

Keller Williams Research

This Month in Real Estate

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Canada 

Silver Linings of Recovery in Sight



Canada's housing market is humming along with sales activity increasing 11% from the previous month, the largest monthly gain in more than five years. Low mortgage rates, improved affordability and greater choice of inventory have helped more renters become buyers. With sales activity rising strongly and the number of new listings trending downward, Canada continues to move toward balanced supply and demand conditions. Home building recorded its first nation wide increase since October last year, which is good news as this sector will hopefully cease to be such a drag on the economy.

The housing market was not the only bright spot – the Organization for Economic Cooperation and Development (OECD) said their composite leading indicator showed tentative signs of recovery in Canada. Their data indicates that Canada's economy may be bottoming out and is likely to start heading up. Consumer confidence has been increasing for the last three months and currently stands at the highest level in 15 months.

The strengthening U.S. and international demand for manufactured and commodity-related products should help lift Canada's economy. However, a strengthening Loonie could serve as a counterinfluencing factor.

The Numbers That Drive Real Estate

1. Sales
2. Prices
3. Inventory
4. Mortgage Rates

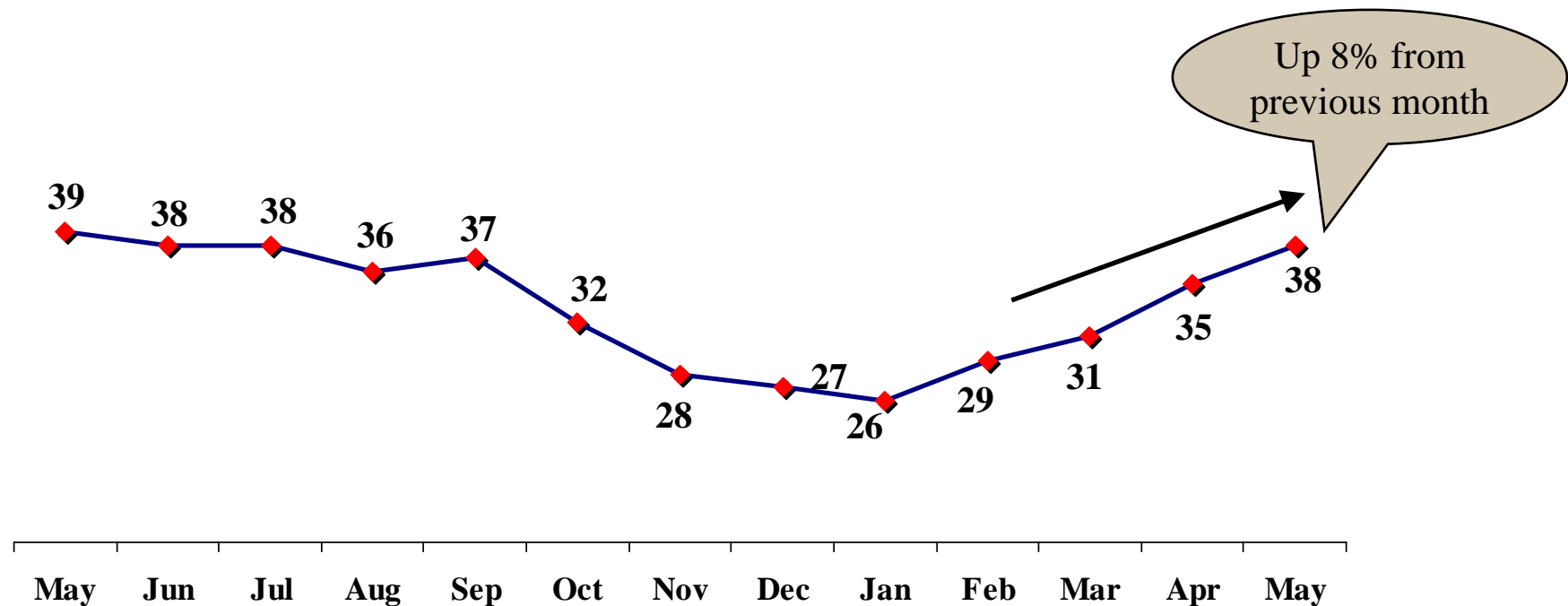


Home Sales

In Thousands



The seasonal increase in activity continues to be stronger than normal with sales bouncing back to prerecession levels in May. Home sales rose 8% from the previous month, marking the fourth consecutive monthly increase.



