Thackray Report

"RINGING THE BELL" ON REAL ESTATE
A LETTER TO MY CHILDREN

March 28, 2022

Written by Brooke Thackray

To my children,

Ringing the bell on real estate is an act of calling the top of the market and implies a call on both price and time. It is difficult to get both time and price correct, but I am making a statement on the overvalued residential real estate market that is poised for a correction. My analysis is for educational purposes only and is not investment advice.

Over the years there are many people much smarter than myself whom have called for a housing correction and have been proven wrong as house prices have marched higher. It is possible that I could be added to the list, but given that you are my children, I am stepping out of my "wheel house" (pun intended) of analyzing the stock, commodity and bond markets, hopefully to provide you information to make an informed decision on whether or not to buy a house. In my opinion, the housing market is in a bubble in both Canada and the US and is likely to head lower in the near-term. In the end, whether or when you buy a house is your decision to make.

Love

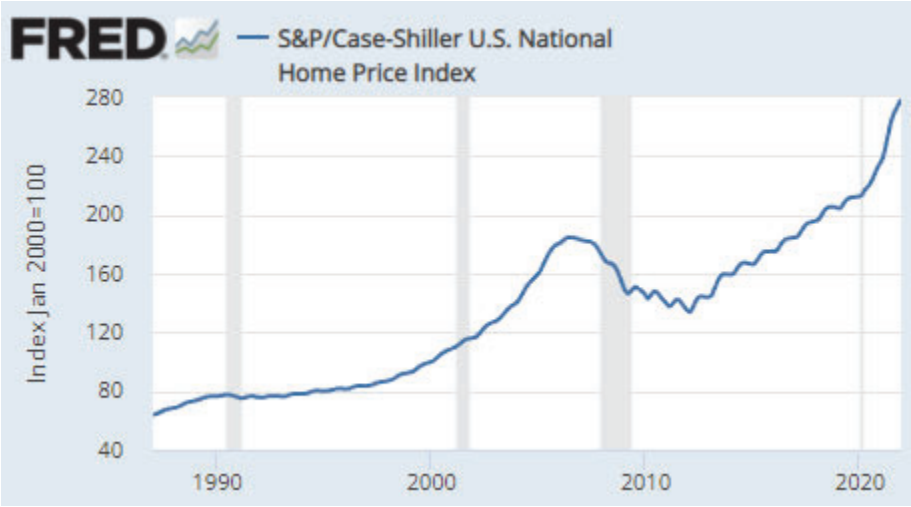
Dad

This letter is to my son living in Dallas Texas looking to buy a house in Dallas and one of my daughters living in Toronto who is looking to buy a house in Toronto. There are definite differences between the Canadian and US housing markets. I will analyze the real estate market generically, in the US, in Canada. It is not a complete analysis, but it does point to some key metrics indicating that there is a significant possibility that the housing market could decline in the near future. I am sorry that it has taken me so long to get write this letter, I have been busy with work, like usual.

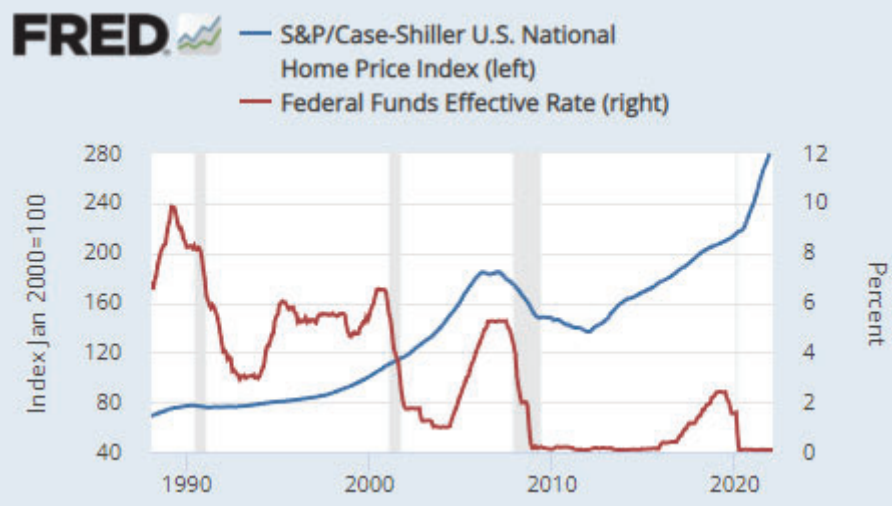
To understand where real estate might be heading, it is important to understand why a real estate bubble has developed and in particular during the COVID-19 pandemic. The housing market has been overvalued for a while and it can remain overvalued for an extended period of time. Like the stock market, a catalyst is often needed to change the direction of price trend. For the first time in a long-time, we now have a confluence of events that could "pop" the housing bubble.

House prices rising at a rapid rate - deja vu

According to the Shiller Price, in the US on average house prices have increased by 19% for the year ending December 2021. Different areas of the US went up by different amounts, but overall, house prices increased at record rates across the US. This occurred, despite workers being locked down and society producing less goods and services.



The housing market increased in price in the late 1990's as a rising stock market created a wealth effect, where investors felt wealthier because of rising stock values and used their new found wealth to purchase real estate. After the dot-com bubble of 1999-2000 and the ensuing stock market crash, the Federal Reserve lowered interest rates making it easier to get a mortgage which helped to push the housing market higher.

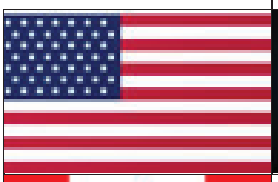
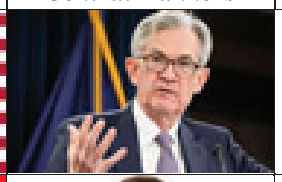
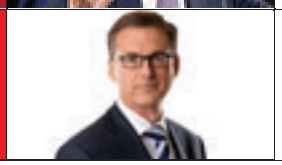


The Federal Reserve foolishly left rates too low for too long and created a housing bubble that popped in 2008. During the Great Financial Crisis (GFC) that started in 2008, the Federal Reserve lowered its federal funds rate to "0." House prices started to correct in 2008 and bottomed in 2012. In 2012, the economy was on solid footing, house prices were rising

and the stock market rallying. Yet, the Federal Reserve for some strange reason continued to keep its federal funds rate at "0." It was not until a few years later, in 2016 that the Federal Reserve started to raise its federal funds rate. Once again, the Federal Reserve kept its federal funds rate too low for too long and created the conditions for another housing bubble (deja vu). Even after 2016, the Federal Reserve was too slow in raising rates and remained well behind the curve.

