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Spring 2023

REAL ESTATE NEWS

Buyers spring back: Sidelined Canadians plan return to market

More than a quarter of Canadians who put their home purchase plans on hold over the last year say they will resume their search this spring

Climbing interest rates have given many Canadian homebuyers reason to pause their purchase plans over the last year. Nearly one quarter of Canadians (24%) were in the market for a new home this past year, and 63% of them say they postponed their plans due to rising rates, according to a recent Royal LePage survey, conducted by Maru/Blue. Now, with the Bank of Canada placing a hold on the overnight lending rate for the first time since March of 2022, many homebuyers intend to resume their purchasing plans once again. Of those who say they postponed their plans, 62% now intend to return to the market.

The survey found that more than a quarter (26%) of Canadians who put their home purchase plans on hold will resume their search this spring, following the Bank of Canada's announcement last month to hold the overnight lending rate at 4.5%. Meanwhile, more than one third (36%) say they plan to move forward with their buying intentions, but will wait for the central bank to maintain the current rate for several consecutive months. Some 25% of those who postponed their home buying goals stated that they do not intend to resume their plans in the near future.

"Eight times a year, the Bank of Canada announces changes to its key interest rate, and for eight consecutive meetings, they aggressively raised rates in an effort to tame runaway inflation. On March 8th, 2023 they did nothing and doing nothing was a very big deal," said Phil Soper, president and CEO, Royal LePage. "Based on our just-completed national survey, this was the signal that many Canadians were waiting for – an indication

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March Resales: Signs of Spring Surge Sprouting



Members of the Ottawa Real Estate Board (OREB) sold 1,194 residential properties in March 2023 compared with 2,003 in March 2022, a decrease of 40%.

"The recent rise in transactions is a sign of typical spring activity, even if we're behind the pandemic peaks of 2022. As spring unfolds, so too will a clearer picture of Ottawa's balanced market state," says OREB's President. "As evidenced by the recent climb in freehold prices, Ottawa's resale market is stabilizing along with the interest rate. Condos remain steady due to their lower price point, there's more affordability based on the current interest rate structure. Prices are certainly headed in the right direction—if you are looking forward."

The average sale price of a residential-class property sold in March in the Ottawa area was \$710,070, a decrease of 17% from a year ago. The average sale price for a condominium-class property was \$418,670 a decrease of 13% from 2022. "Well-priced and well-prepared homes are selling.

REALTORS® have up-to-the-minute statistics to ensure sellers are positioning themselves at the current market value based on recent sales and hyper-local market comparisons. Buyers can benefit from the same data along with their negotiation expertise to guarantee they are receiving the best value for their dollar."

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Buyers spring back: ...

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that it was safe to wade back into the housing market to search for the family home they so desperately want or need.”

For those Canadians who intend to jump back into the housing market, many are gravitating towards a fixed rate mortgage, which can shelter homeowners from fluctuating interest rates. More than half (53%) say they would choose a four- or five-year fixed rate mortgage, and 17% say they would choose a short-term fixed-rate mortgage (1-3 years). Some 16% of respondents say they would opt for a variable rate mortgage.

“The Bank of Canada has indicated that it believes the rate hikes completed over the past twelve months are working their way through the economy, and that inflation should fall to three per cent by mid-year,” continued Soper. “While stating that they believe this period of rising rates is behind us, the bank qualified the statement, stating that if needed, it will increase rates again in the future. That said, it is unlikely we will see another period of back-to-back rate hikes in the near future.”

