

Ottawa housing market red-hot

Strength fuelled by bargain rates, resilient economy

BY ROBERT BOSTELAAR, WITH FILES FROM BERT HILL, THE OTTAWA CITIZEN NOVEMBER 21, 2009 4:11 AM



Busy 14-month-old Arda enjoys his new kitchen as parents, Alpay and Sermin Egitman, recent purchasers of a two-storey townhome in Kanata South, look on. Sermin, right, says it might be a seller's market, but low mortgage rates make buying cheaper than renting.

Photograph by: Jean Levac, The Ottawa Citizen, The Ottawa Citizen

Real estate shoppers Alpay and Sermin Egitman bought the first house they walked into, a two-storey townhome in Kanata South.

Weeks later, they've had no second thoughts.

"It was our destiny," says a smiling Alpay as he surveys a family room overlooking sunlit fields.

More hesitant buyers could be destined for disappointment. Fuelled by bargain mortgage rates and a resilient economy, the Ottawa market is toasty, even sizzling. Desirable properties are scarce and prices -- though still below national levels -- are climbing.

"If people see something they like, they have to act quickly," advises Scott Arial, the Royal LePage Team Realty agent who represented the Egitmans.

Arial and Ottawa Real Estate Board president Rick Snell say they're seeing more bidding wars, a trend usually more common in Vancouver or Toronto.

Often this involves three or four offers and a sale at or just above the listed price, but Snell knows of sales involving as many as 15 offers and a final price far above the seller's first expectation.

Sales of existing homes through the Multiple Listing Service last month set records for both average price -- \$318,655 -- and volume. The 1,202 transactions for condominiums, multi-units and single-family homes were the highest ever for an October.

New home sales also are jumping after taking a steep fall in the recession. The Greater Ottawa Home Builders Association said 533 singles, doubles and townhouse units were bought in October, compared to just 267 a year earlier.

In the resale market, the biggest obstacle to further growth could be a shortage of new listings in the traditionally seller-shy stretch from now through February.

At the end of October, agents had 3,464 MLS listings, 27-per-cent fewer than a year earlier. Like winter, a seller's market is settling in.

"We probably won't see much change until late winter," says Snell. "Then we should see a return to a more balanced market." Ottawa's surge is part of a Canada-wide recovery from the recession's low sales and, in some areas, declining prices. The sharp rebound is prompting some fears of a U.S.-style collapse when interest rates inevitably rise. In a recent report, Scotia Capital analysts suggested Canada is "probably" already in a housing bubble.

There's little concern, however, in Ottawa, widely regarded as a conservative market that manages to avoid the big price swings seen elsewhere.

Sales agent Ariel says stable employment, good consumer confidence and comparatively low prices -- the average for major centres in Canada reached \$373,095 last month -- will help the Ottawa market absorb higher rates.

Canada Mortgage and Housing Corp. predicts a slight slowdown in Ottawa's resale market in 2010 as pent-up demand eases, but still expects prices to rise 2.3 per cent.

Buyers can be confident, CMHC analyst Daniel Benatuil told the agency's annual Ottawa Housing Outlook conference this week, because "price growth will preserve housing wealth in 2010." Snell, of the real estate board, calls the CMHC forecast "a bit low" and predicts an average increase closer to 6.0 per cent.

With mortgage rates slipping again this week, would-be buyers are lining up for financing. Kelly Wilson of Invis, an independent brokerage firm, had eight applications cross her desk Thursday alone.

"We've just been going non-stop," she says. "We're having a record year." Like others, Wilson believes Canada's more cautious lending culture can forestall any U.S.-style meltdown. For example, she requires clients looking at variable-rate mortgages of just 2.0 per cent to consider what they would pay if the rate shot up to 6.0 per cent.

Those who "don't have the stomach for that," she says, are better to take a fixed-rate mortgage, available for as little as 3.99 per cent on a five-year term.

At the Egitman house in Kanata, Alpay admits he's "a little concerned" about rates rising. After years working in Dubai, the Egitmans and their 14-month-old son Arda came to Canada from their native Turkey, and Alpay, who has worked in sales and distribution, is still seeking a job.

Yet they seem largely confident about the future, just as they are confident they chose the right house -- a decision they reveal was not made in haste.

They saw Internet photos of the listing while still in Turkey, they explain, and were disappointed to arrive in Ottawa and learn the house had been conditionally sold. When that deal fell through, they quickly inspected it and after some negotiating, agreed to a figure slightly below the \$238,400 asking price.

It may be a seller's market, but low mortgage rates make buying cheaper than renting, Sermin Egitman points out.

"This," she adds, "is a buyer's time."