

Overvalued Home Prices Could Put New Owners at Risk

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The Canadian housing market can be difficult to navigate. Between the sheer number of daily offers presented, bidding wars, an unprecedented amount of houses going on the market, and the number of home sales closed each day, today's housing market in Canada is off the charts. Many recent homeowners have taken part in bidding wars to purchase their homes, and had to front thousands above asking prices. This is enough to raise the value of other homes in that area. A neighbourhood with an average of \$600,000 homes two years ago may have now be turned into a neighbourhood with homes valued at over \$700,000 to even a million dollars on average. As a new homeowner, what benefits and risks are you facing in today's market?

As a new homeowner, you've likely made a calculated investment. If the housing market in Canada continues with the current trend, in a few short years you your home can potentially be worth significantly more than what you purchased it for.

A key watch-out for new homeowners is to ensure they're buying within their means. Low interest rates have contributed to allowing many new Canadians to enter the housing market. Homeowners that have stretched their budget with mortgage payments may be at risk if interest rates are increased. Although there aren't definitive signs that this will happen in the near future, homeowners need to ensure that even if rates do increase, they'll still be able to keep up with payments. It's important to evaluate the decision to purchase a home carefully, and to set aside funds for mortgage payments in case interest rates rise.

Today, it's virtually the norm for homes to sell over asking price. This could mean that your recent house purchase was overvalued. If the Canadian housing market faces a correction in the near future and housing prices drop, your house may be worth less than what you bought it for. Again, there are no concrete signs that Canada will face a market correction any time soon, but this is something to consider as a new homeowner. Luckily, with Canada's real estate history, chances are likely that if you live in your house for a significant amount of time, it will be worth more than what you purchased it for when you decide to move.

In today's market, a home renovation can offer huge gains in the overall value of your home. Renovating will not only allow you to freshen up the look of your home, and can make you feel like you're living in a new home in the same neighbourhood, it's a stress-free alternative to moving. This is especially a plus if you have children that attend your neighbourhood school. Although renovating does cost a significant amount of money, it can be a lot less expensive than purchasing an entire new home. If you do decide to renovate, you can receive an HST rebate from Rebate4U for up to \$24,000. This allows you to get back some of the costs and lowers the risk of buying a home in today's market. If you have questions, or to learn more about how you can get your rebate, visit www.rebate4u.ca or give them a call at 1-800-610-4510.