PUBLIC

CT-2011-003

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

IN THE MATTER OF an application by the Commissioner of Competition pursuant to section 79 of the *Competition Act*;

AND IN THE MATTER OF certain rules, policies and agreements relating to the multiple listing service of the Toronto Real Estate Board.

BETWEEN:

THE COMMISSIONER OF COMPETITION

Applicant

- and -

THE TORONTO REAL ESTATE BOARD

Respondent

- and -

THE CANADIAN REAL ESTATE ASSOCIATION and REALTYSELLERS REAL ESTATE INC.

Intervenors

WITNESS STATEMENT OF

URMI DESAI

REALOSOPHY REALTY INC.

I, Urmi Desai, of the City of Toronto, in the province of Ontario, state as follows:

1. I am a co-founder of Realosophy Realty Inc. ("Realosophy"). I am responsible for Strategy and Marketing. Prior to joining Realosophy in 2010, I worked as an analyst for the Ontario government and the federal Department of Finance. I hold a Masters Degree in

International Affairs from Carleton University and a Bachelor of Arts in Political Science and English from the University of Toronto.

The Realosophy Business

2. Realosophy is a full service real estate brokerage that provides services to customers through two Internet websites, located at www.realosophy.com and www.movesmartly.com and through our storefront office in the Leslieville area of Toronto, at 1152 Queen Street East. Realosophy employs me and our President and Broker of Record, John Pasalis, and works with two independent real estate sales agents who operate from Realosophy's offices.

3. I have read Mr. Pasalis's statement. As he is better able to explain the details of our use of data from his perspective as the analyst of that data and Realosophy's broker of record, I will address our overall strategy, marketing and the use of our websites to attract customers and deliver some of our services.

4. Realosophy's approach is different from most real estate brokerages in Toronto. We see our role as similar to that of other professionals providing complex advisory services. We focus on providing data-driven analysis of the types of real estate decisions consumers have to make, such as what neighbourhood to buy in and whether it is a good time to sell. Mr. Pasalis explains how this analysis helps our clients make better real estate decisions and I will outline how we provide similar services to all consumers, primarily through our online platforms, and how this forms a key part of our marketing strategy.

5. Our key marketing challenge is to demonstrate the value of our advisory services to consumers, leading them to choose to buy or sell a home with us. To do this, we create original data-driven articles and other content that addresses consumer concerns. Access to that content is provided online to all consumers, for free and without registration on realosophy.com. By accessing our data-driven analysis online, consumers educate themselves and feel more in control of what can be a stressful and complex process.

6. In addition, the original content and online tools serve as a free, no obligation demonstration of how our brokerage would advise consumers on buying or selling a home if they worked with us as clients. Doing so shows that we understand what consumers want, both in

terms of having more control over the buying and selling process and having greater expectations of real estate professionals being able to provide them with value-added advice. Examples include:

(a) creating original analysis on our blog, www.movesmartly.com,

(b) publications on our website, www.realosophy.com, and

(c) proprietary tools on our website.

7. “Data-driven analysis” or "analytics", meaning the analysis of property and other data using our proprietary software and algorithms developed by Realosophy, is critical to our business model, particularly our marketing and, as Mr Pasalis explains in more detail, delivery of services. Our analytics, as displayed on our blog and website via interactive maps, articles and reports, are used extensively by the news media, in turn reaching a larger audience of consumers who are potential customers of Realosophy. Since 2008, The Globe and Mail newspaper has contracted with Realosophy to provide analytics for their twice-annual reports and Toronto Life magazine has done the same for their annual reports since 2010.

8. Our strategy of marketing Realosophy's services is what is called "inbound" marketing, which is based on generating original content that is attractive to consumers. Consumers initiate contact with us when they are attracted to our content, so they are "pulled" towards Realosophy's messages on their own initiative, rather than our messages being "pushed" out to them.

9. In practice, consumers learn about our website through an Internet search engine such as Google, or by reading or hearing about us in the public media or by word of mouth, and visit the website. They are impressed by the kind and amount of information on the website and blog, which is geared to be fact-based information about real estate and related topics that is easily and intuitively accessible to the user. They like the transparent and fact-intensive approach to the buying and selling of real estate and contact us for further information and assistance.

10. A key part of our strategy is therefore to brand Realosophy as a business with which consumers can connect through the internet, rather than an approach based on each individual

agent marketing his or her own brand (identity) through the more common means of advertising real estate brokerage services on billboards and other signage, calendars and fridge magnets, mail drops and the like. With a few exceptions, neither Realosophy nor its agents use those traditional ways of bringing our services to the attention of consumers. Consistent with findings in other industries, we believe our internet-based approach to marketing is more attractive to consumers, is less expensive and results in a high conversion of consumers interested in Realosophy's brokerage services (i.e., "leads") into clients of the business.

11. We also find that our focus on creating original content and tools that address consumer needs has resulted in higher attraction and conversion rates than relying on traditional online marketing like Google Adwords. For example, from November 2011 to January 2012 Realosophy hired an outside company to launch a Google Adwords campaign to drive traffic to realosophy.com. At the same time we launched a new research initiative exploring the connection between house values and school quality and published findings on our blog, www.movesmartly.com. (See Exhibit "A", attached.) We found that the blog content generated far more direct traffic and coverage in the media, which in turn resulted in more consumers getting in contact with us than the Google Adwords campaign did.

12. Because we reduce the cost of marketing to consumers through our particular use of technology, Realosophy is able to offer prices to sellers that are lower than many other brokerages in Toronto without compromising quality of service. Our use of technology enhances the presentation of the type of services that we offer both buyers and sellers and reduces our costs of doing so, also contributing to lower prices.

13. We believe that our technology and data-based approach will keep our marketing and other costs lower and allow us to compete against the well-established brokerages, speeding up our growth compared with these traditional ways of growing the business. We also believe that by providing all consumers and our clients with advanced, data-driven analytical information and services, we help them make better decisions when buying or selling a home. We see this as a value-added service offering for consumers and clients, rather than the offering of basic information (e.g., house price information) that is normally restricted to the publicly available

listings information such as that found on the website of The Canadian Real Estate Association, www.realtor.ca.

Our Blog, www.movesmartly.com

14. Our blog contains articles written on a variety of topics of interest to real estate buyers and sellers. The articles are written by us or by other professionals who have been specifically selected by us who write in a similar manner about other areas of interest to consumers of real estate such as real estate law and mortgage financing.

15. Our blog provides frank analysis of real estate industry issues from a consumer perspective. The articles we write are often data-driven examinations of the real estate market from angles that are of great interest to consumers and we often draw on TREB data to do this.

16. For example, we recently analyzed historical sold data, obtained from the TREB MLS system, to assess the relationship between school quality (as measured by Ontario government standardized testing) and house values. To do this, we invested in technology and programming in order to "geocode" school districts and aggregated TREB data on a new geographical basis, technology which Mr. Pasalis explains in more detail in his statement.

17. As a result of our analysis, we produced a series of "Top Ten" blog posts which resulted in coverage in the Toronto Star (print), Global Television and National Post, among others. An example is attached as Exhibit "B". As part of our blog series, we also offered consumers a free workshop led by Mr. Pasalis in which participants examined our findings in the context of their own personal situations. We then ran 3-4 additional weekend sessions with new participants which resulted in good feedback. The workshops were attended by both potential clients (consumers) and our current clients. These sessions give our agents a good opportunity to meet consumers and develop positive relationships in which agents can demonstrate their ability to advise knowledgably and effectively.

18. Some recent examples of our blog are attached as Exhibit "C".

Our Website www.realosophy.com

19. Realosophy's services start with our website, realosophy.com, where we provide potential buyers and sellers with free tools and information and clearly inform consumers about the benefits of our buyer and seller services. The website offers:

(a) Over 175 profiles of GTA neighbourhoods including data on the average sold price of homes; these profiles are generated using web 2.0 technology which combines data from a variety of sources including (but not limited to) TREB, Statistics Canada and educational data from the Province of Ontario;

(b) A free version of our proprietary Neighbourhood Match tool which is a specialized search algorithm that matches people to neighbourhoods based on diverse criteria such as house price range, house style, neighbourhood walkability and school quality;

(c) Over 1800 free GTA school profiles;

(d) Consumer guides with free, original content, for example, our Defensive Home Buying guide which gives consumers a unique perspective on the real estate market by frankly discussing the realities and potential pitfalls of the real estate market and recommending strategies to buy "safer";

(e) links to our blog, to obtain original analysis available to all readers, which I have already detailed.

The website also explains our approach to providing more traditional "for fee" services, both buying and selling a home (more details are below).

20. ***Neighbourhood Profiles***: One of our key services is our ability to advise on a wide range of Toronto neighbourhoods and our use of proprietary data and mapping technology to do this. We have identified the boundaries of 175 neighbourhoods in the GTA and aggregate data from a variety of sources to see a complete picture on each neighbourhood. We provide all of these neighbourhood profiles online to all consumers on realosophy.com. In a few mouse clicks, our

website provides access to detailed information for any of 175 Toronto neighbourhoods we have identified. The information presented includes:

- an overview of the neighbourhood with average home price and quick statistics;
- information on elementary and secondary schools including provincial EQAO data;
- information on local amenities entertainment, health and fitness, and shopping, mapped with Google technology;
- data about homes in the area, such as a breakdown of percentages of home prices, housing type and style and number of bedrooms, based on TREB data;
- demographic information from Statistics Canada such as average household income, languages spoken and household size;
- history of the area and links to other websites, content that is generated by social media.

21. As an example of this part of our website, attached is a printout of the relevant pages for the Agincourt area in the GTA (Exhibit "D"). There are similar pages for all of the other neighbourhoods we have identified across the GTA.

22. ***Neighbourhood Match***: A free version of our Neighbourhood Match tool is also on www.realosophy.com. It is a proprietary search algorithm designed to match people to neighbourhoods. Consumers can enter criteria that describe an appealing home, indicate whether school quality is important for them, indicate whether neighbourhood walkability is important for them, among other criteria, and find out a list of neighbourhoods that are a good match for them. Rather than showing specific homes for sale, the results will show neighbourhoods that match the criteria they enter. People can then click to review significant information about the neighbourhood on the website.

23. This is a free service on realosophy.com and a more detailed version of this service is available to our clients. A screenshot of a Neighbourhood Match result for our online consumers is attached as Exhibit "E". It shows the top three neighbourhood matches in Toronto and maps

these areas. (For comparison purposes, an example of a report provided to Realosophy clients is attached as Exhibit "F".)

24. ***Search for Schools***: Another service on our website is searching by address to find schools. A consumer can enter an address (for instance, of a property currently for sale) search for nearby schools within 1, 2 or 5 kilometres of the address. A list and a map will appear. The map displays an icon for each school located. The list contains elementary or secondary schools' names, which may be mouse-clicked to find detailed profiles that include additional information about the school, such as enrolment numbers, a link to its website, provincial standardized testing results, class sizes and student demographic information. We have prepared over 1800 individual school profiles that may be accessed for free by consumers.

25. ***Realosophy Publications.*** In addition to our full Home Buyers guide available in electronic format on our website, we offer free publications to consumers from time to time. In 2010, we published the attached brochure entitled "Defensive Home Buying: which neighbourhood is the safest investment in a fast changing market?" (Exhibit "G").

Realosophy's Use of TREB's VOW Feed

26. As of this year, Realosophy has started to receive a VOW feed from TREB. As a result, we have made significant changes to our website to display listings. We have invested in making a highly appealing, easy-to-use interface for consumers so they can inform themselves about listings available.

27. For example, in response to our observation that many of our clients search for homes by school district (a geographical region that is smaller than the neigbourhood level), we incorporated the ability for users to search listings by school district. In addition, we have leveraged our currently existing proprietary neighbourhood profiles (which provide consumers with additional data from sources other than TREB) to provide more information on each listing, including for example, a listing of nearby schools, transit and other amenities, which is far more information than a consumer would find about a listing on realtor.ca. All data is aggregated by

listing so a user of our website is able to find listings that match their needs more effectively than if they had to access multiple websites to gather this information.

28. I believe that this type of original web tool has significant potential to appeal to consumers and increase traffic to our website particularly effectively owing to the importance of listing, neighbourhood and school data to potential home buyers. It also effectively demonstrates how Realosophy's focus on technology and data analysis would help consumers make better decisions when they engage our "for fee" services to buy a home. However, as Mr. Pasalis explains in his statement, due to the limitations of the TREB VOW as currently provided, particularly the requirement for all users of our website to provide their personal contact information in order to access listing data, I am unsure if Realosophy will realize these benefits for the brokerage and for consumers.

Realosophy's "For Fee" Services to Buyers and Sellers

29. Our approach to the "for fee" side of the business for sellers is presented transparently online and in our brochure (Exhibit "H"). Our approach to buyers is set out online and in the attached Home Buying Method (Exhibit "I"). Our ability to introduce our innovative services to consumers, which are based on alternative business models that Mr. Pasalis has described, greatly expands consumer choice in our industry, and is almost entirely dependent on our ability to attract consumers through the generation of original content and proprietary tools online I have described above.

30. As Mr. Pasalis explains in his statement, we have the business model, technology, and skill set to be able to use additional data such as solds, pending solds, and price changes in a way that allows us to generate more original content to attract and educate consumers. This enables us to market our innovative and value-add "for fee" services to consumers in an efficient and effective manner, which allows us to compete with incumbents and give consumers more choice. From a marketing perspective, I expect the use of such data in Realosophy's analytics and proprietary technology, as featured on our online content and tools, will further distinguish us from other brokerages and allow us to compete better.

SIGNED THIS 20th DAY OF JUNE, 2012.

UDesai

URMI DESAI
Realosophy Realty Inc.

EXHIBIT "A"

Toronto Real Estate and Neighbourhoods Blog | Move Smartly

Home
Top 10 Toronto Neighbourhoods
Toronto Schools
Real Estate Statistics
Real Estate News
5 Questions

January 31, 2012

What's Driving Toronto Real Estate Prices Up? The School Factor

Urmi Desai in Top Ten Neighbourhoods, Toronto Schools, Toronto Neighbourhoods, Home Buying

It's time to get schooled!

We've updated www.realosophy.com with the latest 2011 EQAO data for over 1,800 GTA schools and the Realosophy Analytics team have taken a long, hard look at the data. Over the next few weeks, we'll be reporting on the symbiotic relationship that is Toronto real estate and Toronto schools.

Today, we'll start with an overview of some key trends.

Move Over Starbucks

Look behind the crazy bidding wars in Toronto's hottest neighbourhoods and you'll find a lot of good schools. It's not new that parents are anxious to give their kids the best start in life. (I'm reminded of the advice of a Richmond Hill high school principal once gave to my dad: "Frankly, Mr. Desai, if your kid's smart, they'll do great anywhere. If they're not, well, that's another story.") But it's an anxiety that's only gotten stronger – or at least become more acted upon – thanks to the introduction of standardized testing at Ontario schools in 1995 and the reporting of results on the internet, a mini baby boom in Toronto and a growing sense that our children will be wrestling out their futures in a highly globalized bear pit of competition. Today, many home buyers with children focus their home search exclusively on school quality.

Forget about the Starbucks effect - it's all about the school effect.

Toronto Schools are Getting Better

The good news is that our data shows that Toronto schools are improving under all this scrutiny. Compared to three years ago, there are 45% more elementary schools scoring an average of 80% or greater (this is an average of results obtained in the six different EQAO tests elementary school students write - reading, writing and math at the Gr. 3 and Gr. 6 levels). In November, a cross-Canada study carried out by Education Ministers showed that Ontario alone had students placing above the national average in all three examined subjects – reading, math and science.

Viable Options for First-Time Buyers

Want to stress out this generation of parents? Talk about the rise of house prices over the last 30 years (or more specifically, the decade-long run on house prices since the real estate collapse of the early 1990s). It's hard to hear about bidding wars in prime schools districts like Riverdale's Frankland Community School or St. Andrew-Windfield's Denlow Public School and not fear that your relatively diminished earning potential may maim your offspring for life.

But these fears obscure a more hopeful reality: 46% of Toronto schools scoring an average of 80% or greater are in neighbourhoods where the average house price is less than $500,000. This stat holds up when we look at specific school districts rather than neighbourhoods. 45% of Toronto District School Board (TDSB) schools scoring an average of 80% or above serve an area in which the average house price is less than $500,000. These neighbourhoods are largely in Scarborough and North York, and are perhaps less prestigious from a purely housing perspective ("prestige" in real estate largely being a function of house prices), but not from a perspective that prioritizes schooling. Indeed, the relatively high value schooling options found in these inner suburbs may explain why they are a first choice for many recent immigrants, many of whom are highly-educated, but have yet to hit their full earning potential.

