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For Immediate Release: June 18, 2018

New Mortgage Rules Negatively Impact Local Housing Market

Regina, Saskatchewan — When new federal rules for qualifying for mortgage financing came into effect, primarily to address risk in the overheated Vancouver and Toronto housing markets, there was concern that they could have an adverse effect on local residential housing markets. Members of the Association of Regina REALTORS® Inc. (ARR) report that they are now seeing the dampening impact these rules are having on demand in Regina and Moose Jaw.

Mortgage rules implemented in the fall of 2016 required those with high-ratio mortgages to qualify at a higher interest rate than actually being charged. In 2018, the rules were extended to include conventional mortgage financing. The rules were implemented to reduce risk to both consumers and financial institutions in upward spiraling housing markets like Toronto and Vancouver. However, because the rules were implemented nation-wide rather than on a targeted basis, they have had an adverse effect on demand in other regions.

Both the Regina and Moose Jaw housing markets have seen a dip over the past several years, due to slower economic growth. The Home Price Index (HPI), a measure of price changes in residential housing, indicates that prices in Regina are down 9.4% from five years ago. The majority of that loss has taken place in the past year, since the mortgage rules have been implemented.

“A single Canadian real estate market does not exist,” says Gord Archibald, CEO of the ARR. “What’s true in Vancouver and Toronto is very different than what we are experiencing here in Regina, Moose Jaw or anywhere else in Saskatchewan. Creating a blanket policy to address concerns in a few areas can lead to adverse consequences in other regions, and our members and their clients, whether sellers or buyers, are starting to feel the effects of the new mortgage rules.”

In spring of 2018, the ARR launched a member survey, which included questions on how, if at all, the mortgage changes had impacted real estate in the Regina and Moose Jaw areas. The results indicate that over two thirds of REALTORS® responding had buyer clients whose mortgage financing was impacted since the federal mortgage rules came into effect, with half seeing buyers leave the market entirely. Most concerning, the survey

indicates that REALTORS® saw an average of 1.4 buyer clients leave the market due to mortgage rule changes.

“We have over 520 REALTORS® in Regina and Moose Jaw who represented buyers who purchased close to 4,000 residential properties in 2017. When you do the math and consider that over 700 potential buyers have left the market, the changes to the mortgage rules are having a significant effect on the number of homes being sold in Regina and Moose Jaw. This is at a time when local markets have already seen a down-turn due to economic factors.”

Adds Archibald, “Our members see firsthand what’s occurring to demand in residential real estate. When potential buyers leave the market, demand goes down. Lower demand typically results in lower prices and fewer sales. That’s the greatest impact we’re seeing from the changes to mortgage rules.”

“We believe these types of measures should be implemented on a targeted basis in those high-risk markets, and not a broad-brush approach across the country, which ignores local market dynamics,” concludes Archibald.

About the ARR

Over 680 members strong, centred on professionalism, ethics and service, the ARR has been a proud part of the Regina community since 1912. Among real estate agents in Regina and area, only members of the Association of Regina REALTORS® Inc. are REALTORS®, a trademark signifying high professional standards and qualifications. Learn more at ReginaREALTORS.com

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