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Welcome to the March issue of the *Real Estate Journal*, which is designed to help keep you in the know regarding Real Estate and Mortgage related matters!

This month's edition looks into mortgage payment frequency and a very important related keyword; 'accelerated'. We then offer some thoughts on whether or not now is the right day to purchase a property.

Please feel free to ask questions or offer feedback on anything outlined below via phone or email.

Thanks again for your continued support and referrals!

## In This Issue

Are you making  
**ACCELERATED**  
 bi-weekly payments?  
 Accelerated;  
 A \$2,480.87 word!

**Question:**  
 Is today the  
 right time to buy  
 a home or not?

About  
**Royal LePage**



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### DID YOU KNOW...

Most mortgage lenders offer you the option of increasing your regular payment by a certain percentage each year. Many also allow for an automated lump sum payment in addition to your regular payment. One consideration for adjusting your payment up - even slightly each year - is that at the end of the term if interest rates have risen, you will reduce or even eliminate any kind of payment shock come renewal time. With the added bonus of the extra dollars having all gone straight to your mortgage balance in the meantime.

Over the past number of years banks have come up with a rather confusing set of payment frequency options that have left some mortgage clients a bit disappointed 5 years down the road.

Rather than the Amortization crushing 'Accelerated bi-weekly' plan which a quality Mortgage Broker will discuss with you, clients left

the word '**ACCELERATED**' (*bi-weekly*) into the equation.

**Accelerated bi-weekly Payment:** \$230.00  
**Ending balance 60 months later:** \$82,563.13

Ah-ha, now you have a \$2,480.47 lower balance, and you have paid \$163.87 less interest over the 5 years. Excellent!

How did this happen? When one opts for 'accelerated' in the above scenario, the payment increases by \$17.82 per payment, or \$463.32 per

## HOMEOWNER TIPS

Recent studies have shown that the old adage of buying the worst house on the block may not offer the best rate of return. Often it is the worst house, and priced accordingly, for good reason. As an investment strategy, one is often better off focusing on the neighbourhood itself, with an average home in a hot neighbourhood often doing far better than the ugly duckling in a less desirable area.

to their own devices run the risk of opting for simply 'bi-weekly' payments. Here is the math;

Let's use a \$100,000 mortgage amount (to make working out your own numbers simpler) with a 25 year amortization, a 2.74% interest rate and a 5 year term.

**Monthly Payments:** \$460.01

**Ending Balance 60 months later:** \$85,043.18

Now let's calculate *bi-weekly* payments and the balance remaining at the end of the 5 year term.

**Bi-Weekly Payments:** \$212.18

**Ending balance 60 months later:** \$85,043.60

The balance is 42 cents higher. This is because you did not effectively pay anything extra over the 60 months to the lender. The sum of the annual payments is identical. Now let's insert

year. For a total of \$2,316.60 in additional funds going straight to the mortgage balance.

The big picture is improved as well, as you have effectively lowered your amortization from 25 years to 22 years and 5 months.

Shaving 2.5 years off a 25 year mortgage might not seem huge, but in 22.5 years it surely will make you happy. Imagine having \$460.00 more per month (per \$100,000 of mortgage balance) to play with for 2.5 years.

If you started with a \$300,000 mortgage, then we are talking about \$1380.02 per month X 30 which is a total of \$41,400.60. All from one word '*accelerated*'.



**T**his question arises on a near daily basis

within our social circles... Answer: Today is the right day assuming one has found the specific property that works for them on all levels.

If the conversation is about a property which one plans to own for at least the next few years, then yes, the right time to buy is today.

Over a 7-10 year horizon the day-to-day, even the month-to-month gyrations of the market will tend to resemble those of a small yo-yo on a large escalator. Yes there are some ups and downs but the lows often do not drop below the second last high. This is true of nearly any major urban 25 year chart of Real Estate Values.

There are some key considerations that will dictate not only the continued value, but perhaps more

month of rent or the marginal costs of bridge financing. The costs involved are surprisingly lower than most clients expect.

Keep in mind during your search that the MLS #'s are an imperfect indicator of what is happening today in the market, as in literally '*today*'. MLS data reflects purchase contracts that were negotiated 30, 60, 90 or even 120 days prior to the completion date which was itself in the previous months report. In other words, by the time the MLS data indicates a trend one way or another, said trend has in fact been in motion for as long as 6 months and could be either reversing or ramping up further.

Where then to get the most accurate data? Talk to frontline folks, Realtors, Brokers, Appraisers, etc. for a better handle on up-to-the-minute trends. Ask an Industry Expert.

Short term fluctuations in values and/or interest rates are themselves not the key factors in many peoples decision to buy. Instead it is finding that perfect combination of all the factors that create

importantly your own ability to stay put for that magic 7-10 year timeframe:

- Home location
- Layout
- Age
- Size
- Recreational amenities
- Schools
- Distance from workplace
- Potential basement suite revenue

The list goes on...

Getting all of these variables aligned is something that takes dedication on the part of the both the buyer and Realtor. The hunt itself can easily consume a few weeks or more, and for some may result in dozens of viewings. This is more than enough to juggle without also trying to 'time the market' on that perfect home.

Speaking of timing; consider allowing for a small overlap during which you have access to both the current residence as well as the new one. Being able to install new flooring throughout, complete interior painting, or upgrade kitchens and bathrooms, without having to live in the middle of the disruption is well worth an extra

a home within a community and the realisation that homeowners win in the long run by owning, not by sitting on the sidelines.

It is all about finding a place you can call home for the duration. To be able to plant roots and become a part of a community. Home ownership will undeniably continue to be a part of living the Canadian dream.

Perhaps the (short term) timing will feel imperfect, as it did for presale buyers in 2007, whose completion dates were set for Spring 2009. However, a few years later most will be glad that they bought when they did. In fact many were smiling again as soon as the Spring of 2010.

Home ownership remains the one true forced savings plan. It is one of the best investments we make socially as it provides an individual and/or a family with a certain sense of security, stability and community.

# About

The logo for Royal LePage, featuring the company name in a bold, black, sans-serif font. The text is centered between two horizontal red bars. To the right of the text, there are two vertical bars of varying heights, creating a stylized 'L' shape.

**ROYAL LEPAGE**

Royal LePage is Canada's oldest and largest Canadian owned real estate company. Founded in 1913 by Albert LePage when he was just 26 years old, Royal LePage is now Canada's largest real estate company with more than 14,000 agents in more than 600 locations across the country. And we firmly believe that you can only become the oldest and largest company by being the best.

Over the years, we've learned a lot about real estate – and how to provide the best possible service for our clients. Since the mid-1990s, Royal LePage has more than tripled the size of its sales force and almost doubled its market share.

Throughout our successes, we remain dedicated to helping you through the real estate process. Our commitment to innovation and customer service is as strong as ever.

We offer all of our REALTORS® – from those serving tiny communities to those in major urban centres – strong support from our national pool of knowledge, skill and technical expertise. We regularly invest time, money and resources to develop and provide the knowledge and tools they need to best market your home, including:

- Up-to-date information about local market conditions
- Quarterly housing reports

- Creative brochures and newspaper ads to showcase your home
- Ongoing negotiation, marketing and technical training

This communication is not intended to cause or induce breach of an existing agency agreement.

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\*\*Not intended to solicit Buyers/Sellers currently under contract.