



# Report on housing in Canada

The survey released by The Organization for Economic Co-operation and Development (OECD), one of the world's largest and most reliable sources of comparable statistics and economic and social data reports that Canada's economic recovery will be slow over the short term due. The OECD comments that Canada should protect its economy by pushing down overheated housing prices.

The influential Paris-based OECD says low interest rates have resulted in "the first recession in Canada's history to show an expansion in real household debt." Household debt-to-income and debt-to-assets ratios remain at near historical highs.

The report also says that housing looks overpriced when comparing price to rent and price to income measures.

Although mortgage-qualifying rules were tightened by the government earlier in the year in an effort to avoid the mortgage crisis in the US, OECD suggests that more measures need to be taken to cool down the market.

OECD warns that as the Bank of Canada withdraws monetary stimulus and raises the current low rates, Canadians will find themselves unable to make payments.

Housing markets across the country have been growing, but some of the major markets may have become overheated while others grew at a more moderate level, according to a national retail-sales organization. The survey shows housing prices in Vancouver and Toronto continue

to climb at a dramatic pace. The average price of detached bungalows in Toronto was \$459,107 in the first quarter of this year, up 13.3 per cent from a year ago.

When the housing prices rise fast, the affordability will erode and the demand will eventually slow down.

Exceptionally low mortgage rates are a key factor that has kept home ownership costs from spiralling out of households' reach. These low rates are also a key reason why affordability metrics cause much less alarm than valuation measures such as the price-to-income ratio or the price-to-rent ratio, both at or near record levels presently. Home prices are indeed elevated, but the monthly mortgage payments are still well below dangerous levels.

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Vicky Tan is a mortgage agent specializing in residential and commercial mortgages. She can be reached at 416-322-0888. Questions should be emailed to vt@themortgageproviders.ca

