

# The Daily Press

## House sales slipping

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Canada's Finance Minister Jim Flaherty may be right. Ontario's economy is sinking like a stone.

A sure-fire sign of how our economy is doing is our all-important real estate sector, and here we go with sales continuing their slump into the first half of March.

You can blame the worst winter since 1939. You can blame Toronto Mayor David Miller's idiotic municipal land-transfer tax, that kicked in Feb. 1. Or you can blame nervousness over the subprime mortgage meltdown south of the border, which has sent a deadly tidal wave over world markets.

But bottom line is housing sales are falling.

Thursday, the Toronto Real Estate Board revealed that sales in the City of Toronto, fell by 18 per cent in the first half of March, following a 14 per cent plunge in February. For the GTA, after sales fell by nine per cent in February, they slid by another 14 per cent in the first half of March.

TREB president Maureen O'Neill says bad weather is a big factor.

"The storm that pounded the GTA during the second weekend of March likely had more people focused on shovelling sidewalks than house hunting," she said.

Despite the sales slump, average prices headed even higher with city prices now at \$409,116, up five per cent from a year ago, and GTA prices averaging \$385,405, up five per cent.

According to economists at RBC Financial, affordability is deteriorating, with a standard, two-storey home priced at \$476,000 now eating up 53 per cent of pre-tax income. That's \$3,098 a month to pay the mortgage, utilities and property taxes in the final quarter of 2007, up from \$3,062 in the third quarter.

Still, it's cheaper than 1989, when home ownership ate up 63.1 per cent of pre-tax income, just before the bubble burst.

Derek Holt, RBC assistant chief economist, says affordability pressures will ease as house price gains begin to shrink and mortgage rates fall. The Bank of Canada is

expected to cut its key rate again on April 22, after a 0.5-per-cent cut this month that made variable rate mortgages cheaper.

Holt also predicts fixed-term mortgages will fall by 0.75 per cent by the middle of 2008.

And despite naysayers who predict a condo crash in Toronto's overbaked market, Holt predicts condo prices will post 10-per-cent gains this year, as they remain affordable for first-time buyers.

So, is this the start of a crash? We'll know when the snow's gone and the spring market kicks in. If the freefall continues, I'd say we're in trouble.

If you're selling a home, Royal LePage released its top renovations that offer the best returns on investment and can help sell.

Top on the list for return on investment is to install an additional bathroom on the main floor, for a cost of under \$5,000 and for a return of 80 per cent to 100 per cent.

The report points out many older homes were built with bathrooms only on the second floor, so many owners are transforming closets or adding a new room for two-piece powder rooms.

Other renovations can be simply replacing knobs and hardware for a 75 per cent to 100 per cent return on investment. Renovating bathrooms and kitchens can be more costly, and may take professional help, but they also offer great returns of 75 to 100 per cent.

Adding curb appeal is also a great seller, though returns are not as great at 25 to 50 per cent.

Basement renovations and pool additions usually offer little or no return. But it can be money well spent if it's for the homeowner's enjoyment.

In the fourth quarter of 2007, home renovation spending grew to \$9.2 billion, up 8.3 per cent from a year ago.

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