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Real Estate Review

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ORES Real Estate Index for March 2008



I set up the ORES Real Estate Index last year. In many ways it is like the CPI (consumer price index) in the sense that 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.

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:

127.42.....	31 March 2008
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 27.42% in 51 months. 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. It is off just slightly in March.

Condominium Market in the GTA

Here are the comparable statistics for condominiums throughout the GTA:

118.79.....	31 March 2008
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

You will observe that the results are substantially less than the comparative single family home.

Central Condominiums

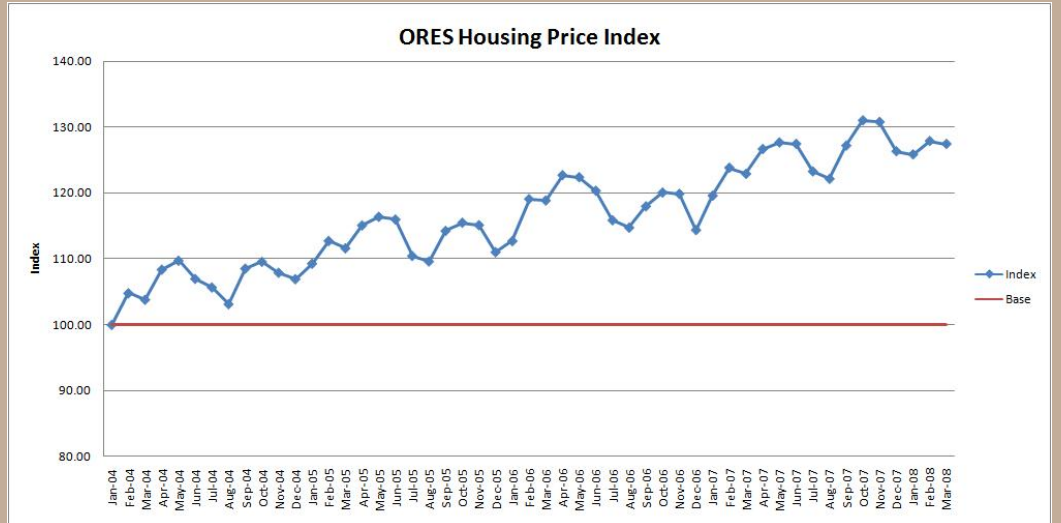
Let's have a look at the parts of the condo market. The numbers for centrally located condos have stood up quite well. These are the ones in downtown Toronto:

147.20.....	31 March 2008
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

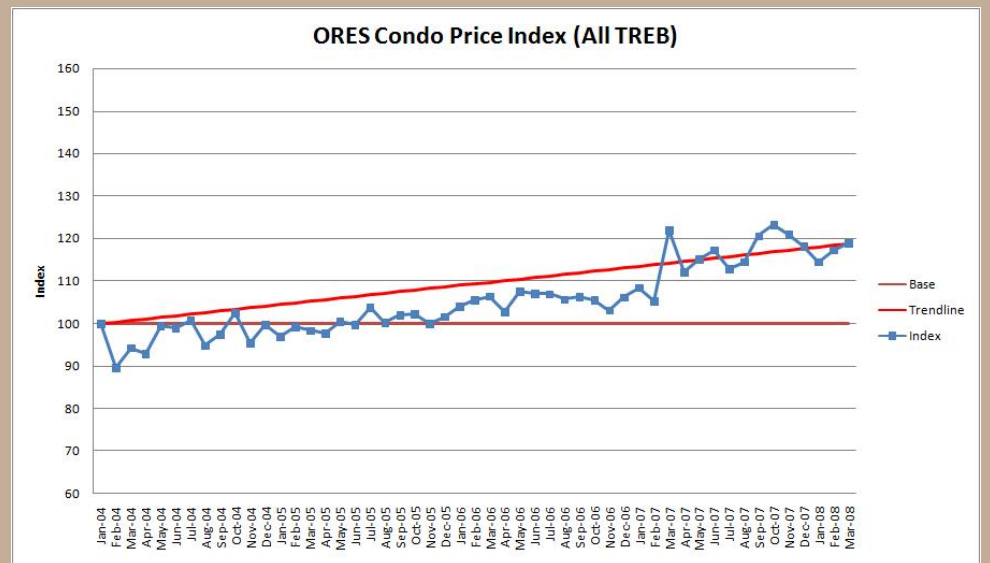
You will notice again, that the height of the market was the end of October 2007. You will also see that the downtown Toronto condo market has continued to decline until February, but the March numbers are up quite significantly. This is by far the best performing market sector.

