

"SHOULD WE PUT IN AN OFFER?"

Canadians and Real Estate Bidding Wars



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"SHOULD WE PUT IN AN OFFER?"

Canadians and Real Estate Bidding Wars

Toronto, ONTARIO (Tuesday April 22nd, 2003) – According to a new study conducted by Ipsos-Reid and commissioned by Royal LePage Real Estate Services Ltd., a majority (55%) of Canadians say that if they were to bid on a new home they would go into the process with an idea of a maximum price they'd like to spend, but with some flexibility to pay more if they had to.

However, Canadians are split as to if they want to get in a bidding war over a home they like. Just under half (47%) of Canadians said they would immediately stop inquiring about a home if they heard there was a bidding war for the property, while a slight majority (51%) say they would continue to look at the home.

One of the reasons for not wanting to get involved in a bidding war, may be that Canadians don't know what to do in the case of multiple bids on a home they want -- six in ten (60%) admit as such.

As for Canadian's experiences with competitive bidding for a new home, just over one in ten (13%) indicate they've been involved in a bidding war for a property they wanted to purchase. Of those who have been involved in a bidding war, just over half (53%) won the bidding, 37% lost, while 10% say they have both won and lost a bidding war on a property.

Of those who lost, a majority (55%), say that in hindsight they were relieved that someone outbid them because they would have blown their budget. Four in ten (39%) say they were upset because they didn't bid higher and that they really wanted the property at any price.

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As for the winners in a bidding war, not surprisingly, over eight in ten (84%) say they were pleased because they won and it was worth the price they paid. However, 15% of this group say they are regretful about being involved in the bidding war and winning because they overpaid.

From a home seller's perspective, Canadians are split on whether to price a home above the average listing price of what similar properties sold for (47%) or to price a home to get multiple bids on the property (47%).

These are the findings of an Ipsos-Reid poll conducted on behalf of Royal LePage Real Estate Services Ltd. between March 3rd and March 12th, 2003. The poll is based on a randomly selected sample of 1,013 adult Canadians. With a sample of this size, the results are considered accurate to within ± 3.1 percentage points, 19 times out of 20, of what they would have been had the entire adult Canadian population been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population. These data were statistically weighted to ensure the sample's regional and age/sex composition reflects that of the actual Canadian population according to the 2001 Census data.

Majority (55%) of Canadians Go Into Bidding Process with Some Budget Flexibility, But Just Half (51%) Will Stay In if a Bidding War Ensues

A majority (55%) of Canadians say that if they were to bid on a new home they'd go in with an idea of a maximum price they'd like to spend, but with some flexibility to pay more if they had to. Four in ten (43%) say they would go into the process with a set maximum that they would be willing to spend and go no higher.



- Quebec is the only region in the country where less than a majority (39%) say that if they were in the market for a new home that they would go into the process with an idea of a maximum price but with some flexibility to pay more if they had to. In fact a majority (58%) in Quebec say they would go into the process with a set maximum price they would be willing to pay and no more.
- Canadians 18 to 24 years of age (80%) are the most likely to say they would be flexible in their budget, while Canadians 65 and older (37%) are least likely to approach shopping for a new home in this manner.

However, Canadians are split as to if they want to get in a bidding war over a home they like. Just under half (47%) of Canadians said they would immediately stop inquiring about a home if they heard there was a bidding war for the it, while a slight majority (51%) say they would continue to look at the home.

- Regionally, a majority of residents of Saskatchewan/Manitoba (62%), Alberta (57%), Ontario (54%) and Atlantic Canada (53%) say that a bidding war would not stop them from inquiring about a home. However, the story is different in Quebec where a majority (56%) say they would quit looking at a home if they knew there was a bidding war for it. British Columbians split evenly (stop 50%; don't stop 50%) on this question.
- A majority (59%) of Canadians in communities with populations of 100,000 to 1,000,000 say that a bidding war would not stop them from continuing to look at a home compared to 41% who say this development would stop them. Canadians in smaller and larger communities are more likely to be split in their views on this subject.

One of the reasons for not wanting to get involved in a bidding contest may be that Canadians do not know what to do in the event of competitive bidding on a property. In



fact, six in ten (60%) say they do not personally know what to do in the event of a bidding war for a home compared to just 38% who say they would know what to do.

- Residents of British Columbia (42%) and Ontario (41%) are the most likely to say they would know what to do in the event of a bidding war, while residents of Atlantic Canada (24%) are the least likely to say they have this knowledge.
- Respondents between 35 and 64 (44%) are more likely than either their younger (27%) or older (28%) counterparts to indicate they would know what to do.

The Outcomes of a Bidding War

Just over one in ten (13%) Canadians indicate they have been involved in a bidding war for a property they wanted to purchase.

- Residents of British Columbia (24%) and Saskatchewan/Manitoba (22%) are the most likely to say they have been involved in a bidding war for a property, while those in Atlantic Canada (10%), Alberta (9%) and Quebec (7%) are the least likely to say they have been involved in such a situation.
- Canadians with household incomes of at least \$100,000 (22%) are more likely to say they have been involved in a bidding war, followed by those with household incomes of between \$50,000 to just under \$100,000 (16%). Canadians in lower household income groups (9%) are the least likely to indicate they have been involved in this type of situation.

Of those who have been involved in a bidding war just over half (53%) say they won, 37% say they lost, while 10% say they have both won and lost a bidding war on a property.



Asking those who ended up on the losing end of the bidding, a majority (55%) say that in hindsight they were relieved that someone outbid them, because they would have blown their budget. Four in ten (39%) say they are upset because they did not bid higher and that they really wanted the property at any price.