Data released on June 15, 2009

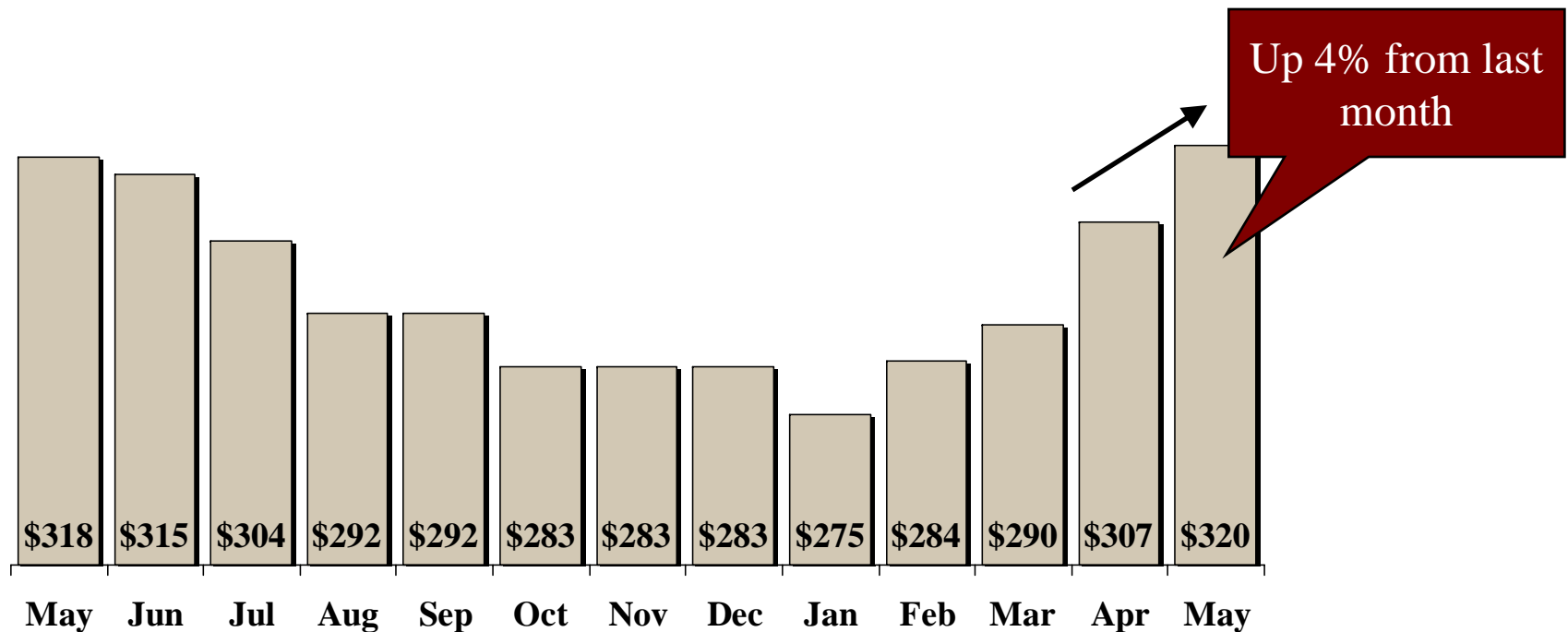
Source: Conference Board, The Canadian Real Estate Association, Royal Bank of Canada

Average Home Price

In Thousands



The strong rebound in sales activity, not price, in Canada's most expensive markets is driving up average prices. New heights were recorded nationally at \$319,757, and also in Saskatchewan, Ontario, Quebec, New Brunswick, and Nova Scotia. Over the past four months, the national average price has recovered 16.4% from its low in January.

