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September 2012

Real Estate Tracker

Spring activity remains balanced in the Greater Vancouver Housing Market

VANCOUVER, B.C. – June 4, 2012 – The number of properties listed for sale continued to increase in the Greater Vancouver housing market in May. The number of sales decreased year over year, but remained relatively constant compared to recent months.

The Real Estate Board of Greater Vancouver (REBGV) reports that residential property sales in Greater Vancouver reached 2,853 on the Multiple Listing Service® (MLS®) in May 2012. This represents a 15.5 per cent decline compared to the 3,377 sales recorded in May 2011.

May sales were the lowest total for the month in the region since 2001 and 21.1 per cent below the 10-year May sales average of 3,617. However, sales have been constant throughout the spring months, with 2,874 sales in March and 2,799 sales in April.

"Home sellers have outpaced buyers in recent months, however, there continues to be an overall balance between supply and demand in our marketplace," Eugen Klein, REBGV president said.

New listings for detached, attached and apartment properties in Greater Vancouver totaled 6,927 in May 2012. This represents a 16.8 per cent increase compared to May 2011 when 5,931 homes were listed for sale and a 14.4 per cent increase compared to April 2012 when 6,056 homes were listed for sale on the region's MLS®.

Last month's new listing total was 15.3 per cent above the 10-year average for listings in Greater Vancouver for May.

At 17,835, the total number of homes listed for sale on the region's MLS® increased 7.9 per cent in May compared to last month and increased 21 per cent from this time last year.

"Our sales-to-active-listing ratio sits at 16 per-cent, which is indicative of balanced market conditions," Klein said. "As a result of this stability, home prices at the regional level have seen little fluctuation over the last six month."

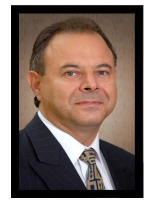
The MLS® HPI benchmark price* for all residential properties in Greater Vancouver currently sits at $625,100,

up 3.3 per cent compared to May 2011 and up 2.4 per cent over the last three months. The benchmark price for all residential properties in the Lower Mainland** is $558,300, which is a 3 per cent increase compared to May 2011 and a 2.3 per cent increase compared to three months ago.

Sales of detached properties on the MLS® in May 2012 reached 1,180, a decline of 24.8 per cent from the 1,570 detached sales recorded in May 2011, and a 6.1 per cent decrease from the 1,256 units sold in May 2010. The benchmark price for detached properties increased 5.1 per cent from May 2011 to $967,500.

Sales of apartment properties reached 1,156 in May 2012, a decline of 5.9 per cent compared to the 1,228 sales in May 2011, and a decrease of 14.6 per cent compared to the 1,354 sales in May 2010.The benchmark price of an apartment property increased 1.7 per cent from May 2011 to $379,700.

Townhome property sales in May 2012 totaled 517, a decline of 10.7 per cent compared to the 579 sales in May 2011, and a 5.3 per cent decrease from the 546 townhome properties sold in May 2010. The benchmark price of a townhome unit increased 0.9 per cent between May 2011 and 2012 to $470,000.



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Mortgage rules: An ever-changing landscape

As we entered the summer of 2012, the Canadian mortgage landscape was undergoing another overhaul of change. In what has become an annual tradition, Finance Minister Jim Flaherty announced changes to the mortgage rules. However, of equal importance to a number of Canadian mortgage holders, Firstline Mortgages, a division of CIBC Mortgages, announced it was shutting down its operations as of July 31. Both of these were major announcements for our industry and provided a great deal of confusion and uncertainty in the marketplace.

It is disconcerting to hear the odd random comment on what all this means to the future of the Canadian homebuyer, so a little clarity is necessary. I would love to go on about the "wisdom" of the government's latest decision to tinker with the mortgage rules in an ongoing effort to "legislate" a change in our borrowing habits, but for now, I'll stick to a summary of what the new rules really are – and, more importantly, what they are not.

The most significant rule change is to the maximum amortization, which has been moved from 30 to 25 years. The amortization is the period over which you can pay off your mortgage. It is easier to pay off a $300,000 mortgage if you can spread those payments over 30 years instead of having to pay it off in just 25. However, the longer you take to pay off that loan, the more money you will pay in interest. So, in some respects, Flaherty is doing us a favour. Other rule changes included a limitation to how much we can borrow on a line of credit (maximum 80 per cent of your home value) and not allowing a high ratio insured mortgage for homes that are valued at more than $1 million.

Here's a few points to help maintain perspective:

» These rule changes apply to high ratio (insured) mortgages only. Many lenders are still allowing 30-year amortizations on conventional loans (minimum 20 per cent down payment) for now. » The majority of homeowners do not have high ratio mortgages, so these rules do not have an impact on them. So, who will this impact and how will it affect the real estate market? The difference between being able to take 30 years to pay off your loan as opposed to 25 will have a significant impact on younger couples looking to get into the housing market. First-time homebuyers and those on a tight budget will find they simply can't afford to buy that larger home or, in the case of cities such as Vancouver, the smallest of condos.

There is no question that many young, potential homebuyers will be negatively impacted by these new rules and the fallout will trickle down to a slowdown in the overall housing market.

But isn't this exactly what Flaherty and company wanted in the first place? After all, he has been trying to convince Canadians for months that we are getting carried away with low-interest loans and becoming over-burdened with low-cost debt. He has warned us numerous times that if we do not get our spending under control before interest rates rise, we will be in for a shock. But Canadians didn't listen. Instead, we continued to take advantage of the low-cost debt to buy more real estate, and as our debt increased, so too did the real estate market. So, if the people cannot be talked into changing their spending habits, they will need to be legislated into it.

Will these new rules create the desired effect the government is looking for? Or, as many believe, have they gone too far this time and will the result will be an overcorrection in the marketplace at a time when the global markets are already throwing us enough curveballs? Here's my prediction: I fully expect lenders to adjust to the drop in volumes by counteracting with lower rates to offset the impact of lower amortizations. This will lure borrowers back into the marketplace and by this time next year, Flaherty will be threatening the banks and not the borrowers. Time will tell who is right.

In the meantime, Firstline Mortgages, was long considered the No. 1 choice amongst mortgage brokers due to its wide variety of offerings for both the homeowner and the investor. This, quite frankly, was even more shocking than the news that Flaherty was changing mortgage rules again. When a major player such as Firstline vacates the marketplace because it doesn't believe it can be profitable, that is cause for concern. However, if you are a Firstline mortgage holder, there is no need to panic. The answer as to what happens next is very simple:

CIBC will assume all existing Firstline mortgages and take over their administration. When your mortgage comes up for renewal, you will simply be given a list of renewal options from CIBC. If you choose one of those options, then life will carry on just as before, except that your mortgage will be with CIBC instead of Firstline (which was a division of CIBC). In other words, you should experience no changes and no hassles. Your mortgage will not be "called" and you will not be forced to "refinance" – which is good news for some of you. In most cases, you will simply sign the renewal notice and carry on. The one option this does afford you, though, is the ability to shop for alternative lending options at the time of your renewal, since you are not committed to staying with CIBC. Please feel free to email me if you have any questions regarding your specific situation.

In general, I am not concerned about the welfare of any existing Firstline mortgage holders, but I do lament the fact that we have lost another lender in the marketplace and whenever one leaves, it makes the entire market less competitive. Firstline has been a very "investor-friendly" lender for years, but the writing has been on the wall. Much like Flaherty's decisions to change the rules, time will tell how Firstline's departure will impact the marketplace. But for now we are faced with another change in the lending landscape and we will adjust accordingly – we always do.

By themortgageminute