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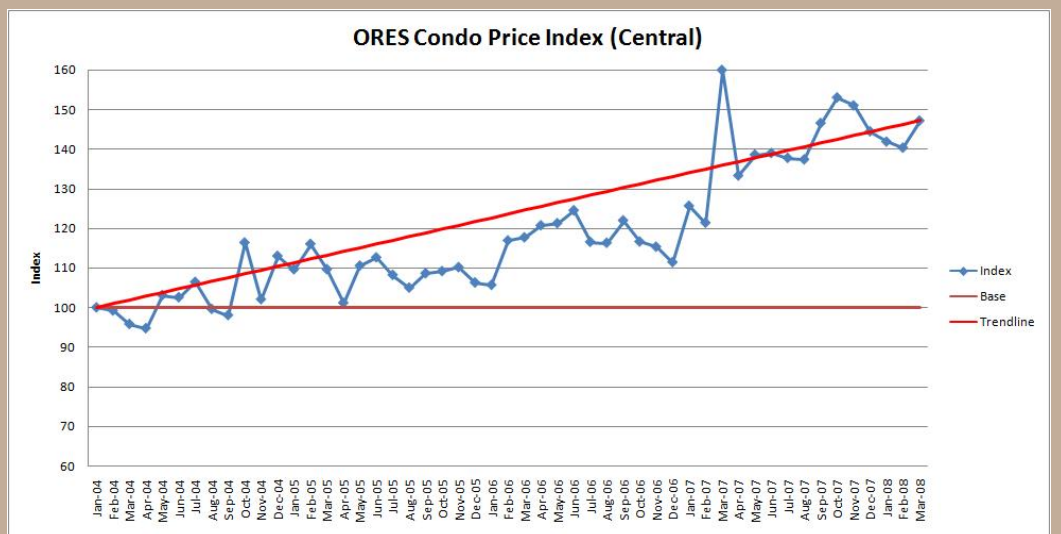
Tracking Past Performance



GTA single family homes up 27.42% since 1 January 2004



GTA condos up 18.79% since 1 January 2004



Downtown Toronto condos up 47.20% since 1 January 2004



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East Condominiums

These are the condos in the eastern areas served by the Toronto real Estate Board. Here's the performance:

124.80....	31 March 2008
124.45.....	29 February 2008
123.00.....	31 January 2008
129.11.....	31 December 2007
125.50.....	30 November 2007
121.04.....	31 October 2007
100.00.....	1 January 2004

This market continued to increase until year end, and then declined in January but had a slight resurgence in February 2008, and a slight increase once again in March.

North Condominiums

The numbers here are a little different:

115.11.....	31 March 2008
114.14.....	29 February 2008
108.10.....	31 January 2008
112.33.....	31 December 2007
118.18.....	30 November 2007
125.36.....	31 October 2007
100.00.....	1 January 2004

Here, the height of the market was October, followed by a three month decline and resurgence in February, followed by a slight increase in March.

