



Greetings from Bonnie & Ben

Will a new year equate to a new market? If the first month is any indication, we think so.

After a stagnant end to the 2008, the market appears to be moving along at a brisker pace to start the year. There are 3 primary reasons for this: Sellers aligning their expectations with current market conditions, Buyers willing to jump on some of the fantastic deals that are out there, and mortgage rates dropping near all-time lows.

This is great news both for Buyers entering the market and Sellers wondering when homes would start selling again. Let's hope 2009 brings some more stability and predictability into the market!

New Federal budget offers good news for homebuyers

The new federal budget, unveiled January 28, 2009, offered a number of initiatives that will benefit both homebuyers and homeowners. "The housing measures tabled in yesterday's budget will go a long way to addressing local economic uncertainties, consumer confidence and the quality of life in our neighbourhoods," said REBGV president Dave Watt.

Some of the budget highlights include:

- A new First-Time Home Buyers Tax Credit of up to \$750 to help homebuyers with closing costs such as land transfer taxes and legal fees.
- A new Home Renovation Tax Credit of up to \$1,350 for homeowners who renovate.
- A new funding program for ecoENERGY retrofits that provides home and property owners up to \$5,000 for energy improvements.

The federal budget also announced an increase to the Home Buyers' Plan withdrawal limit to \$25,000 from \$20,000. The Plan was first introduced in 1992 to help first-time homebuyers by allowing them to withdraw from their RRSPs to buy a home. The withdrawal limit had not been increased since then. Eligible couples can now withdraw up to \$50,000.

Bonnie Hastings

604-218-2067
bonnie@bonniehastings.com

Ben Chimes

604-222-2262
ben@benchimes.com

"One of the soundest rules I try to remember when making forecasts in the field of economics is that whatever is to happen is happening already."

-Sylvia Porte

Canadian Mortgage Industry in the Media

In recent weeks, there have been numerous articles in the national media on the state of the Canadian mortgage industry. Consumers should be aware of the following important facts:

1. Arrears and default rates remain low in Canada particularly when compared to the U.S.. Canadian mortgage holders have on average over 50% equity in their properties.
2. Longer amortization periods and 100% LTV mortgages do not equate to subprime or alternative mortgages which are based on a borrower's credit worthiness. Relatively few outstanding mortgages in Canada have 40 year amortization periods – only six percent.
3. Mortgage products in Canada are transparent. Mortgagors with a variable rate product know their rate and most have the option to convert to a fixed rate product. This is in stark contrast to the U.S. where the resetting of option ARM mortgages means millions will continue to face higher rates.
4. A rise in default rates in Canada is not apparent. If borrowers find themselves with financial difficulties, it will most likely be a result of their employment situation rather than their mortgage product.
5. Differences between the Canadian and U.S. markets remain. The option ARMs that have and continue to be reset to higher rates are not common in Canada. Those who hold variable and even fixed rate products in Canada are now doing so in a declining interest rate environment.
6. Canada has a rich history of mortgage insurance. Nearly half of all mortgages obtained in any given year are insured with a second approval process for mortgage applications. Underwriting principles and guidelines in Canada, while not perfect, are more thorough than in the U.S.

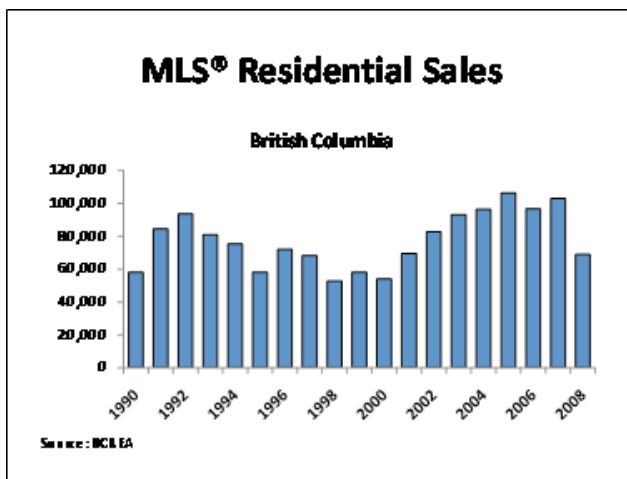
Statistics Source: CAAMP's Annual State of the Residential Mortgage Market in Canada

Closing Remarks

It appears as though 2009 will usher us into a more stable market. Though it will likely remain a Buyer's market for the duration of the year, and possibly longer, activity is projected to increase with the exceptionally low mortgage rates, the presence of great properties on the market at reasonable prices and slowly increasing consumer confidence.

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

BCREA reports residential sales dollar volume on the MLS® in BC declined 31% in 2008 while residential unit sales declined 33% last year, to the lowest level since 2000. The average MLS® residential price in 2008 was \$454,599, up 3.5% from 2007.

The average residential sales price hit \$483,291 in March and ended the year at \$429,210, an 11% decline in nine months.

Cameron Muir, BCREA Chief Economist says, "While it's difficult to predict when consumer confidence will strengthen, home affordability is quietly improving as lower prices and mortgage interest rates increase the buying power of BC households."

Mortgage Update

On January 20, the Bank of Canada announced a drop in its key overnight rate to 1.00%, its lowest level ever. The banks have also lowered prime from 3.50% down to 3.00%.

Fixed mortgage rates are near an all time low right now, meaning that many buyers not able to penetrate the market a year ago due to affordability could now afford to purchase. This is great news for Buyers!