

# Mortgage rates drop in minor tweaking

Inverted yield produces 'abnormally close' 1-and 5-year rates

BY BRUCE CONSTANTINEAU  
VANCOUVER SUN

Canadian mortgage rates dropped a tenth of a percentage point today — a minor tweaking that keeps one-year and five-year fixed rates abnormally close to each other.

"There's an inverted yield curve now and many lenders don't want to lend money on a short-term basis," said mortgage broker Kris Budisa, regional manager of Mortgage Alliance. "They're doing whatever they can to get clients to take longer terms of five years or more."

(An inverted yield curve happens when long-term debt instruments have lower yields than short-term instruments, a situation that's considered to forecast an economic downturn.)

At TD Canada Trust, the fixed rate on a one-year closed mortgage fell a tenth of a point to 6.4 per cent while the rate on a five-year term dropped a twentieth of a point to 6.45 per cent. Under normal conditions, the five-year rate would be at least a percentage point higher than the one-year.

The bank's variable-rate mortgage, which moves with the Bank of Canada rate, was unchanged at 5.5 per cent.

Budisa said the five-year fixed-rate mortgage remains the most popular choice by far, even

though it's not always the best option for everyone.

"A lot of people don't understand their options so they just keep doing what they've always done, which is to take a five-year term," he said. "But if you look back over the past 80 years, going with a five-year rate is not always the best choice for many clients."

Current mortgage rates generally are less than a percentage point higher than they were a year ago and Budisa doesn't expect they will go a lot higher in the near future, noting banks continue to offer "incredibly good rates" on 10-year mortgages (7.05 per cent at TD Canada Trust).

"That tells you where they think rates are going to be 10 years from now — modestly increasing but with no huge spikes in store," he said.

VanCity Credit Union chief operating officer Ian Warner said there appeared to be no huge advantage this year for borrowers who chose either a variable or a fixed-rate mortgage. A year ago, a variable-rate mortgage was available for 5.25 per cent but it averaged 5.06 per cent over the year, compared with 5.1 per cent on a fixed-rate mortgage.

Warner said mortgage lending activity has slowed down recently as the housing market takes a breather. But he noted house prices continue to rise, which

increases the demand for higher-value mortgages.

"We still expect to do very well next year," he said. "We might write fewer mortgages but there should be a higher dollar value per mortgage."

Warner said mortgages with 30-year and 35-year amortization periods remain popular among many buyers striving to make a home purchase as affordable as possible.

Credit Union Central of B.C. chief economist Helmut Pastrick said stronger economic growth in the second half of 2007 should put upward pressure on long-term mortgage rates next year, with five-year rates being as much as half a percentage point above current levels. He said shorter-term rates will remain in a fairly tight range.

Pastrick expects mortgage rates will remain at levels low enough to support a healthy housing industry, with B.C. housing sales declining by about five per cent next year while housing starts drop by just one per cent.

He said the choice between a variable-rate or fixed-rate mortgage next year will depend on a person's individual circumstance.

"If a person is a new buyer and relatively new to the job market, it probably makes more sense to go for three or five years at a fixed rate," he said.

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# Calgary housing boom loses some of its steam

BY ERIC BEAUCHESNE

OTTAWA REAL ESTATE | Some of the air has come out of the Calgary housing boom with prices for new homes suffering their first month-to-month drop in two years, and one of the steepest declines among more than two dozen Canadian cities.

However, Calgary homeowners can relax, as the Statistics Canada report Monday also shows that new home prices in the oil-rich city were still more than 50 per cent higher than a year earlier, easily the steepest increase of any city.

And the city's housing boom will not likely go bust as it did in the early 1980s, said a housing market consulting firm.

The surge in housing prices is similar to the city's previous boom three decades ago, said Clayton Research Associates in a separate analysis Monday.

"But several other 'giant killers' of the mid-1970s and early 1980s boom — like escalating interest rates and plunging oil prices — are unlikely to come into play this time around," it added in its monthly housing report.

Meanwhile, prices in Canada's other really hot housing

market, Edmonton, remained hot in October, rising a further 2.2 per cent from September, the steepest increase of any city, and were 41.1 per cent higher than a year earlier, the second steepest increase.

And while overall new house prices in Canada edged up just 0.2 per cent during the month, the smallest increase in more than a year, prices were still 11.4 per cent higher than a year earlier, although year-to-year gains in all other cities were in single digits with prices in two — Victoria and Windsor — being slightly lower.

The real estate industry expects housing sales this year will reach a sixth straight record high despite what has been a slowdown in sales in recent months.

While the housing boom has faded in most parts of the country, homeowners have had a good run, and not just in the increases in the value of their homes.

Homeowners have also seen their incomes rise over the past decade and half, something which renters haven't, according to a separate report Monday into the state of housing in Canada by Canada Mortgage and Housing Corp.

A modest 3.3-per-cent

increase in real after-tax median household incomes between 1990 and 2003 masks divergent trends for owners, who saw their incomes rise 4.5 per cent, and renters, who saw theirs fall 4.8 per cent, CMHC said.

Meanwhile, the housing market has not only been good to homeowners, but good for the overall economy as well, CMHC also said.

"The housing sector made a significant contribution to the Canadian economy in 2005, with strong employment growth, rising incomes and low mortgage rates fuelling sustained housing demand and high levels of new construction, resales, renovation and mortgage lending activity," it said.

The strength of housing construction in recent years, the highest since the late 1980s housing boom, has also occurred in spite of a slowing in population growth and an aging of the population, it noted.

"With population growth slowing, and immigration typically in excess of 200,000 per year, net international migration now accounts for approximately two-thirds of population growth in Canada," it said, suggesting that will continue.

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## Vancouver sees rise of low-budget film productions

From D1

vision series, *The Collector* and *Godiva's*, but then was buoyed by *Whistler* getting green-lit for a second season on CTV, as well as the addition of the new series, *Painkiller Jane*, which shoots through July 2007, and the miniseries *Tin Man*.

One trend that has emerged this year is the proliferation of low-budget productions.

"There's been a real movement toward low-budget product, and we've adjusted our contract to allow for that and to sign these \$1.5 million MOWs [movies of the week]," said Chambers. "We've also done some of the bigger movies and TV series, like *Masters of Science Fiction* and *Masters of Horror*."

"We've had the full range of all different kinds of shows and all different budget levels."

The other big crafts union has also experienced a busy time, especially with low-budget productions.

"We haven't had the amount of big-budget shows that we've had in the past, but the total amount [of production] for the year will be comparable to last year," said Elmar Theissen, president of the International Alliance of Theatrical and Stage Employees (IATSE) Local 891.

Theissen said that, while the big-budget movies aren't as plentiful, the workload has been taken up with smaller-budget productions that fall in the \$1-million to \$3-million budget range.

"There's a tendency toward lower-budget movies wanting to establish themselves here," said Theissen, who attributes the steady business to a Canadian dollar that has leveled off after a meteoric rise early this year, and the continuation of the provincial government's tax credits for labour and for animation and digital effects done in the province.

Theissen said that most of his members' livelihoods come from television production, and the year was busy in that department, particularly in series production.

Vancouver Film Studios also reports steady business.

"The year's been as busy as last year," said Pete Mitchell, senior vice-president of marketing for Vancouver Film Studios, which played host to series *Battlestar Galactica* and *Eureka*, and feature films *Fantastic Four: Rise of the Silver Surfer*, *Alien vs Predator*, *The Shooter* and *Are We There Yet*.

"I'm quite confident 2007 will be a very good year in Vancouver," said Mitchell. "For us, January and February might not be that great, but that's just timing."

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