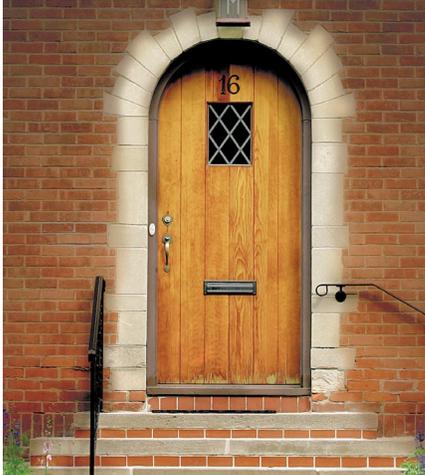


# ROYAL LEPAGE FIRST-TIME HOMEBUYERS' REPORT 2004



## **Royal LePage First-Time Homebuyers' Report 2004**

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## NATIONAL SUMMARY

### Atlantic

#### Halifax

In Halifax, activity in the first-time buyers' market has increased over the last five years and continues to remain strong. There is quality inventory available in the entry-level category, which helps to attract new buyers to the market.

First-time buyers are searching for split-entry and basic two-storey homes in the \$150,000 to \$175,000, range and are purchasing in the Sackville, Hammonds Plains and Timberlea areas of the city where housing is most affordable.

Three years ago, executive homebuyers were more dominate in the housing market in Halifax, but recently, activity among this group has decelerated and first-time buyers are now driving the market. They are expected to remain very active as long as low interest rates and good housing affordability continue.

*16 per cent of potential buyers\* think they will purchase a condominium in the next three years.*

First-time buyers in Halifax are typically young professionals who have healthy, steady incomes and a desire to own rather than rent. Over the past ten to 15 years, single buyers, both male and female have increased significantly as part of the first-time buyer pool.

“While couples are certainly very active in the Halifax housing market, the low cost of money has extended the possibility of homeownership to a larger group of people, including singles, who otherwise might not have the confidence to take on a mortgage on their own,” said Valerie Folk, area manager, Royal LePage Atlantic, Halifax.

*\* In survey results, potential buyers are those who said they will potentially buy a home in the next three years. New homebuyers are those who have purchased their first home within the past five years.*

Single female buyers usually favour smaller, newer, low maintenance properties, typically semi-detached homes or townhouses. Men, on the other hand, are more likely to buy homes that may need renovations or maintenance.

Added Folk: “Buying a home for the first time can be an overwhelming experience for a first-time buyer, especially when it comes to financing. New buyers should spend time with their agents to get a better understanding of the market in order to make the process less stressful.”

## Quebec

### Montreal

Activity among first-time buyers in Montreal has been moving at a rapid pace in the last three years with the low cost of borrowing money being the prime motivator driving new buyers into the market. First-time purchasers are a diverse group in Montreal that includes couples and singles, divorced parents with children, and young professional men and women.

Searching for bungalows and semi-detached homes priced from \$150,000 to \$160,000, these buyers are finding affordable properties in the east end, Laval, South Shore and the West Island areas.

Many young professional first-time buyers in Montreal who have often looked to Notre-Dame-de-

*6 per cent of potential buyers in Quebec said “owning a home is a status symbol” was their most important motivation for purchasing their first home.*

Grâce as an ideal place to live have been priced out of the area as house prices have appreciated over the past several years. These buyers are now searching in St. Henry and Lachine where properties are more affordable. These neighbourhoods are popular for their French Canadian flavour and proximity to outdoor markets and bike paths.

A low vacancy rate has contributed to the influx of new buyers, who can often buy their own home for almost the same monthly carrying cost as a rental.

Entry-level buyers in Montreal tend to be market savvy and have done a great deal of research on the Internet before they begin their search for a property. However this has its pitfalls as well.

“New buyers often view homes with a checklist that they have found on a website and become rigid in their requirements,” said Gino Romanese, senior vice-president, Royal LePage Real Estate Services Ltd. “Some will pass up a good property because it does not have everything on their list only to become disappointed later.”

Added Romanese: “Use the information you gather as a guideline, but do not pass up a property you really like simply because it does not meet every requirement that you set out with. Try to differentiate between ‘must haves’ versus ‘nice to haves.’”

## Ontario

### Toronto

A number of factors, including the low cost of borrowing money, good job opportunities, and strong consumer confidence, have made homeownership an attractive option for a growing and diverse pool of first-time buyers over the past five years in Toronto, despite significant house price appreciation over the same period.

