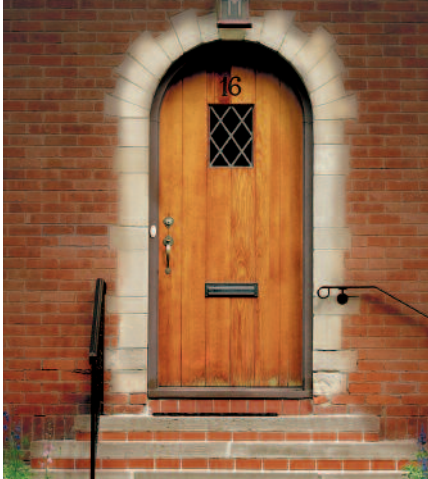


ROYAL LEPAGE FIRST-TIME HOMEBUYERS' REPORT 2005



Royal LePage First-Time Homebuyers' Report 2005

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NATIONAL SUMMARY

Atlantic

Halifax

Overall, activity in the Halifax housing market is down from last year, however first-time buyers continue to remain an active part of the market. Activity among executive homebuyers has continued to decelerate, while activity among entry-level homebuyers has continued to gain momentum, attracted by low interest rates and good housing affordability.

Entry-level buyers are searching for standard two-storey homes in the \$150,000 to \$200,000 price range, in the Timberlea, Dartmouth and lower Sackville areas. These areas are attractive to first-time buyers because they are established communities and offer affordable homes.

“First time buyers in Halifax are generally entering the housing market later than buyers in other markets across the country, typically making their first home purchase between the ages of 30 to 37 years,” said Valerie Folk, area manager, Royal LePage Atlantic, Halifax. “These buyers are entering the market when they feel they have established a steady income and are searching for a sound investment.”

Added Folk: “Halifax’s first-time buyers have responded to Canada’s housing boom with caution. They are doing a lot more research on properties and the hidden costs incurred when purchasing a home, and are shopping around much more than before.”

40 per cent of buyers in the Atlantic bought a first home in the past five years for less than \$80,000.

Quebec

Montreal

The first-time buyer’s market in Montreal continues to experience strong activity levels, as low interest rates attract new buyers into the market. Current inventory levels in Montreal have been

advantageous for first-time buyers, as a wealth of new home construction geared toward move-up buyers has in turn provided more resale homes that are available in the first-time buyer's price range.

“Montreal has the distinction of having the greatest percentage of renters of all the major cities in Canada, meaning the current pool of prospective first-time buyers is very large,” said Gino Romanese, senior vice-president, Royal LePage Real Estate Services Ltd. “Montreal residents are starting to grow weary of the possibility of rising interest rates, and have witnessed the strong price appreciation their city has experienced in the last few years, which is motivating them to enter the market as soon as they can afford to.”

The Atlantic has the highest number of people who have never owned a home and intend to purchase in the next three years (45 per cent).

Condominium properties remain an affordable option for buyers in Montreal who are looking to live downtown. Entry-level buyers looking to secure a home in trendy neighbourhoods such as Notre-Dame-de-Grâce are benefiting from increased inventory of properties in their price range. These buyers are mostly couples seeking a cape-cod style or semi-detached home priced around \$250,000, usually located in the more affordable western Notre-Dame-de-Grâce.

Many first-time buyers in Montreal have been opting for closed rate mortgages rather than taking the slightly riskier variable rate mortgages, which have been more popular with experienced homebuyers. Neighbourhood has continued to be a prime deciding factor for first-time buyers in Montreal, although strong price appreciation has put properties in popular areas out of the price range of some purchasers. A common mistake among first-time buyers is to compromise on the location of the home they purchase for the sake of saving money on the initial purchase price of the house. It is important for first-time buyers to consider other factors such as proximity to family, friends, and work.

Added Romanese: “First-time buyers should look at buying a home as a needs driven decision, as well as an investment driven decision. It is important to buy the home that suits your needs now, and for the foreseeable future. The location and amenities that you choose for your home should suit your lifestyle, and should not be based solely on what you feel will be the most profitable investment.”