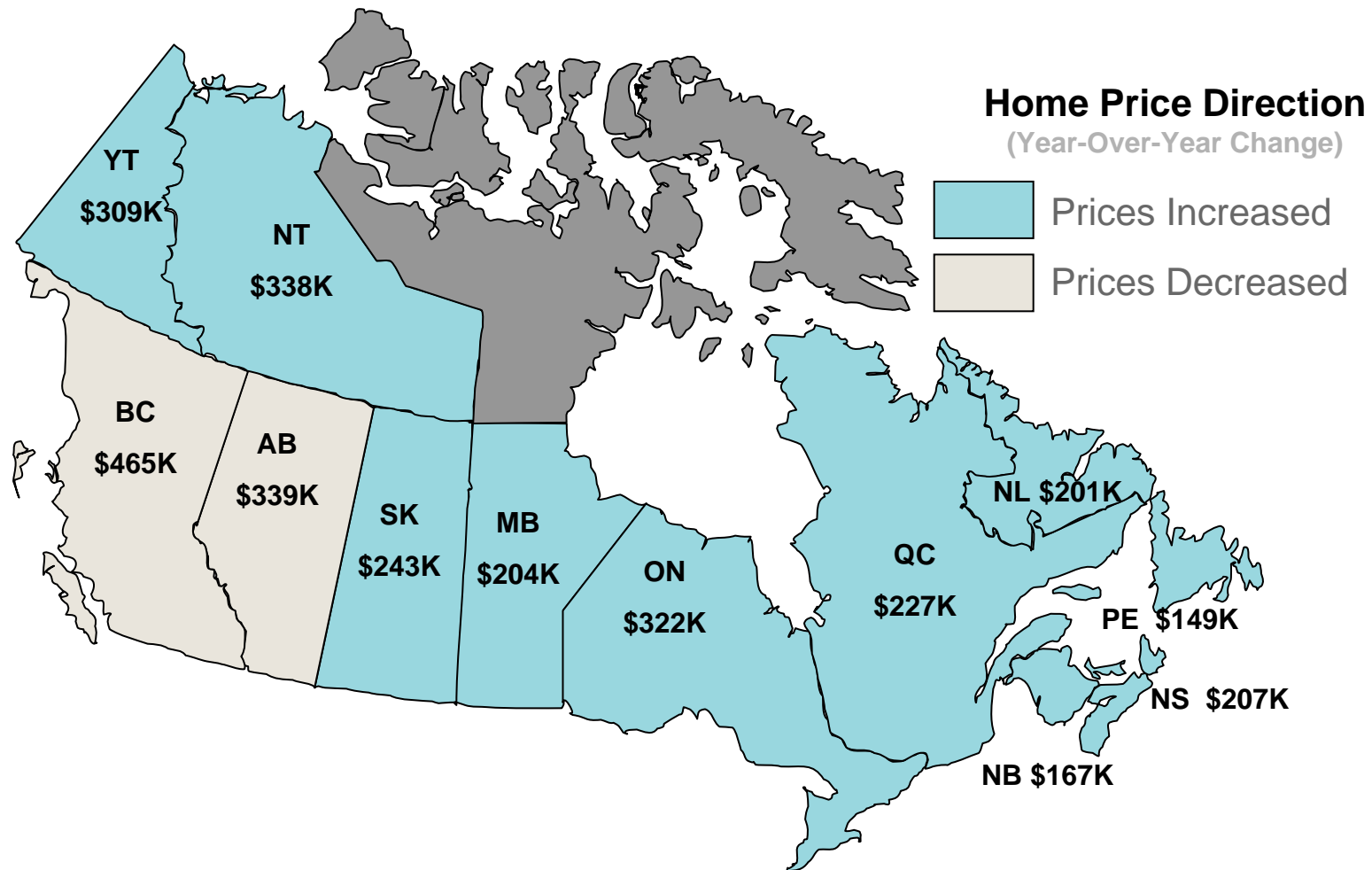


Data released on June 15, 2009

Source: Conference Board and The Canadian Real Estate Association

Home Prices by Province and Territory

10 out of 12 experienced an increase in home price



Average home price as of May every year (Data released on June 15, 2009)

