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RealEstateNews

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5 new housing policies announced in the 2024 federal budget

Canadian Renters' Bill of Rights

More Canadians are renting for longer periods of time before they transition into home ownership. The 2024 budget announced several measures intended to more effectively protect tenants and strengthen their path to buying real estate.

Budget 2024 announced the creation of the Canadian Renters' Bill of Rights, which proposes a nationwide standard lease agreement, and would require landlords to disclose rental price history on properties. Through the Canadian Mortgage Charter, the Budget also calls on banks and lenders to allow tenants to report their rental payment history to credit bureaus in order to better their credit scores, thereby strengthening their future mortgage applications.

Funding for the construction of new homes

The federal government is promising billions of dollars in spending towards the construction of new housing.

The 2024 budget unveiled the Canada Builds initiative, which will enable the country's Apartment Construction Loan Program to partner with provincial governments in order to build more rental accommodation. Starting next year, the program will receive $15 billion in additional funding for the creation of 30,000 new homes, topping up the program's current funding allocation to over $55 billion for a total of 131,000 units, set to be built by 2031.

30-year mortgage amortizations for first-time buyers of new homes

Through the Canadian Mortgage Charter, the 2024 budget announced that starting on August 1st, first-time buyers purchasing a newly-constructed home can access 30-year mortgage amortizations, a product that has previously only been available to those with a down payment of at least 20%.

Amendments to the Home Buyers' Plan

Saving for a down payment is one of the largest hurdles new homebuyers face. To make it easier to access funds for a home purchase, Budget 2024 unveiled an amendment to the withdrawal limit on the Home Buyers' Plan, which has been increased from $35,000 to $60,000 as of April 16th.

Support for single-family home suites

To encourage the creation of secondary housing units, the 2024 budget announced $409.6 million over four years towards a Canada Secondary Suite Loan Program, run by the CMHC. This will enable homeowners to borrow up to $40,000 in low-interest loans towards the cost of adding a secondary suite to their homes, which can be used for multi-generational living purposes or as a source of rental income.

Modest Gains Across Ottawa's MLS® Market a Sign of Shared Confidence

Members of the Ottawa Real Estate Board (OREB) sold 1,456 residential properties in April 2024. This was an increase of 8.9% from April 2023.

"It's a typical spring in Ottawa's real estate market," says OREB's President. What sets it apart from recent springs is a restored mutual confidence among both buyers and sellers. Buoyed by recent sales activity, sellers are more confident that they can move their property as evidenced by the uptick in listings. For buyers, the pressure of the pandemic market has eased and they're comfortable taking the time to find the property that best suits their needs. The pace is still conservative while the economy is holding some back, but overall Ottawa's market is strong and stable, and that's a win-win."

The overall MLS® HPI composite benchmark price was $643,700 in April 2024, a marginal gain of 1.6% from April 2023.

The benchmark price for single-family homes was $727,700, up 1.6% on a year-over-year basis in April.

By comparison, the benchmark price for a townhouse/row unit was $500,800, up slightly at 1.0% compared to a year earlier.

The benchmark apartment price was $423,100, up 2.1% from year-ago levels.

"The real story is in the details," says OREB's President. "Looking more closely at what's selling and for how much suggests the demographic of buyer is changing. While most of Ottawa's market is in balanced territory, townhomes have shifted to the seller's market side as supply shrinks. Single-family homes are the most active market, which is inflating the average sale price. The next few months will be both telling and interesting as people continue to redefine their post-pandemic normal amid an upcoming federal election and back-to-work mandate for government workers. The detailed insights and data that REALTORS® have unique access to will be invaluable in helping buyers fine-tune their strategy for their specific neighbourhood and property type."

Call today for real estate advice and information!

The Pros And Cons Of Adjustable-Rate Mortgages

Adjustable-rate mortgages (ARMs) offer borrowers a unique opportunity to take advantage of fluctuating interest rates, providing flexibility and potential cost savings over the life of the loan. However, ARMs also come with inherent risks and uncertainties that borrowers should carefully consider before choosing this type of mortgage. In this article, we'll explore the pros and cons of adjustable-rate mortgages and help you determine whether an ARM is the right choice for your homeownership needs.

Understanding Adjustable-Rate Mortgages (ARMs)

An adjustable-rate mortgage (ARM) is a type of home loan where the interest rate is not fixed for the entire term of the loan. Instead, the interest rate fluctuates periodically based on changes in an index, such as the prime rate or the London Interbank Offered Rate (LIBOR). Typically, ARMs have an initial fixed-rate period, followed by adjustable-rate periods where the interest rate can adjust annually or at specified intervals.

The Pros of Adjustable-Rate Mortgages

Lower Initial Interest Rates: ARMs often start with lower initial interest rates compared to fixed-rate mortgages, making them attractive to borrowers seeking lower monthly payments and potential savings during the initial fixed-rate period.

Potential for Lower Payments: If interest rates decrease or remain stable over time, borrowers with ARMs may benefit from lower monthly payments during the adjustable-rate periods, resulting in increased affordability and cash flow flexibility.

Short-Term Ownership: ARMs can be advantageous for borrowers who plan to sell or refinance their home within a few years, as they can take advantage of the lower initial interest rates without being exposed to the risks associated with long-term interest rate fluctuations.

Rate Caps and Limits: Most ARMs include rate caps and limits that restrict how much the interest rate can increase or decrease during each adjustment period and over the life of the loan, providing borrowers with a level of protection against drastic rate changes.

The Cons of Adjustable-Rate Mortgages

Interest Rate Risk: One of the main drawbacks of ARMs is the uncertainty surrounding future interest rate movements. If interest rates rise significantly during the adjustable-rate periods, borrowers could face higher monthly payments and increased financial strain. Payment Shock: Rapid increases in interest rates can lead to payment shock for ARM borrowers, causing a significant and sudden jump in monthly mortgage payments that may be difficult to afford, especially for borrowers on fixed incomes.

Budgeting Challenges: The fluctuating nature of ARM payments can make budgeting and financial planning more challenging for borrowers, as they may need to account for potential changes in their housing expenses over time.

Long-Term Costs: While ARMs may offer lower initial interest rates, borrowers who hold onto their mortgages for extended periods may end up paying more in interest over the life of the loan if interest rates rise significantly during the adjustable-rate periods.

Is an ARM Right for You?

Deciding whether an adjustable-rate mortgage is the right choice for your homeownership needs depends on various factors, including your financial situation, risk tolerance, and future plans. Consider the following questions:

Are you comfortable with the potential for fluctuating interest rates and payments?

Do you plan to stay in your home for the long term or sell/refinance within a few years?

How do current interest rate trends and economic conditions impact your decision?

Have you thoroughly reviewed and understand the terms, features, and risks associated with the ARM product?

Ultimately, consulting with a qualified mortgage advisor or financial planner can provide valuable guidance and assistance in evaluating your options and determining whether an ARM aligns with your financial goals and preferences.