Ontario

Toronto

The availability of property at the entry-level price range combined with low interest rates has helped to extend home ownership as an option to a large and diverse group of first-time buyers.

The range of condominium properties available in Toronto offers first-time buyers several different choices that cater to a variety of different needs. Entry-level condominiums continue to be the most popular property type, as strong price appreciation across the city has put semi-detached homes and bungalows outside of the price range of some. Most first-time buyers are searching for properties priced in the \$150,000 to \$300,000 range.

Condominiums located in the Liberty Village off of King Street West and the Distillery District on King Street East are popular among new buyers, as they are trendy neighbourhoods and are close to grocery stores, fitness facilities, trendy bars and shops. Many entry-level buyers also favour these areas as they are located close to the downtown core, making them an easy commute to and from work. Many of the properties available in these areas are also converted lofts, which have been in high demand in Toronto.

“Today’s first-time buyers have often had multiple jobs at a relatively young age and have a different outlook of what it means to have security,” said Gino Romanese, senior vice-president, Royal LePage Real Estate Services Ltd. “They find security in their abilities rather than their jobs, which makes them very confident about entering the housing market and being able to meet mortgage payments.”

British Columbia has the highest number of buyers who bought their first home in the last five years (44 per cent) and the Atlantic has the lowest (22 per cent).

“The current demographic of first-time buyers are more educated than ever,” added Romanese. “Many of them are the children of baby-boomers, who have been living with mortgages for many years. Their parents are informed about the housing market, and are passing this knowledge on to their children. With the help of the Internet, and access to family and friends, first-time buyers are more informed than ever when they begin the process of working with a realtor to buy a home.”

In the west end, first-time buyer activity has remained strong in **Mississauga**, as buyers have a variety of properties in different neighbourhoods and price ranges to choose from. Entry-level condominiums remain a popular option for first-time buyers, priced from \$160,000 to \$170,000 to upwards of \$200,000 for a well-appointed condominium on the lakeshore. First-time buyers looking to buy a larger property such as a town home or detached home are often purchasing properties priced around \$275,000.

Young professional couples continue to dominate the entry-level market in Mississauga, however the number of single first-time buyers continues to increase.

In the east end, first-time buyer activity in **Scarborough** has slowed from the fast paced level of last year. A surplus of condominium properties has developed, since prices for a detached home are not significantly more expensive than a condominium with maintenance fees factored in. Detached bungalows remain the most popular properties priced from \$250,000 to \$300,000. Low-rise condominiums priced from \$150,000 to \$200,000, are also popular among this purchaser group.

Homes located south of Kingston Road and between Kingston Road and McCowan Road remained popular and affordable areas for entry-level buyers. Some purchasers are widening their search to include areas such as Pickering and Ajax to maximize the size of home they can afford. First-time buyers in Scarborough are a diverse group that includes divorced singles, young families and new immigrants.

Ottawa

The level of activity for first-time buyers in the Ottawa market continues to stay strong in 2005, as consumer confidence, job growth and low interest rates attract new buyers to the market. However, buyers are shopping around and taking more time to decide on a home, as new home construction has eased inventory levels, providing a greater variety of properties to choose from.

The majority of entry-level buyers in Ottawa have been purchasing condominiums priced from \$140,000 to \$180,000. Alternatively, some are opting to buy townhouses located outside the city centre in the same price range. The most popular areas include Orleans, Barrhaven and Kanata.

“There is a trend among today’s first time buyers to purchase homes with more amenities than previous generations have,” said Pierre de Varennes, broker/owner, Royal LePage Performance Realty, Ottawa. “Low interest rates have permitted them to acquire the quality of home that they would have otherwise not chosen to buy. They are purchasing homes in the communities that they prefer, with upgrades that they would have previously passed up.”

The Ottawa area contains the highest per capita number of consumers with undergraduate degrees who make up the majority of the first-time buyers in this market. Traditionally, these buyers would not be able to purchase a home until they had saved enough money to secure a down payment. However, with the variety of mortgage options available, most entry-level buyers are able to purchase a home much sooner, with little to no down payment.

