Oh, Canada

Canada's real estate market readies itself for what could be a turbulent year

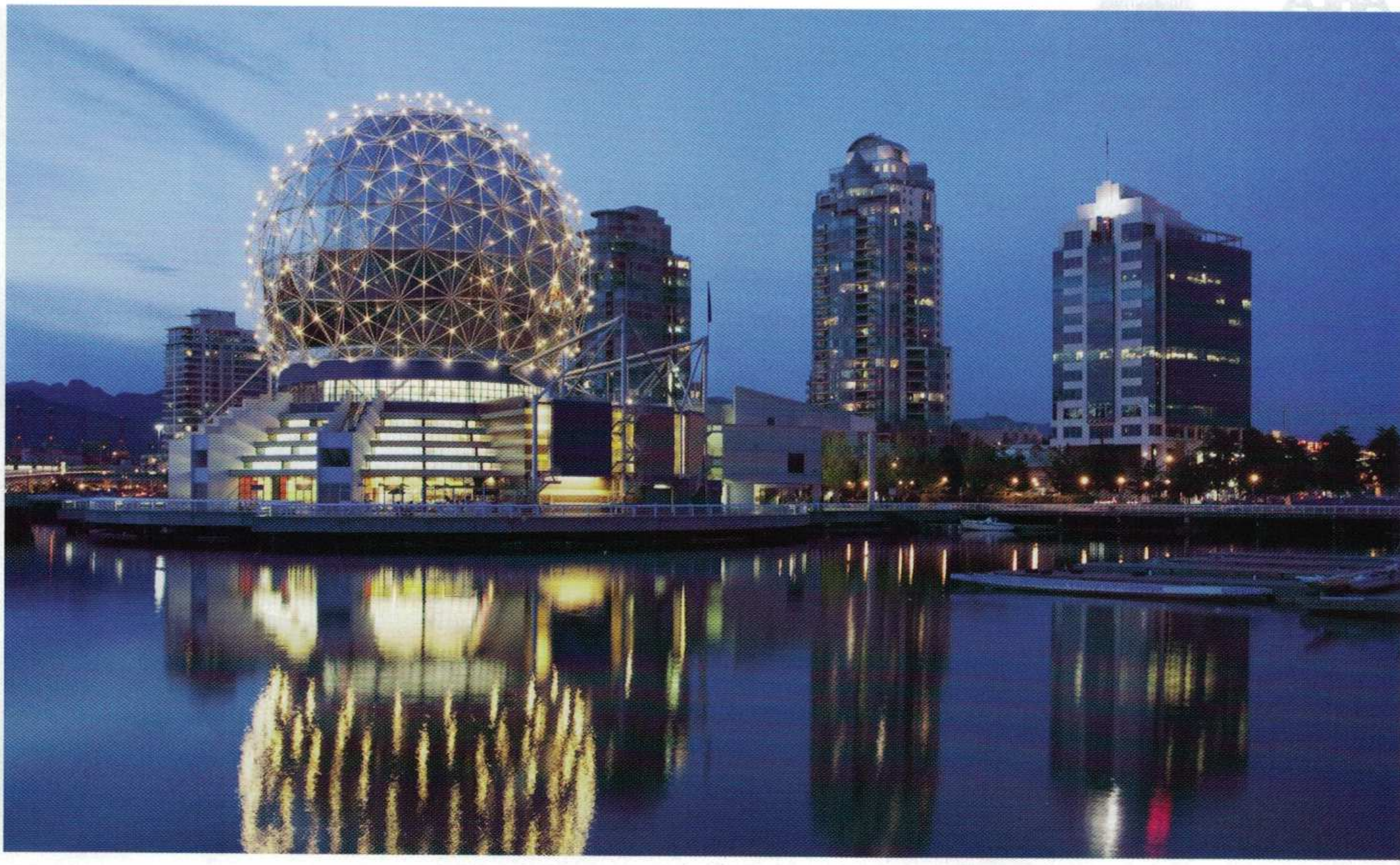
For once in as long as most of us can recall, there is change afoot in Canada. While "change" in Canada doesn't necessarily equate with instability or volatility, there are some signs that the country's real estate market could be on course for a tricky year in 2016. With the Fed in the United States expected to raise interest rates any minute now, that's the least of the Canadian markets' worries. With a new Liberal government (led by the legendary Pierre Trudeau's son Justin) vowing to run a deficit budget for its first three years to correct perceived missteps by Stephen Harper's outgoing Progressive Conservative administration, and rising job losses in Alberta's energy industry rippling across the provinces, the Canadian real estate market could be in for a shake-up. Which way it goes and how severe it may be it is burning question.

