

REAL ESTATE NEWS



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Ottawa unveils new housing measures to slow foreign real-estate investment



Finance Minister Bill Morneau recently unveiled measures aimed at slowing the flood of foreign money into overheated housing markets as well as strengthening a mortgage rate stress test.

Mr. Morneau announced he is closing loopholes relating to the capital gains tax exemption on sales of principal residences.

He also said there would be standardized eligibility criteria for high- and low-ratio insured mortgages, including a "more robust" mortgage rate stress test.

Mr. Morneau also announced a consultation aimed at better protecting taxpayers "by ensuring that the distribution of risk in the housing finance system is balanced."

"Overall, I believe the housing market is sound but as Minister of Finance I want to make sure we are proactive in assessing and addressing the factors that could lead to excess risk," he told reporters in Toronto.

Mr. Morneau said the government had tabled a motion in the House of Commons "to close tax loopholes and improve tax compliance with regard to the principal residence exemption from capital gains tax."

The strengthened mortgage rate stress test, which will include mortgages which were previously excluded, will be required on all new insured mortgages starting Oct. 17.

Soaring housing prices, especially in the red-hot markets of Vancouver and Toronto, have triggered a debate about the role of foreign money.

British Columbia responded by imposing a 15-per cent foreign buyers tax on homes and collecting data on who is buying property in the province.

Ottawa has been preoccupied with the issue, with Mr. Morneau creating a working group to conduct a "deep dive" into the state of the housing market and make recommendations on policy.

Mr. Morneau's announcement follows a Globe and Mail investigation that revealed a network of speculators flipping homes for profit and avoiding taxes by classifying them as principal residences.

Under the Canadian tax code, homeowners do not have to report the sale of any property that they designate their principal residence, and do not pay tax on the increased value – or capital gains – of that home. In order to make that designation, a homeowner, their current or former spouse or any of their children must have lived in it at some time during the year for which the designation is claimed.

However, there has been widespread abuse of the exemption by foreign buyers who claim residency either for themselves or their spouses or children simply in order to avoid paying taxes on real estate speculation. Non-resident investors must pay capital gains tax at the time of a sale.

In a bid to cool its hot housing market, British Columbia introduced a foreign-buyers tax this summer which applies to the sale of all residential properties within 22 communities of metro Vancouver.

The levy applies to buyers who are not Canadian citizens or permanent residents, and corporations that are either not registered in Canada or are controlled by foreigners, and adds \$300,000 to the purchase of a \$2-million home.

The Canada Revenue Agency says it completed nearly 2,500 audits related to real estate in B.C. and Ontario between April, 2015, and June, 2016, and that the agency plans to do as many or more next year.

NO FALL(ING) BACK IN OTTAWA'S RESALE MARKET

Members of the Ottawa Real Estate Board (OREB) sold 1,371 residential properties in September 2016 compared with 1,241 in September 2015, an increase of 10.5 percent.

"Again this month, we have broken the record for residential and condominium units sold, with 200 more units sold than the five-year average for September sales," said OREB's President. "With average sale prices remaining virtually unchanged since the beginning of the year, this could be an indication that prices have adjusted to market expectations and sales have rebounded as a result."

"Units listed in both residential and condominium property classes continue to decline," OREB's President went on to explain. "From 2,076 listed in September 2015 to 1,822 listed in September 2016 for residential properties, and from 637 listed in September 2015 to 588 listed in September 2016 for condominium sales. With fewer listings coming on to the market, combined with recent higher unit sales, overall inventory is declining. The basic economics of supply and demand at play will continue to have an impact on the Ottawa resale market."

September's sales included 269 in the condominium property class and 1,102 in the residential property class. The average sale price of a residential-class property sold in September in the Ottawa area was \$383,793, a decrease of 0.1 percent over September 2015. The average sale price for a condominium-class property was \$252,136, a decrease of 2.0 percent over September 2015.

"The hottest segments in our market for September continue to be two-storey and bungalow residential homes in the \$300,000 to \$400,000 price range, followed by one-level and two-storey condos in the \$200,000 to \$300,000 and the \$100,000 to \$200,000 price range.

Call today for real estate advice and information!

REAL ESTATE NEWS

Top 6 home improvements to add value

Homeowners often look to customize their home for personal enjoyment and to appeal to future buyers. So, we ask, which remodelling projects add the most value?

"Homeowners are often inclined to renovate to suit their individual preferences and lifestyles," says Craig Blanchard, broker-owner with Royal LePage Atlantic Homestead in St. John's, Newfoundland. "However, while turning a garage into a music studio may be your heart's desire, it's important to be cognizant that future buyers will likely just want to park the car."

Blanchard points out that regular and systematic home maintenance provides the best return on investment. Although, there are a few renovations that consistently offer above average return on investment.

According to the Remodeling 2016 Cost versus Value Report, the following are among the mid-range renovations that homeowners who are looking to sell may wish to consider. To protect your investment, be sure to obtain work permits and consult a professional before embarking on any project where maximum return on your investment is sought.



energy savings and your home's future resale value.

1. Attic insulation

(fibreglass). You can recoup more than 90 per cent of the costs based on immediate



2. Garage door replacement.

Maximum impact on curb appeal and increase functionality.

Recoup up to 90 per cent of your investment.



3. Entry door replacement

(steel). Quickly improve the curb appeal of your home while reducing heating and cooling costs. Estimated return on investment is more than 80 per cent.



4. Manufactured stone veneer.

Add curb appeal to the exterior of your home, or to accent specific areas within the home. Recoup up to 75 per cent of your investment.



5. Minor kitchen remodel.

Based on a mid-range investment of about \$20,000, you can expect to recoup about 70 per cent.



6. Deck addition

(wood). Add a deck to increase outdoor living space and recoup up to 66 per cent of your investment.

Blanchard advises that the more you align the features and attributes of your home with those preferred by consumers, the greater the value you will create.