



Kam's Mortgage Monthly

July 2008
Volume 2, Issue 1

Housing Market Cooling?

The hot weather might finally be here, but it looks like the housing market is cooling. In fact, Canadian home prices fell in June for the first time since January, 1999, as the number of houses for sale remained at record levels.

The average price of an existing home fell 0.4 per cent in June to \$341,096, compared with \$342,615 the year before, according to statistics released Tuesday by the Canadian Real Estate Association (CREA).

“The fall in home prices...is a sizable dip in this indicator, given that not too long ago the Canadian housing market was witnessing double-digit price gains,” Millan Mulraine, economic strategist at TD Securities Inc., said in a research note.

Of the 25 major markets included in the statistics, average home prices declined on a year-over-year basis in Calgary, Edmonton, Victoria and Windsor-Essex. The largest decline of 2.6 per cent was in Edmonton, while the smallest was in Windsor-Essex at 0.5 per cent.

As price gains cooled in most markets, the number of resale homes listed nationally has hit monthly highs in April, May and June, and sales activity has continued to fall.

For the first six months of the year, listings on the Multiple Listing Service (MLS) reached a record level of 332,958, up 8.1 per cent from the previous record set the year before.

Listings in the past three months reached record, or near-record, levels in Toronto, Vancouver, Ottawa, Regina and Saskatoon, according to CREA.

In Edmonton and Calgary, which had an earlier and more pronounced housing boom than in many other regions, listings continued to decline from peak levels hit in March.

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Something
to
Ponder

Try something new
Be the last to
criticize and the first
to praise!

Kam Brar

Housing Market Cooling?...

Across Canada, sales activity for the first half of the year declined 13.3 per cent from a year previously, to 169,265 units sold.

Sales fell most sharply in Greater Vancouver, where they dropped 42.9 per cent in June from the year before. Regina and Saskatoon also experienced declines greater than 30 per cent.

The increase in listings combined with slower sales made Vancouver, Regina and Saskatoon the “most balanced” major markets in June, according to CREA.

“The frenzied pace for sales activity last year has faded, with buyers now better able to shop around before making an offer,” Gregory Klump, chief economist at CREA, said in a statement. “Price increases are expected to be modest in the second half of 2008, as sales continue easing and new listings remain high.”

Markets with the greatest year-over-year decrease in unit sales in June:

- Greater Vancouver - down 42.9 per cent
- Regina - down 33.8 per cent
- Saskatoon - down 32.7 per cent
- Victoria - down 24.4 per cent

Markets with greatest year-over-year price declines in June:

- Edmonton - down 2.6 per cent
- Calgary - down 2 per cent
- Victoria - down 1.1 per cent
- Windsor-Essex - down 0.5 per cent

So what does all of this mean? Well, in a nutshell, if you're looking to sell, you're going to be faced with more competition, and if you're looking to purchase, you're going to find yourself in the driver's seat for the first time in quite some time. Also, if you're currently maxed out with tons of other consumer debt and were hoping to use the equity in your home to bail you out, it just got harder, but not necessarily impossible. Now if your mortgage isn't coming due for quite some time, and most importantly, you have a reasonable amount of equity in your home, you really don't have much to worry about. If, on the other hand, your mortgage is coming due in the next year or so, and you have little to no equity at all, I would certainly be looking at some defensive positions now, rather than later.

Mortgage Insurance Changes

The Government of Canada recently announced some changes to the rules for government guaranteed mortgages. The government indicated that these changes are aimed at protecting and strengthening the Canadian housing market.

One of the recent changes is fixing the maximum amortization period for new government-backed mortgages to 35 years (down 5 years from the current 40 years). To me, this makes a lot of sense, as I've never really been a fan of the 40 year amortization, and would only suggest someone take it if there is no other available option. Having said that, I would add one caveat to that, and that would be that you try to put any and all extra monies towards your mortgage, as the first 5 years of payments of a 40 year amortization are primarily interest. In the long run, I think this is going to be a winning proposition for Canadian mortgage consumers, and will give them a better chance at building equity in their homes.

Another major change announced recently is requiring a minimum down payment of five per cent for new government-backed mortgages, getting away from our current 100% financing model that is available to consumers.

A couple of other changes are establishing a consistent minimum credit score requirement; and introducing a new series of new loan documentation standards. In my opinion, the government is taking a proactive stand to help ensure that Canada's housing market remains stable, and to reduce the risk of a U.S.-style housing bubble developing in Canada.

The new limits are planned to take effect October 15, 2008. This would allow existing mortgage pre-approvals with the common 90-day duration to be used or expire. The government has also indicated that certain exceptions would also be permitted after October 15; however, these exceptions are not yet clear. As these measures relate only to new, government-backed insured mortgages, Canadians who already have either existing 40 year amortization or got in under the 100% finance program will not be affected by these recent changes.

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