

The Cizmar Report

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March 2011



New Toronto/Mimico Market Watch

Latest 6 Month Recap of Solds - Aug 1/2010 - Jan 31/2011

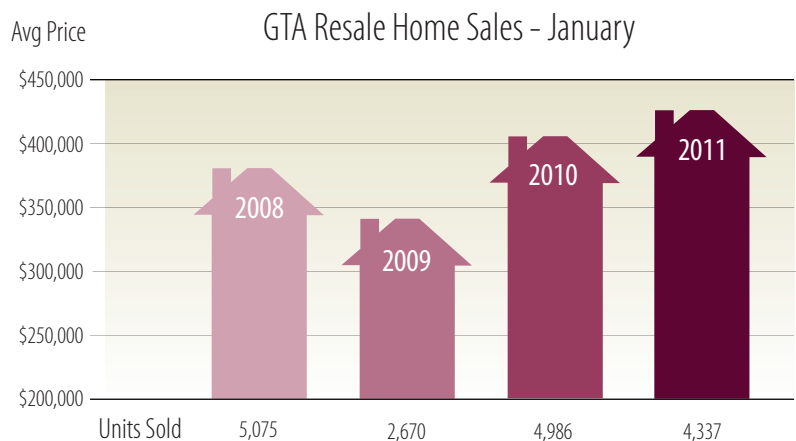
	# sold	avg price	high price	days on market
1.5, 2, 3 storey				
1-2 bedroom	1	351,000	351,000	7
3 bedroom	18	451,058	639,900	21
4 bedroom	4	511,625	606,500	44
5+ bedroom	-	-	-	-
bungalow				
1-2 bedroom	20	360,550	445,000	28
3 bedroom	2	381,500	390,000	8
4+ bedroom	-	-	-	-
semi-detached				
2 bedroom	-	-	-	-
3 bedroom	5	402,800	490,000	38
4+ bedroom	2	520,000	525,000	32
townhomes				
2 bedroom	5	342,300	352,500	43
3 bedroom	-	-	-	-
4 bedroom	1	386,000	386,000	24
split level				
2 bedroom	-	-	-	-
3 bedroom	-	-	-	-
4 bedroom	-	-	-	-
total	58			28

Figures are based on the latest 6 months and reflect all MLS® sales as reported by the Toronto Real Estate Board. Property values depend on factors besides housing type and number of bedrooms. Square footage, overall condition, upgrades, lot size and specific location are some of the other key factors involved.

2011 off to a solid start

The average selling price of a resale home in the GTA for the month of January came in at \$427,037. This represented an increase of over four per cent compared to the average of \$409,058 reported in January 2010. This result is in line with expectations for "moderate price appreciation" in 2011 of somewhere in the three to five per cent range. This forecast, from the Toronto Real Estate Board, is based on sustainable prices from an affordability perspective and factors in detailed projections for income growth and mortgage rates for the upcoming year.

A total of 4,337 homes were sold during the month of January, which represented a 13% decline versus January 2010 sales of 4,986 units. Year ago sales benefitted from a surge of buyer activity following the recession of late 2008/early 2009. As a point of reference, January 2009 volume came in at 2,670 units sold which, at the time, represented a 47% decrease from the prior year. It is clear that volumes have fully recovered from those historic lows and that current year ago comparisons are being made against "post-recessionary surge" figures.



Message from Milana Cizmar...

As of March 18th, the CMHC will no longer insure high ratio mortgages with amortizations of 35 years (the new maximum will be 30 years). In addition, the CMHC will no longer insure home equity lines of credit and will no longer insure refinancings up to 90% of a home's value (the new maximum will be 85%). These new rules are designed to curb the level of debt that Canadians have been taking on in recent years during the low mortgage rate environment. The impact on the real estate market will primarily come from the shorter amortization period for high ratio mortgages, a move that will increase monthly mortgage payments by approx. 8% for the so-called "fringe buyer". This will definitely have some impact in the market in terms of both volume and price pressure, however this may be good news for investors as the pool of eligible renters will likely increase.

M. Cizmar

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Setting the record straight on HST

As the old saying goes, "time flies", and it sure does feel that way about Ontario's new Harmonized Sales Tax (HST), which has already been in effect for almost nine months.

Even though consumers have been dealing with the HST since last July 1st, it appears there is still some lingering confusion about its applicability to housing.

So let's clarify. When it comes to housing, there is good news and bad news about the HST. The good news is that if you are buying a resale home, you will not pay HST on the purchase price of the home. On the other hand, if you are buying a newly constructed home, HST will apply.

The purchase price of resale housing was never subject to the old Provincial Sales Tax, or the federal Goods and Service Tax. When the provincial government began considering implementing a Harmonized Sales Tax, the professional real estate community fought hard to ensure that the old exemptions for resale housing were maintained, which is exactly what wound up happening. As a result, if you are buying a resale home, you don't have to worry about paying HST on the price of the home. That's money that you can keep in your pocket, or use to keep mortgage costs down.



Unfortunately, the same is not true for home buyers of newly constructed homes, which are subject to additional tax under the HST. Newly constructed housing had always been subject to the GST, meaning thousands of dollars of tax for home buyers choosing this option. Now, with the HST, new housing is also subject to PST, meaning thousands of dollars in added costs for home buyers of new housing.

There is a silver lining for new housing: the provincial government provides a rebate of 75 per cent of the "PST portion" of the HST on the first \$400,000 of a newly constructed

home, or a maximum of \$24,000. For example, someone purchasing a new home priced at \$500,000 would face \$40,000 in additional tax from the provincial portion of the HST, which would be reduced to \$16,000 with the rebate. Obviously, the rebate softens the blow, but an extra \$16,000 of tax (in the above example) for a newly constructed home is still nothing to sneeze at.

There is also encouraging news when it comes to real estate for businesses. Although the costs of purchasing or renting a commercial property are subject to HST, businesses are allowed to claim input tax credits to offset these costs. Even better, when purchasing a commercial property, the business can claim the tax credits immediately so that no upfront costs are incurred for the HST, and cash flow is not impacted.

Taxes are not a topic that most people like to spend a lot of time thinking about, so perhaps it's not surprising that there is still some confusion out there about how the HST applies to housing. Having said this, hopefully this article has helped to make the HST a little easier to understand, and, for home-buyers of resale housing at least, a little easier to swallow.

"Priceless Quotes"

"It doesn't matter what he does, he will never amount to anything."
- Albert Einstein's teacher to his father, 1895

"Houses will be able to fly by the year 2000."
- Arthur C. Clarke, *Vogue*, 1966

"Rock N Roll seems to have run its course."
- Bing Crosby, 1962

"I'm going to live to be one hundred."
- Health writer Jerome Rodale, 1971. He died the next day at age 51

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