

## Why it's a good time to buy a home

January 27, 2012 - Mark Weisleder

I believe there has never been a better time to buy a home. I've been in the industry for 28 years as a lawyer and I haven't seen so many positive signs for housing, whether you are thinking or buying or locking in a mortgage. Here's why:

**Mortgage rates at historic lows:** They can't get any lower. Four to five-year fixed mortgages at 3 per cent are unheard of. It is lower than the variable rate that most Canadians have been paying for years. Rates have nowhere to go but up, either later this year or next. If you are paying a variable interest rate, lock in now.

**Canada's appeal:** This country has everything going for it — a stable banking and political environment, steady real estate market, the natural resources people want and few social tensions. That makes us a safe haven in a volatile world.

**Our immigrant draw:** Because of the above, we're a draw for immigrants, often wealthy ones. When they get here, they need a home. So in my view while the real estate market may level off in some areas of Ontario, it should stay strong in most of the GTA and likely Canada's other large urban centres as well.

**Mortgage defaults:** According to CMHC, over 99 per cent of Canadians pay their mortgages on time. It quite a different picture in the U.S. where 7 million homes are in foreclosure and perhaps another 7 million homeowners are under water. This represents almost 15 per cent of all homes. So while the American housing market will likely be weak for the next few years, this should not occur in Canada. Our banks are not dumping homes onto the market, so there is no downward pressure on prices.

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**Recourse Mortgages:** In many U.S. states, if you can't pay your mortgage, the only thing the bank can do is foreclose; they cannot sue you for any shortfall. So when homes go under water, owners give the keys back to the bank. In Canada, loans are almost all Recourse, meaning if you don't pay and there is a shortfall, the lender can sue you for the difference. This is another reason why, in my opinion, even if times do get tough, Canadian homeowners will find a way to make the payments until things improve.

**Income-to-price ratio:** Another misleading statistic is that in major markets, like Toronto, the average price of a home is now 4.6 times the income of the average Canadian. This same statistic was found just before the U.S. and UK markets went into the tank. However, if you look at median incomes of Canadians against the median cost of homes, this average comes down to around 3.5, which is not dangerous. Using averages are wrong. A person receiving social assistance will not buy a home, and should not be included in any relevant statistic.

**High consumer debt:** The warnings about rising debt ratios must be examined carefully. The Governor of the Bank of Canada is worried that the average personal debt ratio is now 156 per cent in Canada. This means a household making \$100,000 per year, owes \$156,000, two-thirds of which is mortgage debt. Why is this so bad? At an interest rate of 3 or even 5 per cent, the amount needed to service the debt is manageable. Most people do not pay off their mortgages in one year. Still, this is another good reason to consolidate your debt now, at these low interest rates, and lock in.

**No guarantees:** Nobody can predict the future and there's always the possibility of a major economic shock. Yet, in a U.S. presidential election year, politicians will do whatever is necessary to prevent it. If the economy goes into the tank, so do re-election chances. The U.S. is already showing signs of economic recovery.

**Also read:** [20 things to look for in a home inspection](#)

No matter what, do not take on a monthly payment higher than what you can afford. Meet with your lender or mortgage broker in advance to figure out what you can afford before you start looking for a home. It may be the best time to buy, but you need to buy smart.

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