

# Smart Moves

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Your Community Real Estate News

Fall 2017

## Market Watch

Toronto Real Estate Board President Tim Syrianos announced that Greater Toronto Area REALTORS® reported 6,379 sales through TREB's MLS® System in September. This result was down by 35% compared to September 2016. The number of new listings entered into TREB's MLS® System amounted to 16,469 which was up by 9.4% year-over-year.

The improvement in listings in September compared to a year earlier suggests that home owners are anticipating an uptick in sales activity as we move through the fall. Consumer polling undertaken for TREB in the spring suggested that buying intentions over the next year remain strong. As we move through the 4th quarter we could see some buyers moving off the sidelines, taking advantage of a better-supplied marketplace,"said Mr. Syrianos.

The average selling price in September 2017 was \$775,546 – up 2.6% compared to September 2016. The MLS® Home Price Index (HPI) composite benchmark was up by 12.2% on a year-over-year basis. A key reason for the difference in annual growth rates between the average price and the MLS® HPI composite is the fact that detached homes – the most expensive market segment on average – accounted for a smaller share of overall transactions this year compared to last.

With more balanced market conditions, the pace of year-over-year price growth was more moderate in September compared to a year ago. However, the exception was the condominium apartment market segment, where average and benchmark sales prices were up by more than 20% compared to last year. Tighter market conditions for condominium apartments follows consumer polling results from the spring that pointed toward a shift to condos in terms of buyer intentions,"said Jason Mercer, TREB's Director of Market Analysis.

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### Updates From Our Office

For all of the fun the KB Team members had over the summer, the Fall has been nothing but work and education. We have been taking our clients all over the GTA as folks keep looking for more affordable places, so Robin, Bridgette and I have been covering Durham to Caledon. We had a great response from all of you for our Daily Bread Food Drive, and we're gearing up for our Teal Pumpkin Campaign for Halloweeners that have food allergies. Nicoletta ran off to Portugal with her Mom for a great family getaway while the rest of us basked in late Fall Toronto sunshine. A big thank you to all of you that came out to our annual past client BBQ. If you couldn't make it, there is always next year! Have a great Fall, get ready for Winter, and let us know if there is every anything we can help you with.



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## *What Do New Mortgage Rules Mean For A Buyer In The GTA?*

As many of you may have already heard, the Office of the Superintendent of Financial Institutions (OSFI) introduced new rules on mortgage lending to take effect January 1<sup>st</sup> of next year.

OSFI is setting a new minimum qualifying rate, or “stress test,” for uninsured mortgages (mortgage consumers with down payments of 20% or more on the purchase price of the home).

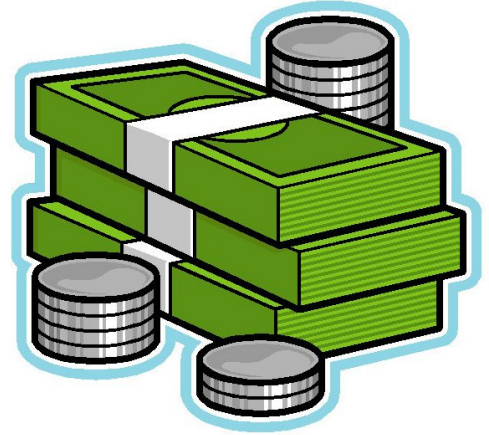
The rules now require the minimum qualifying rate for uninsured mortgages to be the greater of the five-year benchmark rate published by the Bank of Canada (presently 4.89%) or 200 basis points above the mortgage holder’s contractual mortgage rate.

These new rules follow almost a year to the day on changes made to insured mortgages (mortgages for purchasers with less than 20% down).

In October 2016, the federal government began a stress test for approving all high-ratio insured mortgages with terms of five years or more. It required such borrowers to prove they can handle payments at the Bank of Canada’s posted five-year rate, which is about twice as high as the lowest lending rates available. The rationale at the time was to make sure Buyers were insulated against a rise in interest rates, which has since come to pass. There was the added bonus (and maybe the real rationale for the change) which was a significant reduction in the number of mortgages insured by the Canadian Housing and Mortgage Corporation (CMHC), and the resulting reduction in exposure to financial risk if there was a severe turn in the economy or housing market.

