

Flaherty Considering Measures to Cool Housing Market

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Finance Minister Jim Flaherty says he's watching the country's hot real estate market closely, and may impose measures to make it harder for Canadians to obtain a mortgage.

"If we see further evidence that there is excessive demand in the housing market or that there's an indication that people are taking on obligations that they will not be able to handle in the future when interest rates rise, then we will take some action," Flaherty said on CTV's Question Period, which will air this week.

He added that he's considering a few different options to cool down the housing market if it's deemed necessary.

"The likely action we will take is to increase the size of the down payment from 5 per cent to a higher number, reduce the amortization -- bring it down from 35 years to something less," he said.

Such measures would make it more difficult for Canadians to obtain a mortgage and buy a home, without having to increase the prime interest rate.

Earlier this month, Statistics Canada released data showing that the country's housing market was heating up.

On Dec. 8, the agency said the average price for a home in Canada's major markets was \$368,665 as of October -- an 18 per cent jump compared to a year earlier. Quebec and Ontario saw record home sales during that month.

Between January and October, the total number of building permits issued by municipalities in Canada was worth \$48.3 billion. During that same period in 2008, the total value of municipal building permits in Canada was 20.8 per cent higher.

In the residential category it was the third-straight month that permit values rose. In October, residential permits were up 3.8 per cent compared to September, to \$3.4 billion.

The numbers suggest that home buyers are taking full advantage of historically low interest rates, borrowing larger amounts of money to pay for mortgages.

However, the worry is that they may not be able to afford those larger mortgages once the recession subsides and interest rates rise, pushing up monthly mortgage payments.

Some economists say that placing controls on mortgage lending would be a good idea.

Ian Lee, a professor of business administration at Carleton University, said he's fearful of the spike in housing prices.

"Although we don't have inflation in most of our sectors, we have it in one sector, and that's real estate," Lee said.