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REALTY BROKERAGE INC.

SPRING &
SUMMER 2020
EDITION



THINGS TO CONSIDER WHEN
SELLING YOUR HOME

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5 Reasons to Sell This Summer

Below are five compelling reasons listing your home for sale this summer makes sense.

1. Demand Is Strong

The latest *Buyer Traffic Report* from the The Canadian Association of Realtors (CREA) shows that buyer demand remains strong throughout the vast majority of the country. These buyers are ready, willing and able to purchase...and are in the market right now! More often than not, in many areas of the country, multiple buyers are competing with each other to buy the same home.

Take advantage of the buyer activity currently in the market.

2. There Is Less Competition Now

Housing inventory is still under the 6-month supply that is needed for a normal housing market. This means that, in the majority of the country, there are not enough homes for sale to satisfy the number of buyers in the market.

Historically, a homeowner would stay an average of six years in his or her home. Since 2011, that number has hovered between nine and ten years. There is a pent-up desire for many homeowners to move as they were unable to sell over the last few years due to a negative equity situation. As home values continue to appreciate, more and more homeowners will be given the freedom to move.

Many homeowners were reluctant to list their home over the last couple years, for fear that they would not find a home to move in to. That is all changing now as more homes come to market at the higher end. **The choices buyers have will continue to increase. Don't wait until additional inventory comes to market before you decide to sell.**

3. The Process Will Be Quicker

Today's competitive environment has forced buyers to do all they can to stand out from the crowd, including getting pre-approved for their mortgage financing. This makes the entire selling process much faster and much simpler as buyers know exactly what they can afford before home shopping.

There Will Never Be a Better Time to Move Up

If your next move will be into a premium or luxury home, now is the time to move up! The inventory of homes for sale at higher price ranges has forced the luxury market into a buyer's market. This means that if you are planning on selling a starter or trade-up home, your home will sell quickly AND you'll be able to find a premium home to call your own!

According to CREA (The Canadian Real Estate Association) March 16, 2020 News Release, Nationally prices climbed 15.2% Year-Over-Year in February 2020, while locally L-Star (The London and St. Thomas Real Estate Association) recorded a 13% surge in the average home price. If you are moving to a higher-priced home, it will wind up costing you more in raw dollars (*both in down payment and mortgage payment*) if you wait.

5. It's Time to Move on With Your Life

Look at the reason you decided to sell in the first place and determine whether it is worth waiting. Is money more important than being with family? Is money more important than your health? Is money more important than having the freedom to go on with your life the way you think you should?

Only you know the answers to these questions. You have the power to take control of the situation by putting your home on the market. Perhaps the time has come for you and your family to move on and start living the life you desire.

That is what is truly important.



A photograph of a modern building with large windows and a curved facade, partially obscured by an orange banner at the top.

Dispelling the Myth About Home Affordability

We have all seen the headlines reporting that buying a home is less affordable today than it was at any other time in the last ten years, and those headlines are accurate. But, have you ever wondered why the headlines don't say the last 25 years, the last 20 years, or even the last 11 years?

The reason is because homes were less affordable than they are today 25, 20, or even 11 years ago.

Obviously, buying a home is more expensive now than during the ten years immediately following one of the worst housing crashes in Canadian history.

Over the past decade, the market was flooded with distressed properties (*foreclosures and short sales*) that were selling at 10-50% discounts. There were so many distressed properties that the prices of non-distressed properties in the same neighborhoods were lowered and mortgage rates were kept low to help the economy.

Low Prices + Low Mortgage Rates = High Affordability

Prices have since recovered and mortgage rates remain low as the economy has gained strength. This has and will continue to impact housing affordability moving forward.

But let's give Affordability some context. When it comes to housing affordability, the CMHC recommends that total monthly housing costs should be no more than 32% of gross household income. To calculate this, we add the following figures together (Mortgage Cost, Property Tax and 50% of estimated utility cost)/Gross Household Income. Assume your Gross Household Income (GHI) was \$10,000 and you owned a \$453,500 dollar home with a monthly mortgage payment of \$2,027; (assuming a 5% down payment @ 2.59% Mortgage over a 25-year Term). Your estimated taxes would be \$378/month and Cost of \$47. Your affordability index would be 24.52%

Bottom Line

Home prices have started to slow their growth to more historic norms as interest rates have held steady. Both are indicators that affordability will remain steady or improve. Buying a house is an attainable goal in most markets, since it is less expensive to buy today than it was during the 18-year stretch immediately preceding the housing bubble and crash.



