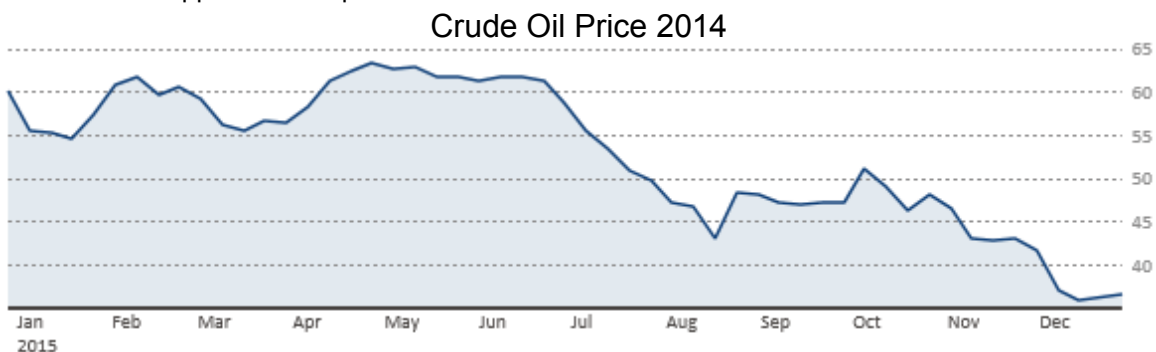
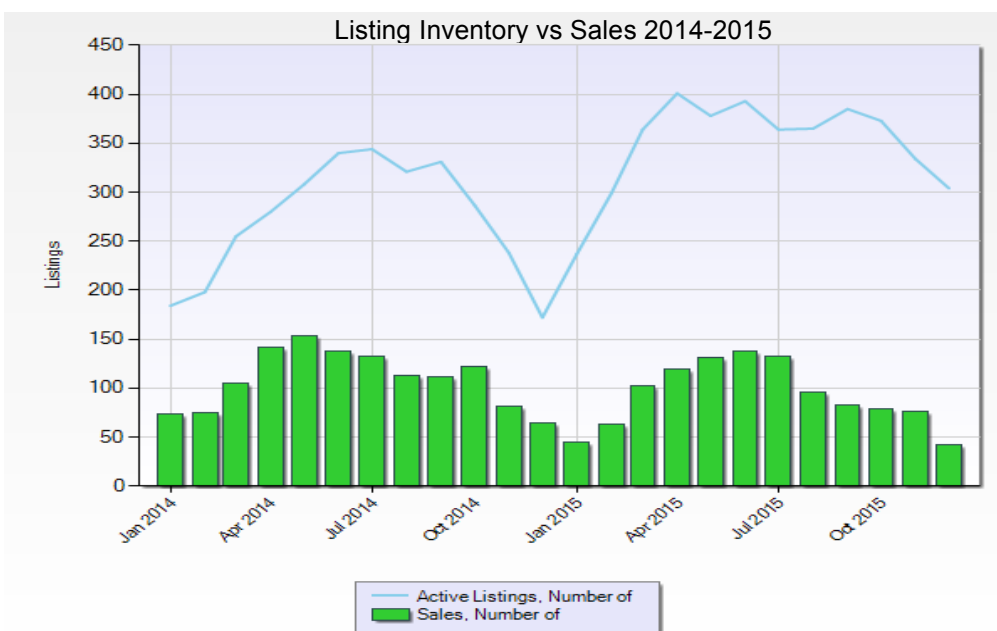


2015 is now in the books and was quite a year of change. With the oil prices plummeting and the economy taking a hit, we were watching the market very carefully. This is a general review of the market using key indicators for comparison so that you can identify the trends that occurred. Here's what happened to oil prices:



Source: Crude Oil WTI CNBC 2015

In order to reasonably examine the housing market in Red Deer at the same time, it's important to compare it to 2014 when we had more stable oil prices and use those figures as a standard. So with that in mind, and using Single Family Detached Homes as the variable, here is what was happening with home sales during 2014 and 2015.