At the same time, new categories of housing have emerged including an expansive range of

*55 per cent of new and potential buyers in Ontario are women.*

affordable condominium properties and loft conversions that cater to the changing needs of first-time buyers. While buying a first home was traditionally the domain of newly married couples, the market is now accommodating never-married single men and women, new Canadians, those who are moving from rentals, divorced parents with children who are making their purchase alone, unmarried couples and even students assisted by their parents.

Statistics show that 55 per cent of new and potential homebuyers in Ontario are women. Young, professional, single women who have never been married have been particularly active in condo and loft purchases in downtown Toronto.

“Many professional single women have the purchasing power to buy a home alone and are choosing to do so,” said Gino Romanese, senior vice-president, Royal LePage Real Estate Services Ltd. “We have seen an increase in activity among this group over the past five years, particularly among condominium properties, because they are affordable and offer secure, maintenance-free living.”

Many condominium properties cater to the young urban professional and apart from security and maintenance, offer prime locations and lifestyle amenities, such as gyms, theatres and activity rooms.

“Younger first-time buyers in the city, particularly those without children, have different needs from traditional entry-level buyers,” said Romanese. “They are more interested in having a media room and a place to hang their mountain bike than a formal living room.”

Semi-detached homes and bungalows are more popular among first-time buyers who are buying with a partner, however, strong price appreciation downtown has forced entry-level buyers to look outside the core to find a suitable property in their price range.

*37 per cent of potential buyers say they will purchase their home alone.*

In the west end, first-time buyers in **Mississauga** have been driving the market for the past several years and are mainly purchasing townhouse and condominium properties priced from \$200,000 to \$250,000.

Young professional couples and singles are very active in this area and are often buying their first home with a plan to trade up quickly. They see the home as a stepping-stone to a larger property, rather than a place to live in for years to come.

In the east end, first-time buyers in **Scarborough** have accounted for approximately half of all sales activity in the past two years. Older bungalows priced from \$250,000 to \$300,000, and low-rise condominiums priced from \$120,000 to \$180,000, are most popular among this purchaser group.

Entry-level buyers in this area are often new Canadians purchasing their first home in Canada, couples and singles, as well as newly single parents purchasing their first home after a divorce. Buyers will often try to find a property with a rental suite in the basement to assist them in making their mortgage payments.

## Ottawa

The level of activity for first-time buyers in the Ottawa marketplace is strong and is expected to remain so provided a combination of consumer confidence, strong job growth and most importantly, low interest rates prevail. Activity among this buyer demographic has increased by 35 to 40 per cent over the last five years, with low vacancy rates in the city driving more people toward the housing market.

First-time buyers are purchasing starter homes, including townhouses and condominiums on the fringes of the city where properties are more affordable. Homes in Orleans, Kanata and Barrhaven, priced in the \$140,000 to \$175,000, range, are among the regions in Ottawa where homes are being sought.

There are two groups of first-time buyers that have become increasingly active in the past five years: unmarried couples and single women. For unmarried couples, low interest rates have made it far more attractive for two people to pay one mortgage than pay rent on two properties. Affordability is typically the driving force influencing people to enter joint financial agreements regardless of their marital status.

Good job opportunities, independence and stability, as well as overall consumer confidence are some of the factors driving the increased amount of women purchasing their own properties.

“Increasingly women have become much more comfortable purchasing on their own, due to increased purchasing power and low interest rates,” said Pierre de Varennes, broker/owner, Royal LePage Performance Realty, Ottawa.

*26 per cent of new homebuyers would be very likely to go without a wedding reception to put a larger down payment on their first home.*

The lower cost of borrowing has also encouraged buyers to enter the market at a younger age in Ottawa. Many younger buyers rely on their parents for assistance when purchasing a home. Although there are a number of financing options available for first-time buyers, many parents want to offer support in the transaction and help their children pay off the capital on their home as soon as possible.

“Despite their good understanding of the marketplace, the largest misconception among first-time buyers centres around financing,” said de Varennes. “Many are not prepared when it comes to choosing the correct mortgage, and as a result make hurried decisions that are not necessarily the best options for the long term.”

## Manitoba and Saskatchewan

### Winnipeg, Manitoba

Although the majority of purchaser activity in Winnipeg is among move up buyers, first-time buyers are still an active part of the market. Demand at the entry-level has remained stable over the past few years as unemployment and interest rates remain low.

“First-time buyers are entering the market with tremendous confidence in Winnipeg due to excellent job prospects, strong economic growth and the low cost of borrowing money,” said Glenn Ponomarenko, broker/owner, Royal LePage Top Producers Real Estate, Winnipeg. “These factors have extended the possibility of homeownership to a larger group of buyers than ever before, including singles and younger purchasers.”

