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## As rates edge higher, home buyers fret

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Higher housing prices, increased lot levies, and a peaking market means that Ontario buyers are becoming less likely to purchase a home this year.

According to an annual home buyers poll done for the Royal Bank of Canada and released Wednesday Ontario home buyers are much more cautious in their outlook this year than last. Potential buyers who say it makes more sense to buy a home this year than next dropped to 56 per cent. That's down from 68 per cent a year earlier.

"Ontario's housing market has experienced quite a bit of volatility over the past two years, so buyers are being a little more cautious," said Patrick Tremblay, VP Mortgage specialists for the bank.

The drop in buying intentions does not bode well for developers as it shows a potential weakening of the market even as mortgage rates are headed on the way up.

Canadian new home prices also hit a new record high, up 0.2 per cent in January following a 0.1 per cent advance in December, according to figures released by Statistics Canada Wednesday.

The Toronto and Oshawa markets were largely the reason for the increase, according to StatsCan.

"In Toronto and Oshawa, builders reported increased prices as a result of good market conditions," said Statistics Canada.

**Higher cost for housing is also a concern for builders. Two studies to be released Thursday by builder lobby groups argue that provincial and municipal governments have fuelled much of the new home price increases because of regulatory costs and levies that are passed on to consumers. Development charges now add anywhere from \$27,000 to \$50,000 to the cost of a new home.**

**Development charges for a detached or semi-detached home in Oakville topped the list at \$50,458, followed by Markham at \$46,457.**

**The cheapest place surveyed in the GTA was Oshawa at \$27,212.**

**In comparison, development charges in other North American jurisdictions are cheaper, argue builders. In the Greater Vancouver Area, charges are \$7,475 and in Calgary it works out to \$1,425.**

**In the United States, the national average for development charges is \$8,328.**

**"Higher prices slow demand, reduce employment within the construction industry and suppliers," argues the Residential Construction Council of Ontario and the Residential and Civil Construction Alliance of Ontario in their reports.**

The building industry has had a good run over the last decade. But according to the RBC survey, there might be room for concern as home buyers list rising prices, followed by mortgage rates as their top two issues.

Still, Ontarians feel they can weather a financial storm if need be.

According to the poll, 71 per cent said they could handle a downturn in prices. Another two thirds said they felt the value of their home increased in the last two years.

Despite the robust condo sales in the Toronto market, Ontarians by a wide margin (66 per cent) say they want to eventually buy a detached home, followed by condos at 13 per cent.

The annual online survey is considered accurate to within plus or minus 2.2 percentage points, 19 times out of 20.



Homebuyers are nervous about rising rates and peaking prices.

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