

Why Home Ownership is Still (more or less) A Bargain in Canada

Royal LePage - July 20, 2015

Owning a home is a bargain, and carrying a mortgage is cheaper than ever, or at least cheaper than it was twenty-five years ago. Don't believe it? The numbers, which come from Statistics Canada's Consumer Price Index (CPI), actually tell the story quite succinctly.

The CPI is the basket of goods and services surveyed by Statistics Canada in order to get a handle on the cost of living in Canada. The year-over-year change in the CPI gives us the 'inflation rate', which is closely viewed by the Bank of Canada and others to understand whether price pressures are building. The price of homes, of course, is an important part of that.

To get some perspective around how quickly home prices have been rising, we looked at CPI data back to 1990, 'indexing' the value of each month to January of that year.¹

What we found is that while the costs of homeownership increased over that period, they have actually increased less than the overall cost of living. (All references to costs are for the average expenditures by a Canadian household during a given time period). Between 1990 and June of 2015 (the last month for which data is available) the cost of home ownership grew by 55 per cent. In contrast, the overall cost of living was up by 66 per cent. The city you live in will skew the homeownership number up or down, but the theme holds: owning a home has been relatively affordable over the decades. Transportation costs (up 90 per cent) and food costs (up 74 per cent) grew more quickly than the overall index. The real bargain was clothing prices, which (influenced by relatively cheap imports from countries like China) were up by only 10 per cent over the period.

Homeownership Is Still A Bargain
What is really interesting is looking at the
way that the components of home ownership
costs have changed over time. The overall
homeownership index fell from 1990 through
2000 (in tandem with interest rates), rose

in the years following until the start of the 2008 recession, and increased at a much slower pace since. Mortgage interest costs (which reflect the size of the a household's mortgage, as well as the interest rate paid on it), however, have followed a much more

dramatic path. Although home prices have increased significantly in many markets, typical mortgage interest costs in fact declined by over 7 percent between June of 2010 and June of 2015, and by 1 percent since January 1990. That's a powerful statistic: it means that despite sharp

increases in home prices in many markets, in Canada as a whole it is cheaper to carry a mortgage now than it was in 1990.

The Mortgage Isn't the Problem
Where costs have skyrocketed is in the category of property taxes. Although they plateaued for a while between 2000 and 2005, in the years since they have climbed

precipitously. In total, between 1990 and June of 2015, the property cost portion of home ownership has increased by an incredible 210 percent.

A lot of attention is paid these days to

Mortgage Interest Cost

Property Taxes

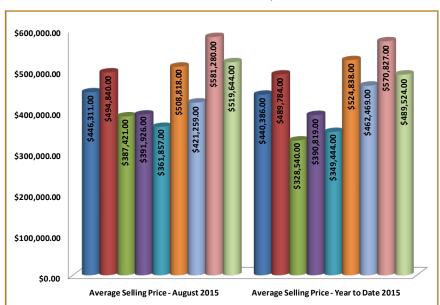
The Mortgage Isn't the Problem

Source: Statistics Canada (CANSIM), Calculations by Relentless Economics for Royal LePage

the rising costs of homeownership, with good reason. In many larger markets, it can be difficult for some would-be buyers to enter the market, and difficult to meet the continuing costs of owning a home. Then again, sometimes the picture gets blurred

by what happens in a couple of major markets over short time periods. Given the above, the big picture for Canada is one of reasonably manageable home ownership costs – with the exception of those imposed in the form of taxes.

¹To index a number you typically compare it to a base value which is set to 100. In this case, we set January 1990 to 100 and compared all other months of data to that base.



■ Durham Region ■ Ajax ■ Brock ■ Clarington ■ Oshawa ■ Pickering ■ Scugog ■ Uxbridge ■ Whitby

Hmmmm...

Everyday, more money is printed for Monopoly sets than for the U.S. Treasury.

www.uselexsfacts.net

Housing Market Remains Hot

Average Prices Continue to Creep Up in Durham Region

Durham Region Association of REALTORS® (DRAR) Bulletin - August 2015

Durham Region Association of REALTORS® (DRAR) President Sandra O'Donohue reported 984 residential transactions in August 2015. This represents an increase of 7.1 per cent compared to the same period last year. "On top of more sales, we have also seen more listings enter the market," added O'Donohue. The number of new listings in August 2015 was 1,328 compared to 1,209 in August 2014. In Durham Region, Link homes had the highest sales growth; a 54 per cent increase in the number of sales compared to the same period last year.

"The market trend for 2015 has been rising home prices. Month-to-month, we are still seeing prices swell in comparison to last year's market," explained O'Donohue. The average price for resale homes in the Durham Region for the month of August was \$446,311, up 14 per cent from \$388,690 in August 2014. Link homes are also leading with the highest price growth of all major home types in the Durham Region. "Buyers remain eager to purchase homes in Durham while still keeping affordability in mind," commented O'Donohue.

"We have begun to see more listings enter the market in comparison to last year, which gives buyers more inventory to choose from, however, the market is still very much a seller's market and we expect that trend to continue later into the year".

Helping Your Plans Fall Into Place

If you're contemplating moving this fall, winter or next spring, having a well-thoughtout plan in place will help to ensure that things go as smoothly as possible for you.

It all starts with us getting together and my viewing your home. Next we can sit down and review your thoughts and concerns about your moving plans. Perhaps you're wondering about which rooms to paint or whether new light fixtures will make a big difference. Or, perhaps you're unsure of whether to buy your next home first or sell your existing one first.

After we've discussed your plans, and what's most important to you, I'll work on finding the best solution(s) for you based on who you are and what you're hoping to accomplish. Often, this will require a second visit as there may be a lot of elements to consider and evaluate with your move.

Also, I can provide you with introductions to trusted tradespeople or other moving related professionals who will assist you in helping to make everything fall into place smoothly.

If this makes good sense to you, please contact me and we'll get the process started at a time and pace that works for you.

Warmest Regards, David Roney

Celebrating 32 years as a **REALTOR**® in 2015 A Name Priends and Pamily Have Recommended Since 1983

David J. Roney, Sales Representative
Business 905.666.1333 • Toll Free 1.866.273.1333 • davidroney@royallepage.ca













ured

tured

0

Home

eatured

(1)

eatured

Walk to downtown, the GO Station, public school and parks from this charming and tastefully upgraded home. Stunning kitchen with top-of-the-line finishes and stainless steel appliances. Large living room with gas fireplace. Walk out from the dining area to the 24' x 12' deck that overlooks the picturesque, deep lot. New hardwood floors throughout the main level. Large recreation room and three piece bathroom in the walk-out basement. Great starter or retirement property.



612 Radisson Avenue Oshawa • \$265,000

Great first time buyer home or renovator's dream. Situated on a 163' deep lot with the big upgrades already completed . . . furnace, air conditioner, shingles, windows and upgraded breaker panel. This three bedroom semi detached home is in a prime Oshawa neighbourhood within walking distance to the U.O.I.T. Campus and the Oshawa Centre. Living room dining room combination and a large family sized eat-in kitchen. Freshly painted on the main and second floor. A must see!



Wondering what your home is worth in the current market?
Give me a call today.
I'd be happy to share with you what homes in your neighbourhood are selling for and discuss options that best suit your needs.