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Welcome to the September 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 speaks to the recently announced Foreign Buyer Tax in B.C. as well as an update on Q2 results for the national economy. Please let me know if you have any questions or feedback regarding anything outlined below.

Thanks again for your continued support and referrals!

In This Issue

1
Taxing Foreign Buyers, coming to a city near you?

2
Canadian economy hits major speed bump last quarter

3
About Royal LePage

DID YOU KNOW...

Only 23% of Canadians know their credit score, and just 26% knew their credit rating at the time they applied for a mortgage, reports a recent Equifax survey. A good credit score can be a major negotiating tool in getting lower interest rate mortgages from financial institutions. The study also found that 10% of Canadians surveyed say it's okay to inflate your income when applying for a mortgage. And 9% say they have lied on credit card or mortgage applications. The numbers came as a shock to Equifax



Taxing Foreign Buyers, coming to a city near you?

officials, given that the July survey of 1,500 Canadians was really aimed at gauging their concerns about protection of personal data. [Click here](#) for the full article in The Star.



HOMEOWNER TIPS

Fall Lawn Care:

What you do for your lawn during the fall will have a great impact on what your lawn will look like next spring. There are four simple steps you can take to help ensure your lawn will be healthy, green and the envy of the neighbourhood next year:

1. **Aerate.** This means to puncture your lawn with small holes throughout to allow the fertilizer, sunlight, water and important nutrients that grass needs to grow deep within the ground;
2. **Fertilize.** Basically this means feed your lawn before it goes to sleep for the winter;
3. **Overseed.** This is when you spread new grass seed all over your existing lawn with a spreader; and
4. **Mow.** In November, mow your lawn one more time as short as you can without scalping your lawn. This will help all the other steps above work better.

Although it is too early to measure the impact of the recently announced 15% foreign buyer tax on the greater Vancouver market over which it applies, there are no shortage of pundits making predictions and claims based on as yet incomplete or anecdotal data.

Getting a handle on the impact will take a few more months yes, considering that the tax was implemented near the end of what was in fact a third month in a row of declining sales activity and increased listings, going into what is traditionally one of the softest months of the year. August is largely a time of squeezing in that last week or two camping, sitting around a lake, or relaxing in general. House selling and house buying largely not a thing that most families want to address just before the school year starts.

Time will tell whether a market that had frenzied activity with prices a whopping 27% higher than just one year before will absorb a 15% overnight spike for a certain segment of buyers and keep on booming.

In any event, despite the data in the following story, the greater Vancouver employment numbers remain the envy of the nation. People go where jobs go, and values stay strong where people are. So with no excuse to leave the city and little motivation to sell it is likely that if prices do start to soften so will the available supply. And of course as supply contracts price resistance firms up.

In other words, while this tax may well have a psychological impact on the market for a few months or more, and it may slow volume, listings, and construction (further tightening supply), immigration and migration forecasts into British Columbia remain strong with the estimated 4,000 new people per month all looking for a roof over their heads.

Many would argue that this could create yet another surge in values come the Spring of 2017. If it truly is a story of supply and demand this may well be the case. Time will tell.

The larger concern for Canadians in general should be the way in which the tax was introduced, with zero notice and a retroactive and totally destructive effect on existing contracts. Their seemed to be a misunderstanding of who exactly a foreign buyer was, and no shortage of stories of arisen of local tax paying residents with applications for permanent resident status pending getting caught with an unaffordable \$45,000.00 bill on a \$300,000 condo purchase agreed to just weeks before the announcement.

This of course has affected many Canadian citizens on the other side of these transactions which the about-to-be-a-new-Canadian was simply unable to afford to complete.

Such a sweeping, abrupt, and arguably unfair implementation could be construed as a protectionist policy that could be implemented without notice in any number of communities where housing costs are perceived rightly or wrongly to be impacted by 'foreign buyers' a term which for many of us would include our siblings, parents, and or grandparents at any given point in history.

