

Royal LePage First-Time Homebuyers' Report 2009



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Regional Summaries

Atlantic

Overall, activity in the housing market remains steady in the Atlantic region with first-time homebuyers continuing to enter the market. With the region experiencing strong employment levels and quality inventory, the housing market has become more accessible, for those who are interested in purchasing their first property.

Thirty five per cent of first-time homebuyers in Atlantic Canada will consider the Home Renovation Tax Credit when deciding to purchase a property.

“What we are experiencing in Atlantic Canada is a healthy, stable economy and this is providing a more attractive housing market for first-time homebuyers,” said Ralph Stephen, Royal LePage Atlantic Ltd., Halifax. “In markets such as Halifax and Moncton, buyers continue to search for new properties, but we are seeing more and more potential buyers across the Atlantic looking to purchase properties with the desire to renovate.”

According to a recent Royal LePage Real Estate survey, 48 per cent of potential buyers are looking to purchase a property within the next three years expressed interest in buying a “fixer-upper”. With the recent introduction of the Home Renovation Tax Credit, 76 per cent of these potential buyers plan to take advantage of the new government incentive and make upgrades to their property.

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. Location and affordability of properties remain key considerations among buyers within cities across the region.

“Low interest rates and recent government incentives, such as the Home Renovation Tax Credit, greater RSP deduction limits and the First-Time Home Buyers' Tax Credit speak to affordability. We are seeing buyers entering the market that would not have a few years ago, due to these influencing factors. As awareness among buyers increases, it is expected more individuals will make the leap into the housing market,” added Stephen.

Lower housing prices (26 per cent), low interest rates (17 per cent) and the Home Renovation Tax Credit (11 per cent) ranked as the key incentives driving buyers to purchase their first property.

Quebec

Montreal

First-time buyers continue to pursue the dream of homeownership in Montreal, as entrants to the housing market have remained relatively stable in the region. Low interest rates are driving market entry with 41 per cent of first-time buyers suggesting this as a key incentive in the purchase of their first property, followed by 13 per cent who suggest lower housing prices might influence their buying intentions.

Although, not ranked as the number one incentive for home purchasing decisions, 33 per cent of first-time home buyers in Québec will take into account the Home Renovation Tax Credit when deciding to purchase a property.

“Due to the current uncertainty in the economy and slight fears

Lower interest rates (41 per cent), job security (16 per cent), lower housing prices (13 per cent) and the First-Time Home Buyers' Tax Credit (11%) ranked as the primary incentives enticing first-time buyers into the market.

about job insecurity, first-time homebuyers are looking for affordable properties and don't want to commit to an enormous mortgage loan," said Diane Ménard, Royal LePage Heritage Ltd., Saint-Bruno. "They want to make sure they can rely on one salary to do their monthly payments."

With 47 per cent of new buyers in Québec 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. This remains

consistent with the current Montreal housing market, average prices for first quarter of 2009 were \$206,528 for a condominium property, \$232,375 for a detached bungalow, and \$330,056 for a standard two story home.

"First-time buyers are visiting more homes and are taking more time to make an offer on properties, the search for lower housing prices, low interest rates and job security seem to be influencing factors," explained Diane Ménard, Royal LePage Heritage Ltd., Saint-Bruno. "First-time buyers should be cautious when looking for lower housing prices. It is important to remind market entrants that housing prices in Québec have remained relatively flat. We have not experienced dips in prices like other Canadian cities."

While government incentives continue to drive buyers to make a home purchase, the majority of first-time buyers in Québec seek already-renovated properties, thus limiting the effectiveness of the Home Renovation Tax Credit. Further, while greater RSP deduction limits are appealing, 45 per cent of first-time buyers in the region believe they will have "no effect at all" suggesting investment in RSPs might be limited.

Ontario

Toronto

Condominiums continue to attract first-time buyers in the Greater Toronto Area with urban communities at accessible price points being the most appealing to market newcomers. Encouraged by recent government incentives, home ownership is becoming a reality for an increasing number of young purchasers.

"The First-Time Home Buyers' Tax Credit and increased RSP deduction limits are great incentives for first-time buyers in Ontario," commented Trish Manning, broker and manager, Royal LePage Real Estate Services Ltd. "Coupled with record low interest rates, the environment is welcoming indeed and we're seeing younger first-time buyers as a result."

Currently, the condominium resale market is attracting cautious first-time buyers who question the viability of new build projects given the current economic climate. In Toronto, buyers are expressing interest in units built within the past five years where features such as granite and hardwood flooring are standard across the majority of buildings. Consequently, the Home Renovation Tax Credit has limited impact on the decisions to purchase for this segment.

