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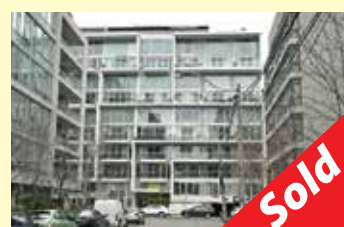
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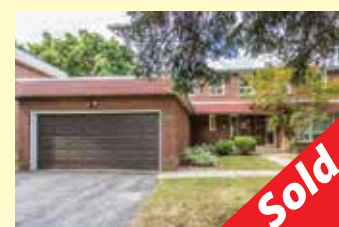
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# Living

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### The Real Estate Market Watch

Fall / Winter 2016

### Finance Canada Unveils New Measures to Protect Home Buyers



Image via Saffron Blaze (Wikimedia Commons).

OTTAWA – Just eight months after announcing a higher minimum down payment for properties with an asking price of more than \$500,000, Finance Minister Bill Morneau has unveiled three more adjustments to Canada's housing and mortgage regulations. According to Morneau, the new measures include:

- Closing existing "loopholes" surrounding Canada's capital gains tax exemption on the sale of a principal residence.
- Standardizing the eligibility criteria for insured mortgages (both high- and low-ratio), and implementing a more rigorous mortgage rate "stress test" for applicants.

- Consultation on ways to ensure that the distribution of risk in the housing finance system is balanced.

To get more specific details on the new adjustments, we spoke with Shubha Dasgupta, a mortgage broker with Dominion Lending Centres and our regular mortgage correspondent here at GTA Real Estate News.

#### Changes to the Capital Gains Tax Exemption

Regarding the capital gains tax exemption, Dasgupta explained that two key restrictions are being implemented with the goal of eliminating loopholes: According to BNN, the exemption will now only be available to Canadian residents – preventing foreign buyers from attempting to claim the benefit, even though they are a non-resident of Canada.

Furthermore, under the new changes, each Canadian family will only be able to declare one home as their principal residence.

- On a disposition of a property after October 2, 2016, an individual who was not a Canadian resident when they acquired it will not be able to claim the exemption for that year. According to Dasgupta, "This measure ensures that permanent non-residents are not eligible for the exemption, on any part of a gain from the disposition of a residence."
- The Canada Revenue Agency (CRA) will, for the first time, require all taxpayers to report the sale of a property for which the principal residence exemption is claimed.

Additionally, BNN has reported that with the new changes in effect, each Canadian family will only be able to declare one home as their principal residence.

#### Broadened Mortgage Rate "Stress Tests"

continued next page



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Not intended to solicit buyers or sellers under contract with a brokerage. E.&O.E. All stats and figures are provided by the Toronto Real Estate Board



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In order to ensure new homeowners can afford their mortgages – even in the event that interest rates begin to rise – mortgage lenders are sometimes required to apply a “stress test” to potential borrowers. According to Dasgupta, the requirement currently only applies to 1-4 year fixed-rate and variable-rate mortgages.

Effective October 17, however, the stress test will also be applied to fixed terms of five years and longer.

“Essentially, what this means is all high-ratio mortgages with less than 20 per cent down will now need to qualify using the Bank of Canada overnight rate,” said Dasgupta.

“Today, that rate is at 4.64 per cent, which is much higher than the actual rate of about 2.39 per cent currently available for five-year fixed-rate mortgages.”

#### New Measures affecting Low-Ratio Mortgages

“High ratio” mortgages with down-payments of 20 per cent or higher are commonly insured via “portfolio” insurance, a bulk-style method of insuring that allows banks and lenders to raise capital for mortgages.

According to Dasgupta, effective November 30, new measures will add to the criteria mortgages must meet in order to be insured via portfolio. The new requirements include:

- A maximum amortization length of 25 years;
- A maximum property purchase price **below \$1,000,000**, at the time the loan is approved;
- For variable-rate loans, that allow fluctuations in the amortization period, loan payments must be recalculated at least once every five years (to conform to the original amortization schedule);
- A minimum credit score of 600 at the time the loan is approved;
- A maximum Gross Debt Service ratio of 39 per cent, and a maximum Total Debt Service ratio of 44 per cent at the time the loan is approved (calculated by applying either the mortgage contract rate, or the Bank of

## Sales Growth Continues in September

October 5, 2016 --Toronto Real Estate Board President Larry Cerqua announced that Greater Toronto Area REALTORS® reported 9,902 sales through TREB's MLS® System in September 2016. This result was up by 21.5 per cent compared to September 2015.

