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## Greetings from Bonnie & Ben

It certainly has been a very interesting month in the financial world hasn't it?

With the tumultuous economic situation in the US, we are getting many questions about what the effects will be here locally. Unfortunately, our crystal ball appears to have a rather large crack in it, so we cannot tell you exactly what the future will hold, but we can pass along the information that we have as well as some trends that we believe we are heading towards.

Read along throughout this newsletter for these thoughts and remember, there is opportunity in every market.

## How is our situation different than the US?

While anything is possible, our view is that Canada will be more resilient than the US with respect to the recent economic problems they are facing. Much of the economic problem in the US is attributed to the sub-prime mortgage debacle, and Canada is at a much lower risk of exposure to these mistakes. Here is why:

- Canada's sub-prime market represents no more than 6% of outstanding mortgages. In the U.S., 25% of new mortgages during the 2006 peak were sub-prime. In addition our 100% mortgage buyers had to qualify and have a job, unlike the US.
- Canada's definition of sub-prime (90% to 95% of financing) would be considered near-prime in the U.S.
- Adjustable rate mortgages resets caused much of the U.S. problems. In Canada, these mortgages are not offered.
- Mortgage interest is tax deductible in the U.S., which creates a strong incentive to leverage. Canada has no such deduction.
- Investor mortgages account for 9% of all U.S. mortgages and were among the first to default. In Canada, investor mortgages are only 2% to 3% of outstanding mortgages.
- Mortgages in arrears in Canada remain at very low .027%.

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"I always say you should get greedy when others are fearful and fearful when others are greedy.... [and] Of course, you shouldn't get greedy when others get greedy and fearful when others get fearful. At a minimum, try to stay away from that."

- Warren Buffett

## Opportunity Knocks... In-spite of what you are reading

For those of you who are feeling a little down with all the negative press, here is something to keep in mind: This transitioning market represents a fabulous opportunity for Buyers and Investors. There are some terrific deals out there right now with the higher levels of inventory and some motivated Sellers. Speculators, in particular, who bought multiple pre-sales units are now scrambling to unload these units - many of which have never been lived in.

Another positive for potential investors is that vacancy rates in the city remain at an all time low (0.3%) which is leading to rising rental rates. Mortgage rates are also staying low right now with recent rate cuts from the Bank of Canada, meaning that the money is still relatively inexpensive to borrow.

The key to finding the right deal in this market place is to do your research on prospective purchases, watch for multiple price reductions and don't be afraid to make offers that are below asking price. Keep your eyes peeled and bargains will appear!

## Seller's: Here are some tips to get your home sold

For those of you who are looking to sell, here are a few keys to focus on to make the process go smoothly:

- (1) Price your home properly from the get-go.
- (2) Make sure it shows beautifully. (check out our website for some staging tips)
- (3) Exercise some patience in a market that is taking 60-90 days on average to sell a home.

If you can follow these guidelines, you will be fine.

If you are looking to make a move within this market, there are two things to keep in mind. First, you MUST have your home on the market prior to buying or include a "subject to sale" clause in the purchase contract. Being stuck with two mortgages is not a lot of fun and bridge financing has become more difficult to obtain. Second, keep the relative dollars in mind. Focus on the 'net' amount that it will cost you to transfer from one home to another rather than the 'gross' purchase and sale amounts. This is the important figure as it will ultimately determine what the cost to move will be.

## Closing Remarks

If you are in your current home for the long haul (3+ years), don't fret the current market conditions. Housing prices will rebound and your equity will return. If you are looking at buying right now, again, focus long term. There are deals to be found across the board right now for diligent Buyers and investment properties are coming in to play again as the return on investment begins to make sense again.

If you have any questions for us or would like any more information, please don't hesitate to contact us. We are always happy to share what we know and what we are hearing.

*Bonnie & Ben*

## Market Stats

After a lengthy run of unprecedented increases, housing prices have begun to re-align across Canada.

Here in Vancouver, that translated into September sales that were down 42.9% this year to last, while new listings were up 28.8%.

Detached properties have seen the benchmark price decline 5.8% since the peak in May 2008. Attached properties prices have declined 3% during that time and apartments prices have fallen 5.2%

Despite these numbers, REBGV president, Dave Watt believes that "while we will be affected by the economic situation in the US, the consensus view remains that our local housing market is underpinned by solid economic fundamentals."

## Mortgage Update

On October 8, the Bank of Canada joined the US Federal Reserve, European Central Bank and others in cutting interest rates by 50 basis points. This week rates dropped by another quarter point, leaving out benchmark lending rate at 2.25%. The current rate in the US is set at 1.5%

Further announcements are scheduled for October 29.

If you are on a variable rate mortgage, keep an eye on rates. The time to lock in could be as early as the end of this year.