



For immediate release

Move-up purchasers set to increase their stake in homeownership in 2013, despite overall trend toward moderation, says RE/MAX

Mississauga, ON (February 21, 2013) -- Against a backdrop of strong equity gains and lower interest rates, move-up buyers are once again set to ramp up their role in major Canadian housing markets, according to a report released today by RE/MAX.

The RE/MAX Move-Up Buyers Report found that activity in traditional move-up price ranges have climbed year-over-year (2012 vs. 2011) in 87 per cent (14) of the 16 markets examined—a trend expected to continue throughout 2013. The only exceptions were Victoria and Vancouver, where softer sales activity was reported. Driving the upward movement has been substantial price appreciation in most major centres. The average Canadian home has escalated 93 per cent over the past decade; individual markets experienced increases ranging from 62 per cent in Saint John (4.96 per cent compounded annually) to 199 per cent in Regina (11.57 per cent compounded annually).

Residential Average Price - Compound Annual Growth Rate (CAGR) by Market 10-Year Period (2002 - 2012)				
Market	Avg. \$ 2002	Avg. \$ 2012	% Increase	CAGR %
Greater Vancouver	\$301,473	\$730,063	142.17%	9.25%
Victoria	\$242,503	\$484,164	99.65%	7.16%
Kelowna	\$204,838	\$400,027	95.29%	6.92%
Calgary	\$198,350	\$412,315	107.87%	7.59%
Edmonton	\$150,165	\$334,318	122.63%	8.33%
Regina	\$100,751	\$301,145	198.90%	11.57%
Saskatoon	\$118,999	\$315,834	165.41%	10.25%
Winnipeg	\$98,054	\$255,058	160.12%	10.03%
Ottawa	\$200,711	\$352,610	75.68%	5.80%
Greater Toronto Area	\$275,231	\$497,298	80.68%	6.09%
Hamilton-Burlington	\$183,442	\$360,059	96.28%	6.98%
Kitchener-Waterloo	\$177,559	\$312,419	75.95%	5.81%
London-St. Thomas	\$142,745	\$241,160	68.94%	5.38%
Halifax-Dartmouth	\$148,737	\$270,742	82.03%	6.17%
Saint John	\$103,544	\$168,048	62.30%	4.96%
St. John's	\$114,626	\$285,529	149.10%	9.56%
CANADA	\$188,164	\$363,740	93.31%	6.81%

Source: CREA, TREB, Okanagan Mainline Real Estate Board, RE/MAX

-more-

The RE/MAX report notes gains have been more muted over the last five-year period, with most centres hovering at an annual appreciation rate of five per cent. Regina and Winnipeg once again bucked the trend, reporting a 12.7 per cent and 8.39 per cent annual increase respectively, while St. John's recorded an annual compounded gain of 11.08 per cent over the past four years.

Residential Average Price - Compound Annual Growth Rate (CAGR) by Market 5-Year Period (2007 - 2012)				
Market	Avg. \$ 2007	Avg. \$ 2012	% Increase	CAGR %
Greater Vancouver	\$570,795	\$730,063	27.90%	5.05%
Victoria	\$466,974	\$484,164	3.68%	0.73%
Kelowna	\$410,175	\$400,027	-2.47%	-0.50%
Calgary	\$416,399	\$412,315	-0.98%	-0.20%
Edmonton	\$338,636	\$334,318	-1.28%	-0.26%
Regina	\$165,613	\$301,145	81.84%	12.70%
Saskatoon	\$232,663	\$315,834	35.75%	6.30%
Winnipeg	\$170,502	\$255,058	49.59%	8.39%
Ottawa	\$272,618	\$352,610	29.34%	5.28%
Greater Toronto Area	\$376,236	\$497,298	32.18%	5.74%
Hamilton-Burlington	\$268,857	\$360,059	33.92%	6.02%
Kitchener-Waterloo	\$250,589	\$312,419	24.67%	4.51%
London-St. Thomas	\$202,256	\$241,160	19.24%	3.58%
Halifax-Dartmouth	\$216,339	\$270,742	25.15%	4.59%
Saint John	\$150,176	\$168,048	11.90%	2.27%
St. John's*	\$187,571	\$285,529	52.22%	11.08%
CANADA	\$307,265	\$363,740	18.38%	3.43%

