

AFFORDABILITY AND JOB SECURITY MOST IMPORTANT FACTORS FOR FIRST-TIME HOMEBUYERS

New government incentives help but market fundamentals more important, Canadians say

TORONTO, May 26, 2009 – Canadians who are considering purchasing their first home are primarily motivated by lower home prices and very low interest rates, but some require confidence in the economy and their employment prospects before they will enter the market, according to a report released today by Royal LePage Real Estate Services. Eighty-six per cent of potential first-time buyers say low interest rates make them more likely to purchase a home; 81 per cent cite lower housing prices as a motivating factor; while 76 per cent cite job security and 64 per cent say a stable economy is an important factor in their decision to buy.

Potential buyers were asked to rank their top incentives for purchasing a first property. While home prices and interest rates took the number one and two rankings, respectively, the third most popular incentive was the First-Time Home Buyers' Tax Credit. The recently introduced Home Renovation Tax Credit for 2009 was cited by 42 per cent of potential first-time buyers as either 'very likely' or 'somewhat likely' to impact their purchasing decision.

"When first time buyers stepped out of the market in the fourth quarter of 2008, at the height of the global recession, their absence was profoundly felt. Without significant volumes of entry-level homes trading hands, the entire market limped through the winter months. First time buyers are back in force this spring, and with them the beginnings of a market recovery. While these consumers appreciate government incentives such as tax credits, greater RSP deduction limits and rebates on home renovations, it is markedly improved affordability that is proving to be the powerful drawing card," said Phil Soper, president and chief executive of Royal LePage Real Estate Services. "Our survey demonstrates how important affordability factors such as interest rates and house prices are in stimulating demand."

Across the country, potential first-time homebuyers agreed that affordability was their top consideration, however the survey also revealed differences amongst buyers in various regions of Canada. In provinces such as British Columbia where high housing prices have kept some buyers

out of the market in recent years, 92 per cent of potential first-time buyers are now motivated by low interest rates and 96 per cent say lower home prices are likely to prompt them to buy.

In Atlantic Canada, where local economies have been resilient in the face of a worldwide recession and housing markets remain stable, 43 per cent of first-time buyers say they that job security is a factor in their decision to buy, while 84 per cent of buyers in British Columbia and Alberta said job security will influence them.

Atlantic Canadians were less motivated than other Canadians by declining interest rates, with only 72 per cent saying it will likely prompt a buying decision, compared to 86 per cent of Canadians overall. Buyers in Ontario and Quebec rated the Home Renovation Tax Credit as a bigger factor in their buying decision, compared to the Canadian average.

Mr Soper continued, "The significant response differences from region to region show how closely the residential real estate market is tied to broader economic trends and consumer confidence. Buying your first home is a major life decision, and people are more likely to purchase a home if they feel comfortable about the state of the economy and confident that they will have a job to support their new mortgage obligation."

Top Incentives for First-Time Buyers Across Canada

Potential first-time buyers were asked to choose their number one incentive for purchasing a first property. The table shows the percentage of respondents who selected each factor as their top incentive.

	Overall	BC & Territories	Alberta	Prairies	Ontario	Quebec	Atlantic
Lower Housing Prices	33%	49%	48%	55%	32%	13%	26%
Low Interest Rates	27%	32%	29%	4%	23%	41%	17%
First-Time Home Buyers' Tax Credit	12%	3%	10%	22%	15%	11%	10%
Job Security	10%	6%	5%	2%	10%	16%	15%
Additional Government Actions to Stabilize Housing Markets	3%	3%	<1%	10%	3%	4%	<1%
Home Renovation Tax Credit	2%	1%	<1%	1%	1%	3%	11%
Stable Economy	2%	2%	<1%	<1%	3%	2%	<1%

Greater RSP Deduction Limits	1%	<1%	1%	<1%	1%	1%	<1%
Stable Financial Markets	<1%	<1%	<1%	<1%	1%	<1%	<1%

REGIONAL SUMMARIES

Atlantic

Overall activity in the housing market has remained steady in the Atlantic region with first-time homebuyers continuing to enter the market. Low interest rates and recent government incentives, such as the Home Renovation Tax Credit, greater RSP deduction limits and the First-Time Homebuyer's Tax Credit speak to affordability. Buyers in this area are entering the market that would not have a few years ago, due to these influencing factors. Entry-level buyers in Newfoundland, Prince Edward Island, New Brunswick and Nova Scotia continue to search for detached bungalows, with the average price ranging from \$157,000 in Charlottetown to \$215,667 in Halifax during the first quarter of 2009.

