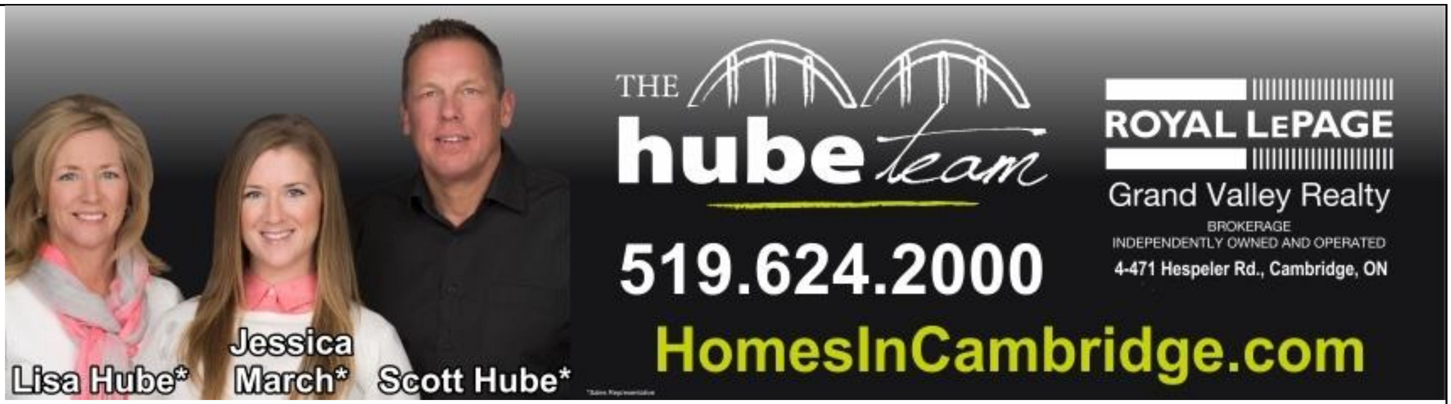

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DID YOU KNOW...

A recent report from CIBC economists Benjamin Tal and Andrew Grantham concludes that the level of foreign ownership of residences is a small proportion of the overall market. Although, the report did note that an increasing number of Canadian residents receive funds from overseas relatives to buy homes.

The report also dismisses further comparisons between the US and Canadian housing markets. The economists point out that aside from fundamentally different mortgage lending practices overbuilding in Canada is not nearly the issue that it was south of the border.

In reference to the condo sector, the report suggested that interest rate increases, when they arrive, could lead to a sell-off by investors. This

Welcome to the July issue of the *Real Estate Journal*, which is designed to help keep you in the know regarding Real Estate and Mortgage related matters!

Summer vacation at last! Two months of fun in the sun lie ahead! This month's edition of my email newsletter takes a look at the seemingly endless stream of rate-hike warnings in the media, as well as tips and tricks for buying a foreclosure property.

Please let me know if you have any questions or feedback regarding anything outlined below.

Thanks again for your continued support and referrals!

One headline suggests interest rates are bound to rise soon, the next suggests they may drop to new lows, and a third

rates – qualified for larger, and arguably riskier, mortgages than borrowers do today.

Interest rates will not be adjusted based on the detached home frenzy of Toronto would be unlikely to cause a crash, instead weakening confidence in the sector and perhaps the wider economy to some extent.

HOMEOWNER TIPS
Summer 'To-Do' List:

We truly struggle with assigning you a to-do list for the month of July, but here (it) goes:

Do – enjoy the sunshine.

Do – walk barefoot and wiggle your toes in the grass.

Do – enjoy long summer evenings on a patio, deck, or dock.

Do – take a roadtrip with friends or family.

Do – make the most of each day.

suggests no changes anytime soon. This has been the case since rates dropped to 50-year record lows in 2009.

Many were adamant that rates could go no lower at that point, and yet they have, with a few short-lived blips upward, in defiance of all who are calling for a return to normal... whatever normal is now.

Keep in mind that a key driver of interest rates is the economy in general. What drives interest rates down? Economic bad news. What will drive rates up? Economic good news.

Economic good news seems in short supply since 2008.

