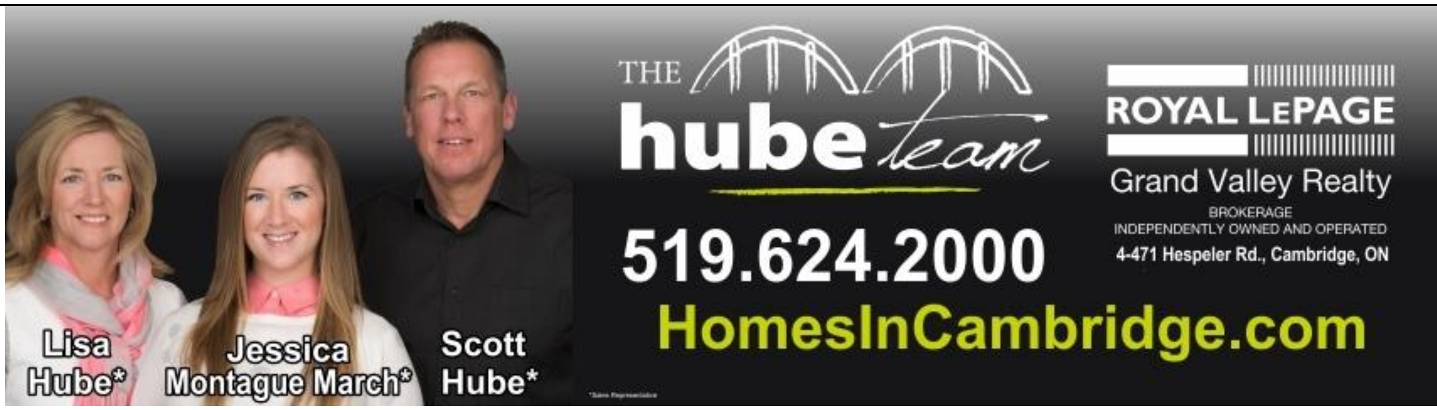

December 2016

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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 the Bank of Canada rate hold announcement, as well as 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!

It is no surprise to anyone that the Bank of Canada maintained its target overnight rate at 1/2 percent today, judging that although the global economy has strengthened, uncertainty continues

estate is less than 3 percent nationwide and only as high as 5 percent in Vancouver and somewhat less in Toronto Central.

The Canadian economy overall has behaved pretty much as the Bank expected, rising sharply in the third quarter in a partial bounce back from the dismal

DID YOU KNOW...

Lenders make a lot more money when they renew your mortgage than on your initial term. That's partly because lenders often do not have to compensate their own staff or a Mortgage Broker for referring your business, and they pocket the difference. It's also because many clients renewing their mortgage fail to call their Broker and check in on current rates of the day.

According to a Maritz/Mortgage Professionals Canada survey, only 56% of borrowers negotiated their mortgage rate at renewal. A remarkable four in ten clients accepted the first offer their bank made. That's a scary statistic considering banks rarely, if ever, offer their lowest rate upfront regardless of how long you've been a customer!

That's why it's so important to rely on your Mortgage Broker at renewal time as well.

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.

and is damaging business confidence and dampening investment in Canada's major trading partners. Since the Trump victory, US interest rates have risen sharply with the expectation of sizable fiscal stimulus. Stock markets in the US have risen to record highs and the TSX has enjoyed a huge upsurge reflecting a sharp rise in bank stocks--up more than 20 percent this year. Canadian interest rates have increased sharply as well, as the yield curve has steepened, which is good for bank profitability. However, it is not good for Canadian housing. Mortgage rates have already risen in Canada in the past month and more is likely to come as potential homebuyers are already struggling with more stringent qualifying criteria and particularly non-bank lenders are confronted with new mortgage insurance rules.

