

It may be right time to take real estate plunge

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Oh, for a crystal ball.

Statistics Canada has reported that the economy grew 0.1 per cent in June, the first monthly increase since July 2008. Home and auto sales are up, offsetting declines in manufacturing. But should such a tiny incremental upturn give potential homebuyers the confidence to jump back into the market?

At least one financial expert maintains that now is a good time to buy a new home.

"People still need a place to live, we have historically low interest rates and mostly motivated sellers," says Margot Bai, author of *Spend Smarter, Save Bigger* (White Knight Press, 2006).

But she cautions buyers to be conservative. "Relying on low interest rates to get into a more expensive home is risky. Instead, choose a smaller, more affordable option. Wait until you have at least 10 per cent as a down payment, 20 per cent if possible."

As for buying up from an existing home, "now may not be best time if you're concerned about your job," she says. "Better to hold on and build equity so that a job loss won't become a financial crisis."

Although rising unemployment has made buyers cautious, Bai believes there are signs of recovery. "The stock market rebounds before the economy as a whole, while jobs continue to be axed after the recession ends."

It's good to remember, she adds, that Canada is in a "reassuringly" different position from the United States. Because the GTA real estate market "never entered serious bubble territory, the correction was mild, and in some areas, house prices are returning to where they were," Bai says.

But prices haven't recovered consistently across the city, or outside of it, and builders have had to alter their marketing plans because of it.

A year ago when Empire's 24-storey Fly condo, across from the Rogers Centre, had a preview opening, a few units sold – slowly. But after relaunching this spring with new layouts, smaller units and reduced prices, 300 units sold quickly, says Paul Golini, executive vice-president of Empire Communities. (Available units range from 565-square-foot one-bedrooms to 1,112-square-foot two-bedrooms-plus-den, for \$259,900 to \$549,900.)

"In this climate, it's not about giving more upgrades, and gimmicks like cars and trips, or hardwood floors and granite counters, but about giving the purchaser the best price, in a great location," he says.

That meant builders had to "eat into their margins" since raw land costs haven't dropped, Golini says.

One thing Golini was determined to keep was Energy Star as standard in all Empire homes. "For cost-cutting reasons, many builders were abandoning the program, but we felt it important to maintain."

Regardless of the market, Golini urges buyers to do their research. "It's important to educate yourself about a builder's reputation and track record, how long they've been in business, the quality of their product, their successfully completed projects – make sure subdivisions aren't half abandoned. Sometimes things happen out of a developer's control, but if you see consistent construction delays, be cautious."

Tarion Warranty Corp. is a reliable organization aimed at making builders "more transparent and better communicators," he adds.

LOCATION

Location has always been a major home-buying consideration, but these days commuting has added to the list. Frazzled nerves over long commutes coupled with spiking gas prices have resulted in a major shift in thinking. "The trend is towards an urban lifestyle that reduces footprint and car dependence," Golini says. "Young couples weigh the importance of being close to work and to amenities."

That means buying "location over size for convenience and long-term investment," he says. "Purchasing a smaller unit along Yonge St. is a better investment than buying bigger either east or west of the corridor," Golini says.

Maryam Mansouri, CEO of Liza Communities, agrees. Buyers, she says, should think carefully about whether they need a 3,000-square-foot detached home 50 kilometres from work, when a well-designed, 1,700-square-foot townhouse situated closer will better serve their family's needs – plus reduce commuting time and gas costs.

In that vein, her company, which has developed several lowrise communities in the GTA, offered purchasers at Shorelands a one-year free pass on the GO train, which is a five-minute walk to the Whitby project, and a 40-minute commute to downtown Toronto. "We're really supporting and promoting those kinds of lifestyle changes."

Mansouri also encourages buyers to look carefully at the neighbourhood amenities. "What creates a community fabric and makes it viable and vibrant is having grocery stores, retail services, dental and doctor, schools, plus access to nature in parks and trails."

FLEXIBILITY

Before looking at buying, "get creative," advises Bruce Whitaker, co-founder of Buying Block, an online real estate portal.



SHUTTERSTOCK

The options increase if buyers are open to sharing the property – by living in one part of the house and renting out the rest. "A clean, well-constructed apartment with nice kitchen and bath will always rent, especially if it's close to transit. Just check municipal bylaws first – you don't want neighbours to complain and have the city down your back," Whitaker says.

Another option is to co-buy with a friend, co-worker or family member. "It all becomes much more doable when you only need half – \$10,000 down payment instead of \$20,000, and \$750 mortgage payment, instead of \$1,500."

His company, which offers one-stop shopping for home buying, can handle the legal aspects, such as writing up the co-ownership and co-habitation agreement – including details like what time the music goes off at night – and arranging for a mortgage, finding a property, scheduling a home inspection and securing insurance.

Whitaker also has clients who have co-bought homes or condos with their university-bound children. "It's a good way to kick-start your kids' investments – rather than leave them with debt after school – and give them responsibility at the same time. What parents take on is down payment and financial backing."

Even if co-owning isn't for you, Whitaker says there are still ways to pare costs: "So you really need two-car parking, a large backyard, a hot tub? Does the location mean getting a second car? So start out with a needs list and stick with it as you look at properties."

FINANCIAL SAVVY

Make sure your finances are in order with a mortgage pre-approval. That lets you know just how much you can spend, Whitaker says, and since the pre-approval is good for up to 120 days, a firm offer puts you in a strong negotiating position.

When it comes to mortgages, Bai has advice: "Take advantage of paying down debt early – money is worth more now than later, and making mortgage prepayments in the early years has huge value."

She recommends accelerated (twice-monthly) mortgage payments and short terms: "20-year, or even 15-year if you can, but definitely not past 25. The difference in payments between 15 and 25 years isn't as dramatic as you'd think, because most of the money you pay out is interest. And a 35-year or 40-year is just crazy because the principal paid is minuscule. I tell people if they can't afford to make payment on a 20-year mortgage, then they're probably buying a home they can't afford."

Bai also suggests a minimum 10 per cent down payment, even if it means begging or borrowing from family. If you put up less than that, you'll be paying thousands more for mortgage loan insurance.

Mostly, Bai says to be "reasonable with what you're trying to purchase. There's land transfer tax, property tax, condo fees and ongoing expenses, and the bigger and more expensive the house, the greater all that will be."

FOR MORE INFORMATION

Buyingblock.com

Margot Bai, spendsmarter.ca

Tarion, tarion.com

[Read about the journey of first-time resale buyers in On the hunt for a home.](#)