REAL ESTATE NEWS

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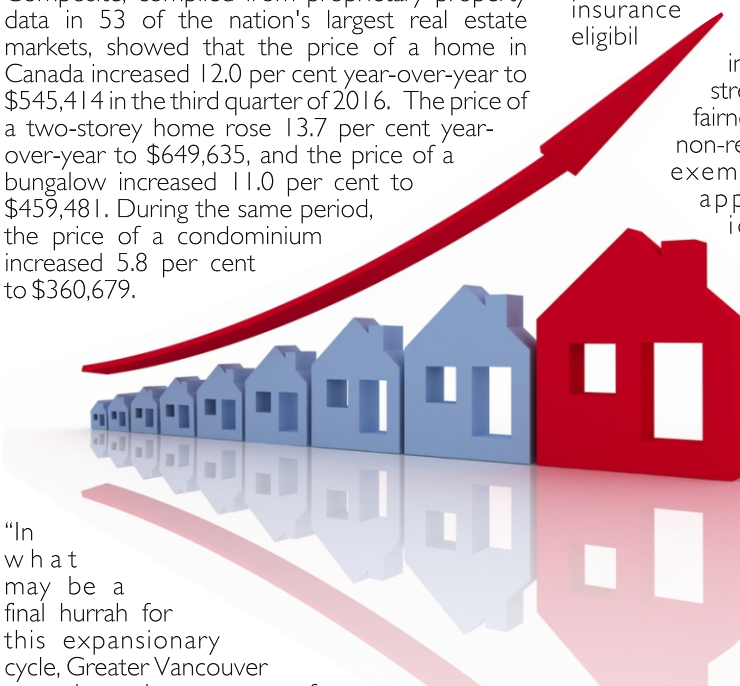
Canada's Housing Market Continues to Expand in Third Quarter in the Face of Regulatory Headwinds

Canada's residential real estate market continued to grow in the third quarter of 2016, posting a double-digit year-over-year aggregate house price increase, according to the Royal LePage House Price Survey released Oct 13, 2016. The Government of British Columbia's new 15 per cent property transfer surtax on foreign nationals and foreign-controlled corporations, introduced early in the quarter, has contributed to slower sales activity but has had little impact to-date on Greater Vancouver home prices, which led the country in appreciation with year-over-year home prices increasing by 30.6 per cent in the quarter. While Ontario considers implementing a similar tax, over the same period house price increases in the Greater Toronto Area (GTA) also remained strong, increasing 13.6 per cent.

The Royal LePage National House Price Composite, compiled from proprietary property data in 53 of the nation's largest real estate markets, showed that the price of a home in Canada increased 12.0 per cent year-over-year to $545,414 in the third quarter of 2016. The price of a two-storey home rose 13.7 per cent year-over-year to $649,635, and the price of a bungalow increased 11.0 per cent to $459,481. During the same period, the price of a condominium increased 5.8 per cent to $360,679.



"In what may be a final hurrah for this expansionary cycle, Greater Vancouver posted another quarter of unsustainably high price appreciation," said Phil Soper, president and chief executive officer, Royal LePage. "Our widely followed house price composite showed that the median value of homes in the tiny West Vancouver suburb increased by nearly forty per cent – or an astonishing million dollars – year-over-year. That said, relief appears to be on the way. For months, the number of homes trading hands has been slowing on eroding affordability. And, slower sales volumes lead to moderating prices."

"Nationally, our real estate markets remain healthy, with home values showing modest to strong (yet rational) price appreciation in almost every Canadian city," Soper continued. "Even in the hardest hit oil patch regions, prices have held up well, with small single-digit declines, year-over-year."

On October 3, 2016, Federal Finance Minister Bill Morneau announced new measures specifically designed to cool the country's housing market and curtail foreign buying activity. These measures are meant to bring consistency to mortgage insurance rules by standardizing eligibility for high- and low-ratio insured mortgages, expanding stress tests, and improving tax fairness by removing the ability of non-residents to claim capital gain exemptions, which are only applicable to properties identified as principal residences.

"Consumer confidence suffered a direct hit when the federal government introduced new, more restrictive regulations in early October," said Soper. "While it is too early to say definitively, it appears Canadian homebuyers are adjusting quickly, and that fears of a hard correction were unwarranted. While the changes are significant, major lenders may already be using similar criteria when writing mortgages in sensitive regions like Alberta and B.C., so the additional drag on the market resulting from the new legislation won't be as great as it appears on the surface."

