

RE/MAX-COMPAS

RESEARCH SURVEY OF CANADIAN CONSUMERS



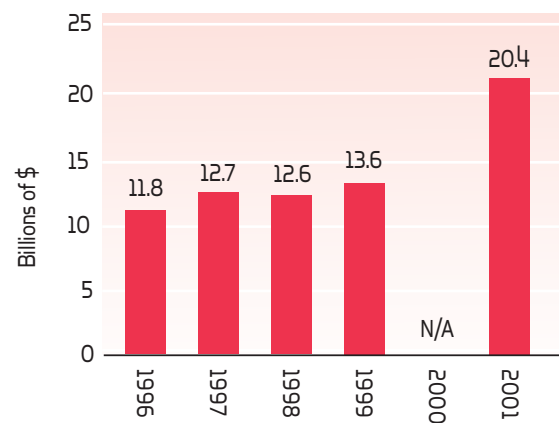
Renovation Overview

Halifax, Nova Scotia

Location, price and limited inventory levels are prompting consumers to consider older homes in more established neighbourhoods in Halifax/Dartmouth. With new construction on a tear, average price has increased substantially in recent years. New home prices are now hovering at \$185,000, and purchasers are realizing that they can buy an older home in a better location for less money. Affordable housing alternatives such as Downtown Dartmouth and Bedford have increased in popularity, especially since rush hour traffic has been eased with the addition of a third lane on the bridge connecting Dartmouth and the Halifax Peninsula. Generally aged between 75 - 100 years old, homes in Downtown Dartmouth offer character, charm and often, outstanding views of the harbour. A smaller home in the area will run between \$85,000 and \$120,000, while a larger home will cost \$200,000 plus. Affluent, young professionals are drawn to Halifax' trendy peninsula area where older homes start at approximately \$200,000. The vast majority of older homes require some degree of renovation, most involving the kitchen and bathrooms, restoration of original hardwood flooring, new windows and basic décor updates. With inventory levels at an unprecedented low, many homeowners are considering renovating their existing homes. Typically, renovation costs run from

\$5,000 for cosmetic upgrades to well over \$25,000 for more major restoration projects. According to Canada Mortgage and Housing Corporation's Survey of Home Renovation Intentions, homeowners in Halifax who are planning renovations in 2003 will spend an average of \$9,057, up \$1,843 over 2001-2002. Nationally, 25 per cent of homeowners indicated they would finance their renovations, with the average loan amount in Halifax at \$9,616. Most of the renovations occurring in Halifax/Dartmouth are lifestyle enhancing, although there are some vendors who will renovate/update before they sell.

Total Homeowner Spending on Repairs and Renovations in Canada 1996 - 2001



Source: Statistics Canada

Montreal, Quebec

A severe lack of inventory, the trend toward urban living and aging of the existing housing stock is fuelling renovation activity throughout the Greater Montreal Area. The Canada Mortgage and Housing Corporation reports that nearly 25 per cent of Montrealers intend to renovate their home, spending \$1,000 or more in the next 12 months. Another six per cent of Montreal homeowners said that upgrading their homes was a possibility in 2003. In Montreal, homeowners tend to

spend less on renovation than in other major Canadian centres, with the average expenditure close to \$7,500—approximately 37 per cent less than the national average. Still, the home improvement trend is as strong as ever. Active listings, down 22.5 per cent from January 2002, continue to be a significant factor, as many purchasers, unable to find the perfect home, opt to buy and renovate or upgrade their existing home. Because homeowners rarely recoup the full cost of renovation upon resale, in Montreal homeowners typically upgrade their homes for their own personal benefit and enjoyment. Renovation solely for resale purposes tends to be cosmetic in nature. The central core of the city, where the housing mix can range from heritage homes to new construction, is being revitalized and continues to be most popular with purchasers. The majority of dwellings renovated are either century homes or date back to the post-WWII era. Teardowns are not as common in Montreal as in other Canadian cities primarily because municipal by-laws are more prohibitive. Homes that have been upgraded tend to sell more quickly in Montreal and often command better prices. In a city renowned as chic and trendy, it's no surprise that purchasers increasingly favour quality and modernization. As such, turnkey properties are in demand, but quality product is limited and tends to move very quickly. The shortage of listings continues to place upward pressure on pricing in the Greater Montreal Area and that has played



a role in the renovation market, as more homeowners chose to renovate and stay put rather than vie for choice properties. In Montreal, a good renovation is perceived as one that addresses lifestyle needs and includes quality materials and workmanship. Upgrades to kitchens and bathrooms remain most popular, and although modern is the trend, Montrealers haven't chosen form over function. Plumbing, electrical, heating/cooling systems and general maintenance are equally important, as purchasers still place strong emphasis on the basics.

