

Dear clients,

I have been receiving lots of questions on the proposed stress test change in June 1, and I thought I would provide some insight on it.

From the current proposed changes, the mortgage rule changes will be most challenging for first-time homebuyers

Calgary's resales for March were the highest in almost 15 years.

Yet the momentum in the real estate market may face headwinds from proposed changes to the mortgage stress test rules.

The city saw a 147 per cent year-over-year increase in resales last month with 2,903 homes changing hands — the highest since 2007.

As well, the benchmark price grew by seven per cent year over year to \$441,900.

Yet that momentum could be set for a pause in the coming months as the Office of the Superintendent of Financial Institutions recently announced it aims to increase the qualifying rate, known as the "stress test." As of June 1, the qualifying threshold for uninsured borrowers (more than 20 per cent for a down payment) is proposed to increase to 5.25 per cent for a five-year mortgage or two percentage points above borrowers' contracted mortgage rate, whichever is greater.

Borrowers would be looking at about a 50 basis point increase to the current qualifying rate based on the Bank of Canada's five-year rate of 4.79 per cent.

The change could cool the market a bit in our city, which is really not fully recovered in terms of pricing.

Despite recent price gains, the benchmark price in Calgary is still five per cent below the high of 2014. Consequently, the Calgary market is still in recovery mode.



The increased threshold would reduce maximum affordability among uninsured buyers by five per cent, OSFI is hoping this change will slow the exponential increase in home values in Toronto and Vancouver, but this could leave Calgary as collateral damage.

Additionally, it remains unclear if the change will apply to insured mortgages. For that to happen, the federal government would need to approve the change which is expected to happen this week.

The impact shouldn't be too significant for the move-up buyer as most of the sales occur at the lower price ranges and typically for those qualifying for insurable mortgages.

BUT, if the higher stress test threshold is expanded to include insured borrowers, the effect would be concerning as it would dampen demand among the largest part of the real estate market: first-time buyers.

I will try to keep everyone up to date as we hear things. Please do not hesitate to ask me any questions at anytime.

