



Taking steps towards homeownership

Bill Johnston

TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE TORONTO STAR

February 11, 2011

If you are considering the purchase of your first home you're probably aware that like many of life's milestones, there are many things you must consider.

Understanding conditions in the real estate market is a good first step. Current conditions in the Greater Toronto Area resale market remain quite favourable for people looking to take the first step onto the property ladder.

A total of 4,337 homes changed hands throughout the GTA in January, representing a 13 per cent decrease compared to a year earlier. At the same time, however, the average selling price grew by more than four per cent in comparison to January 2010, coming in at \$427,037. While sales are down in comparison to last January's record pace, the level of transactions remains high enough relative to listings to promote price growth.

The housing market in the GTA continues to be supported by improving economic conditions which have led to sustained job creation, a lower unemployment rate and accelerating income growth. Financing remains affordable as well. The average interest rate for a five-year fixed rate mortgage is very low from a historic perspective.

While it's important to consider these fundamentals, it is also crucial to closely examine your individual circumstances, especially when determining what you can afford. Financial institutions will help you determine what you can afford by calculating your Gross Debt Service (GDS) ratio, an amount that includes monthly mortgage, tax, and utilities payments and a portion of condominium fees (if applicable). Your GDS ratio normally should not exceed 32 per cent of your gross monthly income. A lender will also look at your total debt picture by calculating your Total Debt Service (TDS) ratio, taking into account all obligations such as your monthly mortgage, car loan, line of credit and credit card obligations. As a rule of thumb, your TDS ratio should not exceed 40 per cent of your gross monthly income. Be sure to explore of the financing options available through different financial institutions.

When determining a price range it's important to realistically consider miscellaneous monthly expenses, and to account for costs associated with the transaction including home inspection, survey and legal fees.

Once you're ready to begin your search, enlist a REALTOR® who will commit to representing your interests in writing using a Buyer Representation Agreement. More information on this important document can be found at www.BRAFirst.com.

To find a home suited to your lifestyle, be sure to explore a number of different housing types and neighbourhoods with your REALTOR® before narrowing your search. REALTORS® have access to information on market conditions in individual neighbourhoods, on future development plans and on a range of local amenities.

Your REALTOR® may also provide information on a number of available government programs to help make your purchase more affordable like the Five Per Cent Down Payment Program, the RRSP Homebuyers' Plan, the First Time Home Buyers' Credit, Land Transfer Tax rebates and more.

Once you have found the right fit, your REALTOR® can use their expert negotiation skills to help you achieve a favourable agreement.

Specialized skills and knowledge make your REALTOR® an invaluable resource, buoying your efforts as you navigate through one of life's most important decisions.

For more information on the home buying process, market updates and neighbourhood profiles visit www.TorontoRealEstateBoard.com

Bill Johnston is President of the Toronto Real Estate Board, a professional association that represents 30,000 REALTORS® in the Greater Toronto Area.

Follow TREB on www.twitter.com/TREB_Official, www.Facebook.com/TorontoRealEstateBoard and www.youtube.com/TREBChannel