Smart Moves with Kaushansky Brown

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Your Community Real Estate News — *Summer 2014*

Market Watch

Toronto Real Estate Board President Paul Etherington reported strong year-over-year growth for July 2014 sales and the average selling price. Sales reported by TREB Members through the TorontoMLS system were up by 10 percent to 9,198. This was the second-best July sales result on record.

"The second half of 2014 started where the first half left off, with very strong demand for the diversity of affordable home ownership options in the Greater Toronto Area. Sales were up strongly for most major home types and market conditions actually tightened, with sales growth outpacing listing growth. The result was average price growth well-above the rate of inflation," said Mr. Etherington.

The average selling price for July 2014 sales was $550,700 – up by 7.5% compared to July 2013. The strongest rate of price growth was reported for the detached market segment in the City of Toronto, with a year-over-year change of 11%. [There were many stories floating around in the media over the last few months with 'averages" of $1m, however it needs to be clear that this was not the average home in Toronto, but more of an average of a detached property in more popular neighbourhoods.] The better-supplied condominium apartment segment experienced average price growth of 5.3% for the GTA as a whole.

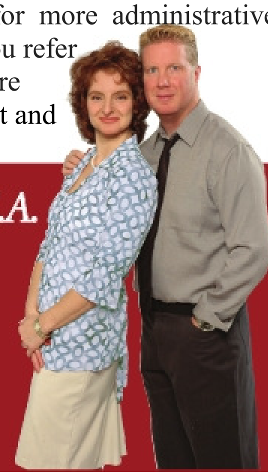
"Strong demand for ownership housing will underpin robust average price increases for the remainder of 2014. In fact, the pace of price growth that we have experienced over the past year will continue until growth in listings outpaces growth in sales for a sustained period of time," said Jason Mercer, TREB's Senior Manager of Market Analysis. That said, all our buyers would like to see more choice of listings!

Updates from the Real Estate Industry

Inside This Issue

In international Keller Williams news, expansion into Dubai, has been announced by a group of business leaders who are building on their success growing KW real estate offices in the United States and South Africa. The venture is being led by a team that includes Operating Principal Werner Burger, Regional Director Piaras Moriarty and CEO Zhann Jochinke. "We're excited to bring the proven models and systems of Keller Williams to real estate agents and clients in Dubai," Burger said. "Keller Williams is the real estate industry's leader in training and technology and Dubai is one of the fastest-growing, most dynamic real estate markets in the world. In many ways, the Middle East is still in the startup phase when it comes to selling real estate. Keller Williams, with its agent-centric principles, will revolutionize the market, just as it has in the United States and Canada." We in Toronto are excited about working in such a dynamic company with explosive growth on its horizon.

And speaking of growth, closer to home the KB Team is growing as well. This fall, our Office Manager, Bridgette Leonetti will complete the courses required for her real estate license. As her position expands we'll be looking for more administrative support to continue to provide stellar service to you and those you refer to us. We are grateful for your business and your referrals and are excited to be able to expand our abilities to best serve our current and future clients.



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Irene Kaushansky B. Sc., A.S.A. & Philip Brown B.S.W., A.S.A.
Sales Representative — Broker

Direct 416-259-2444 Office 416-236-1392

info@ireneandphilip.com www.ireneandphilip.com

www.facebook.com/ireneandphilip

Anti Spam and You.....

Canada's Anti-Spam Legislation (CASL) is a law that regulates the use of email, text messages and other forms of electronic messages for marketing purposes, as well as the installation of computer programs and applications (Apps). It was passed by the Federal Government in 2012, with a start date of July 1, 2014. The intent was to create the same opportunities for the general public to limit incoming business e-mails from unwanted sources that exist in the Do Not Call lists for phone calls. Businesses are required to have a previous working relationship (implied consent) or are required to get your permission to establish or continue sending e-mails (express consent). They must also give you the ability to opt-out of any future biz communication easily. By all accounts, the roll out of the new law was less than stellar or clear for either the general public or business owners. Here is my attempt to make it as simple to follow as possible.

