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Sales Representative

Real Estate Review

March 2008



Toronto Real Estate Values March 2008

One of the most common issues these days is the current discussion of the US sub-prime market. This is very topical on the cocktail party circuit, and somewhat rather surprising since most people don't know what it is. However, there are the constant headlines and the television news coverage. So, many of these same people feel "fully informed".

Essentially, there are three reasons for the decreasing real estate prices in the United States:

- A faltering economy
- An excessive supply of housing
- Easy credit terms available for unqualified consumers

So, where does this all lead? Obviously, to falling prices and that is precisely what happened. What about Canada? Here, the basic underlying economic factors are somewhat different. The economy is not faltering, the demand for housing units remains high, and we do not have a system of easy credit.

Why do I say this? Let's have a look at the recent report from Statistics Canada, released 7 March 2008:

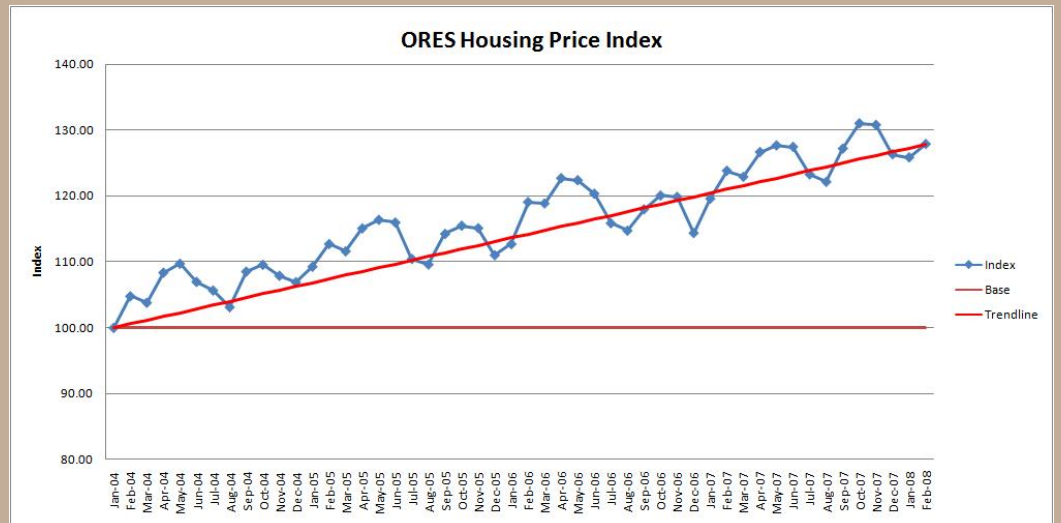
- The Canadian economy added 43,000 new jobs in February.
- The unemployment rate held steady at a 33-year low of 5.8 per cent.
- The job gains were in full-time private-sector jobs and were concentrated in Ontario.
- Wage growth remained strong in February, with a year-over-year increase in average hourly wages estimated at 4.9%.
- This was well above the most recent increase of 2.2% in consumer prices (more than double the rate of inflation).
- Unemployment rate Toronto 6.5 decreased by .2 (6.7)
- Employment growth in February was mainly in construction; public administration; and professional, scientific and technical services.
- These gains were partly offset by declines in manufacturing and natural resources.
- manufacturing in Ontario continued to lose workers in February (-20,000), these declines were more than offset by strength in construction (+31,000); business, building and other support services (+20,000), as well as public administration (+11,000).

All in all, there is really nothing to suggest that the real estate industry is going to be negatively effected. More people are employed, more people are making more money, and more people are requiring housing (and able to pay for it).