West Condominiums

The west condominiums fared somewhat better than the north, and compare favourably to those in the east:

119.25.....	31 March 2008
124.11.....	29 February 2008
116.24.....	31 January 2008
118.61.....	31 December 2007
116.57.....	30 November 2007
119.39.....	31 October 2007
123.42.....	30 September 2007
100.00.....	1 January 2004

There is a slight aberration here. The height of this market was September 2007 followed by two months of decline, one month of resurgence in December, a further decline in January and like the others, a resurgence in February. However, perhaps the increase in February was a little too much, and part of that gain was given back in the month of March.

The point is to look at the overall performance over measured periods of time. One month here or there is not significant.

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 51 months) than other property (147.20)
 - Single family homes provided a reasonable benchmark rate of return (127.42)
 - East and west condominiums performed about the same (124.80 and 119.25)
 - North condominiums which were recently the poor cousin in the market (114.14 in February) have pulled up much closer (115.11) to the others in the perimeter
 - All markets turned up in February except downtown Toronto condos, which performed better than any others in March
- The downtown Toronto Condominium market is the best performing residential real estate in the GTA.

Opportunities

COMMERCIAL

Newmarket Plaza	\$3.5 Million
Scarborough Plaza	\$3.4 Million
Aurora Plaza	\$3.3 Million
Guelph Retirement Home	\$2.8 Million
91 Cottage Lots, Bancroft	\$2.7 Million
Scarborough Plaza	\$1.7 Million
Brampton Plaza	\$1.5 Million
Caledon Greenhouse	\$389,000.00
Mississauga Restaurant	\$385,000.00

RESIDENTIAL

Guildwood Village	\$659,000.00
Port Union/West Rouge	\$389,000.00
Mississauga	\$489,900.00

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or read them first at
<http://OntarioRealEstateSource.blogspot.com>

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.

Other Market Comparisons

Sometimes, it is wise to look at some other market factors. So, I have converted some popular indexes and commodity prices to the ORES format. Basically, that means that all other indexes (and commodity prices) are given a base level 100 starting point as of 1 January 2004. So, that's good for some, not so good for others. I agree that it's arbitrary, but then again, so is every other comparative measurement of performance. However, time will take care of the differences and ameliorate this issue.

Here is the comparison:

226.94.....	oil (per barrel)
185.45.....	gold (per ounce)
147.29.....	TSX
127.42.....	ORES Real Estate Index
117.10.....	S&P 500
117.08.....	Dow Jones Industrial
113.73.....	Nasdaq

Over that period of time, you were best to speculate in the price of oil, failing that gold was a good choice. Even our own stock market has fared pretty well. At the lower end of performance is the US stock market with all three indices at the bottom.

All in all, real estate is about where it should be: not too high and not too low.



Interested in where **Tiger Woods** lives? Have a look at Celebrity Real Estate for a Power-Point presentation.

It's in the article section on www.OntarioRealEstateSource.com

Basement Apartments: A Tale Of Two Cities

There is **\$25,000** available for basement apartments in two different cities.

In **Calgary**, it's in the form of a **grant**, and in **Brampton**, it's in the form of a **fine**.

So, whether the municipality pays you, or you pay the municipality, really depends upon where you live.

Calgary is booming and there is a shortage of reasonably priced accommodation available. So, the City will provide a homeowner with a grant of up to \$25,000 in order to convert their basement and provide rental accommodation. No, you can't just fix up your basement and put in a media room. However, now that I think about it; it is Alberta, and that could be next.

Brampton has a slightly different focus. There are already too many basement apartments. Brampton was hit hard in 1994 when the Bob Rae NDP government legalized all basement apartments in Ontario. There were a lot of large new houses built in Brampton just before the recession. During the recession, many homeowners rented out parts of their homes just to pay the mortgage. Brampton is expected to double in size to 750,000 people over the next 25 years. The existing infrastructure will not support the type of intensification necessary. So, basically one family per single family housing unit is the current planning model. The basement apartment issue in Brampton is already out of control. There is little subsidized or social housing available. The vacancy rates are one-third less than Toronto.

Consequently, Brampton has stepped up its enforcement to ensure that there are no new basement apartments.

