



Mortgages • Insurance • Advice

# Is it Time to Climb the Property Ladder?

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# Is it time to climb the property ladder?

The stream of headlines about house prices falling and interest rates rising can leave homeowners feeling uncertain whether now is the right time to upgrade to a new home.

Do lower sale prices mean you should wait to upgrade?

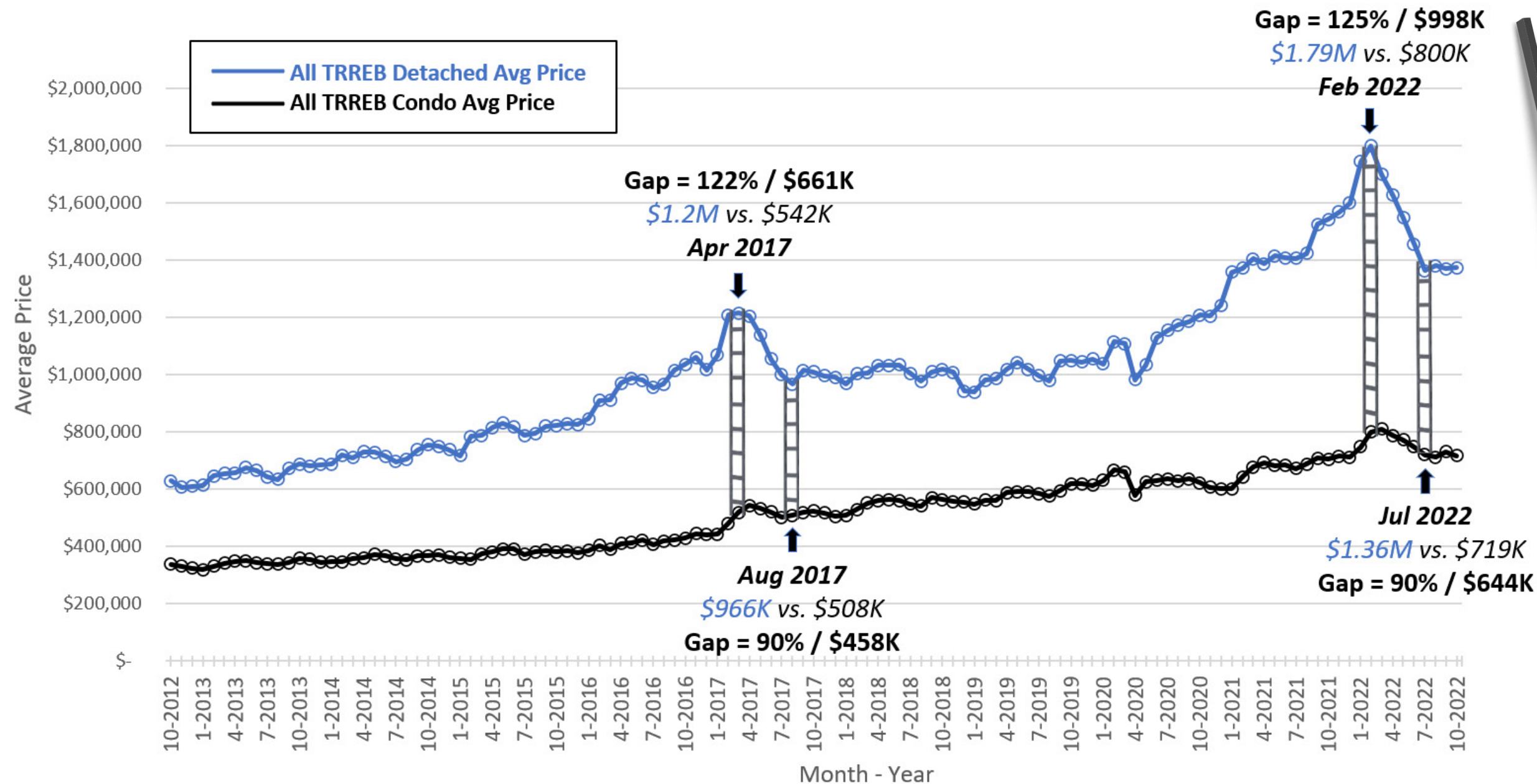
What do higher interest rates mean for your next move?



