The big buzz in real estate recently is Mark Carney being scooped up by Brookfield. This means more juice for riskier borrowers. Brookfield, a huge player in real estate, both residential and commercial, recently bought its remaining shares from Sagen (Genworth MI Canada), which values the company at $3.8 bn.

The backstory is that Mark Carney was formerly the governor of the Bank of Canada, and recently the Bank of England, he has a strong association with Trudeau, and he was recently appointed to the UN as ‘special envoy for Climate Action and Finance’.

Two points that are significant are, 1. that Brookfield is on record for not being aligned with the CMHC’s risk guidelines; 2. Carney was governor of the BOC (2008-2013), a period where consumer debt to income ratios grew from 140% to 163% in Canada and is a proven advocate for easy money and low rates.

Factors of note with respect to Sagen’s market opportunities
The CMHC has reduced its exposure to Canadian mortgage risks in recent years. For example, it has reduced the size of its insured portfolio from $600 bn to $443 bn. This private sector has picked up this slack. For example, Sagen has grown its market share, the Company estimates that its outstanding principal balance of insured mortgages as at June 30th, 2020, was approximately $205 billion. The Company estimates that as of March 31st, 2020, the outstanding principal balance for all privately insured mortgages was $270 billion relative to the $350 billion aggregate outstanding principal limit under the government guarantee legislation (Protection of Residential Mortgage or Hypothecary Insurance Act).

Translation for prospective home buyers: easier access to mortgages.

Aggregated real-estate news from October 15-30th

REAL ESTATE
LANDLORDS IN B.C., QUEBEC, FLORIDA TAKE HBC TO COURT FOR UNPAID RENT
(G&M - RACHELLE YOUNGLAI SUSAN KRASHINSKY ROBERTSON) - Evolving Legislative/Regulatory Issues
The legal proceedings are occurring as pandemic measures stretch into their eighth month and COVID-19 cases soar in Ontario and Quebec. Indoor activity is restricted and the economic slowdown is hurting retailers and their landlords.

CANADA’S SEPTEMBER HOME SALES SET RECORD, SOARING 45.6% FROM LAST YEAR
(G&M - CP) - Risk Management Issues
Canadian homes sales set a monthly record in September and the national average price soared 17.5 per cent from last year, the Canadian Real Estate Association said Thursday.

1 CMHC assumes 90% of risk while private insurers are responsible for the first 10% of losses.
AVERAGE CANADIAN HOUSE PRICE CONTINUES TO DEFY EXPECTATIONS, UP 17% IN PAST YEAR

(CBC - Pete Evans) - Financial Services Industry Structural Issues
CREA said its average price is not the best gauge of the market because it is easily skewed by sales of expensive homes in Toronto and Vancouver. The group said if those two cities are stripped out, the average Canadian home sold last month went for $479,000. But that figure has risen by even more than the overall average, up by more that 20 per cent in the past year.

MFDA PANEL FINES, BANS REP FOR SYNDICATED MORTGAGE MISCONDUCT

(Investment Executive - James Langton) - Evolving Legislative/Regulatory Issues
Among other things, the panel found that Li sold at least $2.2 million in syndicated mortgages to clients, generating $173,500 in fees from the unauthorized activity. The clients’ money was largely lost, the MFDA said.

CANADIAN REAL ESTATE SALES SOAR, AS SHIFTED COMPARISON PERIOD CONTINUES

(Better Dwelling - Daniel Wong) - Risk Management Issues
Canadian real estate sales set a new record for the month. On a seasonally adjusted basis, there were 56,422 homes sold in September, up 0.9% from the month before. Unadjusted the number comes in at 61,308 sales, up 46.6% from the same month last year. This is the most sales for any September on record, according to CREA. The seasonal shift that was expected, is a little more obvious after viewing an overlay of year

RBC JUST FORECASTED MORTGAGE DEFAULTS MAY BE HIGHER THAN IF THE BOC DID NOTHING

(Better Dwelling - Stephen Punwasi) - Attitude and Preference Issues
RBC sent a research note to institutional clients that mentions upcoming mortgage defaults. In the research note, they state “we believe 10% to 20% of mortgages under deferral are at a higher risk of defaulting.” Further adding, “if 20% of mortgages under deferral eventually become delinquent in Canada, this equates to a mortgage delinquency rate of 2.3% which is almost 4 times higher than the peak Canadian mortgage delinquency rate over the past 30 years.” Even at that rate, it’s still relatively low in the grand scheme of things. However, as the analysts note, it’s higher than Canada has seen in recent history.