Low inventory levels fueling renovation boom across Canada.

Ottawa, Ontario

Given rapid appreciation of housing values and a shortage of quality listings in prime Ottawa locations, many potential purchasers are choosing to renovate rather than relocate. In Ottawa's downtown core, where properties date back to the turn of the century, there has been a surge in renovation activity in recent years. Sandy Hill, Centretown, the Golden Triangle and Glebe have all been revitalized as a result of the lack of inventory in the river area. Older, established areas developed in the 1950s, 1960s and 1970s are also experiencing strong activity, as homeowners move to update large bungalows and two-storey homes on well-treed, generous lot sizes. From Bell's Corners in the west to Orleans in the east, excluding the general downtown core, renovations are all the buzz. Emphasis continues to be placed on kitchens and bathrooms. Quality, simplistic design and tasteful décor tend to generate the best return on investment. Hardwood flooring is also quite popular. According to the most recent Homeowner Repair and Renovation Expenditure Report issued by Statistics Canada, more than 40 per cent of repairs and renovations occurred on homes built before 1980 in Ontario. Expenditures have increased as well, averaging just over \$3,000 in the province. Areas adjacent to the greenbelt, such as the experimental farm area owned by the National

Capital Commission, have benefited from the government's decision to release a limited portion of the land for residential development. Up-and-coming areas such as Vanier, Overbrooke and Mechanicsville have seen an upswing in housing values as more and more homes in the areas are revitalized. Many of these properties, built in the 1920s and 1930s, provide buyers with entry-level housing in the more central areas. Investors have also become more familiar with these areas,

into their dream home with some renovation. Projects can range in scope from minor cosmetic changes to complete restoration. Most renovations are made before purchasers move into the property in an effort to bypass some of the stress associated with renovating a home. There is an element of the population that will take the renovation process slowly, one room at a time. There are also those buyers that purchase with the intention to renovate in the future. By and large,

In recent years, residential building permits have been issued at a feverish pace in the Greater Toronto Area.

as they take advantage of the flexibility in zoning and buy up income properties. Homeowners in and around Preston and LeBreton Flats are also expected to see property values increase with the planned future of the "Flats" including residential, office and retail development. This is expected to impact house prices and overall demographics in the immediate area in the short term and could contribute to a long-term trend toward revitalization. The urban allure is tempting many potential purchasers back into the city.

Toronto, Ontario

The huge proliferation of big box building centres popping up throughout the Greater Toronto Area best illustrates the renovation boom currently underway. A visit to any Home Depot, Building Box or Revy location on a Saturday afternoon will provide telltale signs of what's top of mind with consumers in today's marketplace. Disposal bins are common place. General contractors are a scarcity and quality trades people are virtually impossible to find. What's fuelling Toronto's renovation boom? A number of factors are contributing to heated activity, but the primary impetus is the continued shortage of inventory. Many consumers are compromising on choice as a result, especially in areas like Rosedale, Forest Hill, East York, Leaside and North Toronto where listings are particularly tight. Multiple offers are now occurring on the vast majority of homes listed for sale along the Yonge St. corridor. Purchasers are bidding for properties that may not be perfect, but as close to ideal as possible. And they're buying with the expectation that they can make it

most renovations reflect the homeowner, and the objective is to enhance the quality of life. Kitchens and bathrooms continue to top the list in terms of renovation, with today's sophisticated purchasers demanding top quality workmanship and finishings. Low interest rates are a factor in the trend toward renovation as well. Consumers typically increase the amount of their mortgage in proportion to the cost of the renovation or will borrow against the equity realized to upgrade their properties. Most agree that renovations will add value to the home and will have an impact in terms of future appreciation, but the investment aspect is secondary to the lifestyle component. In recent years, residential building permits have been issued at a feverish pace in the Greater Toronto Area. The Canada Mortgage and Housing Corporation estimates that the amount spent on renovation is amongst the highest in the nation, averaging approximately \$12,000 in 2002-2003, up \$2,473 over 2001-2002. The survey also found that a quarter of respondents intended to finance their renovations, with Torontonians anticipating expenses to hover at \$10,050 on average.

