

Ottawa considering tactics to intervene in housing market

Categories : [Housing market news](#), [Rebate Blog](#)

The Bank of Canada's recent move to drop its overnight lending interest rate by 0.25 per cent has many talking about its effect on the housing market.

Soon after the drop was announced, Canada's banks swiftly followed with prime lending rate cuts of 10 or 15 basis points which left rates at 2.7 per cent. Homeowners who signed up for a [variable rate mortgage](#) instantly benefitted from the rate drop since they will now pay less interest on their mortgages.

Before the rate cut was announced, some within the real estate sector expressed concerns about how an interest rate cut would affect the housing market. [According to the *Financial Post*](#), the chief executive of Royal LePage released a report expressing worry that a rate cut would further fuel the housing market, which could contribute to a correction as prices continue rising at faster rates compared to household incomes.

The two hottest housing markets in the country, Toronto and Vancouver, continue to lift the nation's average numbers, while Calgary's market showed recent signs of rebounding after the steep drop in oil prices. It's expected that this rate cut will further encourage more home sales and higher housing prices.

"People don't buy homes based on sticker price, they buy homes based on carrying costs. When carrying costs are lower, they acquire more home," [Phil Soper, chief executive of Royal LePage Real Estate Services Inc. told the *Financial Post*](#).

But the key danger with this is that with low interest rates, carrying costs may be manageable for homeowners, but once rates rise, this could land many of them in hot water. While economists have predicted for years that the housing market will crash with property being overvalued, these anxieties persist.

In the past, the government made moves to cool the housing market and sources say the feds may be at it again, according to the *Financial Post*. The feds are considering raising the minimum [downpayment](#) of five per cent, lowering the amortization period on a home again and adding restrictions on high-priced housing. This is a turnaround from when Finance Minister's Joe Oliver previous stance of a hands off approach to the housing market when he was first appointed.

In the past, homebuyers could purchase a property with no downpayment and an amortization period of 40 years, but this changed during late Jim Flaherty's term as finance minister as the government tweaked with mortgage qualification rules to quell the nation's real estate market

storm.

But Soper says increasing downpayments on homes will have minimal impact since it will mainly affect [first-time homebuyers](#) who aren't purchasing multimillion dollar homes. But these would mean first-time homebuyers may lean on their parents and family to help out with their home purchase.

Rebate4U can help you receive the maximum [HST housing rebate amount](#) available to you. Our priority is to provide our clients with the most professional and quality service in obtaining rebates for their new and renovated homes. We are proud to offer our clients the most personal and attentive service, and we make sure that all of our clients are 100% satisfied.