



What's in Store for the 2007 Real Estate Market?

There are several matters to consider. First, real estate is part of the overall North American economy and generally “as goes the economy, so goes real estate”.

Recent news items in the United States might suggest that real estate in Canada is due for a slump.

However, there are some important local considerations. It's difficult to generalize but it's important to note some of the differences between Canada and the United States. The US housing market reacts much more quickly to changes than the Canadian market. Here, it takes longer to secure the appropriate government approvals and develop land. It can often take two to three years. In the US, it could be as short as six months. This means that essentially whether the market is up or down, Canadian developers are more committed to the long term. Supply will continue to increase even in a downturn. In the US when the market increases, developers will be quick to respond with new product offerings.

So, one thing to bear in mind is that US statistics must be reviewed very differently from their Canadian counterparts. Demand in Canada continues to remain strong.

Second, what's happening in the Canadian economy? According to recent information published by Statistics Canada

There were:

- 62,000 new jobs were created in Canada in December
- 42,000 of those new jobs were in Ontario
- 345,000 new jobs were created in Canada in 2006
- 113,000 of those new jobs were in Ontario

- this is the highest number since 2002
- national unemployment rate is the lowest in 30 thirty years

And, what about interest rates:

- Short term rates are slightly higher than longer term
- One year mortgage is 6.30%
- Five year mortgage is 5.39%
- Historically these are rates that haven't been seen since the 1950's and early 1960's

All in all, facts are facts. The economy is Canada is very healthy. If you need to check, review the 2007 economic forecasts by the senior economists for Canada's largest banks. They are all optimistic.

More people with jobs, having more money and the ability to borrow large sums of money from banks at reasonable rates, bodes well for real estate.

2007 should be an excellent year. You should ignore news items from the United States advising about downtrends. That is not the case here, and does not apply here for a variety of reasons.

It would be wise to consider making real estate one of your investment choices for 2007.

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