Winnipeg, Manitoba

The renovation trend gripping Canadians from coast-to-coast is less noticeable in Canada's transportation hub. Most of the renovations occurring in Winnipeg are cosmetic in nature, involving painting, repairing, and general upkeep. The only exceptions are homes in older, established areas like River Heights, Wolseley, North Kildonan and St. Vital that are being revitalized. Ranging in age from 30 to 50 years,

properties in these areas are refurbished, and in some cases, homeowners are adding three-season sunrooms. According to the most recent Homeowner Repair and Renovation Expenditure Report issued by Statistics Canada, close to 51 per cent of repairs and renovations occurred on homes built before 1970 in Manitoba. Expenditures have increased as well, averaging \$2,113 in 2001 in the province. Turn-key properties tend to generate good activity in Winnipeg, with those in immaculate condition prompting bidding wars. Properties requiring updating are less likely to experience multiple offers. Flooring generally adds to the bottom line, as does painting, minor repairs to doorknobs, leaking faucets and broken glass panes.

Older homes in established areas are most likely to undergo renovations.

White kitchens are most popular with purchasers, as are granite countertops in the upper-end of the market. Functional and spacious are the most important aspects of kitchen layout and design, with those offering direct access to the backyard earning extra points. Walk-in pantries are also popular. In today's heated market, basic cosmetic changes are a must in homes priced under \$140,000. Purchasers of properties priced above \$140,000 are more likely to renovate to their own taste.



Edmonton, Alberta

Limited inventory levels have fuelled Edmonton's renovation boom in recent years. The short supply of homes listed for sale has prompted many purchasers to invest a little sweat equity in realizing their dream of home ownership. The trend is sweeping the province, where virtually all types of homes are experiencing some form of renovation and/or repair, including 23.3 per cent of houses built after 1991, according to the most recent Homeowner Repair and Renovation Expenditure Report issued by Statistics Canada. Expenditures

have increased as well, averaging \$2,259 in 2001 in Alberta, up 15 per cent from \$1,956 in 1999. Older homes in established areas are most likely to undergo renovation. Although many homes in these neighbourhoods are well maintained, most require some form of updating such as upgrades to kitchen cabinetry and hardware, flooring and bathroom fixtures. More general maintenance in terms of new roofs and windows are also necessary. For most homeowners, the decision to renovate is primarily driven by lifestyle. A good renovation is one that updates and improves the overall impression of the home and adds dollars to the bottom line when it comes time to sell. A quick facelift, including general maintenance, repair and a coat of paint can be as effective in the sale of a home. Well-priced, modernized properties generate the most excitement in the local marketplace. These properties tend to experience strong activity from the onset, with quicker sales at top dollar reported – sometimes in multiple offer situations.

Calgary, Alberta

Renovation is all the rage in Calgary, as homeowners take advantage of the low cost of borrowing. According to the Canada Mortgage and Housing Corporation, 25 per cent of Calgaryans intend to undertake renovations valued at \$1,000 or more during 2003, with another 12 per cent citing renovation as

a possibility in the year ahead. Of those planning to renovate, 20 per cent will spend more than \$10,000—slightly greater than the average expenditure, now at \$9,465 in Calgary. The inner-city and upper-end areas such as Mount Royal, Scarborough, and Elbow Park, in particular, have seen a great deal of renovation activity. Inner-city building lots, although few and far between, presently start at approximately \$600,000 and are being snapped up by those looking to design the perfect dream home. Teardowns are also occurring in the city and are commonly replaced with million-dollar-plus residences. By contrast, some purchasers are electing to strip a home to its bare bones and start fresh. Most upper-end purchasers, however, prefer turn-key properties—those requiring only minor upgrades. Most homeowners in Calgary tend to hire a professional to complete at least some of the work involved in their renovation project. However, the do-it-yourself trend is growing in the city, due in part to the introduction of

intending to sell their home. These type of improvements are often among the least expensive, and can also net a good return on investment, as first impressions still make all the difference.



