

MarketNews

ANDREA MORRISON'S PREFERRED CLIENT UPDATE

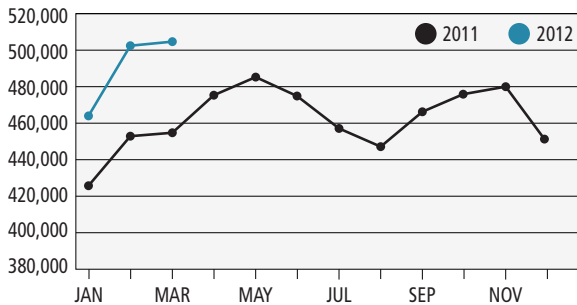
SPRING 2012

DOUBLE-DIGIT PRICE GROWTH CONTINUES IN MARCH

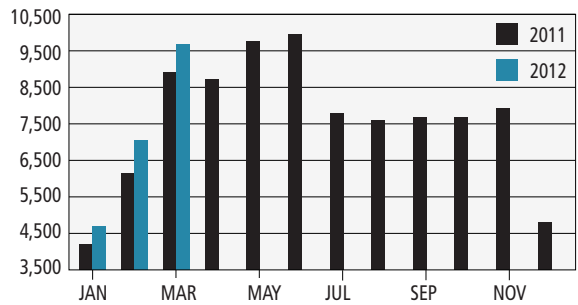
The average price of a resale home in the GTA continued its upward trend in March, reaching a new all-time high of \$504,117. That represented a 10% increase versus the March 2011 average price of \$456,234. Price increases occurred over all major housing types but were particularly pronounced for detached homes (+11%) and townhouses (+10%). Semi-detached homes (+7%) and condo apartments (+3%) were up to a lesser extent. The market continues to be characterized by tight inventory and strong competition among buyers. Many listings have attracted multiple interested buyers and this has led to annual rates of price growth well above the long-term average.

Total unit volume through the TorontoMLS® system in March was 9,690 - which represented a 8% increase versus March 2011 sales of 8,986 single family homes. Volume growth was strongest within detached homes (+15%) followed by semi-detached homes (+5%). Volume growth for townhouses (+2%) and condo apartments (±0%) was far less pronounced. The number of active listings was actually up marginally versus March 2011 (+2%), however based on the historic relationship between price and listings, the GTA resale market should be better supplied. Average days on market in March was just 21, one of the lowest in the history of the Toronto Real Estate Board.

GTA AVERAGE RESALE PRICE



GTA RESALE HOME SALES



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Legally Speaking



The reason many people consider transferring property before death is to avoid or reduce the amount of tax their heirs will have to pay when the will is probated.

Probate is the legal process of dealing with someone's estate and ensures their wishes, usually contained in a will, be carried out.

In Ontario, the tax payable on a probate application is \$5 per thousand up to \$50,000 of estate value and then \$15 per thousand for anything over that. Therefore, the probate tax for an estate of \$1 million would be \$14,500.

With proper tax planning, you can reduce the amount of tax payable. Improper planning can cost you a whole lot more.

Here's an example: Mr. and Mrs. Depredina lived on a two-hectare property in Langley, B.C. Five years before Mr. Depredina died, he and his wife transferred ownership of the property to their children, thinking that would take care of their inheritance. The couple retained a life interest in the property which meant they could live there until both died. Mr. Depredina died in 1983 and his wife in 1997.

The kids sold the property the following year for \$1.85 million, but ended up paying more than \$700,000 in tax. Had the title remained in their parents' name, no tax would have been payable, since it was their principal residence.

The family went to court arguing that this result was not fair and not what their parents intended. In a case heard in a B.C. court in 2005, the judge was sympathetic, but could not change the outcome because everything had been done according to the parents' legal wishes.

People always ask whether there is any way to reduce probate fees or not pay anything at all.

Here are some examples when you can avoid estate taxes:

1. If any property, whether real estate or bank account, was owned by the deceased as joint tenants with someone else, it immediately transfers to the surviving owner. It will not have

to be included in the value of the deceased's estate and can be sold without applying for probate. Some people transfer property into a joint ownership situation in order to organize their affairs. Be careful. Some transfers may trigger an immediate tax liability. Make sure you get legal and estate planning.

2. If there is no real estate owned by the estate, then depending on the value of the estate, the banks may permit transferring the money if the trustee provides a copy of the will, death certificate and an agreement to indemnify the bank if anyone challenges this later.
3. Shares in private companies normally do not require probate, although some mutual funds or stock certificates may still require probate in order to be transferred.
4. If you have named a beneficiary in an RRSP or insurance policy, you do not require probate.
5. For some real estate, probate is also not required, but it depends on how the property is registered and whether an indemnity is given to the Land Titles Assurance Fund. Find out before you apply for probate.
6. If it is determined that you need probate to transfer even one estate asset, you still have to pay the tax on the entire value of the estate.

