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To: 'Steven Moyes'
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Invis in the News**Vancouver Sun – December 2, 2005.**

Rush to redecorate accounts for billions of borrowed dollars
Nearly half of mortgage refinancing and lines of credit go to pay for adding value to our existing homes

Blame or thank Debbie Travis and the rest of the decor divas, but much of the money we are tapping from our household bank machines is finding its way back home.

Renovation spending accounts for about 43 per cent of the billions borrowed each year through mortgage refinancing and home equity lines of credit, according to Canada Mortgage and Housing Corp.

That's great when the cost of borrowing is relatively low and the spending adds value to our homes. It's not so good when the home improvement gurus encourage a few to opt for the reno of their dreams, and rack up nightmarish bills. They could be forced to sell up and trade down when the job is done.

Tony Brewster says he has no worries about that. The Vancouver oil trader and his wife, Julie, have three children, aged four months through seven years, and live in a modest post-war bungalow in West Vancouver that has doubled in value over the past five years.

Rather than move to a larger home in another neighbourhood, they plan to add another floor with four bedrooms and three bathrooms. That will let them open up the main floor for more living space.

"We looked at the alternatives of selling at current market prices and trying to find something that is suitable, and there is just nothing in the area," Tony Brewster said.

Home improvement spenders generally have to choose between a home equity line of credit at a floating interest rate or refinancing their mortgage at a fixed rate. The Brewsters refinanced through mortgage brokers Invis Inc. at less than five per cent, a rate Tony Brewster considers excellent after starting out with a mortgage at more than seven per cent in 1995.

In contrast, part-time elementary schoolteachers Tom Demenuk and Cathy Sutton opted for a line of credit at prime, currently 4.75 per cent, to finance a \$35,000 solarium. It's now one of the most used rooms in their house on Vancouver's west side, both for them and daughter, Jennie, 8.

"The value of the home had gone up about 50 per cent, and my wife always had the idea of a solarium in the back, so we built one," said Demenuk, 47.

Rising home values and continuing low interest rates are driving the renovation boom. Many people want to stay in their neighbourhoods, but it is not feasible for them to trade up, said Lisa Hiebert, manager of personal banking with Scotiabank in North Vancouver.

Instead, they tap into their increased equity to get the amenities they would have sought in another home.

"Bathrooms, kitchens and new flooring seem to be the most common improvements. Of course, we never expect to get dollar for dollar, but those are going to really improve the value of your home."

Canada's home renovation spending reached a record high of \$28 billion in 2004 -- about two-thirds the total investment in new housing construction --and is projected to surpass \$30 billion this year.

While rising interest rates could slow the mortgage and housing markets next year, CIBC economist Benjamin Tal expects renovation spending to remain robust because fewer people can afford to move up.

Also feeding the drive to renovate are lifestyle trends such as cocooning, the advent of home theatres, and the lingering chill around traditional equity and fixed-income investing. People expect better returns from their homes.

Demographics are a key factor, says Peter Simpson, CEO of the Greater Vancouver Home Builders' Association.

"A lot of the people who are doing this are either baby boomers, or nearing the baby boomer age. A lot of them have money or no mortgage, and they are adding on or improving their homes, rather than change location."

Some older homeowners are addressing current or future mobility issues by adding main floor bathrooms, for example, so they won't have to go up or down stairs. Others are installing elevators.

But Simpson believes improving lifestyles rather than adding to equity is the prime motivator.

"They are quite happy where they are and they have a lot of disposable income, so they are adding a Cadillac touch to a Chevrolet house. And what has spurred it on, too, is all of these home and garden TV shows and articles."

According to a recent survey for BMO Bank of Montreal, the media buzz around home improvement has motivated 29 per cent of homeowners to renovate.

While 60 per cent of those homeowners made a budget, the survey found that 27 per cent spent more than they planned. Some blamed the design divas for fuelling costly cravings for the latest in home appliances and decor.

Vancouver-based CMHC market analyst Cameron Muir says most home equity borrowing makes solid financial sense when it offers access to the lowest available rates to pay for home improvements.

He said the most popular renovations are exterior makeovers, kitchens and bathrooms.

"Kitchens and bathrooms also add the most value to our home but whether they will pay for the price of those renovations depends to a great extent on what renovations you do."

The average renovation project costs a little less than \$15,000 but people who refinance their homes typically spend twice as much, said Chris Wisniewski, group products manager for mortgages and home equity lines of credit at TD Canada Trust. That doesn't indicate wanton spending, she said, but rather that people are less likely to borrow to pay for smaller renovations.

HOME EQUITY SPENDING:

How Canadians use the money they are borrowing against the rising value of their homes:

Renovations 43%

Consolidate debt 29%

Buy second home 7%

Buy vehicle 6%

"Other" spending 5%

Finance small business 4%
Investment property 3%
Other investments 2%
Vacation property 1%
Source: CMHC



Part-time teachers Tom Demenuk and Cathy Sutton with daughter Jennie enjoy their \$35,000 solarium, which has become the most-used room in the house.