Interest rates are a very large economic lever, far too large to be used simply to cool the arguably overheated real estate markets of two particular cities (Vancouver and Toronto). Cooling of real estate is addressed not through interest rate hikes, but through policy changes. Most commentators forget that only a few short years ago there existed a 40-year amortization, 100% financing not just for owner-occupied but for investment properties, and variable-rate mortgage qualification based on the three-year fixed discounted rate.

All of those things are gone or changed radically, and reality is that borrowers in 2008 – at nearly double the current interest and Vancouver. Lending guidelines have already been adjusted accordingly.

Nor is it valid to argue that rates have been so low for so long. How long they remain low is a function of inflationary and deflationary forces in the general economy.

The sign on the streets? Watch for a bunch of our peers spending money like those proverbial sailors on shore leave that we mentioned last month. A brand-new truck in each of your neighbours' driveways, each unloading brand new 80" flatscreeen TV's... that is what will give the economy a strong boost and shift inflationary numbers into the 'exceeding expectations' category.

Until that time the steady stream of lackluster economic news is likely to serve mortgage holders well. The big beneficiaries will be those in fixed rates approaching renewal dates over the next 12 - 18 months, and those enjoying the ride in their variable rate mortgages.

Be sure to start the renewal conversation with your Broker six months out from the mortgage renewal date. Your current lender may suggest that rates are about to move and locking into something early is the right move, but always consult with your Mortgage Broker first to determine if the move being suggested is right for the lender, or right for you.

In Canada we have an extremely low foreclosure rate compared with other parts of the world. By most estimates we currently hover at around 0.30%. The US is closer to 1.2%, and Greece is hitting as high as 33%.

Credit our tightly regulated lending environment for that rate not rising past 0.40%, even during the 2009 economic crisis. At our loosest, Canada was still much tighter than most other nations.

Also Canadians do not easily give up on their homes.

This said, if shopping for a new home or an investment property, there are usually one or two foreclosure properties worth considering in your target market. It is true that foreclosures often sell at a discount from current market value, but typically not that significant of a discount.

Things to consider: Writing the initial offer you can insert 'subjects' such as appraisal, inspection, and financing and have a comfortable length of time to prepare a budget based on detailed quotes for any work that needs to be done to restore the property.

The offer will be written to the lender, not the original homeowner who is now just the occupant.

The former homeowner/current occupant may be able to occupy the property right up until the day you take possession. There is no guarantee that they will not take the appliances, furnace, lighting fixtures, or anything not nailed down when they leave. There is essentially a (perhaps bitter) third party occupying the home that you are buying in as-is condition. Not 'as-is' when viewed, as is standard in a transaction, but 'as-is' the day you are handed the keys. For this reason a vacant property is often preferable, as there is reduced risk of further damage to the property.

The alternative is preparing your financing in advance of writing an offer and showing up on the assigned day in court and making a competing sealed bid.

The judge will determine if the property is selling close enough to fair market value, which it must, and the homeowner has an opportunity to dispute any 'lowball' offers as being unreasonable. In Canada a lender cannot sell the property simply for what is owed. It is all about fair market value.

A lender has also likely been without payments for anywhere from 12 - 24 months, as the system is heavily biased towards Canadians not losing their homes. This means the property may have been occupied by somebody at no cost to them for nearly two full years. Count on very little maintenance or upkeep having been done during that time.

An excellent plan is to knock on doors and ask neighbours questions about the property and its history . Was it a rental property with a string of bad tenants? Were there illegal activities on site? All good things to know.

Determine the maximum purchase price in advance. Factor in the appraisal, the inspection, and the budget for repairs. And in the calm of your own office or home, well in advance of entering the heated atmosphere of the courtroom, settle on that maximum figure. Then stick to your maximum bid as planned.

The foreclosure process is a segment of law that truly allows socialist roots to shine through. It is based on giving every opportunity to homeowners to not only recover their property, but also to see it sell for a reasonable price.

It is not quite as lucrative an arena for investors as it is in the USA, but opportunities do exist. Be sure to enlist the services of your Mortgage Broker to assist you through the process. Having experienced professionals in your corner is vital in such transactions.

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:

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- Creative brochures and newspaper ads to showcase your home
- Ongoing negotiation, marketing and technical training