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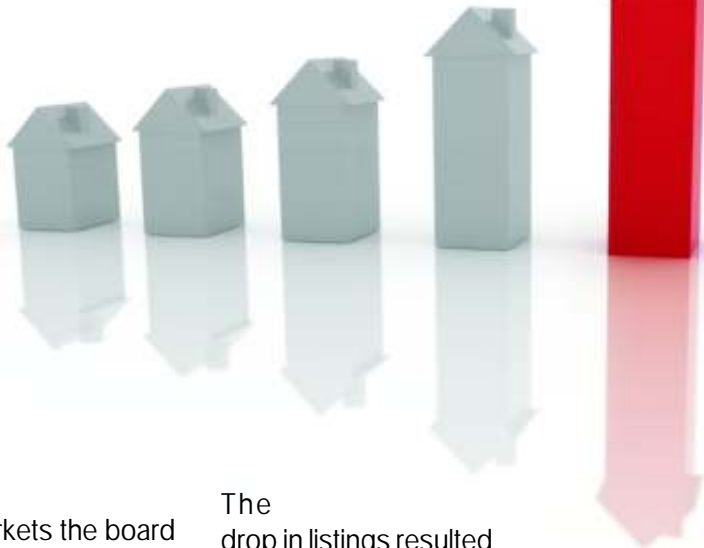
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Home sales rise, Ottawa Housing Prices to Rise 3%

Housing prices will continue to rise in the short term even as Canada's resale housing market tightened slightly in November, as sales rose in more than 50 per cent of markets while the number of listings declined, according to the Conference Board of Canada.



Sales rose in 16 of the 28 markets the board tracks for its metro resale index, with seven of those markets posing a gain of more than five per cent over October's number. Year-over-year sales rose in 15 areas, down from October, when 20 of the urban areas posted sales growth over 2010.

The drop in listings resulted in higher prices in 17 areas month-over-month, while the year-over-year price was higher in 19 — with 16 markets recording growth of four per cent or more.

Saskatoon and several Quebec markets — Gatineau, Montreal, Quebec, Sherbrooke, Trois-Rivieres and Saguenay — are expected to see the biggest increases in housing prices in the near term, the board said, predicting a seven per cent year-over-year gain.

A five per cent gain appears to be in the cards for Victoria, Vancouver, B.C.'s Fraser Valley, Calgary, Edmonton, Regina, Winnipeg, Halifax and Newfoundland, the board said. It expects housing prices to rise three per cent in Saint John, as well as the Ontario centres of Thunder Bay, Sudbury, Toronto, Hamilton, St. Catharines, Kitchener, Kingston and Ottawa.

2011 a typical year for home sales in Ottawa

Members of the Ottawa Real Estate Board (OREB) sold 699 residential properties in December 2011 compared with 618 in December 2010, an increase of 13.1 per cent. There were 1,020 sales in November 2011.

"Resale home sales in 2011 were slightly above the five-year average of 14,326, and that's really the story for the year. The market started off the year quietly, but gained momentum as we headed into spring and summer, losing very little steam during the fall and posting the best November on record, which leaves us with a very solid balance sheet for 2011" said OREB's Past President. "In many ways, it epitomized Ottawa's real estate market: no dizzying highs, no dramatic lows, just slow and steady growth over the long term", she added.

The average sale price of residential properties, including condominiums, sold in December in the Ottawa area was \$332,527, an increase of 2.6 per cent over December 2010.



"The supply of new listings fell in 23 of 28 markets in November, but still exceeded year-earlier levels in 20 jurisdictions," the board said. "An easing in supply of listings, combined with slightly weaker sales gains, lifted the sales-to-listings ratio in November in 23 markets. This left four areas as 'sellers' markets, while 21 remain 'balanced'."

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Real estate bubble in 2012? Not so fast.

As global housing markets coughed and sputtered in 2011, Canada's barreled ahead, even turning a few nervous heads along the way.

Is there really a cause for alarm? Are we doomed to ride this white-knuckled rollercoaster in 2012? Probably not, according to Benjamin Tal, deputy chief economist of CIBC.

"The housing market of tomorrow will not be as exciting as the housing market of yesterday," he said in an interview.

While the current real estate market is overshooting, we shouldn't expect a crash either, he explains. As long as interest rates remain relatively low and subprime mortgages kept at bay, the most likely scenario is that the market will plateau.

"Prices are already softening, housing starts aren't in the sky, MLS [multiple listing service] activity is starting to soften, so it suggests the market is already starting to level off, and that's what we need," he said.

How will a more relaxed real estate market affect new home buyers, investors and renovators in 2012? Here are Mr. Tal's predictions:

First-time home buyers

Affordability and interest rates will be the major concerns in 2012. Prices will continue to be expensive, especially in urban centres like Vancouver and Toronto, since interest rates are likely to remain low for the time being.

But rates won't stay low forever, which is why you should estimate mortgage payments based on interest rates that are 2 or 3 percentage points higher than current interest rates, and if you cannot afford that, get a smaller mortgage and buy a less expensive house.

Expect an end to bidding wars, or at least a temporary ceasefire. New home buyers will have the luxury of time in terms of looking at properties without being rushed into decisions. That's the positive. The negative is that prices continue to be drastically higher than they were five or 10 years ago.

Investors and flippers

If you're in it to flip it – meaning you buy a home hoping the price will rise by just doing minimal changes – those days are over. In some pockets of the country, you may even see prices go down.

Renovators

The cost of renovations will not increase significantly so long as interest rates remain at their current level, so it's a good idea to take advantage of this time to finance these projects.

For those looking to take on a second mortgage, remember to make sure you're equipped to finance them if interest rates creep up.

Variable-rate mortgages are still a good option for those who are able to withstand fluctuations in the market and "ride the ups and downs without getting a stomach ache."

