

2012



2011

2010  
2009  
2008



HUGH HERON  
ON-SITE INSIGHT

# Looking forward to the new year

Rising interest rates are a sign of good times ahead

In December 2010, Governor of the Bank of Canada Mark Carney warned Canadians about becoming complacent in the face of our current low interest rates, so they can avoid financial problems when rates rise in the future. On one hand, the message we're getting is to be careful of our spend-

ing and save. On the other, history has shown that if we see a rise in interest rates, it will be because our economy is on a more solid footing - and there is a certain security in that. Let's say rates rise a percent or two; that indicates a growth situation that is a more normal state of affairs than we've seen in years.

This bodes well for those thinking of entering the new home market. Most first-time home buyers use CMHC for anything over a 75% mortgage, which is in turn insured by that organization.

This requires buyers and CMHC to look closely at their assets to ensure that they can afford to buy a home and manage a mortgage. Unlike the situation in the United States, this conservative financial practice is a major reason why we have such a different housing economy here.

CMHC's realistic analysis of people's qualifications for homeownership has saved us from the kind of market disaster they have had to deal with south of the border.

When I look to the future, I take in the big picture, and immigration is part of it. Remember that immigration drives a lot of first-time buyers. For over 40 years, I've watched immigrants come here with the goal of homeownership and to give their kids a better place to live. They often have to scrimp and save to buy a home, but they do it for their love of this country and to provide a better future for the generations to come.

People will continue to come to Canada to seek a safer and more promising life than they have in their homelands. We enjoy so many privileges here — freedom of religion and speech among them.

High-rise condominiums are often a choice for immigrants who grew up with apartment living in major urban centres, which accounts for some of the popularity of condos in the GTA.

November statistics from BILD show that new home sales were one per cent over November 2009, and high-rise sales were up 8.4% over the previous year.

In fact, this year's was the best-ever November performance for new condominium sales. High-rise sales also accounted for 56% of all the new homes sold from January through November.

In addition to beautiful designs and high-quality standard features, international buyers find our condos affordable by global standards.

Home buyers in general are wise to put their hard-earned dollars into real estate as an investment, as it has proven historically to rise in value over time. Low interest rates have enabled many Canadians to enter the market, and the year 2010 was a good one across the board. Far from a boom that could bust, this is realistic, healthy market growth.

What will happen in the future is always unsure, and of course, we will have setbacks now and then. New home real estate is a cyclical business, and historically over time, we recover from the dips, grow and move forward.

Being careful with finances is al-

ways a good policy for Canadians. It's also a great idea to consider home ownership as a way of building equity and a bright future.

I've said it many times — WE make the economy, and our spending is part of why things are healthy enough that a raise in interest rates can be considered.

Mr. Carney's prediction that rates will go up is a good reason to consider buying sooner rather than later.

— Hugh Heron is Principal and Partner in the Heron Group of Companies and President of Heathwood Homes, as well as a former Member of the Board of Directors of Canada Mortgage and Housing Corporation, and a Past President of the Toronto Home Builders' Association and the Ontario Home Builders' Association.



Giving back to the community with heart

In 2003, the Heron Group and Heathwood Homes established the Mikey Network to honour the memory of former partner Mike Salem, who experienced sudden cardiac arrest (SCA) and died on a golf course in 2002. This non-profit charitable organization promotes heart-healthy living and places public-access defibrillators called Mikeys in high-risk public places. In Mike Salem's name, the network works with community partners to offer a second chance at life to people of all ages who experience SCA. To support this worthy cause, visit [www.mikeynetwork.com](http://www.mikeynetwork.com).