Kitchens and bathrooms seem to be a homeowner's best investment, followed by upgrades to flooring—including hardwood and ceramics.

big-box retailers such as Home Depot and The Building Box. Homes aged 30 years and older account for the majority of renovations—with ongoing maintenance and general upkeep being of primary concern. In Calgary, lifestyle leads as the number one reason to renovate a home, with major renovations for resale purposes far less typical. Generally, those choosing to renovate are satisfied with their current home and neighbourhood and are electing to upgrade rather than house hunt, with modernization or more living space most desirable. Additions generally are in the form of family rooms or second stories to bungalow-style homes. In keeping with the national picture, kitchens and bathrooms seem to be a homeowner's best investment, followed by upgrades to flooring—including hardwood and ceramics. With Calgary's cold climate during the winter months, it's no surprise that exterior construction and repair also ranks fairly high. Renovated homes tend to sell more quickly, as major home improvements tend to make a residence more attractive. Cosmetic upgrades continue to be most popular among those

Vancouver, British Columbia

Lifestyle and return on investment are the major factors prompting renovation activity in Vancouver. Purchasers willing to renovate typically fall into two separate categories – those that will hire a general contractor to realize perfection and those that are willing to roll up their sleeves and do the work themselves. For younger buyers, most homes requiring renovation are competitively-priced and offer an ideal opportunity to enter the housing market on their own terms. Mid-priced homes between \$450,000 and \$650,000, particularly in Vancouver's coveted West Side, are experiencing strong renovation activity. Additions are also frequently occurring on homes aged between 30 and 80 years old, in good locations close to Vancouver's downtown core. Clearly, turn-key properties are experiencing the greatest demand, a fact not gone unnoticed by investors and renovators in Vancouver. Active listings, having fallen by close to 600 units, are also a

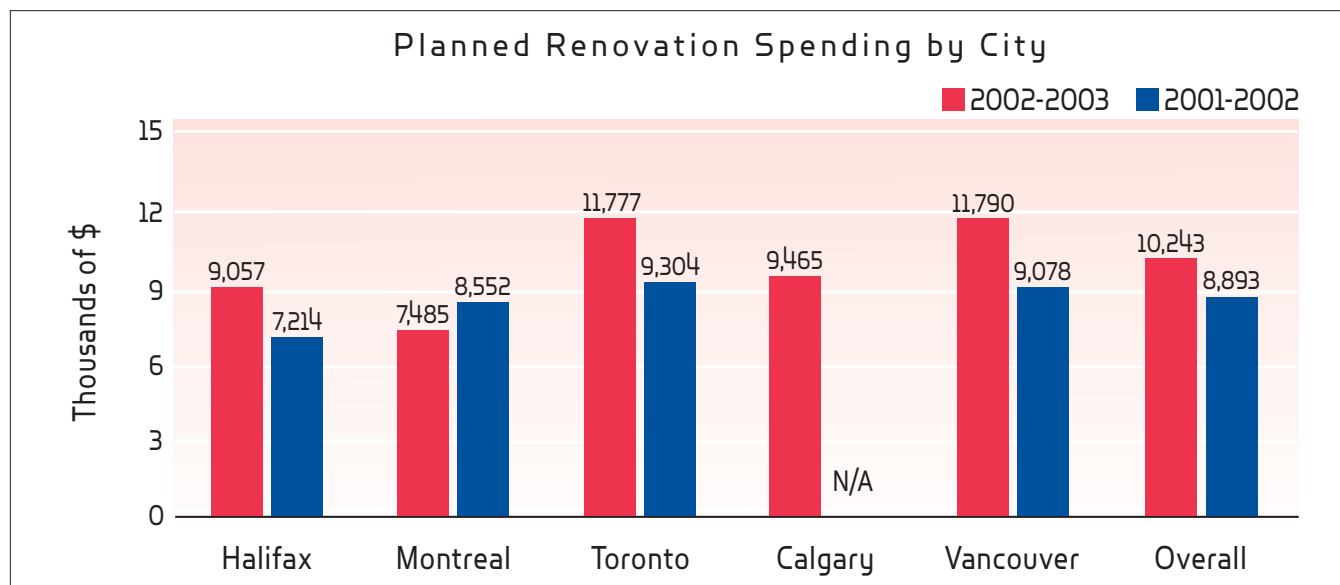
factor, as purchasers vie for choice properties. Many are buying properties that require significant updating and transforming them literally overnight. New kitchens with quality wood cabinetry and granite countertops, bathrooms with state-of-the-art fixtures and finishings and hardwood and stone

