

# REAL ESTATE NEWS



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## LOW LOONIE LIFTS COTTAGE SALES AFTER CHILLY START TO SEASON

One of the nation's largest real estate company says recreational property sales are finally starting to pick up after a tough winter and slow start to the season.

Based on a survey of its brokers who specialize in the market, Royal LePage says inventory levels are rising along with sales.

"Advisors across the country are reporting a significant increase in buyer interest and are anticipating the return of a healthy market for the remainder of the spring and summer. In many areas, snow remained well into the spring, hampering efforts to open and list summer properties, but sellers and buyers returned following the Victoria Day long weekend," according to a release, which does not cite any sales statistics.

Phil Soper, chief executive of LePage, says Baby Boomers had previously driven sale activity to record levels in the middle of the last decade.

"The subsequent economic downturn dampened demand in the sector," said Mr. Soper, in the release. "Post-recession, our research found that incremental sales were

driven largely by low interest rates and investors. With the 2014 market, we are seeing a return to primarily lifestyle-driven demand for cottages, cabins and chalets. Canadians continue to seek the opportunity to escape to a weekend retreat."

LePage said a stable job market, low rates and consumers confidence are all in place to continue to drive the cottage market.



The Canadian market has also benefitted from a recovery in prices for recreational properties south of the border.

"U.S. regions favoured by Canadians, such as

Arizona, Florida and California, coupled with a lower Canadian dollar relative to the American currency, is beginning to impact our domestic recreational market," said Mr. Soper. "People who were previously wooed by bargain shopping for real estate south of the border are finding the real deals are now at home."

The report states the higher-priced end of the market is seeing "healthy-price growth" in Ontario, Manitoba and Saskatchewan. LePage says there are "particularly good deals" at the lower end on in-land properties in Prince Edward Island, New Brunswick, Nova Scotia and some interior regions of British Columbia.

## PENT UP DEMAND FROM THE SPRING ADDS TO JUNE SALES

Members of the Ottawa Real Estate Board (OREB) sold 1,661 residential properties in June 2014 compared with 1,593 in June 2013, an increase of 4.3 percent. There were 1,792 home sales in May 2014.

"It is now very apparent that the long winter we experienced delayed the start of the normally busy spring market," said OREB's President. "As a result, we saw a higher demand going into June, and more homes switching hands. We've had a good May and June for residential sales, and average days on the market has held steady at 42 days."

"We're also seeing that the Ottawa market is doing well in comparison to the first six months of 2013, with positive numbers in May and June, year-to-date units sold are now only off by 106 units; while the average sale price has increased 1.5 per cent over a year ago", he added.

The average sale price of residential properties, including condominiums, sold in June in the Ottawa area was \$364,264, an increase of 1.4 percent over June 2013. The average sale price for a condominium-class property was \$258,135, a decrease of 2.8 percent over June 2013. The average sale price of a residential-class property was \$389,198, an increase of 1.8 percent over June 2013.

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## REAL ESTATE NEWS

# HOW RECORD LOW INTEREST RATES ARE HELPING US PAY OFF OUR MORTGAGES FASTER

Record low interest rates are helping Canadians pay off their debt faster, but cheap borrowing costs are not enough to overcome the red hot housing sector, according to a recent survey.

The Canadian Association of Accredited Mortgage Professionals says 35% of Canadians were able to bump up their payments in the last year, some of them taking advantage of a renewed loan at a lower interest rate. That lower rate allows them to apply more of their monthly payment to principal as opposed to just interest. "There are people comfortable with what their payments are when they are renewing and [the lower rate] becomes an additional payment," said Jim Murphy, chief executive of CAAMP.

A \$250,000 mortgage at 4%, amortized over 25 years, has a monthly mortgage payment \$1,315.06 but if you lower the rate to 3% — the going rate on a five-year rate mortgage — your monthly payment drops to \$1,183.12. Keep the payment the same and that extra \$131.94 can be applied to principal which will ultimately mean your loan is paid off more quickly.

CAAMP found in its May survey that the average mortgage rate of a Canadian homeowner is 3.24%, that's down from 3.5% a year ago. It said the renewal rate for what it called "recent" mortgages was down to 3.02% on average.

The group's statistics show most people are doing better on renewal. Of the 2.2 million borrowers who have renewed or refinanced in the past year, 1.2 million saw their rate fall. Of the 750,000 who saw an increase, the rate was negligible. In the entire country, only 4% of borrowers have an interest rate of 5% or more.

Will Dunning, chief economist with CAAMP, said he doesn't have exact data but his sense is some of the reason for faster payments of mortgages is declining interest rates. Income growth could also be a reason for people increasing their payments, he said.

The survey found, of all borrowers, 16% increased the amount of their payment to shorten the length of their loan, a category that would reflect consumers taking advantage of lower rates. Another 14% had made a lump sum payment while 7% increased the frequency of their payments.

"There are a lot of people paying more than they need to be paying," said Mr. Dunning.

The flip side is that 11% of homeowners took equity out of their homes in the past year with the average amount \$51,000. That translates to a total equity take of \$53-billion.

The No. 1 reason was debt consolidation at \$16.9-billion, followed by renovation or home repair at \$12.5-billion, \$6.6-billion for purchases including education and \$3.3-billion classified as "other." Mr. Murphy said with debt consolidation occupying the top spot, it is clear consumers are taking their obligations seriously.

Ron Cirotto, who runs amortization.com, jokes he is surprised anybody is worried about their mortgage anymore. "It seems like [rates are] going to go into the negative soon," he laughs.

In the interim, he's a strong proponent of using the opportunity of low rates to keep your payment the same and using the difference to pay down debt. "It's a no-brainer, if you have been doing \$500 per month for the last five years and the rate drops, why would you want to drop your monthly payment?" says Mr. Cirotto.

Still, he also gets the lure of the larger house and the extra debt that entails. "I have to admit to myself when I bought my [current house], I did it just after I paid off my previous house," he said. "Everybody does it, so I'm not throwing stones."

## PAYING OFF YOUR MORTGAGE FASTER

### ACTIONS TAKEN IN THE PAST YEAR TO SHORTEN AMORTIZATION PERIODS

by period of purchase



Period of purchase	Increased amount of payment	Made a lump sum payment	Increased frequency of payments	Took one or more of these actions	Took none of these actions
2000-2004	19%	14%	4%	33%	67%
2005-2009	18%	15%	6%	35%	65%
2010-2014	15%	16%	7%	35%	65%
All purchase periods	16%	14%	7%	35%	65%

SOURCE: CANADIAN ASSOCIATION OF ACCREDITED MORTGAGE PROFESSIONALS  
ANDREW BARR / NATIONAL POST