

# Real Estate Monthly

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## Ontario's Top 10 Cities for Real Estate Investment Report Released

Latest research forecasts which Ontario cities will outperform the rest of the province's housing and rental markets, despite recent dramatic value increases

A new report released last month shows Ottawa, our nation's capital, has the growth, diversity and strength required to lead the province in real estate market performance over the next five-year period. The report – REIN's top 10 Ontario Cities - helps home-buyers, sellers, developers and investors decide whether now is a good time to buy, or sell, a property in their target city. Studying 36 economic and market factors, REIN identifies Ontario real estate markets that are poised to outperform over the rest of the province. The detailed report provides additional analysis that concludes where each market is in the real estate cycle and what to expect as the cycle continues.

Ranked in order of potential for housing market strength over the coming five-year period:

- 1) Ottawa
- 2) Kitchener -Waterloo-Cambridge
- 3) Hamilton
- 4) Barrie
- 5) Brampton
- 6) Durham Region
- 7) Toronto
- 8) Kingston
- 9) Orillia
- 10) Grimsby and St. Catharines

"This is the first time in the over 26 years of producing these reports that there are so many

wild-cards in play each of which can have a direct impact on the housing markets across the province," says Don R. Campbell, REIN's Senior Analyst, "that is why now, more than ever, it is important for home-buyers, investors and developers to dig deeper in their research before making a decision. That is why we have factored in 36 different components for each city as we uncover the least risky markets in the province".

For the first time, the report looks beyond the economic fundamentals and market influencers, digging deeper to reveal where, when, and how to invest:

- Where each city sits in the technical phase of REIN's real estate cycle.
- For investors: Given each city's phase in REIN's real estate cycle, the report shares which investment strategies and tactics will be the most, or least, effective.
- For home buyers: The report provides answers to the key question on whether or not now is a good time to sell, given a city's position in the cycle.

For those who pay close attention there are many possibilities and opportunities when employing the appropriate investing strategies and related tactics:

- Buy and Hold
- Rent to Own
- Fix and Flip

At the right time, in the right phase of REIN's real estate cycle, in the right city.

## BUYERS GET A JUMP ON THE SPRING MARKET

Members of the Ottawa Real Estate Board (OREB) sold 1,660 residential properties in March 2018 compared with 1,478 in March 2017, an increase of 12.3 percent.

"Inventory continues to fall below normal average, but we are still seeing more sales than last year because listings are not staying on the market," states OREB's President.

"Properties that are priced well are selling quickly with days on market dropping to an average of 43 days from an average of 54 days on market in March 2017," OREB's President went on to explain.

The average sale price of a residential-class property sold in March in the Ottawa area was \$447,561, an increase of 8 percent over March 2017. The average sale price for a condominium-class property was \$275,592, an increase of 0.7 percent from March 2017.

"The most active price point in the residential market continues to be the \$300,000 to \$449,999 range, accounting for 46 percent of the market. In addition, the \$500,000 to \$750,000 market is a price point that is showing robust growth representing 21 percent of the residential homes sold in March," added OREB's President.

Call today for real estate advice and information!

# Emptying the Nest: How Parents are Helping their Kids Buy Homes



For parents who have the means to help their kids buy a home in today's pricey environment, gifting money towards a down payment is one of the best way to do it.

In February 2018, the Financial Post ran a story about adults still living with their parents. The figures are staggering. The number of adults still living at Parents Inn—as the Post affectionately referred to it—is up 13.3 percent since 2001. For reference, young adults living with a spouse or partner is down 14.6 percent.

For many boomers who, through modern healthcare and better habits, have been given a second chance at a teenager's existence (albeit with more money and less mobility), their kids are definitely cramping their style.

"I'm 66 years old," says Steven James (not his real name), a retired mechanic from Oakville. "I didn't work my butt off for the last 48 years to share my bathroom with my son."

Steven's not alone. Boomers across the country are done with multi-generational living. And it's gotten to the point where they're throwing money at the problem. Of Canadian parents recently polled by CIBC, 76 percent would give their kids a financial boost to help them move out, get married or move in with a partner.

But these days, given the average price of a starter home and the state of employment for young people (the record low since 1976 was still over 10 percent), it's going to take more than just a "boost."

If you're in a position to help your kids buy a home (and help yourself reclaim your home), you have many options. But a gift—otherwise known as a living inheritance—is among the most sensible. Here are three reasons why:

### **1. Gifting money makes the most sense for tax reasons.**

As a baby boomer, you're in the middle of an unprecedented wealth transfer that CIBC capital markets estimates to be in the range of \$750 billion in cash, property and investment holdings. If you're in the position to not need the money coming to you, that windfall will just amount to a big tax hit. However, if you were to

turn around and gift it to your kids, it's no longer a tax burden for you or them (unlike in the U.S., Canada has no gift tax). For all intents and purposes, gifting money is a way to take it off your books, without putting it on your kids' books.

### **2. Gifting money makes the most sense for legacy reasons.**

Shirt sleeves to shirt sleeves in three generations. This old proverb neatly sums up what happens when large sums of money are passed down through a family. You've no doubt heard of wealthy heirs who finally get their hands on the family fortune, only to squander it away within a generation.

While you still have some control over where your money goes, gifting a portion of it towards the purchase of an appreciating asset for your children is sensible.

You won't want to gift that money in the form of straight cash—it would be too easy for your kids to spend it haphazardly.

And you won't want to gift a piece of property over to your kids. This is seen as a gift of assets "in-kind" and the Canada Revenue Agency will treat the transaction as if you sold the property at fair market value. You'll be hit with a tax bill for 50 per cent of the capital gains, which could be substantial on an inherited property bought decades ago.

To gift the money for a real estate purchase, you'll sign a letter confirming that the money is a gift and isn't required to be paid back. On the morning of signing day, you'll transfer the funds to your kid's account (most primary lenders need to see money in the account before they complete the mortgage transaction).

### **3. Gifting money makes the most sense for legal reasons.**

If you want to help your kids with their mortgage and you don't have the liquidity to hand over a sizeable amount of cash, the other option is to co-sign or guarantee their mortgage. The problem with this approach is varying degrees of liability. By co-signing or guaranteeing the loan, you are assuming responsibility if things go wrong for your child if they can't pay their mortgage. You can potentially be putting your financial future at stake.

In other words, you'd have to have the utmost objective confidence that there's no risk of them defaulting on their mortgage.

Gifting a portion or all of the down payment, like gifting anything else, severs the tie you have with the money. None of it belongs to you, nor does the liability that comes with how it will be used. But the best part of gifting your kids money to buy a home...  
...will come when you are invited over for the first time and can see the fruits of all your labour: a better life for your children and their family.