Quebec

First-time buyers continue to pursue the dream of home ownership in Montreal, as the number of entrants to the housing market has remained relatively stable. Low interest rates are contributing to increased market entry with 41 per cent of first-time buyers suggesting this is the key incentive driving the purchase of their first property, followed by 13 per cent who suggest lower housing prices might influence their buying decision. With 47 per cent of new buyers in Quebec planning to settle in urban areas, buyers are planning to invest and live in their first home for ten or more years. Fifty-six per cent of first-time buyers hope to purchase a property in the \$150,000 to \$300,000 price range.

Ontario

Encouraged by recent government initiatives, home ownership in Ontario is becoming a reality for an increasing number of younger purchasers. Across Ontario, 36 per cent of potential first-time buyers are most likely to purchase property in an urban setting. Condominiums continue to attract first-time buyers in the Greater Toronto Area with urban communities at accessible price points appealing most to market newcomers. In addition to affordability, location is a leading factor dictating condominium appeal. Neighbourhoods in Toronto's east and west downtown core are popular with first-time buyers. In Ottawa, affordability continues to drive activity and most first-time buyers are opting to purchase in suburban areas where properties typically cost \$50,000

to \$75,000 less than in the city centre. Active first-time buyer markets include Orleans, Barrhaven and Kanata.

Manitoba & Saskatchewan

Thirty per cent of Prairie buyers planning on purchasing their first home in the next three years will choose a detached bungalow. The second-most popular choice for first-time buyers is condominiums at 21 per cent, followed by detached two-story homes at 15 per cent. In Winnipeg, up-and-coming neighbourhoods for first-time buyers include River Heights – which has traditionally been attractive for people entering the market – Fraser’s Grove and East / North Caldonin. With a good selection of older bungalows and two story homes, Broders Annex is the hottest neighbourhood for first-time buyers in Regina.

Alberta

Alberta’s urban centres continue to be popular with first-time buyers, who make up nearly a third of home sales in both Calgary and Edmonton. Condominiums and detached bungalows are the most popular choices for first-time buyers in Edmonton, where lower housing prices and low interest rates are the biggest incentives for buyers entering the market for the first time. Popular areas for new buyers include the suburbs, where a new condominium may be within budget, the university area, where many parents are buying for their kids, Allendale and McKernan. In Calgary, new buyers are most interested in inner city condominiums and detached houses in the suburbs, with many seeking new or renovated homes.

British Columbia

With home prices either flat or declining in many communities in British Columbia and with interest rates at record lows, first-time buyers are taking advantage of greater affordability, with female buyers leading the trend. Sixty per cent of the buyers getting into BC’s housing market for the first time are women. In British Columbia, 40 per cent of prospective first-time buyers intend to purchase a ‘fixer-upper’ while 80 per cent would take advantage of the Federal Government’s Home Renovation Tax Credit in making upgrades to a home. First-time buyers in Vancouver are favouring condominiums and townhomes, however an increasing number of entry-level buyers are finding affordable detached homes outside the city in the Fraser Valley suburbs.

The survey portion of the Royal LePage First-Time Homebuyers' Report was conducted by Pollara from April 29, 2009 to May 8, 2009 among 474 first-time homebuyers in Canada. The

online survey was conducted among a randomly-selected sample of 474 adult Canadians who are likely to purchase their first home in the next 3 years. A probability sample of this size with a 100% response rate would have an estimated margin of error of +/- 4.5 %, 19 times out of 20. The data was statistically weighted to ensure the sample's regional and age/gender composition reflects the actual Canadian population according to the most recent Census data.

About Royal LePage

Royal LePage is Canada's leading provider of franchise services to residential real estate brokerages, with a network of over 13,000 brokers and sales representatives in 600 locations across Canada. Royal LePage is managed by Brookfield Real Estate Services, and is part of a brand family that includes Royal LePage, Johnston and Daniel, and La Capitale Real Estate Network. An affiliated company, Brookfield Real Estate Services Fund, is a TSX listed income trust, trading under the symbol "BRE.UN."

For more information visit www.royallepage.ca or www.brookfieldres.com.

-30-

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