

Real Estate Journal

Your Monthly Home & Financing News

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The Hube Team

Royal LePage Grand Valley
Realty
Brokerage
Independently Owned & Operated
Phone: 519-621-2000
Cell: 519-624-2000
Fax: 519-621-4027

[E-mail](#)
[Website](#)

Welcome to the December 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 at where interest rates may be heading (two different directions?!?) along with the value of creating sustainable neighbourhoods. Please let me know if you have any questions or feedback regarding anything outlined below.

Thanks again for your continued support and referrals!

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DID YOU KNOW...

Home builders offer a wide variety of energy efficient options. These range from certified Built Green or R2000 finished homes, to individual features such as high efficiency heating systems, upgraded insulation and ENERGY STAR appliances. Whether you're building or buying a new home, ask your builder about the following energy efficiency features: High Efficiency Heating Systems; Air Sealing; Upgraded Insulation; High-Performance Windows; Energy Efficient Appliances and Lighting; Water Conserving Toilets, Faucets and Showerheads; and High Efficiency Water Heaters.



Will Interest Rates Rise, or Will They Fall?

Over the past few weeks interest rates, specifically longer term (5 year term) fixed rates, have risen on average 0.25%.

clear indications that the Bank of Canada is unlikely to increase Prime any time soon.

Consider that the idea of the Liberals' commitment to infrastructure spending is an attempt to step on the gas pedal and

An energy efficient home is healthier and more comfortable. Completing the above checklist will reduce your energy costs by up to \$1,000 per year, provide a higher resale value and reduce the greenhouse gas emissions.

HOMEOWNER TIPS *Reduce Heating Costs:*

Your furnace or boiler is the largest energy user in most homes. If health permits, keep thermostat at 20°C or below. Lower the thermostat at night and when no one's home. Check the furnace filter once a month during the heating season. Change or clean when dirty. Have a professional tune-up of your heating system every other year. Replace your older, 60% efficient furnace with one of at least 90% efficiency.

May the magic and wonder of the holiday season stay with you throughout the coming year. Best wishes for a new year filled with health, happiness and spectacular success!



Not a massive leap, and not the beginning of the end of low rates by any stretch.

Understanding the Basics

Fixed interest rates are predicated on the bond market. Where the bond market goes is where longer term (4yr – 10yr term) fixed rates follow.

Over the past few weeks the bond market has seen new life, and thus rates have risen slightly. This is partly due to speculation around the new federal government's expensive commitments to inject many billions of dollars into the economy. These will be good for business, and in turn should further fuel a recovery in the bond market, making investors happier.

For those seeking longer-term fixed-rate mortgages there will be less happiness, although to be fair, for some time yet interest rates are likely to remain quite close to the record lows we have enjoyed. An increase from 2.59% to 2.79% is hardly cause for alarm.

Variable-rate mortgages, and to some extent 1, 2 and 3yr fixed-rate mortgages, are predicated on the Bank of Canada's Prime rate, which saw two 0.25% cuts earlier this year. It's currently at 2.70% with lenders, who passed only a 0.15% reduction on to the mortgage market.

(Side Note: When the Bank of Canada increases rates by 0.25% again, will lenders increase their Prime by only the 0.15% they cut, or will we get two partial cuts, but the full lump on an increase? Time will tell.)

The Bank of Canada has repeatedly said that what happens in the real estate market is not a significant part of their decision-making process; instead movement in the Prime lending rate is more of a large lever designed to guide the nation's economy as a whole. The manic goings-on in two cities' housing markets (Vancouver and Toronto) do not play a material role and are instead, to some extent, a by-product, not a basis for decisions.

Most notable were recent comments by our new Minister of Finance, Mr. Bill Morneau, in his Fall Fiscal Update which referenced a 'stalling economy' and a reduction in

power up the economy. Then, equally, consider that a Bank of Canada increase to Prime would be akin to stepping on the brake pedal of the economy. It seems reasonable to expect some degree of volatility in the bond market and thus longer-term fixed rates — and equally reasonable to expect stability when it comes to Prime — and thus stability for variable-rate mortgages and shorter-term fixed-rate offerings.

Low rates are here for some time to come, albeit in a different form than we have grown accustomed to.

Paying your mortgage down faster

The best way to prepare for potentially higher rates is to have a lower mortgage balance come renewal time. If you truly want to take advantage of today's low rates, there are many ways to pay down your mortgage sooner to save you thousands of dollars in interest payments.

Most mortgage products, for instance, include prepayment privileges that enable you to pay up to 15% or 20% of the principal (the true value of your mortgage minus the interest payments) per calendar year. This will also help reduce your amortization period (the length of your mortgage), which, in turn, saves you money. Few of us have such lump sums, mind you.

A more reasonable and highly effective approach is to increase the frequency of your mortgage payments by opting for accelerated bi-weekly payments. Not to be confused with semi-monthly mortgage payments (24 payments per year), accelerated bi-weekly mortgage payments (26 payments per year) will not only pay your mortgage off quicker, but are guaranteed to save you a significant amount of money over the term of your mortgage.

Even just adding extra, e.g. \$25.00, \$50.00 or if you can \$100.00, to your mortgage payment each passing year will have a powerful cumulative effect over the term of your mortgage. As always, if you have any questions about

expected economic growth from 2% to perhaps 1.2%. These are

refinancing, reducing debt or paying down your mortgage quicker, I'm here to help!

Creating Sustainable Neighbourhoods



A neighbourhood with sustainable features is one that meets your needs while protecting the environment and leaving an affordable legacy. This type of neighbourhood offers homes that are located near shops, schools, recreation, work and other daily destinations. Like a village, these places are a pleasant, convenient and safe walk, cycle or bus ride from home. This helps you reduce driving costs and enjoy the health benefits of walking and cycling. Land and services, like roads, are used efficiently. Old or new, they also feature a choice of homes that you can afford.

Did you know...?

- The Heart and Stroke Foundation of Canada recommends at least 30 minutes of exercise every day, like walking or biking, to reduce the risk of obesity, heart disease and stroke. Where homes are within walking distance of stores and other services, people are 2.4 times more likely to meet the 30-minute minimum than those in homes that are not within a convenient or pleasant walk to stores/services.
 - The average annual cost to own and operate a car in Canada is \$9,000+. If you can eliminate the need for a second car, drive less or avoid having a car at all, that's money in your pocket.
 - A two-storey detached home loses 20% more heat than a semi-detached one, and 50% more than
- Trees shading your house can make it feel cooler in the summer. Healthy trees also increase your property value. They intercept rainwater, improve air quality, and make streets and public spaces more comfortable and attractive.
 - Asphalt surfaces, like parking lots, can make urban areas hotter than the surrounding countryside in the summer. With less asphalt surface, neighbourhoods are more attractive and land-efficient. In mixed-use neighbourhoods, fewer parking spots are needed because places with high daytime needs, like offices, are close enough to share parking with places that need more parking at night, like homes and restaurants.
 - Cars are a major source of smog in urban areas, so driving less helps everyone's health, particularly children, the elderly and people at risk for cardio-respiratory problems.
 - Half of the greenhouse gases from energy use by individual Canadians come from passenger road transportation, like cars. In the Toronto area, greenhouse gases from weekday passenger travel generated by people living in mixed-use, pedestrian and transit-friendly neighbourhoods near the urban core are about 1/3 of those by people living in dispersed, strictly residential neighbourhoods on the urban fringe.

a middle home in a row of townhouses of the same size with the same heating system, insulation and windows.

About



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.

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