First-time buyers are generally in the market for two or three bedroom bungalows priced from \$75,000 to \$140,000, and are favouring older, heritage-type homes in River Heights, Crescentwood and St. Vital. A shortage of supply in these popular neighbourhoods means that quality listings attract multiple bids and buyers often turn to condominium properties as an alternative.

Young professional first-time buyers have usually done a great deal of housing market research before they begin their search. In fact, first-time buyers as a whole have become better informed over the past five years by using the Internet. They are more inclined to know the exact location they want, what they are specifically looking for in a home, and how much they are willing to spend.

*5 per cent of new homebuyers paid \$300,000 or more for their first home.*

Added Ponomarenko: “Instead of getting in their cars and driving around neighbourhoods to search for homes, first-time buyers are most likely to start their search online for market information. It is important for the real estate agent to interpret the information for the buyer in order to make the process more manageable.”

## **Saskatoon, Saskatchewan**

In Saskatoon, purchases among first-time buyers have remained stable over the last five years and currently comprise half of all housing market activity. Consequently, condominiums have experienced a boom in popularity. Condo properties in the east and west sides of the city priced between \$135,000 and \$140,000, are among the most popular for first-time purchasers.

Although the majority of first-time buyers are young couples, there are more singles purchasing real estate than ever before in Saskatoon.

While first-time buyers purchase properties to reside in rather than solely for investment, many look for a house with an income component, such as a basement apartment, to subsidize their mortgage. However, these properties are in high demand and few are available.

“Low interest rates make this an optimum time to enter the market. However, it is important that buyers not only look at their situation now, but plan for the future when purchasing their first home,” said Norm Fisher, sales manager, Royal LePage Saskatoon Real Estate Ltd., Saskatoon. “Buyers should be cautious not to overextend themselves and remember that they do not need to spend the entire amount they qualify for by the bank.”

*25 per cent of new homebuyers say it is “not important at all” to be in a long-term relationship before purchasing a first home.*

## **Regina, Saskatchewan**

The growing numbers of first-time buyers in Regina are favouring newer homes in the condominium market. Parkridge, Windsor Park and Lakeridge have become popular areas with this group because of existing and new condo development projects. Buyers looking for property types other than condominiums are limited to smaller, older, detached bungalows and properties that require work in the \$80,000 to \$100,000, price range, and are typically looking in Rosemont and Arnheim Place. These areas have yet to become trendy and are still affordable for younger buyers.

Within this group of first-time buyers, the young professional female has emerged as a major part of the market. There are substantially more women buying properties independently than there were a decade ago. Women have increased their earning potential over the last ten years and the general confidence and optimism among consumers has prompted this group to enter the housing market.

“The profile of a typical first-time buyer has really shifted over the years. It used to be that married couples were the predominant purchasing group, but now there are far more single buyers in the marketplace, especially women,” said Mike Duggleby, manager, Royal LePage Regina Realty, Regina.

Typically, these female buyers are very particular about the features they are looking for in a property, with neighbourhood curb appeal and security of a home being top considerations. They often favour condominium projects. Men in Regina buying for the first time tend to be more flexible in terms of what the property includes and are more willing to take on properties that need substantial work to fix up, but place the inclusion of a garage high in terms of importance.

While prices have continued to escalate over the past few years, Regina remains an affordable housing market. New buyers to the market are taking advantage of the low cost of borrowing money and typically are using this leverage to spend at the top end of what they can afford. To assist in purchasing a larger, more expensive property, parents often play a role in helping to finance a home, either co-signing a mortgage or helping with the downpayment.

*When asked “what is your most important motivation to purchase your first home?” 31 per cent of potential buyers who are women said “to purchase a home is a good investment.”*

Added Duggleby: “It’s a great time for younger, first-time buyers to enter the market. What they are paying in rent is roughly equivalent to monthly mortgage payments and as prices and interest rates are likely to rise in the future, it is wise to buy now and take advantage of the relative affordability of housing.”

If parents aren’t involved in the financial component of a home sale transaction, they are often consulted during the decision-making process, especially when the first-time buyer is purchasing on his or her own.

### Calgary

Selecting a home in a trendy neighbourhood is at the top of the list of considerations for first-time homebuyers in Calgary. Prestigious city neighbourhoods, including the north west and south west are favourites, but rising home values have priced these buyers out of most of the detached homes in these areas. However, condominium properties have started being erected in these neighbourhoods and are growing in popularity among first-time buyers.

Most young, single, first-time buyers are choosing condominium and townhouse properties across the city in the \$120,000 to \$150,000, range, while couples who are buying for the first time have a broader range of choice due to their dual incomes and are favouring detached homes in the inner city paying between \$200,000 and \$250,000.

