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## Ottawa's MLS® Activity Builds After Recovering from Prior Slowdown

The number of homes sold through the MLS® System of the Ottawa Real Estate Board (OREB) totaled 1,439 units in June 2024. This was a marginal increase of 0.1% from June 2023.

Home sales were 7.5% below the five-year average and 13.2% below the 10-year average for the month of June.

On a year-to-date basis, home sales totaled 7,109 units over the first half of the year — an increase of 4.2% from the same period in 2023.

“Ottawa continues to see steady activity as we head into the summer market,” says OREB President. “Unlike recent years, buyers have more room to wait, evaluate and be selective when searching for the right property at the right price, leading to a slight uptick in the days on market. Sellers are making moves as evidenced by the inventory and listings. After recovering from last year’s slowdown, Ottawa’s market performance is nearly back on par and continues to make gains.

“It’s going to be an interesting summer and next half of the year. As confidence builds, there will be ample opportunities for both parties. Now is the time for sellers to ensure their property is at its best and priced appropriately to attract buyers who remain slightly reluctant. Buyers would do well to remember that inventory levels — and competition — can swing quickly in Ottawa’s tight market.”

### By the Numbers – Prices:

The MLS® Home Price Index (HPI) tracks price trends far more accurately than is possible using average or median price measures.

The overall MLS® HPI composite benchmark price was \$647,700 in June 2024, a decrease of 0.5% from June 2023.

The benchmark price for single-family homes was \$734,300, down 0.2% on a year-over-year basis in June.

By comparison, the benchmark price for a townhouse/row unit was \$501,500, down 1.6% compared to a year earlier.

The benchmark apartment price was \$420,800, down 1.7% from year-ago levels.

The average price of homes sold in June 2024 was \$686,535

increasing 0.5% from June 2023. The more comprehensive year-to-date average price was \$681,345, increasing by 1.6% from the first six months of 2023.

The dollar volume of all home sales in June 2024 was \$987.9 million, up 0.7% from June 2023.

OREB cautions that the average sale price can be useful in establishing trends over time but should not be used as an indicator that specific properties have increased or decreased in value. The calculation of the average sale price is based on the total dollar volume of all properties sold. Prices will vary from neighbourhood to neighbourhood.

### By the Numbers – Inventory & New Listings:

The number of new listings saw an increase of 4.7% from June 2023. There were 2,469 new residential listings in June 2024. New listings were 0.8% below the five-year average and 1% below the 10-year average for the month of June.

Active residential listings numbered 3,585 units on the market at the end of June 2024, a gain of 45.5% from June 2023. Active listings were 57.8% above the five-year average and 1.9% below the 10-year average for the month of June.

Months of inventory numbered 2.5 at the end of June 2024, up from 1.7 in June 2023. The number of months of inventory is the number of months it would take to sell current inventories at the current rate of sales activity.



# Fixed or Variable Rate? Here's How to Prepare for Your Mortgage Renewal

More than half of Canadian mortgages will renew before the end of 2026, and with the Bank of Canada lowering its key interest rate from 5.0% to 4.75% on June 5th, many homeowners are now wondering which mortgage type they should opt for upon renewal — a fixed or variable rate. Understanding the options available and anticipating changes is essential to successfully navigating today's evolving mortgage landscape.

With a significant cohort of homeowners needing to renegotiate their mortgages within the next three years, those who opted for variable-rate mortgages — or who took out a loan in 2021 at the trough of historically low rates — will be particularly affected by the planned adjustments. For those who will soon have to deal with the current higher-rate mortgage environment, below are some considerations to help you make an informed decision about an upcoming mortgage renewal.

## Current Situation

While variable rates were historically lower during the height of the pandemic real estate boom, the trend has recently reversed, with variable rates now higher than fixed rates. The average five-year variable interest rate offered by mortgage lenders currently hovers around 6.7%, while most fixed rates are typically 5.6%.

A variable mortgage rate depends on a number of economic factors, such as the key overnight lending rate, which is set by the Bank of Canada. Although Canada's central bank recently cut its key rate for the first time in four years, the institution could change course if inflation levels increase in the months ahead. However, economists widely expect further cuts to the lending rate by the end of 2024. The trend is set to continue into 2025, unless economic conditions change significantly. Regardless of declining interest rates, the historically-low rates Canadians have been accustomed to over the last two decades are now a thing of the past.

## What You Need to Know About Variable Rates

When it comes to variable-rate mortgages, when the prime rate rises — which is influenced by the Bank of Canada's overnight lending rate — mortgage payments automatically increase.

However, with variable loan structures with fixed-payment options, monthly payments remain unchanged, even in the event of a rate increase. Instead, this type of variable-rate mortgage adjusts the mortgage amortization period (the time it takes to repay the mortgage in full). This is due to the fact that a smaller proportion of each payment is allocated to repaying the mortgage principal.

## Understanding Your Needs

The choice between a fixed- and variable-rate mortgage largely depends on the borrower's risk tolerance and personal situation. Since variable rates are subject to fluctuations, is your lifestyle

conducive to these changes? Even if interest rates begin to fall, there are many economic factors influencing their direction, which can occur at various times during your mortgage term.

The right mortgage product for you depends on your short- and medium-term situation. If you're currently in a period of transition (career change, separation, etc.), you may want to opt for a fixed-rate that offers you some stability.

## Strategic Options for Borrowers

### Fixed-Rate Mortgage with a Shorter Term

Amidst economic uncertainty, more borrowers are opting for fixed-rate mortgages with shorter terms (one, two or three years). This way, in an environment where rates are quickly changing, borrowers can lock in predictable monthly payments without the need to stay with the same rate long term.

### Hybrid-Rate Mortgage

This option combines customized features of both a variable and a fixed rate — part of the mortgage has a fixed interest rate and the other has a variable interest rate. This way, the borrower can benefit from the best of both worlds.

### Convertible Mortgage

This type of loan offers the possibility of converting a variable interest rate loan into a fixed-rate mortgage, or vice versa, before maturity, thus allowing borrowers to adapt their mortgage financial strategy to market conditions.

### Consult a Professional

At a time when real estate prices remain high due to sustained demand, choosing the right mortgage product is crucial. It is advisable to consult a mortgage broker to explore scenarios best suited to each individual situation. Anticipating interest rate fluctuations and adjusting your financial strategy accordingly can make a big difference in managing your long-term mortgage.