For the region as a whole, strong annual rates of sales growth were experienced for all major home types. The pace of detached sales growth was slower in the City of Toronto and the number of semi-detached sales was down compared to last year. In both cases, the year-overyear dip in new listings was likely the issue.

“We continued to see strong demand for ownership housing up against a short supply of listings in the Greater Toronto Area in September. The sustained lack of inventory in many neighbourhoods across the GTA continued to underpin high rates of price growth for all home types,” said Mr. Cerqua.

Both the MLS® Home Price Index (HPI) Composite Benchmark and the average selling price for all home types combined were up strongly on a year-over-year basis in September. The MLS® HPI Composite Benchmark grew by 18 per cent compared to September 2015. The average selling price was up by 20.4 per cent to \$755,755. It is important to remember that the MLS® HPI provides a price growth measure for a benchmark home, thereby allowing for an apples-to-apples comparison from one year to the next. The average selling price can be influenced by changes in both market conditions and the mix of homes sold.

“The Toronto Real Estate Board will be closely monitoring how the recent changes to Federal mortgage lending guidelines and capital gains tax exemption rules impact the housing market in the Greater Toronto Area. While these changes are pointed at the demand for ownership housing, it is important to note that much of the upward pressure on home prices in the GTA has been based on the declining inventory of homes available for sale,” said Jason Mercer, TREB's Director of Market Analysis.

- Canada conventional five-year fixed posted rate – whichever is higher);
- Mortgage must be for a property that will be **owner-occupied**.

#### Banks and Lenders Still Adjusting

“I'll note that in speaking with many of the major Canadian lenders today, they are somewhat unprepared with this news, and are working diligently to get further clarification and make adjustments to their portfolios,” explained Dasgupta.

“All of us in the mortgage industry should be receiving updates over the coming days on what these changes really mean, and how the new rules will be applied.”

#### Background

The new changes follow a lengthy investigation into Canada's real estate market, carried out by the Department of Finance Canada and supported by several agencies, most notably the Office of the Superintendent of Financial Institutions and the CMHC.

“Canadians have told us they are concerned about growing household debt and rapidly rising house prices in some of our biggest cities, particularly in markets like Toronto and Vancouver. These concerns have grown over many years, and there are no quick fixes,” Morneau explained in his official statement issued October 3.

“My colleagues and I are committed to continuing to work with provinces and municipalities to address the concerns of middle class families, and to ensure Canada's housing markets and financial system remain strong, stable and resilient well into the future.”

For more information about acquiring a mortgage, or the types of mortgages available to Canadians, we invite our readers to get in touch with Mr. Dasgupta directly via his web site at <http://torontosbestmortgage.com/contact-dominion>.



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## Sales & Average Price By Major Home Type<sup>1,7</sup> September 2016

	Sales			Average Price		
	416	905	Total	416	905	Total
2016						
Detached	1,098	3,610	4,708	\$1,294,482	\$928,414	\$1,013,788
Semi - Detached	302	618	920	\$887,916	\$608,122	\$699,968
Townhouse	387	1,143	1,530	\$655,466	\$540,183	\$569,343
Condo Apartment	1,787	793	2,580	\$446,294	\$367,260	\$422,002

#### Year-Over-Year Per Cent Change

Detached	4.7%	28.6%	22.1%	23.0%	26.6%	23.6%
Semi - Detached	-3.5%	19.1%	10.6%	19.7%	22.2%	18.8%
Townhouse	29.0%	16.9%	19.7%	24.3%	20.2%	21.8%
Condo Apartment	24.3%	32.4%	26.7%	6.5%	19.4%	9.3%

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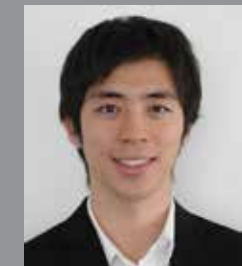
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**Jun 2016 Greater Toronto Real Estate: Sales up 7.5%, Average Sold Price up 16.8% to \$747k**

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