Condo sales lead the way to best October on record

Members of the Ottawa Real Estate Board (OREB) sold 1,214 residential properties in October 2016 compared with 1,159 in October 2015, an increase of 4.7 percent. The five-year average for October sales is 1,130. There were 1,371 residential sale in September 2016.

"October's sales continued the record-breaking resale trend for the third straight month," said OREB's President. "While residential sales are identical to that of October 2015, condominium sales have soared – up by 27.2 percent over last year. Lower inventory levels, combined with adjusting prices, may be creating these higher than normal activity levels in the condo property class."

"The new mortgage rules announced at the beginning of October have yet to have an effect on the Ottawa market, as the announcement only came two weeks prior to implementation," OREB's President went on to explain. "It's too early to tell what kind of impact the new mortgage rules will have on the Ottawa market going forward. We know that right now Ottawa continues to be a desirable city to live and work, and consumer confidence and job growth remain positive."

October's sales included 257 in the condominium property class and 957 in the residential property class. The average sale price of a residential-class property sold in October in the Ottawa area was $392,579, an increase of 3.3 percent over October 2015. The average sale price for a condominium-class property was $251,465, an increase of .01 percent over October 2015.

"The hottest segments in our market for October continue to be two-storey and bungalow residential homes in the $300,000 to $400,000 price range, followed by one-level and two-storey condos in the $200,000 to $300,000 price range."

Call today for real estate advice and information!

What affects your credit rating and how can you improve it?

Do you know what your credit rating is? So much rides on it: your ability to get a credit card, rent an apartment or buy a home. But how much do you really know about what goes into your credit score?

To try and demystify the elusive credit rating process, we spoke with the Paul Le Fevre, director of operations at Equifax Canada. The company processes tens of thousands of credit checks every day and has credit files on more than 24 million Canadians.

Le Fevre says he doesn't know the “secret formula” of the credit scoring system, but he can reveal:

The five components that make up your credit score

1. Payment history: 35 per cent

“The biggest component in delivering a score is the payment history of that consumer,” Le Fevre explains. “So that includes: is everything paid on time? Has there been a late payment or periodic late payments?” The payment rating “matrix” ranges from zero to nine, with zero being a brand new account. If you pay within 30 days of the due date, you get an “R1.” If you're under 30 days late, that information may not reach Equifax. You move down to an “R2,” though, if you're between 30 to 60 days past due. At the 120 days-past due mark, you drop to an “R5.” You don't ever want to reach that point. It continues downhill from there until you reach “R9” and the account is closed for non-payment.

2. Utilization: 30 per cent

“Another big thing is how close your balance is to your limit,” says Edmonton mortgage broker Natalie Wellings, who deals with people's credit ratings on a daily basis.

3. History: 15 per cent

This one is simple: the longer you have an account (like a credit card or line of credit), and keep up the good behaviour — i.e. no late payments — the better your rating will be.

4. Credit product type: 10 per cent

Different types of credit carry different kinds of weight. “You look at a mortgage,” Le Fevre explains, “every month, the amount owed will come down because of the payments being made.” Whereas, you can quickly max out a credit card or rack up a massive cellphone bill on any given day. So there's more risk involved, at least from a credit rating standpoint.

5. The “inquiry” section: 10 per cent

You may have heard that each time your credit is checked, your score drops a little lower. Well, that's true, but not to the extent that you may think. When you're shopping around for a mortgage, there's the notion that going to a mortgage broker is better than several banks in part because the broker will only check your credit once and apply to multiple lenders.

How long will your credit mistakes haunt you?

Le Fevre says, typically, credit information stays on record for six years. But the more time passes following a “slip-up,” the less it's held against you.

“So from a scoring perspective, if you have a collection on there that's posted last month, that's going to have far more of a negative impact than if that collection is four years old.”

How to improve your credit rating

If your credit rating is a little less than stellar, don't panic. While unfortunately there are no easy quick fixes, there are a few simple things you can do to help turn things around.

- ✓ The best way to improve your score is to make all your payments on time — without exception, Le Fevre stresses.
- ✓ Keep paying down your debt.
- ✓ Try to keep your credit card balances below 50 per cent of your available credit, mortgage broker Natalie Wellings advises.
- ✓ Avoid applying for credit unless you really need it. “Too many inquiries in a short period of time can sometimes be interpreted as a sign that you are opening numerous credit accounts due to financial difficulties, or overextending yourself by taking on more debt than you can actually repay,” according to Equifax.

A good recommendation is also to sign up for regular free credit reports. Those can alert you to any suspicious activity on your account which would affect your credit. Keep in mind, if you want to see your credit score, that will cost you.