

# REAL ESTATE NEWS



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## Higher interest rates won't 'break consumers' backs,' says CIBC

Economists have long been sounding the alarm about the impact that higher interest rates in Canada will have on consumers, who are among the most indebted groups in the world.

But a new report from a top Canadian bank says most consumers are in good shape and equipped to face the challenge of higher borrowing costs, because of the way the debt is structured.

"Not only are fundamentals strong, but the structure of household debt will shade many borrowers from the full impact of higher rates," said the report recently released by CIBC Capital Markets.

Economists Benjamin Tal and Royce Mendes argue the real surprise from rising rates will be how few consumers feel the "full sting" of rising borrowing costs in the coming year.

The Bank of Canada has raised interest rates by 25 basis points three times since July, taking the benchmark rate to 1.25 per cent, which is the highest level since 2009.

Markets are predicting there's a greater than 70 percent chance the central bank could hike rates again as early as May as it continues on the path to tightening monetary policy.

Meanwhile, Canadian household debt hit a new record high in the third quarter of last year, with consumers owing \$1.71 for every dollar of disposable income they had.

While CIBC has said in the past that elevated debt loads have made interest rate hikes almost 50 percent "more potent" in comparison to the early 2000s, they now say new research shows that it will not be enough to "break consumers' backs."

"One-third of Canadian households are completely debt free, making higher interest rates a boon for them," said Mendes. "This is both a blessing and curse, because that means that all of the debt held is by only two-thirds of the economy."

"Of those with debt, two-thirds hold only non-mortgage credit, with the remaining having both mortgage and non-mortgage debt. Close to three-quarters of the dollar-value of all household debt is held in the form of mortgages, with consumer credit making up the rest," he added.

### Exposure to higher rates

For both mortgage and non-mortgage debt, the bank estimates that less than 20 percent of the outstanding loans have been exposed to higher rates so far, but that could go higher.

"On mortgages, the majority of non-fixed rate debt is variable, meaning that payments don't change but amortization does," said Mendes. "For fixed-rate mortgages, only about one-fifth will be resetting in any given year."

He also pointed out that interest rates today for many fixed-rate mortgages is more or less the same as five years ago, so many borrowers whose rates are going reset will not feel the effects of higher rates.

"Furthermore, Canadian households actually began insulating themselves in 2017 to a greater degree by locking in borrowing rates rather than rolling over variable/adjustable rate mortgages," he added.

## WANTED: OTTAWA HOMES FOR SALE

Members of the Ottawa Real Estate Board (OREB) sold 979 residential properties in February 2018 compared with 1,002 in February 2017, a decrease of 2.3 percent.

"There is no doubt our sales numbers would have been much higher if we had more properties available for sale. Buyer demand is there, but our inventory in both residential-class and condos continues to decline. This is creating a supply side issue in the Ottawa real estate market," concludes OREB's President.

"If this trend continues, the market will move to favour sellers, and buyers will find themselves competing for a limited number of listings," OREB's President went on to explain.

"Compounding the supply issue is the fact that after a record year last year, new construction is hindered getting to market because builders just cannot find enough land as a result of the urban boundary and land prices going up. Given this environment, it's a good opportunity for Sellers to get their property on the market," he advises.

The average sale price of a residential-class property sold in February in the Ottawa area was \$429,600, an increase of 2.7 percent over February 2017. The average sale price for a condominium-class property was \$273,174, an increase of 5.6 percent over February 2017.

The most active price point in the residential market is the \$300,000 to \$449,999 range, accounting for 47 percent of the market

Call today for real estate advice and information!

# Getting Your Home Ready to Sell in the Spring Market



### Selling your Home in Spring

The spring real estate market is quickly approaching and if you're selling your home, now is the time to start getting ready! It may seem like a daunting task but there are things that you can do to make sure that your house is prepared for the droves of spring buyers this upcoming season. Remember, there will be many houses on the market at the same time as yours so you want to make sure that your property is ready and sticks out for buyers!

### PRIORITIZE REPAIRS

One of the first things you will want to ask yourself when selling your home is whether your property needs any repairs, as it can be the most time consuming. The best way to do this is to walk through both your home and property and "write down anything that doesn't function or is unsightly". Start at one end of your home and work your way through each room carefully, looking for potential problems. Try to put yourself in the shoes of a potential buyer and be picky. This could be everything from a small hole in the wall, chipped paint, or leaky faucet all the way up to larger fixes like a leaky roof or cracked foundation. Once you have your list, it's time to prioritize, "List out first the small things that will repair quickly and inexpensively, with an extra focus on items that will be seen first by potential buyers." And last but not least, come up with a plan. Hiring someone to do the work for you may be the most time effective, but it may not be within your budget. If you plan on doing it yourself, schedule the time you will need right away and make sure to leave some extra in case things don't go as planned.

### STAGE YOUR HOME

Next comes decluttering, depersonalizing, and staging your home. If you look at photos of real estate listings, you'll notice one thing; the houses are generally neat and tidy and have an airy feel to them. The reason for this is that the day to day clutter of living in a home has been removed. "You might like the stack of magazines

on the table, buyers don't. They don't want to know what you read". Start purging, and if you have lots of stuff, you may even want to consider renting a storage locker to house it while your house is on the market. You will also want to remove as many personal items from your home as possible. Take your family photos off the wall, and remove any items that are personal in nature; buyers want to picture themselves living in the home, not you and your family. When it comes to staging, make sure that your home is not jammed with furniture; you want it to look spacious, not crowded. You can also try incorporating some bright spring colours and patterns to make your home pop!

### GET YOUR PAPERWORK IN ORDER

Start getting your paper work in order. If you're selling your home, you will need to go somewhere so now is the time to visit the bank to find out your budget should you choose to buy again. If you've done any major renovations or maintenance on the home, get the receipts, building permits, and other relevant documents together; while these are not necessary, they certainly can be of interest to some buyers. Collect all your bills; a recent property tax amount is required to list a house but many agents would also like estimates on all utilities that they can share with potential buyers and on their websites.