THE PANDEMIC MAY CHANGE THE FACE OF REAL ESTATE AS WE NOW KNOW IT

(Insurance-Portal.ca - IIJ) - Financial Services Industry Structural Issues
COVID-19 has also accelerated the move to e-commerce, paving the way to increased warehousing space. Survey respondents indicate that malls with excess land need to be changed into residential or mixed-use properties. Some of that space can also be used for warehousing, distribution or fulfillment—including last-mile delivery—to satisfy the growing demand for online shopping. Grocery-anchored strip malls will fare best, as grocers have seen record sales during the pandemic.

CANADIAN HOME EQUITY BORROWING GRINDS TO A SUDDEN HALT

(Better Dwelling - Daniel Wong) - Attitude and Preference Issues
The total balance of loans secured by real estate inched higher for a third month, but remains below the peak. The balance outstanding was $305.17 billion in August, virtually flat from the month before with a 0.04% increase. Compared to the same month last year, this represents a 0.58% increase. That’s the lowest rate of annual growth since 2016, and it’s due almost entirely to personal loans drying up.

RE/MAX TURNS BEARISH ON TORONTO CONDO PRICES, EXPECTS DECLINES SOON

(Better Dwelling - Stephen Punwasi) - Attitude and Preference Issues
RE/MAX is seeing condo inventory rise due to both flight to the suburbs and interest rates spurring more detached demand. The firm cites a decline in short-term rentals, like AirBnB, collapsing as one reason. This has resulted in even more condo owners looking to sell or rent to long-term tenants. Massive amounts of building across the city further complicates this trend, with the firm warning “thousands more to come once new construction is completed over the next two to three years.” Further adding, “…condo prices, as well as rents, are expected to decline in the coming months.”

HOW THE PANDEMIC ‘LIT THE FIRE’ OF A RED-HOT REAL ESTATE MARKET INSIDE THE ATLANTIC BUBBLE

(FP - Victor Ferreira) - Financial Services Industry Structural Issues
“It’s the first time in a long time where I’ve seen listings go at asking price or over asking price,” he said, noting the last time he experienced a market like this was in the early 2000s. “I was just speaking to another agent about this: Houses are up for 48 hours and they’re gone.”

MORTGAGE RATES MAY RISE AS BANK OF CANADA ENDS EMERGENCY PANDEMIC PROGRAM

(FP - Liz Beddall) - Risk Management Issues
“For those thinking rates could drop to below 1%, this move signals that that may not happen anytime soon,” says Jesse Abrams, founder and CEO of the online mortgage brokerage Homewise.

NEW REAL ESTATE PLAYERS TRY TO GAIN FOOTHOLD IN CANADA’S HOT MARKET

(G&M - Rachelle Younglai) - Competitive Issues
New real estate players are trying to grab a piece of Canada’s booming real estate market, taking on traditional brokerages in the latest battle for a share of the lucrative business.

RBC FORECASTS CANADIAN MORTGAGE DEFAULTS WILL START RISING NEXT YEAR

(Better Dwelling - Stephen Punwasi) - Risk Management Issues
Canadian real estate markets aren’t yet in the clear, despite the surge in buying activity. RBC Capital Markets, in a note to institutional clients, is forecasting mortgage defaults won’t rise until the second half of 2021. Analysts authoring the report said a combination of payment deferrals and government support, “kicked the can down the road.”

DOWNTOWN MONTREAL MERCHANTS NEED TAX RELIEF, NOW

(G&M - KONRAD YAKABUSKI) - Risk Management Issues
The opening of Japanese retailer Uniqlo’s first Quebec store last week had the markings of a major happening in downtown Montreal, as hundreds of people lined up for hours outside the Eaton Centre location for chance to shop at the trendy chain’s largest Canadian outlet. For most in the crowd, it marked their first trip downtown in months.