The COVID-19 housing bubble - who is to blame?

I am not making a political statement when I am assessing blame. The discourse below avoids pictures and names of any relevant political parties. Feel free to color in your "favorite" politicians. In contrast, given that the central bank figures are not political (or at least they are not supposed to be political), I have no problem using names and pictures. Central bankers are fair game. I apologize in advance if I seem to be negative on the central bankers, but their actions have been nothing short of reckless as they have done a lot of harm to the economy and society by creating excessive inflation and have been one of the major causes of the current housing bubble.

	Central Bankers	*Politicians*	*Politicians*
			
			

The housing bubble is a result of runaway inflation that has been caused by a combination of government spending, central bank easy monetary policies and supply chain issues.

Government Spending + Central Bank Policies + Supply Issues = Inflation

By far, the biggest cause of inflation was the dynamic combination of government spending and central bank policies to support the spending. The supply chain issues only had a minor contribution to inflation. Some supply chain issues are still affecting specific goods, such as semiconductor chips for autos affecting auto prices. Nevertheless, the biggest cause of inflation has been government spending and easy monetary policies. Recently, the Russia-Ukraine war has added to our inflation woes, but the inflation problem existed way before the war started.

Typically, there is a correction mechanism built in to balancing the effects of the central banks and governments. When governments spend money, they borrow from the market by issuing bonds. By increasing the supply of bonds in the market, bond values decrease and interest rates rise. Higher interest rates have a dampening effect on consumer spending and somewhat mitigate the inflationary effects caused by government spending.

Quantitative easing (QE) is the act of the central bank buying bonds and mortgage backed securities in the open market. During the pandemic the Federal Reserve initiated a policy of QE. By lowering the federal funds rate the Federal Reserve artificially manipulated the short end of the yield curve lower and by initiating a QE program, they artificially manipulated the long end of the yield curve lower.

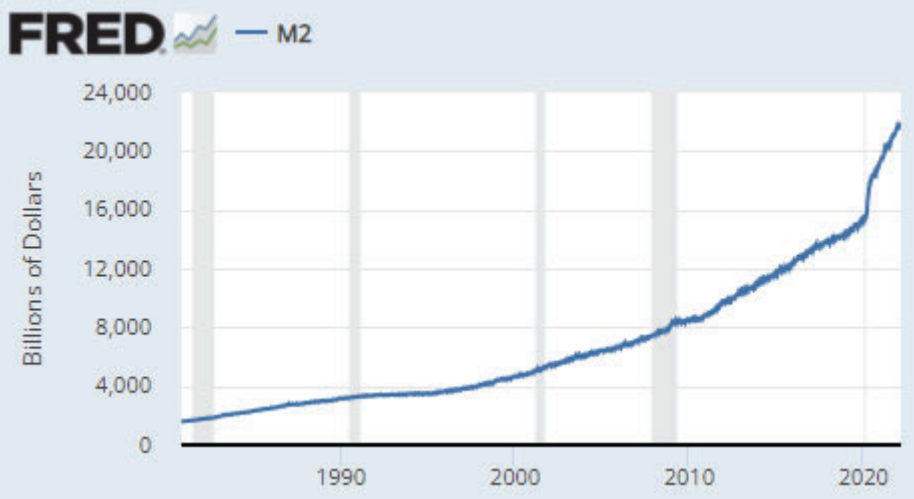
In effect, the Federal Reserve has been immunizing the government from its reckless spending programs. The result of the government's excessive spending and the Federal Reserve's policies has been a massive expansion of the money supply at low interest rates. The end result for the economy has been record breaking inflation rates. The official government statistic for inflation is the Consumer Price Index has the recent inflation at a record breaking 7.9% on a year over year basis. This is a very conservative figure, as the methodology does not include house prices and other variables. Some non government entities have supplied metrics that show inflation over 15%.

House prices are particularly sensitive to credit expansion. Most houses are purchased with credit (mortgages). When credit expands, it flows to where it is used the most: house purchases. The result has been rapidly rising house prices.

"Inflation is always and everywhere a monetary phenomenon." Milton Friedman

Milton Friedman is one of the greatest economists that has ever lived. He stated that "inflation is always and everywhere a monetary phenomenon." Really, this is just common sense. If you gave everyone one million dollars, the prices of all goods and services would increase. The economy may get a short-term bump from more money being handed out, as people spend their new found dollars, but overall productive resources would not be added to the economy and prices would ultimately rise. The same amount of goods and services, plus more fiat money, equals inflation.

In 2020 and 2021, the US created 40% of all money in existence (M2 Money Supply, FRED data base). There are a few different metrics for measuring money supply, but they all point to a huge increase. This is an absurd figure and represents recklessness by the government and central bank. It is no wonder that we are experiencing inflation problems and a housing bubble.



Central banks actively created a housing bubble

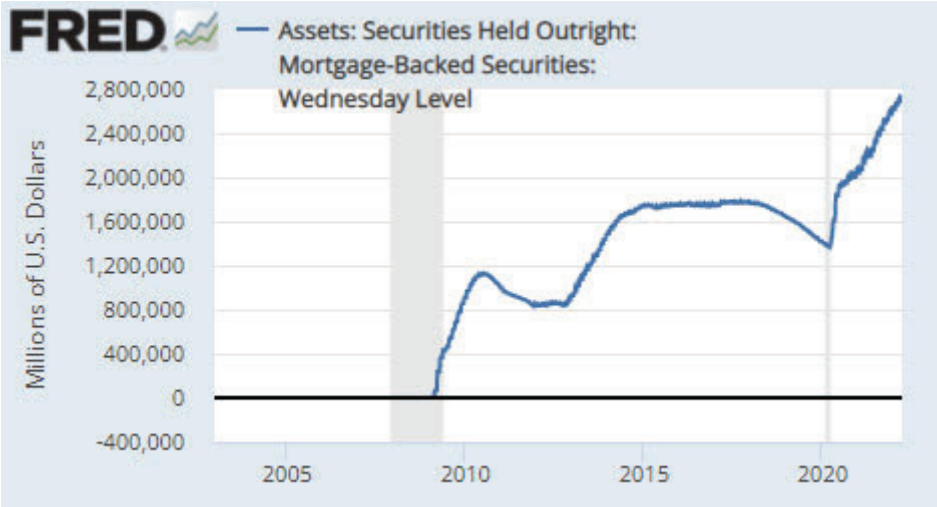
Central banks in both Canada and the US acted recklessly, buying mortgage backed securities during a housing bubble. If you were to ask the chairpersons of the central banks why they were purchasing MBS's to push house prices higher, they would say that they had no choice during the pandemic, but to support the economy in such a manner. That may have been the case in early 2020, but not in 2021 and definitely not in 2022.