School Quality and House Price Appreciation

There is no straight-forward relationship between the quality of local schools and house prices. In order to get at a statistically accurate one, we need to control for obvious factors like house type as well as less tangible factors such as social prestige. It's also very tricky to separate cause and effect – when we see a neighbourhood's house prices appreciate along with its average school quality, we need to dig deeper to figure out which factor is leading and which is following. We hope to issue a future white paper on this complex topic.

Happily, some basic analysis reveals some interesting trends for home buyers to take note of now.

If you are buying into a school district that isn't too great today, make sure it is in a "strong anchor" neighbourhood – a relatively well-established area in which other schools are performing well. Of those located in such a neighbourhood, school districts that performed below average three years ago and saw EQAO improvement in 2011 enjoyed a rate of appreciation that was approximately 50% higher than that of a neighbouring area. One anecdotal example that supports this data is Pape Avenue Junior Public School in Riverdale. Three years ago, parents wanted to skip over this average school in favour of better performing schools nearby – Frankland and Jackman Avenue Public School – but when they couldn't get into these preferred districts, they spilled over into the Pape Avenue district. In three years time, the school's EQAO average has increased to 87% (from 74% in 2007) and house prices have increased by 11.5% per year (vs. a city average of 7.75%). The spillover effect is probably key here – parents who begin their home search by prioritizing good school districts are likely to get actively involved in improving their children's performance at school, setting off a virtuous circle.

It's important to be realistic about the impact of school quality on home prices overall. Many school districts, particularly in the inner suburbs, have realized great improvement in their EQAO scores without a commensurate increase in home prices. In general, these neighbourhoods are not "strong anchors" as defined above. In such cases, parent may judge school quality to be an investment that trumps others – an investment made in children rather than bank accounts.

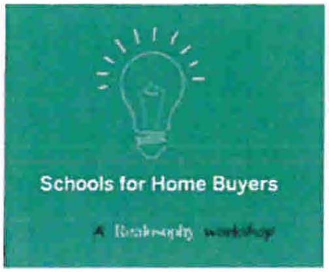
Best Toronto Neighbourhoods for Schools

Whatever your personal family and home buying preferences are, we believe that good information is the key to making the right real estate decisions for you.

Starting this week, we'll post a series of school-themed Realosophy Top Ten neighbourhoods lists:

- Top 10 Schools
- Top 10 Most Improved Schools
- Top 10 Neighbourhoods for School Quality
- Best Schools for 500K or Less (read last year's edition)

New! Realosophy *Schools for Home Buyers* Workshop

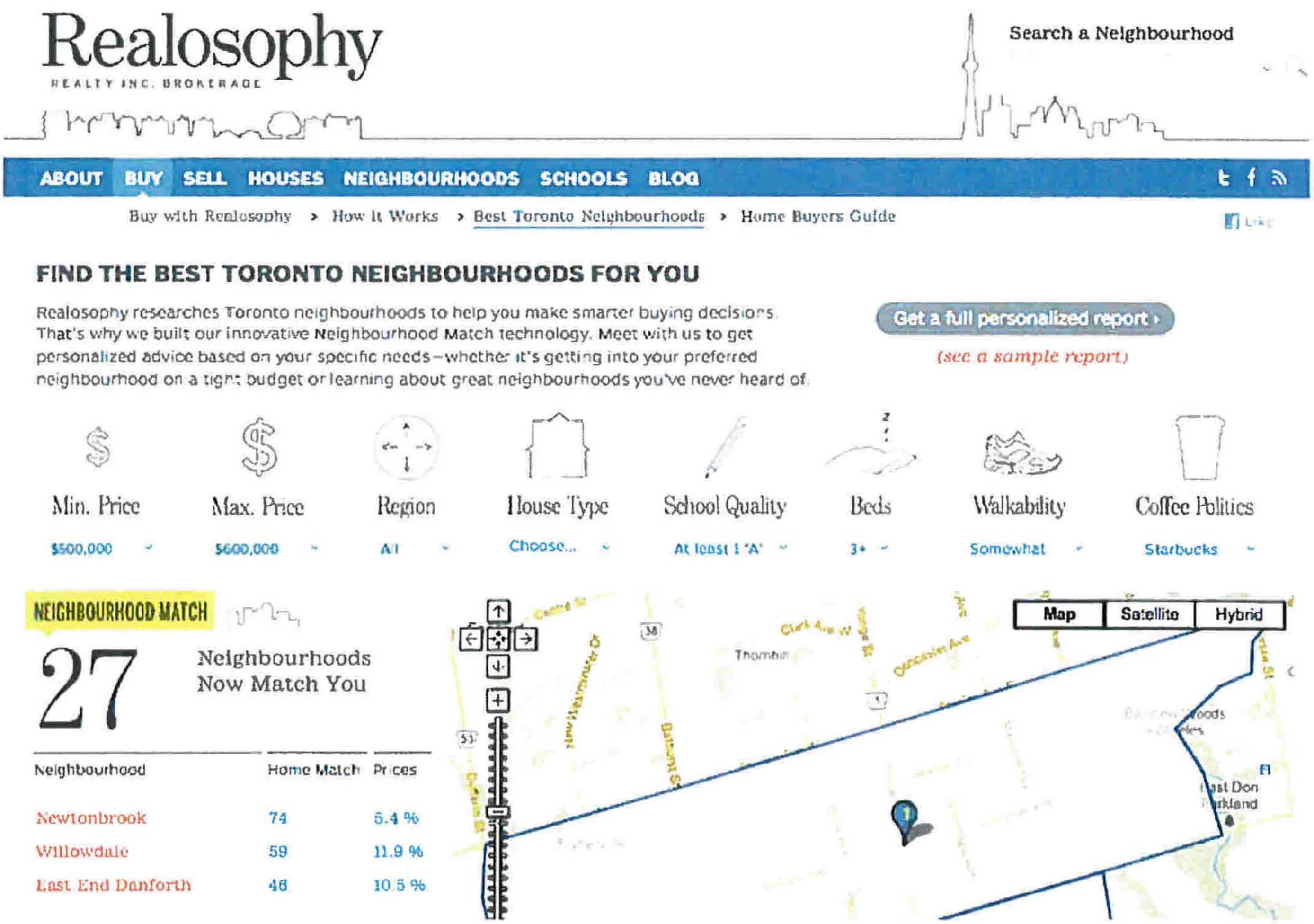


If you're buying a home, schools are likely important to you. To help you make better buying decisions, Realosophy is now drilling down to give you stats on house price appreciation and EQAO score changes at the school district level. Join our free workshop to understand latest trends, get our top neighbourhood picks and ask your own questions in a friendly atmosphere. Our popular workshops take place on the first Saturday of each month. Scroll to the bottom of this post to sign up for the next one. (Learn more about workshop)

Browse Full School Profiles on Realosophy.com

You can get yourself up to date on schools at www.realosophy.com which has been updated with the latest 2011 EQAO data available.

Use our exclusive Neighbourhood Match tool to figure out which of Toronto's 170 neighbourhoods are right for you if schools are a top priority for you (or not).



And browse our comprehensive school profiles detailing all EQAO scores, class sizes and socio-demographic statistics about the students attending that school.

PUBLIC

PAPE AVENUE JUNIOR PUBLIC SCHOOL

Neighbourhood: Riverdale
Address: 220 Langley Ave, Toronto, Ontario, M4K 1B9
Phone Number: (416) 393-9470
Fax Number: (416) 393-9472
Enrolment: 271
Grades Available: JK-6
School Website (if available): Click Here
Board Name: Toronto DSB
Board Website: Click Here

Search a School by Name

Elementary **Secondary**

Search

2010-11 Results	Reading	Writing	Math
Grade 3	78%	91%	97%
Percent change in the last 3 years	-3%	+10%	+16%
Grade 6	87%	87%	87%
Percent change in the last 3 years	+21%	+15%	+21%

Student Population	% of students
Who live in lower-income households	33%
Whose parents have some university education	45%
Who receive special education services	7.7%
Identified as gifted	0.4%
Whose first language is not English	48%
Who are new to Canada from a non-English speaking country	6.3%
Whose first language is not French	100%

Urmi Desai is editor of the Move Smartly blog and is responsible for strategy and marketing at Realosophy Realty Inc. Brokerage. A leader in real estate analytics and pro-consumer advice, Realosophy helps clients buy or sell a home the right way. Email Urmi

Subscribe to the Move Smartly blog by email

Schools for Home Buyers Workshop Sign-up

Need Good School Advice? Talk to Us.

Make the Right Home Buying Decisions.

First Name

Last Name

Email

Phone

Submit Query

Realosophy
REALTY INC. BROKERAGE

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Posted at 08:02 AM in Home Buying, Top Ten Neighbourhoods, Toronto Neighbourhoods , Toronto Schools, Urmi Desai | Permalink

EXHIBIT "B"

Toronto Real Estate and Neighbourhoods Blog | Move Smartly

February 29, 2012

Best Toronto Neighbourhoods for Great Schools (Realosophy Top Ten Neighbourhoods)

Urmi Desai in Top Ten Neighbourhoods, Toronto Schools, Home Buying

New! Realosophy *Schools for Home Buyers* Workshop

If you're buying a home, schools are likely important to you. To help you make better buying decisions, Realosophy is now drilling down to give you stats on house price appreciation and EQAO score changes at the school district level. Join our free workshop to understand latest trends, get our top neighbourhood picks and ask your own questions in a friendly atmosphere. Our popular workshops take place on the first Saturday of each month. Scroll to the bottom of this post to sign up for the next one. (Learn more about workshop)

This Week's Top Schools List

Beat your kid at Scrabble one too many times over Family Day and worried about the quality of schooling she's getting?

Introducing our latest top ten neighbourhoods list - **Best Toronto Neighbourhoods for Great Schools** - the latest in our spotlight on schools and real estate. This list tells us which Toronto neighbourhoods have the largest number of schools that best the province's standardized testing (EQAO).

Caveats about the limits of EQAO testing notwithstanding, this is THE list for many aspiring Toronto home buyers.

Not surprisingly, this list of "top neighbourhoods for best schools" is also is a list of of luxury neighbourhoods ($1 million and up). Cheers to Markland Woods (Markland Wood to its close-knit residents) for making it anyway.

Safe as ~~Houses~~ Schools?

Leaving aside the question of whether it's really the school that makes the child, it's clear that many home buyers - even those without school-age children - look at school quality as a way to buy into a "safe" neighbourhood that will always increase or at least hold steady in value. And it's an impulse that's harder to ignore as Toronto moves into a flat real estate market over the next few years (against the not-so-picturesque backdrop of European economic contagion, unrest in the Middle East and general malaise).

But far too often our need for safety outstrips our ability to get it. So what does the data say - are great schools a magical elixir for house values?

Looking at our list, we see that over the last three years, neighbourhoods with great schools have shared an interesting trait - though they post healthy rates of appreciation, in most cases they underperform relative to the city average (23%).

This is not too surprising given that these neighbourhoods start at relatively high values, making them less likely to appreciate as notably as fast-surging emerging neighbourhoods might.

This 3-year period also includes the short-but-sharp real estate downturn of 2008, set off by the bomb that was the US subprime mortgage collapse. But like boring-but-safe bonds (or the asset class that used to act like safe-but-boring bonds), we don't expect these neighbourhoods to dazzle so much as hold firm, particularly in bad times. So how did they do?

Like everywhere else, the downturn in Toronto's real estate market began in October 2008. Luckily, and not like everywhere else, the downturn lasted approximately 6 months. The neigbourhoods on this list experienced some of the sharpest drops during the downturn, with a average year-over-year drop in prices of 12% (compared to a city-average drop of - 6%). Should we be surprised?

First, the caveats. It's important to keep in mind that neighbourhood appreciation stats in high-priced neighbourhoods tend to be skewed as the sale of only one or two houses can have a disproportionate impact on overall appreciation figures. We are also looking at a very short period of time.

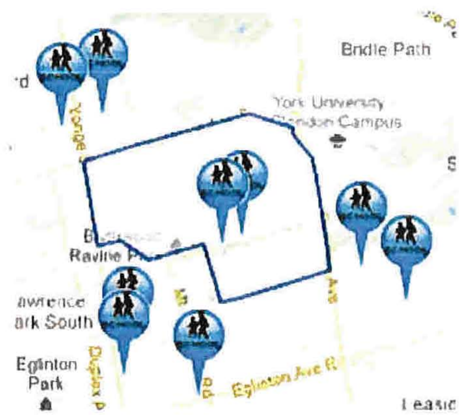
But we start to see something really important about the relationship between schools and house appreciation - because many "best school" neighbourhoods are also luxury neighbourhoods, any "schools boost" may be offset by the high-price tag effect. In lean times, home buyers at top end of the market can always hold off on upsizing, resulting in a more pronounced fall in demand in this market segment. Overtime, these neighbourhoods do recover their value as evidenced by longer appreciation trends. But these are hardly the steady-as-she-goes neighbourhoods we expect them to be.

Again, this list underscores our central point about schools and house appreciation - there is no simple relationship here.

The Data

- Overall score (in the bright yellow circle) represents an average of the six EQAO tests written by students in 2010-11 (reading, writing and math at the Gr. 3 and Gr. 6 levels), averaged over all schools in the neighbourhood (percentage indicates number of students performing at or above the provincial standard).
- Covers all elementary schools in Toronto (Note: schools with only one elementary school have been excluded; some schools are too small to report EQAO results and are excluded).
- Average house prices for the neighbourhood in 2011.
- 3 Year increase in house prices from 2008 to 2011.
- 2008 Downturn performance represents year-over-year appreciation from Oct 2008 to Oct 2009.

1. Lawrence Park



94%

Neighbourhood: Lawrence Park

Number of Top Schools in 'Hood: 1

Average House Price: $2,129,108

3-Year Increase in House Prices: 3%

2008 Downturn Performance: -28%

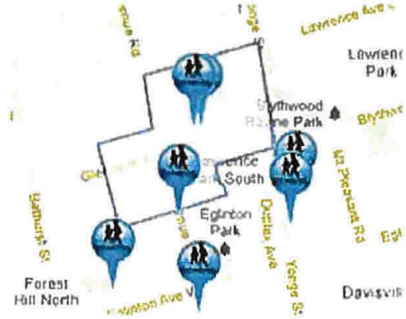
Browse detailed school info and scores for Lawrence Park

2. Lytton Park

PUBLIC

20

94%



Neighbourhood: Lytton Park

Number of Top Schools in 'Hood: 2

Average House Price: $1,115,368

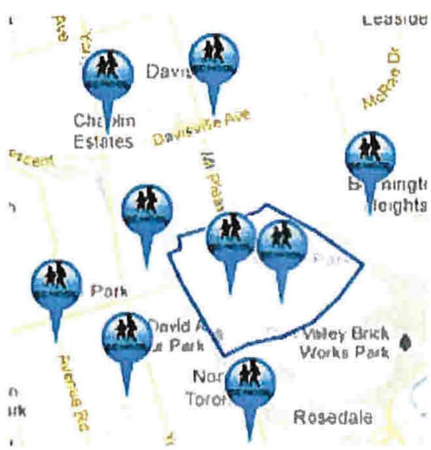
3 Year Increase in House Prices: 12%

2008 Downturn Performance: -22%

Browse detailed school info and scores for Lytton Park

3. Moore Park

93%



Neighbourhood: Moore Park

Number of Top Schools in 'Hood: 2

Average House Price: $1,522,254

3 Year Increase in House Prices: 12%

2008 Downturn Performance: -15%

Browse detailed school info and scores for Moore Park

4. Armour Heights

PUBLIC

21

90%

Neighbourhood: Armour Heights

Number of Top Schools in 'Hood: 2

Average House Price: $967,786

3 Year Increase in House Prices: 28%

2008 Downturn Performance: -12%

Browse detailed school info and scores for Armour Heights

5. York Mills

90%

Neighbourhood: York Mills

Average House Price: $1,470,066

3 Year Increase in House Prices: 13%

2008 Downturn Performance: 1%

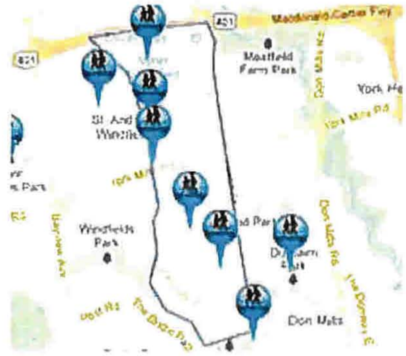
Number of Top Schools in 'Hood: 2

Browse detailed school info and scores for York Mills

6. St. Andrew-Windfields

PUBLIC

22



89%

Neighbourhood: St.Andrew-Windfields

Average House Price: $1,250,287

3 Year Increase in House Prices: 27%

2008 Downturn Performance: -11%

Number of Top Schools in 'Hood: 3

Browse detailed school info and scores for St.Andrew-Windfields

7. Markland Wood

87%

Neighbourhood: Markland Wood

Average House Price: $457,906

3 Year Increase in House Prices: 19%

2008 Downturn Performance: -13%

Number of Top Schools in 'Hood: 2

Browse detailed school info and scores for Markland Wood

8. Princess-Rosethorn

PUBLIC

86%

Neighbourhood: Princess-Rosethorn

Average House Price: $928,994

3 Year Increase in House Prices: 13%

2008 Downturn Performance: -20%

Number of Top Schools in 'Hood: 3

Browse detailed school info and scores for Princess-Rosethorn

9. The Kingsway

86%

Neighbourhood: The Kingsway

Average House Price: $1,017,440

3 Year Increase in House Prices: 10%

2008 Downturn Performance: -16%

Number of Top Schools in 'Hood: 2

Browse detailed school info and scores for The Kingsway

10. Bedford Park

85%

Neighbourhood: Bedford Park

Average House Price: $805,849

3 Year Increase in House Prices: 11%

2008 Downturn Performance: -7%

Number of Top Schools in 'Hood: 3

Browse detailed school info and scores for Bedford Park

Urmi Desai is editor of the Move Smartly blog and is responsible for strategy and marketing at Realosophy Realty Inc. Brokerage. A leader in real estate analytics and pro-consumer advice, Realosophy helps clients buy or sell a home the right way. Email Urmi

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Toronto Real Estate and Neighbourhoods Blog | Move Smartly

June 18, 2012

Monday Morning Interest Rate Update (June 18, 2012)

David Larock in Mortgages and Finance, Home Buying, Toronto Real Estate News

Rate Summary

Fixed-rate Mortgages	
1 YR	2.74%
3 YR	2.89%
5 YR	3.04%
10 YR	3.84%
Variable-rate Mortgages	
5 YR	2.75%

While bond-market investors will be focused on the Greek election results this morning, they will shift their focus back to the Spanish elephant in the room soon enough.

