

Oakville & Burlington Market Watch

Why are Condos so Expensive

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Former Tory Leader Slams Government

Tim Hudak, former leader of the Ontario Progressive Conservatives and current Ontario Real Estate Association CEO, says 2018 will be a jarring year if the government doesn't change tack.

“My main wish—and I hope it is an accurate forecast for 2018—is that government will start looking out for the middle-class for a change,” Hudak told REP. “For most of 2017, they were working against the middle-class. A recent OREA survey showed the vast majority of people define ‘middle-class’ as being able to own a home, but, almost universally, people agree homeownership is becoming more difficult with all the government rules, regulations, restrictions and taxes.”

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Darlene Darragh

Award Winning Sales Representative 2013 - 2016



Former Tory leader slams government

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The government's most recent intervention was in the form of Guideline B-20, which was updated to stringently stress test mortgages. Hudak believes it was an unnecessary piece of regulation that will ultimately put home purchasers at risk.

"I suspect a number of people will go into the grey market to borrow to pay for a home, so more people will be in higher-risk, higher-cost mortgages in the unregulated sector, but I think there's no doubt the piling on impact of new taxes, higher interest rates and tougher mortgage rules will put homeownership out of reach for even more millennials," he said. "Secondly, it will cause young families not to upgrade their home when kids come along. There's no doubt that in 2017 governments were working against the middle-class dream of homeownership.

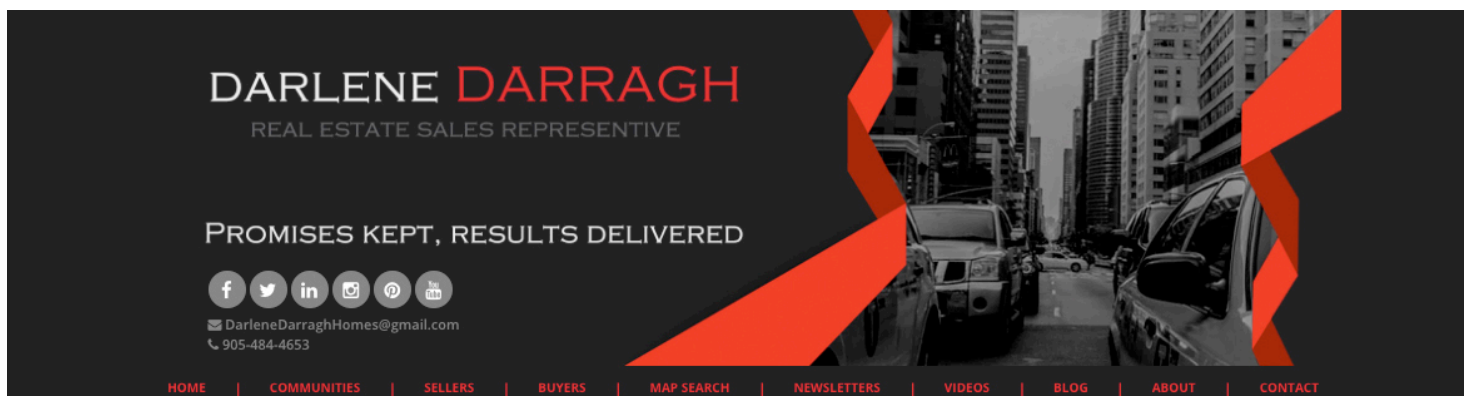
"I do hope, now that we're heading towards a provincial election this year, a municipal election this year, and a federal election in 2019, that they'll get in the corner of Ontario's middle-class instead of fighting them."

In spite of eviscerating the provincial government, Hudak gave it credit for the Fair Housing Plan—at least parts of it. He's satisfied that Kathleen Wynne's Liberal government has doubled the land transfer tax credit and committed to tackling the painstakingly slow approvals process.

"The single most damaging thing with the Fair Housing Plan was the strict rent control regime that looks more like the 1970s than 2017," he said. "I think fewer mom and pop landlords will get into the business at all. Corporations will likely shift their investments to other states and provinces. You can't move apartment buildings, but you can certainly move investment dollars by building new. The long-term impact will be a reduction in rental supply and deterioration of existing stock."

Hudak called 2017 the year promises were made, and 2018 the year rubber needs to hit the road.