Although continually sold to the general public as necessary to stave off mortgage defaults in a rising interest rate climate, CMHC’s own data seems to suggest that this is a solution to a problem that doesn’t exist. In 2016, the default rate in insured mortgages was 1/3 of one percent (.29 percent). Stress tests had already been introduced to the segment of the buying population with less than 20% downpayments. Under the new regime, it’s buyers that are much more financially secure that are impacted. Imagine having spent years putting together 20% down rather than getting into the market 2 or 3 years ago, only to find out now that your budget will either have to be reduced by approximately 15%, or you will need to find an extra 15% to buy the home in the price range you had been working towards and can afford.

On a practical level, here is how a buyer will experience the new lending landscape. While going through the mortgage pre-approval process, a lender will calculate the maximum amount a borrower can afford as if the interest rates were either 2% higher than the rate offered by the bank, or the posted bank of Canada rate, whichever is higher. This applies to all borrowers regardless of whether they have 20% or less as a down payment. If today I was qualified to borrow \$800k on a \$1million purchase and a \$200,000 down payment, after January 1<sup>st</sup> I would only qualify for \$672k. If I still want to buy that million dollar home, I would have to put \$328k down. You would still get the mortgage at the bank’s best rate, but the total amount available to you would be less so that if interest rates really do hit that 5% range, your household income would still cover that new higher payment.



## *UFFI Clause Has Outlived Its Purpose*

We recently came across a home we listed for sale that we discovered in our pre-listing examination had UFFI (Urea Formaldehyde foam Insulation) behind the drywall. As experienced agents, we knew that this was a commonly used product at the time this neighbourhood was built, and we collected information to share with potential buyers and their agents as to the implications (or lack thereof) of this product 40 years later. In collecting information, I came across this article written by acclaimed Real Estate Lawyer Bob Aaron on this issue. See what he had to say about this over a decade ago.



## ***Bob Aaron, Toronto Star Archives July 21, 2007***

Virtually every residential real estate sale agreement in Ontario contains a clause concerning urea formaldehyde foam insulation (UFFI). Typically, the clause is a warranty that the seller has never caused the house or condominium unit to be insulated with UFFI and that to the best of the seller's knowledge, the property does not contain UFFI.

A decision of the Nova Scotia Supreme Court in May casts doubt on the necessity of retaining this warranty in agreements of purchase and sale anywhere in Canada today.

Back in September 2002, Dorothy Gesner purchased a property on Maple Ave. in Lunenburg, N.S., from Donna Ernst for \$238,000. The seller had provided a property condition disclosure statement which noted that there was fiberglass insulation in the walls and ceilings. As well, the agreement contained a warranty that there was no UFFI in the house.

A home inspection company viewed the property and prepared a report for the purchaser. It made no mention of UFFI. Shortly after moving in, Gesner discovered that the chimney area contained urea formaldehyde foam insulation. She retained an engineer to do a study of the house, and after receiving his report, she moved out and sued the seller, the real estate agent and broker, and the home inspector. She claimed damages of more than \$328,000 to demolish and rebuild the house, plus an additional \$90,000 for aggravated, punitive and general damages.

After an astounding 23 trial days last June and October (much of it relating to other defects in the house), associate chief justice Deborah Smith ruled that Ernst had answered the property condition disclosure statement truthfully, since it was to the best of her knowledge, and she did not misrepresent her knowledge of UFFI to the purchaser. Nevertheless, the judge ruled that Ernst was in breach of the unconditional warranty that there was no UFFI in the house.

Gesner's position at trial was that it was necessary for her to vacate the house because of the presence of UFFI, but no evidence was offered to establish that UFFI can have a negative effect on a person's health. Justice Smith concluded, "I am not satisfied that the advice that she (Gesner) received (to vacate the house) was sound."

On the UFFI issue, the judge awarded the plaintiff damages of only \$3,000 for the cost of removing the small amount of insulation – and nothing for her claims arising from the presence of UFFI. Ernst was ordered to pay the \$3,000 to Gesner for breach of warranty, but was allowed to recover the same amount from Zdenka Kaderka, who had sold the house to her in 1986 with the same absolute UFFI warranty. Kaderka had been added by Gesner as a third party to the litigation.

