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30-Year Amortizations on Insured Mortgages for New Build Homes Now Available for First-Time Buyers

First-time buyers of new construction homes in Canada will now be able to access longer mortgage amortization periods.

As of August 1st, 2024, lenders will be allowed to offer 30-year amortizations for insured mortgages to first-time homebuyers of new construction homes, a measure modified by the federal government. Previously, the maximum amortization for an insured mortgage — a mortgage that has a down payment less than 20% and therefore requires mortgage insurance — was 25 years. Homes priced at and over $1 million automatically require a 20% downpayment and an uninsured mortgage loan.

The federal government says that by spreading payments out over an additional five years, this will help to lower monthly mortgage payments, therefore making housing costs more affordable for young Canadians, in addition to incentivizing the construction of much-needed supply.

“For every young Canadian who wants to own a home of their own, we want them to be able to qualify for a mortgage and afford their first home. One of the biggest hurdles to homeownership for younger Canadians is qualifying for a mortgage and affording the monthly payments,” said Chrystia Freeland, Deputy Prime Minister and Minister of Finance, in a press release. “That is why, starting August 1, first-time buyers of new builds will be able to reduce their monthly payments with up to 30 year mortgages. This is just one of the many new measures our government is taking to make the dream of homeownership a reality for younger Canadians.”

What do I need to qualify for a new build 30-year amortization?

If you're a first-time buyer shopping for a new construction home and plan to take out a 30-year mortgage, here are some of the requirements you'll need to keep in mind.

At least one of the borrowers on the application must be a first-time homebuyer – they've never purchased a home before, and they have not occupied a home as a principal residence that either they or their current spouse or common-law partner have owed in the last four years

The home being purchased must be newly-constructed, meaning it has not been previously occupied for residential purposes

Only high-ratio mortgages will be applicable — mortgages were the loan amount exceeds 80% of the home price (has a down payment less than 20%)

All other eligibility criteria for government-guaranteed mortgage insurance will still apply.

Ottawa's MLS® Market Gains Momentum Heading into Summer

Members of the Ottawa Real Estate Board (OREB) sold 1,241 residential properties in July 2024. This was an increase of 13.6% from July 2023.

“As the market pace typically slows in the summer, July's activity is encouraging and could be a sign of more gains ahead,” says OREB's President. “Buyer confidence is slowly but surely catching up while sellers continue to add a steady stream of new listings. Of course, the extent to which that translates into transactions depends on the type of properties and price points available in our communities as supply and affordability issues persist.”

“Two consecutive interest rate cuts by the Bank of Canada, coupled with the federal government's introduction of 30-year amortization periods on mortgages for first-time homebuyers purchasing newly built homes, will help some buyers. However, these are demand policies and Ottawa — as well as many cities across the country — needs action on the supply side.”

The overall MLS® HPI composite benchmark price was $648,900 in July 2024, an increase of 0.1% from July 2023.

The benchmark price for single-family homes was $734,700, down 0.1% on a year-over-year basis in July.

By comparison, the benchmark price for a townhouse/row unit was $506,100, up 3.4% compared to a year earlier.

The benchmark apartment price was $422,800, down 0.9% from year-ago levels.

Call today for real estate advice and information!

The Spring Market That Never Was:
Canadian Real Estate Remains in Prolonged Catch-Up Period as Buyers Idle on the Sidelines

Further Interest Rate Cuts Required to Increase Purchasing Power and Improve Consumer Confidence

According to the Royal LePage House Price Survey released last month, the aggregate price of a home in Canada increased 1.9 per cent year over year to $824,300 in the second quarter of 2024. On a quarter-over-quarter basis, the national aggregate home price increased 1.5 per cent, despite a slowdown in activity in the country's most expensive markets.

“Canada's housing market is struggling to find a consistent rhythm, as the last three months clearly demonstrated,” said Phil Soper, president and CEO, Royal LePage. “Nationally, home prices rose while the number of properties bought and sold sagged; an unusual dynamic. The silver lining: inventory levels in many regions have climbed materially. This is the closest we've been to a balanced market in several years.

Despite the Bank of Canada's move to cut the overnight lending rate by 25 basis points on June 5th, from 5.0 per cent to 4.75 per cent, buyers did not immediately rush back to the market as initially expected.

“This spring, with bank rate cuts highly anticipated, we saw some buyers race to get a deal done ahead of an expected spike in demand. Yet, when that first cut finally occurred in early June, market response was tepid,” said Soper.

“A change in monetary policy drives consumer behaviour in two important ways. Lower rates mean lower monthly payments, opening the door to some families previously shut out of the market. Secondly is the psychological signal broadcast to sidelined buyers that the tide is turning, and that market activity is about to pick up again,” added Soper. “Not surprisingly, the quarter-point cut to the bank rate didn't substantially improve the affordability picture. As for consumer sentiment, our early year research indicated that only one in ten potential homebuyers would be motivated by a tiny rate drop. The tale the market tells as rate cuts get to the point of a material reduction in the cost of borrowing should be a very different one.”

Inflation and Interest Rates

For the last two years, the national housing market has seen home prices fluctuate between modest declines and increases – with some regional exceptions – as a result of the impacts of higher interest rates. As the Bank of Canada cautiously navigates the delicate balance between lowering the key lending rate and keeping inflation in check, some segments of Canada's housing market have stalled.

“Canada's housing market faces pent-up demand after two stifling years of high borrowing costs. While inflation control is crucial, persistently high rates are increasing the risk of a surge in demand when buyers inevitably return. New household formation and immigration keep fueling the need for housing, and a sudden release could create much market instability. This highlights the need for a more nuanced approach that balances inflation control with economic vitality,” added Soper.

“It is worth noting that once you remove the impact of high mortgage rates themselves from Canada's Consumer Price Index calculation, inflation today sits well below the two per cent target.”

Increased Borrowing Costs Slow New Home Construction

Elevated borrowing rates are not only dampening housing market activity but also stifling the construction of new homes. Builders, who rely heavily on lending, are finding it increasingly difficult to finance new projects, exacerbating the country's shortage of housing at a time when our population continues to grow.

“Gradual interest rate reductions could unlock a housing supply logjam,” said Soper. “Lower rates would not only empower buyers but also incentivize builders, who rely on borrowing for development. This is crucial to meet the diverse needs of our growing population. We need affordable options for first-time buyers, growing families, and downsizing retirees. Incremental rate adjustments are key to achieving a balanced and inclusive housing market. Without a significant supply boost, prices will continue to rise, impacting both those who seek home ownership and the one-third of Canadians in rental markets.”

“Canada's housing market faces complex challenges. While raising interest rates was crucial to fighting inflation, it has unintentionally choked off the essential flow of new housing supply. Higher borrowing costs, coupled with labour shortages in the construction trades and rising material prices, have made it economically unsustainable for developers to launch new projects. This creates a perfect storm – our population is growing steadily, yet we're building far fewer homes than what's needed to meet that demand. This situation urgently needs innovative solutions to ensure Canadians have access to affordable housing options,” concluded Soper.