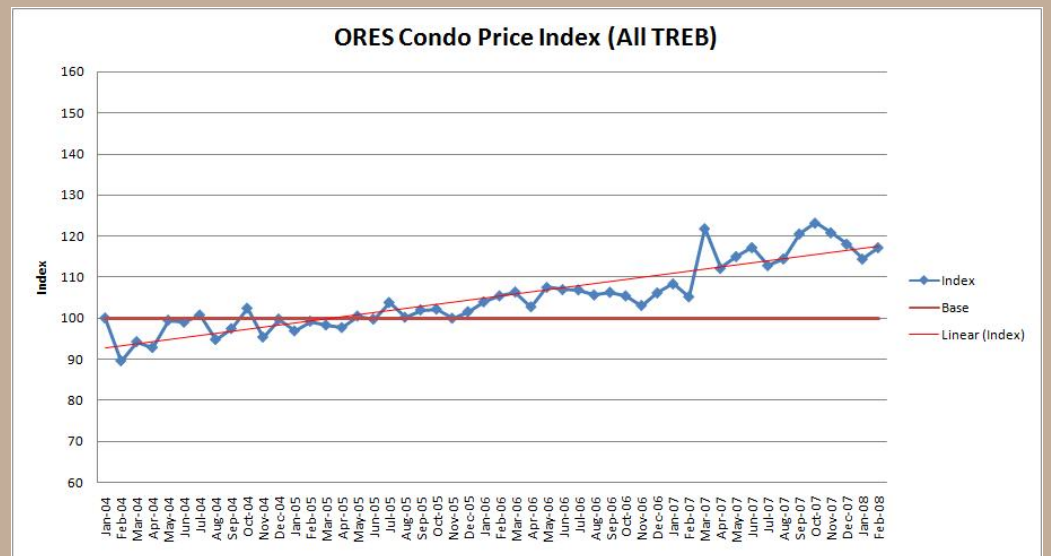
Now, if you happened to be in the manufacturing or auto sector, you might think otherwise. But, right now, may be the time to switch into the construction industry!

If you believe Statistics Canada, the doomsayers should be wrong.

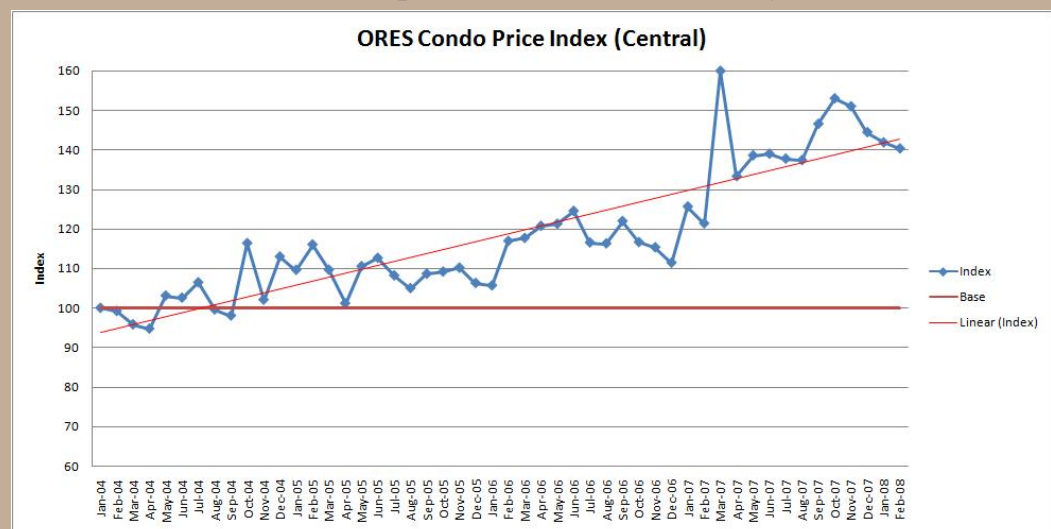
Tracking Past Performance



GTA single family homes up **27.86 %** since 1 January 2004



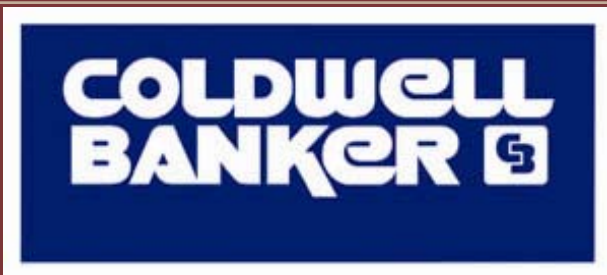
GTA condos up **17.17%** since 1 January 2004



