



Kam's Mortgage Monthly

January 2010
Volume 3, Issue 1

The Year of Living Positively- Part II

For those of you who know me, I'm a big fan of movies. One that I like in particular is "The Year of Living Dangerously". It's a great movie, so if you get a chance, watch it. Last year, the title of that movie gave me an idea for what the motto for New Year 2009 should be: "The Year of Living Positively." Let's face it, with all the negativity that was spread around in 2008 about the future, every one thought the world would end in 2009! But here we are, and we made it! Despite the dire news and statistics, 2009 showed us not to believe everything the headlines tell us. With all the gloom and the negative headlines, no wonder people had such a difficult time just getting going with the day with nothing to feel good about. Now I'm not being Pollyannaish, I know that there are folks out there who are still hurting financially, but as I said at the beginning of 2009, it's never as dire as the media folks want us to believe. Indulge me a few moments and I'll share with you some headlines on the eve of 2009 and how much things have changed since, both for our economy and that of our neighbours to the south:

In 2008, the US housing industry took a hit: 3.4 % of all homes were in foreclosure. Still, that meant 94.6% of homeowners still made payments. The gloom and doom that was forecasted made it seem like a dark cloud had spread across the country. Every US citizen could become homeless! During 2009 foreclosure rates certainly went up but by the end 2009, foreclosures were slowly starting to come down again as witnessed in the last quarter where they were down 11% from the previous quarter.

Overall, sales volumes were crashing all over the US and that made for sensational headlines, but facts indicated that even before 2009 began, the US markets that had experienced the steepest decline in prices were increasing their sales by 35% and 45%. By the end of 2009, the US manufacturing sector grew at its fastest pace in four years! And according to the Montreal Gazette, "After all that negative sentiment to start the year, US equity markets are up 60% (from the March 2009 bottom), and the economy has entered into a recovery mode, most of the major banks have paid back their bailout money and the federal government just announced it will unwind its liquidity measures."

[Continued Page 2](#)



Newsletter
Highlights

*The year of living
positively*

Pages 1-4

Something
to
Ponder

Be the change that
you want to see in
the world.

[Mohandas Gandhi](#)

The Year of Living Positively, Part II cont'd...

At the start of 2009, the US unemployment rates were rising and there didn't seem to be an end in sight. The US unemployment rate sat at 6.1% and the mass media wanted us to believe it had previously sat at 0%. The US unemployment rate did rise, up to 10.2% in October, but it dropped to 10% in November 2009 (which means that 90% of Americans still had employment). With the unemployment rate falling, and job destruction subsiding, the year ended on a positive note.

As 2009 began, there were many projects and developments that fell by the wayside. Let's face it, we overbuilt! Pre-sales were not moving any more in both the residential and condominium markets. That's because when we overbuild, developments fail, and that's what it takes to keep a market healthy both for sellers and purchasers, and it's completely normal! That's exactly what occurred between 1995 to 2000 as well. Eventually when everyone stopped building and all of the excess inventory was cleared, things got going again in 2000. In a normal healthy market, the pendulum cannot swing forever in one direction. It has to come back hard the other way, eventually to settle upon a happy medium. And by the closing of 2009, the real estate industry not only defied predictions, its performance *went beyond expectations* by boosting consumer confidence levels and it ultimately kick-started the national economy. Condominium projects were moving once again slowly in some markets and remarkably quickly in others but not free falling as was predicted.

Our national headlines read that real estate sales volumes were falling (which was true when compared to 2007) but in fact, the volume was higher when compared to most other years. The Canadian housing market performed stronger in the second half of 2009, better than was anticipated, and not just because expectations were so low. BC home sales in November climbed 165 per cent over the same month last year to 7,182 units. The month reflected the highest number of residential sales for November since 2005, when 7,721 units were sold.

At the end of 2008 and beginning of 2009 sellers were not able to get their asking prices, in fact, it was a buyer's market, and many sellers were forced to lower them. This wasn't a symptom of a disastrous economy it was a reversal of what had been happening so long! That after quite some time, buyers could win the day! In fact, I know of no universal law that states sellers are entitled to ever-increasing prices year after year. If we use Vancouver's prices in relation to this, they have reversed 8 times in 30 years only to make new highs later as I stated at the beginning of 2009, and guess what they reversed again and new highs were hit once again. This fluctuation is what keeps the market healthy! More people were able to become first time homeowners due to this correction and lower interest rates but as supply began to dry up prices once again began to rise.

