

## Canadian homeowners and today's market

It is estimated that about 70% of Canadian households own their own homes, and, on average, more than a third of the net worth of these households is tied up in real estate. Homeowners are hearing a lot these days about housing bubbles, recessions and slowdowns in the real estate market. Two recent reports should help to give some perspective on today's market conditions.

A report by Scotiabank Group titled *Canadian Household Finances* says that household wealth has reached unprecedented highs, thanks to years of solid, uninterrupted economic growth accompanied by falling unemployment and rising home prices. The report further states that the collective net worth of Canadian households increased by 10% during the last year to a record \$4.97 trillion. This figure works out to an average net worth of almost \$400,000 per family. This number is skewed higher, however, by the wealthiest households and a more representative number – the median net worth of a Canadian household – is probably around \$175,000.

The report further states that although Canadians have been borrowing more and saving less, low interest rates and the rise in equity of their assets have enabled them to keep pace. Looking ahead, many households may need to revisit their investment strategies as the heady pace of home and equity price appreciation inevitably slows.

Another report by the TD Financial Group takes a long-term look at house prices. And while it is relatively easy to assess the current value of a property, gauging the future value is far more challenging. Their conclusion? Prices are expected to continue to rise nationally, on average, 4% annually over the next few years. (Over the long haul, real estate prices and values have risen by an average of about 5 to 6 percent annually. The 4% figure takes into account lowered inflation.)

But it should be kept in mind that the national perspective is a simplification. There is no national housing market. Instead, there are hundreds of local markets, each with their own characteristics and predictions regarding demographics and labour markets and with considerable price variations as well as significant volatility that may vary from year to year. Historical experience shows, though, that larger cities (where land scarcity and demand for housing is strongest) tend to have the greatest price gains. Vancouver, Victoria, Montreal and Toronto have also had the most rapid price gains over the last two decades and should continue to have gains above the national average.

Key determinants for home prices include demographics, labour market conditions and the level of interest rates. It should be noted that economic conditions today in BC do not point to a deep housing price recession. For example, the upcoming 2010 Olympics will be an economic stimulus for at least the next five years. In addition, provincial in-migration remains strong and long-term mortgage interest rates are still historically low. BC is expected to remain among Canada's top growth leaders this year and into the next.

Real estate will no doubt continue to be the single biggest financial asset most individuals own. And the future value of a home will be of importance. But how can the tangible assets of owning a home be evaluated? Because after all is said and done, a home is not just an investment, but is also your own roof over your head.

### OCTOBER MARKET STILL STRONG

Sales in Greater Vancouver in October totaled 2,722 units, a 12.2% decrease from last October but an increase of 8.1% over September 2006. New listings are up 20.3% compared to last October.

Says Real Estate Board of Greater Vancouver president Rick Valouche, "Although sales have decreased year over year, the average days a residential property stayed on the market remained virtually unchanged at 39 days. This past summer, properties were selling 10 days faster, on average, than they were in 2005. Demand continues to be the primary characteristic of our marketplace in 2006."

The benchmark price of a detached home in October was \$650,707, an increase of 15.4% from one year ago, the benchmark price of a townhome was \$410,434, up 17.9%, while the apartment benchmark price last month was \$333,398, up 18.7% compared to October 2005.

Sources: Realty Times, [www.scotiacapital.com](http://www.scotiacapital.com), [www.td.com/economics](http://www.td.com/economics)

***If you are considering a move, call me for a free market evaluation.***

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