

Economic instability number one fear for Canadian home buyers: Royal LePage

Buyers remain nervous about the economy but few believe house prices will drop again, according to Royal LePage Advisor Survey

TORONTO, December 15, 2009 -- As the Canadian real estate market continues to rebound from a steep decline a year ago brought on by the recession, home buyers remain nervous about the stability of the economy, according to a survey of 1,225 Royal LePage agents and brokers across Canada. However, few buyers think home prices will decline again.

When asked to comment on the most common fears they are hearing from home buyers over the past three months, 38 percent of Royal LePage agents and brokers cited economic stability and related factors such as job security. 23 percent said home buyers fear they may not be able to sell their existing homes at the price they are hoping for, while 12 percent said buyers are hesitant because they believe prices have not yet hit the bottom of the cycle. Twenty percent of agents and brokers said they are not hearing any concerns from buyers.

The Royal LePage Advisor Survey, conducted online in November 2009, also found that an increasing number of Canadians are purchasing homes as investment properties, and almost 50 percent of brokers and agents say the number of buyers intending to renovate their properties after purchase is increasing.

“Given the volatility in the real estate markets over the past 18 months, it is not surprising that the state of the economy continues to weigh on the minds of Canadians as they consider buying a home,” said Phil Soper, president and chief executive, Royal LePage. “Canadian real estate markets are enjoying a strong recovery as 2009 draws to a close and appear poised for healthy growth in 2010. Our survey shows that consumer confidence is edging towards normal levels. Canadians clearly believe that the worst of the recession is behind them and that the real estate market is on the path to sustainable recovery.”

“The most obvious sign that market conditions are improving is found in the significantly higher unit sales volumes. That said, we have seen some significant recent increases in home prices, which is unusual at this time of year. Paradoxically, the recession is contributing to the unexpected rise in year-end house prices. On one hand, Canada’s low interest policy has stimulated demand. On the other, many Canadians who might otherwise feel comfortable putting their homes on the market don’t yet have the confidence in the state of the economy’s recovery to list their homes, which is contributing to the current supply shortage,” Soper added.

According to the Royal LePage House Price Survey for the third quarter of 2009, the economic recession halted the flow of the real estate cycle from the fourth quarter of 2008 through the first quarter of 2009, but the market is essentially now back on track. Although the supply of homes for sale continues to be constrained in many markets across Canada, Royal LePage predicts that once housing supply returns to

normal levels, the economy will support modest pricing growth into 2010.

Survey results

What is the most common fear or hesitation about home buying that you have heard from buyers in the past three months?

Nervous about the stability of the economy / job security / personal financial security: 461 responses (37.7 per cent)

May not be able to sell existing home at the price we're hoping for: 287 responses (23.4 per cent)

Not hearing any concerns from buyers: 250 responses (20.4 per cent)

Haven't seen the bottom of the market and prices may decline again: 149 responses (12.2 per cent)

As a proportion of the total home sales over the past three months, has the number of homes sold as investment properties increased substantially, increased somewhat, remained stable, declined somewhat or declined substantially, as compared to homes sold as primary residences?

Increased substantially: 34 responses (2.8 per cent)

Increased somewhat: 312 responses (25.4 per cent)

Remained stable: 426 responses (34.8 per cent)

Declined somewhat: 198 responses (16.2 per cent)

Declined substantially: 58 responses (4.7 per cent)

In the past three months, has the number of home buyers intending to renovate their properties after purchase increased substantially, increased somewhat, remained stable, declined somewhat or declined substantially?

Increased substantially: 97 responses (7.9 per cent)

Increased somewhat: 503 responses (41.1 per cent)

Remained stable: 444 responses (36.2 per cent)

Declined somewhat: 95 responses (7.8 percent)

Declined substantially: 17 responses (1.4 percent)

About Royal LePage

Royal LePage is Canada's leading provider of franchise services to residential real estate brokerages, with a network approaching 14,000 real estate professionals in over 600 locations across Canada. Royal LePage is managed by Brookfield Real Estate Services, and is part of a brand family that includes Royal LePage, Johnston and Daniel, and La Capitale Real Estate Network. An affiliated company, Brookfield Real Estate Services Fund, is a TSX listed income trust, trading under the symbol "BRE.UN."

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