The graph below shows the purchases of mortgage backed securities (MBS) by the Federal Reserve. In 2020, 2021 and 2022, up until mid-March the Federal Reserve has been buying

MBS's. When the government buys MBS's it is purposely pushing down mortgage rates in order to push house prices higher. In other words, the Federal Reserve has purposely been fueling the housing bubble. The Bank of Canada (BoC) has only been slightly better. After rapidly purchasing MBS's in 2020 and 2021, the BoC stopped increasing its net buying in mid-2021. The actual rate of purchases up until this point, was higher than the purchases made by the Federal Reserve. The Bank of Canada had no choice but to stop its net buying in mid-2021, otherwise at some point they would have owned the whole market.

When central banks purchase MBS's, not only does this lower the rate of interest for mortgages, but it also gives banks an incentive to be less cautious about setting up mortgages with lower credit. Banks can quickly write a mortgage and then sell it to the central bank.

The net effect of the central banks buying huge amounts of MBS's has been to artificially lower mortgage rates and push house prices higher. Now that the Federal Reserve is no longer making net purchases of MBS's, mortgage rates are not going to be artificially manipulated lower. Recently, we have seen the mortgage rates climbing, partly as a result of central banks not having net new purchases of MBS's.



This time is different

During and after the GFC, The Federal Reserve was able to keep interest rates low and to "print money" without consequence as inflation was low. This time is different. Unfortunately, this time around, inflation is a huge problem. If the Federal Reserve were to continue to keep interest rates too low for an extended period of time and resume its quantitative easing program of buying bonds, it runs the risk of creating an environment of extremely high inflation in a slow growth economy. Inflation is a problem for all people in society including low income earners. The Federal Reserve is going to try for a soft landing of reducing inflation without hurting the economy, but so seldom is it able to achieve this goal, I would not count on it. The Federal Reserve is probably going to have to make a choice at some point in the near future, save the markets (including the housing market), or fight inflation. There is a greater likelihood that they will try to fight inflation given the long-term damage that it can cause the economy.

FOMO - Fear of Missing Out - Its real

Humans are emotional creatures. We cannot help it. For large purchases and investing we should try to check our emotions at the door. It is hard, but it is the smart thing to do. Home ownership is no different. In the current environment, people trying to get into the housing market are wondering if they will ever be able to afford a home. They are watching prices skyrocket higher and wish they had bought two years ago. As the prices move higher, they rationalize that prices could be up another 30% in year and they will never be able to buy a house. Despite having missed the previous rally in the last two years, they buy a house for fear of missing the rally over the next year.

This is FOMO (fear of missing out). FOMO is not limited to the housing market. It appears in all markets and is often a sign that the market is about to correct. A lot of homeowners will justify a purchase by saying that there is no sign that the housing market is topping. If we get in now and it goes up by 30% and then crashes 30%, we will be even. Not so fast. The law of "bear market" math states that you will be worse off. If you buy a house for $100k and it appreciates by 30%. It has a value of $130k. If it corrects by 30%, it now has a value of $91k.

Even the smartest of us can get sucked up in FOMO. According to Benjamin Graham in his 1949 classic book, the Intelligent Investor...

> *Back in the spring of 1720, Sir Isaac Newton owned shares in the South Sea Company, the hottest stock in England. Sensing that the market was getting out of hand, the great physicist muttered that he 'could calculate the motions of the heavenly bodies, but not the madness of the people.' Newton dumped his South Sea shares, pocketing a 100% profit totaling £7,000. But just months later, swept up in the wild enthusiasm of the market, Newton jumped back in at a much higher price — and lost £20,000 (or more than $3 million in [2002-2003's] money. For the rest of his life, he forbade anyone to speak the words 'South Sea' in his presence.*

It is important not to be influenced by FOMO. Many bad decisions have their roots in FOMO. Make decisions based on logic, not emotions.

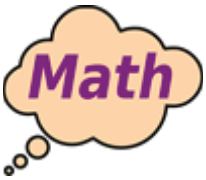
Location Location Location – The Myth of Location

In real estate, location is everything. I agree. As the saying goes location, location, location. There is a myth that "my location" will not be affected by the a home price correction. My location is special. It is interesting that almost everyone feels that their location is special. Collectively, of course this is not possible. Yes, there are dynamics at work that support some areas more than other areas. As California falls apart because of higher taxes and bungling bureaucracy, Texas benefits from people exiting California. This does not mean that real estate in Texas cannot decrease. Maybe house prices in Texas do not go down as much as California, but the decline in Texas can still be severe.

In Toronto, one of the most overvalued locations in the world, local residents point to the belief that Toronto deserves its valuation because it is becoming a "world city."

In the past, fast growing cities have typically not declined as much as slower growth cities in a correction. As such, fast growing cities have maintained a relative premium. This effect may not be as large this time round as work habits have changed allowing for greater remote work. At the very least, the relative premium may not be as great. Nevertheless, all cities in North America are susceptible to major price correction.

Mortgage Math Does Not Add Up



Most investors assume a rate increase of 0.25% (25 bps) is not a big deal and should easily be absorbed by homeowners. Not so fast. First of all, central banks are expected to institute many hikes of a quarter point or half a point in the next year. According to the CME FedWatch Tool which uses investor expectations, the Federal Reserve at the time of this writing is expected to raise its federal funds rate from 0.25% to 3% over the next year by March 2023. Although this has a larger impact on the front end of the curve, or short-term, market forces could also increase rates at the longer end of the curve.