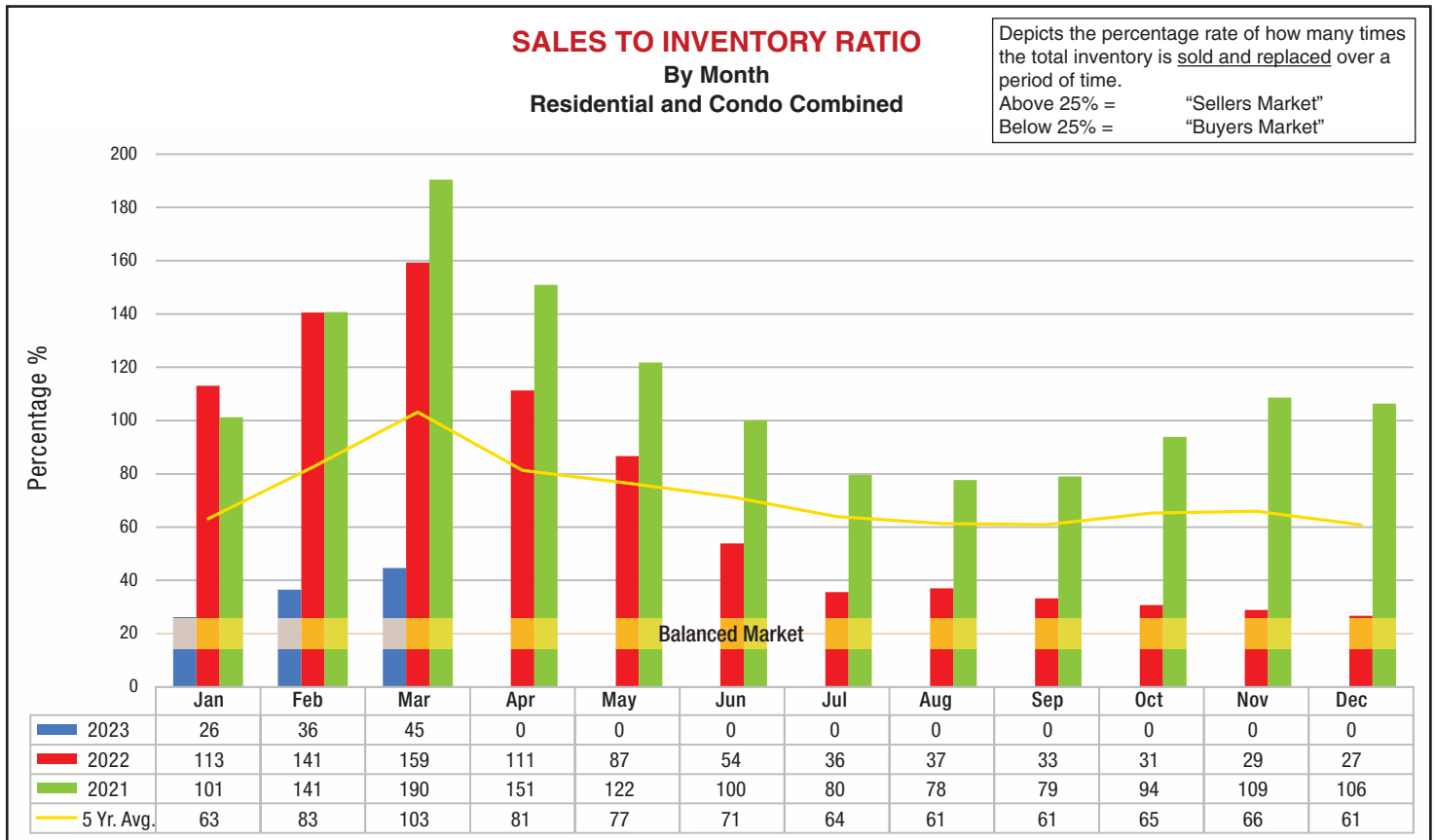
Residential Property Flipping Rule

(Anti-flipping Tax) In effect: January 1, 2023

Profits arising from the sale of a residential property (including a rental property) sold on or after January 1, 2023, that was owned for less than 12 months (365 consecutive days) are subject to full taxation as business income (not capital gains tax treatment either).

- Under the new Canadian Government rule, the Principal Residence Exemption (PRE) would not be available, meaning that the entire profit will be taxed as 100% business income.
- If the owner loses money on the sale, the loss cannot be claimed as a business loss.
- Exemptions include (but are not limited to) death, divorce or separation, disability or illness, insolvency, or other major life events.
- New legislation is being considered to extend the anti-flipping tax to assignment sales and would apply to transactions occurring on or after January 1, 2023.
- More information can be found on the Government of Canada’s website.

The chart below shows the market is moving back into a Sellers Market. More than one third (36%) of buyers are planning to move forward with their buying intentions once the central bank maintains the current rate for several consecutive months. If you’re thinking of buying or selling this is a great time to get into the market.



March 2023

Source: Ottawa Real Estate Board

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