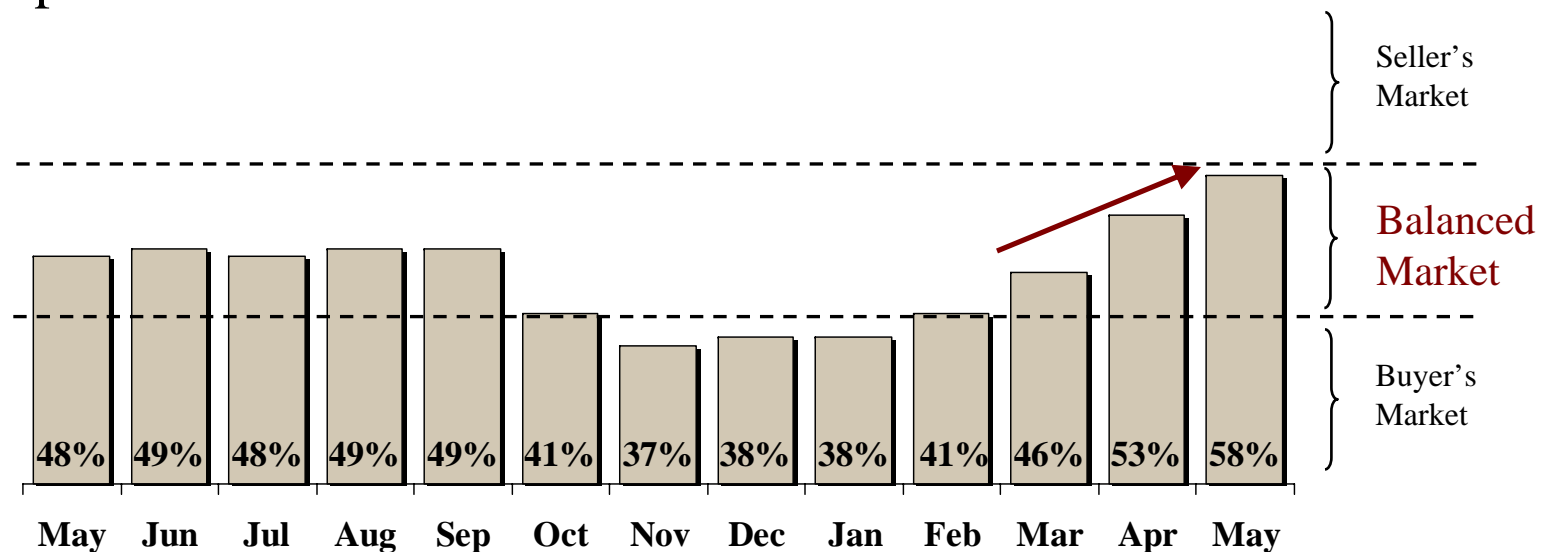
Source: Conference Board and The Canadian Real Estate Association

Inventory

Sales-to-Listings Ratio



The supply of homes continued to decelerate in May. There were 19% fewer new listings coming onto the market compared to the peak reached a year ago. With rising momentum in sales activity and new listings shrinking further, the balance between supply and demand is firming up, resulting in the national sales-to-listings ratio reaching the highest point since December 2007.



