

Real Estate Monthly



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Canadian Recreational Property Prices Forecast to Appreciate 5.8% in 2018



Retiring Baby Boomers and Gen-Xers drive the recreational property market.

According to a cross-Canada survey of Royal LePage's recreational property specialists, the nation's recreational market is primed for healthy single-digit growth in 2018, as buyers across the land flock to lakes and streams, and the seaside and mountain tops, with an eye towards retirement or a secondary home to raise children.

Looking ahead to the end of the summer market, the price of a recreational property in Canada is forecast to increase 5.8 percent year-over-year to \$467,764. When broken out, the majority of provinces are also forecast to witness strong price growth, with Ontario and Alberta leading the way, rising 10.4 percent and 8.9 percent year-over-year to \$535,885 and \$770,100, respectively. Only three regions are expected to witness recreational home values depreciate, with prices in Atlantic Canada and British Columbia forecast to decline by 7.5 percent and 2.8 percent to \$228,754 and \$531,333, respectively, while Manitoba dips but essentially remains flat with a 0.9 percent decline to \$230,833 over the same period.

"Driven by the strength of the nation's economy, Canada's recreational real estate market is set to experience another strong year," said Phil Soper, president and CEO, Royal LePage. "While home values and sales activity in Canada's largest urban markets have softened, demand for recreational properties remains robust in most regions. The search for that perfect summer getaway continues unabated."

When asked, 42.0 percent of recreational property specialists surveyed believed that sales activity would increase in their region by the end of the cottage season compared to the same period in

2017. However, the uptick in demand found within the regions will not directly translate into a decline in supply, with many respondents in every province, aside from Ontario, forecasting a rise in inventory when compared to 2017 (48.2 percent).

Meanwhile, with a forecast aggregate price of \$290,271, Quebec's recreational market is expected to witness healthy growth, as the province's robust economy draws many purchasers from major city centres into more rural regions. According to the survey, 43.8 percent of respondents in Quebec believe that the number of buyers looking to acquire a recreational property as their first home will increase this year when compared to last.

"We believe strongly in the future of Quebec's recreational property market," added Soper. "With an expanding economy providing more disposable family income, we expect regions like Mont-Tremblant to enjoy strong chalet sales volumes and appreciating property values."

"As Canada's generational shift continues, prospective recreational property purchasers are coming from both the Baby Boomers and Gen-Xers," said Soper. "The market is being driven both by those in search of the retirement home of their dreams, and as a place to introduce children to the wonder of the world's largest and most pristine collection of wilderness areas. Not only do these families view recreational property as a good investment due to its relative affordability and history of steady appreciation in value, but also as a means to start the next exciting chapter of their life."

CONDO SALES KEEP MARKET FROM OVER HEATING

Members of the Ottawa Real Estate Board (OREB) sold 2,070 residential properties in June 2018 compared with 2,163 in June 2017, a decrease of 4.3 percent.

"The first half of 2018 has performed very well with the number of year to date residential sales almost identical to this time last year," states OREB's President. "Condo unit sales have led the way, increasing by 16.8 percent over the same period."

The average sale price of a residential-class property sold in June in the Ottawa area was \$449,200, an increase of 3.4 percent over June 2017. The average sale price for a condominium-class property was \$293,303, an increase of 1.2 percent from June 2017.

"The robust condo numbers are likely fueled by lack of inventory, particularly in the lower price points of the single-family resale market. For example, in the first half of the year there has been a decrease of 37 percent in the number of single-family units sold at the \$250-275K price point and a 41 percent decrease for the \$275-300K price range, whereas there is a corresponding increase in condo sales of 49 percent and 22 percent respectively for those same price points," OREB's President points out.

"This suggests that at the lower end of the single-family resale market, buyers are turning towards condominium units as a way of achieving ownership at a price they can afford. The oversupply in our condo market that once was an issue is now helping to ease our overall inventory shortage," advises OREB's President.

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REAL ESTATE NEWS

Kitchen renovation has greatest potential to boost a property's sale price.

Prospective sellers likely to spend less than 2.5% of a home's value on home improvement.

According to a cross-Canada survey of over 750 Royal LePage real estate experts, a kitchen renovation is the clear upgrade of choice with the potential to boost a property's value by more than 12.5 percent. Both ranking second, a finished basement or a new bathroom has the potential to increase a property's value between 2.5 percent and 12.5 percent, depending on the investment.

"To financially benefit from a home improvement project, you need to keep potential homebuyers in mind," said Kent Browne, Broker Owner, Royal LePage Team Realty. "While updating a kitchen should increase your sale price, a pool can actually deter families with young children or those who are looking for less maintenance."

Adding a pool or deck is considered the least worthwhile renovation to increase a property's value with pricing potential limited to a maximum of 2.5 percent of the value of the home. For Canadians looking for more general guidance on where to focus their home projects, the vast majority of surveyed experts

recommended interior renovations (95.0%) over exterior renovations (5.0%).

"Curb appeal is important but more time is spent indoors at the open house and that is where buyers typically fall in love with a home," added Browne. "When renovating with the potential to sell, the most important thing to remember is to use colours and materials that are popular and not too personal."

The survey showed that prospective sellers are willing to invest less than 2.5 percent of a property's value on home renovations prior to listing their home, which represents an investment of up to \$15,138 on a property valued at \$605,512 – [the current median home price in Canada](#).

When asked which generation is the most likely to renovate their home, 45.1 percent of surveyed experts said baby boomers, as many are planning to sell and downsize. They are also most likely to have the funds needed for a significant renovation.

Popular Home Improvements

Rank	Project	Potential increase to home's selling price	Respondents
1	Kitchen	Greater than 12.5%	54.7%
2	Bathroom	Between 2.5% and 12.5%	50.8%
2	Finished Basement	Between 2.5% and 12.5%	60.0%
4	Eco-upgrades (ie, windows, heating)	Less than 10.0%	60.0%
4	Basement apartment	Less than 10.0%	55.2%
6	Landscaping	Less than 7.5%	60.2%
6	Interior painting	Less than 7.5%	60.2%
8	Exterior painting	Less than 5.0%	54.9%
9	Deck	Less than 2.5%	55.0%
9	Pool	Less than 2.5%	66.4%

About the home renovations ROI survey

The Royal LePage Home Improvement Survey polled 766 real estate advisors from across Canada, between June 20, 2018 and June 25, 2018. Each respondent was asked to complete an online survey composed of 8 questions on the value of popular home improvements.