



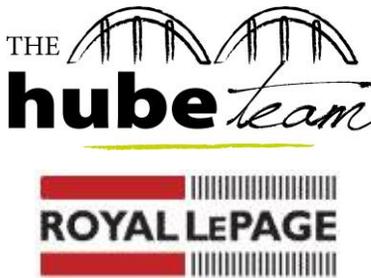
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Happy New Year and welcome to the January issue of the *Real Estate Journal*, which is designed to help keep you in the know regarding Real Estate and Mortgage related matters!

This month's edition looks at the new BC government down payment program, November's home sales numbers, and what that home you bought in 2016 means at tax time. 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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Down Payment Government Assistance

Purchasing Power (unchanged)

In Dec 15, 2016 the BC Government announced the launch of their

Hopefully we have all recovered from our turkey and eggnog-induced state of relaxation, or are back in peak form following any pulled muscles during the seasonal feats of strength such as shoveling soggy snow on the west coast, or simply wrestling with nieces and nephews over packaged toys and the commiserate 88 twist ties holding them into the box.

It is going to be an amazing 2017!

Best wishes for a new year filled with health, happiness and spectacular success!

DID YOU KNOW...

Claim your First Time Home Buyers Tax Credit

Did you buy your first home in 2016? If so the Federal Government has a program that just might put \$750.00 back in your pocket, or half of that if only one of the two people on title is a first-time home buyer. To confirm whether or not you meet the criteria be sure to research all the details on the [Department of Finance Canada Website](#). Search under 'First Time Home Buyers Tax Credit'.

HOMEOWNER TIPS

Let the Heat Reach You:
Dust or vacuum radiators, baseboard heaters and furnace duct openings often and keep them free from obstructions such as furniture, carpets and drapes.

Replace/Clean Furnace Filters:

Check and clean or replace furnace air filters each month during the heating season.

'Homeowner Mortgage and Equity Partnership Program' to assist first time home buyers who are residents of BC (as well as either citizens or permanent residents of Canada for at least five years).

While many are heralding this as a good news story, others suggest it a bad news story. The common theme on both sides is that thus far all the information around how this program will be applied by lenders is not in. And the information we do have suggests this is more of a neutral news story at least when it comes to purchasing power.

What many are unaware of, other than perhaps your Mortgage Broker, is that (some) lenders already offer down payment loan programs. These programs, called 'flex-down', are already approved by the mortgage insurance companies (Canada Guaranty, CMHC, & Genworth). And so for Canadian residents outside of BC hoping that such a program might be offered in their own provinces or territories the good news is that something quite similar already exists.

What the BC government is aiming for is a reduced cost version of the current flex down program, creating more of a hybrid product. Exactly how lenders embrace the BC government proposal remains to be seen at the time of this writing. Please contact me directly for further updates as this story develops.

What We Currently Know

Such programs are well intentioned, designed to help prospective homebuyers enter the market just a little bit earlier. And home ownership has proven a good thing not only for the economy but moreover for the social fabric of communities as well.

However the BC Gov't program offers no 'new' money to homebuyers.

The additional 5% (maximum) financing being offered is not a cash gift, it is a loan (a second mortgage).

Any way it is sliced the borrower is operating within the same 'maximum mortgage' limit.

Option 1 - Borrow \$1.00 from the mortgage lender

or

Option 2 – Borrow 0.95 cents from the mortgage lender and 0.05 cents from the BC Gov't

Buyers are limited under federal lending guidelines to the same maximum total debt (\$1.00 in the above example) as they were prior to this program.

The BC Program replaces (it does not supplement) a portion of the debt side of the equation. It gives an applicant a different debt structure, not more debt, nor does it give buyers more cash in hand or equity in the property.

This is a loan – due and payable over 25yrs

Neither flex down mortgages, nor the BC program, gives buyers any greater purchasing power than they had previous to Dec 14th, 2016.

Qualifications

It is also worth noting that there are significant qualification hurdles to clear for such an approval. Standards of qualification that were set higher in October of 2016 by the Federal government still must be met. Those changes reduced the purchasing power of this same group (sub 20% down buyers) as the BC program aims to assist. However the fact remains that the 20% reduction in purchasing power implemented by the Federal Government on this group of buyers remains in effect, the BC program does not offset those changes.