Sales-to-listings ratio is an indicator of price pressure in the home market. (Data released on June 15, 2009)

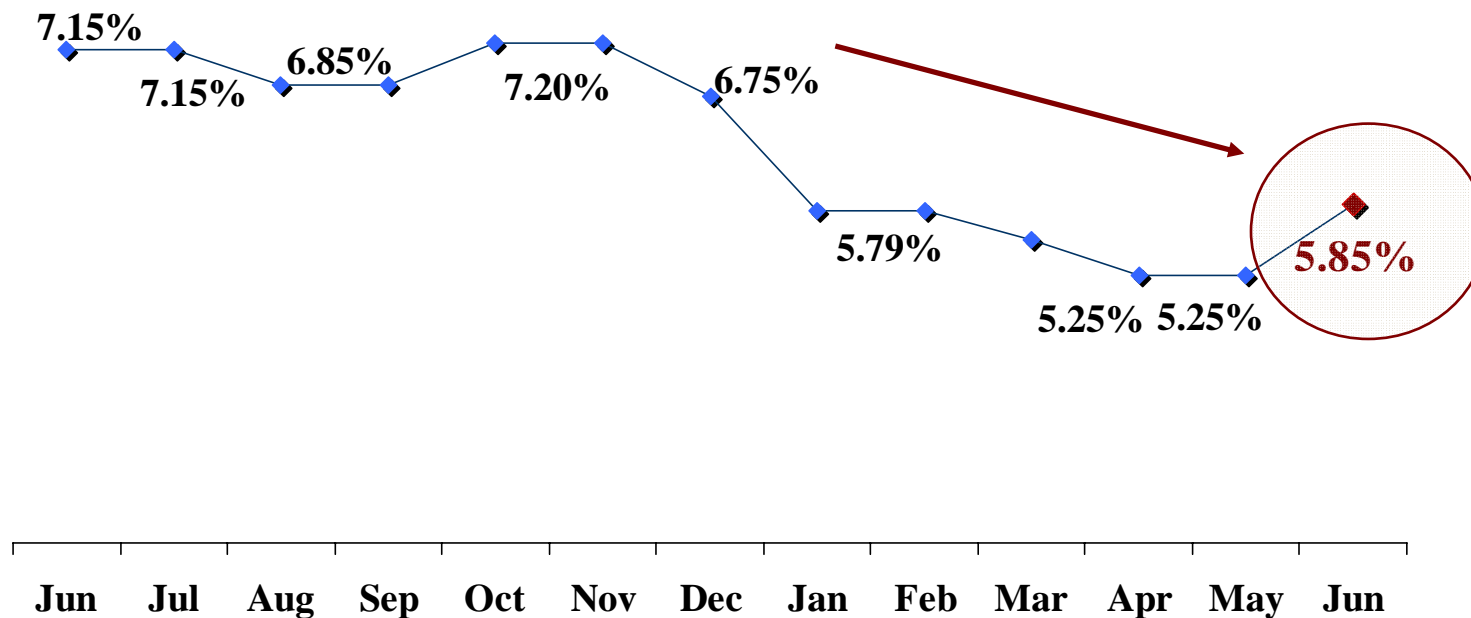
Source: Conference Board, Canadian Mortgage and Housing Corporation, The Canadian Real Estate Association

Mortgage Rates

Average for: 25-Year Amortization, 5-Year Term



Canada's biggest banks are hiking key mortgage rates amid bond market's concerns over risk and the longer-term prospects of inflation. While mortgage rates rose from record-low levels to 5.85% last month, they are still 1.3% lower than the same time last year.



Source: Bank of Canada



Recent Government Action



Government Promotes Ecofriendly Communities



The government plans to launch the \$4.2 million EQuilibrium™ Communities Initiative this summer through a national competition. The top handful of selected submissions will receive government funds for financial, technical, and promotional assistance. Taking bigger and more visible steps to illustrate sustainable living as a priority, this initiative compliments the ecoENERGY retrofit in the Economic Action Plan.

Important considerations in the competition's selection process:

- Energy efficiency
- Water efficiency
- Environmental protection
- Land-use planning
- Clean-energy transportation
- Affordability



Given substantial demand for these communities, similar neighborhoods will likely spring up without government assistance. Look for a growing trend of green, sustainable, and energy-efficient building and retrofits, as they may become a desirable differentiator and selling point in the housing market.

