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CENTURY 21 Canada National First-Time Buyer Survey

Trends: First-time buyers must compromise to conquer record-high housing market

- Trade-off comes between a smaller home and a longer commute
- Buyers look to mortgage brokers for financing alternatives
- Boomer parents helping their children
- Canadians trending towards condo, townhouse ownership

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Vancouver – Despite year after year of escalating house prices across Canada, first-timer buyers are successfully financing and buying homes that meet their needs, according to a national survey by CENTURY 21 Canada brokers.

Don Lawby, president of CENTURY 21 Canada, says first-time buyers have maintained their presence in today's housing market by combining innovative buying and financing strategies with practical compromises.

"First-time buyers often enter the market with an unrealistic list of expectations, but soon find they need to decide on a smaller house or accept a longer commute time," says Lawby.

Once they choose a home, first-time buyers must tailor mortgage terms to meet their circumstances and lifestyles. "Savvy first-time buyers are asking mortgage brokers to sort through the dozens of alternatives available from banks and other lending institutions."

"More and more first-timers are gifted with a significant down payment from their boomer parents as an advance on their inheritance," says Lawby. "In other cases, parents are providing no or low interest loans to help their kids get into the market."

According to Statistics Canada data from 1996 to 2006, home ownership among Canadians is continuing to increase year after year. The number of homes owned has increased from 6.8 million to 8.5 million, or 24%, over these 10 years, while the population of the country has increased from 28.8 million to 31.6 million, or 10%.

Over the last 10 years, the rate of home ownership increased most in Alberta (38% compared with a population increase of 22%), and Ontario (28% compared with a population increase of 13%). The lowest increase of home ownership occurred in Manitoba (11% increase compared with a population increase of 3%) and Newfoundland (8% increase compared with population decrease of 8%).

StatsCan data also shows a national trend towards the purchase of condos, townhouses and other multi-family dwellings — and away from detached single-family homes. In 1996, four in five [80%] Canadian homeowners owned detached single-family houses compared to three in four [74%] in 2006.

The CENTURY 21 national house price survey of typical first-time homes included 128 neighbourhoods within 55 cities and towns across Canada.

The most expensive cities for first-time buyers based on price per square foot are **Vancouver**, where a 412-square-foot condo in the downtown is \$281,000 or \$682 per square foot; the Toronto suburb of **Thornhill**, where an 800-square-foot bungalow on a 3,500-square-foot lot in East York is \$480,000, or \$600 per square foot; and downtown **Toronto**, where a 340-square-foot condo in trendy Liberty Village is \$200,000 or \$588 per square foot.

The least expensive cities for first-time buyers based on price per square foot are **St. John's** (2,150-square-foot two-storey bungalow, \$170,000 or \$79 per square foot), **Halifax** (1,408-square-foot semi-detached house, \$129,900 or \$92 per square foot),

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Windsor (850-square-foot 1½-storey house, \$91,000 or \$107 per square foot), **London** (1,000-square-foot townhouse, \$120,000 or \$120 per square foot), and **Sudbury** (969-square-foot 1½-storey house, \$140,000 or \$144 per square foot).

The survey also found that the most expensive smaller centres for first-time buyers based on price per square foot are **Fort McMurray, Alberta**, where the oil sands boom continues (1,120-square-foot bungalow, \$565,500 or \$505 per square foot), and **Canmore, Alberta**, in the majestic Rockies just east of Banff National Park (1,100-square-foot townhouse, \$445,000 or \$405 per square foot).

The most affordable prices in smaller centres for first-time buyers based on price per square foot are in **Fort Erie, Ontario**, 30 kilometres south of Niagara Falls on Lake Erie (1,157-square-foot 1½-storey house, \$96,000, or \$83 per square foot), **Summerside, Prince Edward Island** (1,083-square-foot 1½-storey house, \$89,900, or \$83 per square foot), and **Yorkton, Saskatchewan**, 190 kilometres east of Regina (896-square-foot bungalow, \$83,000, or \$93 per square foot).

Size verses Commute Time

In larger centres, first-timers usually choose small condos and townhouses near their jobs or in attractive neighbourhoods. Detached houses or large townhouses in these neighbourhoods are priced out of their range. In smaller centres, first-timers often choose older detached homes in attractive neighbourhoods and plan to upgrade the house or yard.

Although the number of homeowners has increased in the past decade, the number of Canadians owning detached residences has fallen. Statistics Canada data shows that in 1996, 80% of Canadian homeowners owned detached single-family houses compared to 74% in 2006.

- Over the 10 years, this trend was most evident in British Columbia, where the proportion of homeowners in single-family houses declined from 74% to 63%, in Ontario (from 80% to 74%) and in Alberta (from 84% to 78%);
- The trend was less evident in Quebec (from 74% to 71%), Saskatchewan (93% to 90%), Nova Scotia (87% to 85%), Newfoundland (88% to 86%), Manitoba (90% to 89%), New Brunswick (88% to 87%) and Prince Edward Island (90% to 89%); and
- Data from 2001 to 2006 in major cities shows that the trend away from detached single-family dwellings was strongest in Vancouver (from 61% to 49%) and Toronto (from 66% to 59%). In other major cities, the trend was more modest (Examples: Montreal from 60% to 58%; Calgary from 79% to 75%; and Halifax from 79% to 76%).

Alternative Financing

Lawby, who is also president of Centum Financial Group Inc., a national network of independently owned and operated mortgage broker firms, says the mortgage landscape is competitive and complicated. More and more first-timers are choosing mortgage brokers to help them sort through the terms offered by banks and other lending institutions.

Interest rates are a major component of mortgage terms. The Bank of Canada raised rates 1% from December 2006 to December 2007, and then cut rates a quarter point December 4, 2007.

In addition to interest rates, mortgage payments are affected by the size of the down payments and the length of the amortization period. Higher down payments and longer amortization periods reduce the monthly payments. First-time buyers are usually advised to lock in an interest rate for five years, opting for security instead of choosing riskier floating rates or shorter renewable periods.

Centum Financial Group Inc. says typical terms are 5.99% at a fixed term of five years, a 5% down payment and an amortization period of 25 years. Under these terms, a buyer purchasing a \$275,000 home would make a down payment of \$13,750 and would make monthly mortgage payments of \$1,669.

Optional terms include a zero down payment and an amortization period of 40 years. Under these terms, a first-time buyer purchasing a \$275,000 home would make monthly mortgage payments of \$1,497.

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Note to Editors: Additional details, including house descriptions and amenity preferences for first time buyers, are available.

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