# A shrinking price gap.

The housing market has been going through a price correction since earlier this year – offering homeowners interested in upgrading an ideal window to benefit from a shrinking price gap between condos and semi-detached or detached homes.

Why has this happened? Leading up to February 2022, semi-detached and detached home prices increased at a higher rate than condos, resulting in a sharper decrease during the market correction. The analysis below highlights the significant decrease in the average price gap between February 2022 and October 2022.



# Let's look at the numbers.

According to Toronto Regional Real Estate Board (TRREB), between February and October 2022, the average price of a semi-detached home across the GTA fell by approximately 20.5% and the average price of a condo across the GTA fell by approximately 10.4%.\*

On a dollar basis, semi-detached average price dropped from \$1,358,415 in Feb 2022 to \$1,079,393 in Oct 2022. Condo average price dropped from \$799,966 in Feb 2022 to \$716,515 in Oct 2022.

**How does this impact "moving up"? Let's take a look.**

Let's break down the cost comparative to upgrade from a condo to a semi-detached home assuming a 5-year fixed mortgage rate and 30-year amortization.

The chart is for illustration purposes only.

\*Transaction costs (sale) = sample realtor commissions, HST on commissions, legal fees.

\*Transaction costs (purchase) = land transfer fees, title insurance, legal fees.

\*Interest rates are sample 30-year conventional rates. For current rates, which may be lower/higher, please contact Outline Financial for current rates and product options.

\*Above example assumes porting an existing mortgage to the new property. Please contact Outline Financial for porting options.

		Sale/Purchase in Feb 2022	Sale/Purchase in Oct 2022
Condo Sale	Condo Sale Price	\$ 799,966	\$ 716,515
	Transaction Costs (Estimated)	\$ 46,198	\$ 41,483
	Net Sale Proceeds (Estimated)	\$ 753,768	\$ 675,032
Semi-Detached Purchase	Semi-Detached Purchase Price	\$ 1,358,415	\$ 1,079,393
	Transaction Costs (Estimated)	\$ 50,645	\$ 44,785
	Total Purchase Costs (Estimated)	\$ 1,409,060	\$ 1,124,178
	<b>Additional Mortgage Needed for "Move Up" Purchase</b>	<b>\$ 655,292</b>	<b>\$ 449,146</b>
	Sample Interest Rate	2.99%	5.49%
	Additional Monthly Mtg Pmt	\$ 2,753	\$ 2,544
	Payments Over 5 years	\$ 165,180	\$ 152,640
	Interest Portion of Payments	\$ 92,163	\$ 118,637
	<b>Additional Mortgage Needed - Balance after 5 years</b>	<b>\$ 582,275</b>	<b>\$ 415,143</b>

# Why upgrading your home is a great option right now.



## SMALLER MORTGAGE FOR YOUR UPGRADED HOME

With the current market situation, buyers may have more ability to climb the housing market ladder. A shrinking price gap means that in today's cooler housing market you would need a smaller mortgage amount to "move up" than you would have in the previous hot housing market.

As illustrated in the condo to semi-detached upgrade example, the estimated incremental mortgage amount needed to move up was significantly higher in the hot February 2022 market (\$655,292) vs. the cooler October 2022 market (\$449,146).

## BOTTOM LINE

The housing market will always face periods of volatility. In a downmarket cycle, it can often make a lot of dollars and sense to consider moving up given shrinking price gaps between property types and price points.

## SAME (OR LESS) MONTHLY MORTGAGE PAYMENT

While interest rates increased significantly during 2022, the offsetting decrease in home prices has resulted in approximately the same (or less) monthly mortgage costs.

As illustrated in the condo to semi-detached upgrade example, the additional monthly mortgage payment to "move up" actually decreased from February 2022 vs. October 2022 (\$2,753/mth vs. \$2,544/mth respectively) despite the increase in interest rates over the same period.

# outline

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