the highest in the nation in Vancouver. A typical renovation—particularly on the city's West Side—can start at approximately \$25,000 to \$30,000 for minor home improvements, with renovations on mid-priced homes often costing \$75,000 and up. Major renovations, including additions and structural

Low interest rates are a significant factor in the decision to upgrade.

flooring generally rate a good return on investment. Landscaping that improves the overall curb appeal is also important. In terms of condominium renovations, open concept is extremely popular. Often purchasers will tear out walls to obtain more space. For the most part, major renovations tend to be undertaken by purchasers who expect to live in the property for a significant period of time. Renovation expenditures were among

projects, can cost significantly more. Low interest rates are a significant factor in the decision to upgrade with one quarter of households planning to borrow to finance their renovations. Those purchasers who are renovating to sell tend to do more cosmetic upgrades that will increase the saleability of their home.

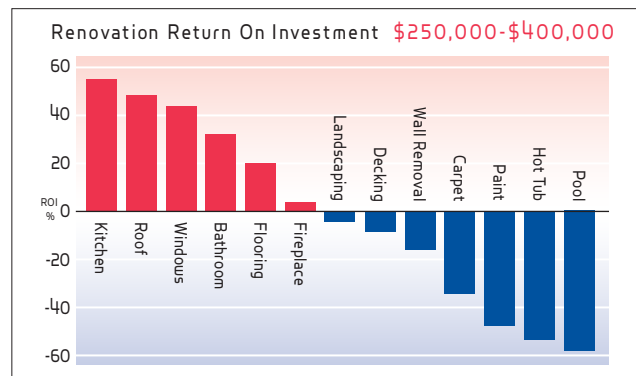
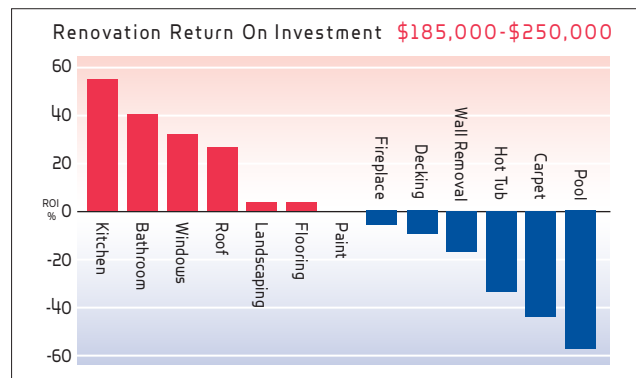
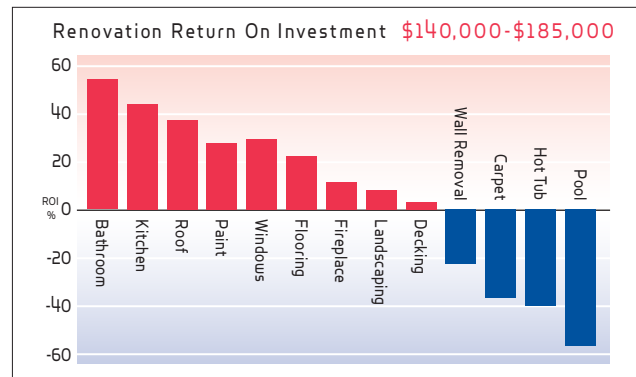


Source: CMHC Survey of Home Renovation Intentions

The RE/MAX
RETURN
ON RENO INDEX

The RE/MAX Return on Reno Index is a proprietary tool developed to help consumers get the most value out of every renovating dollar spent. We took an exhaustive look at the various renovations people commonly undertake and judged their return on investment based on a variety of criteria.

We learned, "down to the dollar", what different renovations deliver, but we also discovered that the relative return on investment changes based on the value of the house being sold. The following charts demonstrate the home improvements that best add to the bottom line while enhancing a family's lifestyle needs.



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