Empty Nesters: Best to Remodel or Time to Sell?

Your children have finally moved out and you and your spouse now live alone in a four-bedroom colonial (or a similar type of house). You have two choices to make:

1. Remodel your house to fit your current lifestyle and needs
2. Sell your house and purchase the perfect home

Based on the record of dollars spent on remodeling and renovations, it appears that many homeowners are deciding on number one. But, is that the best long-term solution?

If you currently live in a three- to four-bedroom home, you probably bought it at a time when your children were the major consideration in determining family housing needs. Along with a large home, you more than likely also considered school district, the size of the property and the makeup of other families living in the neighborhood (example: you wanted a block with other kids your children could play with and a backyard large enough to accommodate that).

Remodeling your home to meet your current needs might mean combining two bedrooms to make one beautiful master suite and changing another bedroom into the massive walk-in closet you always wanted. However, if you live in a neighborhood that historically attracts young families, you may be dramatically undermining the value of your house by cutting down the number of bedrooms and making it less desirable to the typical family moving onto your block.

Research shows you will recoup only 64.4% of a remodeling project's investment dollars if you sell in the future.

Your home is probably at its highest value as it stands right now. Instead of remodeling your house, it may make better financial sense to sell your current home and purchase a home that was built specifically to meet your current lifestyle and desires.

In many cases, this well-designed home will give you exactly what you want in less square footage (*read: less real estate taxes!*) than your current home.

Bottom Line

If you are living in a house that no longer fits your needs, at least consider checking out other homes in your area that would meet your lifestyle needs before taking on the cost and hassle of remodeling your current house.



Home Buyer Demand Will Be Strong For Years to Come

There has been a lot written about millennials and their preference to live in city centers above their favorite pizza place. Some have even gone so far as to say that millennials are a “*Renter-Generation*.”

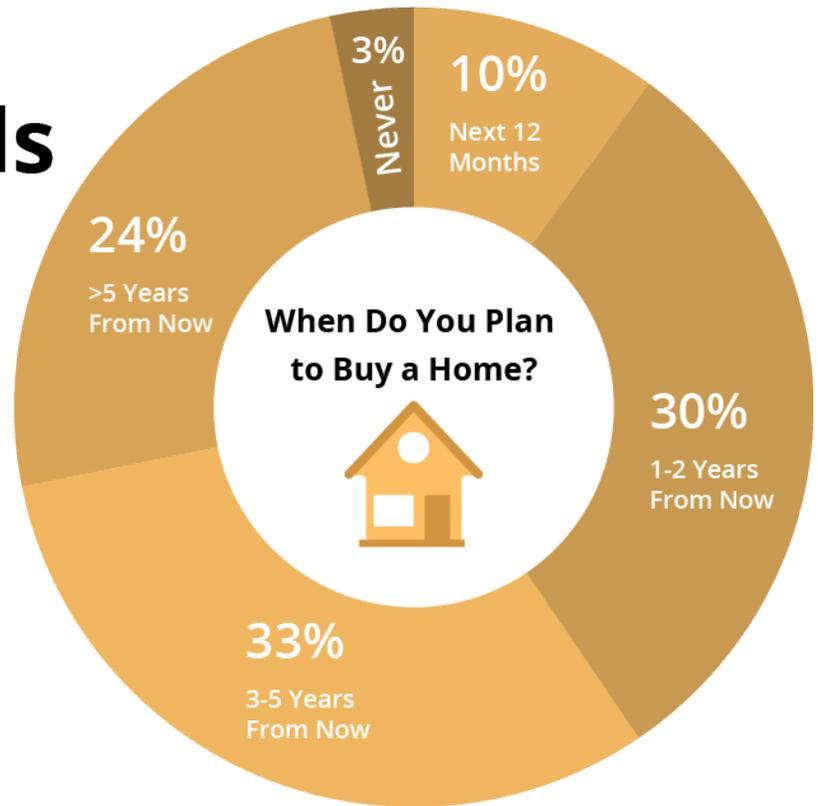
And while this might be true for some millennials, more and more research has surfaced that shows for the vast majority, owning a home is a major part of their Canadian Dream!