What is considered a business marketing e-mail? Just about anything that is meant to promote a product or service. Excluded? An e-mail of a personal level from someone that may have started out as a business connection but has now become a personal friend; fundraising e-mails from charities; e-mails from political parties.

How do I give my consent? You can give consent verbally, in writing or by clicking on a link or form that clearly explains what the permission is being given for. Excluded? A first e-mail from someone who was given your contact info by a referral; e-mails from someone you've done business with in the previous 6 months; someone you've given previous permission to add you to their database within the last 18 months; someone in the same industry as you contacting you for legitimate biz to biz contact.

How long before I will stop receiving unwanted e-mail marketing/sales materials from unknown sources? The quick answer is…likely never. These rules only apply to Canadian companies. While most other countries are required to adhere to the laws of the country they are doing business in, it's unlikely that this will get policed any more than automated phone calls are for people on the Do Not Call Registry. As well, even though this law has officially come into effect, there is a transition period of 2 years before penalties for Canadian companies breaking these rules will be enforced. At best, this will reduce the amount of unwanted spam e-mails, and will push companies to be very clear to consumers as to how a company will use contact information in the future.

Why Are Condos An Interesting Rental Income Opportunity For Investors?

We are often asked by clients if we think condos are a good investment. The full answer could fill an entire edition of this newsletter, and barely scratch the surface. The question we ask back is usually "Do you have an investment plan put together, and would a condo purchase be for growth or income in your portfolio?" Their answer will help us guide them in their condo thinking. In general a condo purchase can be looked at in 3 phases: Pre-construction, Post-occupancy Permit-Year 5, 5 Years of Age and over. Each, depending on location, will have their own unique opportunity for return on investment. In this edition of the newsletter, I'm going to focus on the opportunities for rental income in the 3rd category: buildings that are now past their "New" phase.

In this phase of life, most buildings have had construction issues worked out, have built a fairly good reserve fund, and have worked out the kinks of getting a good Board and Property Management system working. The original owners have seen some growth in equity through market value increases, and have paid down some principle. They may be ready to enter the traditional housing market and are ready to sell. If they need the equity out of the unit, now is probably a good time to get it. It's also a great time for an investor to pick up the unit (provided that it's at a price that makes sense. More on that in a bit). As someone thinking of purchasing or owning an income producing condo, here are some key considerations: 1) What is your overall financial plan, and how does this fit into it? 2) Do you have the info you need about market rents in the area, the size of the renter pool, and renter demographics? 3) Do you know the costs of buying, carrying and maintaining a condo unit in the building you are considering? 4) Do you know the area amenities that would make this location ideal for the renter pool? 5) Do the market rents established in #2 cover the expenses of #3 and meet the requirements of #1? If so, this may be a good fit. The rule of thumb is that the rents should pay all of the expenses, including a monthly amount to go towards repainting/general maintenance between tenants, and provide a little positive cash flow. You can impact the carrying costs by playing with different amounts of a downpayment when calculating the mortgage fees.

Perhaps the biggest single factor in making this decision is location. Have a look at the info below. It sets out the current vacancy rates for condo apartments across the GTA.

Condo Apt Vacancy Rates: Halton 2.7% , Peel 1.5% , Toronto 1.7% , York 2.7% , Durham 0.5%

Each specific location will have a number of variances by neighbourhood, but the locations are also widely different in terms of purchase price and local average rents. Generally, the most expensive places to buy units will be in Toronto and York Region. The least expensive will be in Durham region and Peel. When you cross reference that with the lowest vacancy rate (and, therefore, the highest demand) it would seem that Durham and Peel would be the best places to start digging into more numbers, and exploring the possibilities. Depending on the distance between you and your property, you may also want to explore the possibility of having a property management company look after everything for you (if it fits into the budget). There are an incredible number of variables to this formula, which is why we always recommend working with a team of professionals (a financial advisor, an accountant, a lawyer and your Realtor) to make sure that you have all of the information and advice that you need to make the best decision for you.

