



RESEARCH

This Month in Real Estate

Released April 9, 2009

Canada



Housing market providing opportunities for buyers.

Canada's housing market remains an opportunity market for buyers, as prices soften, especially in urban cores, and affordability improves relative to recent years. Yet the Canadian economic climate has certainly cooled in the last month. The weaker Canadian dollar and ongoing infrastructure spending are providing some relief, but not enough to offset big cutbacks in manufacturing, mining and steel production, as well as a slowing service sector.

While the housing market corrects, the overall picture is brighter than that of the United States. At its foundation, Canada has a strong economic balance sheet with lower unemployment and minimal exposure to the types of bad loans and the massive oversupply of housing inventory that plagues its southern neighbor. In fact, home builders in Canada are starting fewer projects, a positive indicator on supply and prices. Unlike in the United States, the Canadian housing market correction is more a symptom of the recession than a driver. And on a sheer transactional basis, sales are actually increasing year over year.

The spring housing market in Canada historically generates increased activity, and this year buyers are benefiting from historically low mortgage rates and improved affordability in many areas. At the same time, economic uncertainty is keeping some home buyers in a cautious mood, so homes are taking longer to sell than in recent years. Canadian Real Estate Association (CREA) cites housing prices on the rise nationally, yet the correction in home prices is clearly underway. Lower prices should continue to give buyers more incentives, and in some cases, multiple-offer situations to well-priced sellers.