Source: Neil Sharm (Real Estate Wealth)

A real estate agent banner for Darlene Darragh. The background is a black and white photograph of a city street with cars and buildings. The banner features the agent's name 'DARLENE DARRAGH' in large, bold, white letters, with 'REAL ESTATE SALES REPRESENTATIVE' in smaller white text below it. Below the name is the slogan 'PROMISES KEPT, RESULTS DELIVERED'. There are six circular social media icons for Facebook, Twitter, LinkedIn, Instagram, Pinterest, and YouTube. Below the icons is the email address 'DarleneDarraghHomes@gmail.com' and the phone number '905-484-4653'. At the bottom of the banner is a navigation menu with the following items: HOME, COMMUNITIES, SELLERS, BUYERS, MAP SEARCH, NEWSLETTERS, VIDEOS, BLOG, ABOUT, and CONTACT, each separated by a vertical line.

DARLENE DARRAGH
REAL ESTATE SALES REPRESENTATIVE

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f t in ig p yt
DarleneDarraghHomes@gmail.com
905-484-4653

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Condo Corner

Why are Condos so Expensive in Toronto & Vancouver

Condominium prices in Toronto rose an astonishing 22% last year, landing at \$523,437, despite heavy-handed regulations that were enacted by the Ontario government in 2017 to tame the city's red-hot real estate market.

The condo market's spectacular rise stands in stark contrast to the more measured price growth seen in Toronto's single-family detached home market, which saw a modest gain of 8%. Most of this growth took place between January and March 2017, before the provincial government introduced a 15% tax on foreign buyers.

The story was not dissimilar in Vancouver: The condo market registered a 16% gain last year, while single-detached house prices were relatively stable between 2016 and 2017.

"The single-family detached home segment of the market in both the GTA and Greater Vancouver has felt the most significant impact following recent provincial government policy changes," said Christopher Alexander.

Of course, this does not mean that prices of actual houses are anywhere near affordable in either Toronto or Vancouver. The average house price in Toronto hovers at the \$780,000 mark. Affordability is even more strained in Vancouver, averaging at approximately \$1.16m.

There are a couple of reasons for the divergence in price trends between condos and single-detached homes in both cities. The first and most likely factor is affordability: Condos cost less than homes. For young families and first-time home buyers, house prices are simply out of reach.

Second, there's the unwavering demand for centrally-located condos in Toronto and Vancouver from foreign buyers, even after the foreign buyers' tax was imposed in both cities.

According to data from Canada Mortgage and Housing Corporation (CMHC), one out of every 10 condos built in downtown Toronto since 2010 is owned by someone residing outside the country. In Vancouver, 6.6% of condos built since 2010 are owned by foreign nationals.

Some experts also believe that Ontario's rent control policy is the reason why condo prices have gone up in Toronto. Jim Ritchie, senior vice-president of sales and marketing at Tridel, a Toronto-based luxury condo developer, thinks new condos will actually become more attractive than resales, because rent control rules do not limit how much landlords can charge a tenant initially – and only subsequent increases are subject to a 10% cap.

Source: Michael Mata

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Darlene Darragh

Award Winning Sales Representative 2013 - 2016

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Contact me at
905-484-4653
for details



Welcome Back

Looking forward to 2018

We would like to take this opportunity to welcome you all back and say we are excited about what 2018 have in store for us.

The last year found our team expanding, launching a new website, switching brokerages, improving our processes, expanding our client database, and reaching out via videos, podcasts and blogs more than ever before.

In the first days of 2018 we added new clients, completed our first sale, showed our listings to prospective buyers and shovled out like so many had to as the snow kept falling.

We hope you all had a wonderful holiday and are keeping healthy.

Christmas this year reminded us why we are so very lucky and blessed. We begin this new year with a renewed gratitude that we plan to use throughout the year. Not everyone is as fortunate and we plan to 'play it forward' for others as much as possible during 2018 and beyond.



“Lets Talk Real Estate” Podcasts

I am thrilled to expand my online marketing to now include podcasts in addition to video.

Starting in July we launched the “Let’s Talk Real Estate – Let’s Get Real Podcast series.