Bank of Canada Keeps Rates Steady



The Bank of Canada reiterated its historically unprecedented conditional commitment to keep rates at their current level through mid-2010.

The Bank cited good news in the modest improvement in confidence, as well as more substantial improvements in financial and commodity markets.

However, the rapid escalation of the Canadian dollar could also be a serious drag on the economy as the loonie's appreciation makes exports, a noteworthy component of the overall economy, more expensive for other countries to import.



Topics for Home Buyers and Owners



Renovation Research



A survey on renovation and home purchases by the Canadian Mortgage and Housing Corporation that included ten major cities found 1.7 million households completed renovations costing a total of \$21.3 billion during 2008. Renovations came to an average of \$12,600 per home. More than half of the renovations were undertaken in order to update, add value, or prepare to sell the home.

Top Renovations of 2008:

1. Painting or wallpapering
2. Remodeling rooms
3. Replacing flooring



In 2009 46% of respondents plan to spend at least \$1,000 or more. These homeowners may be able to take advantage of two government programs:

1. Renovations from \$2,000 to \$10,000 may be eligible for a 15% tax credit in the Economy Action Plan. For more information on the tax credit, visit: <http://www.cra-arc.gc.ca/gncy/bdgt/2009/fqhmrnvt-n-eng.html>
2. ecoENERGY Retrofit program provides grants of up to \$5,000 to help with the costs of increasing a home's energy efficiency. For more information on the program, visit: <http://www.ecoaction.gc.ca/ecoenergy-ecoenergie/retrofit-homes-renovation-maisons-eng.cfm>

First Time Buyers



According to a recent survey by CMHC, almost half (49%) of people planning to buy a home in 2009 are first-time buyers compared to a little over third (36%) of buyers in 2008. This illustrates a significant emergence of first-time buyers who can take advantage of the First-Time Home Buyer Tax Credit in the Economic Action Plan. The study found most first-time buyers fall between the ages of 25 and 34.

Condos can be an attractive way for ecoboomers who are looking for an affordable way to ease into homeownership. When deciding between a detached home or a condominium, consider the advantages and disadvantages of each. A few key differences in maintenance and costs can be found in this table:

	House	Condominium
Pros	<ul style="list-style-type: none">- More freedom to renovate as you wish- You only pay for the amenities that you use, rather than an all-inclusive condominium fee	<ul style="list-style-type: none">- One monthly fee usually covers most maintenance costs, and you're free of outdoor chores- Steady, predictable expenses make it easier for you to budget your costs
Cons	<ul style="list-style-type: none">- You are responsible for all upkeep, repairs, and maintenance- Expenses usually vary by month, making it difficult to budget	<ul style="list-style-type: none">- You are subject to the rules of the condominium and have little control over the amount of monthly condo fees that you must pay in addition to mortgage payments- Condo fees are subject to change and you may not have a choice over how much they increase

Interpreting This Data to Your Benefit



Although it is important to stay informed about what is going on in the national economy and housing market, many different factors impact the real estate market in your area.

**Talk to your Keller Williams agent
for assistance interpreting the conditions in
your local market.**

Keller Williams associates are equipped with all the knowledge and information to help you navigate through the process of buying or selling a home in this challenging market.

A Word About Keller Williams Realty



Founded in 1983, Keller Williams Realty, Inc., is an international real estate company with more than 74,175 associates and 693 offices located across the United States and Canada. The company began franchising in 1991, and following years of phenomenal growth and success, became the third-largest U.S. residential real estate firm in 2009. Keller Williams Realty expanded to Canada in 1999 and now has 1,311 associates in 13 brokerages located in three different provinces including Alberta, British Columbia, and Ontario.

The company has succeeded by treating its associates as partners and shares its knowledge, policy control, and company profits on a system-wide basis.

Focusing on helping associates realize their fullest potential, Keller Williams Realty is known as an industry leader in its family culture, unmatched education, profit sharing business model, phenomenal coaching program, and technology offerings. The company provides associates with all the tools needed to thrive and grow in today's market.

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