

# Mortgage rule impact 'minimal' on buyers

## Proposed Changes

By Marty Hope, Calgary Herald January 22, 2011

Proposed federal changes to mortgage and lending rules won't have any dramatic impact on Calgary's resale housing market, says an industry leader.

"I see any impact as being minimal from a consumers' perspective," said incoming president Sano Stante of the Calgary Real Estate Board, who spoke at a recent meeting of about 700 members. "The changes will make no difference to what I have forecast for this year."

Stante has forecast a 20-per-cent increase in sales of used single-family homes this year, up from 12,095 in 2010.

Resale condo transactions will likely climb to 6,000 units, up 16 per cent from last year, he said. "This year will offer buyers the convergence of unprecedented affordability, low interest rates, and a large selection of inventory."

Stante is taking over from outgoing president Diane Scott.

He has predicted that the average price of single-family homes will likely be \$480,000 -- an increase of slightly more than four per cent -- while average condo prices will likely move up just under two per cent to \$295,900.

"Affordability will be key to market expansion -- and price increases are not likely until the latter part of 2011, when inventories have eased and demand has recovered," said Stante.

The one minor change he sees is a possible increase in the number of lower-end sales between now and when the changes announced by federal finance minister Jim Flaherty come into effect.

They are expected to occur in March.

Flaherty recently took aim at rising debt levels by introducing three new rules for lenders and borrowers.

The first of the new rules will reduce the maximum amortization period to 30 years -- down from 35 years -- for government-backed insured mortgages with loan-to-value ratios of more than 80 per cent.

Second, the maximum amount Canadians can borrow in refinancing their mortgages has been trimmed to 85 per cent -- down from 90 per cent -- of the value of their homes. Third, Ottawa will withdraw government insurance backing on lines of credit secured by homes.

While Stante said the changes will have little impact on the local market, he explained that the level of market improvement this year hinges on migration of people to Calgary, along with full-time jobs.

With little pent-up demand from renters, recovery in the first half of the year will be more modest, picking up the pace in the latter

half, he said. Quoting figures from the Alberta government, Stante said net migration -- inflows minus outflows -- to Calgary this year will reach 10,000, up from a net loss of more than 4,100 in 2010.

In concert with the predicted turnaround in migration, Stante used City of Calgary numbers that predict a two-percent increase in job growth by the end of 2011. The real estate market appears to be on its way to recovery, he said.

"This could be great news for those home buyers who have been putting off purchasing for fear that homes may still increase in price," he said.

### RESALE FORECAST FOR 2011

#### Resale market 2010 2011 Change

- Single-family sales (metro) 12,095 14,500 19.9%
- Single-family listings (metro) 25,709 25,000 -1.6%
- Single-family ave. price (metro) \$461,144 \$480,000 4.1%
- Condominium sales (metro) 5,181 6,000 15.8%

22/01/2011

Mortgage rule impact 'minimal' on buyers

- Condominium listings (metro) 11,423 10,000 -12.5%
- Condominium average price (metro) \$289,697 \$295,900 1.8%
- Sales in surrounding centres 3,525 4,000 13.5%
- Listings in surrounding centres 8,828 9,000 2.0%
- Average price in surrounding centres \$359,327 \$369,500 2.6%

Source: Calgary Real Estate Board

© Copyright (c) The Calgary Herald