If you want to **create a new unit** now, you must:

- 1) apply to amend the zoning,
- 2) pay a \$7,759 fee to the City for processing,
- 3) give notice to all residents within 800 meters,
- 4) attend a public meeting.

Basically, it's not easy. The City doesn't want them, and the last homeowner convicted by the Courts for infringing the by-law was assessed a \$25,000 fine. That's a \$50,000 difference between Brampton and Calgary. And, remember they have lower municipal taxes and no provincial sales tax. Maybe you could rent it out just for a month and then convert it to a media room. After all, it is Alberta and there's no harm in asking. Besides, in Dubai, everyone has a media room!



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



Credit Restoration

If you have experienced some credit issues in the past, or even declared personal bankruptcy, you may find this to be of some interest to you.

Probably just about everyone has paid a payment a little late. The issue for lenders becomes “how late” and “how frequently”. If a lender cannot really be entirely sure that you will (for whatever reason) make your payment on time, then, they will need to have a little reserve established, so they will be able to pay their bills on time. They will have to provide you with a “float”. They know that you will in time pay, but perhaps not right on the payment date.

In order to provide you with a float, they will assess the risk and charge their “late payment customers” a higher rate of interest. If you pay on time, then you will be rewarded with a lower rate of interest.

Banks provide the bulk of mortgage financing today. They fall under the provisions of the *Bank Act* and there are several matters that you should know:

- Banks can only lend up to 75% of the value of a property on a first mortgage
- Banks may exceed 75% if the mortgage is insured
- Insured mortgages can go to 95% of the value
- CMHC and Genworth both provide insurance

So, it’s quite possible to secure good financing at relatively good rates from a bank. But, why wait? Maybe the market will go up this year and you won’t be in any better position to buy next year. Why not revisit your credit issues and see whether you qualify this year? Maybe not with a bank, but perhaps with some other lender.

I would suggest securing the services of a reputable mortgage broker and having them canvass the mortgage market on your behalf. They will need to perform a credit check and this is a lot better than you going to 10 different institutions and having each of them conduct a check. Each check lowers your credit score and if you are close to the mark then this is not going to help, in fact, just that process itself may preclude you from qualifying for the very mortgage that you are seeking.

This clearly isn’t fair, and the law should be changed, but until it is, you should know and play by the rules.

So, rule #1, get a mortgage broker or credit restoration specialist working for you!

How does a lender view “bruised” credit histories?

Explainable Isolated Causes:

- Business failure
- Job loss
- Divorce/marital problems
- Financial mismanagement
- Poor advice

In the cases noted above, there are many lenders that recognize that bad things do happen to good people, and they are willing to provide mortgage financing, often with no downpayment.

Habitual Poor Repayment of Credit

Mortgage financing for clients who exhibit an extended history of poor repayment is more difficult to obtain, and will often require a substantial downpayment.

Lenders Assisting Consumers with Poor Credit (previous issues)

Banks, Trust Companies

- Both banks and trust companies will consider applicants with minimal past credit problems
- Mortgage brokers have access to a vast range of lenders
- You may have been declined at your own bank, but a mortgage broker may find an approval for you at another bank

Non-Conforming Mortgage Lenders

Similar to automobile insurance carriers, non-conforming lenders review your credit history to determine the interest rate (policy cost), and the level of financing available (up to zero downpayment)

The further you are away from credit problems (accidents), and the less severe those problems were, the better the mortgage you can receive

The better your re-established credit, the better the rate and the higher the loan to value you can obtain

Equity Lenders

Equity lenders are primarily concerned with the amount of the downpayment a borrower can provide

The higher the downpayment the more interested the equity lender is in the mortgage

What does a Lender review?