Spain's $100 billion euro bank bailout was hastily announced two weekends ago in a desperate attempt to restore investor confidence not just in Spain, but in the euro-zone's other imperiled peripheral countries and in the whole euro-zone experiment itself. So far it has failed miserably.

Like all of the other emergency measures concocted by the euro-zone's leaders, Spain's bailout announcement was more than a day late and a more than a few billion euros short. The anticipated post-announcement bond-market rally was over before most North Americans had finished their Monday morning coffee. In the week just passed, Spanish ten-year bond yields soared 66 basis points higher and closed at 6.87% on Friday. That leaves Spanish ten-year bond yields perilously close to the 7% level which has been the point-of-no-return for every other already bailed-out euro-zone country thus far.

Continue reading "Monday Morning Interest Rate Update (June 18, 2012)" »

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June 15, 2012

Toronto's Real Estate Market Starts to Cool Down

John Pasalis in Toronto Real Estate News

Toronto's real estate market is finally starting to show some signs that things are cooling down as more houses come on the market and demand begins to soften slightly.

The real estate market typically gets off to a slow start in January and February each year and the competition tends to gradually heat up as we move closer to the peak months of April, May and June.

Things have been a bit different this year. The market got off to a very quick start and as early as January we were noticing an unseasonably high number of multiple offers for houses. Since May we have noticed that the number of multiple offers on homes has decreased significantly when compared to the activity we were seeing in March and April.

It's tough to spot these micro trends simply by looking at the basic statistics published by the Toronto Real Estate Board each month so we dug a bit deeper to find some numbers that illustrate this trend a bit better.

The chart below shows the percent of houses in the City of Toronto that sold for more than their asking price in 2011 and 2012 including the first two weeks of June. We are interested in the number of homes selling for more than asking because it is a very good proxy for the number of houses getting multiple offers. In most cases purchasers would not offer a price above asking unless they are in a multiple offer situation.

Continue reading "Toronto's Real Estate Market Starts to Cool Down" »

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June 12, 2012

Low-income Families, Students Being Hurt by Licensing Requirements

Bob Aaron in Legal

Compulsory licensing for small landlords is rapidly spreading throughout Ontario, having come into effect most recently in Waterloo on April 1 and North Bay on May 1. Other Ontario cities which have already implemented a licensing regime are Guelph, London, Mississauga and Oshawa.

The idea appears to be contagious, and many other cities are looking at the concept, including Hamilton and Kitchener.

Waterloo's licensing regime is typical. Licensed rental properties in homes or townhouses can have no more than four bedrooms, but units in apartment buildings and condominiums are strangely exempt.

Landlords are required to pay application and annual fees of as much as $825 to rent bedrooms in houses and townhomes.

Continue reading "Low-income Families, Students Being Hurt by Licensing Requirements" »

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June 11, 2012

Monday Morning Interest Rate Update (June 11, 2012)

David Larock in Mortgages and Finance, Home Buying, Toronto Real Estate News

Rate Summary

Fixed-rate Mortgages	
1 YR	2.74%
3 YR	2.89%
5 YR	3.04%
10 YR	3.84%

Variable-rate Mortgages	
5 YR	2.75%

This week's Update was going to focus on the latest employment report from Statistics Canada and how it brought an end to our March and April run of higher-than-expected job creation data. The 7,700 new jobs that were created in May were much more in line with our other economic indicators, like GDP growth, and while the report wasn't bad, it effectively ended the debate about whether our surprisingly strong job numbers were the first green shoots of a broad-based economic upswing or a temporary anomaly caused by slower-than-expected job creation over the winter.

And then Spain happened.

After repeatedly denying that Spain would require a bailout, Spanish Prime Minister Mariano Rajoy announced over the weekend that his country was requesting approximately 100 billion euros in emergency funding to recapitalize its imperiled banking sector. (This will be done through a program called the FROB, which, when translated into English, stands for the Fund for Orderly Bank Restructuring. I can only assume that this name was chosen because the Fund for Disorderly Bank Restructuring was already in use...but I digress).

So what does this mean for the euro-zone crisis and, more importantly for my readers, Canadian mortgage rates?

First, this latest bailout unfolded in the same manner as each of its predecessors. The euro-zone's leaders waited until what seemed like the last possible moment and then offered a weak solution. Although it might do just enough to keep speculators from pushing Spanish bond yields past the point-of-no-return in the near future, it does little to restore investor confidence over the long term. (The experts I read are predicting that the true cost of saving Spain will be in the trillions, not billions.)

This incrementalist approach has evolved because euro-zone leaders are constantly faced with the same dilemna, which is that the very emergency measures that are needed to save the region from collapse are by their nature perceived to run counter to the national self-interests of their respective electorates. It isn't lost on these decision makers that just about every incumbent who has stood for re-election since the crisis began is no longer cashing a government paycheck. Although it's hard to imagine that letting the euro zone collapse would be any better for a government's re-election prospects, decisions about whether to support more bailouts look like choices between the devil and the deep blue sea.

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June 04, 2012

Monday Morning Interest Rate Update (June 4, 2012)

David Larock in Mortgages and Finance, Home Buying, Toronto Real Estate News

The current debate about the strength of the global economic recovery is pretty much over, at least for now.

Rate Summary

Fixed-rate Mortgages	
1 YR	2.74%
3 YR	2.99%
5 YR	3.14%
10 YR	3.84%
5 YR Promo (High Ratio)	2.99%
5 YR Promo (Conventional)	3.09%
Variable-rate Mortgages	
5 YR	2.75%

In the opening months of 2012, beauty was in the eye of the beholder. Those with a bullish view pointed to some positive short-term momentum in specific economic data (like job growth) while those with a more bearish outlook focused instead on longer-term imbalances (like debt-to-GDP ratios) to justify their caution.

But last week much of the encouraging short-term economic data that the bulls had been relying on swung negative and this triggered an investor stampede into AAA-rated government bonds, driving the bond yields in a select few countries to their lowest levels since the start of the Great Recession.

Here is a summary of the factors that led to this capitulation:

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May 28, 2012

Monday Morning Interest Rate Update (May 28, 2012)

David Larock in Mortgages and Finance, Home Buying, Toronto Real Estate News

Rate Summary

Fixed-rate Mortgages	
1 YR	2.74%
3 YR	2.99%
5 YR	3.14%
10 YR	3.84%
5 YR Promo (High Ratio)	2.99%
5 YR Promo (Conventional)	3.09%
Variable-rate Mortgages	
5 YR	2.75%

Government of Canada (GoC) bond yields plummeted last week as rising fear about the contagion effects of a Greek exit from the euro zone stoked investor demand for the relative safety of GoC bonds.

Between now and the next round of Greek elections on June 17th the markets will focus on little else. But when the should-we-stay-or-should-we-go-now Greek question is finally answered there will still be plenty of fear to go around, and if you're in the market for a Canadian mortgage that fear should help keep borrowing rates low for the foreseeable future (with a catch, that I will close with).

Here's a sample of what's next in the worry department once the Grexit stops hogging the headlines:

The Pain in Spain

When it comes to contagion risks, Greece and Portugal are grenades and Spain is a hydrogen bomb. Spain's economy is about five times larger than the economies of Greece or Portugal and Spain's ten-year government bond yield closed last week at 6.3% - well above the 6% threshold that many experts refer to as the point-of-no-return. If Greece is the canary in the euro zone's economic coal mine, then Spain is the bull in its proverbial china shop.

The Looming Beltway Stand-off

It seems like a long time ago when global markets quivered at the prospect of a U.S. debt default during last year's debt ceiling showdown. The final compromise was to form a bi-partisan committee to figure out how to get the deficit under control and if it failed to do so (which it subsequently did) then an automatic spending-cut trigger called "sequestration" would take effect in January of 2013.

Last week the U.S. Congressional Budget Office estimated that the coming combination of the sequestration's spending cuts and tax increases, along with the expiration of other tax cuts, would drain about 4% from U.S. GDP and tip the country into recession.

While this 'fiscal cliff' can be avoided if Democrats and Republicans manage to work out a compromise, don't expect much to happen before the presidential and congressional elections in November.

The world has little appetite for another round of U.S. debt ceiling drama and the U.S. federal government doesn't have much dry powder left to repair the economic damage that would be caused by a drawn-out fight. That said, expect the partisans to be partisan.

China's Not-so-soft Landing

While not everyone has noticed, China's economy has been the main engine driving world economic momentum for several years. That momentum is now on the wane; China's GDP has slowed from 10.4% in 2010 to 9.2% in 2011 and now to 8.1% in the first quarter of 2012.

The experts I read argue that China's slowing GDP growth is the beginning of a new era of slower economic growth for the world's second largest economy. They point to the fact that about half of China's total GDP is derived from infrastructure investment which has far outpaced the current needs of its citizenry. This has created a surplus of little-used roads, buildings, and even cities and that over-supply significantly reduces the need for future development.

If China starts to build less it will have to compensate for the huge hole that reduced infrastructure spending will create in its GDP while also offsetting reduced export demand from its largest and most well-established trading partners (Europe and the U.S) at the same time. These two factors underpin the risk of hard landing in China.

Five-year GoC bond yields plunged by 9 basis last week, closing at 1.32% on Friday. Lenders reacted by dropping five-year fixed rates across the board and the standard rate is now offered at around 3.19%. A few lenders also launched rate specials that go as low as 2.99% for high-ratio loans (where borrowers have less than 20% equity in their property) and as low as 3.09% for conventional borrowers (who have equity of 20% or more). If that seems backwards, keep in mind that high-ratio borrowers have to pay an additional insurance fee that is between 2 to 3% of their mortgage balance, so while their interest rate is lower, their total cost of borrowing is still higher.

Variable-rate mortgage discounts are being offered in the prime minus .25% range. With the current prime rate at 3%, if you took a variable-rate mortgage today you would be starting with a rate of 2.75% and it would only take one .25% rate increase by the Bank of Canada to make the five-year variable rate about equivalent to today's best five-year fixed rates. Given that, I don't think most borrowers are saving enough to justify taking on variable-rate risk.

The bottom line: While Canadian mortgage borrowers have benefitted from the turmoil beyond our borders thus far, our now miniscule GoC bond yields are a reflection of the growing risk of a near-term systemic shock to the global economy. Such a shock could easily push up bond yields everywhere and if this happens, our mortgage rates could move sharply higher with little warning.

While I expect our borrowing rates to stay low for the foreseeable future, we're by no means in the clear because that view is based on the assumption that none of the world's ailing economies will die on the operating table. Fear has been good for our rates, but panic could easily be bad.

David Larock is an independent mortgage planner and industry insider specializing in helping clients purchase, refinance or renew their mortgages. David's posts appear weekly on this blog (movesmartly.com) and on his own blog integratedmortgageplanners.com/blog). Email Dave

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May 23, 2012

Real Estate Law: The Parrot is Really a Red Herring

Bob Aaron in Legal

Toronto real estate law guru Jeffrey Lem has a knack for making court cases both entertaining and educational at the same time.

His latest effort, which appeared in the *Law Times* last month, is about the $40,000 parrot. Although the bird, which was housed in a Toronto condominium in violation of the no-pets rules, was the focal point of the case, Lem says it was no more than a red herring for condominium lawyers. (Read the story here.)

Michael and Margarita Bazilinsky live in a condo unit on Holly St., near Yonge St. and Eglinton Ave. In November 2010, the corporation contacted them about a bird believed to have been in their unit. Michael responded that he had had a bird for two weeks but it had since been returned to its owner.

In December 2010, and again in February 2011, the condominium lawyers wrote the Bazilinskys demanding that they remove the bird from the unit. The lawyers threatened court proceedings to enforce compliance.

Continue reading "Real Estate Law: The Parrot is Really a Red Herring" »

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May 22, 2012

Tuesday Morning Interest Rate Update (May 22, 2012)

David Larock in Mortgages and Finance, Home Buying, Toronto Real Estate News

Rate Summary

Fixed-rate Mortgages	
1 YR	2.74%
3 YR	2.99%
5 YR	3.24%
10 YR	3.84%
5 YR Promo	2.99%
Variable-rate Mortgages	
5 YR	2.75%

Well that didn't last long.

Greece's political parties were unable to form a coalition government and as such, Greek voters will head back to the polling stations on June 17th. In the interim, the anti-austerity Syriza party has gained the most momentum and that development has put markets everywhere on edge. Consider that in the past two weeks depositors have withdrawn more than $5 billion euros from Greek banks and there are also rumours of bank runs in other peripheral countries like Spain and Portugal.

Syriza party leader Alexis Tsipras is promising that he will renegotiate the terms of Greece's bailout package and is reassuring Greek voters that the euro zone simply cannot afford to let Greece default (it is true that approx. 70% of Greece's debt is held by foreign investors and that the largest portions of this debt are held by Spanish and Italian banks). He also knows that Greek citizens are frustrated by their austerity dominated economic prospects and he is scoring easy political points by tapping in to their visceral resentment of the foreign-led belt tightening that is sapping all hope for the future.

But Mr. Tsipras must also account for the fact that the majority of Greeks still want to remain in the euro zone. His have-your-cake -and-eat-it-too answer is to hand German Chancellor Angela Merkel a gun and dare her to pull the trigger (the gun being Greece's next bailout payment).

Will she?

Chancellor Merkel must make a very difficult call. While a Greek default would destabilize the euro zone and risk pushing other peripheral countries into default, if she makes new concessions she will be held accountable by German voters who show little appetite for more compromise. Furthermore, any new deal offered to Greece will become the basis for negotiations with a long list of the euro zone's other struggling countries such as Portugal, Ireland, Spain, Belgium, and Italy. That adds an order of magnitude to the true cost of any new Greek compromises.

The Greek election on June 17th will be a day of reckoning for the fate of the euro-zone's monetary union as we know it. Meanwhile, as the Syriza party's popularity increases, a Greek default and exit from the euro zone (now popularly known as the "Grexit") looks increasingly likely. Uncharted territory beckons.

Five-year Government of Canada (GoC) bond yields were 7 basis points lower for the week, closing at 1.42% on Friday as the rising demand for the safety of our bonds continued to correlate with increased fears of a euro-zone break-up. Given that five-year fixed-rate mortgages are still being offered in the 3.29% range, there is plenty of room for more discounting, but most lenders have so far chosen to let their profit margins widen instead. The only exception to that rule so far is one small lender which is now offering high-ratio borrowers a no-frills five-year fixed rate at 2.99% on a time-limited basis.

Variable-rate mortgage holders took note when Bank of Canada Governor Mark Carney recently warned that short-term interest rates might rise faster than the market expects, but he hedged his comments by acknowledging that his decision would be weighed carefully against heightened market risks, chief among them the unfolding euro-zone crisis. A messy Grexit is exactly the type of event that will cause him to recalibrate his timetable.