Research shows that 66% of millennials who currently rent are **determined to buy a home!**

Renter Millennials

40%
Within 2 Years

73%
Within 5 Years



Seventy-three percent of those surveyed by Pulsenomics plan to buy a home in the next five years, with **40% planning to do so within the next two years!**

“Millennials want to own a home as much as prior generations,” Ali Wolf, Director of Economic Research at Meyers Research says. “We saw millennial shoppers scooping up homes in 2018— and 2019 will be no different.”

Bottom Line

This generation will continue to drive housing demand for years to come.



2 Factors to Watch in Today's Real Estate Market

When it comes to buying or selling a home, there are many factors you should consider. Where you want to live, why you want to buy or sell, and who will help you along your journey are just some of those factors. When it comes to today's real estate market though, the top two factors to consider are what's happening with interest rates & inventory.

Interest Rates

The interest rate you secure when buying a home not only greatly impacts your monthly housing costs, but also impacts your purchasing power.

Purchasing power, simply put, is the amount of home you can afford to buy for the budget you have available to spend. As rates increase, the price of the house you can afford to buy will decrease if you plan to stay within a certain monthly housing budget.

The chart below demonstrates the impact rising interest rates would have if you planned to purchase a \$400,000 home while keeping your principal and interest payments between \$1,800-\$1,900 a month.

With each quarter of a percent increase in interest rate, the value of the home you can afford decreases by 2.5% (in this example, \$10,000). Experts predict that mortgage rates will be closer to 4.6% by the end of next year.

Buyer's Purchasing Power

RATE	5.25	\$ 2,208	\$ 2,154	\$ 2,098	\$ 2,044	\$ 1,988
	5.00	\$ 2,148	\$ 2,094	\$ 2,040	\$ 1,986	\$ 1,932
	4.75	\$ 2,086	\$ 2,034	\$ 1,982	\$ 1,930	\$ 1,878
	4.50	\$ 2,026	\$ 1,976	\$ 1,926	\$ 1,874	\$ 1,824
	4.25	\$ 1,968	\$ 1,919	\$ 1,869	\$ 1,820	\$ 1,771
	4.00	\$ 1,910	\$ 1,862	\$ 1,814	\$ 1,766	\$ 1,719
	3.75	\$ 1,852	\$ 1,806	\$ 1,760	\$ 1,714	\$ 1,667
		\$ 400,000	\$ 390,000	\$ 380,000	\$ 370,000	\$ 360,000
			-2.5%	-5%	-7.5%	-10%

Principal & Interest Payments rounded to the nearest dollar amount



How a Lack of Listings Impacts the Market

Inventory

The housing crisis may be easing as the real estate market moves down the road to recovery. While values are up, there is some indication and concern on the horizon of an increase in bankruptcies which would could lead to a temporary increase in distressed sales (*foreclosures and short sales*). The market will continue to strengthen in 2020.

However, there is one thing that may cause the industry to tap the brakes: a lack of housing inventory! Buyer demand naturally increases during the summer months, but supply has not kept up.



A 'normal' real estate market requires there to be a 6-month supply of homes for sale in order for prices to increase only with inflation. According to the March L=Star Report listing inventory in February 2019 and 2020 was at a 1.5 month supply. This is still well below the 6 months needed), which has put upward pressure on home prices. The Graph at the Left looks at the relationship between Months of Inventory and Average Sale Price. As you can see, when inventory increases, pricing tends to become a bit more stable and can actually fall as shown between October 2018 and January 2019. As inventory tightens up, we head deeper into a Sellers Market with pricing escalating quicker as you see with the February 2020 results.

Bottom Line

If you are thinking of selling, now may be the time. Demand for your house will be strong at a time when there is less competition. That could lead to a quick sale for a great price.



What Does the Future Hold For Home Prices?

Home prices are on the top of everyone's minds. Can they maintain their current pace of appreciation? Will mortgage rates impact home values? Will the next economic slowdown cause prices to crash?

Let's try to answer these questions based on what has happened in the past as well as what we know about the current real estate market.

Capital Economics' senior economist Stephen Brown hinted at this in a [research note](#) published last week.

"While the Bank of Canada has been worried about the effects of looser policy on house prices, it may become more welcoming of a further boost to housing wealth if equity values continue to plummet."

