



INVESTMENT

Report

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INVESTOR PRESENCE GROWING IN RESIDENTIAL HOUSING MARKETS ACROSS THE COUNTRY

Recent gains in average price are attracting a growing number of investors to major markets across the country. According to a report released by RE/MAX, one in six Canadians plans to buy an investment property in the next 12 to 24 months.

Based on on-line interviews conducted in December, 2005 with 1,200 homeowners across Canada, the report highlights developing interest in residential real estate as an investment. Close to 30 per cent of respondents already owned one or more investment properties and approximately 18 per cent indicated that real estate represented more than 51 per cent of their total investment portfolio.

Why are purchasers turning to real estate as an investment, considering that prices are rising fairly rapidly, vacancy rates are relatively high compared to past years and stock markets have bounced

back? There are two key factors:

1. Purchasers view residential real estate as a simple, sound and safe investment -- something that is very familiar to them. The risk factor is greatly reduced compared to other financial vehicles.
2. The promise of continued upward trending in housing values is a major factor influencing investors. Over the past five years, residential prices have appreciated close to 10 per cent on average, nationally, a fairly impressive return on investment.

The RE/MAX report also found that investors were younger than anticipated. Forty-three per cent of those who intended to invest in the next two years were under the age of 40. Once tagged "Generation X," these individuals supposedly rejected more traditional values like owning a home.

In recognition of residential real estate's potential for long-term growth, 50 per cent of investors indicated they plan to hold their properties for 10 years or more. However, if an investor were to realize a tidy profit in the interim, he or she may be inclined to move on to the next income property.

The report also confirms that real estate investing is not just a male activity. Females represented 16 per cent of those who say they intend to purchase an investment property in the next two years. Singles are also playing a greater role in investment, with 10 per cent planning to buy an income property in 2006 and 2007.

Real estate speaks to a broad range of purchasers; they do not have to be a millionaire to invest in housing. According to reported household income levels, today's investors are solidly within the middle class, with one in five earning \$50,000 – \$60,000 a year and one in three earning \$75,000-\$100,000.

The report found spending intentions almost equally split between those planning to spend less than \$200,000 and those considering properties in the \$200,000 - \$500,000 range. This suggests investment interest is spread throughout the marketplace, with respect to property category and geography. For example, 41 per cent of investors say they intend to purchase a home, 35 per cent a multiple unit building, 24 per cent a condominium, and 13 per cent a townhome.

Additional Highlights:

- Corporate executives and entrepreneurs are expected to be the most active investors, representing 25 per cent and 19 per cent of respondents respectively.
- Investors were generally well-educated, with most possessing some post-secondary education. Fourteen per cent had gone on to a Master's or Professional Degree.

The RE/MAX Investment Survey was conducted by Toronto-based Hart & Associates Management Consultants in December, 2005. The results are considered accurate within a margin of error of plus or minus 2.5 percentage points 19 times out of 20.