If interest rates increase at the short end and long end of the curve, homeowners needing to purchase a home or refinance a home could find it difficult to make their payments if they are able to even buy a home. This applies to both Canadians and Americans, but for different reasons.

In Canada, 55% of the mortgages are variable rate mortgages. With these types of mortgages, the mortgage rate being charged rises and falls with short-term interest rates. As interest rates have decreased over the last forty years, using a variable rate mortgage strategy has proven to be successful. However, if short-term rates rise rapidly, holders of variable mortgages will be affected quickly and potentially by a large amount.

In the US, most mortgages are 30 year fixed rates. Unlike Canada, Americans can typically break their mortgage at any time and refinance at a lower rate when interest rates have decreased. They are able to use their homes as perpetual cash machines as interest rates decline. As 30 year mortgages have increased dramatically recently, homeowners have been increasingly refinancing using variable mortgage rates. Approximately 10% of new mortgages in the US are now being written as variable rate.

Ok, so let's do some back of the napkin math

The table below shows a payment for a $300k mortgage, no down payment, taxes, or PIM. The table includes two examples of different amortizations. Obviously, a shorter amortization would increase payments. The data has been sourced from mortgagecalculator.org. The most important aspect of the table is how much payments would increase as mortgage rates increase.

	2%	*4%*	*6%*
Payments 30 Year Amorization	*$1,109*	*$1,432*	*$1,799*
Payments 25 Year Amortization	*$1,272*	*$1,583*	*1,933*

If you have a thirty year mortgage in the US that was 2% and your new mortgage rate is 6%, your payments will approximately increase by 62%.

It is going to be very difficult for homeowners to afford mortgages at 6%, if not impossible. The thirty year mortgage rate has been rising rapidly and not sits at 4.42%. If mortgage rates keep climbing, maybe the Federal Reserve steps in and starts buying MBS's again (doubtful), or maybe the rate declines because of a recession (more probable). However, if the rate continues higher, it is hard not seeing the housing market suffer.

A lot of current homeowners may fall into the trap of saying that I already have a thirty year mortgage rate locked in, so what is the point. Changes are made on the margin of the activity that is taking place currently. In other words the market is set by those currently buying or refinancing their homes.

There is a New Kid on the Block Buying Houses

Low interest rates have spurred institutions to buy, manage and rent homes. They have always been in the market buying homes, but since the pandemic, they have entered into the market big time. In some regions of the US, investor properties can represent anywhere from 20 to 30% of properties. Institutional ownership is a growing segment of investor properties.

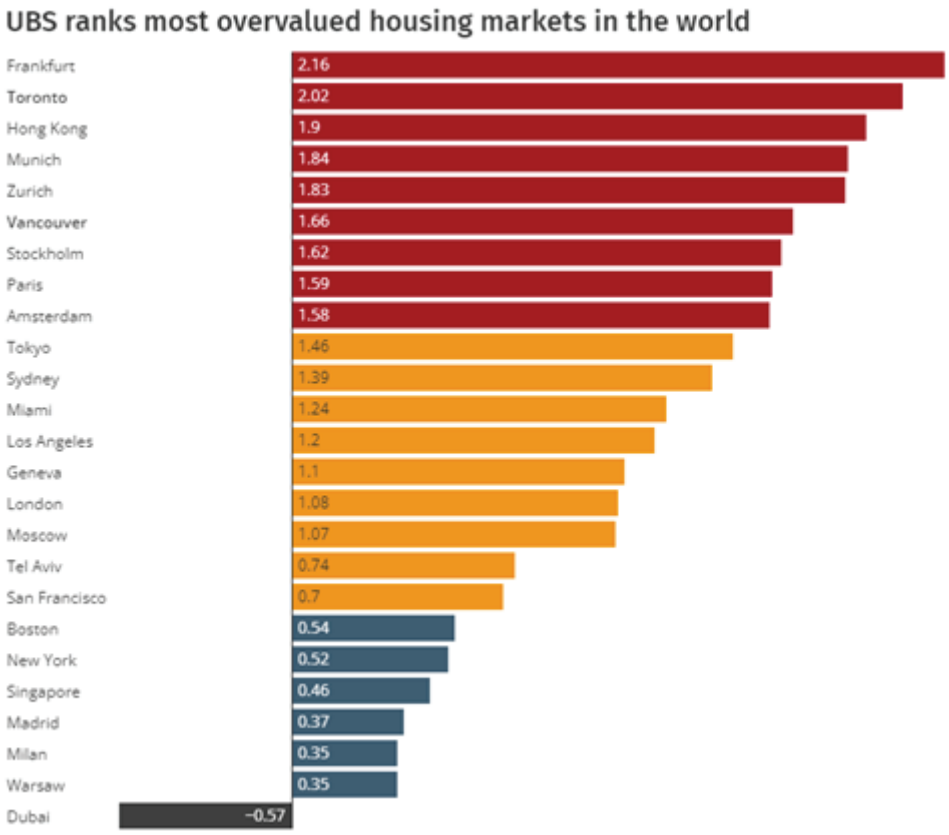
Generally, institutions are able to access money cheaper than individuals. At low rates, companies such as BlackRock look at the equation of buying and then renting homes from a cash flow point of view. With low interest rate or mortgage payments the math has been attractive. The institutions have been partly responsible for pushing up the rents across America.

Does institutional ownership make the housing market more resilient to a major decline? Although institutions are long term focused, a decline in housing prices could induce institutions to start to sell properties at some point in the future. Like individuals, institutions are leveraged in the housing market and if house prices decline to a certain point, they might not have a choice but to start selling. If and when they start selling, they could ruthlessly put a large number of homes on the block for sale, as they race other institutions to exit the home business. There is nothing sentimental about home ownership for institutions. It is all business. This scenario may not play out in the first round of declines in house prices, but if and when it occurs, it could be fast.

Metrics - Data showing an overvalued housing market

There are a number of reports pointing to an overvalued housing market. Below are just a few signs of a bubble. The reports are mainly for Canada as the Canadian market (particularly Toronto) is considered to be in an extreme bubble by many analysts.

