

Real Estate Monthly Grace Glastonbury

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Buying a Home Still a Good Investment

Despite a tricky economy and concern about climbing household debt, a survey says the portion of Canadians who are "very likely" to purchase a home in the next two years has increased from 7 to 10 percent since the same question was posed two years ago.

The media has been full of speculation about house prices being unsustainable in Canada, but the lure of homeownership remains strong among those surveyed by Ipsos-Reid on behalf of RBC. An overwhelming 91 percent of Canadian homeowners believe a home is a good investment. That's the highest level of confidence in homeownership that the survey has seen in 12 years. This was the 17th annual RBC Homeownership study. People aged 18 to 24 are most likely to buy in the next two years, says the survey.

Marcia Moffat, RBC head of home equity financing, says that "the expectation of higher mortgage rates on the horizon could be motivating buying intentions this year."

Low mortgage rates continue to fuel the real estate market, but the survey found that 64 percent of respondents believe that rates will be higher in one year's time. They are expected to start rising gradually at the end of 2010 and into 2011, but will probably still be near historic lows.

RBC says first-time buyers should lock in their interest rate when they apply for a mortgage to

avoid expected increases. It says buyers should "stress test" their mortgage, by figuring out what payments would be required if rates rise, and then determining if the home they want is affordable at that level. Buyers should leave some "wiggle room" to ensure they can comfortably afford their mortgage while enjoying the lifestyle they want.



For homeowners who are renewing their mortgages, RBC suggests taking advantage of early renewal options that lock in the new mortgage rate. Sixty-three percent of those surveyed said they are taking advantage of low interest rates to pay down more principal on their mortgages. Eighteen percent used a lump sum payment to pay down their mortgage and 16 percent were able to double up a mortgage payment.

Ottawa housing market soars into spring

Members of the Ottawa Real Estate Board (OREB) sold 1,499 residential properties in March 2010 compared with 1,161 in March 2009, an increase of 29.1 percent. There were 1,118 sales in February 2010.

Of those sales, 327 were in the condominium property class, while 1,172 were in the residential property class.

"The spring market kicked off early and strong this year, possibly boosted by the unseasonably warm weather and absence of snow in March," said OREB's President.

"Inventory is still lower than at this time in 2009, but has begun to increase slightly in recent months," he added.

The average sale price of residential properties, including condominiums, sold in March in the Ottawa area was \$329,767, an increase of 15 percent over March 2009.

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Value Elements in an Offer

The Purchase Price represents a significant contributor to value, but there are other important factors which can reduce the amount that the seller receives or which can compromise the transaction. It is not the purchase price, but the net proceeds of the sale that sellers should concentrate on.

The Closing Date can represent cost or value to both parties. Savvy buyers usually attempt to meet the seller's preferred moving date, especially when the seller has committed to purchasing another property or needs the proceeds of the sale on a specific date. For instance, a closing before that date may be expensive because sellers would have to move out and store everything until they could move into their new home. That double move and the inconvenience represent out-of-pocket costs and time lost that make the actual purchase price lower than stated. A closing date later than the seller's preferred date may leave the seller owning two homes at once. Sellers may incur extra costs in arranging bridge financing to meet legal obligations to close on their new home before they receive proceeds from the sale of their current home. Choice of closing date may represent costs or value to the buyer as well. Balancing this reality for both parties is key in negotiation.

Inclusions and exclusions to the sale also represent costs and value for both parties. Appliances, heating systems and draperies are common seller inclusions designed to boost value for buyers. If warranties for everything from a new roof or solar panels to new appliances cannot be transferred to a buyer, these items become "second-hand" and will probably represent less value to buyers. Buyers are also free to include excluded seller items, like an antique light fixture, in the offer to purchase. Deals have been lost to disagreements over light fixtures, fireplace accessories and vintage furnishings, so prudent sellers remove contentious items before listing. A buyer may offer less than list price and ask for nothing; a seller could sign back for more money and include items to sweeten the pot. Value is very subjective for these non-real-estate items and that is where negotiations can get heated.

Terms and Conditions are clauses in the offer which cover "what if" risks for one party and the obligations of both parties.

These clauses detail what the buyer asks the seller to do for the purchase price. Sellers can create conditions in an offer to sell, but usually conditions are of greater concern to the buyer, particularly if approval of a third party, like a lender or city planning department, is involved in determining the property's suitability. Conditions to arrange financing or a home inspection are among the "ifs" that define the offer to purchase. The degree of uncertainty attached to the conditions and the buyer's related ability to close effect the value of an offer. For instance, a buyer who is pre-approved for a mortgage of sufficient size offers less risk to a seller. However, if the purchase price is significantly above market value, the lender may not approve the mortgage,

so a condition for financing is essential to protect all parties. A full-price offer with conditions that will be difficult to meet may hold less value than an under-list-price offer with no conditions. Alternatively, if the conditions are merely formalities, the conditional offer could represent greater value. Would you recognize the difference if you were the seller? That's where the expertise of the real estate professionals involved becomes valuable.



Intent and Sincerity are vital aspects of an offer although difficult to quantify. How determined is the buyer to buy, and why? How determined is the seller to sell? If parties change their minds after the contract exists and before the closing date, the injured party has remedies in court. These legal steps may not make up for lost time and, perhaps, a missed market. An investor or flipper may decide to cut losses and bail out of the deal if the market drops significantly before closing. Sellers may have second thoughts if their plans to move fall through. For both parties, value should lie in the certainty that the other party will close in spite of market shifts.

Yes, price matters, but there's a lot more involved in creating an offer that demands to be accepted. That's why an experienced real estate professional is a valuable contributor to success. Professionals can calculate, or at least estimate, the seller's net proceeds after costs related to the offer and deduction of commission.