If nothing else, the announcement had a positive impact on the somewhat battered B.C. Real Estate buyers psyche, because it feels like a good news story. And certainly it has generated conversations between clients, Brokers, and Realtors. Communication is always a good thing. If

Ventilation system filters, such as those for heat recovery ventilators, should be checked every two months.

you have any questions about your own down payment options, I'm here to help!

Home Sales Cool In November

By Chief Economist Dr. Sherry Cooper



In mid December, the Canadian Real Estate Association (CREA) released its national real estate statistics for November showing the largest monthly decline in activity since August 2012. The number of home resales now stands at its lowest level since September 2015. Activity was down on a month-over-month basis in about two-thirds of all local markets, including Vancouver and Toronto. This suggests that recent efforts by the federal government to cool the nation's housing market is having an impact.

"November was the first full month in which the expanded stress-test was in effect for home buyers with less than a twenty percent down payment," said CREA President Cliff Iverson. "The government's newly tightened mortgage regulations have dampened a wide swath of housing markets, including places not targeted directly by the government's latest regulatory measures. The extent to which they pushed first-time home buyers to the sidelines varies among housing markets. All real estate is local, and REALTORS® remain your best source for information about sales and listings where you live or might like to in the future."

"Canadian housing market results for November suggest that Canada's housing sector is unlikely to be as strong a source for economic growth as compared to before mortgage regulations were recently tightened," said Gregory Klump, CREA's Chief Economist. "Housing activity generates a lot of spin-off spending, which makes its weakened prospects an additional source of uncertainty as regards

Number of Months of Inventory

The number of months of inventory is another important measure of the balance between housing supply and demand. It represents the number of months it would take to completely liquidate current inventories at the current rate of sales activity. There were 4.8 months of inventory on a national basis at the end of November 2016—up from a six-year low of 4.5 months in October, and the highest level of inventory since March 2016.

The number of months of inventory is at a record low in the Greater Golden Horseshoe region of Ontario, ranging between one and two months in Hamilton-Burlington, Oakville-Milton, Kitchener-Waterloo, Brantford, the Niagara Region, Barrie and nearby cottage country. It has slipped to below one month in the Durham Region, Orangeville, Oakville-Milton, Kitchener-Waterloo and Cambridge. It stands at about one month in Toronto.

According to Jason Mercer, the Toronto Real Estate Board's Director of Market Analysis, "Seller's market conditions continued to prevail as buyers of all home types experienced intense competition in the marketplace. Until we experience sustained relief in the supply of listings, the potential for strong annual rates of price growth will persist, especially in the low-rise market segments."

Prices Continue to Rise

The Aggregate Composite MLS House Price Index (HPI) rose 14.4% y-o-y last month, down a bit from 14.6% in October

the outlooks for Canadian economic and job growth.”

Finance Minister Morneau announced measures to tighten qualifications for fixed rate mortgage loans and to restrict the insurability of these loans in early October. In addition, foreign exemption from capital gains taxes on Canadian real estate were limited to primary residences.

Another bit of uncertainty has been injected into the Canadian housing market by the surge in long-term interest rates around the world since the Trump election. This has put modest upward pressure on Canadian mortgage rates. As well, the US Federal Reserve hiked overnight rates by 25 basis points yesterday and has suggested that the pace of rate increases next year could be a bit more rapid than earlier expected. Even though the Bank of Canada will not follow the Fed in hiking interest rates anytime soon, mortgage rates here are tied to five-year government bond yields, which have increased sharply in the past month or so since the US election, and will continue to be impacted by US bond market movements.

The decline in activity was driven by a sharp fall in British Columbia, falling 3.4% in Vancouver. Sales in Toronto were down 2.4%.

reflecting a slowdown in single family home price appreciation.

This price index, unlike those provided by local real estate boards and other data sources, provides the best gauge of price trends because it corrects for changes in the mix of sales activity (between types and sizes of housing) from one month to the next.

The Fraser Valley (+29.7%) posted the largest y-o-y gain in November, while gains of around 20% were recorded in Greater Vancouver (+20.5%), Victoria (+20.6%) and Greater Toronto (+20.3%). Vancouver Island also registered a double-digit increase in home prices (+16.8% y-o-y).

By contrast, home prices were down 4% y-o-y in Calgary, and edged lower by 1.2% y-o-y in Saskatoon. As a result, home prices are off their 2015 peaks in these markets by 5.5% and 3.9% respectively.

Meanwhile, home prices posted y-o-y gains in Regina (+5.4%), Ottawa (+3.4%), Greater Montreal (+3.1%) and Greater Moncton (+3.5%).

About



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

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