The profile of a typical first-time buyer has noticeably changed over the past decade in Calgary. While it has traditionally been young couples buying for the first time, there are many more single buyers in the marketplace today. Many of these purchasers are young professionals, while others are newly single, buying independently for the first time. The number of women making a home purchase, whether it is the first time they have been involved in a transaction, or the first time they have done so independently, has substantially increased over the past ten years.

“The definition of a first-time buyer has changed from what it used to be,” said Ted Zaharko, broker/owner, Royal LePage Foothills Real Estate Services. “Whereas, the term used to refer to first-time homeowners, it has evolved to include a large number of buyers who have been involved in home transactions before, but may not have been included on the deed, and who, because of circumstances including divorce or separation, are now re-entering the market as independent buyers.”

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 and constitute approximately 30 to 35 per cent of all purchasers in the city. Over the past five years, demand from this group has remained strong and consistent. As both unemployment and interest rates remain low, first-time buyers have been enticed into the market by strong consumer confidence and the affordability of housing, despite rising property prices.

This rise in sale prices has, however, contributed to a significant shift in the type of home for which first-time buyers are searching. Traditionally, they have favoured single-family detached bungalows in the \$80,000 to \$100,000, price range. But, as the real estate market in Edmonton has gained momentum and prices have been on the upswing, entry-level buyers have been pushed out of the detached bungalow market.

As an alternative, first-time buyers have turned to condominium properties priced under \$100,000. Edmonton has been slow to embrace the condominium lifestyle, but buyers have gradually become more accustomed to the idea of low-maintenance living and condos have now become the property of choice for those entering the market. As a result of their popularity, condos in areas where there are a variety of developments attract the greatest number of first-time buyers. These include the west end and Millwoods.

“The vacancy rate in the city among rental units is currently very low, which means there are still a large number of people renting who will potentially become buyers,” said Ken Shearer, broker/owner, Royal LePage Noralta Real Estate Inc., Edmonton.

Conventionally a home was put in one person’s name, even if it was a couple buying the home, however, agents have noted that the number of people involved in a home sale and whose names appear on the deed as owners has increased. This includes common law couples where both parties are co-owners, groups of friends, and parents who are helping children with their first home purchase. A significant number of these buyers are women compared to a decade ago when women’s names appeared on deeds less frequently.

Added Shearer: “The number of women in the first-time buyers’ market has grown in the past few years as it has become an affordable option for them to either buy on their own, with a friend or a partner. Differences between women’s and men’s main considerations when house hunting has become more apparent as the numbers grow. While men are concerned with the price and the level of maintenance of a home, women are most concerned with the neighbourhood and security features. This is especially true for single buyers.”

## British Columbia

### Vancouver

Low interest rates, a booming housing market and strong consumer confidence have all contributed to a dramatic influx of first-time buyers into the Vancouver housing market over the past two years.

With Vancouver among Canada’s most expensive housing markets, first-time buyers have been priced out of most housing categories. The majority of house hunters have been spending their time searching for condominium properties in the \$225,000 to \$250,000, range, especially in the downtown core.

*24 per cent of potential buyers expect parents to assist financially by contributing up to 5 per cent of the down payment on a first home.*

Confidence has returned to the condo market after a time when condominium developments had acquired a reputation for being poorly built and having moisture problems. Improvements in construction have been made and more comprehensive insurance has boosted buyers’ confidence. Areas such as Yaletown, False Creek, Coal Harbour and West End have emerged as popular areas for first-time buyers.

Being priced out of detached homes has not been the sole reason for the move toward condominiums among younger first-time buyers. The low-maintenance lifestyle, large number of amenities and services, and prime location of many developments have made condo living attractive to the young, and often busy professional.

“Although rising prices in Vancouver can be discouraging for first-time buyers, there is still an overall air of optimism,” said Bill Binnie, president, Royal LePage Northshore, Vancouver. “Since the average age of first-time buyers has dropped over the past few years, there are a lot of baby-boomers’ children who are buying and many are relying on financial support from their parents.”

The arrival of a new set of younger buyers to the marketplace has increased the pool of first-time buyers, including a large number of single professionals, and a growing number of single women. Although buyers are younger than ever before, they are more astute than in the past, taking advantage of technology, particularly the Internet, to research the real estate market.

Added Binnie: “New buyers have educated themselves more about the housing market than buyers of the past, however, they are still making some common mistakes. Mostly, young first-time buyers are rushing into their first home purchase without first choosing a realtor who best fits their needs and can help them with the entire buying process.”

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