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Spring 2022

REAL ESTATE NEWS

Property Assessments Delayed Until 2023 Ontario government delays assessments due to COVID-19 pandemic

Since the incorporation of MPAC, all properties within the Province of Ontario have been re-assessed on a four-year cycle. When a new cycle starts, every property owner in the province is mailed an updated Property Assessment Notice reflecting the assessed value and classification of their property as of the valuation date. Your property is assessed on an ad valorem (market value) basis, which is meant to be fair and equitable. Your assessment should adhere to the same process used on properties similar to yours, using the same classification and valuation method.

This year the Ontario government decided to postpone the planned reassessment for the 2021, 2022, and 2023 tax years. The 2021 provincial budget froze Municipal Property Tax Assessment (MPAC) values at 2020 levels for three years. Until 2023, property values will remain the same. That action provided short-term relief for homeowners during the unknowns of the COVID-19 pandemic. Ontario property values are on track to be 8 years outdated by the time of the next reassessment.

The last time the Municipal Property Assessment Corporation (MPAC) assessed property values in Ontario was 2016. This means the reassessment of homes in 2023 will factor in seven years of increases in property value. Since 2016, home prices in this region have increased by over 40 per cent. The increase in the past 12 months has been over 20 per cent alone. Property sales are one of the key factors used by MPAC to calculate assessment increases, the other is improvements done to the property.

Since the pandemic began, many people have renovated their properties instead of going on vacation or buying new homes. The cost of materials has gone up due to high demand. Lumber alone has doubled in price in less than five years. Renovations

add value to existing homes. Property owners have not had to do anything to their property to add value at all. This affects everyone.

Freezing assessments means that next year municipal taxes will go up the usual one-to-four percent depending on your location. Any new money municipalities receive to the tax rolls is from new home growth. That means relative stability until 2023 when the bill will really come in. MPAC assessment increases are usually phased in over a four year period. Starting in 2023, your homes assessed value will go up, and if the super-heated real estate market continues, it will be much higher than the gains from 2016-2021.

The other side of this is what municipalities will have to do, and the risk to property owners. Wild increases in assessments mean more money for municipalities. The challenge for municipal leadership will be balancing assessment increases with the needs and wants of the budget. Far too often, past leaders have taken a year-over-year assessment increase and also added in a tax increase.

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OTTAWA & AREA REAL ESTATE MARKET SNAPSHOT MARCH 2022

A BUSY START TO THE SPRING RESALE MARKET IN MARCH

residential HIGHLIGHTS

■ AVERAGE SALE PRICE

\$853,615

+ **12.5%** over March 2021

■ PROPERTIES SOLD

1,493

- **12%** over March 2021

condo HIGHLIGHTS

■ AVERAGE SALE PRICE

\$479,405

+ **9.6%** over March 2021

■ PROPERTIES SOLD

518

- **10.2%** over March 2021

TOTAL PROPERTIES SOLD MARCH 2022

2,011 - **11.6%**
over March 2021

year to date HIGHLIGHTS

With year to date average sale prices at **\$831,122** for residential and **\$467,915** for condominiums, these values represent a 13.8% and 12.7% increase over 2021, respectively.

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year to date
highlights

■ MARCH 2022

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BASED ON INFORMATION BY THE OTTAWA REAL ESTATE BOARD DECEMBER 2021



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Buildings constructed after 2018 are exempt from rent increase guidelines Landlords of new apartments can raise the rent by any amount

In 2018, the Ontario government introduced legislation that scrapped rent control on new builds that are occupied for the first time after November 15, 2018.

New Buildings

If a building had no one living in it on or before November 15, 2018, all the units in it are exempt. This means that even if it's been the same tenant with the same lease for the last few years, if they are living in a building that was recently built then the landlord can increase the rent by as much as they like, as long as they give 90 days' notice and don't increase the rent more than once per year.

New Units

These are self-contained apartments created in a house after November 15, 2018. For example, if your house was built in 1985 but you renovated the basement after 2018 and it became a basement apartment then the basement apartment is considered a new unit. The landlord can increase the rent by as much as they like as long as they give 90 days' notice and don't increase rent more than once per year.

New Additions

These are units in a new section that's added onto a building, if this addition had no one living in it on or before November 15, 2018.

For example, this could be a rental building built in 1974, with a new addition built in 2018. As long as the first people to live in the addition moved in after November 15, 2018, all of the units in the addition are exempt from the rent guideline.

However, units in the original part of the building continue to be covered by the rent control guideline.

What does it mean if a unit is exempt?

Tenants who rent these units no longer have any legal protection against large rent increases.

At the end of their first year, and every year after that, their landlord can raise the rent as much as they want, as long as they give 90 days written notice to the tenant.

It's important that tenants renting new units know about this. A year after they move in, the rent could go up so much that they can't afford it the new amount. Then their only option may be to move out.

For 2022, the rent control guideline is 1.2%.

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