That seems to be Poloz's thinking. Even if people are losing confidence (and money) as a result of rising coronavirus infections and plummeting stock markets, they can at least be reassured that the value of their home is continuing to rise (so long as you're not a first-time buyer looking to enter the market).

So far this year, home values have continued to appreciate above normal historic percentages, and it appears the gradual increase in rates has had little impact on prices.

The Impact of an Economic Slowdown

Many people fear that when the economy turns, we may see the same depreciation in home values as we did a decade ago.

However, the same group of economists, real estate experts, and investment & market strategists who predicted the next recession will occur in 2020 have also projected that home prices will continue to appreciate for the next five years, albeit at smaller percentages.

It Comes Down to Supply and Demand

As always, home prices will be determined by the demand to purchase compared to the available inventory of homes for sale.

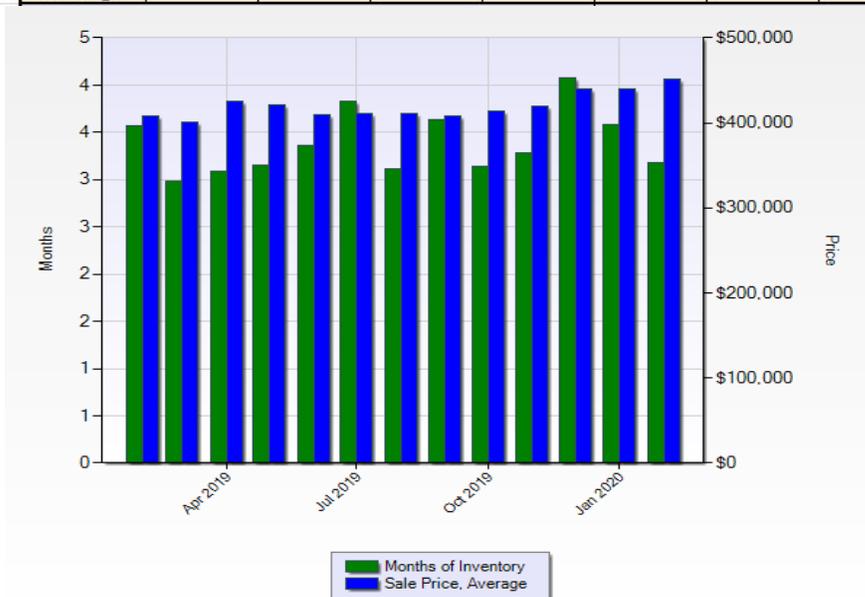
There are currently small signs that housing inventory is slowly beginning to increase. According to the CREA Statistical Activity Report for the L-Star Region (London, St. Thomas and Strathroy) there has been a gradual decrease in Inventory beginning in Feb. 2014 when the average supply for residential homes types was 5 month, to Feb. 2018 where the average inventory was reported to be 1.5. This figure slightly increased to 1.7 in Feb. 2019 and is holding steady.

New construction data has also shown positive signs that inventory will be increasing.

As inventory begins to meet demand, we will see appreciation return to more normal levels. We are already seeing projections coming in lower than the 6.6% annual average we have seen more recently.

Below are two charts that I think you will find interesting. The first is the CREA L-Star Statistical Activity Report outlining what has happened with our Local Inventory over the past 10 years. The Second is a comparison chart outlining the effects of inventory on the sale price of homes for the period February 2019 to February 2020.

CREA - L-STAR RESIDENTIAL STATISTICAL ACTIVITY					MONTHS OF INVENTORY			REPORT DATE		18-Mar-20		AVERAGE
REGION	Feb-10	Feb-11	Feb-12	Feb-13	Feb-14	Feb-15	Feb-16	Feb-17	Feb-18	Feb-19	Feb-20	
ELGIN COUNTY	9.1	9.7	9.3	9.4	10.6	8.1	6.8	3.6	2.6	2.5	2.8	6.77
LONDON	3.1	3.8	4.2	3.9	3.9	3.6	3.1	2.1	1.3	1.5	1.5	2.91
MIDDLESEX COUNTY	6.9	6.8	7.4	7.3	8	7.2	6	4.2	2.9	3.1	3.5	5.75
ST. THOMAS	4.4	4.2	4.6	4.7	4.5	4.1	3.3	2	1.2	1.1	1.1	3.20
STRATHROY	5.2	4.8	5.5	5.3	6.5	4.8	3.8	2.8	2.1	2.5	2.4	4.15
AVERAGE	5.74	5.86	6.2	6.12	6.7	5.56	4.6	2.94	2.02	2.14	2.26	
London/St. Thomas & Strathroy Average	4.2	4.3	4.8	4.6	5.0	4.2	3.4	2.3	1.5	1.7	1.7	