The bottom line: Fear should continue to dominate markets everywhere until the game of high-stakes brinkmanship between Greece and the Troika (comprised of the International Monetary Fund, the European Commission and the European Central Bank – with Germany at the controls) plays itself out. That fear will continue to fuel demand for the safety of GoC bonds and should thus keep Canadian mortgage rates at ultra-low levels until the situation in the euro zone becomes much clearer and more stable.

David Larock is an independent mortgage planner and industry insider specializing in helping clients purchase, refinance or renew their mortgages. David's posts appear weekly on this blog (movesmartly.com) and on his own blog integratedmortgageplanners.com/blog). Email Dave

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May 14, 2012

Monday Morning Interest Rate Update (May 14, 2012)

David Larock in Mortgages and Finance, Home Buying, Toronto Real Estate News

Rate Summary

Fixed-rate Mortgages	
1 YR	2.74%
3 YR	2.99%
5 YR	3.24%
10 YR	3.84%
5 YR Promo	3.14%
Variable-rate Mortgages	
5 YR	2.75%

Last week's big news came from our latest employment report, which showed that the Canadian economy added 58,000 new jobs in April – a multiple of the 10,000 or so jobs that most analysts were expecting. Better still, if we add this impressive result to the 82,000 new jobs that were created in March we get the best two-month run for job creation that our economy has seen in more than thirty years.

The nature of the jobs was also encouraging, with 85,800 new private sector jobs more than offsetting 19,200 fewer public sector jobs for the month. As our various levels of government continue to shrink their budgets and reduce the size of their labour forces, we will need our private sector to drive job creation for the foreseeable future.

(As an aside, the April report included an interesting comparison between the Canadian and U.S. employment rates, which are normally calculated using different methodologies. The report rejigs the Canadian employment data using the U.S. formula and the resulting "apples-to-apples" comparison puts our employment rate at 62.6% versus the overall U.S. employment rate of 58.4%. That's a significant gap that helps explain why Canada has now replaced all of the jobs it lost in the 2008-09 recession while the U.S. economy is still more than 5 million jobs short of its pre-recession peak.)

Bond market investors who bet on the future direction of our short-term rates reacted to the second positive Canadian jobs report in a row by pricing in the 100% probability of a .25% increase in the Bank of Canada (BoC) controlled overnight rate by December of 2012 (Reminder: variable-mortgage rates are based off of the BoC's overnight rate).

But that enthusiasm has not yet spilled over into our longer-term Government of Canada (GoC) bond yields, which barely moved on Friday (Reminder: five-year fixed-mortgage rates are based off of GoC five-year bond yields).

While short-term bond traders are a notoriously fickle bunch, investors who trade the longer end of the rate curve tend to adjust their views more gradually. Here are some thoughts on why they are still taking a wait-and-see approach to the possibility of higher rates:

- The Canadian economy saw six months of moribund job growth before the robust March and April rebound. Our combined job growth over the last eight months now puts us in line with our long-term average growth rate.
- While the job creation data was strong, growth in average incomes is still barely keeping pace with inflation and this means that the purchasing power of the average Canadian is largely unchanged.
- The upbeat hiring numbers stand out against a backdrop of otherwise less-than-impressive economic data. Our current GDP growth rate is cause for the greatest concern - we are well below the 2.5% level that the BoC was forecasting when it predicted that our economy would return to full capacity in early 2013 and consensus estimates for first-quarter GDP growth are now in the 1.3% to 1.6% range. If the economy doesn't start growing faster, our recent jobs momentum won't be sustained.
- Much was made of last week's CIBC report showing that year-over-year household credit growth has now slowed to 5% (its lowest level since late 2001). Given that Governor Carney has referred to our rising debt levels as the "biggest risk" to our economy, reduced rates of borrowing should make it less likely that he will raise the BoC's overnight rate as an emergency response to reign in rampant borrowing. Also, while less borrowing reduces the risk of a debt bubble, it also lowers demand and acts as a headwind against both future job creation and economic growth.
- Many investors are expecting more bad news from the euro zone where Greece can't form a pro-bailout government and Spanish ten-year bond yields are back within a sniff of 6%, and from the U.S., where the strength of their economic recovery is still very much up for debate.

We'll get our next key data point this Friday when Statistics Canada releases its latest Consumer Price Index (CPI). While the market expects the April CPI to show slowing price inflation, which would make short-term rate increases less likely at the margin, BoC Governor Mark Carney made some pre-emptive comments last week to temper any overly-enthusiastic reactions to the report.

He warned that "inflation can be allowed to run below target for a longer period than usual if tighter policy is warranted". In other words, he was reminding the market that below-target inflation will not stop him from raising rates to keep other risks in check, like rising household debt levels.

Five-year GoC bond yields were down 2 basis points for the week, notwithstanding a mild Friday rally in response to the latest jobs data. Five-year fixed rates are still offered in the 3.29% range for conventional borrowers who have down payments of at least 20% of the value of their property. High-ratio borrowers who have down payments of less than 20% can now find five-year fixed rates as low as 3.14%. While on first blush that looks like the less you put down the better your rate, when the cost of mandatory high-ratio default insurance is factored in, borrowers who put down less than 20% still pay more in the end.

I still don't think today's variable-rate mortgages are compelling with their very small discounts off prime and I explained that view in this recent Rob Carrick interview as part of his Let's Talk Investing series.

The bottom line: On their own, the recent strong job reports suggest that higher mortgage rates may be on the way, but so far there hasn't been a lot of other supporting data to bolster this view. That said, we'll keep watching the tea leaves for any signs that make Mr. Carney's words more likely to turn into action.

David Larock is an independent mortgage planner and industry insider specializing in helping clients purchase, refinance or renew their mortgages. David's posts appear weekly on this blog (movesmartly.com) and on his own blog integratedmortgageplanners.com/blog). Email Dave

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May 11, 2012

Is Toronto's Real Estate Market Going to Crash?

John Pasalis in Toronto Real Estate News

The media have stepped up the real estate bubble rhetoric lately so I thought I would take some time away from the busy spring market to offer my thoughts on the one question that's on most people's minds, is the Toronto real estate market going to crash?

Most buyers are worried about buying at the peak of the market and with all the bubble talk in the mainstream media they are right to being asking themselves, is this the peak?

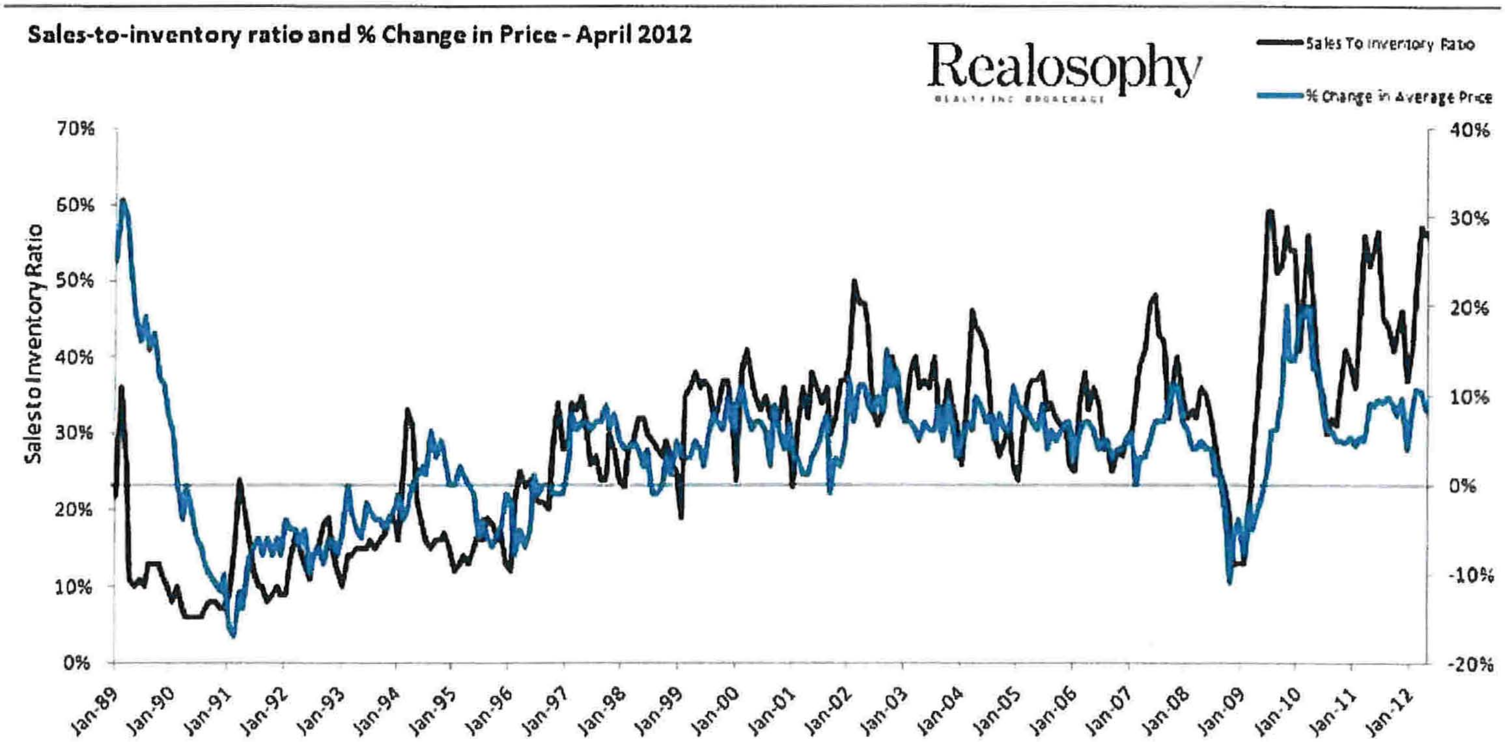
If we have hit the peak then we would expect to see a decline in house prices within the next 6-12 months.

So what causes house prices to fall? There's actually only one basic economic condition that will cause house values to fall, when the supply of houses coming on the market for sale significantly out numbers the demand for homes. There could be a number of different factors that cause demand to decline or the supply of homes to increase but it's the imbalance between the two that drives house prices down.

With that in mind, we'll start off by taking a look at the balance between the supply and demand for houses in the resale market.

We can measure the balance between supply and demand by looking at the sales-to-inventory ratio for any given month. The sales -to-inventory ratio is simply the number of houses that sold in a month divided by the number of houses available for sale. In a balanced market we would expect to see roughly 2 houses selling for every 10 that are available for sale, or a 20% sales-to-inventory ratio. When the sales-to-inventory ratio is above 20% the demand for homes exceeds the supply which causes prices to rise and similarly when it's below 20% the supply exceeds the demand which causes prices to fall.

The following chart shows the relationship between the sales-to-inventory ratio and changes in house prices from 1989 to April 2012.



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At A Glance
Avg Home Price

$385,969

QUICK STATS

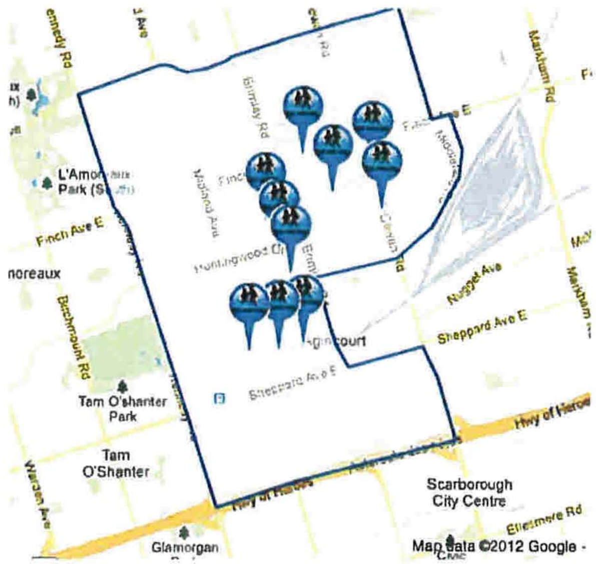
Avg. # of bedrooms: **3**
Most common housing type: **Detached**
Most common housing style: **2-Storey**

Schools **Entertainment** **Health/Fitness** **Shopping** **Deal Breaker**

Elementary Secondary Day Care

Looking for more schools? Drag the map!

	Eng	Math	Profile
NORTH AGINCOURT JUNIOR PUBLIC SCHOOL	A	B+	
HENRY KELSEY SENIOR PUBLIC SCHOOL	NA	NA	
SIR ALEXANDER MACKENZIE SENIOR PUBLIC SCHOOL	NA	NA	
ST BARTHOLOMEW CATHOLIC SCHOOL	A+	A	
CHARTLAND JUNIOR PUBLIC SCHOOL	A-	A-	



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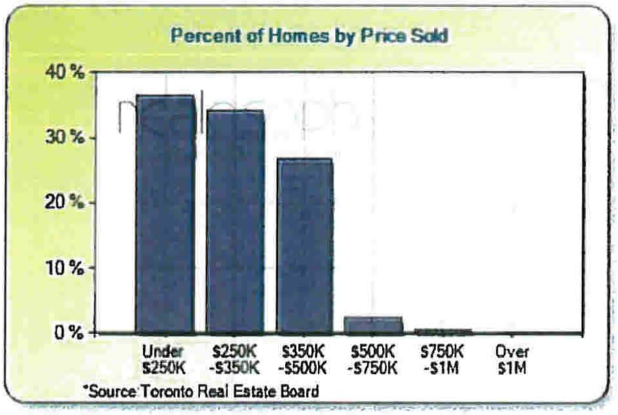

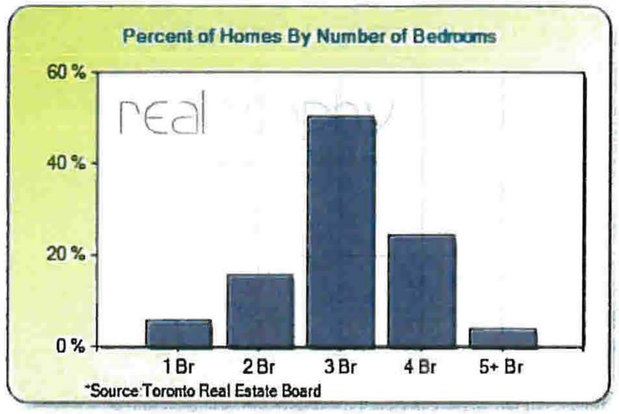

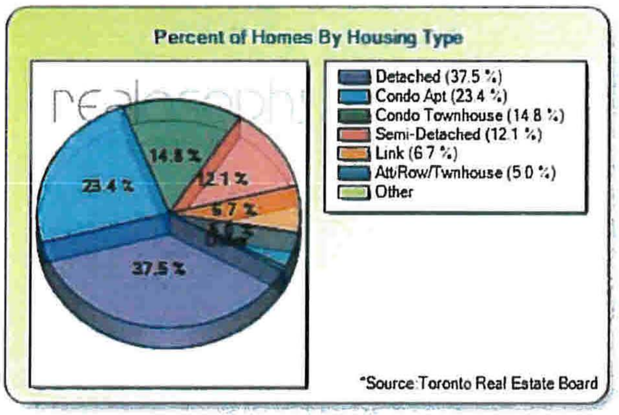

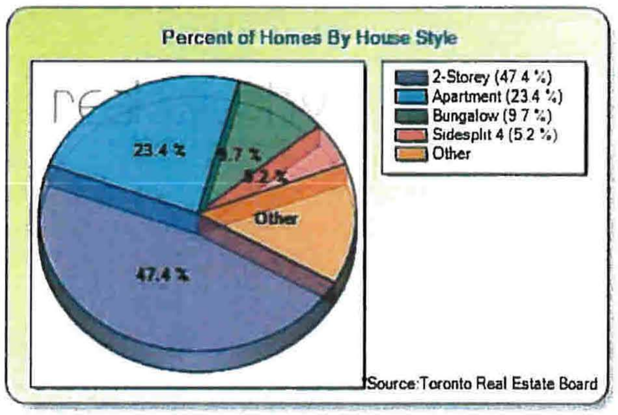

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View more demographic info Overview

Demographic data is presented at the Federal Electoral District (FED) level. In general, FEDs contain more than one neighbourhood. This data is intended to represent broader demographic trends across the Greater Toronto Area.

Scarborough-Agincourt Federal Electoral District*

Overview

Avg. Household Income:$62,836.00
Provincial Average:$66,836.00 Low High

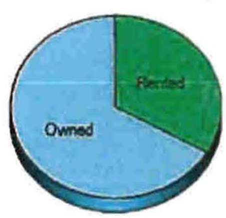
Percent of Immigrants:63.93 %
Provincial Average:26.85 % Low High

Average Number of Kids:1.3
Provincial Average:1.2 Low High

Percent of Low Income:23.10 %
Provincial Average:14.40 % Low High

Homes With Kids

Home Ownership



This District Is Unique Because...

