

ANDREA MORRISON'S

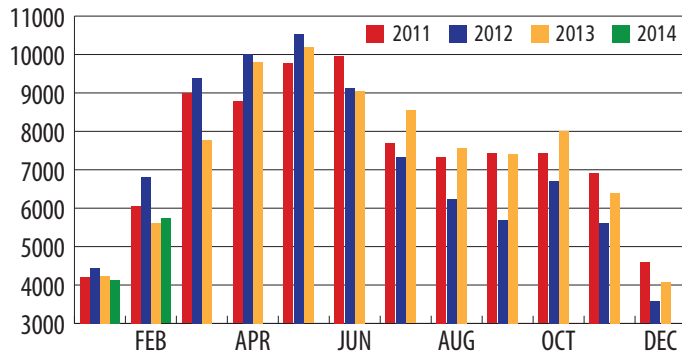
marketnews

VOLUME, PRICES MOVE UPWARD IN FEBRUARY

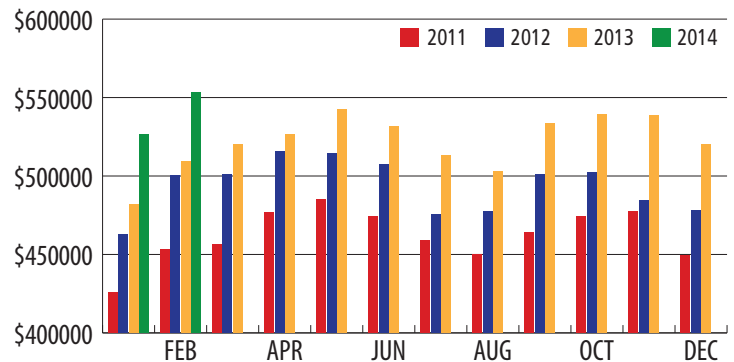
A total of 5,731 homes were sold through the TorontoMLS® system in February, up by 2.1% versus the 5,613 homes sold in February 2013. Overall, volume growth was constricted by both the inclement weather and by a serious lack of listings in all three low-rise housing segments. Volume growth was driven almost exclusively by the condo apartment segment, which was up by 12.5% versus last year. This picture contrasts dramatically with volume growth in the three low-rise segments: detached homes up by just 0.1%; semi-detached down by 2.0%; and townhomes down by 5.3% versus last February. The bottom line is that many would-be buyers were unable to find a home that met their needs in the low-rise segments due to the critical lack of inventory for sale.

The average selling price for February 2014 was \$553,193 - up by 8.6% versus the \$509,396 average price in February 2013. Price growth was robust across all housing segments, but particularly in the low-rise segments where the lack of inventory resulted in aggressive competition amongst buyers: detached homes up by 11.2%; semi-detached up by 4.9%; townhomes up by 10.9% and condo apartments up by 4.8%. The MLS® Home Price Index (HPI) Composite Benchmark, which provides a truer "apples-to-apples" price comparison, was up by 7.4% year-over-year. While strong price growth should result in an improvement in the supply of listings in the months ahead, the "sellers' market" is likely to prevail for the balance of the year.

GTA RESALE HOME SALES



GTA AVERAGE RESALE PRICE



for more detailed GTA statistics: ANDREAMORRISON.INFO



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CONDO CORNER

WHY A CONDO'S STATUS CERTIFICATE IS IMPORTANT

When buying or selling a resale condominium, the most important document in the deal is the status certificate.

It answers such important questions as:

- Do I own the parking or locker?
- Are pets allowed?
- What are the pool hours?
- How much is in the reserve fund to look after future repairs?
- Are there any special assessments because there isn't enough money to pay for needed repairs?
- Is anyone suing the condominium and is there enough insurance to pay for it?
- Who is the property manager?

Most deals are conditional on the buyer's lawyer being satisfied after reviewing all of the condominium documents, including the status certificate.

In my experience, there are no easy rules to provide guidance. A reserve fund might have over \$1 million dollars in it, but the building could need over \$2 million in repairs. Another building might only have \$200,000 in the reserve fund, but could have completed all repairs that would be needed for years to come. You get the picture.

In some cases, the Canada Mortgage & Housing Corp. (CMHC) can decline to provide mortgage insurance for buyers if they're not satisfied with a condo's financials.



In other cases, a board might have to borrow money for repairs if there isn't enough money in a reserve fund. The money can be paid back over time through increases in maintenance fees.

If you are selling a unit and there is a low reserve fund, or potential for a special assessment to pay for needed repairs, either adjust the sale price to reflect this, or negotiate a holdback on closing for one to three years, so that if a special assessment is levied later, it would come out of the holdback amount. If it is

not levied, then the holdback would go to the seller at the end of the holdback period.

It is not mandatory for a board of directors to use a management company, but I am suspicious if there isn't one. Board members aren't generally qualified to make these types of decisions or handle large budgets.

But be careful who you hire. The story of Channel Property Management and Manzoor Khan, the property manager who allegedly defrauded several condominium corporations out of millions of dollars is one cautionary tale; unit owners ended up having to fork out thousands of dollars in special assessments.

