



Still Hot Market

The Toronto Real Estate Board reported that 4,353 existing homes traded hands during the first two weeks of March, up 70 per cent from the same time last year, when the market was in recession.

"Very strong demand continues to dominate, lifting sales of existing homes to all-time highs ... yet keen buyer interest has largely failed to attract more sellers, resulting in a dearth of homes available for sale," said Royal Bank of Canada senior economist Robert Hogue.

Sales were also strong enough to break the mid-month peak set in March of 2006 by 16 per cent, according to the board. The average price for mid-month transactions was \$440,153, up 20 per cent over last year.

Some good news for buyers: New listings increased by 34 per cent over last year. "Look for double-digit price increases to cease later in 2010, as new listings rebound from the low levels experienced in 2009," said Jason Mercer, TREB's senior manager of market analysis. "Increased listings will give buyers more choice, resulting in less upward pressure on home prices."

Higher sales prices in the fourth quarter of 2009 also eroded affordability for Canadians. "Red-hot home resale activity and strong prices across Canada made it more difficult to own a home for a typical household," the Royal Bank said in a report. Strong sales in cities such as Toronto have hurt affordability.

"The resulting price increases have caused affordability to slip, suggesting that stress is starting to build in the Toronto market," said RBC's Hogue.

It now takes 58.4 per cent of pre-tax income to service a mortgage on a two-storey house, compared with long-term averages of 53.7 per cent, according to the bank.

Affordability is expected to drop further with the expected rise in interest rates later this year, the bank said.

CRISP CORNER

If you're planning on making a foray into the market this year, now could be the time to undertake improvements, which, if carefully planned, can increase the value of your home considerably. Most of us know that kitchens, bathrooms and a fresh coat of paint inside and out, offer the best return on investment. According to the Appraisal Institute of Canada, you can expect to get back 75 per cent to 100 per cent of what you put into kitchens and bathrooms. Painting can return 50 per cent to 100 per cent of your investment. While these are typically low-risk investments, a number of factors can influence the gains you achieve with other types of renovations.

Location is one such consideration. The completion of a basement recreation room for example, can generally return 50 per cent to 75 per cent of expenses, depending on the preferences of future buyers in your area. In a predominantly seniors' community, its value could be considerably limited. It is also important to consider your home's most crucial needs. Window and door replacement may offer a return of 50 per cent to 75 per cent, but if your existing units are broken, this home improvement should take priority on your project list. Where glaring needs are concerned, the value associated with your home's overall impression outweighs specific project returns.

When deciding whether to proceed with functional renovations though, it's also important to consider that significant government rebates are available for many energy efficiency improvements.

There are some improvements that we undertake simply for our own enjoyment, like a swimming pool, from which you can get back up to 40 per cent of your investment or landscaping, which is likely to offer a 25 per cent to 50 per cent return. Despite the limited gains they may offer individually, these types of improvements can also make an important contribution to your property's overall image.

Consider, as well, that not all of your renovations need to be sizable. Even minor improvements like new light fixtures, cabinet hardware or faucets can give your home a contemporary look.