This district is unique because a larger number of people have these characteristics than in sorrounding districts:

Diversity
Languages Spoken - Cantonese
Languages Spoken - Mandarin
Languages Spoken - Chinese, n.o.s.
Languages Spoken - Greek
Languages Spoken - Tamil
Immigrant Place of Birth - China, People's Republic of
Immigrant Place of Birth - Hong Kong, Special Administrative Region
Immigrant Place of Birth - Sri Lanka
Religion - No religion
Religion - Christian not included elsewhere
Religion - Buddhist
Religion - Hindu
Religion - Greek Orthodox
Immigrants - Percent of Immigrants

Households
Household Size - 6 or more persons

Housing
Period of Construction - 1971-1980

Source: Demographic information comes from data in the 2001 Canadian Census.
Demographic information for this neighbourhood is based on data for the Scarborough-Agincourt Federal Electoral District.
Neighbourhood boundaries may differ from those of Federal Electoral Districts.

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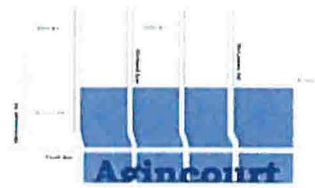
Agincourt, Toronto

From Wikipedia, the free encyclopedia

Agincourt

Neighbourhood

Sheppard Avenue East in Agincourt



Agincourt is a very diverse neighbourhood in the Scarborough district of the city of Toronto, Ontario, Canada. It is centred along Sheppard Avenue between Kennedy and Markham Roads (north-south includes lands between Highway 401 and Finch Avenue). It is officially recognized by the City of Toronto as occupying the neighbourhoods of Agincourt South–Malvern West and Agincourt North.

The name Agincourt is often used to refer to a larger area of north-west Scarborough than just the officially recognised neighbourhood. The area to the west of Agincourt, officially named Tam O'Shanter–Sullivan is often included as part of Agincourt. Both regions are part of the electoral district of Scarborough—Agincourt, and the Agincourt Mall is located in Tam O'Shanter.

History

Agincourt, once referred to as "hero town" by the citizens that lived there. The village of Agincourt was officially founded with the establishment of the Agincourt post office, opened in June 1858 by John Hill. The name of the settlement was after Azincourt in northern France and apparently was intended to satisfy a French Canadian Post Office Department bureaucrat who demanded that Hill give his settlement a French name[citation needed]. However the Azincourt in France is

EXHIBIT
"E"

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FIND THE BEST TORONTO NEIGHBOURHOODS FOR YOU

Realosophy researches Toronto neighbourhoods to help you make smarter buying decisions. That's why we built our innovative Neighbourhood Match technology. Meet with us to get personalized advice based on your specific needs—whether it's getting into your preferred neighbourhood on a tight budget or learning about great neighbourhoods you've never heard of.

Get a full personalized report ›

(see a sample report)

Min. Price	Max. Price	Region	House Type	School Quality	Beds	Walkability	Coffee Politics
$550,000	$650,000	All	Choose...	At least 1 'B'	2+	Very	Independent

NEIGHBOURHOOD MATCH

27 Neighbourhoods Now Match You

Neighbourhood	Home Match	Prices
The Beach	30	14.7 %
Davisville Village	29	8.4 %
Leslieville	23	7.6 %

EXHIBIT "F"

Neighbourhood Match

Your Neighbourhood Criteria

Price Range: $550,000 and $650,000
Regions: Toronto - All
House Type(s): Semi-Detached
Number of Bedrooms: 2
Schools: At least a 'B'
Walkability: Very Walkable
Coffee Politics: Independant

**ATTENTION HOME BUYERS!
ARE YOU BUYING IN THE RIGHT TORONTO NEIGHBOURHOOD?
SEE US TO GET YOUR OWN NEIGHBOURHOOD MATCH REPORT**

Apr 28, 2012
John Pasalis
President and Broker
647.347.7325
john@realosophy.com

Your Top 15 Matches

NEIGHBOURHOOD	UNITS SOLD	AVG. SALE PRICE	1 YR % CHANGE	4 YR % CHANGE	SCHOOLS
The Beach	30	$763,549.56	14.69	7.44	8
Davisville Village	29	$584,694.15	8.4	5.24	1
Leslieville	23	$453,383.22	7.64	8.05	1
East End Danforth	18	$475,244.71	10.51	7.5	5
North Toronto	17	$618,471.60	3.19	2.64	1
Roncesvalles	15	$543,818.71	12.75	5.39	2
Brockton Village	13	$436,159.43	16.13	9	1
Dufferin Grove	9	$662,175.56	16.03	7.66	3
Christie Pits	8	$532,535.59	-18.08	8.24	1
Seaton Village	8	$628,548.02	4.07	5.56	2
Little Italy	8	$607,051.49	2.68	6.98	1
Dovercourt Park	7	$464,176.27	-0.59	5.18	2
Bickford Park	6	$598,449.39	0.12	6.06	1
The Junction	6	$512,850.35	-15.97	8.58	2
Trinity Bellwoods	5	$631,594.04	17.12	10.3	1

EXHIBIT
"G"

Defensive Home Buying

which neighbourhood is the safest investment in a fast changing market?

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Realty Inc Brokerage

CONTRIBUTORS

John Pasalis is the owner and broker of Reasolophy Realty Inc., a Toronto residential real estate firm and creator of realosophy.com, an industry leading consumer research tool. Before creating Realosophy, John enjoyed a five-year tenure at Scotiabank as a technology analyst and has nine years of experience as a real estate portfolio manager. John holds a B.Sc. in Economics from the University of Toronto.

Urmi Desai is responsible for Realosophy's marketing and communications and is editor of the Move Smartly blog, one of Toronto's most popular real estate blogs. Urmi holds a B.A. in Political Science and English from the University of Toronto and an M.A. from the Norman Paterson School of International Affairs at Carleton University.

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INTRODUCTION

We are living in interesting economic times.

In 2007, the complex US sub-prime mortgage crisis crippled the international financial sector and led to a global economic meltdown. The crisis led to a 'freeze' in lending by banks and other financial institutions, a loss of firms and jobs among banking, legal, consulting and support sectors and sharp drops in major investment holdings for companies, institutions, individuals and families. Investment and job losses generally have spin off effects – not only does demand for high-priced goods and services drop, consumers tend to shy away from any purchase that can be delayed. Indeed savings rates jumped in North America, which had, prior to the crisis, not been notable for its 'rainy day' conservatism. For the first time in recent memory, home prices in most North American cities fell, many after seeing a record rise over the previous 8 years – or in the case of Toronto, 12 years. Even more striking, construction cranes, the ubiquitous workers that have come to dominate urban skylines, came to a standstill.

What came next in Toronto came as a surprise to all, including housing economists. In April 2009, a Toronto Dominion (TD) Bank housing market report predicted that the Toronto housing market would be "walloped". Instead, a dwindling supply of homes for sale resulted in bidding wars and rapid price escalation which continues at the time of publication.

As government spending measures aimed at reviving sluggish economies have begun to take effect, the pendulum may swing again. Experts are concerned about growing government and consumer debt, housing bubbles and inflation spurred by low interest rates. Bank of Canada Governor Mark Carney has advised Canadians to ensure that they do not take on too much debt, indicating that interest rates will rise. Economists and experts have been shocked by the threat of yet another global crisis, this time stemming from Europe, where countries have come perilously close to defaulting on loans. These developments, coupled with the HST that will come into effect on July 1, 2010 in Ontario, has led experts to forecast a cooling housing market over the next few years in Toronto.

Even in the best of times, buying a home can be a very stressful decision.

The current uncertainty surrounding our economy has heightened consumer concern. What most buyers fear is that their home will be worth less when it comes time to sell, leaving them worse off financially.

If buyers could be guaranteed that all financial risks could be eliminated, most of the anxiety associated with buying would disappear. Unfortunately, no such guarantee exists, but savvy buyers can make educated moves to reduce risk and produce positive outcomes.

OUR OBJECTIVE

Our 2010 Defensive Buying Action Plan has two key objectives. The first is to help you decide whether it is right for you to buy in a slowing market. Deciding whether or not it's the right time to buy means thinking about the current market as well as your personal circumstances. A slowing market is not for everyone, but if you are the right kind of buyer you may be able to take advantage of reduced prices and motivated sellers.

If it is the right time for you to buy, our second objective is to help you protect your investment. Unlike many real estate books, this is not a "become a millionaire home owner and get rich quick" guide. Our aim is simple – to help ensure that you break even at minimum when it comes time to sell your home. Making money from your home is certainly preferred, and if you follow many of our Defensive Buying strategies you will likely find yourself ahead when it comes to sell.

IS IT THE RIGHT TIME TO BUY?

> **"I sit down beside people on airplanes and tell them I'm an economist who studies cities, and they say, 'Oh, what's going to happen to housing prices?' All I can say is that I wouldn't be sitting beside you in coach if I really knew."**
>
> — University of Toronto Economist, William Strange, *Toronto Life*, March 2008

Regardless of whether the market is on its way up or down, buyers tend to have one question on their mind - is this the right time to buy?

Buyers understandably want to know the direction of the real estate market. Are prices on the way down or on the way up? Am I buying at the peak? How long before prices rebound? Should I wait for prices to drop a bit more?

The honest answer is that nobody really knows.

Even economists who specialize in real estate markets have a difficult time predicting the future.

Before looking at the real estate market proper, they must forecast a myriad of variables. Here are just a few:

- Where are interest rates going to be like a year from now?
- How much will gasoline and food cost in the years ahead?
- Is the average household income appreciating at the rate of inflation?
- Is immigration expected to rise or fall?
- How volatile are world financial markets? What direction will they move in?
- How are national economies expected to perform?
- How will the state of the US economy impact the state of Canada's?
- How will changes to the economy impact employment levels?

Forecasts for important economic indicators form the foundation for outlooks on the real estate market.

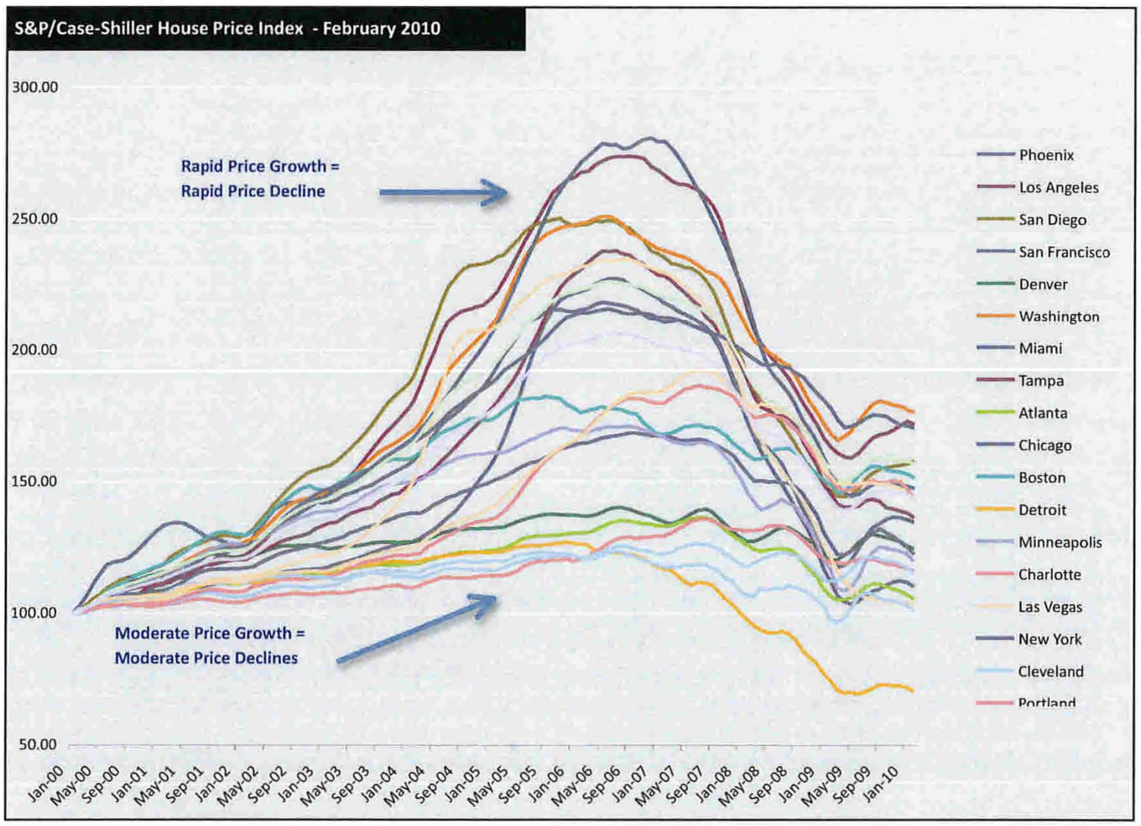
To produce outlooks for particular goods and services, including real estate, economists must concern themselves with social and demographic changes that drive demand. For real estate, factors may include:

- The size of the next cohort of first time buyers.
- Consumer preferences for urban or suburban living. (Often driven by other factors including changes to commuting times, location of employment and structure of households.)
- Impact of changes in consumer confidence. (Again related to other factors including perceptions about the general economy.)

Factors related to consumer behaviour are particularly difficult to forecast and have a profound impact on a city's real estate market. Heightened levels of consumer confidence are the fuel that drive real estate bubbles. When the economy is strong and real estate markets rise year after year, people begin to expect prices to rise forever. If consumer confidence is too high, it leads to high rates of speculation as people attempt to profit off the short term increases in property values. Eventually, prices begin appreciating not because of what economists refer to as market fundamentals (rise in incomes, increase in population, etc.) but because people simply expect them to. Prices eventually reach an unsustainable level which leads to a sudden drop in prices. The market always self-corrects. The extent of the decline in values often depends on how 'irrational' the market was before the peak. The more irrational, the bigger the drop.

Heightened levels of consumer confidence are the fuel that drive real estate bubbles.

The snapshot of the S&P/Case-Shiller House Price Index serves as a good example of how real estate bubbles impact house values. In this US survey, American cities that experienced the most rapid appreciation in property values also experienced the most rapid decline. Cities that experienced a slower (and more moderate) rise in property values generally experienced a similar ride on the way down.



Making sense of the market

The real estate market may be difficult to forecast, but we still need to make sense of what's going on to make an informed decision to buy or not. Here are a few tips that will help you make sense of the figures.

Focus on your market

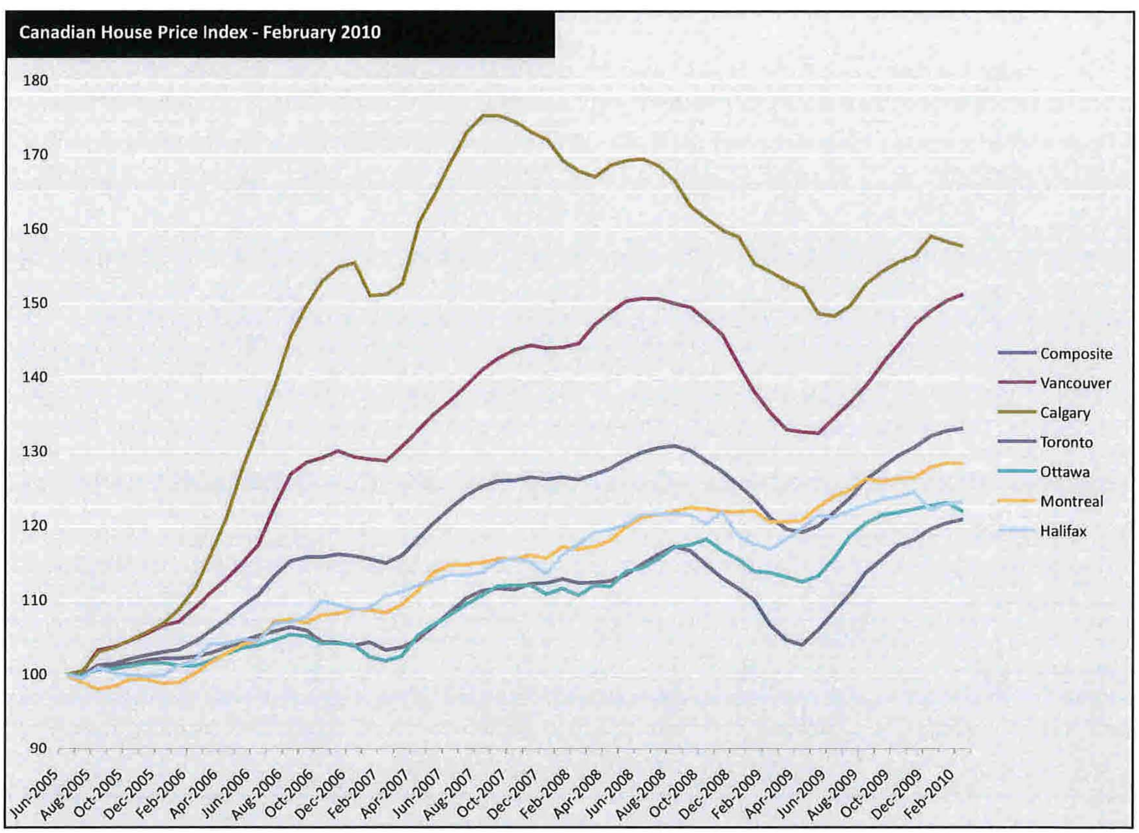
Media headlines often report changes in real estate statistics at a national level. These national figures help give you a general idea of how your specific city is performing relative to the rest of the country, but your focus should be on information related to your local real estate market.