Downtown Toronto condos up **14.37%** since 1 January 2004

RESIDENTIAL OPPORTUNITIES

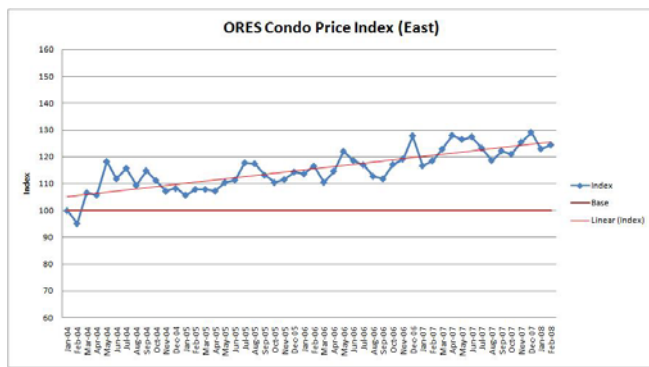
Guildwood Village	\$649,900.00
Port Union	\$399,900.00
Mississauga	\$489,900.00



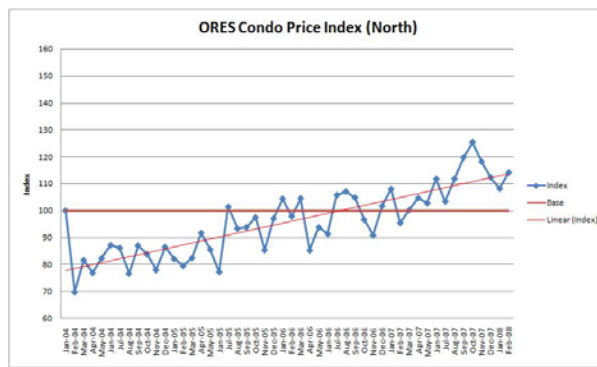
INNOVATORS REALTY
Real Estate Brokerage

905-796-8888

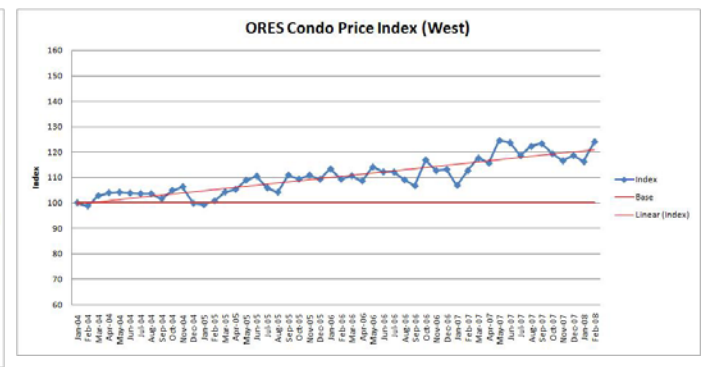
www.OntarioRealEstateSource.com
BRMadigan@rogers.com



EAST condos up **24.45 %**



NORTH condos up **14.14 %**



WEST condos up **24.11 %**

ORES Real Estate Index For February 2008

You might recall that I set up this Index last year. Like the CPI (consumer price index) it is designed to track values over a period of time.

The Index commenced 1 January 2004. There was no particular reason for that, other than it was the beginning of a calendar year and I wanted to track at least a four year period of time. Commonly, that is a measurement used by the mutual fund industry. They frequently use the four year moving average as a benchmark of performance for the purposes of comparison.

