FINANCIAL POST

REAL ESTATE

ROGERS FAMILY PLANNING 10-TOWER CONDO PROJECT

The Rogers family, owners of Canada's No. 2 telecommunications company, Rogers Communications Inc., is jumping into the booming real estate market around Toronto. Rogers Real Estate Development Ltd., a private holding company controlled by members of the Rogers family, is set to build a 10-tower mixed-used project on 16.5 hectares in Mississauga, west of Toronto, according to city documents. A proposal by Rogers Real Estate was approved in the last 18 months for the site, according to the planning department's website. Edward Rogers, deputy chairman of Rogers Communications and son of founder Ted Rogers, is making an announcement Tuesday on the project, according to a media release. He will appear alongside the city's mayor at the site, which is currently a field. No financial details were provided. A spokeswoman for the City of Mississauga said Rogers Real Estate submitted a master concept plan and agreement, and the firm still needs to submit an application for review and comment, a process that takes about a year. *Bloomberg News*

REAL ESTATE

New mortgage rules may boost interest rates

Insurance premium hike proposed

Barbara Shecter

TORONTO • Residential mortgage insurance premiums are likely to increase for homes in hot real estate markets as a result of beefed-up capital requirements for Canada's mortgage insurers coming into force next year.

And it is homebuyers who are expected to bear the added cost, rather than the financial institutions that lend the money for home purchases, according to Peter Routledge, an analyst at National Bank Financial.

"We believe Canadian homebuyers will absorb the bulk of these higher costs directly or indirectly via higher mortgage interest rates," Routledge said in a note to clients Monday. "Said differently, we do not expect a material impact on bank or mortgage lender earnings strictly as a result of higher mortgage insurance premiums."

The capital changes proposed last week by the Office of the Superintendent of Financial Institutions require added consideration of factors including a borrower's credit score, outstanding loan balance, and the amount of time left to fully repay the mortgage. The new rules are to come into effect Jan. 1 following a consultation period, and are intended to account for risks in hot real estate pockets across the country including high price-to-income ratios.

Routledge expects two headwinds to hit the Canadian housing market if the changes go ahead as proposed: higher mortgage rates and a higher probability that foreclosures will increase. The combined impact could contribute to a cooling of the market.

"Mortgage insurance premium increases passed on to the homebuyer through higher mortgage interest rates will reduce affordability, potentially stunting sales activity and slowing house-price appreciation," the analyst wrote.

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Higher mortgage insurance premiums will hit first-time homebuyers, as well as mortgage brokers.

He said higher mortgage insurance premiums would hit first-time homebuyers hard, as well as the mortgage broker channel that relies on this group. As a result, he believes, mono-line mortgage lenders that originate prime insurer mortgages through the broker channel "are most at risk to a slowdown in sales activity directly related to higher mortgage insurance premiums."

The analyst said the new rules could also serve to crimp the practice of extending the amortization period of a mortgage to reduce monthly payments when a borrower is in financial distress. This is because, under the new framework, more capital would have to be set aside against those mortgages.

"In our view, this weakens the incentive for mortgage insurance companies to forbear, potentially increasing the likelihood of foreclosure," Routledge wrote. An increase of properties in foreclosure proceedings, in turn, would weigh on home-price appreciation, the analyst said.

He noted increased mortgage insurance costs triggered by the new rules could also drive demand for uninsured mortgages.

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ECONOMY

Don't bank on a raise next year: survey

John Shmuel

Don't expect a raise from your boss next year, says a new survey from Aon Hewitt.

The human resources firm polled 347 Canadian companies about their salary intentions for 2016 and 2017. It found that variable pay is expected to average 15.4 per cent of payroll in 2017 — unchanged from this year.

Flat salaries are the result of economic uncertainty, says Aon Hewitt, as corporate Canada continues to grapple with the crash in oil prices and anemic domestic demand.

"The Canadian companies we surveyed are clearly reluctant to earmark higher compensation increases as they prepare for a highly competitive landscape in 2017," said Suzanne Thomson, senior consultant of global data solutions for Aon Hewitt.

Base pay is expected to increase by 2.8 per cent for the average worker in 2017, up slightly from the 2.6 per cent seen in 2016, but not much higher than core inflation.

Companies do foresee fewer salary freezes next year compared with 2016. Aon Hewitt says that 4.5 per cent of firms surveyed froze salaries in 2016, while only 0.4 per cent expect to have a freeze in 2017. Canada's labour market has been deteriorating for two years now, with a steadily rising unemployment rate and stagnant wages. Economists at TD Securities note that the country has averaged only 8,000 new jobs a month in the past six months. The latest job report showed that Canada's unemployment rate rose from 6.9 per cent to seven per cent in August.

While the Canadian economy added 26,000 new jobs last month, Doug Porter, chief economist at BMO Capital Markets, notes that the overall trend is grim.

"It does nothing to break the bigger picture of very modest job growth, a stagnant unemployment rate and slowing wage growth," he said in a report earlier this month. "Looking past the usual drama of the volatile monthly figures, the Canadian job market is simply stuck in a rut."

Aon Hewitt says that certain sectors can expect to see higher-than-average salary increases. For employees working in the auto industry, chemicals, consumer products and life sciences sectors, salary increases will average three per cent. For high-tech and professional services companies, salaries will rise by 2.9 per cent.

Lower-than-average salary bumps will occur in the oil and gas, banking and transportation sectors. Oil and gas saw the lowest salary expectations, with the average worker expected to see their total salary grow just 1.2 per cent next year.

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