Not surprising is the fact that of bidding war winners over eight in ten (84%) say they were pleased because they won and it was worth the price they paid. However, 15% of this group say they are regretful about being involved in the bidding war and winning because they overpaid.

On average, the property that was the object of the bidding contest went for just over 12% (12.4%) higher than the original asking price according to the Canadians who were involved.

Setting the Selling Price

From the seller's perspective, Canadians are split on whether to price a home above the average listing price of what similar properties sold for (47%) or to price a home to get multiple bids on the property (47%).

- Canadians between 55 and 64 years of age (54%) are more likely than those 65+ (38%) to say they would price their home to get multiple bids.
- Regionally, those most likely to say they would price their home to encourage multiple bids are from Quebec (59%) and British Columbia (55%). This compares to the views of residents of Atlantic Canada (35%).
- A majority of Canadians who live in larger communities, those with populations of 500,000 + (55%) are more likely to say they would price their home to encourage

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multiple bids than are those in mid-size cities, those with populations of between 100,000 to just under 500,000, (41%), or small communities with populations up to 10,000 (40%). Residents in smaller cities with populations 10,000 to just under 100,000 (52%) somewhat in between the two extremes.

“Oh I like this one darling! Should We Put In a Bid?”

So, before putting in a bid on a home, how many properties do Canadians feel they need to see? Three in ten (29%) say that if they liked the first property they looked at, they'd put in an offer. However, the remaining seven in ten (70%) say they would need to visit other homes before putting in an offer on any property.

- Canadians in larger cities with populations of at least 1,000,000 (40%) are the most likely to say they would put in an offer on the first house they saw if they liked it before see other properties.
- Regionally, residents of Quebec (35%) are the most likely to say they would put in an offer on the first house they saw if they liked it, while those in Atlantic Canada (20%) are least likely to follow this route.

Canadians on average say they need to see about 11 properties (mean 10.8) to feel comfortable that they've seen what is available and to make a decision on a purchase.

- Regionally, Quebecers need to see the least number of homes (mean 6.8) before they feel they have seen what is available, while residents in Atlantic Canada (mean 14.0) say they would need to see more than twice the number of Quebecers.



Eight in ten (84%) Canadians say they are likely to try to purchase a home within the next two or three years, while eight in ten (80%) homeowners say they are likely to try to sell their home within this timeframe. Of this group, three in ten say they intend to purchase a detached bungalow (31%) or a standard two story home (28%). In comparison, one in ten (11%) say they intend to purchase a condominium, followed by a townhouse (7%), a semi-detached home (5%) and a recreational property or cottage (5%).

Some other research findings include:

- Eight in ten (84%) Canadians say they are likely to try to purchase a home within the next two or three years, while eight in ten (80%) homeowners say they are likely to try to sell their home within this timeframe.
- Of Canadians likely to purchase, three in ten say they intend to purchase a detached bungalow (31%) or a standard two story home (28%). In comparison, one in ten (11%) say they intend to purchase a condominium, followed by a townhouse (7%), a semi-detached home (5%) and a recreational property or cottage (5%).
- Asked the reasons they are thinking of buying a home, 17% say they are “looking to upgrade”, while 13% say it is to “find a suitable home”. Other responses include “for equity/stop wasting money on rent” (9%), “an investment” (8%), “better than renting/just to own a home” (8%), “moving to a new city” (7%), and have the “ability to afford the purchase” (7%).
- The kitchen (58%) is the one room Canadians think that has the most significant or biggest impact on potential buyers of a home, followed by the living room (20%). Bedrooms (6%), den or family room (4%), bathrooms (2%), front entrance (1%), basement (1%) and dining room (1%) are also cited.



- One in ten (8%) Canadians say they would be likely to seriously consider purchasing or building a bomb shelter.
- Seven in ten (70%) Canadians feel proximity to where they work would be important if they were looking for a new home. However, just half (52%) feel that being close to public transit would be important if they were looking for a new home.
- This last point is not surprising, given that three in four (76%) employed respondents indicate they most often drive to work, while just one in ten (11%) say they most often take public transit. Four percent report they do both equally and the same number report walking to work.
- On average it takes Canadians 22.2 minutes to get to work from home, while on average Canadians are willing to look at a new home that is 34.4 minutes commuting time from their jobs.
- One in three (34%) Canadians say they definitely or probably consider purchasing a home that was not exactly what they were looking for in order to be closer to their workplace.
- Of Canadians, one in four indicate that they are planning to “upgrade to new energy efficient appliances” (27%), “replace the windows in [their] home” (25%), while one in five say they plan to “purchase and install high efficiency heating or furnace” (22%), “use alternative heating sources such as a fireplace or wood stove”. Slightly less say they plan on “composting” (15%), “replacing the insulation in [their] home” (15%), “switching to an alternative energy source (i.e. natural gas etc.)” (15%), “eliminating the use of pesticides” (15%), “use environmentally friendly household cleaners” (13%) and “participate in recycling” (7%) in order to make their home environmentally friendly.



- When researching in preparation of selling or purchasing a home, Canadians are most likely to use a real estate agent (50%) for research, followed by the internet (42%), newspapers (29%), talking to friends and neighbours (15%), driving around the area (12%) and real estate board information (7%).
- Four in ten (41%) of Canadians best describe their current financial situation as “getting ahead”, while half (48%) would say they are “treading water” and one in ten (10%) say they are “failing behind”.

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