Credit history/re-established credit history

- If you have had credit problems in the past, leave them there
- Ensure that any current credit is paid promptly
- If you have not re-established credit, then do so asap

Employment: Type, Stability and Income Level

- Most lenders require a 3 year employment history
- You don’t have to be at the same job for 3 years
- Lenders will require varying forms of confirmation depending on whether you are salaried, self-employed, receiving commission

Property Quality

- Lenders review property appraisals to ensure that the property you are purchasing is adequate security for the mortgage being approved
- Generally, non-conforming lenders like to lend upon good quality standard properties
- They don’t like to lend upon “fixer-uppers”, or “unique properties”

Downpayment

Amount
Source

Beacon Score – What is a Beacon Score?

- A three digit number (Beacon Score) provided to lenders by a credit agency, usually Equifax Canada or Trans Union
- Beacon scores range from 400 (considered fairly low) to 800 plus
- Beacon score indicates the likelihood of future delinquent payments
- Beacon score can change daily based on many factors
- Level of outstanding balances compared to limits

1. Age of credit
2. Payment history
3. Time since slow payments

- No credit history = no beacon score
- Often more difficult to obtain financing as most lenders use beacon score to establish credit risk

Beacon Score – Establishing Credit

- Open a credit account with a credit grantor that reports to the credit bureau
- Initially you may have to obtain “secured” credit
- Consider RRSP loans, or secured credit cards
- Pay every payment on time- many people pay lump sums to their credit cards and believe that will cover the next 2 or 3 payments- generally this is not the case
- Keep balances below 75% of the balance, but do carry a balance
- Work at getting your credit limits to \$ 5,000
- Once you have established your credit, refrain from making credit applications as inquiries to your credit report can negatively affect your score

Mortgage Financing

What types of mortgages are available for clients with a bankruptcy in their history? The level of financing and downpayment required depends on the length of time since discharge, and the quality of re-established credit.

- 2 years from discharge – zero downpayment mortgages are available
- 1 year from discharge – mortgages with a 5% downpayment are available
- 1 day from discharge – mortgages with a 15% downpayment are available

Re-established Credit required

Typically, non-conforming lenders require re-established credit (payments made to a loan or credit card) reporting to a credit bureau for 12 months

Re-established credit can include repayment on debt that was not included in a bankruptcy

\$1,500 is the minimum acceptable amount of re-established credit

No Downpayment Mortgages

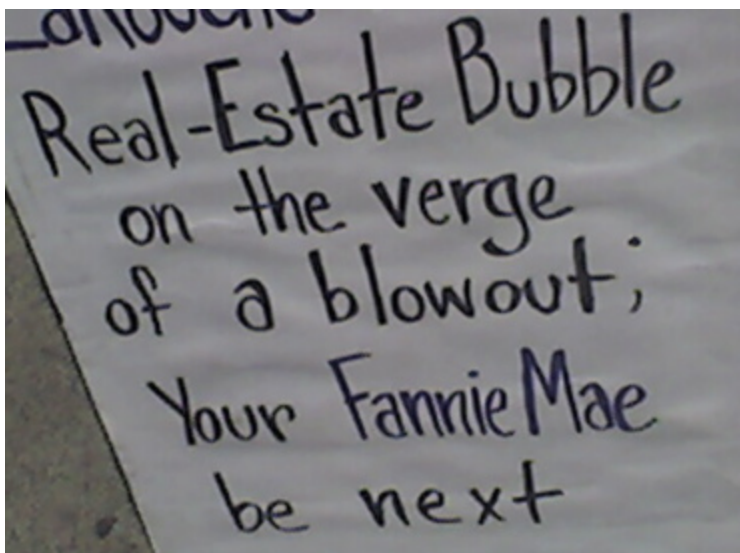
No downpayment mortgages are available to applicants with beacon scores above 580

Available to applicants who have been discharged from bankruptcy for a minimum of 2 years

You can purchase a home today without the need to save for a downpayment

No downpayment does not mean zero costs- closing costs, including solicitor’s fees, title insurance, appraisal fees, and land transfer taxes are required to be funded.

Sorry No Recipes!



Real Estate Classes

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