There are many local factors that can have a positive or negative effect on a particular market. For example, some cities may experience a real estate bubble (appreciation not explained by market fundamentals) while others may not.

If we look at this February 2010 snapshot of the Teranet/National Bank House Price Index for six Canadian cities, we see that property values appreciated at very different rates over the past three years.

Calgary and Vancouver house values appreciated most rapidly of the six cities tracked. Toronto and Ottawa house values experienced more moderate appreciation.

Read multiple sources of information to look for factors that may impact your local market. Is your town more vulnerable to a loss of jobs related to a national decline in exports to the US? Are population levels rising or falling? Are average home prices reasonable given average household incomes?



Listen to reputable economists

> **"Well, obviously I sucked last year in my prediction.But I don't think ultimately that I'm wrong. I think that the timing of [the housing market] is a very difficult and problematic thing to know."**
>
> — Garth Turner, Financial Writer, 2010 Real Estate Roundtable, *National Post Magazine*

Never put too much emphasis on any one economic forecast. Instead look to see if different economists agree about the overall outlook for your real estate market or least arrive at a consensus on key factors. When you examine a particular outlook, particularly one that does not fit with the consensus, try to understand why an economist believes that the real estate market is going to go in a particular direction. After all, it doesn't take a genius to predict that prices will rise and fall – it's the 'why' that often predicts the 'when' and 'where'. What assumptions are they making and what are they basing their conclusions on?

Understanding the 'why' is important because it allows you to compare one economist's outlook to another's. It gives you the opportunity to base your decisions on the forecast that makes the most sense to you.

> **It doesn't take a genius to predict that prices will rise and fall – it's the 'why' that often predicts the 'when' and 'where'.**

Follow local real estate blogs

In comparison to the regular media, real estate blogs typically offer a far more local look at your city's real estate market. Of course, blogs are democratic – anyone can do it – so they vary greatly in quality and scope. You'll find blogs that are overly optimistic about the market, others that think the next apocalypse is coming (year after year) and a few that offer a more balanced approach. What is surprising, given the volumes on offer, is how few blogs are considered to useful reading by a wide array of readers. You will find that successful blogs offer unique insights that are appreciated by a wide audience, including the traditional media. Take note of bloggers who are often quoted in your local press. I like to read both positive and negative real estate blogs because it gives me a good understanding of what the two camps are saying and why. Reading different opinions will help you reach your own conclusions rather than being swayed by wishful thinking or simply fear helps reinforce your own views of the market.

Take your agent's advice with a grain of salt

Buyers often turn to real estate agents for insights into the housing market. While I encourage you to listen to different perspectives about the market, I recommend that you put less emphasis on your agent's personal outlook.

One problem with asking your agent is that regardless of what's going on in the market, many agents will say that it's a great time to buy real estate. When the market is on its way up, they'll tell you that if you don't buy now you won't be able to afford to buy next year. When the market is on the way down, they'll tell you that there's great value out there. While there may be some truth to these comments, it's hard to discern whether they result from actual analysis of the market or whether they are sentiments trotted out as required. The fact that agents are generally commissioned salespeople rather than salaried consultants or advisors is reason enough to take their advice cautiously.

Another reason I advise you not to depend on your agent's forecast alone is that most are not qualified to give you an economic forecast of the real estate market. Agents have a wide array of educational backgrounds and licensing requirements alone are not enough to make any of them into economic analysts or financial advisors. Most agents do not read economic forecasts. They do not read journals on the housing industry. They do not read books on long-term economic trends. Their outlooks are typically based on one of three factors:

- The same newspaper headlines that you read.
- Their "gut feeling" about the market based on what has happened in their office in the last few weeks. (Those in the business longer may refer to what happened the "last time" the market changed.)
- Popular sentiments including this old gem - "real estate is an excellent long term investment."

There are, of course, exceptions to the above rule. There are many realtors with educational and professional qualifications in the fields of economics, finance and business. Some are avid students of market developments and will offer buyers an objective opinion about the market. These agents are typically more focused on advising and coaching their clients and are less focused on making a quick sale. This is the key distinction I make between the 'consultant' and the 'salesperson'. Informed consumers should be able to differentiate between the typical real estate salesperson and the professional real estate consultant. Ask some questions. Bring up articles you have read. Challenge what you hear. Listen closely for canned, extreme responses instead of carefully explained positions that take particular factors into consideration. You will be able to hear the difference.

Bringing it all together

After listening to many different perspectives on your real estate market, you will ultimately have to decide what outlook makes the most sense to you.

Your outlook is going to be one of the key factors influencing your decision to buy or not to buy. If you determine that your city has a high proportion of jobs dependant on an industry that is particularly vulnerable in an economic downturn, than you might conclude that buying carries a high risk. If, on the other hand, you feel that appreciation in your city can be largely attributed to market fundamentals, you may feel that the risks of buying are relatively minimal.

Your focus should be to determine the approximate state of the current market – not to 'time' the market perfectly. Try to avoid the temptation to predict the short term movements of the real estate market. Everyone wants to buy at the bottom of the cycle or sell at the top, but even the experts don't know what is what until the dust has settled – and by then it's too late. A good parallel is the stock market, where people try to time their actions to make quick fortunes when study after study shows that our emotions give us optimistic outlooks long after the peak has been reached and pessimistic outlooks long after the worst has already been realized. Be comfortable understanding broad trends and general directions – they will keep you safer than you think.

Real estate is always a hot topic of discussion, so don't be surprised if people disagree with your outlook. As long as you have spent time examining the evidence, testing out your assumptions and looking out for personal biases, you should feel confident with your decision. As important as your market outlook is, it's the view from 10,000 feet up. On the ground, your personal finances, lifestyle choices and circumstances will have a profound impact on your decision-making. What to do if you have to relocate for a new job? Are getting married or divorced? Are in danger of job loss? It's time to get personal.

CAN YOU BUY SAFELY IN THE CURRENT MARKET?

Deciding whether or not to buy a home is as much about the current market as it is about your personal circumstances. The real question is not "Is it the right time to buy" but rather "Is it the right time to buy *for me*?"

Once you have done some research into the state of the real estate market, I recommend that you consult with a financial planner and a real estate professional who can recommend a solution based on your personal circumstances.

The real question is not "Is it the right time to buy" but rather "Is it the right time to buy *for me*?"

There is no universal answer when it comes to deciding whether or not to purchase a home. Everyone's personal circumstances are different. What makes sense for one person may not make sense for another.

Trusted professionals can help by listening to your needs and recommending a solution that addresses your circumstances and concerns about the market.

The strategy that you, your financial planner and real estate agent come up with should reflect that there are certain circumstances under which you should strongly reconsider buying.

You should not buy in a slowing market if…

You are vulnerable to job or income loss

This one seems rather obvious, but is not always as straight-forward as it seems. Modern economies are increasingly characterized by interdependence and complexity. This means that we need to be more aware of how our jobs and personal finances are affected by economic movements at home and around the world.

For some, it is clear that the company they work for, business they own or service they provide will be affected by an economic downturn, particularly one that affects the US or particular sectors. A sluggish economy and loss of consumer confidence in the US hurts, for example, a large number of Canadian firms directly or indirectly dependent on exports. Other sectors may be relatively insulated from the turmoil. Your job, particularly in the health services, education or public service sectors, may remain reasonably secure, even though bonuses and salary increases have been eliminated. You may still be saving more than you normally would, but you can consider buying a home in the current economic climate – and benefit from increasing housing affordability.

However, if you are experiencing or expecting to experience job or income loss, now is not the right time to buy for you. It may be tempting to take advantage of falling home prices, but you need to focus on more foundational personal finance goals right now. Make an appointment at your bank or a registered non-profit agency to talk to a qualified financial planner or counselor – she will advise you on the step you need to take immediately which may be, for example, developing a strategy to get out of high interest credit card debt. Regardless of what the real estate industry may say about "not missing out" and the media may say about "being doomed no matter what", the real estate market is not a static extreme. It is your readiness – how well you have organized your personal finances and how clearly you can identify the right home for your lifestyle and needs – that will determine what the real estate market has to offer you at any particular time. You will be able to re-consider buying once you have taken some key preparatory financial steps and your job and/or income situation improves.

In the event that you are buying with a partner, you may be experiencing a mixed situation. While your job in the health services may look fairly secure, your brother's marketing job may be vulnerable as exports to the US fall. In such cases, you will need to be more cautious about buying and seriously consider adopting a more radical defensive buying strategy (which we'll look at in the next section).

You need to move within the next five years

My father is a long-time real estate investor and when a friend of mine asked him how he was able to survive Toronto's real estate crash in the early 1990s he said, "That's easy, I didn't sell in the early 90s."

One thing is almost certain – the value of your home will fall one day. If it doesn't drop today, it will drop tomorrow. Dips in value are a part of the real estate cycle and they affect everyone in the market. No home owner can avoid a downturn in real estate values.

My father's house and investments declined just like everyone else's did in the early 1990s. But these declines are just paper losses until you actually sell the property. He didn't lose money because he didn't have to sell. He didn't have to sell because he purchased properties well within his budget with large down payments resulting in manageable interest rates and monthly payments. And what's more, he did this while working in restaurants and garages, slowing saving the capital to own them and other properties.

It's encouraging to remember this because we are prone to overleveraging today because we feel that "there is no other way" – but there is. Sit down with your financial planner to develop a sound financial strategy that clearly identifies your home buying budget – and be prepared to stick to it. If you feel uncertain about setting a budget before looking for a home, talk to your real estate agent about the budget you and your financial planner have decided on and ask for an honest assessment of what is available in the market for your needs. You, your buying partner and/or family may need to separate out needs from wants in order to find a home that accomodates both your lifestyle needs and your budget. Remember, your goal is to be able to afford to stay in your house for at least five years to weather any short term slow down in the real estate market.

The actual time it will take for prices to rebound will vary from market to market. Cities that experience rapid increases and subsequent decreases in house values (ie. a real estate bubble) may take a little more time to recover than cities that didn't have a bubble in the real estate market. In Toronto, house values appreciated relatively moderately so we would expect any decline in home prices to be relatively moderate. Having said that, I still advise Toronto buyers to be prepared to stay in their homes for at least five years. Toronto's market may recover much sooner than that but your objective is to be safe in an unpredictable market.

Many buyers don't understand why they need to stay so long to be safe – which means breaking even. Buying and selling a house has many costs associated with it. When purchasing a home, your closing costs, which include legal and land transfer tax costs, could easily add up to 3% of your home's value. If you add mortgage insurance premiums to this, your total buying costs could total 4-5% of your home's value. When selling a home, it may cost you as much as 5% of your home's sale price to list it for sale with a real estate agent. Your combined costs to buy and sell your house could be as high as 10% of your home's value. This means that your house must appreciate by 10% in order for you to break even.

For many, staying put becomes a challenge when lifestyles and needs change. None of us are fortune tellers (you wouldn't be reading this if you were), but we can often foresee major life changes if we take the time to think about our current circumstances and goals. If you work in a global industry, your job may move to a new city in an economic downturn. You may be single now, but your status could change in the near future (or vice versa). Perhaps you are not satisfied with your current job and may choose to take pay cut in order to return to school. If you think that there's a high likelihood that you are going to need to move within the next five years, you should seriously reconsider buying in today's market.

One trap that buyers fall into is intending to stay put for at least five years, but not buying the home that would allow them to do so. A common example is the newly married couple who wants to start a family quickly and opts for a 'starter' condo that is very affordable – only to find themselves wanting to live by a better school or have more space within one to two years' time. If you are forced to sell too early because your home can no longer accommodate changes in your lifestyle, you may be putting your investment at risk. Think ahead to ensure that the home you buy now will still fit your needs in five years time.

REAL LIFE – BREAKING EVEN

Let's suppose for a moment that you just bought a house for $100,000. Let's also assume that you bought in a hot market so the value of your home has increased to $108,000 within several years. On the surface, selling looks like a great idea because you get to pocket a cool $8,000 - but look again.

Real estate agents charge, on average, 5% to sell your house, which means you only keep about $102,500 (of the $108,000) for yourself. When you take into account the legal and closing costs associated with buying and selling a home, as well as your mortgage default insurance premium, you are just breaking even on your initial $100,000 (or are even down a bit of money).

Now, we haven't taken into account the money that you would have saved up by paying-off your mortgage principal and building home equity. But the additional ownership expenses that you would have incurred over and above the cost of renting during this period will probably cancel out any gains in equity.

Think you may have to relocate to another city in the near future? This doesn't necessarily mean that you can't buy a home now. The key is not living in your home for at least five years, but owning it for this period. If you are willing to own your home while you are away, buying may still be right for you. You can lease out your house to help cover the costs of your mortgage, taxes and other miscellaneous expenses. Of course, this means having a frank discussion with professionals about what responsibilities come along with being a landlord, particularly an absentee one. In addition to visiting a lawyer, you should have a frank discussion with your buying partner and/or family to ensure that everyone would be comfortable taking this route.

You do not have a down payment

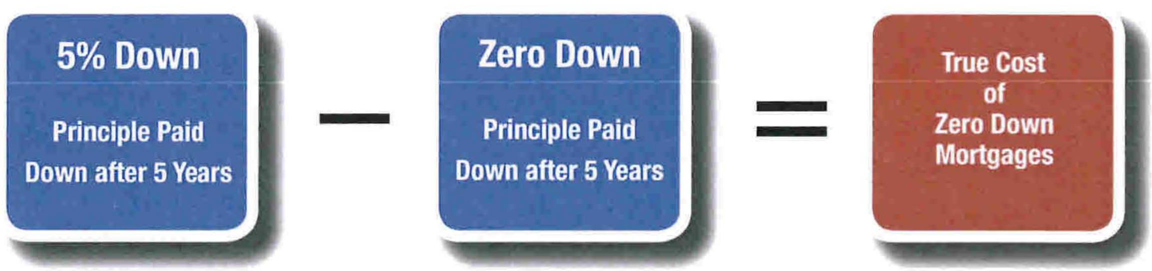
Saving a down payment of least 5% should be the first goal of any buyer to be. But why bother when there are zero down mortgage products on the market today?

While many lenders have stopped offering zero down mortgages in the aftermath of the US sub-prime meltdown, some continue to offer this product to buyers. You may also come across real estate agents who push zero down mortgages as a way to lure uncertain buyers. The problem with zero down mortgages is that they aren't zero down at all – they're actually cash back mortgages in disguise.

Zero down payment mortgages are typically fixed for a minimum 5-year term at the bank's posted interest rate, with no option to negotiate a lower rate. Once you take out your mortgage, your lender gives you 5% of your mortgage amount in cash that must be used as your down payment. Sound too good to be true? It is. Just like the cash back mortgage, the very real catch is that you are stuck with a higher interest rate for the entire term of your mortgage.

Not only does the zero down option cost you more in terms of higher interest payments, it is also more risky. You will now have to avoid incurring significant bank penalties by moving or canceling your mortgage before your 5-year term is up. If you can't sell your home at a high enough price to recover your costs, you could wind up owing the bank money that must be paid back immediately. When you don't have your own savings invested in your home from the very start, you lack a cushion for rough landings. Conversely, by saving up a down payment, you begin home ownership with instant equity in your home and more financial confidence.

Many buyers who opt for zero down mortgages don't realize that these mortgages do come with a significant cost attached to them. Unfortunately, the cost of zero down payment mortgages is a little tricky to see. To find it, you need to calculate how much of your mortgage you would have paid down after five years with a 5% down payment and then subtract the amount you would have paid down over five years with a zero down mortgage. The difference is the true cost of a zero down mortgage.



Talk to your financial planner about the smart moves you can make to save up what can seem like a daunting amount. Often we have formed financial habits and made decisions that served us well through our student or early career days that are badly in need of updating. Or we may have been swept up in the demands of raising a family and now need to reflect on the unhelpful patterns we have developed. You may be paying too much interest on credit products or putting your savings into the wrong vehicles. You may need to scrutinize your spending habits closely.