So, the time period is neither too long nor too short.

All related prices were converted to 100, so everything to be compared would have a common starting point.

Single Family Housing in the GTA

When you are looking at house prices for single family homes in the GTA, you will find the following:

127.86.....	29 February 2008
125.63.....	31 January 2008
126.31.....	31 December 2007
130.76.....	30 November 2007
130.98.....	31 October 2007
100.00.....	1 January 2004

This means that the average price for single family homes in the Greater Toronto area has increased 27.86% in 50 months, that is, 0.56% monthly or 6.69% per year.

You will also see that the height of the market was October 2007. After that, the market declined for three months, until it started to strengthen in February 2008.

Condominium Market in the GTA

Here are the comparable statistics for condominiums throughout the GTA:

117.17.....	29 February 2008
114.39.....	31 January 2008
118.04.....	31 December 2007
120.82.....	30 November 2007
123.17.....	31 October 2007
100.00.....	1 January 2004

There are a few noteworthy comparisons. This is a .34% monthly increase, or 4.12% annually. Or, another way of looking at the numbers is, that over that 50 month period, condominiums performed 61.6% as well as single family homes. Still further, you could say that single family homes outperformed the condominium market by 38.4%.

But, maybe that's not the whole story.

Central Condominiums

Let's have a look at the parts of the condo market. The numbers for centrally located condos have stood up quite well. These are the ones in downtown Toronto:

140.37.....	29 February 2008
141.90.....	31 January 2008
144.50.....	31 December 2007
151.04.....	30 November 2007
153.06.....	31 October 2007
100.00.....	1 January 2004

You will notice again, that the height of the market was the end of October 2007. You will also see that the downtown Toronto condo market has continued to decline since that time.

Market indicators, factors and conclusions

There are a few general conclusions that may be drawn:

- You were better to have a downtown Toronto condominium over the last 4 years (actually 50 months) than other property (140.37)
- Single family homes provided a reasonable benchmark rate of return (127.86)
- East and west condominiums performed about the same (124.45 and 124.11)
- North condominiums are the poor cousin in the market (114.14)
- All markets turned up in February except downtown Toronto condos

So, basically that's it, the market is performing fairly well. There is no indication of substantially falling housing prices. If the downtown Toronto condo market continues to fall slightly over the next few months, that doesn't mean that it has anything to do with the US sub-prime market, it's just coming off its overheated performance of the last few years.

2007 Best Deals ~ The best deals for Buyers were done in December.



ADR For Estate Planning

This is not what you thought. I know you thought it was Alternative Dispute Resolution for estates. That's close, but by that time it's far too late.

In this context, ADR stands for:

- 1) Audited
- 2) Documented, and
- 3) Recorded.

It is designed to assist you in the estate planning process by properly recording your intentions so that your estate plan will be implemented and not contested. It will offer you "peace of mind".

Audited

This quite simply is the independent third party witness to your estate plan. But, it's much more than the simple signature of a witness on a Will or Power of Attorney. This person will participate with you in the planning process. They will "hear" (audit) your intentions and later be in a position to confirm your true wishes.

Documented

The usual documents here are Wills, Powers of Attorney, Beneficiary Designations and Trust Documents. However, with the ADR approach, there are other documents that will focus on your overall estate plan and hopefully document any potential problems and issues in advance.

Recorded

All of your documents need to be placed in a location that is both safe and accessible. All interested parties need to know the location.

Recent Court Cases

The Supreme Court of Canada has recently place emphasis upon the intention of the deceased. Frequently, intention is not clear, so the court is left simply to examine the documents that were left behind. And, they may be inconsistent with one another. At least, they are in the opinion of one of the potential beneficiaries.