In general, townhouse condominiums do not require as large a reserve fund as high-rise condominiums, because they will not have as many future repair requirements. The unit owners are responsible for everything inside their units.

It is thus important for everyone buying a townhouse to also include a condition for a home inspection, to check everything inside the home before you commit to buying.

Sellers, find out what your status certificate will say before you put your unit up for sale. Buyers, ask what is in the status certificate because this will form the basis of your continued enjoyment of your home after closing.



PERSONAL FINANCE

THE POWER OF ACCELERATED PAYMENTS

How would you like to substantially decrease the amount of time it will take to pay off your mortgage while reducing the amount of interest you'll have to pay to your lender by over 10%? By taking advantage of the accelerated payment options that most financial institutions offer, that's exactly the result you'll get. Here's how accelerated payments work:

Typically when you start paying off a mortgage, you have the option of repaying using a monthly, bi-weekly, weekly, accelerated bi-weekly or accelerated weekly schedule. While almost all financial institutions give you these options, many do not adequately explain the significant net impact on your repayment schedule. Let's examine a \$100,000 mortgage to calculate what a difference accelerated payments offers.

In this example let's assume that the borrowers have just purchased a new home with a \$100,000 mortgage at 3.5% and that they intend to pay it off over a 25-year amortization schedule (assume additionally that the rate stays constant for 25 years). The chart below shows the impact on total interest payments and the amount of time required to retire the mortgage using both a traditional monthly repayment schedule as well as an accelerated bi-weekly repayment schedule.

As you can see from the chart, the borrowers end up saving \$6,569 over the life of the mortgage by going the accelerated payment route.

At the same time, they also end up being mortgage free almost three years earlier. So what's the catch you ask?

It is very simple. By dividing the monthly payment in two and making a payment every 14 days instead of monthly, the borrowers actually ended up making the equivalent of 13 monthly payments in a year: $\$249.64 \times 26 = \$6,490.64$. If we divide this by 13 we see that it equals the exact amount of the monthly payment of \$499.28.

By making accelerated bi-weekly payments as opposed to monthly payments, borrowers are in effect making one extra payment a year. Since most people get paid bi-weekly, this is also often easier from a budgeting perspective. The effect that the one extra yearly payment has on the repayment schedule is quite significant as it goes to work decreasing the principal balance outstanding at a much quicker pace.

A word of caution: If you are interested in using this type of repayment schedule to your advantage, then make absolutely sure upfront that you are able to do this with your lender. One financial institution's mortgage cannot be all things to all people. In many cases, consumers must forfeit prepayment privileges and accelerated payment options in order to get a lower rate.

\$100,000 Mortgage - 3.5% Rate, 25 Year Amortization			
	Traditional Monthly Repayment Schedule	Accelerated Bi-Weekly Repayment Schedule	Variiances
# of Payments	300	574	Not Relevant
Time to Pay Mortgage Off	25.0 years	22.1 years	2.9
Total Interest Paid	\$49,780	\$43,211	\$6,569

TO MY VALUED CLIENTS

A commonly asked question is how important home staging is toward a successful resale. The unequivocal answer is **"very important"**.

The bottom line is that staged homes statistically sell faster and for more money than non-staged homes. There is an abundance of research, both Canadian and American, to support these two claims. Here are a couple of tidbits:

According to a Canadian study involving 2,772 staged and non-staged homes, staged homes outperformed non-staged homes by 4.7% in price (6.3% over list versus 1.6% over list) and took 17 fewer days to sell (13.9 days versus 30.9 days).

According to a U.S. study, listings that are staged and priced competitively sell at minimum in 50% of the time that non-staged properties do. A side benefit of a quicker sale, of course, is a reduction in holding costs (mortgage payments, homeowners insurance, utility bills, etc.) associated with a property that lingers on the market.

Finally, the cost of staging (which does not have to be very expensive depending upon individual needs) is really a drop in the

bucket compared to a price reduction. When you consider that price reductions typically start at \$10,000 before they are even noticed, most home sellers will only invest a small fraction of that in preparing their homes for sale.

Another important point to remember is that the vast majority of buyers buy on emotion. The challenge, therefore, is to create a **"love at first sight"** situation! While it's true that home buyers begin their shopping process with a list of specific criteria (e.g., 4 bedrooms, 3 baths, 2-car garage, 2,200+ square feet, specific neighbourhood, etc.), what pulls them to one home over another is the pure emotional experience they have upon entering that specific home. The old adage of **"you only have one chance to make a good first impression"** could not be a more appropriate summation of the importance of professional home staging!

As usual, your referrals are both highly valued and much appreciated. Until next time, take care!

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PEARLS OF WISDOM



"When I was a boy the Dead Sea was only sick" – George Burns

"The way taxes are, you might as well marry for love." – Joe E. Lewis

"If it weren't for Philo T. Farnsworth, inventor of television, we'd still be eating frozen radio dinners."
– Johnny Carson

"My mother was against me being an actress - until I introduced her to Frank Sinatra." – Angie Dickinson