

Halton Hills Real Estate MARKETPLACE

Wednesday, January 24, 1979

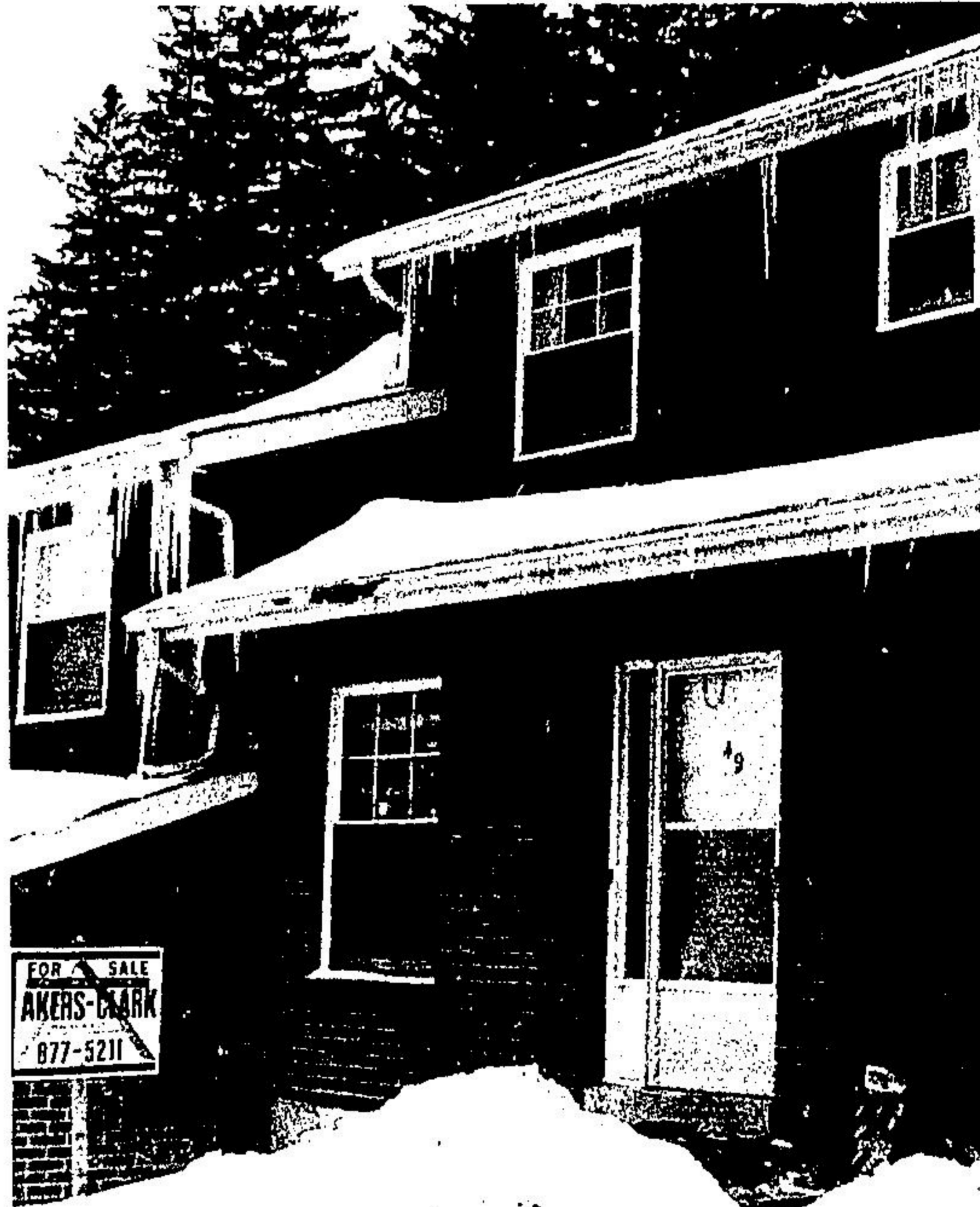
Feature Home Of The Week



\$34,900

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MONEY MONTHLY Len Goes Out on a Limb



Leonard Rosenberg

With His Financial Prognostications for 1979

The questions that are most often asked by people who are interested in buying homes in the New Year are: will interest rates decline? what's happening in the real estate market? where's my best buy? While predictions are never easy, and most prophets are shown to be fools, I am going to make some fearless predictions about the real estate market anyway.

Because of the high cost of borrowing money (for both developers and potential homebuyers), the construction industry and the housing market are very sluggish right now. Presently, the prime lending rate is 11.5 percent and the conventional mortgage rate is between 11.25 and 11.5 percent.

Our federal government is keeping the prime lending rate artificially higher than the U.S. prime rate which has also jumped dramatically. If our prime rate was lower than the U.S. rate,

people would borrow money in Canada and go to the U.S. to invest. This would amount to a lot of Canadian dollars floating about waiting for investment opportunities which would cause the value of the Canadian dollar to drop.

So... what happens to the prime rate in the U.S. will affect construction in Canada. If the United States economy has a downturn, our mortgage rates will stay up; if it picks up, our rates will drop.

However, things are not going to change much in the immediate future. Look for the prime lending rate for banks to rise to anywhere between 11½ to 12½ percent in the first half of 1979. The bank rate will probably begin a downturn sometime in June or July—but until then, builders won't build unless they have to.

By mid 1979, though, loan rates should start to decline and we will witness an increase in construction. The real estate market should be pretty lively once again by autumn 1979.

Since the mortgage market is extremely competitive at the moment, you can expect lenders will continue to offer mortgage rates below the prime lending rate. We can afford to do this by matching mortgage loans with debenture sales.

Another factor that could change the shape of things to come would be a federal election. If the Conservatives are elected and Joe Clark implements his idea to make mortgage interest payments tax deductible, the plan could certainly stimulate an increase in the number of consumers buying homes.

The banks want a bigger share of the mortgage market and so

are putting the squeeze on loan and trust companies. Smaller companies, as a result, will very likely start moving into areas previously reserved for banks.

What does all this mean for the borrower and homebuyer? It means that despite high interest rates, there are bargains to be had if you shop around. For instance, many builders are offering bonus items such as dishwashers, stoves, and other appliances in order to move unsold units.

As interest rates are likely to drop in a few months' time, it's advisable to at least consider a short-term loan rather than locking yourself into a five-year-term loan with a high interest rate.

When you're looking at houses, please remember there are advantages to buying an older home. Usually, older homes are mortgaged at a much lower rate of interest than anything that is being offered on today's market. If you can arrange to take over an existing mortgage and get a second mortgage to cover the balance of the funds you require, you may very well wind up paying less money than if you owned one large mortgage. The conscientious lender will virtually tailor-make a mortgage suitable for your needs.

If you follow these suggestions, I'm convinced that by this time next year, you'll be begging me for advice. Well maybe. Happy home hunting and all good wishes for the New Year!

Leonard Rosenberg is the President of Greymac Mortgage Corporation, an Ontario based financial firm specializing in mortgages. Write to him in care of this newspaper.