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Ottawa changing stress test rate for insured mortgages starting April 6

The federal government is changing the stress test rate for insured mortgages starting April 6 that experts say should make it marginally easier for some buyers to purchase their first home, or owners refinancing their existing mortgages.

The new minimum qualifying rate will be the greater of the borrower's contract rate or the weekly median five-year fixed insured mortgage rate from mortgage insurance applications, plus two percentage points.

The stress test rate currently is the greater of the borrower's contract rate or the Bank of Canada five-year benchmark posted mortgage rate, which is based on the posted rates at the six largest banks. Finance Minister Bill Morneau unveiled the change by saying the stress test will rise and fall if there are changes in the median interest rates lenders are providing, while continuing to ensure people only take on mortgages they can afford.

"We think these are positive moves to ensure that the approach remains effective for Canadians and that it also deals with changing market conditions," Morneau said in announcing the change.

The federal government required the stress test apply to all insured mortgages in 2016. Canadian household debt has been near record levels, fuelled in part by mortgages. The stress test is used to ensure that Canadians can afford their mortgage payments if interest rates rise in the future.

The Bank of Canada five-year benchmark posted mortgage rate has typically been about two percentage points higher than the average five-year

fixed contract rate for insured mortgages, the government said. The government said that rate has not been as responsive recently to changes in the average mortgage contract rates.

The Bank of Canada five-year benchmark posted mortgage rate is currently 5.19%, while the special offer rate advertised on the Royal Bank's website for a five-year fixed-rate mortgage is 3.09% and rates offered by smaller lenders are even lower.



The change should make qualification incrementally easier for some buyers, but still leaves too onerous a test for many given the economic realities of a low-rate environment, said Paul Taylor, president of Mortgage Professionals Canada.

"Having a stress-test at 200 basis points to prepare people for a potentially more expensive renewal just doesn't seem practical," Taylor said in an interview.

"If you really want to prepare people for a two-per-cent increase in interest rates, then a 75 basis point test today will do that."

The Office of the Superintendent of Financial Institutions is also considering using the same new stress test rate for uninsured mortgages.

OSFI has been using a minimum qualifying rate of the greater of the contractual mortgage rate plus two percentage points or the five-year benchmark rate published by the Bank of Canada.

FEBRUARY'S RESALE MARKET BACK IN OVERDRIVE

Members of the Ottawa Real Estate Board (OREB) sold 1,141 residential properties in February 2020 compared with 1,002 in February 2019, an increase of 13.9%.

"After a record-breaking 2019, January saw a minor dip in sales; however, February's numbers suggest Ottawa's resale market is heading back into overdrive" observes OREB's President. "Unit Activity overall has gone up with more listings coming on the market (though still well below the five-year average) and the highest number of February transactions in over 15 years."

The average sale price of a residential-class property sold in February in the Ottawa area was \$563,694, an increase of 21.1% over February 2019. The average sale price for a condominium-class property was \$349,813 an increase of 21.3% from February 2019.

"These increases are a direct result of the sustained lack of inventory putting upward pressure on prices, and this trend is likely to persist until supply recovers and is bolstered with newly constructed units. Multiple offers have become commonplace in certain pockets of the city, and one of the Board's statistical indicators shows that approximately 58% of properties are selling for over the asking price, compared to 32% of properties a year ago," adds OREB's President.

"The average Days on Market (DOM) decreased to 30 days for residential properties, down 12% from last year and condos fell 58% to 19 DOM. Figures for median Days on Market bring those numbers down to 9 DOM (combined). As a matter of fact, in specific highly sought after neighbourhoods, sold signs are going up after only 1-2 days."

Call today for real estate advice and information!

REAL ESTATE NEWS

Moving out? Try these packing tips

Protect. Important papers and belongings with sentimental value should be collected and set aside. Paint and chemicals can be hazardous to box and put on a moving truck. Designate a special area to store these items as it is best to transport them yourself, if possible.

Prioritize. Don't make the mistake of letting everything get loaded on the truck in a random order. Even if you label the boxes, there's no guarantee the items you need first will be accessible once your movers are done. Mark them as "last on/first off." These would include bed linens and pillows, kitchen supplies, dishes, cups and cutlery, and bathroom necessities.

Label. Take the extra step of using coloured labels or stickers to mark which ones are priority for unpacking. This will help you get started after you're in your new place. Also, when wrapping delicates, put a piece of coloured tissue paper around smaller items. This will prevent you

from accidentally tossing something tiny when you're unwrapping bigger breakables.

Secure. Even if you're moving liquids yourself, create an extra barrier by sealing them with plastic wrap, then securing lids and caps tightly on top. This tip can prevent spillage onto more expensive items.

Enjoy your new home by making unpacking as stress-free as possible!



Savings for summer

Now's the time to prevent costly repairs and energy leaks. Take time to examine your home's exterior and you'll save this summer, once the heat hits.

Roof and gutters. Clean drains, gutters, and downspouts to keep those April showers from pooling near your



foundation. Replace missing or loose shingles and check for any damage that may spread or cause weakness.

Windows and doors. Check that seals are tight and there are no cracks, tears, or gaps in caulking or weatherstripping that allow your refrigerated air to escape.

Dryer vent. Keep the airway clear by temporarily removing the vent cover located outside the house, vacuum all debris.

AC unit. Turn off the power to the outside unit, then get it ready to handle the summer workload. Clear away any plant or weed growth. Hose off or vacuum the condenser's sides. If you haven't had an inspection for a season or two, call your local HVAC professional to check parts and connections.

A few tiny efforts can make a world of difference for your energy bill and maximize efficiency.