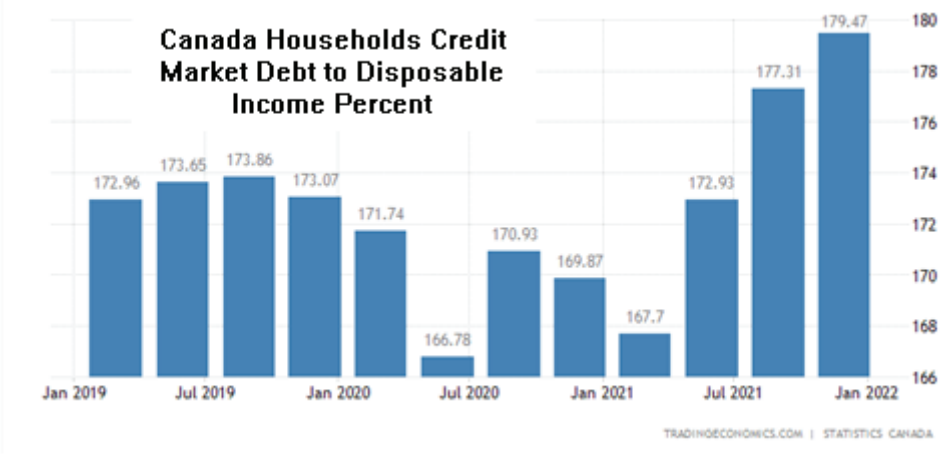
UBS has its own proprietary index of market valuation and has put out a number of reports showing Toronto as one of the most overvalued markets in the world. A city with a number greater than 1.5 is considered to not only be overvalued but also considered to be in a bubble. Toronto has a rating above 2 and is the second most expensive city in the world.



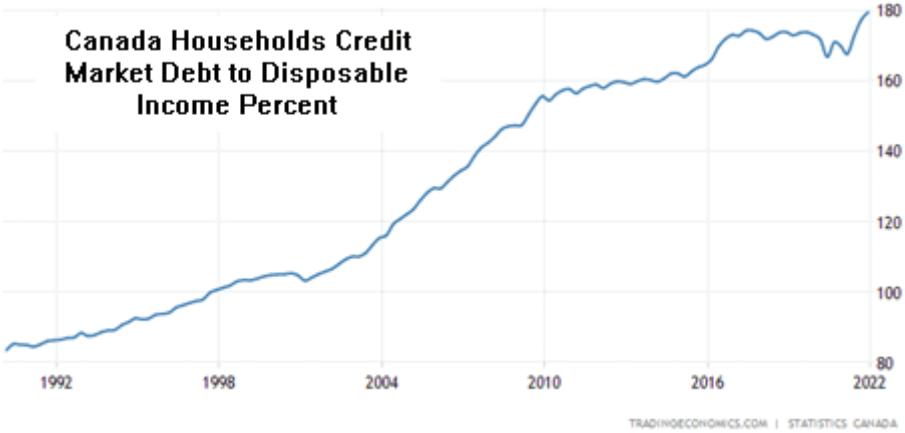
Canadian household debt to disposable income percent

Canadians are some of the most indebted people in the world. Recently, the Canadian household debt to disposable income has reached a sky high record of almost 180%. The current rate of debt dwarfs anything in the past. What this means that if the economy starts to slow and enter a recession, Canadian homeowners are going to struggle to make their mortgage payments. In addition, if interest rates rise rapidly, mortgage payments is going to be that much harder.

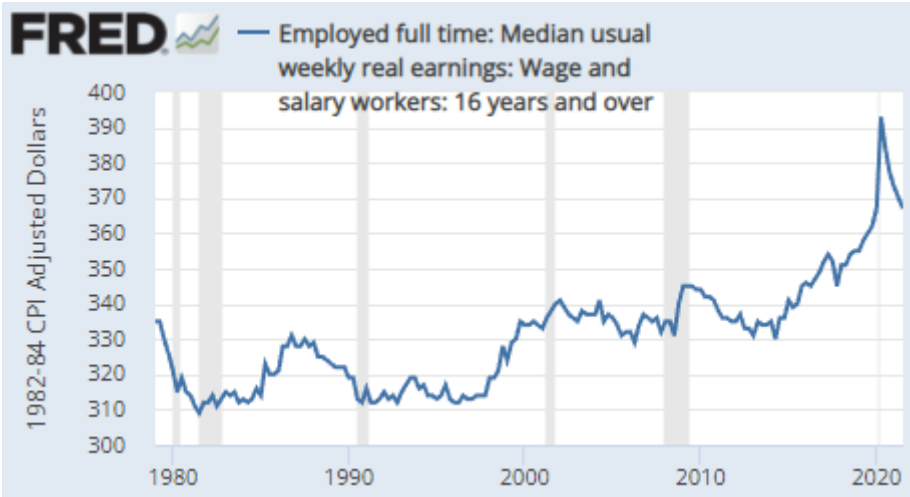
Canadian household debt has been rising rapidly since 2021. This makes it increasingly difficult to afford high house prices.



Longer term perspective....All time record. Canadians have never been in so much debt.



Falling real wages are going to make it difficult for US homeowners to pay their mortgages. This is a huge problem. Rising mortgage rates and lower incomes, makes it difficult for Americans to get mortgages.



Signs on the Street Showing a Housing Slowdown

Most people are not going to follow some of the databases that I have referred to above. There is other anecdotal evidence that can be used to help determine the strength of the housing market. Where I live, so many houses were being sold for above the asking price, why have an open house. Just put the house on the market and it will sell in a matter of days. More recently, I have noticed a few open house signs. If this trend increases over time this could be an indication that the housing market is starting to soften.