Added de Varennes: “First-time buyers are often opting for a five-year variable rate mortgage, with less than a 25 per cent down payment. These buyers often don’t consider opting for a longer term mortgage, which could provide them with increased stability if mortgage rates increase.”

Manitoba and Saskatchewan

Winnipeg, Manitoba

First-time buyers continue to be an active purchaser group within the Winnipeg housing market, although the majority of activity is fuelled by move-up buyers. Much of the pent-up demand among first-time buyers has been met in previous years, with a strong local economy and continued low interest rates creating a more competitive market among move-up buyers. The low cost of borrowing money has made it possible for many first-time buyers to purchase larger, more expensive homes than they have in the past.

“The strong economy in Winnipeg and continued low interest rates have made the possibility of home ownership available to many different demographics in the last few years,” said Glenn Ponomarenko, broker/owner, Royal LePage Top Producers Real Estate, Winnipeg. “The current

The majority of potential buyers in British Columbia are looking to buy a condominium/apartment (31 per cent).

generation of first-time buyers is well informed and has researched the types of homes they can afford and areas that they prefer. With the help of the Internet, first-time buyers have also taken the opportunity to learn more about the different mortgage options available, enabling them to find the most suitable product once they are ready to purchase a home.”

First-time buyers are mainly seeking properties priced under \$150,000 in Winnipeg. With brisk market activity and a shortage of listings available, first-time buyers have to be more open-minded about the style and type of home they are purchasing. Homes in the southwest, southeast, northwest and northeast are sought after areas among entry-level buyers, with homes in the core starting to gain popularity. Many first-time buyers are snapping up the inventory of older homes, as move-up buyers are searching for newer homes that do not require renovation.

Added Ponomarenko: “We see most first-time buyers opting for five or ten year fixed rate mortgages. This allows them to budget what they will be spending towards their home for the next few years, and allows them to lock in at current low rates.”

Saskatoon, Saskatchewan

Activity among first-time buyers remains strong this year, representing approximately 25 to 30 percent of the activity in the Saskatoon market. Continued low interest rates, a strong economy, and increased demand in the condominium market, has motivated buyers to enter the market.

Approximately half of entry-level buyers are searching for condominium properties, ranging in price from \$75,000 to \$90,000, up to \$130,000. Single-family homes remain another popular option for entry-level buyers looking for a property that can accommodate a family.

Rising property prices have not reduced first-time buying activity in Saskatoon, as consumers are confident that the market is stable and that they will see their property investments increase in value. However, higher property prices coupled with low interest rates have resulted in many first-time taking on larger mortgages.

“Most first-time buyers are ending up with bigger mortgages, not because they want large, more expensive homes, but because prices continued to increase,” said Norm Fisher, sales manager, Royal LePage, Saskatoon Real Estate Ltd., Saskatoon. “The average price of a single detached home has escalated from \$83,000 to \$142,000 in the last 12 years, with no signs that healthy price increases should not continue to be experienced across the city.”

Most entry-level buyers are favoring variable mortgages, opting for its attractive low rates. In spite of this choice, buyers are still proceeding with caution and keeping a close eye on the market and interest rates.

Added Fisher: “My advice to first-time buyers would be to stop waiting for the housing bubble to burst because it won’t happen. If you are ready to purchase your first home, find a good realtor and mortgage broker to help you make a safe and reasonable investment that is right for you.”

Regina, Saskatchewan

Activity among first-time buyers in Regina has cooled from the frenzied pace of last year, easing the pent-up demand which had characterized this area of the Regina market. First-time buyers continue to be drawn into the housing market in Regina by low interest rates and good housing affordability.

The profile of a typical first-time buyer in Regina can be split into two distinct categories. Entry-level purchasers without a great deal of money to spend are opting for older properties in older neighbourhoods, priced at or under \$100,000. These areas, such as Rosemont and Arnheim Place are slowly rejuvenating as younger buyers move in, but do not carry the same cache or expense as newer areas in the city.