A common outlook of 2008 was that it was harder to raise financing than ever before and 2009 would be even tougher.. Not true! In the early '70s, you could only get 75% financing. There was no easy mortgage money available in the eighties; if you didn't have the full down payment, you had to get a second mortgage. During these times, vendor take back financing was in vogue, and during this recent downturn, vendor take-back financing will make a come back.

[Cont'd on Page 3](#)

The Year of Living Positively, Part II cont'd...

Instead of purchasers approaching private secondary lenders, the sellers will become these secondary lenders. After all, who knows the property better than them? And in some instances this was certainly the case, but overall the tighter lending was evident in early 2009 but by the end things did begin to “loosen” up.

Headlines exclaimed that the forestry sector was going downhill. This was accurate at the time, and of course it's not easy on the folks who have lost jobs. As 2009 ended, lumber was getting into position to become the next oil, and job creation is on the horizon: Shares of several of Canada's largest lumber exporters (International Forest Products Ltd, Canfor Corp and West Fraser Timber Co. Ltd) skyrocketed in the last two months of 2009 as new building codes in China allowing wood in construction have opened up a previously inaccessible market. Lumber exports are on the rise, with Pat Bell, BC Minister of Forests and Range, estimating that exports will reach a new high of 1.5 billion board feet for 2009 and top four billion in 2011.

As I said at the beginning of 2009, 90% of gloom and doom predictions NEVER happen! In fact, most of these things are beyond what I call “our circle of influence”. What I mean by this, is that most things are beyond our scope of control and influence. For example, no matter how much I might worry about the unemployment numbers, they are well beyond my control. So why would I exert any time and energy thinking about them? Focusing on them is going to do is absolutely nothing! Now for the 10% of predictions that do happen, by not worrying about All the stuff beyond your circle of influence, you are better able to both tackle and deal with what actually does happen to the very best of your abilities. In life, no one said it was all going to be a piece of cake!

The mass media consists of a lot of well paid people whose job it is to ‘whip’ up the news. In fact, to me it seems like there are a lot of folks out there in the job of spreading doom and gloom. All you had to do is take a look at “H1N1” if you followed the media at all with this and frankly who couldn't as it was everywhere, you could only assume the world as we knew it was going to be gripped by this global “pandemic” If that wasn't enough you could get 24hr “Michael Jackson, Bubble Boy, Kate & John, Tiger the list goes on and on. There must be a market for it, for if there wasn't, these folks would not be doing it! And pundits who predicted that in 2009 we would go into deflation/depression/crash/years of misery were also the same folks who kept saying the stock markets could only keep rising, what tech bubble?, and that housing prices wouldn't rise. They should not be called ‘pundits’ but knee jerkists, because they react to everything while ignoring the bigger picture. What I have learned from reading and listening to these so-called-experts is that they are rarely right. If all of them were such geniuses, why didn't most of them see this coming? If you want to get through these times and be more successful coming out the other end than going in, turn them off! In my opinion, most people today have far too much access to (mis)information, too much CNN and BNNitis. Most people start their days with this, so no wonder they're depressed before they ever walk out the door! That's why I have no cable, in fact I haven't had it for 15 years!

[Cont'd on Page 4](#)

The Year of Living Positively, Part II cont'd...

Let me tell you something folks, when you expect the worst day after day, it somehow manages to manifest itself in your life. As I suggested back at the beginning of 2009, for your own mental, physical and spiritual health, get away from these energy vampires, they will suck your joy for life dry! Times, events and circumstances become the stories people tell about them. So for this New Year, take a lesson from the 2009 that never was, and see 2010 as a “Year of Living Positively Part II.”

Facebook & Twitter

Yes, it's true! Kam the Mortgage Man has joined social networking! Click on icons below to add me as a Facebook Friend or Follow Me on Twitter. Daily updates on mortgage rates, the housing industry and real estate!



Referrals

Your referrals are always welcome, so if you can think of someone who may benefit from my services, please send me an e-mail to kam.brar@vericoselect.com or call me at **250-686-4246**. Never dealt with me, not sure what kind of service you're going to get? [click here](#) to see what some of my clients have to say!

If you have any questions or comments please contact Kam at kam.brar@vericoselect.com or visit www.kamthemortgageman.com