



**Mortgage News
June 2010**

Current Rates:

Term	Rate
Prime	2.50 %
1 Year	2.65 %
2 Year	3.20 %
3 Year	3.60 %
4 Year	4.10 %
5 Year	4.15 %
Best Variable	1.80 %

Economic Recovery - The Bank of Canada's View

Source: Bank of Canada

Global financial conditions have generally improved and the turnaround in economic activity has been somewhat stronger than anticipated earlier, primarily because of robust growth in many emerging economies. The turnaround in advanced economies has been generally more moderate.

"The Bank has an unwavering commitment to price stability. The single, most important contribution that monetary policy can make to sound economic performance is to provide Canadians with confidence that their money will retain its purchasing power." Mark Carney, Governor, Bank of Canada

Here in Canada, the recovery has been faster than the Bank had projected in its January *Monetary Policy Report*. The pace of economic activity quickened in the final three months of 2009, with real GDP rising by 5 per cent (at annual rate) and recent indicators pointing to continued robust growth of about 5 3/4 per cent in the first quarter of 2010. With this pickup in activity, employment has been recovering since mid-2009, and the unemployment rate has edged down, but it is still high by pre-recession standards.

The Bank now expects that the economy, which had contracted by 2.6 per cent in 2009, will expand by 3.7 per cent this year, 3.1 per cent in 2011 and 1.9 per cent in 2012. The stronger-than-anticipated growth in late 2009 and early 2010 is expected to moderate through the balance of the projection period, for a number of reasons. The effect of certain policy stimulus measures (e.g., the temporary home energy tax credit and the exceptionally low mortgage rates) which, in the Bank's assessment, resulted in considerably more household spending being pulled forward, is expected to taper. So housing, in particular, is expected to weaken significantly. Consumer spending, while continuing to grow solidly, helped to support employment and income gains, should slow to a more sustainable pace. The persistently strong Canadian dollar, Canada's poor productivity record (especially relative to its major trading partner, the United States), and the low level of demand for our exports will also be working to moderate overall growth. The recovery in business investment should strengthen, however, reflecting improved economic conditions and the need to increase productivity (with the strong Canadian dollar helping in this regard, by reducing the cost of imported high efficiency machinery and equipment).

The much stronger-than-expected economic recovery we have seen so far since the start of the recession is being taken up somewhat faster than expected.¹ So the Bank now estimates that the economy will return to full capacity by the second quarter of 2010.

Mortgage Rates

OTTAWA – June 1st

The Bank of Canada raised its target for the overnight rate by one-quarter of one percentage point to 1/2 per cent. The Bank Rate is correspondingly raised to 3/4 per cent and the deposit rate is kept at 1/4 per cent, thus re-establishing the normal operating band of 50 basis points for the overnight rate.

[More Bank of Canada News.](#)

Local Market Statistics

Vancouver Island Real Estate

Board: Nanaimo, BC (June 1, 2010) - MLS® sales summary data released by VIREB for May 2010, indicates there has been both an increase in unit sales across the board region and that average prices are also on the rise.

Victoria Real Estate Board: Spring Sales Soften in May - Choices Increase for Buyers. The number of homes and other properties sold

throughout the Victoria area softened in May while the choices for buyers increased with a further rise in the number of properties available for sale.

Fraser Valley Real Estate Board

Property buyers continued to see an increase in selection while sellers faced more competition as listings grew and sales decreased on Fraser Valley's Multiple Listing Service® (MLS®) in May.

Greater Vancouver Real Estate Board:

Friday, June 4, 2010 - May market offers buyers greater selection. The number of properties listed for sale in Greater Vancouver continued to rise in May, while the number of sales showed a year-over-year decrease.

May Prices for Residential

Detached Homes : +/- indicates price direction over previous reporting period:

Campbell River	\$330,759 +
Comox Valley	\$344,426 -
Nanaimo	\$388,497 +
Park/Qualicum	\$408,549 +
Pt Alb/W. Coast	\$234,658 +
Cowichan Vall.	\$362,665 +
Langley	\$532,296 +
Surrey	\$545,003 +
SS/White Rock	\$887,347 +
Sunshine Coast	\$430,390 +
Burnaby	\$787,865 -
Coquitlam	\$670,463 -
Richmond	\$892,150 -
New West	\$615,981 +
Vancouver West	\$1,679,797+
Vancouver East	\$756,057 +
Victoria	\$652,545 +
Langford	\$570,497 +
Oak Bay	\$938,531 +
Saanich West	\$606,369 +
Saanich East	\$647,139 -
Sooke	\$426,204 +

Sources:

– one quarter sooner than projected in January.