Some young, professional first-time buyers with more money to spend are seeking character homes built in the 1920’s and 1930’s in the Cathedral and Lakeview areas, priced in the \$120,000 to \$150,000 range. Many purchasers are also seeking townhouses and condominiums priced in the \$120,000 to \$140,000 range. Single women are seeking new condominium properties when purchasing their first home, drawn to this style of property for the added security benefits. Young, educated females account for a significant amount of activity in this market who are looking to purchase their first home whether they are partnered or not.

“Entry-level buyers continue to be very well educated in the market and know what type of property they are looking for before they start their search,” said Mike Duggleby, manager, Royal LePage Regina Realty, Regina. “However, there is a tendency among first-time buyers to not look beyond the initial cosmetic condition of a house. There are plenty of homes an excellent value which are being bypassed only because these buyers seem to be more focused on the curb appeal.”

Housing in Regina remains extremely affordable compared to other urban centres in Canada. With continued low interest rates, many first time buyers are opting for variable rate mortgages, which allow them long-term flexibility and will remain affordable even with rate increases.

Alberta

Calgary

First-time buyers remain very active in the Calgary housing market this year. With a strong local and provincial economy, young buyers are extremely optimistic about prospects in Calgary, and are choosing to invest in housing. Location remains a primary concern for first-time buyers, but with property prices experiencing strong increases in popular areas such as Calgary's core, many first-time buyers have to look to condominiums in these areas as an affordable option. Other entry-level buyers are looking outside of the city or in less sought after neighbourhoods to secure a single-family home in their price range.

Single first-time buyers in Calgary generally favour condominium and townhouse properties priced between \$160,000 and \$180,000. Couples have been spending more on their first home, searching for homes priced around \$240,000. Detached homes in the city centre remain popular among couples purchasing their first home, however with the boom that Calgary has experienced for properties in the city core, many of these homes are falling outside of the affordable range for first-time buyers.

First-time buyers in Alberta are most likely to buy alone, at 36 per cent.

“Young buyers entering the market are very optimistic about the prospects and economy in Calgary,” said Ted Zaharko, broker/owner, Royal LePage Foothills Real Estate Services. “They are not nearly as cautious as buyers five or ten years ago. There is a trend among the younger generation of first-time buyers to maximize the amount of money they can borrow, and to purchase a more luxurious house than previous generations of buyers were.”

Low interest rates continue to be a driving force for first-time buyers in Calgary. Many purchasers are taking advantage of zero-down mortgages to purchase their first home if they are eligible. The most important factor motivating entry-level buyers is how much they can afford, as low interest rates are allowing for first-time buyers to carry more debt, and thus purchase a more expensive

home. First-time buyers in Calgary are increasingly well educated, using the Internet as a research tool to help them narrow down the right mortgage option and even neighbourhood they are interested in before starting their search.

While some of these new first-time buyers have some experience with the whole process, they still need to take their time to avoid the common pitfalls of inexperienced buyers. Added Zaharko: “New buyers should try to plan long term and buy a house that will not only meet their needs now, but also in the next five or ten years. As prices experience upward pressure, it makes sense for them to get as much as they can for their money now so they’re not forced to trade up to accommodate a growing family or changed needs at a time when prices are higher or interest rates have increased.”

Edmonton

First-time buyers continue to be very active in Edmonton, representing a large portion of the city’s housing market. The provincial economy, driven by strong oil and gas industries, is booming providing an abundance of job opportunities and growth. The vital economy coupled with excellent affordability levels in Edmonton has continued to attract first-time buyers to the housing market.

With house prices experiencing considerable increases in Edmonton, many first-time buyers are now searching for homes outside the city core, or are looking to condominiums as a more

21 per cent of buyers in British Columbia spent \$300,00 or more on their first home.

affordable option. Last year, entry-level buyers were purchasing condominium properties priced under \$100,000. In 2005, first-time buyers seeking condominiums priced between \$100,000 and

\$110,000. Significant price appreciation in all housing categories in Edmonton has not dampened activity among first-time buyers.

