REAL ESTATE NEWS

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PAY DOWN THE MORTGAGE OR INVEST?

HERE ARE SOME THINGS TO CONSIDER BEFORE DECIDING WHETHER TO PAY DOWN THE MORTGAGE OR INVEST

Freed up some money recently and wondering whether to aggressively pay down your mortgage or invest that extra cash? It's a good question, and one fraught with unknowns. I'll stick my personal bias in as well so you know what I think. But, ultimately, you have to do what you think will work best for you both financially and psychologically.

Issue #1: Mortgage rates are at all-time lows, so there's only one way for those puppies to go: UP! Good sense says to reduce your debt as much as possible while the rates are low so more of your money is going to principal.

Issue #2: Rates of return on investments have been all over the place. Here are the annual returns for the TSX Composite Index for the past five years:

2007 +7.8
2008 -35.5
2009 +30.7
2010 +14.4
2011 - 11.1

That gives an average annual return of 1.26%. Your in-the-pocket results are actually worse because that 2008 loss would have eroded so much principal that the following gain couldn't have come close to compensating. But I digress. If you're going to compare apples to apples, paying down your mortgage makes more financial sense than investing on a purely dollar-for-dollar basis.

Issue #3: Putting all your eggs in one basket never makes sense. Despite the fact that the housing market has been hotter than Eva Mendes, it's only a matter of time before it slows. We're already seeing retractions in the condo market: developers are becoming landlords because they can't move their units. Do you really want all your money tied up in one asset class? That's bad investing.

Issue #4: Your piece of mind. (And this is where my personal bias comes in.) I've always found that doing things in balance helps me sleep at night. I might not be earning the most I can on my investments, but I value sleep and a quiet spirit more than an extra couple of percentages. So I tend to spread things around. You have to do what's right for you. If getting your home paid off is the thing that weighs most heavily on your mind, then put the money towards your mortgage. If you dread the idea of having only your home and no retirement savings, well, put the money in an RRSP or TFSA.

Keep in mind that the RRSP vs. mortgage question doesn't strictly have to be either/or. If you put money into an RRSP you can use the taxes you'll be saving to pay down the mortgage. That's covering all your bases.

By Gail Vaz-Oxlade | MoneySense.ca

A CHILLY NOVEMBER FOR OTTAWA SALES

With the cooler weather, comes a slight "cool down" in the Ottawa resale market. While the average sale price increased, the number of units sold decreased on a year over year analysis. Members of the Ottawa Real Estate Board (OREB) sold 931 residential properties in November 2012 compared with 1,023 in November 2011, a decrease of 9.0 percent. There were 1,073 sales in October 2012.

"Last year was the best November on record for resale home sales in Ottawa, while this November the sales have come back down to their normal levels" said OREB's President. "Sales for the first eleven months of the year are at 13,692", he added.

The average sale price of residential properties, including condominiums, sold in February in the Ottawa area was $350,020 an increase of 1.0 percent over November 2011.

"Continue to keep in mind that market fluctuations do occur," explains OREB's President. "This is why it is important for buyers and sellers to talk to their Ottawa area REALTOR® for more information about the housing market outlook where they live, or want to live. Ottawa remains a great place to buy and/or sell a home."

Call today for real estate advice and information!

Vast Majority Now Favour FIXED MORTGAGES

While it looks like interest rates will remain low for some time, there has been a large swing from variable to fixed-rate mortgages over the past year, says a new report by the Canadian Association of Accredited Mortgage Professionals.

CAAMP's annual report on the state of the residential mortgage market, released last month, suggests that 79 percent of the new mortgages taken out this year have been fixed-rate, 10 percent have been variable, and 11 percent are a combination.

That's a significant shift from prior years, during which fixed-rate mortgages generally accounted for about two-thirds of the total, while variable or adjustable-rate mortgages were about one-quarter.

Canadians are likely locking in because of the very small difference between interest rates for variable-rate mortgages (which are in the neighbourhood of three percent) and five-year fixed-rate mortgages (which are closer to 3.2 or 3.3 percent, after discounts that the banks typically offer), the report says.

“The current spread of about one-quarter of a point is negligible compared to the average of 1.7 points during 2010 and 2011,” it says. Meanwhile, the average mortgage interest rate for homeowners has fallen to 3.55 percent, from 3.94 percent a year ago. For homes bought this year, the average rate is 3.26 percent.

The report, which is based in large part on an online survey of 2,018 Canadians by Maritz, also found that about six percent of homeowners took equity out of their home in the past year. The average amount is estimated at $49,000, implying that $30-billion of equity has been taken out during the year.

But 87 percent of Canadians have at least 25 percent equity in their homes. Sixteen percent of mortgage holders have increased their payments, 15 percent have made lump sum payments, and 6 percent have increased their payment frequency.

Canada's Prime Interest Rate
for January 1st and July 1st 1943-2012

Year	January	July	Year	January	July
1943	2.50%	2.50%	1978	7.50%	9.00%
1944	2.50%	1.50%	1979	11.25%	11.75%
1945	1.50%	1.50%	1980	14.00%	10.18%
1946	1.50%	1.50%	1981	17.00%	19.89%
1947	1.50%	1.50%	1982	14.72%	15.60%
1948	1.50%	1.50%	1983	9.81%	9.51%
1949	1.50%	1.50%	1984	9.98%	13.24%
1950	1.50%	1.50%	1985	9.66%	9.31%
1951	2.00%	2.00%	1986	1.33%	8.63%
1952	2.00%	2.00%	1987	7.74%	8.76%
1953	2.00%	2.00%	1988	8.63%	9.53%
1954	2.00%	2.00%	1989	11.54%	12.32%
1955	2.00%	1.50%	1990	12.29%	13.59%
1956	2.75%	3.00%	1991	10.88%	8.94%
1957	3.97%	4.05%	1992	7.08%	5.50%
1958	3.83%	1.22%	1993	6.81%	4.41%
1959	3.71%	5.66%	1994	3.88%	6.04%
1960	4.91%	3.40%	1995	8.38%	6.87%
1961	3.47%	2.88%	1996	5.37%	4.75%
1962	3.35%	6.00%	1997	3.25%	3.50%
1963	4.00%	3.50%	1998	4.50%	5.00%
1964	4.00%	4.00%	1999	5.25%	4.75%
1965	4.25%	4.25%	2000	5.00%	6.00%
1966	4.75%	5.25%	2001	5.75%	4.50%
1967	5.25%	4.50%	2002	2.50%	2.70%
1968	7.00%	6.50%	2003	2.75%	3.50%
1969	6.50%	8.00%	2004	3.00%	2.20%
1970	8.00%	7.00%	2005	2.75%	2.75%
1971	6.00%	5.25%	2006	3.50%	4.50%
1972	4.75%	4.75%	2007	4.50%	4.50%
1973	4.75%	6.25%	2008	4.50%	3.25%
1974	7.25%	9.25%	2009	1.75%	0.50%
1975	8.25%	8.25%	2010	0.50%	0.75%
1976	9.00%	9.50%	2011	1.25%	1.25%
			2012	1.00%	1.00%

Source: Bank of Canada, Rates and Statistics