Bottom Line

We're seeing indications that price appreciation may be slowing, but the underlying fundamental housing market conditions support a natural moderation of house prices rather than a sharp decline.



The Role Access Plays in Getting Your House Sold!

So you've decided to sell your house. You've hired a real estate professional to help you with the entire process and they have asked you what level of access you want to provide to potential buyers.

There are four elements to a quality listing. At the top of the list is Access, followed by Condition, Financing and Price. There are many levels of access that you could provide to your agent to be able to show your home.

Here are five levels of access that you could provide to a buyer with a brief description:

- **Lockbox on the Door** – This allows buyers the ability to see the home as soon as they are aware of the listing, or at their convenience.
- **Providing a Key to the Home** – Although the buyer's agent may need to stop by an office to pick up the key, there is little delay in being able to show the home.
- **Open Access with a Phone Call** – The seller allows showing with just a phone call's notice.
- **By Appointment Only (example: 48 Hour Notice)** – Many out-of-town/province buyers and relocation buyers visit an area they would like to move to and only have the weekend to view homes. They may not be able to plan that far in advance or may be unable to wait the 48 hours to be shown the house.
- **Limited Access (example: the home is only available on Mondays or Tuesdays at 2PM or for only a couple of hours a day)** – This is the most difficult way to be able to show your house to potential buyers.

In a competitive marketplace, access can make or break your ability to get the price you are looking for, or even sell your house at all.

Is Your House Priced to Sell Immediately (PTSI)?

In today's real estate market, with more houses coming to market every day and eager buyers searching for their dream home, setting the right price for your house is one of the most important things you can do.

According to CREA's L-Star Residential Statistical Activity Report, Home values have risen steadily since February 2016 with the largest increase coming in 2018 at 14.05%. It was anticipated that we could see a modest 5% increase by the middle of the summer before the Covid-19 impact. It will be interesting to see how this resolves itself as our fall market hits. (See Chart below for a 10 year history of Average Prices.

CREA - L-STAR RESIDENTIAL STATISTICAL ACTIVITY					AVERAGE PRICE			REPORT DATE		18-Mar-20		AVERAGE
REGION	Feb-10	Feb-11	Feb-12	Feb-13	Feb-14	Feb-15	Feb-16	Feb-17	Feb-18	Feb-19	Feb-20	
ELGIN COUNTY	\$207,948	\$218,686	\$209,810	\$190,026	\$186,764	\$235,315	\$203,297	\$301,740	\$271,291	\$360,800	\$387,800	\$252,134
LONDON	\$226,341	\$235,515	\$235,218	\$250,842	\$244,307	\$248,267	\$281,532	\$309,575	\$356,972	\$405,600	\$447,860	\$294,730
MIDDLESEX COUNTY	\$271,283	\$322,854	\$364,497	\$275,091	\$289,521	\$287,274	\$315,798	\$375,021	\$434,001	\$465,138	\$507,284	\$355,251
ST. THOMAS	\$169,843	\$198,035	\$191,236	\$190,939	\$220,721	\$204,955	\$214,892	\$245,075	\$304,645	\$308,285	\$376,134	\$238,615
STRATHROY	\$206,759	\$204,062	\$219,727	\$217,544	\$228,840	\$231,510	\$278,300	\$310,129	\$324,667	\$369,061	\$489,381	\$279,998
AVERAGE	\$216,435	\$235,830	\$244,098	\$224,888	\$234,031	\$241,464	\$258,764	\$308,308	\$338,315	\$381,777	\$441,692	
London/St. Thomas & Strathroy Average	\$200,981	\$212,537	\$215,394	\$219,775	\$231,289	\$228,244	\$258,241	\$288,260	\$328,761	\$360,982	\$437,792	
Average % Increase Year of Year		5.75%	1.34%	2.03%	5.24%	-1.32%	13.14%	11.62%	14.05%	9.80%	21.28%	

With prices slowing from their previous pace, homeowners must realize that pricing their homes a little OVER market value to leave room for negotiation will actually dramatically decrease the number of buyers who will see their listing! Instead of the seller trying to 'win' the negotiation with one buyer, they should price their house so that demand for the home is maximized. By doing so, the seller will not be negotiating with a buyer over the price but will instead have multiple buyers competing with each other over the house.

