



The Average Home Price Is almost \$750K: What Does the Mortgage Look Like for That?

Description

In a normal housing market, the winter months are arguably the best time to buy a home. Competition among buyers is usually low, as homebuyers are more active in the summer, and with less demand, sellers are more willing to shave some dollars off the final cost of their homes.

But the Canadian housing market is anything but normal. In January, the average price of a home not only rose higher than any month in 2021 — it rose higher *than we've ever seen*.

According to the Canadian Real Estate Association (CREA), the average price of a home is now \$748,450 — a 21% increase year over year. That's a new record for the books.

Of course, in some markets, prices have gone so high that a \$748,450 home would seem cheap. In others, a \$748,450 would seem too expensive. Yet if we take that number as our benchmark, what would the monthly mortgage look like for that price? Let's take a look.

Monthly mortgage payment

Let's assume you get a mortgage rate of 2.50%, and you choose a 25-year amortization period on your mortgage. Let's also assume you're getting a fixed-rate mortgage rather than a variable one. For a home that costs \$748,450, here's what the mortgage payment would look like for different down payments.

Down Payment	Monthly Mortgage	Biweekly
6.66% (\$49,845)	\$3,255	\$1,501
10% (\$74,845)	\$3,111	\$1,435
15% (\$112,268)	\$2,930	\$1,351
20% (\$149,690)	\$2,682	\$1,237

Source: Mortgage Payment Calculator from Ratehub.ca

For those that put down the lowest down payment you can legally put down (6.66%), you'll pay \$3,255 per month on your mortgage.

It's not just your monthly mortgage

Of course, that's only for the monthly mortgage. On top of that you have to pay property taxes, property insurance, utilities, internet, and upkeep on the home itself.

For those looking to buy a home, you'll also want to consider the closing costs to acquire a \$748,450 house, or any house, for that matter. You'll have to pay a home inspection fee, an appraisal fee, land-transfer taxes, title insurance, and lawyer fees. With the lowest down payment (\$49,845), you would need around \$76,000 to \$78,000 in cash to secure a mortgage for a \$748,450 home.

Again, these are average numbers. If we were to compare the average home price in Canada to, say, Vancouver, then we'd see just how scary the housing market is in some areas. According to the latest data, the average house price in Vancouver is around \$1,255,000. Here's what the monthly mortgage would look like for that price:

Down Payment	Monthly Mortgage	Biweekly
20% (\$251,040)	\$4,499	\$2,075
25% (\$313,800)	\$4,217	\$1,945
30% (\$376,560)	\$3,936	\$1,816
35% (\$439,320)	\$3,655	\$1,686

Source: Mortgage Payment Calculator from Ratehub.ca

Look closely at those numbers. Many Canadians don't even earn \$4,499 per month, let alone pay it on their mortgage. When you break down the average cost of a home by the monthly mortgage, you can see just how bonkers the housing market has become.

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