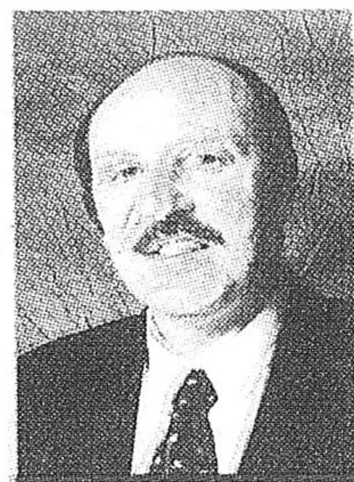
A Lucky 2011: An unexpected opportunity for homeowners!



John Cavan, AMP
Mortgage Agent
License # M08003080
Mortgage Architects
Brokerage #10287
Ask your local mortgage planner

We're calling it the Lucky New Year. Why? Because we're enjoying some very unexpected opportunities for Canadian homeowners. As we do every year, here are some sensible strategies that can help you take advantage of those opportunities:

Historically low rates. If you can think back to the economists' predictions a year ago, you'll remember there was consensus that rates would rise in the spring. Well, they were correct, rates did rise. But it was unexpected how quickly they retreated back to all-time lows, giving Canadians a fresh opportunity to get their houses in order. Although rates have started to show some volatility again – rising late in the year – the opportunities are still much better than anticipated.

Variables at "prime minus". For those with "prime plus" variable mortgages, it could make excellent financial sense to switch to today's "prime minus" variables, depending on your situation. If you got your "prime plus" variable mortgage two years ago, your rate may be prime plus 0.5% or higher, while today's variables are prime minus 0.65% or lower. If you break your mortgage and take a new one, you could save on interest costs over the next three years, after you net out the penalty to break your mortgage. Your principal balance may also be slightly lower after those three years, which is a further benefit. Ask for an analysis of your situation!

Slash your high-interest debt. High-interest consumer debt – like department store cards or credit cards – can derail the best financial plan. They'll eat into your cashflow and cost you big money in interest charges. Put an end to wealth-killing debt. Have your mortgage planner advise you on the best strategy for slashing that non-mortgage debt. Worried about your holiday bills? Roll them into your mortgage and get a fresh start on your finances: better cashflow, big savings!

Build a financial cushion. Many Canadians find themselves turning to their credit cards to get through a financial emergency. Instead, make a New Year's resolution to build a financial cushion. Get in the habit of putting a small sum from every paycheque into a special emergency fund. If you are buying a new home, don't borrow your maximum amount. And always try to take advantage of your lender's prepayment privileges. Variable mortgage holders should also consider setting their payments higher than required to more easily absorb any prime rate increases.

Renewal: That golden moment! Always be sure to come back to talk your mortgage planner if you get a letter or call from your lender regarding refinancing or your renewal. Remember, we work for you and are in touch with a wide variety of lenders so we can always make sure you are in the best position possible. In particular, when you are four months from renewal, contact your mortgage planner so you can review all of your options and strategies, not just those presented by your current lender.

Give us a call; we'll help you build a mortgage blueprint to make the most of your mortgage years! Make January your mortgage review month: it could pay big dividends in the year ahead!

John Cavan is an Approved Mortgage Planner with Mortgage Architects. Mortgage questions and concerns can be directed to John Cavan's office, located at 14 Martin St., Milton. John can be reached by phone: 905-878-7213 or by email: john.cavan@mtgarc.ca. John Cavan's website is www.stressfreemortgage.ca. Contact John today about your stressfree mortgage opportunities.

Avison Young Releases 2011 Commercial Real Estate Forcast for Canada, U.S.

Canada's overall market transitioning along recovery curve; select U.S. markets improving while broad recovery remains elusive

Toronto, ON — Commercial real estate markets across Canada experienced moderate-to-strong recovery in 2010, and some markets performed better than expected. In the U.S., select markets improved while broad recovery remained elusive.

Historically, Canadian markets tended to lag U.S. recovery by a year. But in 2001 and again in 2010, Canada led the U.S. in terms of recovery and the patterns of recovery followed the same trajectory.

These are some of the key trends noted in ***Avison Young's 2011 Forecast,*** released today. The annual report covers the Office, Retail, Industrial and Investment markets in 17 regions: **Vancouver, Calgary, Edmonton, Lethbridge, Regina, Winnipeg, Mississauga, Toronto, Ottawa, Montreal, Quebec City, Halifax, Chicago, Washington DC, Atlanta, Houston and Boston.**

"The Canadian picture remains positive. But the bottom line is this: without improved confidence and growth in employment, consumer spending, industrial production and gross domestic product (GDP), the North American commercial real estate market as a whole will have a difficult time recovering," comments **Mark E. Rose**, Chair and CEO of Avison Young.