Bottom Line

If you are debating listing your house for sale, let's get together to discuss how to price your home

Impact of price on visibility



The key to selling your house in 2019 is making sure your house is Priced To Sell Immediately (PTSI)! That way, your home will be seen by the most buyers and will sell at a great price before more competition comes to market!



The KonMari Method: Helping You Prep Your House For Sale

One of the biggest challenges sellers face when listing their house is decluttering. Cleaning out some of the more personal decorating choices allows buyers to imagine themselves living in the house.

Those planning to sell soon are in luck! Marie Kondo, the inventor of the *KonMari Method of Tidying Up*, has gained popularity with her new *Netflix* series. She gives some great tips for sorting through years of accumulated possessions that we all collect in our homes.

“The KonMari Method™ encourages tidying by category – not by location – beginning with clothes, then moving on to books, papers, komono (miscellaneous items), and, finally, sentimental items. Keep only those things that speak to the heart, and discard items that no longer spark joy. Thank them for their service – then let them go.”

When you subjectively look at all of your belongings, you can sort through the ones that mean the most to you. Not only will you increase space for more joy-bringing items in your new home, but you will also have a much easier time packing remaining belongings!

“Remember, tidying up isn’t about getting rid of stuff. It is about creating an environment that sparks joy and improves your quality of life.”

When selling your house, first impressions matter! Before you or your agent schedule a photographer to take photos for your listing, make sure to tour your home with fresh eyes. Look for any imperfections that a buyer might notice.

When you sort through your more sentimental items, consider packing them away to ensure that you know where they all are. That way, they are safe during open houses and showing appointments. This will also cut down on the amount of packing you need to do right before you move!

Bottom Line

Whether you are selling your house to move up to a larger one, downsizing, or moving in with family, only bring the items that truly spark joy for you. This will not only help cut down on the items you move, but also ensures that you’re off to a great start in your new home!



Why You Shouldn't For Sale By Owner

Rising home prices coupled with a lack of inventory in today's market may cause some homeowners to consider selling their home on their own (known in the industry as a **For Sale By Owner**). However, a *FSBO* might not be a good idea for the vast majority of sellers.

The top five reasons are listed below:

1. Online Strategy for Prospective Purchasers

Recent studies have shown that 95% of buyers search online for a home. In comparison, only 13% use newspaper ads. Most real estate agents have an Internet strategy to promote the sale of your home. Do you?

2. Results Come from the Internet

Where did buyers find the home they actually purchased?

- 50% on the Internet
- 28% from a Real Estate Agent
- 7% from a yard sign
- 1% from newspapers

The days of selling your house by just putting up a sign and putting it in the paper are long gone. Having a strong Internet strategy is crucial.

3. There Are Too Many People to Negotiate With

Here is a list of some of the people with whom you must be prepared to negotiate if you decide to For Sale By Owner:

- The buyer who wants the best deal possible
- The buyer's agent who solely represents the best interest of the buyer
- The buyer's attorney (in some parts of the country)
- The home inspection companies, which work for the buyer and will almost always find some problems with the house
- The appraiser if there is a question of value

4. FSBOing Has Become More and More Difficult

The paperwork involved in selling and buying a home has increased dramatically as industry disclosures and regulations have become mandatory. This is one of the reasons that the percentage of people FSBOing has dropped from 19% to 7% over the last 20+ years.

5. You Net More Money When Using an Agent

Many homeowners believe that they will save the real estate commission by selling on their own. Realize that the main reason buyers look at FSBOs is because they also believe they can save the real estate agent's commission. The seller and buyer can't both save the commission.

