



REAL ESTATE NEWS



ADAM MILLS

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WHICH HOME IMPROVEMENTS PAY BACK?

Recouping your remodeling investment may be your goal when you sell your house. When it comes to resale value however, all home improvements are not created equally. Consider these payback estimates* for the most typical home improvement projects.

*Compiled from several published surveys. Payback value depends heavily on the real estate market and prevailing property values. If the market is slow, expect to see less payback than you would in a fast market.

Also, consider the neighbourhood: if you remodel your house to twice the size of the other homes on the block, it is unlikely that you will be able to sell at double the price. Renovations tend to depreciate; therefore, renovations done 5-10 years ago have little or no value.

Project	Average Payback at Time of Resale
Add a new heating or air conditioning system	100% for heating; 75% for air conditioning
Minor kitchen remodeling	94% to 102%
Major kitchen remodeling	90%
Add bathroom	92%
Add a family room	86%
Remodel bathroom	77%
Add a fireplace	75%
Build a deck	73%
Remodel home office	69%
Replace windows	68% to 74%
Install a pool	44%
Install or upgrade landscaping	30% to 60%
Finish basement	40%

SECOND HIGHEST JULY SALES ON RECORD

Members of the Ottawa Real Estate Board (OREB) sold 1,445 residential properties in July 2014 compared with 1,336 in July 2013, an increase of 8.2 percent. There were 1,661 home sales in June 2014.

“Sales from this past month are the second best on record for July, only comparable to the 1,578 sales in July 2009,” said OREB’s President. “Also, strong sales in the past few months have brought year-to-date sales right on par with 2013. This year is shaping up to be another strong and stable year for the Ottawa market, despite the lackluster sales in the first few months of 2014.”

The average sale price of residential properties, including condominiums, sold in July in the Ottawa area was \$356,735, an decrease of 0.8 percent over July 2013. The average sale price for a condominium-class property was \$261,663, a decrease of 5.3 percent over July 2013. The average sale price of a residential-class property was \$377,791, an decrease of 0.8 percent over July 2013.

“The average sale price is down slightly since last year, partially because there were six fewer properties sold in the over \$1 million range this July compared to July 2013”, he added. “The price range of \$300,000 to \$349,999 had the highest concentration of properties sold, followed by \$350,000 to \$399,999 range, then the \$400,000 to \$449,999 range. These numbers are indicative of first-time homebuyers still coming into the market, taking advantage of the continuing low interest rates”.

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REAL ESTATE NEWS

PRICE SURGES IN CANADA'S BIGGEST CITIES MASK AN OTHERWISE TEMPERATE NATIONAL MARKET

ROYAL LEPAGE FORECASTS STEADY PRICE GAINS FOR THE FULL YEAR, INVENTORY SHORTAGES IN LARGE CITIES CONTINUE

The average price of a home in Canada increased between 3.9 and 5.2 per cent in the second quarter of 2014. Prices are expected to increase steadily for the balance of the year, according to the Royal LePage House Price Survey and Market Survey Forecast that was recently released.

According to the survey, price increases were posted across housing types, with detached bungalows seeing the highest year-over-year gains, rising 5.2 per cent to an average price of \$406,454. Meanwhile, standard two-storey homes rose 5.1 per cent year-over-year to \$440,972, while standard condominiums posted gains of 3.9 per cent to \$258,501.

A closer look at Canada's residential real estate market points to a tale of two city types, in which big city housing activity represents a small part of the picture but accounts for a large part of the gains in national average home prices. The shortage of detached single-family houses once again led to significant price growth in Toronto. In Calgary, new listings could not keep up with strong demand from a briskly expanding workforce, driving near double-digit price growth. Vancouver, which just last year was seeing year-over-year price declines, is now posting mid-single digit appreciation in the detached home categories, pushing regional price averages up to record heights.

In contrast, smaller city markets are seeing far more moderate house price gains. In Ontario, regions outside Toronto such as London posted year-over-year price increases of 2.2 and 2.0 per cent for detached bungalows and standard two-storey homes, respectively, while Ottawa remained relatively flat at 1.3 and 0.8 per cent in the same categories.

"Chronic supply shortages are driving price spikes in Canada's major cities, masking otherwise moderate home price appreciation nationally," said Phil Soper, president and chief executive of Royal LePage. "While a widening affordability gap in Canada's largest urban centres is characterizing the national market Canadians read about daily, year-over-year house price increases in most regions of the country are presently tracking below the historical average."

Looking ahead at the remainder of 2014, Royal LePage is projecting that the national average house price will increase at 5.1 per cent for the full-year.

"Compared to other major forecasts, our year-beginning national outlook predicted a higher level of 2014 average price appreciation, yet supply constraints in a handful of our largest cities necessitate a revision upwards," noted Soper. "Looking ahead to 2015, we expect house prices to track more closely

to the rate of general economic growth. That is, we see price increases in Canada's largest cities moderating, just as our smaller city markets should see a lift."

Canada's low interest rate environment coupled with a stable job market continues to support the country's residential real estate sector across all housing types. Core inflation remains within policy guidelines, creeping up three-tenths of a point to 1.7 per cent in June. The U.S. economy, Canada's primary export market, continues to gather strength, posting impressive job growth numbers in recent months.

With economic strength comes a call from some quarters for further federal government policy intervention to cool the market. "Casual market observers have renewed calls for policy intervention to cool Canada's real estate industry. We have supported most of the recent federal regulatory changes aimed at managing housing demand," stated Soper. "At this time, we feel a move to further restrict access to home ownership is not warranted. Such policy would inevitably operate as a blunt instrument, causing unintended hardship to young Canadian homebuyers and the millions living outside a handful of our biggest cities."

House prices in Ottawa remained relatively flat in the second quarter. Detached bungalows increased 1.3 per cent year-over-year to \$401,667, while standard two-storey homes remained relatively flat, rising by 0.8 per cent to \$402,250. Standard condominiums saw a slight decline in price, dropping 0.7 per cent year-over-year to \$257,500. Despite the slow spring, Royal LePage predicts a 2.5 per cent increase in Ottawa prices for the balance of the year as more buyers make their way into the market.