The ADR Estate Planning Approach

The ADR Estate Planning Approach will follow the three steps to ensure that your estate plan is incontrovertible and incontestable. You don't need more documents to simply "muddy the waters", you are searching for clarity, at a time when you will not be able to offer any explanation.

Your Advisors

Most individuals will rely upon an accountant, a lawyer a financial planner and an insurance broker. One of these parties may lead the estate planning team. However, there is certainly a risk of conflict among the documents when these advisors do not meet and do not coordinate their efforts or advice. The inevitable result is conflict among the documents, uncertainty as to your intention and the significant potential for litigation. Now, of course, the best way to avoid litigation, and this is absolutely guaranteed is to have nothing. Obviously, no one is going to sue. However, if you have an estate, even a small one, it's best to avoid both lawyers and the courts. They are very expensive estate planners!

Coordinated Approach

The coordinated approach is best. Select a team leader and go for it. The problem is there are no clear and set positions on the team, and it's not even clear whether you need a captain, a coach or a quarterback. So, it may fall back to you and you have to direct and coordinate all the team players. One little problem: you have never done it before and you really don't know what you are doing.

From time to time, certain law firms will be experienced in this type of process. Usually, it is available only to their most sophisticated (interpret well-off) clientele. Really, this type of service should generally be available to everyone.

Audit Process

This refers to hearing, authenticating and witnessing the intention of the testator. So, in part, this may involve several key witnesses, including:

- 1) A member of one's family (to confirm relationships)
- 2) A medical doctor to confirm testamentary capacity (mental capacity)
- 3) A lawyer to confirm the documents as executed clearly reflect the intention

In the meantime, someone might serve as the co-ordinator to ensure that these steps are taken in the process.

Documentation Process

In this regard, there are truly two levels of documents:

Formal documents including the Will, Powers of Attorney, Trust Documents, Directions, Escrow Agreements, Beneficiary Designations, Joint Tenancy documents (deeds, bank accounts etc.), and

Informal Documents including Statements of Intention, Letters, Directions, Requests in writing, legal opinions and so on. This group of documents might include minutes of family meetings, family agreements and acknowledgements. It might also include the written recommendations of various advisors including accounting, tax, legal and financial advice.

For over 235 articles on real estate, finance and advice for the homeowner visit: www.OntarioRealEstateSource.com
or read them first at
<http://OntarioRealEstateSource.blogspot.com>

The informal documents are all to prove that the formal documents are indeed accurate and reflect the proper and true intentions of the testator. This could include a video tape of the testator's expression of wishes, and the consent of the beneficiaries. All of these additional precautions will safeguard the process of dividing up one's estate. This certainly is estate planning.

Recording Process

Once you have all the right documents in place, you need to be sure that they will be kept in a safe and secure place. A safety deposit box will not work. Consider a Trust company for this purpose or a sizeable law firm. There's not much point in having all these documents and safeguards, if no one is ever going to find them.

So, if you are intending to divide your estate, you may want to consider the ADR Estate Planning method.

Effects Of Gas Prices On Real Estate Values



What is that going to mean for real estate?

The price of gas just went up to \$1.05 per litre. Is that too much? Informed sources (according to the newspapers) say that the price will reach about **\$1.45 by the summer.**

What is that going to mean for real estate?

In the very short term, probably nothing. It's just a small inconvenience. Longer term, it will definitely have an impact.

The question however is where? The most vulnerable segment of the market is recreational properties within reasonable commuting distance of major urban areas. Basically, that means downtown Toronto. The time limit for travel seems to be about 3 hours. Beyond that, most people are prepared to reconsider the issue of ownership. Sure, they'll visit friends on a long weekend, but they won't buy themselves.

The recreational market is vulnerable since it is a luxury, and in bad times, that's the first thing to go.

Let's assume that gas prices are still within reach of the average consumer. At the moment, that will take us up to about \$1.25/litre. Beyond that, consumers will balk, and defer driving to distant locations. Work comes first, and there's not a lot of money leftover.