Tax Saving Tips

This is the first in a series of articles being provided by Finance Professionals aimed at both creating and conserving wealth for our clients. We've included Geoff's contact info at the end of the article, and encourage you to reach out to him for any advice on your own wealth creation goals.

Split Income with Lower-Income Family Members

Income splitting is one of the most effective ways to reduce your family's overall taxes. It involves transferring the responsibility for declaring taxable income from a higher-income family member, who is taxed at a higher tax rate, to lower-income family members taxed at lower rates. Here are a few ways to do this:

1. Invest the earnings of the lower-income spouse. If you have a lower-income spouse, consider keeping their employment income separate from yours, and investing this income, while you pay for the household expenses from your income. That way, the investment income your spouse earns will be taxed at their lower tax rate.

2. Split pension income with your spouse. Any income that is considered pension income, such as Registered Retirement Income Fund ("RRIF") income if you are age 65 or older, can be split 50/50 with your spouse when you file your tax returns.

3. Contribute to a spousal RRSP. Before pension income-splitting was introduced a few years ago, contributing to a spousal RRSP was probably the best way to split retirement income with your lower-income spouse. It can still be useful, because there is no 50% limit. You could, for example, make 100% of your RRSP contributions to a spousal RRSP. You receive the tax deductions, then when you convert your spousal RRSP into a RRIF, your spouse makes the withdrawals, which are taxed at their lower rate.

4. Set up a spousal loan. You can loan money to your lower-income spouse to invest, enabling them to earn investment income taxable at their lower rate. For this strategy to work, you need to make a formal, written loan arrangement with your spouse. In addition, your spouse must pay you annual interest at the Canada Revenue Agency's (CRA's) prescribed rate. However, with the CRA's prescribed rate back down to a historic low of 1%, the spousal loan strategy is currently very practical.

5. Establish a family trust. You can make outright gifts to adult children with no tax consequences. They can invest the money to earn income that is taxed in their hands. However, if you wish to retain some control, you can loan money to a family trust instead. The investment earnings, when used for the benefit of the trust beneficiaries (e.g. to pay for private or post-secondary school), are taxable in their hands. If they earn no other income, they can earn up to a certain amount tax-free due to their basic tax exemption, and anything above that is taxed at their lower rate.

This article is supplied by Geoff Hartley (geoff.hartley@rbc.com or direct at 416-842-3573), an Investment Advisor with RBC Dominion Securities Inc. (Member–Canadian Investor Protection Fund). This article is for information purposes.

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

Liliana Nikolov — 416-423-1759

Clean Scene — 416-509-8797
Maggie Wiecha — cleanscene@rogers.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
Michael Grochmal — mgrochmal@atlascare.ca

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

House Master Home Inspections — 416-234-8500
Alrek Meipoom — alrek@sympatico.ca

Home Stagers and Decorators

Home Stage Design — 416-461-1078
Julie Longhurst — julielonghurst@rogers.com

184 Décor — 647-668-5224
Casey Sheehan — info@184decor.com

House Coach — 647-618-9845
Kim Ostergaard — kim@housecoach.ca

Waterproofing

The Waterproofer — 416-820-2090
Stephen Ksiazek — Stephen@thewaterproofer.ca

Lawyers, Real Estate

Howard Ungerman — 416-924-4111
ungy@bellnet.ca

Isaac Singer — 416-766-4208
isinger@isingerlaw.com

David Feld — 416-203-6347
David@feldkalia.com

James Laks — 416-466-1900
Lakska@bellnet.ca

Mortgage Consultants

BMO — 416-365-6034
Ivanka Horvat — ivanka.horvat@bmo.com

Home Free Mortgages — 905-808-4040
Mark Mighton — mark@homefreemortgages.ca

Jason Friesen — 647-352-5825
Jason.friesen@premieremortgage.ca

Royal Bank — 416-587-1246
Samm McLeod — samm.mcleod@rbc.com

Transition Professionals

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

Painters, Renovators and Contractors

Saffron Painting — 647-801-2410
Don Hayward — glennhayward@rogers.com

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

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

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.