Another sign on the streets of a softening housing market will be the number of for sale signs. Currently, homeowners are holding on to their houses as long as possible and buy-

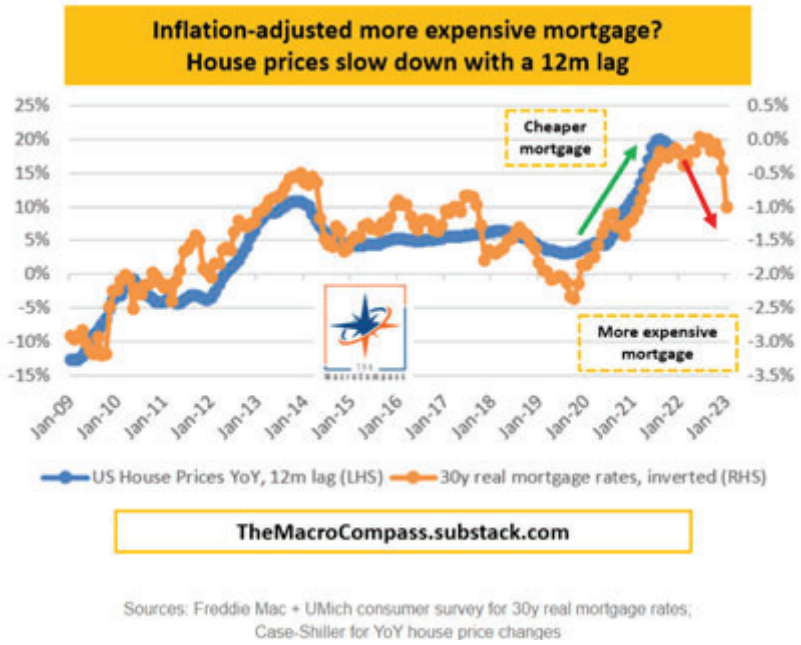
ing houses before selling them. The result is a small number of houses on the market. As homeowners start to become concerned about the health of the housing market, the number of houses on the market will increase.

In the last two years, it has often been reported in the media that there is not enough supply of houses. In real estate, this means two things. First the physical supply of new houses being built. Second the number of houses for sale on the market at the current moment. In real estate terms, the term supply is mostly used to describe the number of houses for sale. Rapidly rising mortgage rates will fix the problem of too few houses for sale. As rates rise, leveraged investors will be forced to sell. As prices decrease, more homeowners who have been "hanging on" to get the last penny out of a rising housing market, will join the sellers. More sellers will beget more sellers, increasing supply and pushing house prices lower.

How far could the house prices drop??

How far could houses prices drop? No one knows for sure if house prices are going to rise or fall in the short-term. No one. It is all about probabilities and setups. The current setup leans more towards house prices falling than rising. Trying to predict how far house prices might drop is a difficult task at best. There are all sorts of models predicting a range from housing prices moving sideways to declining 50%. RBC has recently come out with a report stating that house prices could move 30% lower (https://betterdwelling.com/rbc-risk-model-shows-canadian-real-estate-prices-can-fall-30-no-growth-expected/).

The graph below illustrates the potential for a housing price correction according to The-MacroCompass.



On the margin, housing prices are about affordability. If people cannot afford their mortgage payments, for a while they can cut back spending in other areas of their lives, but as mortgage rates increase it is inevitable that more and more people will have difficulty making their payments. In the US, this will affect home buyers that are renewing their mortgages and the mortgagees on variable rate mortgages. In Canada rising rates will have a much quicker effect on a greater percentage of the population, as most mortgagees in Canada have variable rate mortgages.

When will the housing bubble pop?

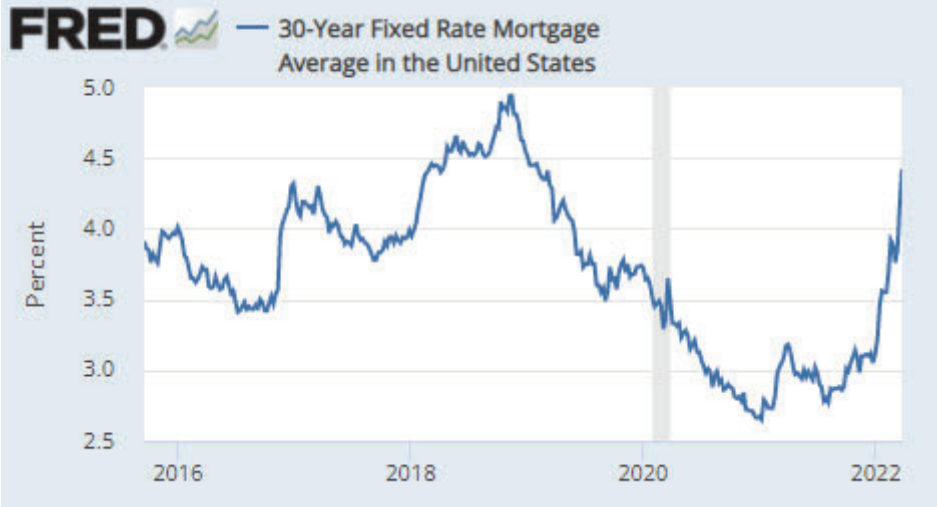
Rising rates initially push up real estate values. Housing is a long-term purchase and the biggest purchase the average person makes. It takes time to emotionally formulate the resolve to purchase. Different local areas have to be considered, type of house etc. Once a potential buyer has spent so much time and energy deciding to purchase, in the short-term, it is difficult for them to change to change their minds of whether to purchase a home. The "fence sitters," potential homeowners who are set to purchase a home typically rush to lock in mortgage rates as they start to rise.

The rationale is that if a home purchase is to be made, it should be made before the mortgage rates go up any higher. As mortgage rates rise over a number of months this process continues, helped by pre-approved mortgage rates by the banks for the 90 days. In this process, it looks like home purchases are immune from higher mortgage rates. Alas, the effect wears off. Home purchases are brought forward from the future making the market look healthy. After a number of months (typically six months), the number of home buyers drops as many have already made their purchases and new potential homebuilders whom can no longer lock-in low mortgage rates step back from the market. Recently, mortgage rates have shot up in both Canada and the US. It still may be a few months before any concrete metrics of falling house prices are observed.

