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Mortgage planning tips



Whether you are buying a home or refinancing an existing home, it is important to make informed housing finance decisions that will help make homeownership viable and affordable over the long term.

By planning your mortgage out in advance, you'll save money and be better prepared to deal with any financial setbacks.

Borrow less than you're allowed

Mortgage professionals use 2 rules to decide how much they'll lend you:

Your housing costs shouldn't be more than 32% of your gross income. Housing costs include mortgage principal and interest, taxes, heating expenses and half of your condo fees.

Find out the home-related costs you can afford each month. Calculate your gross debt service ratio.

Your total debt (for housing, cars and credit cards) shouldn't be more than 40% of your gross income.

Find out the maximum debt load you can carry each month. Calculate your total debt service ratio.

But borrowing this maximum amount can be risky. If your income drops, your expenses increase or interest rates rise, you may have trouble making your payments. Take on a smaller mortgage so that your housing costs stay within your means.

Estimate the maximum mortgage you can afford with our mortgage affordability calculator.

Figure out how much you'll pay and how

often you'll make payments with our mortgage payment calculator.

Compare your income and expenses to see how a mortgage will fit into your budget with our household budget calculator.

Think about how higher interest rates would affect your payments

An increase in the interest rate will increase your future monthly payments. For example, if interest rates rise from 5% to 7%, renewing a \$250,000 mortgage will cost an extra \$300 per month.

Pay off your mortgage faster

Try to pay more each month:

Increase your regular payment amount. Pay \$675 rather than \$652, for example.

Make lump sum payments to your mortgage principal. An extra \$1,000 here and there can make a big difference.

Make accelerated payments. Instead of making 2 payments per month (24 per year), make payments every two weeks (26 per year).

Speak to your mortgage professional about other options.

By paying more now, you'll save money in the long run and you'll build a financial cushion.

Seek help right away if you can't make your payments

Your lender can help you deal with financial setbacks. Don't wait. Let them know if you're having financial issues.

JULY'S RESALE MARKET STABILIZES

Members of the Ottawa Real Estate Board (OREB) sold 1,724 residential properties in July 2021 compared with 2,183 in July 2020, a decrease of 21%.

"July's unit sales followed the traditional cycle of the spring and summer markets, which tend to peak around April or May and then slow down as Buyers and Sellers turn their attention to their vacations and other outdoor recreational activities" states OREB's President.

"This year's figure is closer to 2019's (1,838 sales) and just shy of the 5-year average, with the slight decline in transactions perhaps due to the combination of summer and the reopening of the economy last month. Certainly, the marked decrease from last year's July sales is due to the spring 2020 lockdown, which had shifted the 2020 resale market's peak to the summer and fall months."

The average sale price of a residential-class property sold in January in the Ottawa area was \$685,426, an increase of 17% over July 2020. The average sale price for a condominium-class property was \$419,545 an increase of 17% from July 2020.

"Following the same trend as sales, the month-to-month average prices decreased marginally by 4-6% compared to June; however, this minor dip is consistent to what typically happens during the summer months. Overall, average prices have increased considerably from 2020, and year-to-date values are holding steady. Still, Sellers will need to keep in mind that the multiple offer frenzy experienced previously is no longer the norm, and they may need to have more realistic expectations when positioning their homes and settling on a listing price with their REALTORS®."

Call today for real estate advice and information!

Royal LePage: Canadian home price forecast revised upward to 16% as roaring spring market eases into summer



According to the Royal LePage House Price Survey released last month, the aggregate price of a home in Canada increased 25.3 per cent year-over-year to \$727,000 in the second quarter of 2021, as inventory shortages continue across the country. Eighty-nine per cent of the regions surveyed saw year-over-year double-digit aggregate price gains, driven largely by increases in the single-family detached property segment. However, the level of competition seen in recent months is beginning to slow.

“After a year of record growth in the Canadian housing market, we appear to have passed the peak of price appreciation,” said Phil Soper, president and CEO of Royal LePage. “While current home price gains are expected to be sustained due to chronically low inventory and new demand from growing household formation, investors and newcomers, the torrid pace of home price appreciation has begun to moderate.”

Forecast

Royal LePage is forecasting that the aggregate price of a home in Canada will increase 16 per cent to \$771,500 in the fourth quarter of 2021, compared to the same quarter last year. The previous forecast, released in April, 2021, has been revised upward to reflect the current state of the market. While the rate of price appreciation is decelerating, a boost in demand is expected in the fall from foreign students, newcomers and investors as pandemic-era restrictions are lifted and the effects of the global health crisis wane.

“Over the past six months, soaring prices and intense competition for the limited supply of homes for sale have left many Canadians frustrated with their inability to improve their housing situation. As home prices stabilize, many of these potential buyers, who will have had time to build up a larger down payment, should have an opportunity to transact,” said Soper.

With COVID-19 cases on the decline and rates of full immunization rapidly rising, a return to pre-pandemic life seems imminent. This will mean a boost in immigration, the return of jobs in the hospitality and tourism industries, and the return of foreign students.

“Household formation will undergo another major shift before the end of the year, with many young Canadians who chose to move in with parents during the lockdowns looking for their own places to live. As the hospitality industry reopens and employment opportunities abound, new sources of housing demand will emerge. Finally, we will welcome back hundreds of thousands of foreign students and a new wave of immigration. All of these people need to put a roof over their heads, which will encourage a wave of entrepreneurial landlords – investors eager to provide rental accommodation.

“These new sources of demand should sustain the housing market at buoyant levels through the all-important spring market in 2022,” Soper concluded.

Ottawa

The aggregate price of a home in Ottawa increased 26.9 per cent year-over-year to \$718,000 in the second quarter of 2021. Broken out by housing type, the median price of a single-family detached home increased 31.2 per cent to \$846,250, while the median price of a condominium increased 16.9 per cent to \$421,000 during the same period.

“The supply of homes is increasing and properties are staying on the market a little longer, compared to the height of activity earlier this year, allowing buyers a bit more time to consider their purchase,” said Jason Ralph, managing partner, Royal LePage Team Realty. “But demand remains high and I don't expect we'll be in a balanced market anytime soon.”

Ralph noted that the Ottawa real estate market, like many in Canada, is cyclical. He expects another wave of strong demand in the fall, when the new school year begins.

“I anticipate a steady flow of inventory over the summer,” continued Ralph. “With many potential buyers not able to transact due to high competition and being priced out of multiple-offer scenarios, I expect this fall will bring a rush of buyers back to the market, even more than in years past.”

Royal LePage is forecasting that the aggregate price of a home in Ottawa will increase 17.0 per cent in the fourth quarter of 2021, compared to the same quarter last year. The previous forecast, released in April, 2021, has been revised upward to reflect the current state of the market.