



CHBA intervention leads OSFI to ease new stress test requirements to protect home buyers

On October 17th, the Office of the Superintendent of Financial Services (OSFI) announced new 'stress test' requirements for conventional mortgages, to come into effect January 1, 2018. CHBA continues to oppose these new requirements—given the growing list of mortgage rule changes introduced by the federal government in recent months, CHBA is concerned that, with this latest move, regulators are creating risks to the financial system rather than reducing them.

While CHBA will continue to advocate for lending policies that support those working hard to join the middle-class and achieve home ownership, the latest rule changes posed an immediate risk to tens of thousands of consumers who had signed a purchase and sale contract prior to October 17th for a new home to be completed after January 1, 2018. These buyers committed to a sale based on the mortgage rules in place when they signed their contract, but would be forced to re-qualify based on new, more restrictive rules when their sale closed in the new year.

Analysis conducted for CHBA estimated that up to 11% of these buyers would be unable to secure a mortgage under the new stress test, and stand to lose their deposits – totalling as much as \$1.5 billion. CHBA immediately alerted OSFI concerning the 'unintended consequences' their actions could cause. CHBA also engaged with the Minister of Finance on the issue.

In response to CHBA concerns and representations, OSFI released adjusted transition guidance that should ensure that buyers of new homes can complete the purchase under the mortgage rules in place at the time they signed the purchase contract, even after the new 'stress test' for conventional mortgages comes into effect on January 1, 2018. For more information, visit CHBA's Industry Issues webpage on the [2017 Mortgage Rules](#) in the Members' Area of chba.ca.

National Housing Strategy – Some 'wins,' but affordability still not addressed

The federal government's long-awaited National Housing Strategy, unveiled November 22nd by the Prime Minister, included a number of measures that CHBA had called for, but also fell short in addressing market-rate housing affordability.

A welcomed provision of the strategy is the introduction of a Portable Housing Benefit – in essence a subsidy aimed at directly assisting people in housing need, rather than subsidizing units. CHBA has called for such an innovative approach for many years. Some 70% of low-income households have adequate rental housing, but struggle to pay the rent. The new benefit will provide them with financial support, and will not be tied to their housing unit, allowing them to move and take the benefit with them if job, educational or other opportunities arise outside their neighbourhood.

The new strategy will also see billions flowing to redevelopment of existing social housing stock, creating opportunities for the industry to participate in developing more contemporary mixed-use and mixed-income communities.



Minister Duclos at strategy consultation sessions, which focused invariably on social housing, not market-rate housing and affordability.

Unfortunately, the National Housing Strategy failed to address market-based housing, and the central issue of declining housing affordability. In CHBA's view, this renders the strategy incomplete, and leaves the vast majority of Canadians who are concerned about housing affordability without solutions.

While the Association supports the government's efforts to assist those in the greatest housing need, a 'national strategy' should not ignore the difficult reality that so many young families face today in trying to achieve home ownership. CHBA will continue to press the federal government to take action accordingly.

Assignment sales attract CRA's attention

As reported in the media, the Canada Revenue Agency (CRA) is investigating pre-construction condominium "flipping" or sales assignments in Toronto and Vancouver. Typically, this process involves the sale of a purchase agreement from one buyer to another prior to the actual closing of the underlying sales transaction. Any profit arising from a sales assignment is income for tax purposes. CRA's wants to determine whether such income is being properly reported

CHBA's understanding is that CRA initially requests developers and builders to voluntarily provide information on sales assignments for their projects. Where the developer or builder is unwilling to provide this information due to privacy concerns, CRA then seeks a judicial order for the release of this information.

Members should always comply with the rule of law, including the Privacy Act. Given privacy concerns, members should insist on releasing this information to CRA only in compliance with a court order. This would be prudent practice. This is not to stifle CRA efforts to detect tax evasion, but to protect member businesses against litigation vis-à-vis privacy protection of their buyers.

