

REAL ESTATE NEWS



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SHOULD YOU WITHDRAW FROM YOUR RRSP TO BUY A HOUSE?

Certified financial planner Jeanette Brox says young Canadians still have a good reason to withdraw from their retirement plan to buy a house: current prices.

Ms. Brox says taking money out of an RRSP is the only way some first-time buyers can scrape together enough for a down payment. "I think it's a great idea, because one of the hardest things to do is get a big down payment. If you've got a couple with substantial amounts in their RRSP, you can take out 50 grand," Ms. Brox says.

Canada's Home Buyer's Plan allows a first-time purchaser a one-time chance to withdraw up to \$25,000 from their RRSPs, with the condition that the money be repaid in 15 years. "When the program first came out, I wasn't all that in favour of it," says Ms. Brox. But when you see the prices of houses, it is getting that much tougher to buy."

Dipping into an RRSP can help first-time home buyers avoid costly mortgage default insurance, which is required by Ottawa if you have a down payment of less than 20%. That insurance premium can run as high as 3.15% of the value of your loan if you only have 5% down, the minimum amount of equity required by a regulated financial institution.

Ms. Brox says borrowing requires discipline, because suddenly you're not just saving for retirement, you're also paying back a loan to your RRSP.

"I think most of my clients are [paying it back], but the bottom line is you are going to have to make some sacrifices. Do you need that extra car?" she says.



Repayment has become a problem for some Canadians, with up to one-third of first-time buyers never getting around to it, said Phil Soper, president of Royal LePage Real Estate Services.

Repayments are due in the second year following the year you made the withdrawal. (If you made a withdrawal sometime in 2015, your first payment would be due sometime in 2017.) Generally, you repay 1/15 of the total amount you withdrew every year until the loan is repaid.

The penalty for not making a repayment for a year is that the amount will be included in your income for that year. Even bankruptcy won't get you out of repayment; you still have to make the annual repayment.

Mr. Soper says one reason the federal government has probably been loathe to increase the \$25,000 withdrawal limit, even in the face of rising prices, is the repayment problems. But he's still a proponent of the plan because it gets people to that 20% down payment threshold. That makes a \$250,000 home, even if it's a high-rise condo, attainable in most markets in Canada.

Mr Soper says he expects the housing market to slow down a bit, which could mean more activity from first-time buyers who see more affordability and are willing to access their RRSPs.

While people are increasingly using the tax-free savings account to save for a home, Mr. Soper says it shouldn't be compared with the RRSP because it doesn't allow people to reduce their tax burden and use that contribution to buy a home.

"The TFSA is money you've already paid tax on, so you're not saving anything. It's just a handy place to have money appreciate," he says.

RESALE BUYERS BRAVE THE FEBRUARY FREEZE

Members of the Ottawa Real Estate Board (OREB) sold 853 residential properties in February 2015 compared with 868 in February 2014, a decrease of 1.7 percent. There were 627 home sales in January 2015.

"Even though we had one of the coldest months on record, resales for the month of February are only slightly down from last year," said OREB's President. "Looking at residential properties alone, 13 more properties were sold this February over last February – a 1.9 percent increase; while the condo market on the other hand, has been a little slower to gain momentum. That being said, both residential and condo sales are up a total of 226 combined units since January and there are a total of 6,519 residential listings going into March – both telling signs that the spring market is fast approaching."

The average sale price of residential properties, including condominiums, sold in February in the Ottawa area was \$358,206 an increase of 1.3 percent over February 2014. The average sale price for a condominium-class property was \$267,880 an increase of 3.8 percent over February 2014. The average sale price of a residential-class property was \$380,358 a decrease of 0.3 percent over February 2014.

"The hottest segments of our market in February were sales between \$300,000 to \$400,000, followed by the \$200,000 to \$300,000 range and \$400,000 to \$500,000 range," said OREB's President. "These price ranges continue to have the highest concentration of properties sold, while residential two-storey homes and bungalows continue to have the highest concentration of buyers", he added.

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Ottawa Residential Average Sales Chart from 1956 to 2014



**MLS Residential Sales Percentage
Increase or Decrease Over Previous Year**

Year	Average Sale Price	Percent Change	Year	Average Sale Price	Percent Change
1956	\$13,351	0.24%	1986	\$111,643	4.04%
1957	\$14,230	6.58%	1987	\$119,612	7.14%
1958	\$15,564	9.37%	1988	\$128,434	7.38%
1959	\$16,038	3.05%	1989	\$137,455	7.02%
1960	\$16,791	4.70%	1990	\$141,438	2.90%
1961	\$16,070	-4.29%	1991	\$143,361	1.36%
1962	\$15,952	-0.73%	1992	\$143,868	0.35%
1963	\$16,549	3.74%	1993	\$148,129	2.96%
1964	\$16,563	0.08%	1994	\$147,543	-0.40%
1965	\$17,056	2.98%	1995	\$143,193	-2.90%
1966	\$18,004	5.56%	1996	\$140,513	-1.90%
1967	\$19,476	8.18%	1997	\$143,873	2.40%
1968	\$23,329	19.78%	1998	\$143,953	0.10%
1969	\$25,652	9.96%	1999	\$149,650	4.03%
1970	\$26,532	3.43%	2000	\$159,511	6.58%
1971	\$27,808	4.81%	2001	\$175,971	10.32%
1972	\$30,576	9.95%	2002	\$200,711	14.06%
1973	\$38,305	25.28%	2003	\$218,692	9.00%
1974	\$46,661	21.81%	2004	\$235,678	7.70%
1975	\$49,633	6.37%	2005	\$244,531	3.80%
1976	\$54,623	10.05%	2006	\$255,889	4.70%
1977	\$57,032	4.41%	2007	\$272,477	6.40%
1978	\$59,134	3.69%	2008	\$289,477	6.30%
1979	\$61,896	4.67%	2009	\$303,888	4.90%
1980	\$62,748	1.38%	2010	\$327,225	7.70%
1981	\$64,896	3.42%	2011	\$344,240	5.20%
1982	\$71,080	9.53%	2012	\$351,792	2.20%
1983	\$86,245	21.34%	2013	\$357,348	1.60%
1984	\$102,084	18.37%	2014	\$361,712	1.20%
1985	\$107,306	5.12%			