The next issue is availability. If there are substantial shortages, it is going to be difficult to get people to line up for an hour or so before they embark on their 3 hour journey. And, once they are on the highway they'll all be going at the limit of 100 km/hour or less. It will simply be too expensive, and use up far too much gas to travel any faster. This will add another 30 minutes to 45 minutes to the 3 hour trip. Now, we are pushing close to 5 hours from the time you left your house.

However, we didn't talk about traffic congestion. If we simply have the same number of cars heading out of the City at about the same time, we are going to add to the congestion. The reason is that on a Friday afternoon, many people leave at about 3 o'clock in the afternoon. That really won't get any earlier. They still have to get their work done. It will simply mean that fewer people will be able to "get away early", basically adding to the already overloaded streets and highways.

Then, the PROBLEM: that past weekend wasn't fun! Five hours to get to the cottage battling traffic with everyone going 85 km/hr, and 5 hours back on Sunday. But the saving grace on Sunday was that you left first thing on Sunday morning to avoid the rush.

So, now the question: is it worthwhile to own a cottage or should you just visit some friends?

The more people who say "No" to that question, the worse it becomes for the recreational property market which depends so much upon:

- Cheap gas
- 3 hour commutes
- moderate traffic

If that changes, so will the market! And, that will be good for some, and not so good for others.

COMMERCIAL OPPORTUNITIES

Newmarket Plaza	\$3.5 Million
Aurora Plaza	\$3.3 Million
Guelph Retirement Home	\$2.8 Million
Scarborough Plaza	\$1.7 Million
Brampton Plaza	\$1.5 Million
Caledon Office	\$445,000.00
Caledon Greenhouse	\$389,000.00



Over Listing And The Sellers Needs

Really, there should be no relationship, but in fact, there often is.

Sellers frequently insist on listing their properties on the basis of what they need

to get out of them. This is rather silly and foolish, however, it happens every day.

Let's put you in the buyer's seat for the moment. All the houses on the street are worth about \$300,000. One that has just come on the market is priced at \$349,900. Why? Well the explanation is rather simple, the seller needs to get that much money out of the house.

There is a first mortgage of \$250,000, a second mortgage of \$50,000, credit card debt (unsecured) for \$20,000 and about \$15,000 in appliances, landscaping and other repairs and renovations spent over the last five years. So, pretty much, the seller, even if they sell for close to their asking price is not going to come away with much money.

So, let me ask you! You're the buyer, are you going to pay close to \$350,000 for this property? I think not. If you're like most buyers, you will simply wait for this one to come down in price. Possibly, someone may try an offer around \$300,000. It won't fly; so the property will stay on the market for a while.

Other properties on the street will be listed and sold around the \$300,000 range. Still, there will be no further bites on the over-priced model. Time will accrue another few thousand dollars in interest debt, and this property will likely be reduced in price somewhat. But, where will they go? You might think the \$300,000 range, but you'd be wrong. Experience suggests that this type of seller will continue to over-list the property. So, a \$10,000 reduction will be applied and bring the property into an over-listed \$339,900.

Often this reduction in price is co-incident with changing agents.

Ultimately, the property will be sold at some time in the future in the \$300,000 range. The reason is rather simple, that's what it's worth, so that's what buyers will pay. And, if it does sell for \$339,900, it does so only after years on the market and that's now what it's worth.

Is there any lesson here? **Be realistic** and price your property according to the market. This means, *what the buyers are prepared to pay for your type of property*, not what you need to get out of your property. No one else wants to pay for your mistakes!

Real Estate Classes

Are you thinking of becoming an agent? Why not attend seminars and tutorials in Phase 1, Phase 2, Phase 3 Residential, Phase 3 Commercial and the Law?

If you are interested, please call me: **905-796-8888**

Sorry No Recipes!

