

Move Me To Takes a Look at The Ontario Housing Market



Collingwood, Ontario May 2, 2022 ([Issuewire.com](https://www.issuewire.com)) - Move Me To describes the Ontario housing market as very active, despite seeing a slowdown in March compared to February. However, Jill Oudil, Chair of the CREA (Canadian Real Estate Association), is not saying a slowdown is a trend.

With such an active housing market, questions have arisen over how the average person can become a homeowner. In addition, the Bank of Canada has begun to raise short-term interest rates partly due to high inflation. Still, some good news comes from

the fact that 5-year mortgages will remain low by historical standards, although they are forecasted to rise.

The low rates were put in place to help borrowers during pandemic economic woes, but those low rates now fueled a real estate boom and the very real concern of a housing bubble. As a result, the Canada Mortgage and Housing Corporation have identified Ontario is the riskiest region for a correction.

As students return to school full-time, there is an expected return of movement to the suburbs and cottage country, which increases property market volatility. May 2021 report from Scotiabank indicates that there aren't enough homes and that Canada has, in fact, the lowest number of homes per 1,000 residents of any G7 country. The same report says that Canada needed an extra 100,000 homes to keep the ratio of units to population stable since 2016.

Suggestions from Ontario's housing task force have been, of which there are 55, aimed with a broad stroke at Ontario's housing system, including zoning, developmental charges, making municipalities partners, and eliminating abuse of the appeals process.

If these recommendations were to be taken, Ontario would see 1.5 million homes over the next ten years, effective use of land across Ontario to eliminate underused and redundant commercial and industrial buildings and the creation of higher-density housing.

The Task Force also highlighted models that would encourage first-time home buyers, including shared equity models, land lease models, and rent-to-own opportunities.

Until such recommendations are accepted, [current first-time buyers](#) in Ontario have access to several incentives. First-time buyers are eligible to get a refund of all or part of

the land transfer tax. Applicants must be 18 years of age and must not have owned a home or an interest in a home anywhere in the world, nor must the spouse of an applicant while they were married. The maximum amount of the refund is \$4,000 if the home purchase is more significant than \$368,000.

There is also the First Time Home Buyer Incentive for qualified buyers to help reduce mortgage payments through a shared-equity mortgage with the Government of Canada. A shared-equity mortgage with the Government of Canada means the government shares the investment in the home. Buyers who choose to use this incentive may not have to have as much of a down payment in order to afford the mortgage. The greater the down payment means a smaller mortgage and lower monthly costs. This incentive will have to be repaid based on the property's fair market value at the time of repayment after 25 years or when the property is sold. First-Time Home Buyers also receive a tax credit of up to \$750.

First-time home buyers must be aware of housing costs when thinking about a mortgage. Homes costing under \$500,000 have a minimum down payment requirement of 5% of the purchase price. For houses from \$500,000 to \$999,999, the minimum down payment is 5% of the first \$500,000 as well as 10% of the portion of \$500,001 and \$999,999. With soaring house prices and the average cost of a home in huge centres like Toronto being over \$1M, the best option for new buyers may be to branch out of

those centres.

Finding homes for sale under \$500,000 in Ontario means buyers have to stretch out to the furthest corners of the province. For example, Sudbury, Thunder Bay, North Bay, and Sarnia have lower average home prices if buyers can find meaningful employment in these towns and cities.

Fixed mortgage rates have been rising to 1.5% from the lows seen during the pandemic, and they are forecasted to keep growing. As a result, new home buyers in Ontario will find their budgets limited when they look at housing options and mortgage options. Homebuyers will also have to navigate an increase of predatory mortgage offers that may promise lower rates and higher maintenance fees or penalty charges on early repayment.

In tight markets seen across Ontario, higher mortgage rates may push down prices as it affects home buyer options. However, homebuyers will find tremendous success in finding a pre-approved mortgage several months before buying. This will ensure their rate even if rates go up, and it will give them a competitive edge against other bidders who didn't get pre-approved.

Choosing between a variable rate and a fixed rate may also give home buyers the edge they need to commit to a purchase. While variable rates are below 3% and are expected to remain that way into 2023, experts say it is possible to find a 5-year fixed-rate lower than 3%. In addition, finding a fixed rate that equals a variable rate means homebuyers don't need to worry about the rates changing over time, which is hard to forecast with guaranteed certainty.

When buying a home, a not so insignificant consideration realizes that housing prices may indeed fall in the next three years. Conversely, housing prices may continue to rise annually by over 10%, though that is not as expected. As people consider buying a home, thinking about those increases or decreases should be part of their decision-making process. It is always best to seek advice from a real estate agent before purchasing real estate if you have any concerns.

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