One of the main protections to a trustee in obtaining probate is to avoid getting sued. For example, if you don't apply for probate and another will turns up later — and you already distributed the money — you could be sued by the beneficiaries under the new will, or by any children who may have been excluded and wish to claim support. Therefore, your decision on whether to apply for probate will usually depend on whether this is a close family who are the beneficiaries, or whether other parties are involved.

Before making any decision about transferring your properties to avoid probate, or whether to pay or avoid probate fees, make sure that you obtain legal and/or accounting advice in advance.

This article was contributed by Mark Weisleder, a Toronto-based lawyer, author and speaker to the real estate industry. Please visit him at www.markweisleder.com.

House Smart



"Honey, did you see that beautiful doll collection?"...is NOT what you want potential home buyers to say!

"Honey, did you see that beautiful hardwood floor?!"...is what you want them to say!

Why do buyers remember the stuff in your house rather than your house itself? It's human nature to be distracted by beautiful and interesting things. The more you have in your house, the less buyers will see of your house. Remove the distractions and keep them focused on what you want them to buy – your house! A house that's been edited, decluttered and depersonalized stands a much better chance of attracting attention than one that's full of stuff.

Edit, Declutter, Depersonalize...what do these buzzwords mean and how will they benefit you?

EDIT means to eliminate, remove or get rid of nonessential items.

Editing makes your house look bigger. Buyers will see more of the walls and floors and more space in your closets. They'll see more of your house and appreciate it more.

Pack, store or donate things like old furniture, out-of-season clothing, unused toys, extra dishes and linens. And get rid of old, sickly, scrawny plants.

DECLUTTER means to remove crowded, disorganized areas or collections.

'Visual noise' is created when there are too many things to look at – an overabundance of visual stimuli. Decluttering will get rid of all that. It has a calming effect. Buyers will be able to look around easily and appreciate the architectural details, the construction and the size of your house.

Remove and pack away small things, collections, knick-knacks, small and/or old floral arrangements, personal papers, books and magazines.

DEPERSONALIZE means to remove individual character and personal identity from a space.

Depersonalizing your house will allow Buyers to imagine their family living there . . . they'll mentally move in. It's easier for them to do this if they don't feel like they're visiting or intruding on your family's private space.

Remove and pack all family photos, certificates, trophies, mementoes, and personal papers. Clear your dresser tops. Bathrooms devoid of personal hygiene products make Buyers feel comfortable enough to walk right in and have a good look around. Everyday products like toothpaste, toothbrush, deodorant, soap, used washcloths and towels should be tucked away right after you use them...just in case there's a showing.

When you sell your house you have to pack anyway, so when you edit, declutter and depersonalize you get a head start on this formidable task. The final move will be a lot less stressful!

Remember, the way you live in your home and the way you sell your house call for two very different looks. You decorate to appeal to your own likes and style when you live in your home; when you sell your house, you decorate to appeal to the broadest range of buyer. When you edit, declutter and depersonalize, your house will be easier to market, more appealing and more memorable.

This article was contributed by Bonnie Dell, a professional Designer and Home Stager. Please visit her online at www.DesignStyleTaste.com.

TO MY VALUED CLIENTS

The Canada Mortgage and Housing Corporation (CMHC) recently announced that it plans to rein in the explosive growth of its insured mortgage portfolio in the years ahead. CMHC's insured portfolio has grown by an eye-catching \$170 billion between 2007 and 2010, and now is within striking distance of its legislated total limit of \$600 billion.

Having said this, it is important to know that most of CMHC's tightening will occur behind the scenes, by limiting the amount of bulk-portfolio insurance that lenders can purchase on what are deemed to be lower-risk loans.

Here are some other interesting tidbits from CMHC's recently released mortgage commentary:

- 72% of CMHC-insured mortgages are actually low ratio mortgages (i.e., they have an 80% or less loan-to-value).
- Only 9% of CMHC-insured borrowers have less than 10% equity.

- The average equity in CMHC-insured homes is 45%.
- The average amortization period at initiation for CMHC-insured mortgages is 24.6 years (and 24.1 years for properties with 5+ units).
- The average insured loan amount for 1-4 unit properties is \$158,894.

All in all, these stats are reassuring in several respects. While CMHC does want to rein the future growth of its insured mortgage portfolio as described above, it appears that its current "book of business" has been solidly managed.

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

Andrea Morrison

PEARLS OF WISDOM

"Money will buy a fine dog, but only kindness will make him wag his tail."

"A good time to keep your mouth shut is when you are in deep water."

"Why is it that at class reunions you feel younger than everyone else looks?"

"There are worse things than getting a call for a wrong number at 4 a.m. It could be a right number."



"REFERRALS ARE ALWAYS WELCOME!"



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