

PLACE YOUR TRADES SPACES **HOSTED BY CHIGRL**

WWW.PLACEYOURTRADES.COM



# PLACE YOUR TRADES

## KEY TAKEAWAYS

PLACE YOUR TRADES

### US AND CANADA: REAL ESTATE

12.06 @ 11am EST



**Special Guests:** Melody Wright  
and Ben Rabidoux



LISTEN TO THE  
FULL EPISODE



# CHIGRL'S KEY TAKEAWAYS

## Melody Wright:

### 1. On the housing market.

Mortgage rates are coming down and she believes that buyers are going to come back. This is more about whole prices and the fact that people currently simply cannot afford. She believes there will be some limit to demand coming to the market, however the sellers are going to take this as they have been waiting. She believes these lower rates are going to bring sellers to the market and at the same time we will see multiple things come to play. These things being speculation and oversaturation with the airbnb market. Boomers are starting to list their second homes as they realize that if they are in the long term rental market it's much easier to have your cash sit and create yield. The housing market is not necessarily turning around and we have a long path ahead of us.

### 2. On new loan builders.

Their margins are getting compressed. As we come into an election year, the government will get more involved and affordable housing will be on the top five topics for this election. She believes that the government will focus on subsidized housing.

### 3. On Fannie and Freddie.

No private money really left regulated mortgage space after 2008 and a very small 5% of the market is non-government.

### 4. On the term "Provision".

Focuses on loss. The idea of having to cut losses and prepare for future loss. Default is very expensive and can take companies down so having provision is important in fluctuating times.

### 5. Thoughts on new mortgage lending companies that are coming out with 1% down.

The top five got smacked the last time around which a lot of people missed. Banks will still buy mortgage backed security as collateral but they don't hold service rights which has to do with trying to take risk off their balance sheet.

### 6. On housing prices lowering.

For Americans looking to buy it is not much concern but for those who currently own it is. She believes prices are coming down and if we have no credit event and no exponential increase in job loss that it will still be the case but take a little longer. She sees it coming down on an aggregate basis about 5% over the next year and much more into 2025. She believes the government will get involved to really try and slow all this down. Do you believe that some places are more insulated, or will this be a country-wide phenomenon? She believes some places could see that double digit increase that will be more adversely impacted but overall most the country will experience this to some level.

### 7. On cyber attacks.

Security risks are the biggest concern. Regulators are going to have the biggest issues with cyber attacks and consumers are trapped.



# CHIGRL'S KEY TAKEAWAYS

## 8. Final Thoughts.

One thing to focus on that hasn't really shown itself is the great buy downs. It is not just the builders that are doing this but other programs such as down payment assistance programs that are involved. Things are bound to reset. If prices in the US don't go down, people will struggle to find affordable housing in the near future. They will go down but it might not be as fast as is wanted. Another thing is that property tax insurance is crushing prime borrowers right now. Trouble is likely to start outside of the mortgage market in "all cash" sales.

### Ben Rabidoux:

#### 1. On the Canadian housing market.

The issue is fundamentally an affordability issue. The mortgage payment a buyer would need to buy into the market has effectively doubled over the past year and a half. In 2022 we saw a significant drop off in demand, concurrent with that was a decline in new supply. In late 2022 we saw 20 to 30 year lows in new listings coming online. In early 2023 we had a bit of a pullback in mortgage rates into the low 4% range as well as a slight uptake in demand, but it came into a very supply constrained market. This meant that for prices they had a pullback off peak of about 15% nationally, and then this spring through summer it effectively recouped half of that. It has since rolled over and we have now seen three months of declining prices and the market is back to being down roughly 15% from peak. Over the last few months we are starting to see a normalization of new listings into a very demand constrained market. When we talk about active listings currently on the market, we've seen a 50% increase over the last five months in Ontario after adjusting for normal seasonality. We are seeing a very steep increase in listings coming online when demand is weak which is causing the second leg lower in prices. The first aspect of the housing market that is unique to Canada is that today we are at a point where the debt service ratio is about to make record highs in Canada while the US is bumping towards record lows. In Canada the longest debt term to be acquired is a five year loan exposing the people to rising rates at renewal. Until the US consumer really breaks and we start seeing the Federal Reserve pull back, it is going to be really difficult for the Bank of Canada to move materially to soften the blow without causing secondary problems with currency and inflation. The second thing to look at is the underappreciated risk in the new construction market. There is a record number of dwellings under construction heavily skewed towards condos. One thing we've seen over the last few years is a progressive increase in the premium that people pay for pre-construction. What they later find at closing, is that the units don't appraise and they'll effectively have a capital call which he believes will result in significant stress as the units finish up in the next few years.

#### 2. On delinquency rates in Canada.

They are still basically at rock bottom at about 15 basis points nationally. A part of that is due to the build up in household savings coming out of the pandemic as well as the fact that the labor market has been remarkably strong. Credit card utilization or delinquencies in unsecured debt and autos are all starting to trend significantly but are only now really getting back to pre-covid levels with the exception of auto loans which are up to a decade high. He suspects these numbers will double or triple over the next couple years.

#### 3. Is the Canadian government as involved as the US government is in the housing industry?

He argues that they are more so involved than the US government. They have a very large crown corporation that provides mortgage insurance on high ratio loans protecting some considerable exposure for the lenders



# CHIGRL'S KEY TAKEAWAYS



## 4. Is there a big influx of offshore money?

The influence of foreign buyers peaked in 2017 so there are still significant capital inflows with Canada's robust immigration. The government has taken a harder stance against foreign speculation through the implementation of a number of foreign buyer taxes. What they are trying to do is move towards a beneficial ownership registry at the national level. In British Columbia, they have brought in an Unexplained Wealth Order which allows the government to ask buyers to explain their claimed poverty level income while living in expensive housing.

