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# REAL ESTATE NEWS

## OTTAWA RESIDENTS DESERVE FAIRER RULES IN TODAY'S HOUSING MARKET

The real estate industry brings in millions of dollars every year, yet the regulations don't seem well aligned with a hot Sellers Market.

While Ottawa's housing market isn't the craziest in Canada, it gets plenty of traction. According to the Ottawa Real Estate Board, the first Quarter has shown housing prices having a significant increase, and they are only continuing to climb. The market is continually changing right now, so basing a price off of last month's sales is very much out of date.

This citation is very favourable for sellers but isn't great for buyers. In the past, the asking price was usually realistic for what the seller hoped to get for the sale, and buyers wanted to spend a little less. With the market currently, the asking price is just an indicator of where the bidding will start.

In reality, anything is worth what people are prepared to pay, but how you establish the sale is extremely important. Now that multiple bids are the norm, buying a house has essentially turned into an auction. The problem with that, though, is that it is essentially a blind auction since realtors are legally not allowed to disclose what the bids are. This means you could put in a significantly higher bid than all the other bids, and you could end up paying more than necessary to purchase the home. All of the power is in the seller's hands now rather than equal, which causes enormous disparities within the Ottawa housing market.

The Ontario government can take a few different basic steps to ensure that buyers have protection with getting a new home. The easiest and most straightforward way would be to compel sellers to have a home inspection and present it to the Buyer. This way, those entering into a deal can know that state of the

home instead of just blindly trusting what they see. The other thing to consider is moving toward an open auction process, much like Australia.

Whether you are looking to buy or sell property in the Greater Ottawa Area, it is critical that you have a real estate agent on your side who understands your needs and understands the market.

year to date highlights

■ June 2021

With year to date average sale prices at  
**\$734,357** for residential and  
**\$422,734** for condominiums,  
these values represent a 33% and  
20% increase over 2020, respectively.

BASED ON INFORMATION BY THE OTTAWA REAL ESTATE BOARD MARCH 2021



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# What home buyers should know about the Canadian Mortgage Stress Test

**As of June 1st, the new qualifying rate for a mortgage has gone up in an attempt to cool the hot housing market.**

## What is the mortgage stress test?

It's not a test, rather, it's a more stringent set of rules banks must now use to determine if you qualify for a mortgage and, if so, how much you can borrow.

"Even if you have amazing credit and a 20% down payment, you still have to go through the stress test," says Ann-Marie Rasiawan of Mortgage Architects, a national mortgage brokerage based in Mississauga, Ont.

In other words, if you have a mortgage or plan to get one, the stress test applies to you.

## Example:

The rate offered by your lender plus 2%; or 5.25% (up from 4.79% prior to June 1)

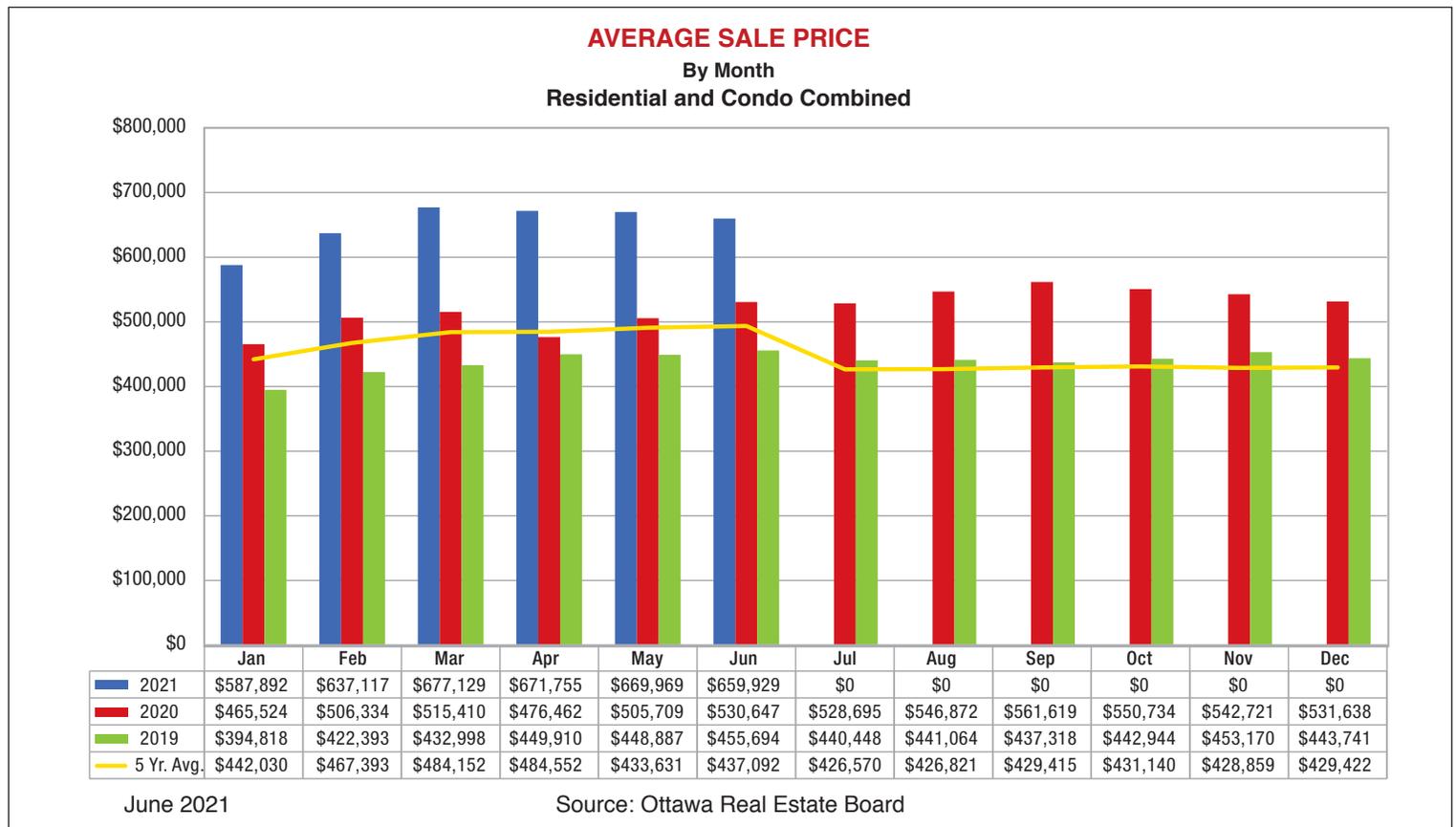
If you wanted to borrow \$400,000 and your lender is offering you a rate of 1.78%, you would have to prove you

can afford a mortgage payment of about \$2,385 per month (at 5.25%), even though your actual monthly mortgage payment (at 1.78%) would be considerably lower: about \$1,650.

The stress test will apply to all new mortgages as well as mortgage renewals for borrowers who are changing financial institutions.

Renewing mortgage holders only need to "pass" the stress test if they switch lenders. "But they can't shop around for a better rate or negotiate with their existing lender when they renew," says Ms. Rasiawan.

There are steps borrowers can take to increase home affordability, according to Rasiawan. "Save up more, pay down other debt, or get a co-signer," she says. "That will qualify you for a larger mortgage."



All information believed to be accurate but not warranted. Not intended to solicit properties currently listed for sale.