"Having said that, we expect to see the broader U.S. market start to clear in the year ahead," he says. "We are seeing the return of strong global interest in U.S. property investments as top-quality assets everywhere are being priced to perfection. The forecasted expansion in employment will allow us to look forward and gain the confidence to spend and invest."

According to Rose, cap-rate compression, driven by low interest rates, the lack of alternative investments, massive amounts of capital sitting on the sidelines, and the under-allocation of pension funds in real estate created a financial or equity market recovery in the capital markets portion of value. "These attributes allowed the public real estate investment trusts to recover some share price, investment velocity to tick up and transaction pipelines to build, resulting in recoveries of 30% to 40% in the past year. But asset performance was uneven across North America."

By the fourth quarter of 2011, fundamentals in the global and local real estate markets "should start to turn upward and confirm the positive foothold established by the always forward-looking and more optimistic capital markets," he says.

Major Canadian investors such as the **Canada Pension Plan Investment Board, Brookfield Properties, Manulife Financial** and major REITs (including **RioCan** and **Artis**) ventured into the U.S. with billions of dollars in 2010.

Even though Canadian government fiscal stimulus via infrastructure spending has supported the recovery to date, credit must also be given to renewed confidence on the part of the consumer, as well as corporate Canada. Increased confidence in the Canadian economy benefited every market sector, strengthening tenant demand for office, retail and industrial space, as well as reviving a waning investment market.

"Building on the steady progress achieved in 2010, the outlook for Canada in 2011 is positive, with confidence and stability continuing to replace the uncertainty and fluctuations witnessed in most markets since late 2008," notes **Bill Argeropoulos,** Vice-President and Director of Research (Canada) for Avison Young.

U.S. commercial real estate conditions improved in 2010 compared with 2009; however, persistent unemployment could continue to hinder the sector's recovery in 2011. As a result, commercial real estate recovery is expected to be inconsistent from market to market and property segment to property segment in 2011.

"At least for the first half of 2011 – and until we see sustained and widespread job growth across the U.S. – most commercial real estate sectors in the U.S. will persist in their current conditions in 2011," comments **Earl Webb**, Avison Young's President, U.S. Operations. "We expect sales dollar volume to continue to increase as debt becomes more available and occupancy levels stabilize in most markets, and actually begin to recover slightly. However, improvement will come unevenly, just as it did in 2010."

CANADA

Office

According to the report, Canada's office vacancy rate managed to remain below the 10% mark in 2010, falling 60 basis points (bps) to 8.6% in 2010 from 9.2% in 2009 as stability and recovery took hold. Eight of the 12 Canadian markets surveyed experienced a decrease in overall vacancy – a reversal from 2009 when vacancy rates increased across the board. In 2011, office vacancy rates will continue to oscillate across the country with the overall vacancy rate expected to end the year slightly above the 9% range. Remnants of the recession will continue to linger and will be contested in many markets. Seven of the 12 markets will witness, to varying degrees, a rise in vacancy in 2011 – largely in Western Canada. Increases will range from 60 bps (Vancouver) to 150 bps (Edmonton). On the other hand, vacancy will trend lower in such markets as Winnipeg (-20 bps to 4.9%), Mississauga (-30 bps to 12.7%), Halifax (-40 bps to 6.6%) and Montreal (-100 bps to 8%) while holding steady in Quebec City (4.6%). The country's largest office market, Toronto, will peak at 10.8% by year-end 2011.

Retail

Recovering consumer confidence was the key factor in determining the dynamic in the retail leasing market in 2010. Despite some retailers scaling back or closing their doors, others seized the opportunity to expand and/or introduce new formats. Even the introduction of the Harmonized Sales Tax (HST) in British Columbia and Ontario (though contested) did not deter consumers from opening their wallets. Retail was also the most sought-after property type among investors over the past year. In all, $3.8 billion worth of retail properties changed hands between January and September 2010, capturing 31% of the overall investment volume. The relatively stable economy and more positive outlook, coupled with improving consumer confidence, also attracted big-name foreign brands, such as Victoria's Secret, in 2010, with others poised to enter the market in 2011.