Although the home inspector was ordered to pay damages to be calculated at a later date with respect to moisture problems around the roof and chimney, my guess from reading the 75-page decision is that court costs for five lawyers at a 23-day trial will far exceed any damages awarded. Clearly, cases like this should never reach a courtroom, but should be resolved by mediation or arbitration long before that stage.

The real message from the case is that UFFI is not nearly the problem that real estate agents seem to think it is. In a detailed study published on the website [www.carsondunlop.com](http://www.carsondunlop.com), veteran home inspector Alan Carson of Carson, Dunlop & Associates Ltd., and John Caverly, of Building Inspection Consultants & Associates, conclude that urea formaldehyde foam insulation has not been shown to be a health concern.

"We believe that those who have urea formaldehyde foam insulation in their homes should enjoy their houses, and sleep well at night," the report says. "UFFI is simply not the problem it was once feared to be."

In 1995, a test case against UFFI manufacturers reached the Quebec Court of Appeal after a marathon eight-year trial. In a massive 216,000-word judgment, the court ruled there was no basis for fear of health risks and no justification for removing UFFI.

Perhaps it's time to remove the UFFI clause from real estate purchase agreements.

*\*Bob Aaron is a Toronto real estate lawyer whose Title Page column still appears Saturdays in The Toronto Star. Email: [bob@aaron.ca](mailto:bob@aaron.ca). Visit his website at [aaron.ca](http://aaron.ca)*

## Your Fall Home Maintenance Checklist

Fall is a good time to take care of big home repair projects before shorter days (and in many areas, ice and snow) make outdoor work too difficult. Take some time this fall to boost energy efficiency throughout your home and prevent damage from winter storms with proper tree care. Tick these items off your list this season, and you can rest easy knowing that your home and yard are buttoned up and ready for winter.

- ◆ Stock up on winter supplies. With a cold, snowy winter promised this year, fall is the time to prepare.
- ◆ Check the condition of snow shovels and ice scrapers; replace as needed.
- ◆ Pick up a bag of pet- and plant-safe ice melt, if needed.
- ◆ Restock emergency kits for car and home.
- ◆ If you use a snow blower, have it serviced and purchase fuel.
- ◆ Shut off exterior faucets and store hoses. Protect your pipes from freezing temperatures by shutting off water to exterior faucets before the weather dips below freezing. Drain hoses and store them indoors. Drain and winterize irrigation system, if using.
- ◆ Check walkways, railings, stairs and the driveway for winter safety. When the landscape is covered in ice and snow, just walking from the driveway to the front door can be a challenge.
- ◆ Test outdoor lights and replace bulbs as needed. As the days get shorter we rely more on exterior lighting, both for safety and ambiance. Test lights on the front and back porch, on the garage and in the landscape, and replace bulbs as needed.
- ◆ Test smoke detectors and carbon monoxide detectors; replace batteries as needed.
- ◆ Check the expiration date on your fire extinguisher and replace if needed.
- ◆ Vacuum radiators, baseboard heaters and grates. Get ready for heating season by clearing away dust and grime from radiators, baseboard heaters and heating grates. If your radiators have removable covers, take them off and vacuum beneath the cover before replacing.
- ◆ Rake leaves. Leaves look beautiful blanketing the ground, but leaving too many leaves on a lawn over winter in a snowy area can inhibit spring growth. To make the job easier, choose a lightweight rake, wear gloves to protect your hands and use handheld “leaf scoops” to bag leaves quickly. **(Call the KB Team if you need any yard bags)**
- ◆ Seal gaps where critters could enter. Mice need only a tiny gap to be able to sneak into your house and raid your pantry. And with colder weather coming, all of the little critters out there will be looking for warm places to make a home. Fill small holes and cover any larger gaps securely with heavy-duty hardware cloth to keep the wildlife outdoors.
- ◆ Care for trees and shrubs. If you have trees on your property, consider hiring an arborist to care for them. These pros can spot signs of poor health early on to prevent tree loss. And they know how to prune properly to avoid falling limbs in winter storms.
- ◆ Deep-clean the kitchen. Take a day to tackle some of the more labour-intensive cleaning tasks, and keep your kitchen working efficiently and looking great.
- ◆ Add weather-stripping. Weather-stripping applied around the frames of windows and doors helps boost winter warmth and cut energy costs. Add door sweeps to the base of drafty doors to keep heat in and cold air out.
- ◆ Clean dryer vents. Lint buildup in dryer vents can make your dryer work less efficiently and even cause a fire — cool, dry fall weather increases static electricity, which can ignite lint that has built up, so now is a key time to get that lint out. You can hire a duct cleaning specialist to clean the vents for you, or clean the vent yourself
- ◆ Make exterior repairs. Take a walk around your property, looking for signs of damage to the roof, siding and foundation. If you spot anything that needs repair, schedule it before winter weather hits.
- ◆ Clean gutters and downspouts. Once most of the leaves have fallen, clean out gutters and downspouts (hire a helper if you are not comfortable on a ladder). Clogged gutters during rainstorms can cause water to pool and damage your roof or siding.
- ◆ Schedule a chimney cleaning and heating system maintenance. Making sure your chimney and furnace or boiler are cleaned, maintained and in working order before you need to turn on the heat is an important safety measure.



