Diane Hostettler
sales representative

Direct: (613) 791-5478 Office: (613) 692-2555
dhostettler@royallepage.ca
www.dianehostettler.com

RealEstate News

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The Bank Of Canada To Keep Its Key Interest Rate Target On Hold

In the latest release, the Bank of Canada has opted to maintain it's benchmark rate at 0.25%, the same level it has been since the start of the pandemic in March 2020.

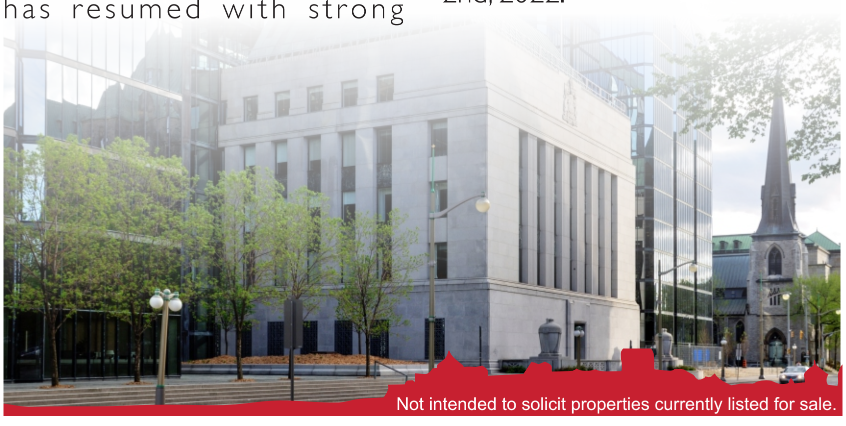
It was suspected to go raise its key policy rate from 0.25% marking the first of multiple hikes to happen over 2022 according to some economist.

"The Omicron variant is weighing on activity in the first quarter. While its economic impact will depend on how quickly this wave passes, it is expected to be less severe than previous waves. Economic growth is then expected to bounce back and remain robust over the projection horizon, led by consumer spending on services, and supported by strength in exports and business investment. After GDP growth of 4½ % in 2021, the Bank expects Canada's economy to grow by 4% in 2022 and about 3½ % in 2023."

Canada's own economic growth has resumed with strong employment gains in sectors for those most affected by lockdowns. However, it is taking more time for workers and employers to find the right job and applicants thus contributing to labour shortages in certain sectors.

"While COVID-19 continues to affect economic activity unevenly across sectors, the Governing Council judges that overall slack in the economy is absorbed, thus satisfying the condition outlined in the Bank's forward guidance on its policy interest rate. The Governing Council therefore decided to end its extraordinary commitment to hold its policy rate at the effective lower bound. Looking ahead, the Governing Council expects interest rates will need to increase, with the timing and pace of those increases guided by the Bank's commitment to achieving the 2% inflation target."

The next Bank of Canada announcement will be on March 2nd, 2022.



Frigid January Temperatures didn't Cool Resale Market

Members of the Ottawa Real Estate Board (OREB) sold 936 residential properties in January 2022 compared with 963 in January 2021, a decrease of 3%.

"January's sales, almost identical to 2021's, were very strong for a traditionally slower month, especially given the frigid temperatures and increased government Covid-19 restrictions we experienced" states OREB's President. "This increased activity compared to previous years is not solely a pandemic phenomenon. Yes, the pandemic has accelerated market activity in some ways, but pent-up Buyer demand due to the housing supply shortage has been an ongoing fundamental issue for the Ottawa resale market for well over 5 years now – and the price increases will continue to reflect that until the housing stock grows".

The average sale price for a condominium-class property in January was $447,943, an increase of 18 per cent from 2021, while the average sale price for a residential-class property was $771,739, increasing 14 per cent from a year ago.*

"Average prices continue to rise steadily with the lack of inventory pushing prices to levels previously unseen. We only need to observe the number of homes now selling over $1M for a clear demonstration. In 2020, they represented 3% of residential sales, in 2021, they held 9% of the market's resales, and now in 2022, that number reflects close to 14% of detached home sales."

"Meanwhile, the residential-class properties selling within the $650-$900K range represent 47% of all of January's residential unit sales. In 2021, it was 33%. But we must keep in mind, average prices statistics amalgamate data from the entire city, so while in some areas the increases would be less, other pockets of Ottawa may see more," *OREB's President explains.*

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Canadian home prices expected to rise by 10.5 per cent in 2022

According to the new survey from real estate firm Royal LePage, this year's forecast follows a record-breaking year in 2021, when housing prices jumped by 21.4 per cent.

“While some believe that housing is now overvalued, signals point to a level of demand that will continue to outpace inventory, keeping prices rising on a steep upward trajectory,” Royal LePage president and CEO Phil Soper said in a statement. “That said, I do expect to see price appreciation ease from the unhealthy levels that we have been grappling with over the last 18 months.”

Published last month, the 2022 Royal LePage Market Survey Forecast predicts the aggregate price of a home in Canada will increase by 10.5 per cent to $859,700 by late 2022. Aggregate price refers to the “weighted average of the median values” of single-family homes and condominiums in a given area. Royal LePage also anticipates the median price of a single-family detached home in Canada to climb by 11 per cent to $918,000 in 2022, while condominium prices are projected to grow by eight per cent to $594,000.

In a market characterized by low supply, Soper said the increases will be driven by eager buyers who were unable to secure homes in 2021, rising immigration, as well as low interest rates and a continued emphasis on remote work as COVID-19 variants stifle Canada's reopening plans, causing people to save more money as travel and entertainment options diminish.

“All of these economic variables have been shown to stimulate housing activity,” Soper explained. “Many of those looking to purchase a home, whether their first, an upgrade, or a recreational property, stand able to take advantage of increased savings and record-low interest rates.”

The biggest increases are expected in the Toronto and Vancouver areas, with the aggregate price of homes rising by 11 and 10.5 per cent. They're followed closely by Halifax at 10 per cent, which Royal LePage says is driven by out-of-province demand, largely from Ontario.

Ottawa

In Ottawa, the aggregate price of a home in the fourth quarter of 2022 is forecast to increase 9.0 per cent year-over-year to $806,600. During the same period, the median price of a single-family detached property is expected to rise 9.0 per cent to $946,100, while the median price of a condominium is forecast to increase 6.0 per cent to $446,300.

“Demand is continuing to outpace supply in Ottawa and I believe it will remain strong in 2022, although the frenzied pace of the market is reducing in this final quarter of the year,” said Jason Ralph, Broker and President, Royal LePage Team Realty. “We still have less than one month of inventory available. Compared to an 'average year', 2021 was exceptional, even if activity levels are beginning to slow.”

Ralph noted that demand is being driven by first-time buyers and retirees, while fewer GTA buyers are shopping for homes in Ottawa today than at the height of the pandemic.

“More than ever, local first-time buyers and newcomers to Canada are choosing to buy in Ottawa, as the region offers more green space and greater affordability than other major cities. Those looking in the city's neighbouring suburbs will find themselves just a short commute from the downtown core,” said Ralph.