Irish Humour

Paddy was driving down the street in a sweat because he had an important meeting and couldn't find a parking place. Looking up to heaven he said, "Lord take pity on me. If you find me a parking place I will go to Mass every Sunday for the rest of me life and give up me Irish Whiskey!"

Miraculously, a parking place appeared.

Paddy looked up again and said, "Never mind, I found one."

Happy St. Patrick's Day, may the luck of the Irish be with you!



If you are interested in receiving new listings by email for an area of interest to you, please contact me.

10

Ten Agents Or One?

Which is better? You might think 10. In fact, that's what most people think.

In reality, you are probably better off with one good agent who has your best interests at heart rather than ten who have other priorities.

This occurs frequently on the buying side. A prospective purchaser will call a few agents who have potential properties listed for sale. The conversation will usually end with "well, if anything else comes up, call me".

Truly, what does this mean? Does it create an agency relationship? Within a few minutes the prospective purchaser is on to the next agent. Again, the conversation is similar. At the end of the day, the potential buyer is left with ten agents all of whom have given some indication that they might call.

In many cases, these agents will have asked:

- Are you working with an agent?
- Would you like me to work as your agent?

The common response is the same that can be overheard in every clothing store: "no thanks, I'm just looking", or more accurately "no... I'm just staring to look....". The point is quite clear, the caller does not want to get involved.

Each of these agents will likely represent a series of potential buyers. These buyers will have signed an exclusive representation agreement. That means, even if they find the property themselves, they will bring it to their own agent's attention and will process any offers through their agent. So, their agent is secure and safe in knowing that eventually, should the client buy a property, they will earn a commission.

What about the ten agents? They have no relationship whatsoever with the potential buyer. They know they are competing with others, and perhaps first come, first served, but who knows? Many times, these potential buyers will have a friend or a relative in the business, so the agent actually never makes any money.

The result is quite simple, the potential purchaser who thinks he has ten agents working for him and all competing for his business really has no one. Actually, there is a legal impediment to overcome. If an agent represents a client and a property is listed which falls within the appropriate parameters, it *must* be brought to the attention of the client. And, it must be brought to the attention of the client *before* it is brought to anyone else's attention. That is based upon the **duty of loyalty** owed by the agent to the client.

This means that the potential purchaser will not likely hear of new properties until every agent has exhausted their own list of clients. So, they hear on the 7th or 8th day that the property is available, not the first.

Naturally, it would be wiser to select an agent. Pick one and work with that person in an effort to locate the best and most suitable property. This way, the agent will owe the duty of loyalty to them, and will be obligated to act in their best interests.

I appreciate that it sounds a lot better to have ten agents. But really, you didn't have ten, you didn't have any, so one is much better.

The Ideal Buyer

This is the person everyone is looking for!

There are a few notable characteristics, so they are relatively easy to identify:

- They are always from out-of-town
- They have plenty of money
- They are able to see the hidden value in the vendor's property
- They will do business, right away, no questions asked
- They will pay the full asking price, maybe more

So, all in all, they are really great people to know! Only one little problem, I have never met this person, or even anyone remotely like them.

Yet, sellers seem to know all about them. According to many sellers, these ideal buyers are all over the place. Just bring them over and sign up the deal. How difficult can this be?

Well, my experience is a little different:

- Buyers from out-of-town are a little suspicious, until they feel comfortable with prices
- All buyers seem to be a little short of cash; they often spend right up to their financial limit
- Buyers do their own "due diligence", comparing one property to another
- In good time, they will submit an Offer, no one likes to be "rushed"
- All buyers want a "good deal"

Now, what I might really like to have is a number of these "ideal buyers" as clients. But, fairly soon, they will be anxious to see good value, spend their money wisely and do their own due diligence before submitting an offer. I guess, in a way, by educating those buyers who lack experience, really I'm just destroying them for the sellers and other agents. Obviously, that's not fair! Then again, maybe sellers should stop looking for buyers on the "turnip truck".

