



HUGH HERON

My economy includes optimism

History shows the market always bounces back

The current news on the economy has a lot of people wondering about the future of the housing industry. After more than 40 years as a builder, I've seen it all – boom times, recessions and everything in between. I've also experienced first-hand the resiliency of the Canadian new-home market. When we have our occasional “downs,” people sometimes panic, thinking that if things are bad today, they are sure to be worse tomorrow. But that tomorrow never comes. In fact, we always manage to come full circle again with a stable, robust new-home market.

Just look at the history of interest rates in Canada over the past few decades. I remember in 1967 when rates jumped to over 6%, experts said our industry would die. The company I was working for was building 2,000-square-foot homes on a golf course for \$20,000 and we were told no one could afford them. Well, they sold – and wouldn't you like to be one of the people who bought one?

And remember the high interest rates in the 1980s? Remember the economists who said that we'd never see single-digit rates again? Remember the naysayers back then who predicted that condominium sales in Toronto were saturated? Just look at where our rates and condo sales are today. And think back a few years ago when the year 2000 was getting close and everyone was in Y2K panic mode. It was going to be the end of the world as we knew it – and, lo and behold, we survived.

There are many other examples, including the high-rise market. When prices became unattainable for entry-level buyers, developers started to introduce more compact 400- and 500-square-foot sizes that were totally redesigned to eliminate wasted space. This was an innovative solution that helped to keep the new condominium market vibrant.

During the past 10 years or so, single-detached homes have been, on average, large. In fact, many people now look at 2,500 square feet as a modest size. Maybe to accommodate today's rising construction, development and land costs and still keep detached homes affordable, we'll have to build more 1,500-square-foot designs or smaller. Homebuyers are embracing this change with condominiums; they can do the same with low-rise housing.

And embracing change is what it's all about. We all need to keep an open mind as well as a positive attitude. Tomorrow may very well be very different from today. In fact, it usually is. The point is, keep things in perspective. We have our problems here

in Canada, but compared to the rest of the world, these are minor. Our slight housing slow-up is not, and will never be, anywhere as serious as what's happened in the United States, for example. When it comes to real estate, we have a much more stable economy here in Canada, which people often take for granted. Yet you probably know someone who purchased a home last year that has already appreciated in value. Maybe it's a new home that isn't even completed yet.

Part of the problem is that the housing industry here has been so strong during the past decade that it didn't seem cyclical – but, in fact, it traditionally experiences highs and lows. Across Canada, however, the cost of homes has risen steadily, rather than spiking as it did in the U.S. Our banking and mortgage systems are more conservative and careful. We don't have Fannie Maes and Freddie Macs, and we do have the Canada Mortgage and Housing Corporation, which provides mortgage loan insurance to banks for the difference when buyers put down less than 20% of the purchase price.

Everything is relative. Home prices are much higher than they were when I came to Canada in the 1960s, yet real estate remains one of the most solid investments anyone can make in life. I'm sure the industry will rebound. And who knows what fantastic changes the future will bring?

Hugh Heron is president of Heathwood Homes, a past member of the board of directors of the Canada Mortgage and Housing Corporation and a past president of the Toronto Home Builders' Association and the Ontario Home Builders' Association.

Giving back to the community with heart

In 2003, the Heron Group and Heathwood Homes established the Mikey Network to honour the memory of former partner Mike Salem, who experienced sudden cardiac arrest (SCA) and died on a golf course in 2002. This non-profit charitable organization promotes heart-healthy living and places public-access defibrillators called Mikeys in high-risk public places. In Mike Salem's name, the network works with community partners to offer a second chance at life to people of all ages who experience SCA. To support this worthy cause, visit www.miketwork.com.

