

Compliments of
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Excellent Opportunities Still Exist

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At 2.05%, a variable-rate product today may look as attractive as ever, but the five-year fixed-rate closed mortgage is falling fast. It can now be had for a shade under 4%, says Rob McLister, editor of Canadian Mortgage Trends. "Bond yields have fallen out of bed and nobody expected that," said Mr. McLister, adding the spread between the five-year Government of Canada bonds and five-year mortgages is still large enough that the banks may reduce long-term rates even more.

However, at about 4%, the five-year closed fixed-rate mortgage isn't far off its record low. Bank of Montreal senior economist Sal Guatieri does agree that variable-rate products have worked out better than fixed-rate mortgages throughout history,

but says the tide may be turning. "Given that the central bank has already raised rates a couple of times now and will likely continue to raise rates, it probably is a correct assumption to make," says Mr. Guatieri, noting variable usually works in a declining interest-rate environment. "The next five years might not quite follow the past. You could probably argue it's wiser to lock in now. It's a close call."

Bank of Montreal is forecasting another 25 basis point move in September and says rates will climb another 1.5 percentage points by the end of 2011. If Mr. Guatieri and others are right, by 2012, the variable-rate products out today would clock in at just above 3.75%, if the discounting remains the same.

"If you are still in that variable-rate product then, you'd have to sweat out the next three years because there would still be possibly more increases," says Mr. Guatieri, who adds his bank sees the overnight

rate eventually going to 4% in the following three years. Based on the present gap between the Bank of Canada and prime, that would place the variable-rate product you get today at 6% by around 2015. Fears of such a scenario are driving people into fixed-rate products again. That, plus new mortgage rules that make it easier to qualify for a mortgage if you go for a fixed-rate product with a term of five years or longer.

It makes sense, but with variable rate still at around 2%, it's easy to see why people wouldn't want to lock in. Even Mr. Guatieri says if you are secure in your financial situation and don't need to fix your mortgage payments, "you might just want to let it ride." "There just never seems to be a clear answer on whether to lock in or stay variable."

One thing is crystal clear — affordability of, and qualifying for a mortgage is Definitely Easier with housing prices staying somewhat flat, or even softening a little, Real Estate Opportunities Do Exist!

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ACTIVE LISTINGS

Res.	Mobiles	Strata	Lots
1833	231	1566	805

If you are thinking of buying or selling ...please give me a call.

Residential Sales By Price Year To Date

PRICE RANGE	2010	2009
\$0 to \$200,000	7	5
\$200,001 to \$240,000	9	21
\$240,001 to \$280,000	30	25
\$280,001 to \$320,000	58	80
\$320,001 to \$360,000	134	175
\$360,001 to \$400,000	181	205
\$400,001 to \$440,000	193	171
\$440,001 to \$480,000	163	142
\$480,001 to \$520,000	131	132
\$520,001 to \$560,000	101	76
\$560,001 to \$600,000	66	65
\$600,001 to \$999,999	178	131
\$1 Million and over	29	11

A Few More Real Estate Stats

Average House Price Aug/10	\$496,077
Median House Price Aug/10	\$449,400
Number of houses listed last month:	352
Number of lakeshore homes sold last month:	4
Average Mobile Home Price:	\$99,161
\$ value of sales in Aug/10	\$113,088,593
\$ value of sales in Aug/09:	\$156,387,334

Summary of Residential Sales Year To Date

TYPE	2010	2009
Acreage	27	10
Acreage/House	64	49
Acreage (Waterfront)	4	1
Business	12	10
Townhouse	371	365
Condo	503	492
Duplex	60	68
Farms	9	10
IC & I	51	17
IC & Lands	5	1
Lots	127	56
Leases	23	37
Lots (Waterfront)	1	0
Multi-Family	2	3
Multi Plex	3	7
Mobile Homes	150	117
Recreational	7	7
Residential	1279	1239
Residential (waterfront)	24	18
Timeshares	1	0
TOTAL	2723	2507