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Greetings! You're receiving this newsletter with hopes that you find it informative and entertaining.

If your are thinking of purchasing a property or just curious about your current mortgage situation. Let me save you time and money. With access to over 50 Lenders I will find the best mortgage solution for you.

Please feel free to call anytime. It's always good to hear from you!

Sincerely,

Terry



It is the highest form of a compliment to be recommended. My mortgage business comes from many sources. But referrals from you rank at the top of my list.

Your Mortgage News

Michael Campbell: Canada's Residential real estate market

The following is an excerpt of the Economic Update for Q2 2016 released by VERICO's Economic Consultant Michael Campbell.

At last count I've seen or heard 2,463 warnings since 2012 about the coming collapse in Vancouver and Toronto's housing markets. We're still waiting.

Forgive the glibness but there was so much wrong with that analysis that I don't know where to begin. Hint: The price vulnerability at the \$2 - \$3 million plus price range has little to do with affordability as so much analysis suggests.

At the risk of oversimplifying allow me to divide the residential market into two segments – single detached Vancouver homes and entry to mid level condos and houses in the distant suburbs.

Prices of entry to mid level condos and lower priced houses in the suburbs are principally impacted by low mortgage rates and in-migration. So the question about the price risk is really about the likelihood of falling demand due to rising interest rates and a significant drop-off in the number of people moving to Greater Vancouver (and to a lesser extend Toronto)

There's no evidence to suggest that those two critical factors are changing. As I mentioned the Bank of Canada has stated rates are going to remain stable into 2017 and the strong BC economy continues to attract in-migration from Alberta and other parts of Canada.

There's also no sign that new building supply will be sufficient to meet the demand created by newcomers moving to Greater Vancouver – (and millennials moving out of their parents' basements).

So What About The Danger of a Big Price Decline at the Upper End?

It's only in the last year that people are starting to understand the impact of foreign buying on the price of single detached houses in Vancouver and the accompanying ripple effect on the immediate suburbs. We still don't have a lot of data but some firms and financial firms have provided some insight but I suspect most don't understand the nature of the trend and why the probability is strong that it will keep going.

The foreign buying from China, Iran and other troubled areas is motivated by a lack of confidence in their home government. So they move their capital in search of safety. The list of preferred destinations and investment vehicles is relatively small compared to the amount of capital moving – (\$1.2 trillion left China in 2015). US treasury bonds are the first choice followed by other assets like stocks, real estate and art. And when it comes to real estate – New York and London top the list of preferred markets but Vancouver and Toronto, along with Sydney, Melbourne and Singapore now occupy a close second.

Billions of dollars are pouring into these markets, which has resulted in sharp increases in prices – along with complaints about foreign ownership.

The question about the stability of the \$2 - \$3 million plus residential markets in Vancouver and Toronto is really about the prospect for continued inflows of foreign capital, especially from China. If that capital stops coming due to escalating efforts by the Chinese government to stop money from leaving the country or the federal, provincial or municipal governments enacting laws that prevent discourage foreign buying, then activity at the upper end will decline significantly. But without that type of push by government – there is no reason to suspect that the inflows will stop because the problems in other parts of the world aren't going to go away.

But would a price collapse necessarily follow if the inflow of capital slowed and purchases declined due to government intervention. I think the probability is no. Sharp price declines are usually precipitated by forced liquidation as a result of credit problems. I don't think that's the nature of the market in Vancouver or Toronto. While we don't have the statistics, anecdotal evidence suggests that a big percentage of the upper end purchases are made with cash not credit.

For the high-end foreign buyers the whole point is to get as much money out of the home country (China, Iran etc) as possible and out of the reach of their government. The market may cool but unless some event or government action forces liquidation then prices will remain relatively stable due to the large cash component in the purchases.

One more factor - the drop in the loonie versus the Chinese renminbi continues to put our real estate on sale, which further adds to the probability that the current trend of capital moving into the upper end of the real estate market in Vancouver and Toronto will continue.

Consider simple home eco-improvements for easy savings

Did you know that being environmentally conscious is also an easy way to put money in your pocket? You can significantly reduce your carbon footprint and energy consumption if you have an efficient home and use cleaner products. Consider a few, simple eco-improvements to reduce energy consumption and increase savings on your monthly energy bill.

Insulation: If your house is older, chances are the insulation doesn't meet the new code requirements. An improperly insulated attic is a primary source of energy loss and results in your furnace and air conditioning units working harder than necessary. By topping up the existing attic insulation you can significantly reduce the amount of energy loss. A popular product for this DIY project is Roxul Comforbatt insulation. It is easy to install over existing attic insulation and can easily be cut to fit with a serrated blade or bread knife.

House appliances: Replacing your furnace, hot water tank, and air conditioning unit with highly efficient models is also a good way to lower your home's energy use.

Windows: It's usually obvious when it's time for new windows. Replacing worn and drafty windows can also improve the comfort and overall look of your home. If you want to reap the greatest energy savings, request a custom brick-to-brick installation, because inserts can leave gaps, especially if placed in the old, inefficient jamb.

Landscape your home for energy efficiency. Plant a few tall, deciduous trees near your home to significantly reduce the amount of solar energy passing through windows and beating down on your roof. In fact, the right amount of shade in the right places can reduce cooling bills by 10 to 50 per cent.

The quick eco-list: Here are a few low-cost DIY projects you can tackle easily on your own for greater energy savings:

- Caulk around windows
- Add weather stripping to doors
- Install low-flow shower heads
- Put aerators on faucets
- Switch to energy-efficient LED or CFL bulbs
- Change your furnace filter
- Set up a programmable thermostat

Scott McGillivray is the award-winning TV host of the hit series Income Property on HGTV Canada, a full-time real estate investor, contractor, author, and educator. Follow him on Twitter @smcgillivraySource: www.newscanada.com

Have mortgage questions? I'm here to help you!

Please feel free to contact me with any questions you may have. It would be a pleasure to assist you or any one of your friends or family members!

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