The response has been overwhelming. We are talking about topics submitted by the viewers and includes topics such as:

- Staging
- Selling your home on your own
- Discount brokerage pitfalls
- Renovating
- Buying a home for your children
- Buying investment properties

You can listen to these podcast by:

- Following my social media sites
- Accessing a direct link from the www.OakvilleDailyHouses.com or www.BurlingtonDailyHouses.com website posts or emails if you are on my automatic daily listing emails
- Selecting Podcast on the www.DarleneDarragh.com or www.HomeSaleDivas.com websites

Investors Corner

2018 forecast: New mortgage rules could be boon for investors

The new mortgage stress test, in addition to rapidly escalating housing prices, is keeping an increasing number of people in rental accommodations, and that's good news for investors.

"A+" tenants—people with high incomes and good credit—used to rent for about a year before purchasing their own homes, which would repel investors, however, they're becoming long-term renters.

"With the mortgage rules changing, what we used to consider an A+ tenant, who would usually only stay in a rental unit for about a year and then move onto purchasing their own home, are now staying for two to four years on average," said Crystal Ross, owner of Investors Property Management.

"It's very good news if you're an investor. Investors used to back away from A+ tenants because they'd have to find new tenant the following year. I think they've given up on the idea of owning a home and decided there's comfort in being long-term tenant. They've accepted the lifestyle."

Ross noted that the Greater Toronto Area housing market has normalized, but the new mortgage stress tests will remove about 40% of middle-income earners from the purchasing market. Coupled with a rental shortage in Toronto, they're looking elsewhere.

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REAL ESTATE SALES REPRESENTATIVE

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DarleneDarraghHomes@gmail.com
905-484-4653

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Investors Corner

2018 forecast: New mortgage rules could be boon for investors

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“We’re seeing a lot of renters are willing to go outside big cities,” said Ross. “There is a lot of construction and building development being done on the outskirts of big cities, like Toronto and Hamilton.

Peopled aged 25-39 are increasingly putting roots down in smaller towns like Grimsby, Beamsville and St. Catharines.

That doesn’t mean Toronto’s condo market isn’t still the best real estate investment in the region.

“I think the condo market will remain strong because it’s the only market younger people can afford; it’s the first step to getting into the real estate market,” said Engel & Völkers Toronto Central’s Owner and Broker of Record, Anita Springate-Renaud. “Investors will buy them to rent them because there’s a shortage of rentals.”

Springate-Renaud is confident the market will assimilate the new mortgage rules and that market fundamentals, like the GTA being the fastest growing region on the continent, will carry the day.

Montreal has recently emerged as a hot market and Springate-Renaud says that will continue provided things don’t change.

“Montreal is still going up,” she said. “It was depressed for a long time and things would take time to sell, but now it’s a hotter in-demand market. As long as the government stays stable and the separatists don’t win, it’s going to stay strong. Montreal is a great place, a fantastic city, and a lot of people are investing there as well. There’s surprisingly a lot of development going on.”

Source: Neil Sharma (Real Estate Weath)

Stress tests, foreign buyers and higher rates likely to impact housing market in 2018

Real estate was a major topic in the business world in 2017, and with some big changes on the horizon, the subject is likely to dominate headlines again this year.

Here are five things to watch in Canadian real estate.

Foreign buyers

Policy-makers in Toronto and Vancouver have taken steps to try to curb activity in a perceived problem: foreign buyers gobbling up houses as investment vehicles, driving prices up for everybody else.

[Vancouver slapped a 15 per cent tax on foreign buyers](#) in late 2016, and [Toronto followed suit in April of last year](#) with a similar policy.

The impact on both markets was immediate, as sales and prices fell, although they have since both rebounded.

Despite those moves, don't expect the issue to dissipate this year. Statistics Canada got money to study foreign buyers in the last budget, and in December, the data agency published its most authoritative numbers on non-resident investment in real estate.

Both cities still have [less than five per cent foreign ownership](#), the numbers show, but market watchers in both cities say that segment is growing, and the issue is worthy of more study before any rash decisions.

"In places like Toronto and Vancouver," CMHC's chief economist Bob Dugan told CBC in an interview recently, "there's been very strong growth in houses prices. So people became concerned with trying to get that in check."

Worries like that haven't dissipated since the taxes have come in, so expect more attention to the topic this year.

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Stress tests, foreign buyers and higher rates likely to impact housing market in 2018

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Stress test rules

As of yesterday, new rules aimed at making sure borrowers can pay off their mortgages if rates were to rise are in effect.