Don't Miss Participating in the 2018 CHBA Home Buyer Preference Survey – December 8th Deadline

SIGN UP TAKES SECONDS, JUST 15 MINUTES TO PARTICIPATE.

- Receive a free report on your members responses
- Make more informed marketing decisions
- Find out how consumers are prioritizing features
- See emerging trends

Participating builders receive a 60% discount off the price of the full national survey report – a \$495 value for \$195 – and access to Avid Ratings' online tool that allows you to do custom analysis. Want to see the tool in action? View the webinar replay at chba.ca/member-webinars. To participate: chba.ca/survey-participation.



Another Great Year! Over 700 entries to the CHBA National Awards for Housing Excellence

It's a competitive program this year, with over 700 entries showcasing the best in Canadian new homes, renovations, communities, and marketing. Judges from across the country will deliberate over the next two months, and finalists will be announced in early February via social media (@CHBANational) and on the CHBA National website: chba.ca/housingawards.



Another great moment in Canadian homebuilding!

Mark your calendar for the 75th Anniversary CHBA National Conference at the Fairmont Empress in beautiful Victoria, British Columbia! Pre-Conference committee and council meetings will take place March 19-21, 2018, with the full Conference following March 21-23, 2018. Join this special celebration of Canada's homebuilding history, and meet with members from across the country to shape our industry's future. Online registration will open in December—check www.chba.ca/conference for details.



Economic Review

Economists are looking towards to 2018, and most agree that with mild global growth, muted inflation and central bankers looking to take their foot off the gas, 2018 will be a continuation of 2017.

BMO says that there's a 60% likelihood that the global economy will continue to grow at a steady pace with modest inflation. The gradual rise in interest rates and reduced quantitative easing is likely to be tempered by muted inflation pressures and flexible markets, reducing these headwinds to a gentle breeze rather than a disruptive gale.

Closer to home, the Parliamentary Budget Officer (PBO) projects real GDP growth to slow from 3.1% in 2017 to 1.9% in 2018 and then to 1.8% in 2019 before averaging 1.7% annually over 2020 to 2022.

The PBO also expects the housing sector to shrink 0.4% from 2017 to 2018 (see table).

Contributions to real GDP growth, percentage points					
	2016	2017	Projection		
			2018	2019	2020 2022
Consumption	1.4	2.1	1.3	0.8	0.9
Housing	0.2	0.2	-0.2	-0.1	0.0
Business investment	-1.0	0.2	0.9	0.9	0.5
Government	0.5	0.4	0.4	0.0	0.2
Exports	0.4	0.8	1.1	1.1	0.8
Imports	0.2	-1.2	-0.9	-0.8	-0.8
Inventory investment	-0.3	0.5	-0.7	0.0	0.1
Real GDP growth	1.5	3.1	1.9	1.8	1.7
<i>Additional indicators, %</i>					
Potential GDP growth	1.4	1.2	1.5	1.8	1.9
Output gap	-1.2	0.6	1.0	1.0	0.6

Sources: Statistics Canada and Parliamentary Budget Officer.

Impact of New Mortgage Rules

It seems that across the country, buyers and sellers are holding their breath, waiting to see the impact of new mortgage qualification rules taking effect on January 1, 2018. This may mean a quieter Christmas selling season than originally predicted (when the new rules were first announced homebuyers were expected to rush to beat the end of year deadline).

Veritas, meanwhile, says the new rules will reduced homebuyers' purchasing power by 25%, which will mean a significant hit to economic growth. This aligns with expectations from Canaccord Genuity, which forecasts an 8% decline in mortgage lending next year, with total bank lending expected to fall about 2%.

The Bank of Canada says that the new mortgage stress test could disqualify 10% of buyers, affecting \$15-billion a year in housing. This aligns with CHBA's analysis that the new mortgage rules, combined recent federal, provincial and municipal housing interventions, and increased interest rates, could reduce housing market activity by 10% to as much as 15%.

CHBA also forecast that the impacts on new and resale housing could put 61,000 to 91,500 jobs in the sector at risk.