The Bank highlighted that household debt ratios will continue to rise, but these will be mitigated over time by the announced changes to housing finance rules. Even before the unanticipated rise in mortgage rates in October, the Bank revised down its economic forecast in large measure because of the federal government's new initiatives "to promote stability in Canada's housing market". **The Bank of Canada reported that these measures are "likely to restrain residential investment while dampening household vulnerabilities."**

According to the October Monetary Policy Report, the **housing initiatives were expected to dampen 2016 GDP growth by 10 basis points and by 30 basis points next year**. Government sources say they expect the growth in housing resales to decline 8 percentage points in 2017 from the forecasted 6.0 percent growth pace this year. Private estimates of the negative impact of the new housing measures on overall economic growth vary, but **most expect the contractionary effect to be roughly a 30-to-50 basis point reduction in growth over the next twelve months. Given that baseline potential growth is less than 2 percent, this is a very material dampener**.

Even before the mortgage rate hikes, we have seen housing resales slow first half. Consumer spending was strong, owing in part to the new Canada Child Benefit, while federal infrastructure spending has yet to show up in the data. Growth in the current quarter is expected to be far more modest as business investment and trade continues to disappoint. Moreover, we now face the prospects of a Trump-led renegotiation of NAFTA next year.

Canadian inflation remains in check. The real question is how much further US yields will rise, pushing Canadian bond yields and borrowing costs higher. There is far more slack in the Canadian economy than in the US, despite the spate of strong employment gains. The Bank does not expect the economy to be operating at full capacity until 2018.

In contrast, it is all but certain that the Federal Reserve will hike interest rates by 25 basis points when they meet again in mid-December. Prospects are we will see two or three additional Fed rate hikes next year, while the Bank of Canada holds steady. This will put further downward pressure on the Canadian dollar, which might be offset in part if oil prices continue to edge higher in response to the recent OPEC decision to cut production (if it holds). Oil prices had recently risen to over $50 a barrel for West Texas Intermediate, although it has sold off sharply today.

The US economy is operating at or near full capacity as the jobless rate fell in November to a mere 4.8 percent. To be sure, there remains troubling evidence of underemployment and the labour force participation rate of prime age workers in the US has fallen sharply, well below the level in Canada (see Chart). President-elect Trump is planning to cut taxes and increase government spending as well as to take initiatives to secure new and existing American jobs. To the extent he is successful, the Federal Reserve will continue to tighten monetary policy, hiking interest rates more than expected.

Some have suggested that the Bank of Canada might cut interest rates again next year, particularly if housing slows too much. Judging from comments made by the CEO of the CMHC, a slowdown in housing is the intended result of the new significantly in Vancouver and the surrounding region. Particularly in the single family sector, resales and prices have fallen. This has been attributed to the August introduction of a new 15 percent land transfer tax on non-resident purchasers. Anecdotal evidence suggests that foreign buyers have shifted their sights to some US cities, notably Seattle, as well as Toronto and Montreal, but it is too early to have any hard data. Indeed, CMHC recently reported that foreign ownership of Canadian real

rules. Clearly, Governor Poloz sees the enhanced mortgage stress tests and changes in the insurability of mortgages as mitigating his concerns of overextended homebuyers. It would take a material negative shock to growth for the Bank to cut rates.

Credit Score Compatibility: The Connection Between Financial Wealth and Romantic Health

In a study from 2015, researchers found a connection between the likelihood of a breakup in a relationship and the credit scores of each person

Essentially, this study suggested that two people with excellent credit scores are far more likely to stay together long-term than a couple where one or both parties have very low credit scores. Because finances play a significant role in all relationships, a couple's credit score compatibility becomes a reliable indicator of potential strains down the road.

Much marital discord is found in household in finances. According to a study from 2012, "financial disagreements are stronger predictors of divorce relative to other common marital disagreements."

Money is a significant dynamic in people's social and romantic lives.

This begs the question, should romantic partners share credit reports and scores with each other, checking-up on fiscal health as a couple before co-mingling assets?

In todays increasingly complicated world it would seem the answer is a resounding yes.

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