Industrial

The industrial market began the recovery process in 2010 as Canada's industrial vacancy rate dipped to 5.6% from 6.1% in 2009. Vacancy rates, on the rise since the start of the downturn in 2008, stabilized and started to retreat in most markets in 2009 and 2010. The uptick in leasing velocity witnessed in the latter part of 2010 is expected to carry over into 2011 as most markets begin to adjust to the post-recession era. As a result, Canada's industrial vacancy rate is expected to hold firm, finishing 2011 at 5.5%. Apart from Montreal, which is projected to hold steady at 8.3%, eight of the remaining 10 industrial markets surveyed will see their vacancy rate fall by year-end 2011. In the West, Lethbridge will experience the most notable decline in 2011, dropping 170 bps to 4%. In the East, Ottawa will experience a 60-bps dip to 3.5%, followed by Halifax (-50 bps to 5%) and Mississauga (-20 bps to 6.4%). The country's largest industrial market, Toronto, will climb 10 bps to 5.7%, while Regina will continue to boast the lowest industrial vacancy rate in the country at 1.9%.

Investment

Purse strings that were tightly held the previous two years were finally loosened and the much-anticipated capital intended for the acquisition of investment-grade assets started to flow. In 2009, caution dictated all investment decisions, product and lenders were scarce, and buyers were not willing to match sellers' pricing. However, 2010 saw a marked improvement. By the third quarter, more than $12 billion in commercial real estate assets had changed hands, exceeding the total for all of 2009. The growth represented a 57% improvement over the previous nine-month period. Yield compression is underway once again, and some deals are reminiscent of 2007 levels – the previous peak. The aggressive pace seen in markets across Canada in 2010 is expected to continue in 2011 with even more capital looking for a home.

U.S.

Office

Office absorption in most markets remains weak. The national vacancy rate stayed close to 13% in 2010 as the rental market remained soft. Approaching year-end 2010, the five major Avison Young U.S. office markets recorded an overall average vacancy rate of 15.1%, virtually the same as at year-end 2009. One notable exception was Washington, DC (11.9%) where leasing activity – bolstered by federal government demand – was up over 2009 levels and vacancy rates declined. In 2010, Chicago (20.2%), Atlanta (20%), Houston (14.8%) and Boston (12.7%) saw their vacancy rates tick upward. While individual markets are optimistic about 2011 office leasing velocity, little improvement is anticipated for the overall vacancy rates.

Retail

Despite the closing of some major retailers during the recession, retail leasing began to recover in 2010 – albeit at a slow pace – and the recovery varied greatly from market to market. In some markets, vacancies created by recently-failed retailers have begun to be backfilled by existing local businesses and new retail entries. In Atlanta, rental rates continue to face downward pressure from the sale of mostly vacant lender-owned properties. Houston's retail market boasts a 7.6% vacancy rate, but asking rental rates remain below 2008 levels. In Boston (with a downtown retail vacancy rate of 11.6%), store closures added to the soft retail market. As national and local economies improve, the retail market will continue to stabilize in 2011, demonstrating decreased vacancy and firming rental rates.

Industrial

The industrial market remained sluggish throughout 2010, losing occupancy and maintaining a vacancy rate above 10% all year. It is unlikely that U.S. companies will commit to adding capacity and inventory beyond seasonal requirements in 2011. Few U.S. markets are predicting significant improvement; however, notable deal flow has returned to several markets such as Chicago, which is forecast to see its vacancy drop to 11% in 2011. Among the Avison Young industrial markets, Houston was the healthiest at year-end 2010 with 6.2% vacant – and further growth is anticipated. Rental rates are expected to increase and overall Houston vacancy is forecast to drop to 5% by the end of 2011 – less than half the vacancy rate of any other Avison Young industrial market in the U.S.

Investment

The capital markets area is one of the bright spots for the U.S. Foreign investment in core U.S. assets, led by Canadian purchases, was significant in 2010. Canadian companies demonstrated their interest in central business district office assets with major trades in Houston, San Francisco and New York. Overall, investment sales stabilized by mid-year and continued to firm up in the second half of 2010. Owners also became more realistic about pricing, reducing the large bid-ask spread of recent years, and focused on raising additional capital through dispositions. More assets are expected to be brought to market in 2011 resulting in further increases in total sales volume.

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Rose adds: "Although there is inherent risk in any recovery, what we have and will continue to see is the orderly flow of capital to real estate. Interest rates are low, values are compelling, distressed selling is almost non-existent and trophy assets are being aggressively fought over as they become available."

"We anticipate that multinational corporations and other major occupiers of space will strengthen their core businesses and begin to execute on long-term growth plans in 2011," concludes Rose." As corporate decision-making gathers steam, activity will follow, and if we are correct that the environment will strike an overall positive bias, then vacancies will start to drop and rental rates will begin to rise. This is when a real recovery will occur. It finally feels like overall improvement could be around the corner."

Check Out The Milton Canadian Champion Real Estate Section Every Tuesday and Thursday

Call Diane to reserve your spot today!

905-878-2341 ext. 212 Fax: 905-876-2364
dianew@miltoncanadianchampion.com