A study by *Collateral Analytics* revealed that FSBOs don't actually save anything. In some cases, they may actually cost themselves more by not listing with an agent. One of the main reasons for the price difference at the time of sale is:

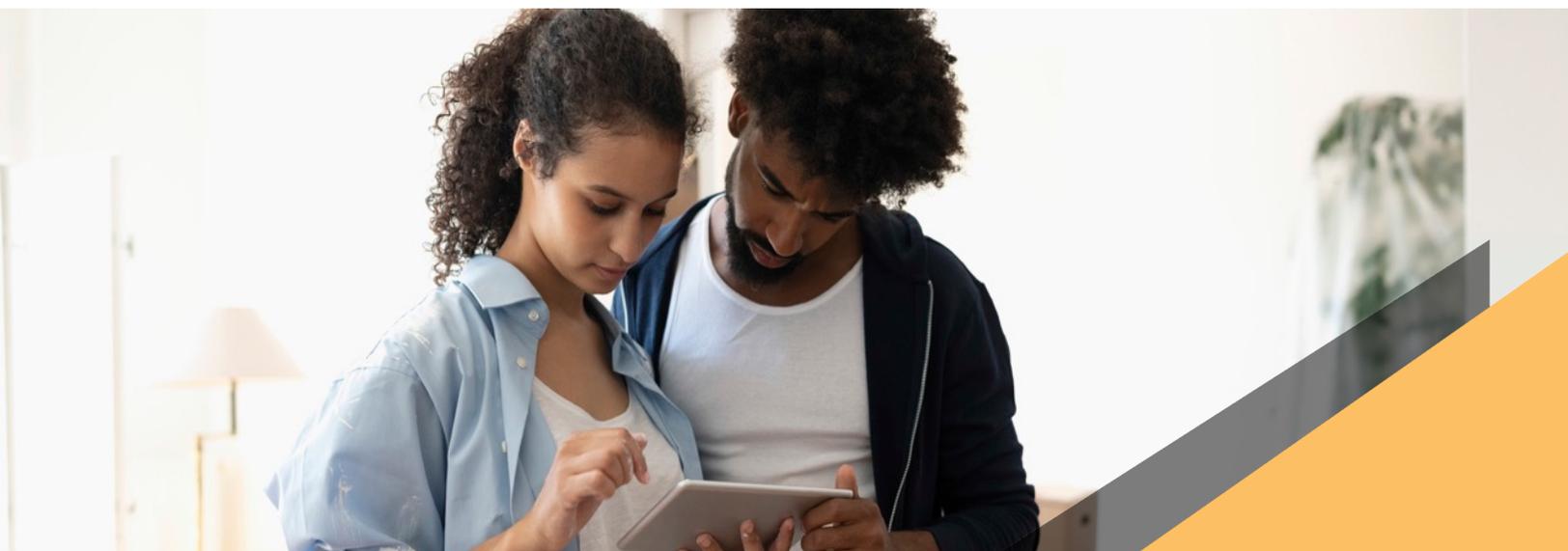
"Properties listed with a broker that is a member of the local MLS will be listed online with all other participating broker websites, marketing the home to a much larger buyer population. And those MLS properties generally offer compensation to agents who represent buyers, incentivizing them to show and sell the property and again potentially enlarging the buyer pool."

The more buyers that view a home, the greater the chance of a bidding war for the property. The study showed that the difference in price between comparable homes of size and location is currently at an average of 6%.

Why would you choose to list on your own and manage the entire transaction when you can hire an agent and not have to pay anything more?

Bottom Line

Before you decide to take on the challenges of selling your house on your own, let's get together and discuss your needs.





5 Reasons to Hire a Real Estate Professional



Contracts

They help with all disclosures & contracts necessary in today's heavily regulated environment.



Experience

They are well educated in and experienced with the entire sales process.



Negotiations

They act as a “buffer” in negotiations with all parties throughout the entire transaction.



Pricing

They help you understand today's real estate values when setting the price of a listing or an offer to purchase.



Understanding of Current Market Conditions

They simply & effectively explain today's real estate headlines & decipher what they mean to you.

CONTACT ME TO TALK MORE

I'm sure you have questions and concerns about selling your house.

I would love to talk with you about what you read here, as well as help you on the path to selling your house. My contact information is below. I look forward to hearing from you!



Darrel Elver

Broker of Record

DreamScape Realty Brokerage Inc.

darrel@dsrbi.com

www.dsrbi.com

Office: 519-601-7890

Cell: 519-673-8023

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