The pundits have already spoken regarding the stock market, with the *Financial Post* chiming in – before the election – that a Liberal win has historically boded well for the stock market. True to form, a wobbly dollar bounced back after the Liberal landslide and stocks rose, however cautiously. More crucially however, Trudeau's campaign pledges to overhaul the country's tax system and significantly increase infrastructure spending are more pressing for investors. The majority of the tax plans involve small business taxes and high incomes. However, infrastructure spending is always a factor for property investors and in the long run can be a positive.

Samson Hui, managing director of Concord Pacific in Hong Kong believes the Liberal victory – a word that inspires abject terror in the UK and the US – is a good thing. "The new Liberal government is young and with great passion, it brings new hope to Canada of changes and betterment. We also believe that the loosening immigration policy ... will be favourable to the property market," says Hui. Incoming Minister for Immigration, Refugees and Citizenship John McCallum is a cabinet veteran who opposed many of Harper's more draconian bills. Basically, Canada will start looking like Canada again.

For traditional hot spots, the sky is far from falling. "Canadian property now comprises two distinct markets. Vancouver and Toronto remain hot, but are vulnerable to a correction. Prices in the rest of the country range from stagnant to falling, particularly Alberta," says real estate writer Christopher Dillon. "This is a great time for overseas buyers to start researching the market. Bargains will be available for buyers who have done their homework and are able to act quickly."

For some, Toronto and Vancouver are too hot. According to Sherry Cooper, chief economist for Dominion Lending Centres, infrastructure spending could impact mortgage rates if more bonds are issued to pay for it. "Given that the Bank of Canada isn't going to cut [rates] any further, and if anything the yield curve will steepen, five-to-10 year yields will actually edge upward as investors realise that the supply of Canadian bonds is going to increase, and that means that mortgage rates will be stable to moderately higher over the next year," she told *Business in Vancouver*. That could mean cooling in those overheated markets and some control on affordability, and issue in both those cities that needs to be addressed.



For Hong Kong investors, it's all fairly good news. As long as the peg remains and the US greenback continues to strengthen, the Hong Kong dollar will have solid buying power. But those shifts in Alberta will be felt across the board. The Canadian economy has always performed at its peak when the dollar was cheap compared to its American counterpart — but it can be too cheap, and Trudeau will likely have to respond. "Cheap oil has driven the Loonie below the psychologically important 75-US cent level. Canadian interest rates will have to match rises in the US. If they don't, the Canadian dollar will fall further." Hui agrees that falling oil prices have hurt, but is confident prices will eventually bounce back, echoing Dillon with, "It is also a good time to invest in property now, as prices will pick up when the market rebounds."

For anyone curious about what's happening in Canada, the Canadian Chamber of Commerce will be hosting a seminar on overseas residential investment markets (Toronto and Tokyo) on December 3 at 6:30pm. Refer to www.cancham.site-ym.com for details.

The latest Canadian property to come to Hong Kong investors' attention is The Arc, a waterfront project in Vancouver's False Creek district. Developer Concord Pacific aims to marry luxury, function and liveability in one modern residence. Located at Concord Pacific Place, The Arc is part of a larger master plan set to redefine Vancouver living. Sales details and a Hong Kong launch are expected soon. For details contact Concord Pacific on +852 2334 0000, or refer to www.concordpacific.com.