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CANADIAN HOUSING MARKET AT SUSTAINABLE LEVELS

A quick correction in the housing market

The effects of changes to mortgage insurance rules are usually temporary, and tend to last up to three quarters. With that said, we can now see that the housing market is starting to pick up. As a whole, the market remains well balanced, with home sales remaining at a level that is steady with demographics and income growth. Canadian housing market sales and prices are growing at more sustainable levels. This housing activity momentum is expected to eventually be weakened by affordability, which could lead to lower homebuilding activity in the coming quarters. The overbuilding that has taken place over the last decade could lead to new home construction falling below demographic need. This will help to prevent further overbuilding and may

result in a quick correction in the housing market.

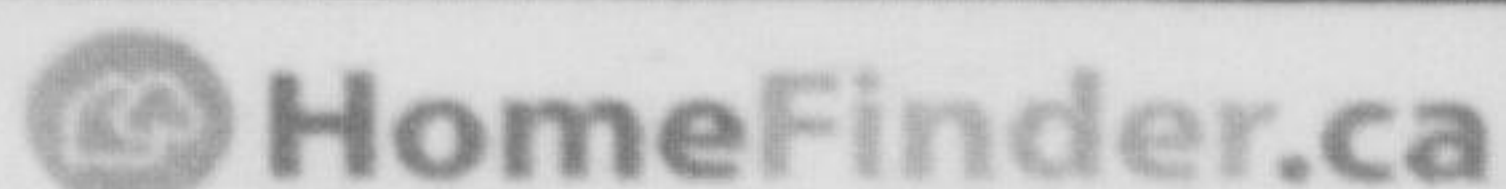
Canada's slowing housing market expected to impact growth

Canada's economic outlook is set for a sub-par growth rate increase this year following the 2012 economic slowdown. Although the global economy will improve, there are still limits on the acceleration of growth in Canada. Some of these constraints are due to the current financial imbalances in the household sector. Overall, Canadian net worth has risen substantially since the economic downturn and Canadian homeowners have survived the tightening of lending regulations introduced by the Government in 2012. Fortunately, the consensus for the Canadian economy expects a growth of 2.2% on average over the next 5 years.

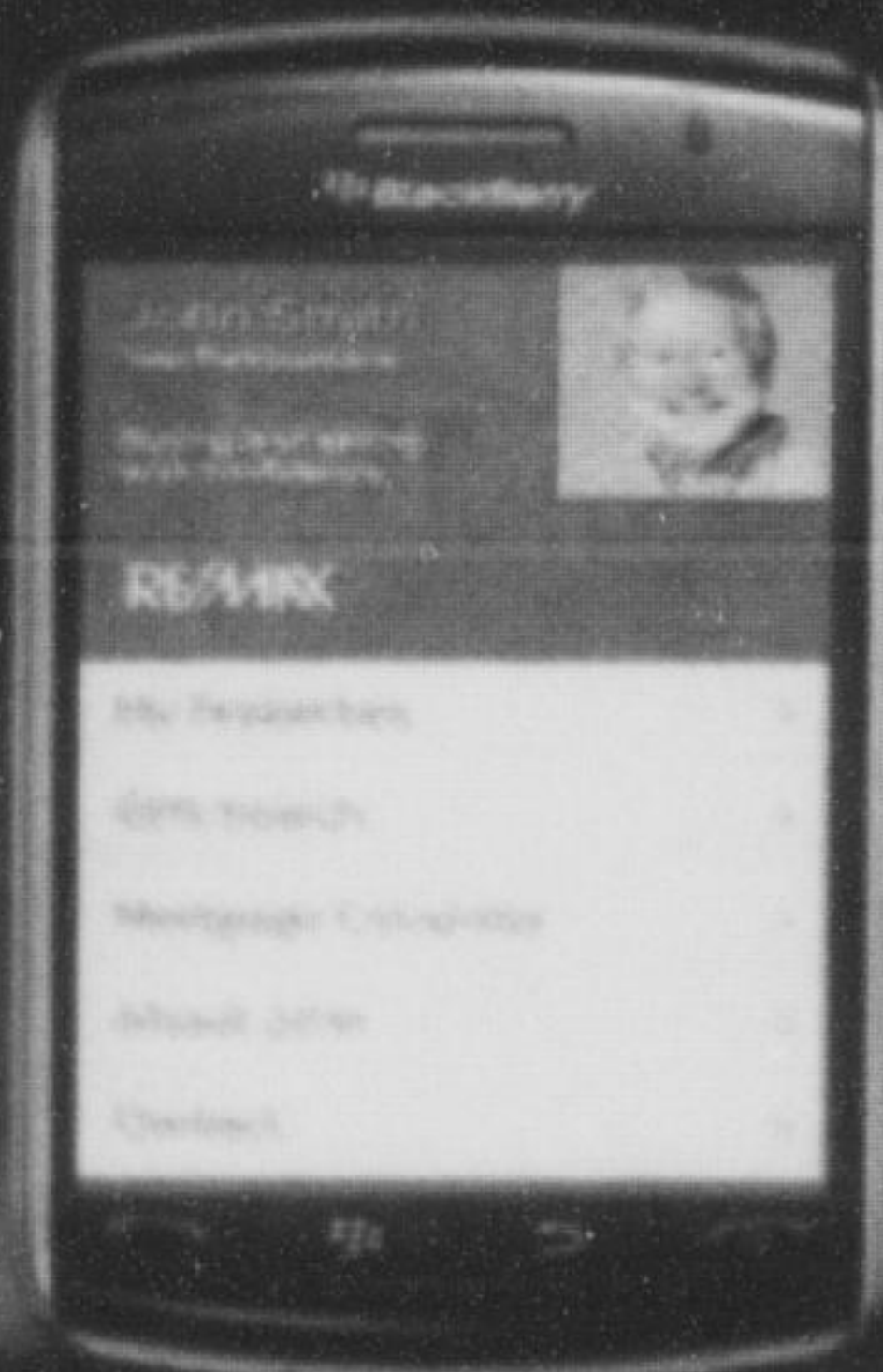
U.S. economic growth remains in the forecast

The U.S. economy is forecasted to grow by 2% in 2013 and above this rate next year. Fiscal drag is expected to slowdown economic growth in 2013 and somewhat less in 2014. As significant uncertainty about future budget options remain in the picture, there remains a downside risk on the U.S. economic outlook. There is greater economic growth forecasted between 2015 and 2017, which will be led by spending on durable goods, residential construction and business investment. The increased pace of growth will allow the unemployment rate to decrease considerably by 2017. Looking ahead, the long-term growth rate of the U.S. economy will mainly be determined by labour force growth and productivity.

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.



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