In addition to serving as an entry-level option for first-time buyers, condo life is no longer viewed as just a step toward home ownership. Toronto's first-time buyers tend to stay in their condominium property for an average of three to five years, but these timeframe are being extended as many buyers believe they will continue to choose the condo lifestyle over the long-term.

"In addition to affordability and government incentives, location is also a leading factor influencing

condominium appeal. In Toronto, you can expect the trend for downtown urban living to be significant. Location cannot be underestimated when making decisions about where you want to live. First-time buyers, like many other purchasers, want access to shopping, restaurants, jobs and transit, and condominium living offers all of these options and amenities,” said Manning.

Neighbourhoods in Toronto’s east and west downtown core are popular with first-time buyers. King Street West offers many urban amenities in addition to green space. More and more, young families are transitioning through the community, opting for larger condominiums rather than relocating to the suburbs to raise their children. The area of Queen Street West/Parkdale is also witnessing revitalization and the Distillery District in the city’s east end is experiencing exciting growth.

In Ontario, lower housing prices (32 per cent), low interest rates (23 per cent) and the First-Time Home Buyers' Tax Credit (15 per cent) ranked as the key incentives driving buyers to purchase their first property.

Toronto’s first-time buyers are approximately 25 to 30 years of age with equal portions of couples (married/partnered) and single individuals looking to own real estate. In Toronto, couples are spending up to \$400,000 of their first purchases, while singles (dominated by females) are purchasing within the \$250,000 to \$300,000 price range.

Ottawa

With a robust civil service insulating its economy, Ottawa experienced modest year-over-year housing price gains during the first quarter of 2009. This key factor is influencing first-time homebuyers, as they begin to look for properties in the suburbs.

“Downtown living has its appeal however, affordability continues to drive activity and most first-time buyers are opting to purchase in the outskirts where properties typically cost \$50,000 to \$75,000 less than in the core,” explained Pierre de Varennes, broker owner, Royal LePage Performance Realty, Ottawa. “We are seeing market entry activity in the communities of Orleans, Barrhaven and Kanata, where the majority of buyers in this segment are purchasing resale townhomes in the \$200,000 to \$250,000 range.”

Proximity to the downtown core, manageable traffic and the city’s transit system allow quick access to urban amenities for first-time buyers living in the suburbs.

Low prices and low interest rates remain top of mind for Ottawa residents looking to enter the market. First-time buyers list affordable housing prices and low interest rates as the top two incentives in home purchasing decisions, at 32 per cent and 23 per cent respectively. Access to government incentives like greater RSP deduction limits, the First-Time Home Buyers’ Tax Credit and this year’s Home Renovation Tax Credit are also top of mind with buyers.

De Varennes stated, “As an incentive, the government’s decision to increase the RSP withdrawal limit for first-time buyers is making home ownership more accessible. In this region it is converting savers from would-be buyers to buyers in this segment. Further, the local elimination of the land transfer tax is also affecting buying behaviour.”

In Ottawa, the typical first-time buyer is in the 25 to 30 year-old range, with women representing the majority of singles making first-time purchases.

Manitoba

Winnipeg

With Winnipeg's housing inventory still in short supply, many buyers entering the market are paying over the asking price for their first home. A strong, infrastructure-based local economy has kept the market competitive, reducing the affordability of downtown housing. The suburbs have become a popular option for first-time buyers.

According to the Royal LePage First-Time Homebuyers survey, 30 per cent of Prairie respondents are planning on purchasing a home in the next three years will choose a detached bungalow. The second most popular choice for first-time buyers are condominiums at 21 per cent, followed by detached two-stories at 15 per cent. Inventory in the \$150,000 to \$200,000 price range moves the fastest.

More than half of first-time buyers are interested in renovated properties which has focused increased interest on resale homes in good condition. "New buyers want the steak, but they want the sizzle too," said Ruthe Penner, Royal LePage Prime Realty in Winnipeg. "Sometimes they can get both, but that's when you get the bidding war. First-time buyers occasionally pay over the asking price."

The average price for a detached bungalow in the first quarter of 2009 was \$231,663. Condominiums were significantly more affordable at \$145,943. "Across the board, detached bungalows are the first choice in Winnipeg," Penner said. "Condos are a lifestyle choice, since the strata fee affects affordability."

Royal LePage's First-Time Homebuyers survey showed that many buyers hope to purchase their first home for less than \$100,000 – a goal that may not be realistic, considering the latest market figures. Penner pointed out that first-time buyers in Winnipeg are aware of the new Home Renovation Tax Credit, but need help understanding the paperwork and how to apply. In her experience, the biggest factors influencing first-time buyers are low interest rates, the economy and job security.