“First-time buyers are not holding back from buying homes because of rising property prices,” said Ken Shearer, broker/owner, Royal LePage Noralta Real Estate Inc., Edmonton. “Many buyers understand the benefits of investing in real estate and have embraced condominium living, which is a big change in mindset for Edmonton.”

Strong first-time buyer activity can also be attributed to a long period of low interest rates. With a variety of mortgages competing in the market, entry-level buyers are now able to purchase a home

with little to no down payment. As a result, buyers are purchasing more expensive homes and some are pushing their available mortgage to the limit.

Added Shearer: “First-time buyers need to ensure they don’t overextend themselves on their mortgage or they can risk becoming ‘house-rich’ but unable to afford luxuries such as holidays or other recreational activities.”

British Columbia

Vancouver

As the housing market in Vancouver continues to boom, first-time buyers account for a significant amount of market activity. With Vancouver being Canada’s most expensive housing market, low interest rates continue to make home ownership a possibility for buyers entering the market.

However, escalating prices have made condominiums virtually the only affordable option for first-time buyers in downtown Vancouver. New condominium developments are experiencing significant activity due to the shortage of inventory, however downtown and Yaletown continue to be popular areas. Entry-level buyers were searching for condominiums priced at \$200,000 to \$220,000 for a one-bedroom condominium, and upwards of \$220,000 if they were looking for a larger property.

Entry-level buyers who are looking to purchase a home have to look to suburbs such as Burnaby or North Vancouver. These purchasers are often couples that are looking to have more space to accommodate a growing family.

“First-time buyers should assess both their current and future needs for a home carefully when deciding where and what type of home to purchase,” said Bill Binnie, president, Royal LePage Northshore, Vancouver. “We have seen a number of first-time buyers re-enter the real estate market earlier than they expected because they had not anticipated the rapid changes occurring in their lives such as getting a pet, moving in with a significant other, or having children, making their home unsuitable. They may have saved themselves money on the initial purchase price, but have cost themselves a great deal on land transfer taxes, moving costs and legal fees. If a buyer can afford a slightly larger home initially, they may end up saving themselves a substantial amount in the long run.”

First-time buyers continue to educate themselves about the housing market, and are well versed with the variety of mortgage options available to them. Entry-level buyers in Vancouver often favour high ratio mortgages.

Added Binnie: “Vancouver can be a difficult market to navigate for first-time buyers due to the shortage of inventory, high level of demand and frequency of multiple offer situations. Buyers need to do everything they can to prepare themselves including seeking advice from an experienced realtor.”

For further information, please contact:

Renee Bourgon (416) 510-5699
National Manager, Public Relations and Communications
rbourgon@royalpage.ca

REGIONAL SPOKESPEOPLE

Valerie Folk, Atlantic (902) 452-5630
Area Manager
Royal LePage Atlantic Ltd., Halifax
vfolk@royalpage.ca

Gino Romanese, Quebec and Toronto (416) 510-5809
Senior Vice President
Royal LePage Real Estate Services Ltd.
GRomanese@royalpage.ca

Pierre de Varennes, Ottawa (613) 830-3350
Broker/Owner
Royal LePage Performance Realty, Ottawa
pdevarennes@royalpage.ca

Glenn Ponomarenko, Manitoba (204) 989-1655
Broker/Owner
Royal LePage Top Producers Real Estate, Winnipeg
pomer@mts.net

Norm Fisher, Saskatoon (306) 242-3535
Sales Manager
Royal LePage Saskatoon Real Estate Ltd.
rlp@mysaskatoonhome.com

Mike Duggleby, Regina (306) 359-1900
Broker/Manager
Royal LePage Regina Realty
MikeDuggleby@RoyalLepage.ca

Ted Zaharko, Calgary (403) 288-1554
Broker/Owner
Royal LePage Foothills Real Estate Services
tzaharko@rlfoothills.com

Ken Shearer, Edmonton (780) 431-5600
Broker/Owner
Royal LePage Noralta Real Estate Inc.
ken@royalpage.ca

Bill Binnie, British Columbia (604) 926-6011
President
Royal LePage Northshore, Vancouver
billbinnie@royalpage.ca