Will a tax like this pop up in Toronto, Montreal, Lake Louise, or Whistler?

There is little way to be certain. And this is perhaps the biggest concern for anyone entering into a purchase or sale agreement as or with a 'foreign buyer' anywhere in Canada at this time.

Certainty has been removed from the contractual process by this new (retroactive) precedent set by the BC government.

CANADIAN ECONOMY HITS MAJOR SPEED BUMP LAST QUARTER

By Dr. Sherry Cooper, Chief Economist
Dominion Lending Centres



According to data released on August 31st by Statistics Canada, the Canadian economy declined at a 1.6% annual pace in the second quarter, the largest quarterly decline since the global financial crisis in Q2 2009. In comparison, the U.S. economy grew at a 1.1% annual rate last quarter, more sluggish than expected earlier this year. The weakness in Canada cannot be fully attributed to the decline in oil and gas production and the wildfire in Fort McMurray. Even without this effect, real (inflation-adjusted) GDP grew by a mere 0.4% compared to a 2.5% annual pace in the first quarter. The other major depressant for the Canadian economy was the largest decline in exports since the first quarter of 2009 as well as continued weakness in business fixed investment.

Exports of goods and services fell 4.5% last quarter (quarter/quarter, -16.7% annualized) reflecting weakness in most export categories. This followed a 1.9% decline in the first three months of this year. Motor vehicles and parts exports were down 5.8% q/q, mostly because of lower exports of cars and light trucks (-6.6%). Exports of consumer goods decreased 6.8%, the largest decline since the second quarter of 2003. Stats Canada further reported that "lower exports of crude oil and crude bitumen (-9.6%) and refined petroleum energy products (-19.6%) pushed down exports of energy products (-7.5%). Exports of metal ores and non-metallic minerals were down 17.5%, the largest drop since the first quarter of 2009. The only major offset to the decline in exports was aircraft and other transportation equipment and parts, which rebounded 5.6% following two quarters of decrease." Exports of services posted a modest gain, as a rise in

way for the economy for more than a year, growing at a 2.2% annual pace, in line with the past four quarters. However, auto sales decreased following four consecutive quarterly increases. Expenditures by Canadians abroad rose 2.1%, as a result of higher outbound travel and an appreciation of the Canadian/ U.S. dollar exchange rate.

The household debt service ratio (defined as household mortgage and non-mortgage payments divided by disposable income) increased slightly from 14.06% in the first quarter to 14.15% in the second quarter, as interest and obligated payments grew.

Government final consumption expenditure increased at a 4.2% annual rate, largely the result of the wildfires. Government fixed capital formation, which includes infrastructure spending, rose 2.7% following four consecutive quarterly contractions.

On a more positive note, Statscan also released GDP data for June showing that the economy ended Q2 on a stronger footing. June GDP rebounded with a better than expected 0.6% gain, and less than half came from rebounding oil, gas and mining, as manufacturing also showed a positive spring back. This bodes well for a sizable bounce in economic activity in the third quarter.

The June data also confirmed the recent slowdown in housing. Construction declined for the third month in a row in June. Real estate agents and brokers posted a second consecutive monthly decline, as home resales activity was down. This is in line with the Canadian Real Estate Association reports, providing

commercial services exports more than offset the decrease in transportation services.

Another weak spot was business capital formation—investment in structures, machinery and equipment and intellectual property. Investment in all but residential structures nosedived as construction of homes increased at a meager 1.2% annual pace, down sharply from the 11.3% annualized gain in Q1.

Adding to economic activity last quarter were consumer and government spending. Consumers have led the

more recent data showing resales slowed further in July.

The dismal Q2 decline in economic activity was worse than the 1.0% downturn predicted by the Bank of Canada in its July monetary policy report. But the Bank also expected a 3.5% rebound this quarter. The July introduction of the federal government's new Canada child benefit and an increase in infrastructure spending should boost the economy meaningfully in the second half of this year. The Bank of Canada is likely to remain on the sidelines assessing the effect of these policy changes.

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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