Saving a down payment is a challenge but it's doable. And most importantly, it sets you up with the right framework to make good financial decisions long after you've moved into your new home. With the help of the right professionals and a good strategy, you can reach your 5% goal – and even surpass it.

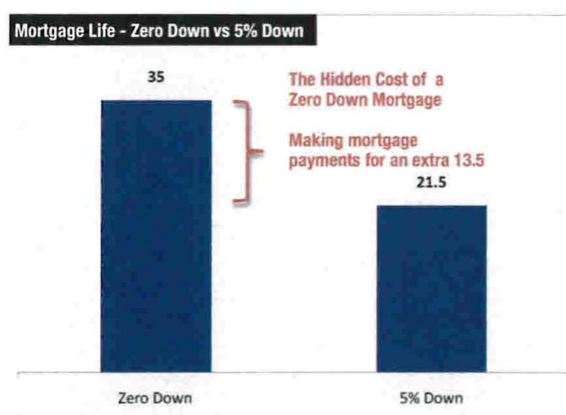
REAL LIFE – THE TRUE COST OF ZERO DOWN

Imagine you are about to purchase a home valued at $400,000 and are trying to decide between using the $20,000 you have saved up as a down payment or opting for a zero down mortgage so you can use the $20,000 to buy furniture and do some minor renovations.

If you opt for the zero down option, your total mortgage amount including mortgage loan insurance would be $411,600. If we assume an interest rate of 6.5%, accelerated bi-weekly payments and a 35-year amortization, your bi-weekly mortgage payment would by $1,230. After five years, you would have paid down your mortgage by $33,600.

If you had opted to purchase with a 5% down payment, your total mortgage amount including mortgage loan insurance would be $390,450. We will also assume a 5% discounted interest rate and accelerated bi-weekly payments. If we keep the mortgage payment the same at $1,230, we find that it takes you 21.5 years to pay down your mortgage instead of 35 years. After five years, you would have paid down your mortgage by $72,450.

The hidden cost of taking a zero down mortgage in this scenario is $38,850, or the $72,450 in equity you would have accumulated in 5 years with a 5% down payment minus the $33,600 you accumulate with no down payment. Not having a 5% down payment costs you $38,850 during the first five years of your mortgage. The other hidden cost is the fact that it would take you 13.5 years longer to pay down your mortgage than if you bought with a 5% down payment.



DEFENSIVE HOME BUYING STRATEGIES

After examining the current market and taking stock of your personal financial situation, you've decided that you are ready to buy a house. Maybe you're looking to capitalize on falling home prices or perhaps a life change is making a new home a necessity. Whatever your personal circumstances, you need to make the right decisions today to ensure that your investment is secure in the future.

The fear of financial loss is the one fear that virtually all buyers confront. When buying in a slowing market, this fear is even more pronounced. That is why is it important to identify and mitigate major risks associated with buying a home. Our defensive buying strategies are designed to help protect your initial investment, even if your house does not appreciate in value by the time you decide to sell it. They are designed for today's market.

We will examine ten strategies – three of which we have already reviewed. If you have identified issues with any of the following strategies, you need to seriously reconsider buying a home in today's market.

1. **Assess vulnerability to job or income loss.**

   You need to focus on more foundational personal finance goals if you are experiencing or may experience significant income or job loss. Talk to your financial planner or consult with a registered non-profit counseling agency about developing a proper strategy immediately. If you are buying with a partner and only one of you is vulnerable to job or income loss, you should consider a more radical defensive buying strategy, such arriving at a buying budget based on <u>only one</u> of your salaries and/or income.

2. **Plan to stay put for at least 5 years.**

   You must be able to afford to stay in your home for at least five years or more to weather a slowing real estate market. Identify a budget to ensure that you do not overextend yourself and make staying in your home difficult. You will also need to consider your current and future lifestyle needs to ensure that the home you buy today can accommodate potential life changes within the next 5 years.

3. **Save up at least a 5% down payment.**

   Regardless of what financial products are on offer, you must first save up at least a 5% down payment to protect the significant investment you will make when you buy a home. Realizing this critical goal will provide a framework for realizing other key financial goals.

We'll now turn to six additional defensive buying strategies.

4. **Get your finances in order.**
5. **Save up an emergency cushion.**
6. **Don't overextend yourself.**
7. **Choose a home first, neighbourhood second.**
8. **Look for value.**
9. **Think twice about pre-construction.**
10. **Buy a house with a rental.**

Get your finances in order

Before you start looking at houses, you want to make sure your personal finances are in good shape. Just because your bank is willing to give you a mortgage pre-approval, it doesn't mean that your finances in order.

The goal here is to try to adjust your personal debt obligations to reduce the overall interest you will pay on your mortgage. You want to get this sorted out before you buy your home. If you have followed the 5% down payment strategy, you are well on your way to making sure your finances are in order as you will have already followed some of these steps.

Credit card debt is one of the first things you should be taking a look at. If you are carrying balances on your credit cards you need to meet with your financial planner or contact a registered non-profit conselling agency to eliminate these balances before buying a house. Saving money to pay off those balances should be your first plan of attack, but your financial planner may also suggest helping you lower the amount you need to pay by consolidating the debt into a loan or line of credit with a lower interest payment. If your plan is to consolidate, make sure to inform your financial planner of any other loans you might have. They may be able to consolidate all of your outstanding debt obligations into one loan with a lower interest rate and a lower monthly payment.

In addition to getting your debt obligations in order, you're going to want to get your savings in order as well. As we have discussed, you should make it a goal to save at least a 5% down payment. For a $200,000 home, your down payment would be $10,000.

You will also need to save up to pay the closing costs associated with the purchase of a home. Closing costs include all the taxes and fees, including legal fees required to process the transaction, and are usually between 2-3% of the purchase price. Looking at a $200,000 home, this would amount to approximately $4,000-$6,000 in closing costs. If you are not a first-time buyer and/or are purchasing property over $400,000, you will also need to take into account recently introduced land transfer taxes in Toronto as well as the recent provincial shift to the harmonized sales tax (HST). First-time buyers and/or those buying property under $400,000 qualify for rebates that offset many of these taxes.

Adding down payment and closing costs together, you should aim to save about 7.5% of the purchase price of your home (5% for your down payment and an average of 2.5% for your closing costs). If you and your financial planner have budgeted for a home valued up to $200,000 and you qualify for a mortgage in this amount, this means that you should begin saving approximately $15,000. See the following table for more price points, keeping in mind that these rule of thumb amounts will change according to your own particular circumstances.

Savings Required to Buy a Home

Home Price	Down payment (5% min.)	Closing costs (2.5%)	Total savings required (7.5%)
100,000	5,000	2,500	7,500
150,000	7,500	3,750	11,250
200,000	10,000	5,000	15,000
250,000	12,500	6,250	18,750
300,000	15,000	7,500	22,500
350,000	17,500	8,750	26,250
400,000	20,000	10,000	30,000

Save an emergency cushion

Given the uncertainty of the economy at present, personal finance experts advise their clients to save up an emergency cushion to cover core living expenses (including mortgage payments) for up to six months. The purpose of this fund is to be able to cover your expenses in the event of unforeseen job or income loss. This is another step in ensuring that your finances are in order.

While it is necessary for you to save up to cover your down payment and closing costs *before* you begin your search for a home, you can save your cushion while looking for and even after purchasing your home. The idea here is not to set up an unattainable goal but rather to further develop your positive financial habits and build up a financial defense given the state of today's economy.

You can speak to your financial planner about setting aside a reasonable amount of your income each month. Many experts use 10% to 12% of your weekly, bi-weekly or monthly salary payment as a good rule of thumb. You can arrange for your bank to transfer this amount directly from your account to an appropriate saving account or fund. It is also important to note that there are a number of new products on the market, including tax-free savings accounts for non-retirement use. Talk to your planner to identify the right vehicle for you.

Don't overextend yourself

We have touched on this in previous sections, but the danger of overextending yourself when you buy a home cannot be overemphasized. Even in the best of markets, I advise buyers not to spend the most that they can on a home but rather the least they can to meet their key needs. This advice is particularly important in a slowing market.

Before you head out home shopping, you will need to create a personal budget in order to understand how much you can afford to spend on a home. Your lender will tell you the maximum amount they'll lend you to buy a home. You can use online tools (see realosophy.com for home buying calculators) to calculate the amount you may receive from the bank, but remember that you should always verify this information by formally applying to your bank for pre-approval.

Receiving a pre-approval from your bank only gives you a part of picture in determining how much you should spend on your new home. Every buyer is unique. The formulas that banks use to determine your mortgage amount do not take into account your personal lifestyle choices or long-term goals. Perhaps you would prefer to spend much less on a house than you actually could in order to put the extra money towards an education fund or a hobby that you're passionate about. Whether it's earning a university degree or becoming an amateur haiku poet, if it's important to you, be sure to include it in your planning. If you are self-employed you may also want to spend less on your home to give yourself some breathing room in case you find that your sales are down in the current market. The same applies to salaried employees who normally rely on bonuses to top up their income.

Your home should enhance your life, not limit it. You may have heard the expression "house poor" used to describe those who make financial sacrifices to live where they do or provide their children with a large backyard. These decisions are highly personal ones and they may be right for some. Whatever you do decide to do, make sure it is your own choice. Develop a detailed budget and figure out how much you really want to spend each month on home-related expenses. In making your budget, make sure that you take the time to think about your lifestyle choices over the next five years.

It is helpful to develop your budget with your financial planner as she may be able to point out costs and considerations that you may otherwise forget to take into account.

REAL LIFE – BUYING A HOME THAT'S MANAGEABLE ON ONE INCOME

Given the current state of the economy, it may be prudent to take a more radical approach to avoiding overextension. A couple I recently worked with earned incomes which together qualified them for a $650,000 mortgage. Even though this price point left them with monthly payments that were manageable given their joint income, the couple decided to spend what they could afford based on one income alone. They both felt their jobs were relatively secure but wanted to be safe as they were buying their home in a period of economic uncertainty. Importantly, they were very happy with their housing and neighbourhood choices in the $325,000 price range and knew they could live there comfortably for the next five years. It can be psychologically and emotionally difficult for buyers to spend less than the mortgage amount they qualify for, but those that spend cautiously stand to gain over the long run.

In addition to offering you more security should you or your buying partner lose a job and/or income, it also means more money in your pocket if you decide to accelerate your mortgage payments. In the above example, the couple's mortgage payment on the $325,000 home was based on a 35-year amortization mortgage which left them with payments that were manageable on one income. But since their double income allowed them to put more towards their mortgage, they decided to double up their payment each month. If a financial emergency came up, they could always revert back to their lower monthly mortgage payment. But if their finances remained strong, they could continue to double up their payments for the life of their mortgage, becoming mortgage free in 11.5 years instead of 35 years.

A slowing market is not the time to overextend yourself on a home, particularly when falling home prices mean that there is greater selection available at a range of price points. Focus on spending as little as possible on your home. It will mean a world of difference to your peace of mind and long-term financial prospects.

Choose house first, neighbourhood second

Choosing the right neighbourhood is a very important part of the home buying process. Unfortunately, many buyers often find that they cannot afford the type of house they want in their first choice neighbourhood. They are then faced with the decision to purchase the perfect house in their second choice neighbourhood or the not so perfect house in their preferred neighbourhood.

REAL LIFE – CHOOSING BETWEEN HOME AND NEIGHBOURHOOD

Here's a real life example of two buyers who were faced with the challenge of prioritizing between home and neighbourhood.

Steven and Sarah were looking for a well maintained 3 bedroom house with parking in a well known and established Toronto neighbourhood. They were planning to have children over the next couple of years and wanted a big enough house for them to grow into. As they started to look for homes in their preferred neighbourhood they quickly realized that the most they could afford was a 2 bedroom house with no parking. After visiting a few open houses in a nearby up and coming neighbourhood they saw that they could easily afford the house they wanted in a less established neighbourhood.

Steven and Sarah were faced with a decision that many buyers come across, deciding between the house they want and the neighbourhood they want.

The best solution for them really depends on how long Steven and Sarah are prepared to live in each of the houses. If they can realistically commit to living in the two bedroom home in their preferred neighbourhood for at least five years then they could buy in their preferred neighbourhood with confidence. If, on the other hand, they know that they'll outgrow the two bedroom house in the next two to three years, but can stay in the three bedroom house in the up and coming neighbourhood for at least five years, they should buy in their second choice neighbourhood.

In a slowing market, preference should go to the house that will accommodate your lifestyle and needs for at least the next five years. This may mean choosing a bigger home over a preferred neighbourhood.

For others, this may mean choosing an established neighbourhood that has the schools your family will soon need over an up and coming neighbourhood that is still developing.

Some might argue that real estate is all about "*location, location, location*" and it's always better to buy in the best and most established neighbourhoods. While location is an important factor in your buying decision, it's not the only factor. Location is just one of several factors that will ultimately determine which house is right for you. Remember, the goal of our defensive buying strategies is to minimize the risk of losing your investment in a slowing market which means avoiding the risk of having to move too early.

Look for value

There are two key things you should look for when you are out looking for a home that offers good value for its price.

The first is the physical features of a home. As you walk through each house, determine whether the bedrooms are big enough, the closets ample in size, the kitchen functional and the backyard spacious. Another important physical attribute you need to consider is the floor plan of the house. Do you like the way the house is laid out? Keep in mind that some walls can be removed to create a more open concept layout, if that is what you prefer. Make sure you get in touch with a reputable contractor to see if the renovation you have in mind is doable and be sure to get a rough estimate of the cost before you buy. Whatever changes you would like to make, know that the general layout, the footprint of the home, cannot be changed, so make sure that the basic frame is something you are really happy with. Homes that can be modified to suit your needs at a reasonable renovation expense can be good value choices.

The other thing you want to take note of is your emotional reaction to a home. The real estate industry has long realized the power of the emotional reaction and an entire industry called 'staging' has spawned as a result. Listing agents transform (or stage) the interior decor of home for sale into something they believe will trigger the sensation of 'love at first sight.' Staging can be as simple as cleaning up clutter and re-arranging furniture, to something as extravagant as repainting and renting furniture and artwork to give the house a very specific look and feel. Regardless of whether a home is being staged or if the seller is actually selling a stunning home, the point here is that the emotional reaction that most people have when looking at a home has a lot to do with its interior design.

It can be really hard to imagine what a house would look like once liberated from 1970s pea-green wallpaper.

In a slowing market, home prices are likely to decline in the near term – even after you buy. It is not the time to pay extra for good packaging – you want to pay as close to the true value of the home as you can. This will help ensure that you will fully recover your investment as the market balances out over the longer term.

When you are out looking at home, ask yourself what it is that you do not like about a home before you simply dismiss it. If you find that a home has all of the physical features you are looking for, but just doesn't excite you, maybe you are being influenced by the interior decor of the home. If you find yourself in this situation, do your best to picture what the home would look like if you were to re-design or decorate it. This exercise requires a lot of creativity on your part, and unfortunately, the more unsightly a home is, the harder this is to do. It can be really hard to imagine what a house would look like once liberated from 1970s pea-green wallpaper. But the effort is well worth it - the buyer who can look beyond a home's current decor has a better chance of finding a good value.

Think twice about pre-construction

> **"It's another feature of the speculative mode that, as time passes, the tendency to look beyond the simple fact of increasing values to the reasons on which it depends greatly diminishes."**
>
> — John Kenneth Galbraith, Economist and Author, *The Great Crash 1929*

The past ten years were kind to buyers and real estate speculators who invested in pre-construction homes and condominiums. Purchasers who bought in the early stages of a new development were able to realize a significant return on their investment by the time their home or condo was completed.

Long lineups of purchasers eager to buy early before prices went up were a staple of new condo openings during this decade's condo boom. When Toronto's Tannery Lofts sales office opened in 2004, the sales team would ring a cowbell to inform the lineup of waiting purchasers that prices had just been jacked up. The height of Toronto's condo madness was reached when realtors began paying students to wait in line outside the sales office of 1 Bloor, up to a week before the sales office opened.

For too many years there has been an underlying assumption among many condo purchasers that you can't lose when buying a new construction condo. The assumption is that if you buy early enough, you are virtually guaranteed to make a significant return on your investment by the time your condo is completed. This underlying belief about the condo market reminds me of something John Kenneth Galbraith once wrote, "it's another feature of the speculative mode that, as time passes, the tendency to look beyond the simple fact of increasing values to the reasons on which it depends greatly diminishes."

Do new construction homes and condos always increase in value or were the increases this decade a function of a booming real estate market? What happens if prices remain flat, or even drop slightly, over the next five years? How will this impact your investment by the time it is completed? If you assume that your new construction home/condo will not appreciate in value by the time you take possession, would you still buy?