## 5. On the construction fires going on in Canada.

The fires are pretty suspicious. Many of these developments were pre-sold at massive premiums. Many of these fires have occurred in the low rise space and this is important as there is a much shorter construction timeline for low rises. We are seeing low rise homes completing where they were sold at a high premium and the resale market has softened and now they cannot get financing with people walking away from their deposits. Soon financing for these projects will be difficult to attain and without the financing, they will have to come up with substantial payments to make up for the losses. He believes these fires are related to the fact that real stress is coming to the development space.

## 6. Are these housing issues a blip or a full blown crisis?

If rates stay anywhere close to these levels, we have a real problem. Today we have only had about 30% of households having felt the impact of the rising rates which is related to the composition of the mortgage market itself. The payment shocks coming in the next couple years with renewals will be substantial, he believes it will peak in 2026 and with this will come a pile of distressed sellers as they are facing payment shocks from 30-70% if rates stay where they are. It is not a crisis rate right now but things may change.

## 7. Canada's immigration policy and its effects on the housing market.

The immigrant population in Canada is about 1.2 million. The federal government targets about 500,000 permanent residents. Net immigration on a permanent basis adds about 400,000 to the population. An overwhelming amount of the rest of these numbers are non-permanent residents which consists of mostly international students and temporary workers. The politics around immigration have changed dramatically with all of the polls showing a dramatic deterioration of support for the current level of immigration. These high levels of immigration greatly affect the renting market. Canada needs the workers however so there is a draw. In Canada today, you have 6% of the Canadian population as non-permanent residents which is huge. Given that they have never seen these numbers, they have no idea how this will look or be affected in a recession. He believes that the population growth will dramatically decrease in the next few years.

## 8. Final Thoughts.

There are two areas specifically to watch, firstly being the rate shifts and how borrowers will handle the higher rates as they have seen a dramatic increase already in payments as we see early stage delinquency starting to move materially and investors will watch this. If the two major lenders skate the next year and a half without any real issues it's hard to argue that the other banks will have problems. The second area to watch is their non-prime loans as they are overwhelmingly one and two year terms putting the riskiest borrowers into ultra short terms. These loans are renewing at almost double the rate of what they were originally at. He encourages people to look at these two areas for potential signs of stress.



Financial Disclaimer: This material has no regard for specific investment objectives, financial situations, or particular needs of any user. This material is presented solely for informational and entertainment purposes and is not to be construed as a recommendation, solicitation, or an offer to buy or sell long or short any securities, commodities, or any related financial instruments. Nor should any of its content be taken as investment advice. The views expressed here are completely speculative opinions and do not guarantee any specific result or profit. Trading and investing are extremely high risk and can result in the loss of all of your capital. Any opinions expressed here are subject to change without notice. We may have an interest in the securities, commodities, and/or derivatives of any entities referred to in this material. We accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this material. We recommend that you consult with a licensed and qualified professional before making any investment or trading decisions.

IMPORTANT NOTICE! Crudele Productions Inc. (CPI) does not hold itself out as an investment adviser or a commodity trading advisor. All information and material provided by CPI, including [www.placeyourtrades.com](http://www.placeyourtrades.com), is for educational purposes only and should not be considered investment advice. Any opinions, research, analysis, prices, or other information contained in this material is provided as general market commentary and does not constitute investment advice or a solicitation to buy or sell any securities. Trading and investing are inherently risky activities and should only be undertaken by persons capable of accepting such risk and a possible loss of all the capital they commit to such activities, and in some cases even more. The information shown is for illustrative purposes and is not meant to represent any actual trading or investing results. No representation is made that any person using the services of CPI will be profitable or will not incur losses. Past performance is not necessarily indicative of future results.

NO REPRESENTATION IS BEING MADE THAT THE USE OF THIS STRATEGY OR ANY SYSTEM OR TRADING METHODOLOGY WILL GENERATE PROFITS. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. THERE IS SUBSTANTIAL RISK OF LOSS ASSOCIATED WITH TRADING SECURITIES AND OPTIONS ON EQUITIES. ONLY RISK CAPITAL SHOULD BE USED TO TRADE. TRADING SECURITIES IS NOT SUITABLE FOR EVERYONE. DISCLAIMER: FUTURES, OPTIONS, AND CURRENCY TRADING ALL HAVE LARGE POTENTIAL REWARDS, BUT THEY ALSO HAVE LARGE POTENTIAL RISK. YOU MUST BE AWARE OF THE RISKS AND BE WILLING TO ACCEPT THEM IN ORDER TO INVEST IN THESE MARKETS. DON'T TRADE WITH MONEY YOU CANNOT AFFORD TO LOSE. THIS WEBSITE IS NEITHER A SOLICITATION NOR AN OFFER TO BUY OR SELL FUTURES, OPTIONS, OR CURRENCIES. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE DISCUSSED ON THIS WEBSITE. THE PAST PERFORMANCE OF ANY TRADING SYSTEM OR METHODOLOGY IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. CFTC RULE 4.41 – HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN.

PLACE YOUR TRADES SPACES HOSTED BY CHIGRL



# PLACE YOUR TRADES



FIXED RISK.  
FIXED REWARD.

TRADE THE ENERGY & METALS MARKETS  
FOR LESS THAN \$20 A CONTRACT

[WWW.PLACEYOURTRADES.COM](http://WWW.PLACEYOURTRADES.COM)