.9 percent in the second quarter, according to Royal Bank of Canada, which put prices in line with the 10-year average for that metric.

With home prices sticking mostly to the same rises as the national average, save for a moderate decline in condos, this means that affordability remains steady for homebuyers in the national capital, the bank said in a report.

"Home prices increased at essentially the same rate as the average for Canada for most housing types in the latest quarter," RBC wrote in the report.

"This meant that housing affordability also eroded by roughly the same (small) magnitude as occurred nationally in the second quarter – with the exception of the condominium apartment category, where affordability slightly improved in Ottawa while remaining flat overall in Canada."

Two-storey and bungalow housing in Ottawa saw affordability decrease by 0.5 percentage points each (to 38.8 percent and 37.1 percent respectively), while condos increased by 0.3 percentage points to 25.2.

The report also found that, nationally, home ownership has become less affordable for the average Canadian, but that hasn't stopped many from jumping into what may already be an overpriced market.

Royal Bank (TSX:RY) says its housing affordability index reversed course in the second quarter of this year in two of the three categories it measures – bungalows and two-storey homes – after generally improving over the past year.

That means that on average, Canadians were paying more of the pre-tax income to service their homes compared to the first quarter of the year, although the index is still down from a year ago.

The quarterly increase was not spectacular – 0.3 points to 42.7 per cent on a detached bungalow and 0.4 points to 48.4 per cent on a standard two-storey home. The index on a condo was unchanged at 27.9 per cent.

As with past samplings, Vancouver and Toronto continue to stand out as the least affordable cities. During the second quarter, Vancouver's affordability reading rose 2.2 points to 82.1 on a detached bungalow, while Toronto's edged up half a point to 54.5.

By contrast, other major municipalities were far more tame and below the national average. On a detached bungalow, Montreal slid slightly to 38.1 per cent, Ottawa was mildly higher at 37.1, Edmonton was at 34.0 despite a 1.8 point gain, and Calgary held steady at 33.0.

The affordability index measures the cost of servicing a home, including mortgage payments, utilities and taxes, in relation to a household's pre-tax income. The higher the reading, the less affordable is a home to a particular family.

RBC chief economist Craig Wright noted that the deterioration in affordability did not scare many Canadians from jumping feet first into the housing market during the second quarter as sales actually surged by 6.4 percent, following a general slowdown since last summer's introduction of stiffer mortgage lending rules.

``We saw a bit of a bounce-back in prices,'' said Wright. ``We had a series of regulatory changes, but now it looks like the market has adjusted and now seems to be recovering somewhat.''

The report is for the April to June period and does not capture this month's announced increases of between 0.1 and 0.2 percent – 10 or 20 basis points_ in posted mortgage rates at several major banks. A 20-basis point hike in rates will increase monthly payments up to $100 on a typical $500,000 mortgage.

"Mortgage rates will be the next challenge," Mr. Wright added. "The move upward we've seen probably suggests that affordability will be a little more challenging (in the third quarter)."

But he noted that despite what has been a hot housing market in Canada, with prices hitting new highs almost monthly, affordability remains close to historic levels in part because interest rates are so low.

The Bank of Canada has long warned Canadians to take a forward-looking approach to home ownership and calculate what will happen to monthly payments once interest rates begin to rise, which it says is inevitable.

But Mr. Wright said the situation of affordability is more complex than simply interest rates. A sharp spike in rates will cause problems, yet most, including the Bank of Canada, currently anticipate the increases will be modest and gradual and won't likely start occurring until late next year. The central bank has kept its short-term trendsetting rate at one per cent for now.

As well, Mr. Wright points out that the bank will likely only start a monetary policy tightening phase once the economy starts improving, so the higher rates might be offset by an improvement in employment and in incomes, which could offset the negative impact on household finances. Higher rates might also lead to lower real estate prices, which also improves affordability.