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. The area will be determined by affordability, with the most attractive 'niches' fetching a premium. Other popular neighbourhoods include the West End, which has seen revitalization, and Elmwood.

According to Penner, a typical buyer entering the market in Winnipeg is aged 20 to 30. "Real estate is still a good investment in Winnipeg, and young people want to get into the market as soon as they can."

Saskatchewan

Regina

First-time buyers, which represent about 30 per cent of the Regina housing market, are quite savvy when it comes to government incentives such as the First-Time Home Buyers' Tax Credit and increased RSP withdrawal limits.

Only 44 per cent of first-time buyers in the Prairies say they would take advantage of new Home Renovation Tax Credit.

Interest rates were cited as an influencing factor by an overwhelming 92 per cent of buyers considering their first home purchase in the Prairies. Low prices were ranked as a close second at 88 per cent, followed by the Home Renovation Tax Credit at 55 per cent.

Fifty-one per cent of first-time buyers in Manitoba and Saskatchewan will look for a home under \$150,000.

According to Mike Duggleby, Royal LePage Regina Realty, the First-Time Home Buyers' Tax Credit of \$750 won't be the deciding factor between buying or not. Although new buyers with RSPs are aware of the withdrawal increase, Duggleby points out that because many first-time buyers are young, they haven't put much money aside.

The purchase of first homes in Regina is picking up over the previous two years, when prices were generally out of reach and bidding wars were common.

Affordability and location are the two most important attributes for first-time buyers, Duggleby said, with sales between \$150,000 and \$250,000 making up the bulk of the new buyer market. With a good selection of older bungalows and two stories, Broders Annex is the hottest neighbourhood for first-time buyers. "It's an area that hasn't developed a caché yet, so it's a sound investment."

More than half of the buyers surveyed planned to purchase detached bungalows or condominiums, and Duggleby's experience shows resale condominiums or single family homes in older neighbourhoods are the most popular. Condominiums sold for an average of \$168,806 in the first quarter of 2009, and the average price for detached bungalows was \$266,625. Nearly half of first-time buyers in the Prairies reported earning less than \$35,000 per year, and new condominiums are generally priced more appropriately for Baby Boomers looking to downsize.

Although survey respondents planned to stay in their first home for 10 years, Duggleby said most end up staying in their first home for about three years – before moving into something bigger as their families grow. Young buyers still make up a large segment of the first-time buyer market, and Duggleby has noticed more people purchasing their first home before getting married. In Regina, young women are accounting for a growing percentage of first-time buyer activity.

Alberta

Edmonton

First-time buyers account for approximately 30 per cent of home purchases in Edmonton, a figure that was higher when Alberta's economy was stronger. According to Royal LePage First-Time Homebuyers survey, condominiums and detached bungalows are the most popular choices for first-time buyers, with resale properties being the most realistic option.

"Many young buyers are attracted to new construction," said Ken Shearer, Royal LePage Noralta Real Estate in Edmonton. "Realistically, however, new homes are out of their price range. Resale offers more square footage for less."

The survey showed the majority of new buyers plan to settle in urban areas, with 42 per cent saying they'll live in their first property for 10 years or more. Forty-eight per cent plan to buy in the \$150,000 to \$300,000 price range. Condominiums in Edmonton sold for an average of \$210,000 in the first quarter of 2009, and an average detached bungalow cost \$298,750 – both significantly more affordable than last year's averages. While it is possible to find a first home in the \$100,000 to \$150,000 range, buyers will likely be looking at a one bedroom condominium built 20 years ago.

Although survey respondents indicated lower housing prices are the number one incentive for buyers looking to enter the Alberta housing market, low interest rates and job security were also top considerations.

Increased RSP withdrawal limits were not reported as being a significant factor. “Not many first-time buyers are heavily invested in RSPs,” said Shearer. “Many young people don’t think about RSPs until they’re well into their first five years of employment.”

Similarly, Shearer didn’t see the First-Time Home Buyers’ Tax Credit and Home Renovation Tax Credit as big factors in Edmonton. “Government incentives may be the final element that makes them go ahead with their first time purchase, but they have to be ready first with a down payment. If a first-time buyer is ready to buy – he or she is going to buy.”

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. The west end and south-west areas of Edmonton are proving trendy with young buyers. In general, Shearer said older neighbourhoods present opportunities for renovations and putting ‘sweat equity’ into an investment.