Our booming real estate market has made many people forget that there are risks with buying new construction. Even the assumption that your condominium will be completed is something that purchasers need to start questioning. Jane Renwick from the condo consulting firm Urbanation reported in October 2008 that up to 30% of the 120 new condos being marketed and not yet under construction may never even break ground, "the "A" locations – the ones downtown, or near subway lines and being built by proven developers – aren't affected. It's the "B" locations being presold by unproven developers that are causing concern."

The market has changed significantly over the past year. Your buying decisions should not be based on the same assumptions you had two years ago. If you're contemplating buying new construction, leave your previous assumptions at the door and look closely at all the factors that may impact your investment. Ask yourself whether the home or condo you are looking at will keep you within your budget and satisfy your needs for at least the next five years – without the expectation of any quick return on your investment.

"...the "A" locations – the ones downtown, or near subway lines and being built by proven developers – aren't affected. It's the "B" locations being presold by unproven developers that are causing concern."

— Jane Renwick, Urbanation

With condos, remember that location does tend to matter when it comes time to sell as many buyers look to sacrifice living space for a more convenient lifestyle. While market fundamentals in Toronto are generally sound, there is more uncertainty about longer-term supply and demand prospects for condos given the city's recent boom. In the condo market it is difficult to determine how much demand is driven by residents choosing to live closer to work and play and how much is driven by absent, often foreign, speculators. If too many units come onto the market at the same time, owners may increasingly turn them into rentals affecting the quality of resident communities in some buildings. More generally, increased supply may lead to downward pressure on prices. In a slowing market, it is important to remember that there is indeed an A list and a B list. After visiting a condo, look for reasonably good quality amenities like grocery stores, restaurants and public transit. Better yet, take the bus or subway home and evaluate the duration and ease of travel.

If you have settled on a home or condo that fits your budget and lifestyle needs and are satisfied about its value, you should spend the rest of your time researching outside of sales rooms and model suites. Check into the track record of the developer and try to speak to people living in the same complex or other buildings. Many internet groups and websites have been set up by consumers for this purpose. Call local authorities to ensure that firms involved with the project are registered properly. Make sure your agent and a reputable real estate lawyer look at any document before you sign it.

Buy a house with a rental

Houses with rentals come in various styles, locations and price ranges. They range from an entry level bungalow with a basement apartment to a luxurious duplex in a high end neighbourhood. Regardless of what price range you're in, a house with a rental can be a great defensive strategy in a slowing market.

The key to this strategy is to apply the monthly rent you're receiving from your tenant directly to your mortgage. This payment should be over and above the monthly mortgage payment you make each month. For example, if your monthly mortgage payment is $1,500 and you have a tenant paying $700 for a basement apartment, you should be paying $2,200 directly to your mortgage each month.

By applying the additional rental income directly to your mortgage, your tenant's payments are lowering your mortgage amount and increasing the equity in your home. This additional equity gives you a bigger cushion to work with should house prices not recover completely by the time you want to sell.

This strategy is particularly effective for individuals who find they need to sell their house much sooner than they originally planned, for example, due to job relocation. Suppose that three years into buying your home, you suddenly need to sell. In order to break even you must have accumulated enough additional equity in your home to cover all the closing costs of buying and selling which can run as high as 10% of your home's value – equity over and above your original down payment for the home.

There are two main ways to accumulate additional equity in your home. The first is capital appreciation, which is a fancy way of saying that your home rises in value (as determined by the market). As your home increases in value over time, this translates into more money in your pocket when you decide to sell. The other way to accumulate additional equity is by reducing the outstanding amount owed on your mortgage. This amount declines naturally as you make your regular mortgage payments, and can be accelerated by making additional payments, for example, by applying your tenant's rent payment to your mortgage.

When you make these additional rent payments towards your mortgage, you end up developing a protective cushion that protects your down payment from a potential loss in the future.

REAL LIFE – USING A RENTAL TO PROTECT YOUR INVESTMENT

If your tenant's rent is $700 per month and you apply that rent towards your mortgage each month, you'll have roughly $25,000 in additional equity after three years, thanks to your tenant. You have also given yourself a $25,000 cushion that will protect your down payment from any potential loss should you need to sell suddenly. This means that should you sell your house after three years and find yourself down $25,000 after the transaction has been finalized, your tenant's rent will cover this loss, leaving your down payment safely in your pocket.

Act Defensively, Buy Safely

We are all feeling anxious these days and it's no wonder – media headlines continue to trumpet bad news and friends and family are worrying about their jobs and personal finances. It's a difficult time, and yet, it's still the right time to buy for some.

Take the time to consider whether it's the right time to buy for you. If you are reasonably secure about your job and/or income, can save up a down payment of at least 5% and plan to stay in your home for at least five years, you can buy a home with a degree of confidence. Follow our defensive buying strategies to further protect your investment and this confidence will grow.

Choosing Help Carefully

As you study these defensive buying strategies and work to implement them, it is important that you consult with professionals who are trained to tailor these strategies to fit your personal circumstances.

Real Estate Agent

A real estate agent specializes in buying and selling homes. Provincial legislation requires real estate agents to identify themselves as salespeople, but when you choose a buying agent, you should look for someone that acts as a consultant rather than a salesperson. You may wish attend free workshops or read local real estate blogs to identify agents who are committed to providing an objective analysis of the market. Visit websites to understand how brokerages aim to oversee their agents and ensure a consistent level of client service. You can also ask family and friends for referrals.

Real estate agents must operate with a provincial license and be registered with the Real Estate Council of Ontario (www.reco.on.ca). Real estate brokers have additional license to be responsible for a brokerage.

Financial Planner

A financial planner is trained to help you realize your short and long term financial goals. Look for a planner that is able to explain complex financial issues in plain language and willing to advocate for your interests. Certified financial planners have achieved professional standards required by the Planners Standards Council (www.fpsc.ca), a Canadian not-for-profit organization. Contact banks in your area and interview planners to find one that meets your needs. You may also wish to ask friends and family for referrals. You should not hesitate to seek a second opinion from another planner if you are uncertain about a proposed a course of action.

If you are experiencing debt or financial problems, you may wish to contact a not-for-profit credit counseling agency that is member to the Ontario Association of Credit Counselling Services (www.oaccs.com).

Mortgage Broker

A mortgage broker works to help you finance your home purchase through a mortgage (loan). A good broker is more interested in understanding your financial needs and goals than selling the financial product of the day. Your broker should be able to explain how much you will owe, and what your interest rate and payments will be over the entire length of your mortgage. Visit several banks in your area to find the right broker and the right financial products for you. Your real estate agent may be able to provide a referral as well.

In Ontario, mortgage brokering professionals are licensed by the Financial Services Commission of Ontario (www.fsco.gov.on.ca), an arm's-length agency of the Ministry of Finance.

Lawyer

A lawyer is responsible for drafting your paperwork and looking after your best interests. Your real estate agent may be able to refer you to a trusted lawyer or you may contact reputable firms that specialize in real estate. Your lawyer should be able to explain complex issues in plain language and help you determine your level of risk in a transaction. If you are buying a new construction condo or home from a builder, it is especially important that your lawyer review any documentation before you sign.

The Law Society of Upper Canada (www.lsuc.on.ca) is the governing body for lawyers and paralegals in Ontario.

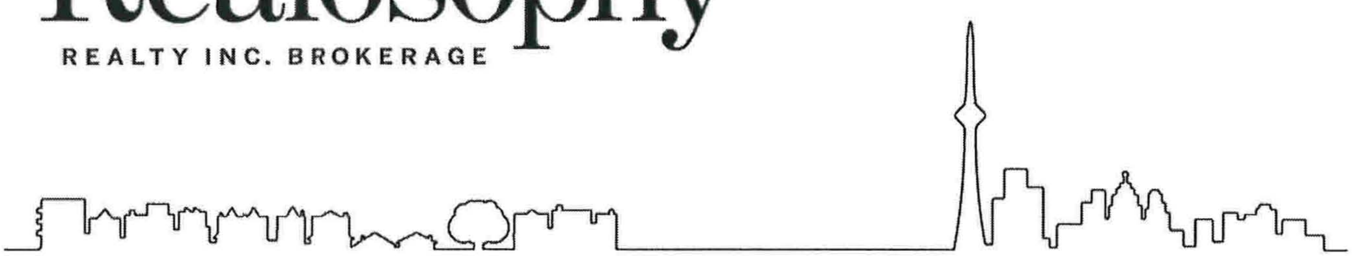
EXHIBIT "H"

1.5% Home Selling Blitz
Get more. Keep more.

Sell your house for more money and pay less commission.

Realosophy

REALTY INC. BROKERAGE



How you get more:

1 | Realosophy Home Seller Kit

Selling your house can be overwhelming. Our Home Seller Kit gets you informed, organized and in control. You avoid stressful surprises and have a better selling experience. Includes detailed checklists.

2 | Valuation: What is Your House Worth?

The biggest question for every seller is "how much?" Your Realosophy sales representative helps you evaluate comparable houses and current demand in your neighbourhood. This first session also gives you a chance to decide if your sales representative is a good fit for you.

3 | Reality Check: Is it the Right Time for You to Sell?

Sellers often focus on market conditions ("buy low, sell high") when it's personal circumstances that matter most – for example, have you owned your house long enough to make a return? At Realosophy, we tell you if it isn't the right time for you to sell. Includes customized financial spreadsheets. And if needed, quick hand drawn charts to illustrate financial implications (we get passionate about these things).

4 | Action Plan: Prep Your Product

Houses that connect with today's buyers sell for more. We do a complete tour of your house and develop a customized action plan to improve the overall look of your house and tackle potential deal breakers (like an oil tank or a tricky layout). The key to the plan? Strategic solutions that get you the biggest bang for your buck.

5 | Pricing Strategy powered by realosophy.com

A poorly priced house keeps you from reaching your goal – whether it's to sell for the highest possible price or sell quickly enough to make your next move. So it's critical to price right. We use our valuation of your house and our exclusive realosophy.com data which tells us current demand conditions in your neighbourhood to recommend the right pricing strategy for you.

6 | Professional Photo Package

It's outrageous that people try to sell a product worth hundreds of thousands of dollars with blurry images, shadowy rooms and "no photos available" messages. We use the best photography and modern design (think architecture magazines) to market your house. Because anything less is unacceptable. Includes full colour photo package, feature listing sheet and postcards.

7 | Realosophy Online Blitz

90% of buyers search online for houses. The Realosophy Online Blitz ensures that buyers see your house on the MLS, realosophy.com, Craigslist and all major real estate websites where buyers can tour – and fall in love with – your house 24/7. Includes dedicated website (www.123yourhouse.com), 360 virtual tour, mobile marketing and website traffic reports.

8 | Showings and Open Houses

To get offers, you need to show your house and show often. We organize and run all open houses and showings so you don't have to be there. You stay in control of the entire process by logging onto a secure website to accept, decline and keep track of showings.

9 | Handle Objections

Failing to handle buyer objections properly is the number one reason good offers are lost. Our goal is to bring in as many good offers as we can. To do this, we get to the heart of buyer objections, communicate respectfully and effectively with all parties and advise you on strategic responses.

10 | Make the Sale

Offer day! We advise you on each offer – helping you weigh various combinations of price, conditions and special clauses. Any offer you accept is a binding agreement so we make sure you don't agree to anything that is not in your best interest. And we're here long after to advise you on any post-sale issues (for example, what to do if a tenant doesn't vacate).

Bonus | Realosophy Neighbourhood Match Report

Buying after you sell? Realosophy is known for our innovative services for home buyers. Our exclusive Neighbourhood Match technology matches you to over 170+ Toronto neighbourhoods based on your budget, school quality and lifestyle needs, ranking your top choices by price appreciation and housing availability. We'd be pleased to include this service in our 1.5% Home Selling Blitz for you at anytime.

How you keep more:

You pay only 1.5% seller agent commission. The fee is based on your house sale price so you only pay when your house sells. That's at least $5,000 in savings on a $500,000 house when compared with traditional seller agents who charge 2.5% (or even 3%!)

We still recommend you offer 2.5% to buyer agents to get the highest number of offers possible (plus buyers agents are great allies when it comes to making deals happen). But we've gone further with our Realosophy Fee Promise: if a buyer buys without a buyer agent, you don't pay this fee. It's only fair.

Thinking of selling your house?
Get started with a free home valuation.

Contact us today:

Realosophy Realty Inc. Brokerage
1152 Queen Street East (@ Jones Ave.)
Toronto ON M4M 1L2
647-347-7325
info@realosophy.com
www.realosophy.com

EXHIBIT
"I"

The Realosophy

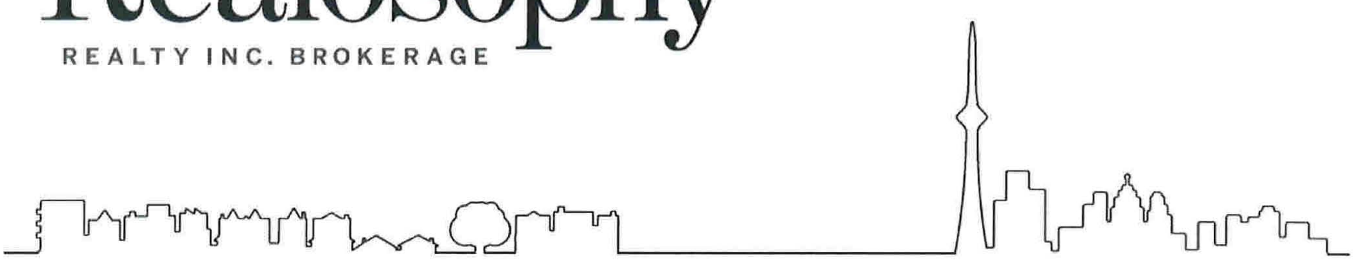
Home Buying Method

For today's home buyer.

Frank advice and neighbourhood insights that help you buy smarter.

Realosophy

REALTY INC. BROKERAGE



How you buy smarter:

1 | The "Before You Buy" Consultation

Home buying can be stressful. Our 2-hour consultation gets you well prepared and in control. You avoid surprises and have a better buying experience. This first session lets you decide if your Realosophy sales representative is a good fit for you. Includes home buyer kit.

2 | Reality Check: Is it the Right Time for You to Buy?

Your personal situation is the most important factor in buying smarter. At Realosophy, we tell you if it isn't the right time for you to buy – for example, can you stay in your home for at least 5 years? Includes customized financial spreadsheets and, if needed, hand drawn charts (we love making complex numbers simple).

3 | Realosophy Defensive Home Buying

We're living in interesting economic times – making a big financial decision seem even bigger. We show you how to make sense of – and buy safely – in today's market. For example, do you know why going zero down is a bad idea? Includes insight-packed guide.

4 | Realosophy Neighbourhood Match

A buyer favourite. We use our proprietary technology to assess your top neighbourhood choices and recommend three others – including a few you haven't heard of! Our data and our sales experience gives us expert knowledge of over 170 Toronto neighbourhoods and our analytics power Globe and Mail and Toronto Life Magazine housing reports.

5 | Customized Home Buying Strategy

Seeing lots of homes – and lots of pros and cons – gets confusing. We keep you and your buying partner focused and in sync with our customized home buying strategy. Includes your budget, lifestyle goals, top neighbourhoods and deal breakers.

6 | 10-Point Home Check

Home viewing is an active job. While you're busy falling in love with a newly renovated kitchen, we're looking for potential problems like knob and tube wiring. We've developed a 10-point checklist to make sure we protect your interests at every home viewing.

7 | The Regroup

Whether you're no longer excited about a gut reno or paying condo fees, we're good at sensing a change in your vision. We help you navigate this all-too-common problem – and avoid unnecessary frustration. This session updates your customized home buying strategy as needed.

8 | Price Advice

When you find a home you want to buy, we focus on getting the numbers right. You can make an offer with confidence knowing that your bank looks at the same numbers when they do an appraisal for your mortgage. Includes written market comparables.

9 | Win the Home

Multiple offers are common in many of Toronto's popular neighbourhoods. Many home buyers are building lifestyles around good schools, walkability or short commutes and choose to pay premiums for these values – resulting in stiff competition. We prep you in advance so you know how to win a multiple offer – and when to walk away.

Once you make an offer and a seller accepts it, you've entered into a binding agreement so we make sure you don't commit to anything that isn't in your best interest.

10 | Move In

A new home! As you head towards moving day, we make sure you don't miss a critical step – from getting a lawyer to connecting with your mortgage lender. And we're always here to advise you on any issues (like a seller who has left their junk behind). Includes timely reminders.

Thinking of buying a house?
Get started with a no obligation buyer consultation.

Contact us today:

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