Last fall, the country's top banking regulator OSFI announced [changes that will force lenders to "stress test"](#) mortgage applicants, to make sure they aren't borrowing too much. Prospective borrowers will now have their finances mocked up assuming rates are at one of the following two scenarios — whichever is higher:

- Two percentage points higher than whatever rate they are able to get from a lender.
- At the five-year average posted rate, according to the Bank of Canada, [which currently sits at 4.99 per cent](#) .

Anyone who fails the test can't get the loan they are applying for, which means they'll have to either buy something less expensive with a smaller mortgage or sit out entirely.

It's not just a concern for first-timers either, and it could lead to a surge in unregulated lending, said Ratehub Inc. co-founder James Laird.

"Canadians who need to refinance and no longer qualify will be forced this way, while some who are looking to purchase and no longer qualify with a regulated lender will choose to go this way," Laird said.

That's far from the universal view, however. While the OSFI rules are significant, economist Doug Porter at the Bank of Montreal says he expects the market will largely be able to withstand the impact of new stress tests, just as it has withstood other policy changes.

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Stress tests, foreign buyers and higher rates likely to impact housing market in 2018

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"Canada's housing market has defied the incessant talk of its imminent demise for years," Porter said in a recent report. Which is why this year, he expects the housing market to "exceed expectations, even with the new tighter OSFI rules, yet again crushing the bears' calls, if not their spirits."

Higher rates

The stress tests are based on the notion that interest rates are set to rise, and there's ample evidence to suggest that's likely to come true.

After sitting on the sidelines for the better part of a decade, the Bank of Canada [hiked its benchmark interest rate twice](#) last year.

Investors think there's [better than 50 per cent chance](#) of another increase as soon as this month, and more could follow.

Laird says he expects two rate hikes this year, and the bank is likely to pause for a brief spell after the first one. The bank's rate is currently at one per cent, and while ratcheting it up to 1.5 per cent by the end of the year may not sound like much, that would make variable rate mortgages more expensive than they've been in nine years.

As TD Bank economist Michael Dolega put it: "Higher mortgages, amid continued Bank of Canada interest rate hikes, will be a significant headwind on Canadian housing activity in 2018."

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More data on home sales

Another trend to watch is the outcome of a long dispute between Canada's largest association of real estate brokers and a federal competition watchdog that has been fighting them for years to make data on home sales easier for the public to access.

In early December, [an appeals court upheld a previous decision](#) ordering the Toronto Real Estate Board to stop hoarding data on home sales. The Competition Bureau had argued that keeping information about how much homes sold for, along with other information, forces would-be sellers to work with a real estate broker to get it, which drives up costs to the benefit of no one but the broker.

The court ruling won't be the end of the fight: the board has up until the end of January to appeal the decision all the way to the Supreme Court — something they're expected to do.

While the fight is localized to the Toronto market, TREB represents almost 50,000 brokers, so its influence is substantial. As Toronto realtor John Pasalis told CBC News in a recent interview, the TREB case "will probably have ripple effects nationally. You'll probably start seeing this with other boards as well."

House prices

Ultimately, however, all these trends boil down to one fundamental question: will prices keep going up?

Not surprisingly, opinions on the matter are a little divided. But there's a broad consensus that the national housing market is on track to crank out more gains — even if they are smaller than many owners have gotten used to.

Ratehub's Laird says he expects a flat market nationally. "The macroeconomic factors that have been driving price appreciation will persist in 2018," Laird said, citing strong demand and a growing economy. But higher interest rates and limits on foreign buyers, plus the stress test rules, "will act as an effective counter-balance, causing no net change."

TD's Dolega agrees, saying in a note to clients recently that "we anticipate a continuation of the soft-landing narrative that has so far characterized dynamics in Canada's housing market."

After years of double-digit gains, 2018 is likely to be a bit more muted, Bank of Montreal economist Robert Kavcic says, adding that rate hikes and the new OSFI rules "should keep the froth from returning."

Source: Peter Evans (CBC)

New Listing



243 Vilma Drive, Oakville (Bronte) \$1,270,000

Go to <http://www.darlenedarraghomes.com/b/buyers/featured-listings/new-listing---243-vilma-drive-oakville.html> for more details.

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Is there any other way I can be of service? Please let me know!

Darlene Darragh

Sales Representative

Right At Home Realty, Brokerage

Office: 905-637-1700

Direct: 905-484-4653

DarleneDarraghHomes@gmail.com

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