Calgary

Calgary has experienced an increase in first-time buyers, which account for about 30 per cent of the residential real estate market. According to Joanna Barstad, Royal LePage Benchmark, new buyers are most interested in inner city condominiums and detached houses in the suburbs. They can expect to pay between \$250,000 and \$300,000 downtown, and \$300,000 to \$350,000 in the suburbs.

Condominiums have become more affordable over the past year, selling for an average of \$245,756 in the first quarter of 2009. Although detached bungalows have also come down in price, they are significantly more expensive – selling for an average of \$391,833.

Royal LePage’s survey indicates low interest rates are driving first-time home purchases, along with a more competitively priced market. Barstad agrees. “Everyone I’ve talked to recently has talked about capitalizing on the interest rates, particularly now that prices have come down.”

Buyers’ awareness of the recently introduced Home Renovation Tax Credit is high, but fewer buyers are informed about the increased RSP withdrawal limit – which hasn’t received as much publicity.

According to the survey, more than half of new buyers in Alberta want new or renovated homes; however Barstad believes a passion for outdoor activities in Calgary makes large renovations unrealistic. “I’ve been in the business 13 years,” she said, “and it seems that first time buyers want to paint, redo flooring and lighting... and that’s it. They’re too busy skiing, climbing and hiking on the weekend.”

Eighty-eight per cent of Alberta’s first-time buyers say they would take advantage of the Home Renovation Tax Credit to make upgrades to a home – higher than any other region in Canada.

The hottest area for Calgarians entering the market is the inner city, and Barstad has noticed a growing trend of environmentally conscious buyers. “Many first-time buyers don’t own a car, so they have a different lifestyle. Calgary has diversified a lot, and there’s a bigger push towards green incentives. For instance, you see more people biking to work.” The suburbs are also becoming popular with eco-conscious buyers, since the expanded train system is able to accommodate more commuters.

Almost a quarter of first-time buyers in Alberta believe home prices are still coming down, leading them to hesitate entering into the market. Twenty-six per cent say fears about the economy will make them hesitant to purchase a home.

In Barstad’s experience, the top factors influencing Calgary’s first-time buyers are affordability and location, followed by amenities. Survey respondents indicated the most influential government incentives in Alberta are

the Home Renovation Tax Credit and the increased RSP withdrawal limit.

A typical first-time buyer looking at inner city condominiums is single and under 30 years old, with steady employment – and increasingly female. Many couples looking to buy their first house in the suburbs are also under 30.

British Columbia

With home prices either flat or declining in many communities in British Columbia and interest rates at record lows, first-time buyers are taking advantage of greater affordability, and female buyers leading the trend. Sixty per cent of the buyers entering B.C.'s housing market for the first time are women, according to a recent Royal LePage survey of prospective first-time buyers.

Lower housing prices (49 per cent) and low interest rates (32 per cent) are the key incentives driving B.C.'s prospective buyers to purchase their first property.

“The fact that we are seeing more women enter the market is an interesting trend, and we are also seeing more first-time buyers seeking resale homes that they can fix up,” said Chris Simmons of Royal LePage Westside.

The Royal LePage survey showed that in British Columbia, 40 per cent of prospective first-time buyers intend to purchase a ‘fixer-upper’, while 50 per cent would buy either a new or already renovated property. When asked about government incentive programs, 80 per cent of B.C.'s first-time buyers say they would take advantage of the federal government's Home Renovation Tax Credit in making upgrades to a home.

While other incentives such as higher RSP deduction limits are a motivating factor for 48 per cent of B.C.'s first-time homebuyers, lower housing prices and low interest rates were much more likely to compel purchasing decisions, according to the survey.

“Today a buyer can get a mortgage at 3.5 per cent for a five-year term. It's the low interest rates that are fuelling the market and pushing first-time buyers into action,” Simmons said.

The majority of entry level buyers – 58 per cent – say they are looking to spend \$300,000 or less on their first home, while 31 per cent would spend between \$300,000 and \$500,000. Simmons notes that first-time buyers in Vancouver tend to prefer condominiums and townhomes; however an increasing number of buyers are finding affordable detached homes outside the city in the Fraser Valley suburbs.

Thirty-seven per cent of first-time buyers in B.C. say that fears about job security are causing them to hesitate entering the housing market.

According to Royal LePage's Home Price Survey for the first quarter of 2009, average prices for detached bungalows ranged from \$260,000 in Victoria to \$540,000 in Vancouver East and \$950,000 in Vancouver West. Condominiums ranged from \$175,000 in Victoria to \$280,000 in North Vancouver and \$625,000 in Vancouver West.

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