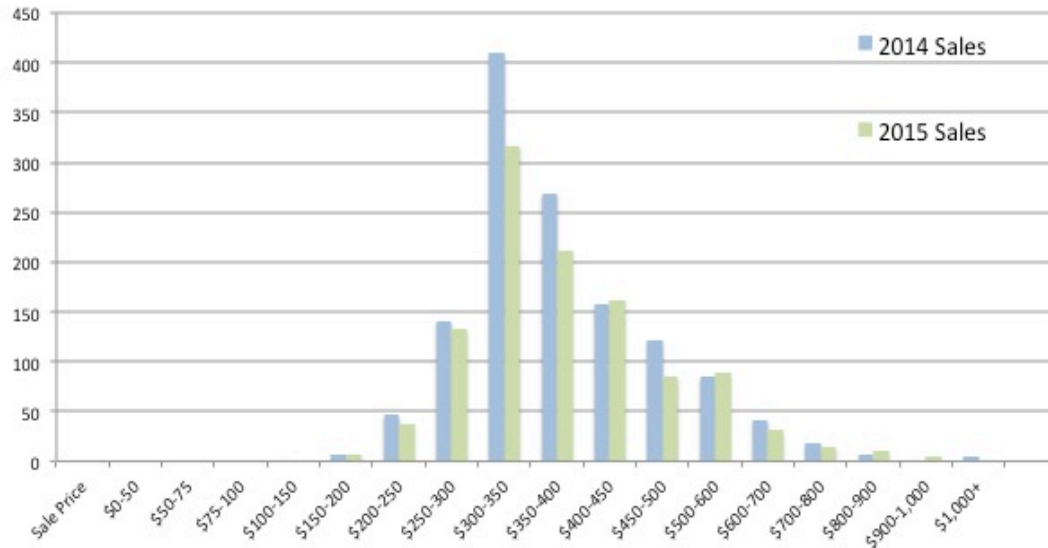


NOTE: Single Family Detached City of Red Deer, MLS Stats from CARA Matrix retrieved January 2016

It's evident in these two charts that the rhythms of sales declined in the fall of 2015 but did not mirror the sharp decline noted in the oil price drop. The market also saw an increase in inventory during most of last year, which was, for buyers, a relief from relatively tight inventory numbers in 2014. Buyers had more choice, and sellers who did not price and present their property well remained on market. In the fall of 2015 there was the largest gap in inventory to sales indicating a shift to a buyer's market condition, which remains as we enter 2016.

So, what was happening in the price brackets during the same periods? To illustrate this let's compare against 2014 as it again was relatively stable economically:

**Sales Price Comparison 2014-2015**  
**Red Deer Single Family Detached**  
Source: CARA MLS Database (price in 000s)



To drill down to some specific sale price brackets and see more of the story:

- \$300-\$350,000 Sales down by 23%
- \$350-\$400,000 Sales down by 21%
- \$400-\$450,000 No notable change
- \$450-\$500,000 Sales down by 30%
- \$500-\$600,000 No notable change

While these numbers may at first glance appear worrisome, it's important to recognize that properties did sell in 2015, even in the brackets that showed a decrease. In fact, in 2 of the categories outlined above there were no marked change from 2014 numbers. In market conditions where inventory is high, and economic news headlines are hitting the mainstream and social media streams with a force, as well as the political change that we saw both provincially and nationally, it is not surprising that some potential buyers chose to wait before buying as evidenced in the lower number of sales in some categories.

## What does this mean for Buyers and Sellers in 2016?

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### Buyers

You will have more choice, while you will not see great 'deals' in some price brackets, in others you will see houses selling for less than they would have in 2014 as we predict this trend will continue into at least the first half of the year.

Mortgage rates may be on the rise across all charter banks since Royal Bank is increased theirs on January 8.

One of Canada's biggest lenders will be raising rates on several of its mortgages starting Friday: Royal Bank of Canada says its special offer five-year fixed mortgage goes up one-tenth of a point to 3.04 per cent. It noted that the changes don't apply to its posted mortgage rates, which are typically higher than special offer rates. Several other special offer mortgage rates from RBC will also rise by 0.10 per cent on Friday but the amount of annual interest charged will depend on whether the term is for two, three or four years. RBC is also raising the rate for a variable five-year mortgage by 0.15 per cent as of Friday. There are also changes for higher priced homes regarding down payment required. Source: The Canada Press January 6, 2016

There are also changes being made to the Down Payments required:

### Changes to Minimum Home Down Payment Rules

Starting on February 15, 2016, the Federal Government is doubling the minimum down payment for insured mortgages to 10% from 5% for the portion of a home's value from, \$500,000 to \$1-million. Down payment rules for mortgages on properties selling for less than \$500,000 will be unchanged. The government had already restricted mortgage insurance to homes values at less than \$1-million, and the new rules leave the minimum down payment for more expensive homes unchanged at 20%. According to the Finance Minister, Bill Morneau, the new rule will help create stability for the overall market, as well as help ensure Canadians take the right approach to investing in a home. - source, *The Globe and Mail*

Buyers you will be looking to lock in mortgage rates, and will be factoring in the 'cost of waiting' (there is a true cost to not buying), and then will make your decisions accordingly.

#### Sellers

You will be competing with more properties in your bracket (likely) and will have to price it right. That means working with a Realtor who will provide you a comprehensive Market Report and recommendation for listing price range to sell – and believe it. You will also need to pay close attention to how you are presenting your property, staging is imperative and may also include changing strong paint colours, most certainly will include completing all repair work.

#### **In Summary**

Red Deer is a robust market, and is supported by several industries. The population moves fairly fluidly, and because of that there are always buyers in the market. Sellers will need to be more attentive to compete for the buyers if we remain in a high inventory market. Buyers should have more choice moving into 2016 as a continuation of the 2015 trend, but although conditions may favour buyers, we predict that many of the sales price segments will remain stable, while others will offer unique opportunities for buyers.

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The key as you navigate either selling or buying a property in today's market is to be well advised by a professional. We stay on top of market trends and changes, and are happy to answer any questions you may have. If you're thinking of buying or selling in 2016, please contact us, it would be a privilege to work with you. W: [www.JohnFrere.ca](http://www.JohnFrere.ca) P: 403-346-3230 E: [realtymteam@johnfrere.ca](mailto:realtymteam@johnfrere.ca)

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