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## Canadian housing market more stable than many believe: report Monetary and tax policy could present risks to the housing market, however.

Despite soaring prices, Canada's housing market is more stable than it looks, a new report says, though monetary and tax policy could upset the balance.

The national average home price climbed by more than 20% year over year in February to a record \$816,720, leaving many to worry about affordability and whether rising interest rates could spur a correction.

A report released March 29, 2022 from CIBC and the Conference Board of Canada noted the anxiety caused by the last two years' housing market frenzy, but said the market could settle with the appropriate mix of monetary and tax policy.

The report looked at various scenarios for housing over the next five years. In the first, the Bank of Canada raises interest rates at "a reasonable schedule" of four times per year to keep up with growth and contribute to a "less heated" market. Housing would remain expensive but price growth would flatten somewhat, the report said, and gradual rate increases wouldn't affect mortgage payments.

"Canada's housing market is far more stable than many people and industry watchers perceive," said CIBC deputy chief economist Benjamin Tal in the report.

"Yes, there are specific caveats, such as prolonged inflationary pressure, that could upset the balance, but should the BoC stay pragmatic and consistent, the next five years look entirely sustainable for Canadians."

A separate report from CIBC released Monday predicted rate increases in Canada would stop in the 2.25% to 2.5% range.

However, the housing report noted the risk of over-tightening. With inflation at the highest level in three decades, Tal said a more

aggressive Bank of Canada that raises rates eight times per year could lead to a recession. In that scenario, housing demand would fall and existing homeowners would have a harder time paying mortgages, he said.

Finally, the report examined what could happen if the federal government removed the principal residence exemption. The Liberal government has not said it's considering such a policy. The report suggested the policy could be introduced as a response to pandemic deficits and the hot housing market.

Jamie Golombek, managing director of tax and estate planning with CIBC Private Wealth, said in the report that a capital gains tax on the sale of a primary residence could be applied on a prorated basis, determined by the home's value or how long it was owned. Such a move could incentivize sellers and, in the short term, increase inventory.

However, it could also have broader economic consequences. "The primary homes of Canadians represent the greatest store of value for most homeowners and removing a significant portion of that value by eliminating the exemption could cool the market in profound ways," Golombek said.

A CIBC report last fall found that parents gave their kids more than \$10 billion for down payments over the previous year.



## MARCH REALES INDICATE STRONG SPRING MARKET

Members of the Ottawa Real Estate Board (OREB) sold 2,011 residential properties in March 2022 compared with 2,274 in March 2021, a decrease of 12%.

"Although the number of sales in March decreased from last year at this time, it was still a robust and busy start to the spring season. Transactions increased 42% over February (590 units) and were 12% higher than the 5-year average. Last March was unseasonably warm in comparison, and the lion-like weather that pervaded most of this March may have played a role. More likely, the lifting of some restrictions and opportunity for unfettered travel during the spring break had peoples' attention turning towards other activities during the month," states OREB's President.

"March tends to be the early indicator of the spring resale market pace, so we anticipate April's numbers will be a better indication of just how the spring market will perform, which tends to be the peak time of year for resales," he adds.

The average sale price of a residential-class property sold in March in the Ottawa area was \$853,615, an increase of 13% from a year ago. The average sale price for a condominium-class property was \$479,405 an increase of 10% from March 2021.

"Average prices continue on their upward trend, albeit only increasing 2-3% over February's figures, the year over year percentage increases of 13-14% validate that the housing supply shortage will continue to put strong upward pressure on prices until that is remedied."

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# Inspiring ideas and expert tips to maximize the return on your investment

## Maximize summer enjoyment with a screened patio

The first summer evening on the patio is often accompanied by the arrival of mosquitos. Rather than retreating indoors, consider your options to create a bug-free area with a screened-in patio or porch.



A big part of the appeal of owning a home becomes ultra apparent during the summer months when we can spend time outdoors. You can extend your summer enjoyment with screens that are fitted to patio and porch openings. When done right, these options appeal greatly to future buyers.

Set a budget, then exploring a variety of options to fit your pocketbook and tastes. With a wide range of products on the market – from motorized retractable screens to do-it-yourself kits from your local building store – there's something to fit every budget. Start with a trip to the library and research ideas through books and publications on decks, porches and patios.

As far as dos and don'ts, obtain more than one quote if you are looking to engage a professional service to plan and install your screens. If you plan to do the project yourself, make sure your basic structure is in good shape. If not, be sure to budget for additional material costs and make repairs before you begin. Measure accurately and ask to see assembly instructions in the kit you buy.

## Five Summer Projects to Increase Home Resale Value

Assessing the best return for your investment is paramount when undertaking home improvement projects. This means putting a priority on the jobs that are likely to be more valuable than others.

Summer is an ideal time to get outside and invest your time, money and resources in a project that is going to pay back when it comes time to sell your home. We recommend investing in these top five outdoor home improvements:

1. Build a deck or patio. A deck or patio not only adds visual interest and enjoyment, it is also a way to add to the resale value of your home. There are many designs and approaches to consider so start with a trip to your local library to research ideas and choose an approach that fits your time and budget. Be sure to plan well ahead and to check your municipal building requirements as a building permit may be required for decks above a certain size and height.

2. Install a sprinkler system. On average, homeowners use 50 per cent more water than necessary on their lawns. This increases hydro bills and may subject your basement to seepage and your garden from damage from over watering.

Automatic lawn sprinkler systems are designed to allow proper irrigation through timing and even water distribution. Although there's an initial cost of installation, you could save money in the long run.

3. Landscape your property. Landscaping is a great way to add visual interest to an outdoor living space. Whether planning a garden or building a pond, landscaping often results in a significant return on your investment. However, always consult a trained professional before tackling a landscaping project to ensure that your project has all the elements of a professional project.

4. Build or replace a fence. Defining the limits of your property is important for a variety of reasons, including privacy, security and safety. Considering your specific needs will help you to choose the right fence. Ultimately, the fence has to fit with how you use your yard. Do your research and consult with neighbours to determine if you can complete the project jointly.

5. Re-shingle a tired roof. A strong, durable roof is an essential component of your home's overall health and functionality. If your roof is showing signs of wear, such as raised shingles or water seepage, choosing a qualified roofing contractor is a good first step. If you decide to do the job yourself, you'll want to estimate the materials required accurately, consider disposal options for the old shingles, and ensure that you have plenty of hands available to make light work of a rigorous one-day job.

