David Blair's

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Wealth Management Newsletter

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The Housing Market – David Blair

The recent run up in the housing prices in Vancouver has been quite amazing, leaving questions of where the market is heading next. The CMHC came out with their housing market assessment recently and nationally they see moderate overvaluation. They have concerns in 10 of the 15 cities they surveyed across Canada. Leading the list of most overvalued cities were Vancouver, Toronto, Quebec City and Saskatoon. Their overall assessment highlighted Calgary, Regina, Toronto and Saskatoon as having strong evidence of problematic conditions which is their highest alert rating.

http://www.cmhc-schl.gc.ca/odpub/esub/68456/68456_2016_Q02.pdf?fr=1462383706510&sid=a0HRKaFrdxgCXjo1uXTn6HZplc4YJ8qNv81T03GUnQuFBf2nVfkcAZjg8XGRgQJY

RBC's view is we are likely to see the trend continue. Real estate markets which have exposure to the oil and gas sector like Alberta, Saskatchewan and Newfoundland, they will likely remain weak. For BC and Ontario they expect markets to remain strong this year.

http://dir.rbcinvestments.com/pictures/account-david.blair/housing%20update.pdf

Where does this leave first time home buyers? Mostly out of the detached housing market. It would take about 11 years to save enough for a down payment on a Vancouver house vs historically just over 5 years. Interestingly, condos are more affordable now than they have been since 2000. This is due to growth in wages, a larger supply of condos and low interest rates. While it takes about 34% of median income vs 35% historically, it is still more expensive to own a condo than to rent one.

http://www.theglobeandmail.com/real-estate/the-market/house-prices-soar-but-condos-becoming-more-affordable/article28957142/

US investors are short selling the Canadian bank stocks with the idea that Canadians are too indebted. They also believe our housing market is overheated like theirs was a decade ago. To Americans, it is like déjà vu and so they are betting against our real estate market.

If you have some free time watch a movie called "The Big Short". It may remind you of something we are seeing today in our housing market.

Plan to succeed!

Raminder Bhatti

A year flew by between two, but I got to enjoy more of it being a second time parent. Asha is now 4 and Suneil is 14 months. They are both very active kids and do not sit still. Yes, even the 4 year old! Asha is really into board games right now and insists we play them all day. Suneil loves his new found freedom, walking! He will toddle around all day. It's really quite cute! You will also find him playing with cars, trucks or any vehicle of any kind.

What I have learned over my year off is how powerful planning can be. Nobody plans to fail. But, people do fail to plan. Sometimes it does not make a difference. Some people are successful and happy as their random choices all work out. Some people plan prudently and bad things happen. But, in most cases, the chances for a positive outcome increase when opportunities are considered and decisions made consciously.

With life being so busy, here is a summary of what we think is important:

1. Most of your core energy should be focused on your family and friends, and on your health – physical, emotional, spiritual and financial.

2. Recognize that money (in its many forms) is only a tool – a tool to help you achieve your life goals.

3. Think about, and then write down, your goals. Update this once a year, or after every major life event (marriage, birth of child or grandchild, new job, retirement, etc.).

4. Analyze whether your current activities have you on a path to meet your life goals, and if not, perhaps you can find a way to connect what you are doing to what you want to accomplish.

5. Work with us to develop a financial plan and an investment strategy which are designed to help you achieve your goals.

6. Recognize that your financial plan and your investment strategy need to be reviewed at least once a year. A change in strategy should be based upon significant changes in your life, not based upon the price movements of the financial markets or the short-term performance of your accounts. This kind of planning is important for people of all ages.

We hope to continue to be a part of your life, so we can help you plan to succeed! Feel free to call me to discuss your accounts, markets or just to chat at 604-678-8251. It is great to be back and look forward to speaking with everyone soon!

Checking the markets daily? What can this tell you?

Susan Askin

Much is made of the stock markets daily direction, but watching the movement too closely likely makes it more difficult to tell what the trend may be, however the allure and excitement of the process makes it an irresistible thing to watch for some investors. Often it seems that the market changes direction on a daily basis, with the reason for the move sometimes being a pretty weak excuse. This is because the daily market moves are driven more by the emotion that gets tied to the daily news rather than the trend of the fundamentals that determine the long-term success in investing.

If the markets moved only in relation to the facts, they would be easier to understand, but once you throw opinion and emotion into the mix, it can get very confusing and uncertain. The table below illustrates how the daily market movement is close to a coin-toss in which direction that it may be. The emotion of investors is a lot harder to predict than the market itself, yet, the longer-term view generally supports the theories and benefits of a long-term investment plan.

Percentage of Time the S&P Has Been Up Over the Past 65 Years

Daily	52.90%
Weekly	56.40%
Monthly	59.30%
Quarterly	64.30%
Yearly	73.00%

Source: Bloomberg

Is Canada going back into debt?

David Blair

The deficits that are planned over the next five years relative to the size of our economy are not big enough to do any real damage. The federal debt as a percentage of GDP is projected to be about 30.9% by 2021 which is slightly lower than the current 31% if all goes according to plan. Canada will be increasing the total federal debt from $620 billion to $730 billion but with the expected economic growth, Canada will still be in a good position to service the debt. In spite of all the money being spent at the Federal level Canada will be ok financially.

The budget is projecting very slow growth numbers in the economy so the deficit may be slightly better than expected. The main concern is that the federal government is now running ongoing deficits throughout its term in office, rather than just during a recession. This did not work out well for Canada in the 1970's and 1980's as governments spent more than they took in, resulting in a huge accumulation of debt over 20 years. The other issue is if the US went into recession in the near future. We would likely follow, and find the government's deficit expanding dramatically.

You can read more in depth here:
https://www.rbcinsight.com/CM/Share/ResearchViewer/?SSS_6E74C2DD56016B4B48B352DC5908AE90

Exclusive Wealth Management offer to assist with your mortgage needs

Susan Askin

Is your Mortgage coming up for renewal? Are you using a home equity line of credit?

As someone who already holds accounts at RBC Dominion Securities, you are eligible for **preferred pricing** on your mortgage and home equity line of credit. These benefits are available to you if you are starting a new RBC mortgage or switching your mortgage to RBC from another financial institution.

When you need assistance with a home mortgage or a home equity line of credit (HELOC), we are pleased to be able to offer you personalized advice from a highly qualified mortgage professional at RBC Royal Bank. Mortgage professional are available to guide you through the entire process, whether you need a new mortgage or want to switch your mortgage from another financial institution. Your mortgage professional will look at your unique situation to help you choose the best mortgage based on your finances and goals.

How an RBC mortgage professional can help you

- Personalized one-on-one service
- No-obligation advice and information about RBC Royal Bank mortgage products
- Tips on how to maximize mortgage features to save money
- A single point of contact for mortgage inquiries
- In-person meetings at a time and place convenient to you – your home, office or another location
- Some mortgage switching costs will be covered if you are referred to an RBC mortgage professional by Blair Wealth Management.

For more information please do not hesitate to contact us.