Information provided by Laura Gaskill, Houzz Contributor, September 15,

# Super Service Professional Directory

*Our clients are consistently asking for referrals for trades and services. Many businesses promise high quality service and advice but then fail to deliver! When we take on new clients in our real estate practice, we promise them a high level of service. Please give us any feedback, positive or negative (we need to be certain they are consistently providing service), when you use any of these services and make sure to tell them Irene and Philip sent you!*

## Cleaners

Nordic Cleaners 416-404-1075  
Claus Olsen info@nordiccleaning.ca

Kati Darvas 416-618-7070  
thenaturallife@hotmail.com

## Granite and Marble Supply

City Home Granite Depot 416-259-0800  
Cathy Li

Makomo Marble Care 416-620-6677  
andrew@makomomarble.com

## Hardwood Flooring

PK Flooring 416-330-1340  
Paul Kelly

## Heating and Air Conditioning

Atlas Air Climate Care 416-626-1785 x 210  
Steve Crozier scrozier@atlascare.ca  
Customer Care Manager

## Home Inspectors

Peter Yeates Inspections 416-422-1571  
Peter Yeates Peter@yeatesinspect.com

All Seasons Home Inspections 416-752-4663  
John Tackaberry allseasons@rogers.com

Keystone Inspections 416-410-5714  
Alrek Meipoom info@keystoneinspections.ca

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Casey Sheehan info@184decor.com

House Coach 647-618-9845  
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Jason Friesen 647-352-5825  
Jason.friesen@premiermortgage.ca

Royal Bank 647-893-9233  
Shafraz Madhani shafraz.madhani@rbc.com

## Painters, Renovators and Contractors

Design Express 416-524-5949  
Bill Nicoloff bill@designexpress.ca

Alexander and Tencate, Custom Builders 647-204-8923  
Seth Alexander seth@alexandertencate.com

Alex Pappot 647-262-0750  
Smaller & medium sized jobs pappot1@gmail.com

## Pool Installation

Simply Pools 905-257-8558  
Vince Camastra info@simplypools.ca

## Residential Rubbish Removal

JustJunk.com Call Centre 416-744-8080  
Tom Dickson (mobile)647-294-7466  
tomdickson@justjunk.com

## Roofers

Canadian Roofing Company 416-485-0811  
Jason Hunter 416-712-2225  
jason@canadianroofingcompany.ca

## Transition Professionals

Red Coats 416-920-1317  
Vicky Riley Keyes info@redcoatsmoving.com

## Wealth Management

Royal Bank Dominion Securities 416-842-3573  
Geoff Hartley Geoff.hartley@rbc.com

**We're always interested in hearing your success stories from experiences you've had with service and trades people. Please let us know if you think someone you've worked with in the past would be a good addition to this directory.**