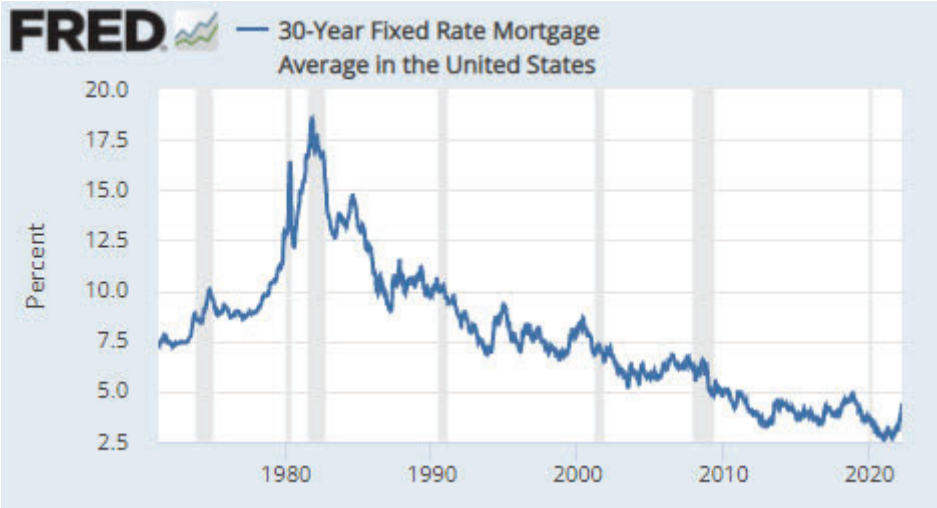
In the US, the bottom for mortgage rates occurred at the beginning of 2021 as the 30 year mortgage clocked in at 2.65% on January 7, 2021. Although the 30 year mortgage rate has climbed slowly over time since the beginning of 2021, initially the rise in rates was negligible. Like a frog in a pot of water slowly being warmed up, who will stay in the pot till death without jumping out, people have continued to buy homes as rates have slowly increased. The paradigm has shifted recently as 30 year mortgage rates have increased sharply.

The sharp increase is akin to turning up the heat quickly on a frog in a pot of water - the frog reacts to the sudden change by jumping out of the pot. The increase in the 30 year mortgage rate from January 7, 2021 (rate of 2.65%) to March 24, 2022 (rate of 4.42%) is an increase of 67%. Very recently from December 21, 2021, the 30 year mortgage rate of 3.05% has climbed to 4.42% on March 24, 2022. This is an increase of 45% in three months. This increase is likely to push many potential homeowners out of the market. It might take a few months to work through the homeowners that have been approved for a 30 year mortgage to follow through on their purchases, but it is possible that the rapid rise in the 30 mortgage rate could have called the top of the housing market.

US 30 year mortgage rates have climbed rapidly since late December, making it difficult for people to qualify for a mortgage, which will put downward pressure on house prices.

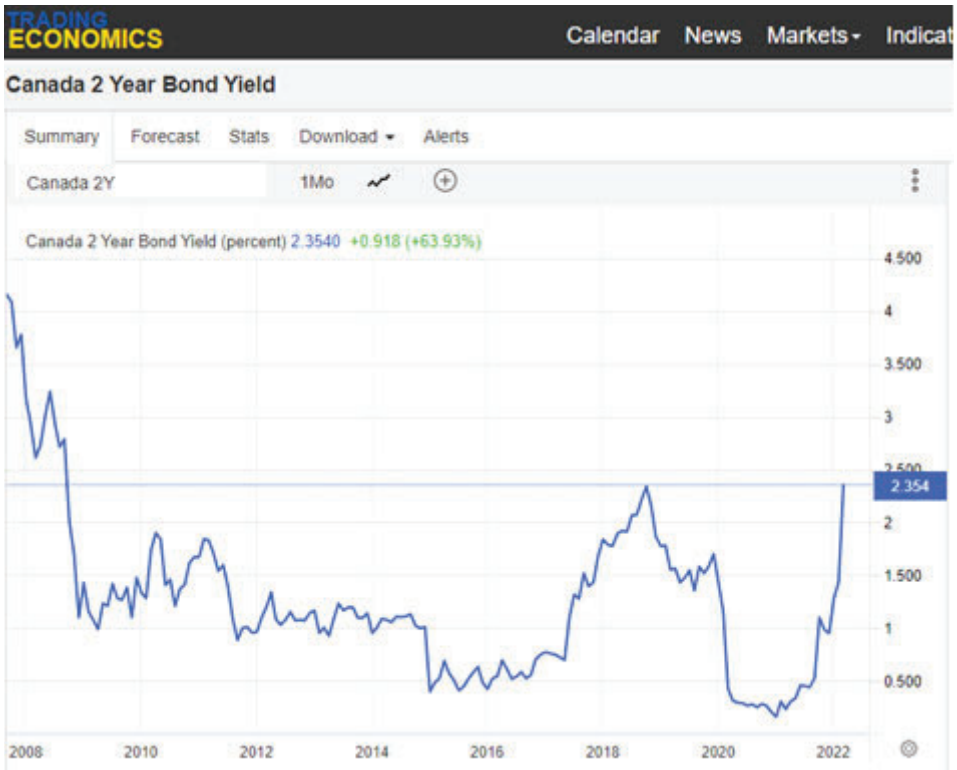


Historically, 30 year mortgage rates are still very low.



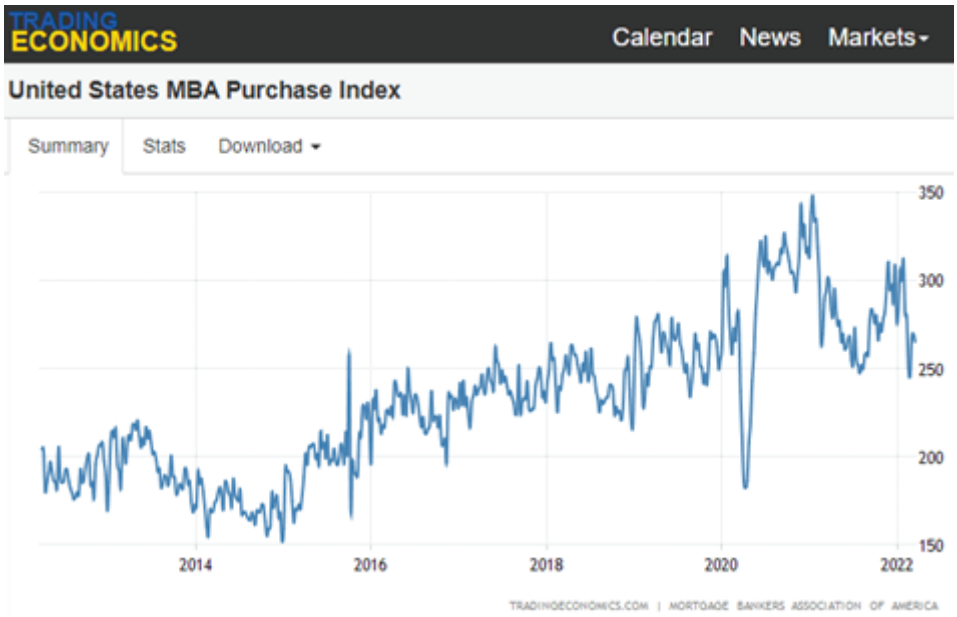
Canadian government bond 2 year rates have moved up rapidly, increasing the cost of short-term mortgages.