Source: CREA, TREB, Okanagan Mainline Real Estate Board, RE/MAX
*Represents a four-year period of appreciation, spanning 2008 to 2012

“The equity position homeowners have realized over the past decade is nothing short of remarkable – especially in Western Canadian markets like Saskatoon, Regina, and Winnipeg, and St. John's in Atlantic Canada where growth has been most pronounced and values still remain relatively affordable in comparison to the rest of the country,” says Gurinder Sandhu, Executive Vice President and Regional Director, RE/MAX Ontario-Atlantic Canada. “Yet, despite the strong overall performances, five-year rates of return show no signs of being in bubble territory—and most definitely not in the often cited markets of Vancouver and Toronto. While gains in Regina, Saskatoon and St. John's have been exceptional, house prices are playing catch up, given a stronger economic status and following decades of steady, but modest growth.”

According to the RE/MAX report, the time between moves had also decreased, with first-time buyers generally prepared to upgrade within four to seven years after their initial purchase.

“The leapfrogging currently underway allows purchasers to gain greater equity with each move, accumulating wealth in the interim,” explains Sandhu. “They recognize that very few financial vehicles allow them to do that with the security, tangibility and dual purpose that homeownership represents.”

The case for trading up makes good financial sense. To illustrate, consider a first-time buyer who purchased an average Canadian home for \$188,164 in 2002 with a downpayment of 10 per cent. Had the buyer financed the remaining \$172,735 at the posted rate of 7.02 per cent over a five-year, fixed rate term amortized over 25 years, the balance owing after 10 years would be \$135,619. During that period (2002 to 2012), the home would have appreciated 93 per cent to \$363,730 at an annual rate of return of 6.81 per cent (compounded). With the equity of \$228,111 applied to the purchaser's next home, at \$500,000, and today's lower interest rates, the carrying costs would be just slightly higher than the original mortgage payment.

"Homeowners are finding themselves in an ideal position as their mortgage terms expire," says Sandhu. "Even in Vancouver, Calgary, Edmonton and Saint John, where housing values declined slightly, move-up buyers are taking advantage of softer values to trade-up while the spread has narrowed and interest rates are still low. Experienced buyers realize that opportunity is not finite—rates won't stay low forever—so if they can lock in to a five or ten-year term under four per cent, they're making that move."

Ample supply and buyer's market conditions have created ideal opportunities in Vancouver, Victoria, Kelowna and Saint John. Meanwhile, tight inventory levels have hampered activity to some extent, especially in markets like Edmonton, Calgary, Regina and Saskatoon, Winnipeg, Toronto proper, and Hamilton-Burlington, where the supply of homes falls short of demand. St. John's also reported micro seller's markets in prime move-up neighbourhoods, despite overall buyer's conditions. Unless new product comes on-stream, continued upward pressure on pricing is expected in the months ahead.

"We have a catch-22 situation in tighter markets," says Sandhu. "Homeowners are unwilling to list their properties without a game plan in place. If they haven't purchased their next home, they are unwilling to take the risk—further exacerbating tight market conditions."

Sales in the move-up segment were up in 2012 over 2011 in the vast majority of markets examined. Even more impressive is the upward trending despite a decrease in overall home sales. Enthusiasm out of the gate in 2013 was particularly strong in Kelowna, Edmonton, Calgary, Winnipeg, Toronto, Hamilton-Burlington, London-St. Thomas, where overall resale homebuying activity was comparatively healthy or posted positive January gains.

RE/MAX is Canada's leading real estate organization with over 19,000 sales associates situated throughout its 750 independently-owned and operated offices in Canada. The RE/MAX network, now in its 39th year, is a global real estate system operating in 85 countries, with over 6,324 independently-owned offices and 88,854 member sales associates. RE/MAX realtors lead the industry in professional designations, experience and production while providing real estate services in residential, commercial, referral, and asset management. For more information, visit: www.remax.ca.

###

For more information:

Christine Martysiewicz
RE/MAX Ontario-Atlantic Canada
905.542.2400

Eva Blay/Charlene McAdam
Point Blank Communications
416.781.3911