House Prices to Fall in 2011

Source: *The Canadian Press TORONTO (Jun 3, 2010)*

The once white hot resale housing market is cooling significantly and prices remain flat the rest of this year and fall in 2011, economists say.

"Somebody who's in a position to buy can take the time to make sure they get the property they want at a price they're comfortable with. We almost never see a balanced market, it's usually always one way or the other, and we've had the immensely powerful sellers' market and ... there could be a very rapid transition that it now becomes a buyers' market." Will Dunning of the Canadian Association of Accredited Mortgage Professionals.

Dunning's remarks came yesterday after the Canadian Real Estate Association lowered its 2010 national forecast for resale transactions following a weaker than anticipated start to the year in some provinces, mainly British Columbia, Ontario and Alberta.

The Canadian market is being squeezed by rising mortgage rates and price increases that have made homes unaffordable for many. As well, homebuyers face tighter bank lending rules and new taxes in Ontario and B.C. that will add thousands of dollars to the final price tag of many houses starting July 1. CREA also revised its projected housing price increases for 2010, saying it still expects another rate increase to be set this year but that the increase now is expected to be just 1.6 per cent over 2009.

The previous forecast had called for prices to rise 5.4 per cent over last year's record-setting peak. The association predicted that, by 2011, the national average housing price is expected to decline by 1.5 per cent, driven down by an easing of the growth in sales in B.C. and Ontario in the first half of 2010, before the harmonized sales tax takes effect in both provinces July 1.

CREA's revision also comes a day after the Bank of Canada announced it will be hiking its key lending rate from an emergency low of 0.25 per cent to 0.5 per cent. Many economists predict the era of low interest rates has come to an end and that rates are now on an upward trend.

Dunning said fears of rate hikes and the HST are factors that brought demand forward into the latter half of 2009 and the early part of 2010. Prices have likely peaked for the year, Dunning added, and should remain flat for the rest of the year before falling in 2011.

CREA said yesterday it has reduced the number of resale transactions it expects to occur countrywide by nearly 40,000 from its previous forecast of 527,300. British Columbia accounted for more than half the reduction and the rest came primarily in Alberta and Ontario.

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CMHC Releases May Housing Starts

Source: CMHC:

The seasonally adjusted annual rate(1) of housing starts was 189,100 units according to Canada Mortgage and Housing Corporation (CMHC), **down 1 revised 201,800 units in April.**

"Housing starts decreased in both the singles and the multiples segments. The decrease in housing starts in May is consistent with our forecast that housing starts for 2010 will reach 182,000 units."

Bob Dugan, Chief Economist at CMHC's Market Analysis Centre

The seasonally adjusted annual rate of urban starts decreased by 9.5 per cent to 165,200 units in May. Urban multiple starts decreased by 5.6 per cent to 9 units, while single urban starts decreased by 14.1 per cent to 72,400 units.

May's seasonally adjusted annual rate of urban starts decreased 21.8 per cent in the Prairie region, 13 per cent in Quebec, 12.9 per cent in British Columbia and 10.1 per cent in Ontario. Urban starts increased 23.3 per cent in Atlantic Canada.

About Select Mortgage

Verico Select Mortgage was formed in 2005, following the company's rebranding and purchase from Coast Capital Savings Credit Union. The roots of the company go back for two decades of providing mortgage services in BC.

We are not owned by a financial institution and our headquarters is in Victoria BC. We have offices in the lower mainland and throughout Vancouver Island. We are large enough to maintain preferred agreements with over 40 quality lenders, including the major banks and credit unions. We represent borrowers and not the lenders and do our very best to negotiate the best mortgage for you. As members of the Mortgage Brokers Association of BC we strive to provide our clients with quality service and money-saving mortgage advice.