Longer term, interest rates are still low in Canada and have the potential to move higher.



US mortgages applications have declined rapidly in 2022. Watch out if this trend continues.

Longer term, mortgage applications are still high.

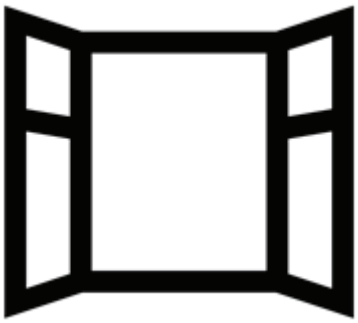


Government programs will not solve the problem

Fun fact - Canada is one of the top countries for money laundering in the world! Canadian governments have known about their money laundering problem for years and have done very little to discourage it. British Columbia has recently made strides in getting the beneficial owner of a property to be disclosed. Foreign entities, have fled to Ontario to purchase homes. It is not uncommon for a rich foreign person to buy ten condos in Toronto sight unseen. Full disclosure of beneficial ownership is a no-brainer for governments. It is also the right thing to do.

Governments proclaim that they have the answers to the housing crisis. LOL. They have facilitated the housing bubble and now they have answers! Actually, they have been claiming for years that they were going to solve the "housing crisis." They will come up with all sorts of programs to help reduce prices, but they will only have a small impact on the markets. If interest rates rise, this will put downward pressure house prices, Government programs may help to alleviate some of the problems, but their programs have never really been effective in the past. Don't count on the government to solve the housing bubble.

Patience - Upcoming window of opportunity - Real Estate could be a great long-term investment



I believe that now is the time for patience and that it is best to wait for a window of opportunity that lies in the not so distant future. I could be wrong. After initially getting the economy stabilized in early 2020, governments and central banks have continually made bad decisions. It would not be surprising to see a continuation of errors. However, I believe that central banks have now moved to a realization that if they continue pretending that they do not have an inflation problem, the economy could really suffer in the future. Their obligation to rein in inflation before its destructive forces are fully realized in society, is going to create a window of opportunity for buyers.

If I am correct and the housing market is in a topping process and about to turn lower, this could provide a window of opportunity to purchase a house at a much lower price in the not so distant future. The housing market typically has a slow decline over time and typically takes a couple of years to bottom out. As mortgage rates increase, homeowners hang on to their homes, "maxing" out their credit in hopes that house prices will come back once again. It takes time for homeowners to adjust to the new reality. In other words, An initial decline of 5% or so may not represent an opportunity.

It might be different this time and the decline might be quicker than historical trends. Homeowners are already stretched in their ability to pay their mortgages and companies and individuals who have purchased homes as an investment are typically leveraged to the housing market and have to sell quickly when prices decline. Given the large number of home owners that are investors, it is possible that this segment of the market may capitulate as house prices move lower.

At some point, the Federal Reserve and government may switch from fighting from inflation to supporting the markets. Right now, the Federal Reserve is locked in to the objective of fighting inflation. However, if the markets including the housing markets have a major decline, the Federal Reserve may switch back to supporting the markets if the markets start to break down and freezing up. The Federal Reserve probably has a lot more tolerance in letting markets slide lower because of its fight against inflation, at some point, there is a line where the Federal Reserve will feel obligated to step back and institute an easy money policy once again, including buying bonds and mortgage backed securities. It is entirely possible that the housing market could suffer a correction up to 30% or even 50% in the mean time. I am not necessarily saying that the housing market will correct to this level, but rather that the Federal Reserve is probably comfortable with a major decline in the markets including the housing market before having to take action.

A big opportunity could occur at the point in time where a correction has occurred and ***be-***

fore the Federal Reserve tries to "reflate" the system by engaging in "money printing" in coordination with the government. If the Federal Reserve and government fall back into their reckless ways and print massive amounts of money, inflation will ensue, including driving up the price of houses once again.

Addendum to my letter to my children

To my children (addendum):

I know that one day you will overcome the obstacles of buying a home. One day you will own a home and be happy. I say that tongue in cheek as I know that you would be happy with or without a home. Nevertheless, there is nothing like owning a home that you can look after and call your own. I wish the opportunity of home ownership for everyone.

I know that it is much harder to get into the housing market than when your mother and I set off on our journey together. Many years ago between us we had five full-time and part-time jobs. We did not own a TV and shared a car. We did this so we could save up and buy a house. It took us a long time to buy our first house. Today it is much harder for those starting out. I honestly do not know how people are able to get into the housing market. Central banks and governments have been reckless and their actions have pushed the dream of home ownership further out for so many.

It is possible, although there is no guarantee, that a confluence of circumstances may provide an opportunity for you to enter into the housing market in the not so distant future. Governments are reducing the amount of their deficits (true for the US, not for Canada) and central banks are starting to fight inflation, instead of causing inflation. Homeowners have pushed their credit lines and rising mortgage rates are starting to have an impact on the housing markets. I have not discussed the economy in my analysis, but it is starting to show signs of slowing down and it is possible that a recession may ensue. If this were to happen this could be the catalyst to remove many of the excesses from the housing market and help provide an opportunity for you and many others to enter into the housing market.

I wish you the best in your life journey and look forward to visiting you in your home one day, whenever that may be.

Love Dad