



Homes-Extra



LINDA LEATHERDALE
LUXURY LIVING

Our love affair with luxury

Sky-high prices do little to deter big purchases

Imagine this: The government clamps down to rule you cannot own more than two properties. Also, if you're not in good tax standing for at least five years, meaning you're behind on income taxes or social security payments, you're not allowed to buy at all.

These are among 40 tough measures China hit its residents with in an attempt to cool down its growing speculative real estate market, as its thriving economy grows this communist country into the world's next superpower.

Some experts believe these rules



Highcastle Homes, a family-owned-and-operated business that got into the residential market in 1992, has noticed a growing demand for luxurious items and does not see an end in sight.



help to explain a newly-ignited offshore love affair with Canadian housing, especially in Vancouver — now ranked among the world's most expensive city where average prices hit an astounding \$623,000 as of April 2011.

Fuelling the explosion in prices are sales of multi-million dollar digs — luxury items Chinese investors appear to be lusting after, as they flock to the West Coast in hunt of ocean-view properties with top-notch educational facilities close by.

According to the latest Upper-End Market Trends report from realtor Re/Max, sales of Greater Vancouver homes valued at more than \$2 million doubled in the first four months of 2011.

And believe it or not, compared to the sky-high prices in major China cities like Shanghai or Beijing, Vancouver real estate is cheap.

But as Vancouver prices go through the roof, so does the cost of carrying a home, with an average bungalow now eating up 72% of average household income to pay the mortgage, property taxes and utilities, according to the experts at RBC Financial.

That means an annual household income of \$139,900 to qualify to buy. And that puts Vancouver ahead of London and New York City, when it comes to how much of one's income goes to housing costs.

Experts warn this is insanity, considering many Canadian households are struggling with record debt — now at \$1.6 trillion, with more than \$1 trillion in mortgage debt while families borrow against home equity to pay the bills.

So, an obvious question is — when will this bubble burst?

In his report, RBC senior economist Robert Hogue, warns: "We believe that deteriorating affordability will weigh increasingly on housing demand by B.C. households and raise the risk that they may be forced to the sidelines in substantial numbers, potentially causing painful market disruptions."

When it comes to a market on fire

and defying subprime meltdown trends that took down real estate prices around the globe — Toronto is another hot spot. Subdivisions of million-dollar digs continue to spring up, while older homes in desirable neighbourhoods are torn down and replaced by mansions, with all the bells and whistles.

The RE/MAX Upper-End Market reports shows 435 properties in the Greater Toronto area (GTA) valued in \$1.5 million-plus range sold from January to April this year, up from 399 a year ago — and 10 were priced over \$5 million. The most expensive was a \$17.5 million estate in the Teddington Park area — which set a new record high for Toronto.

But despite this love affair with luxury homes — Toronto's market remains affordable. Latest statistics from the Toronto Real Estate Board show average prices jumped another 9% in April, to \$477,407, while sales dipped from a record 10,898 in April 2010. The carrying cost of a typical Toronto bungalow eats up 47.5% of pre-tax income, while you'd need an annual household income of \$103,000 to qualify to buy.

This may explain why RBC's Robert Hogue does not see an affordability meltdown, similar to what Toronto suffered back in the early 1990s, after carrying costs skyrocketed to eat up a record 69.1% of pre-tax income in 1989. "The cost of owning a home in the GTA has not reached perilously high levels at this point," he said in his report.

So are foreign investors also the driving force in Toronto's market?

The RE/MAX report explains while foreign investment is boosting sales activity in a number of Canadian cities, its influence is only significant in Greater Vancouver. Here in Toronto, it's largely domestic demand, while more and more Canadians join the elusive Million-Dollar Club.

Michael Polzler, Executive Vice-President, RE/MAX Ontario-Atlantic Canada, explains: "Three

key factors — serious equity gains, stock market recovery, and improved economic performance — have been behind the push for luxury housing product across the country."

He adds the impact of this wealth is pushing up demand for all things luxurious — from homes to cars, collectibles and fine wines.

Rita Tassone, a partner with Highcastle Homes (www.highcastlehomes.com), a family-owned-and-operated business that got into the residential market in 1992, says she has noticed a growing demand for luxurious items and does not see an end in sight.

"You'll notice that builders continue to offer high-end homes over the million-dollar mark, as well as smaller product. They won't budge on pricing because they know it will sell," she said.

A sign of the times, she adds, is how on opening day of phase one of Highcastle's River Walk development in Brampton's desirable Castlemore area, all 45 units sold within hours. Some were priced just under \$1 million. Tassone said she was amazed at the long line-ups of anxious buyers when the doors opened at 8 a.m. Now phase two is almost sold out.

Highcastle's new development, Clarington Northglen (www.northglen.ca) opens in September and she expects demand will be brisk.

Tassone points out another trend is builders offering upgrade packages, including top-of-the-line stainless steel appliances, trendy natural quartz countertops (Highcastle Homes is offering Cambria, which just released 12 new exciting colours), heated floors, wine cellars and home theatres.

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