**BROOKFIELD BUYS REST OF MORTGAGE INSURER GENWORTH**

( CBC - CP) - Financial Services Industry Structural Issues
Brookfield Business Partners LP has signed a deal to buy the remaining interest in Genworth MI Canada Inc. that it does not already own in an offer that values the company at about $3.8 billion.

**A FRESH WAVE OF LAYOFFS IS PushING ALBERTANS TO THE EDGE — AND IN DANGER OF LOSING THEIR HOMES**

(FP - Geoffrey Morgan) - Risk Management Issues
High unemployment has led to a higher rate of mortgage deferrals and mortgages in arrears in Alberta than elsewhere in the country. Economists say that as the mortgage deferral grace period is coming to an end, and support programs such as the Canada Emergency Response Benefit (CERB) wrap up, the next few months could potentially lead to more turmoil in the province’s housing market.

**CRACKS IN REAL ESTATE MARKET FAIL TO RATTLE CANADA’S BIG BANKS**

(FP - Kevin Orland, Ari Altstedter) - Attitude and Preference Issues
A number of forecasters, including Moody’s Corp., UBS Group AG and the country’s top housing regulator, are predicting a sharp correction over the next year. Canada’s largest banks aren’t worried: on average, the six largest lenders see price declines of about 3 per cent over the next 12 months, according to forecasts they use to determine potential credit losses. Bank of Montreal sees no change at all in the nation’s average housing price.

**2010: BAILING OUT THE WEALTHY: THE GLOBAL FINANCIAL CRISIS, PONZI NEOLIBERALISM, AND URBAN SOCIAL CRISIS**

(UofT - Dr. R.A. Walks) - Financial Services Industry Structural Issues
This article seeks to critically examine the public policy response to the global financial crisis in the core of the developed world, and to understand the likely implications of this set of policy responses for the future trajectory of urban social crises.

**2014: RICHES TO RAGS? SUMMARY OF POSSIBLE RISKS FOR GENWORTH MI CANADA, INC.**

(fsim.ca - Mark Sibthorpe) - Risk Management Issues
Yesterday, Genworth had its Q4 2014 earnings call. Genworth own about 30% of the mortgage default insurance in Canada. Not surprisingly, the earnings call became focussed on Alberta; and for good reason, with 20% of its outstanding insured mortgage balance in Alberta, sensitivity to the oil shock and how Genworth plan to manage related risks were discussed in detail.

**A FINAL CONVERSATION WITH CMHC’S EVAN SIDDALE AND MPC’S PAUL TAYLOR**

(Mortgage Broker News - J.P. Boutros) - Attitude and Preference Issues
On Tuesday, CMHC President and CEO Evan Siddall joined MPC President and CEO Paul Taylor for what was billed as their final public conversation before Siddall’s departure at the end of 2020, which has proven to be a very challenging year.

**WHY CANADA’S ANTI-MONEY LAUNDERING SYSTEM HAS FAILED SO BADLY**

*(FP - Diane Francis)* - Evolving Legislative/Regulatory Issues

Any OSFI or RCMP intelligence just disappears into FINTRAC, which does not reciprocate, said Choules-Burbidge. That’s because it’s a useless appendage that reports to the Ministry of Finance. Worse, its director is a cabinet appointee who has no experience with financial crimes.

**APARTMENT RENTS ARE PLUNGING IN THE WORLD'S RICHEST CITIES. IT’S TIME FOR YOU TO NEGOTIATE**

*(Bloomberg - Emily Cadman and Charlie Wells)* - Financial Services Industry Structural Issues

**BANKS MAY HAVE TO BRACE FOR HEAVY LOSSES AS COMMERCIAL PROPERTY PRICES PLUNGE**

*(CNBC - Weizhen Tan)* - Risk Management Issues

During the 2008 great financial crisis, for example, such loan losses accounted for between 25% and 30% of total loan write-offs in the U.S.

**THE SWEDISH EXCEPTION AND THE EFFECT ON HOUSE SALES**

*(FT - Alice Kantor)* - Attitude and Preference Issues

Iris Rosa, a 33-year-old fintech developer, decided to move with her husband from their 45 sq m flat in Lidingö, an island in the Stockholm archipelago, to a house in Stallarholmen, a town an hour’s drive from the city centre.