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## Overnight Lending Rate Falls to 4.25% as Bank of Canada Makes Third Consecutive Cut

Canada's central bank has made a third cut to its overnight lending rate this year, lowering borrowing costs for existing and aspiring homebuyers yet again.

In its scheduled September 2024 announcement, the Bank of Canada dropped the target for the overnight lending rate by 25 basis points to 4.25%.

In July, Canada's Consumer Price Index rose 2.5% year-over-year, increasing at the slowest pace since March 2021. Continued easing of inflationary pressures were a contributing factor of the Bank's decision to lower interest rates by another 25 basis points.

"If inflation continues to ease broadly in line with our July forecast, it is reasonable to expect further cuts in our policy rate. We will continue to assess the opposing forces on inflation, and take our monetary policy decisions one at a time," said Tiff Macklem, Governor of the Bank of Canada, in a press conference with reporters following the announcement.

### Three cuts down – more to go?

The third cut to the overnight lending rate comes at the start of the fall housing market, traditionally a time when buying and selling activity picks up across Canada. For those who have been sitting on the sidelines waiting for cheaper borrowing costs, another decrease to the overnight lending rate may be the extra sign of encouragement they've been waiting for.

According to a recent Royal LePage survey, conducted by Leger, 51% of Canadians who put their home buying plans on hold the last two years said they would return to the market when

the Bank of Canada reduced its key lending rate. Eighteen percent said they would wait for a cut of 50 to 100 basis points, and 23% said they'd need to see a cut of more than 100 basis points before considering resuming their search.

"The Bank of Canada continues its delicate balancing act, gradually easing the economic drag of high interest rates as the economy cools. With inflation now at its lowest point in three years, policy-makers are shifting their focus to jobs and housing," said Phil Soper, president and CEO of Royal LePage. "For first-time homebuyers, the key question is whether to buy now or wait. Home values have largely plateaued this year, and improved affordability due to lower borrowing costs has benefited many. However, once the backlog of sidelined buyers is released into the market, pent-up demand will drive prices higher. This fall, we can expect more cautious Canadians to take the plunge, while those willing to take on the risk might hold out for further rate cuts."

The Bank of Canada will make its next announcement on Wednesday, October 23rd.



## OTTAWA'S HOT SUMMER MARKET EXPECTED TO EXTEND INTO FALL

Members of the Ottawa Real Estate Board (OREB) sold 1,100 residential properties in August 2024. This was an increase of 10.2% from August 2023.

"Being a seasonal market, it's very encouraging to see sustained levels of activity throughout the whole summer," says OREB's President. "And coupled with a third consecutive interest rate drop from the Bank of Canada, we are anticipating a heated market in the fall."

"REALTORS® know firsthand how affordability remains a top concern for most buyers. With a stream of new listings hitting the market and prices holding steady, buyers are not moving with urgency. They are still using caution and taking their time to find the right property for their needs and budget. As such, sellers need to be patient and work with a REALTOR® who can use the latest neighbourhood-level data and insights to properly price their property and build a selling strategy."

The overall MLS® HPI composite benchmark price was \$646,000 in August 2024, a decrease of 0.3% from August 2023.

The benchmark price for single-family homes was \$732,500, down 0.3% on a year-over-year basis in August.

By comparison, the benchmark price for a townhouse/row unit was \$502,200, up 0.3% compared to a year earlier.

The benchmark apartment price was \$416,800, down 1.2% from year-ago levels.

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# What to Budget for as a Homeowner

Buying a home is a significant financial commitment, and while the mortgage is often the largest expense, it's far from the only one. To ensure you're fully prepared for homeownership, it's essential to understand the various costs beyond your mortgage that you'll need to budget for. This article breaks down these additional expenses to help you plan effectively and avoid any financial surprises.

## 1. Property Taxes

Property taxes are a recurring cost that homeowners must pay annually. These taxes are levied by local governments and fund services such as schools, road maintenance, and emergency services. The amount you owe is based on the assessed value of your property and the local tax rate.

*Tip: Check with your local municipality for an estimate of property taxes for homes in your area. Be sure to include this amount in your monthly budget.*

## 2. Home Insurance

Home insurance protects your property and belongings from risks such as fire, theft, and natural disasters. It also provides liability coverage in case someone is injured on your property. The cost of home insurance varies based on factors such as the size of your home, its location, and the coverage level you choose.

*Tip: Shop around for home insurance quotes and consider bundling your home and auto insurance for potential savings. Review your policy regularly to ensure it meets your needs.*

## 3. Utilities

Utilities are essential services that keep your home running smoothly. These typically include:

**Electricity:** The cost of powering your home's lighting, appliances, and electronics.

**Natural Gas or Heating Oil:** Used for heating your home and, in some cases, for cooking.

**Water and Sewer:** Charges for water usage and sewage services.

**Internet and Cable:** Costs for internet access and television services.

*Tip: Estimate your utility costs based on your home size and usage patterns. Track your expenses over a few months to get a more accurate picture.*

## 4. Maintenance and Repairs

Homeownership comes with ongoing maintenance and repair responsibilities. Regular maintenance helps prevent costly repairs and keeps your home in good condition. Common maintenance tasks include:

**Cleaning Gutters:** Preventing water damage and roof leaks.

**Landscaping:** Maintaining your yard and garden.

**Seasonal Maintenance:** Preparing your home for different seasons (e.g., winterizing pipes).

Additionally, unexpected repairs may arise, such as fixing a leaky roof or replacing a broken appliance.

*Tip: Set aside a maintenance fund, typically 1-3% of your home's value annually, to cover both routine and unexpected repairs.*

## 5. Closing Costs

When buying a home, you'll encounter closing costs, which are one-time expenses incurred during the home purchase process. These can include:

**Legal Fees:** Costs for hiring a real estate lawyer or notary.

**Land Transfer Taxes:** Taxes based on the purchase price of the home.

**Home Inspection Fees:** Fees for inspecting the home's condition before purchase.

**Appraisal Fees:** Costs for appraising the home's value.

*Tip: Closing costs typically range from 1.5% to 4% of the home's purchase price. Be sure to budget for these expenses and review the breakdown with your real estate agent.*

## 6. Moving Costs

Moving to a new home involves various expenses, including hiring professional movers, renting moving trucks, and packing supplies. The cost of moving can vary based on the distance and the amount of belongings you need to transport.

*Tip: Get quotes from several moving companies and plan your move during off-peak times to potentially save money. Consider DIY options for a more budget-friendly approach.*

## Conclusion

Understanding and budgeting for the costs beyond your mortgage is crucial for successful homeownership. By accounting for property taxes, insurance, utilities, maintenance, closing costs and moving expenses, you can create a comprehensive budget that prepares you for the financial responsibilities of owning a home. Being proactive and informed will help you manage these costs effectively and enjoy your home with peace of mind.