The Numbers That Drive Real Estate

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

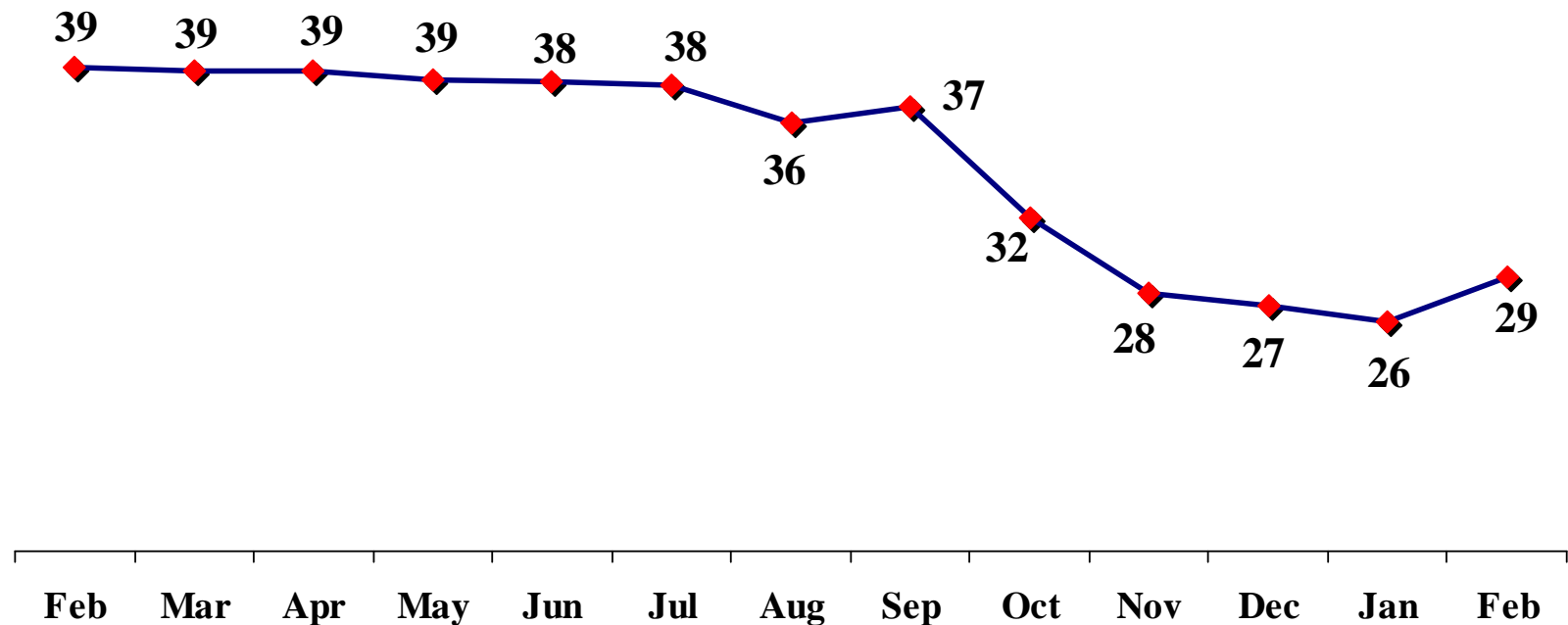


Home Sales

In Thousands



Existing home sales in February increased for the first time since September 2008. As the home-buying season kicks in, improved affordability and historically low mortgage rates are prompting many first-time home buyers to get off the fence and enter the market. According to the Canada Mortgage and Housing Corporation, British Columbia, Alberta, Ontario, and Quebec have seen an increase of almost 9% in the pace of existing home sales from the previous month. The four provinces that saw a jump in sales also account for almost 90% of existing home sales.



Data released on March 15, 2009

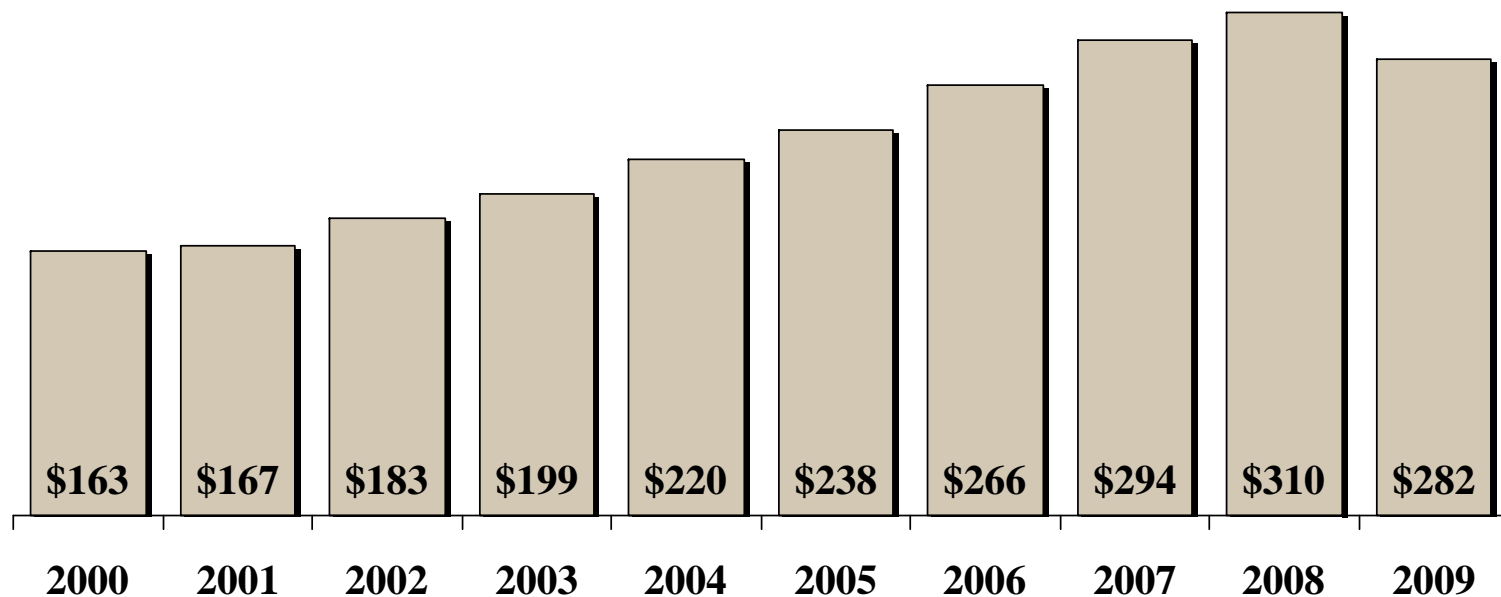
Source: Conference Board, CREA, Royal Bank of Canada

Average Home Price

In Thousands



In February, the rate of decline of the national average home price slowed for the first time since home prices first turned negative in July last year. Much of this downward pressure on price is attributed to lower activity in more expensive housing markets. Seven out of twelve provinces and territories actually experienced an increase in home price.

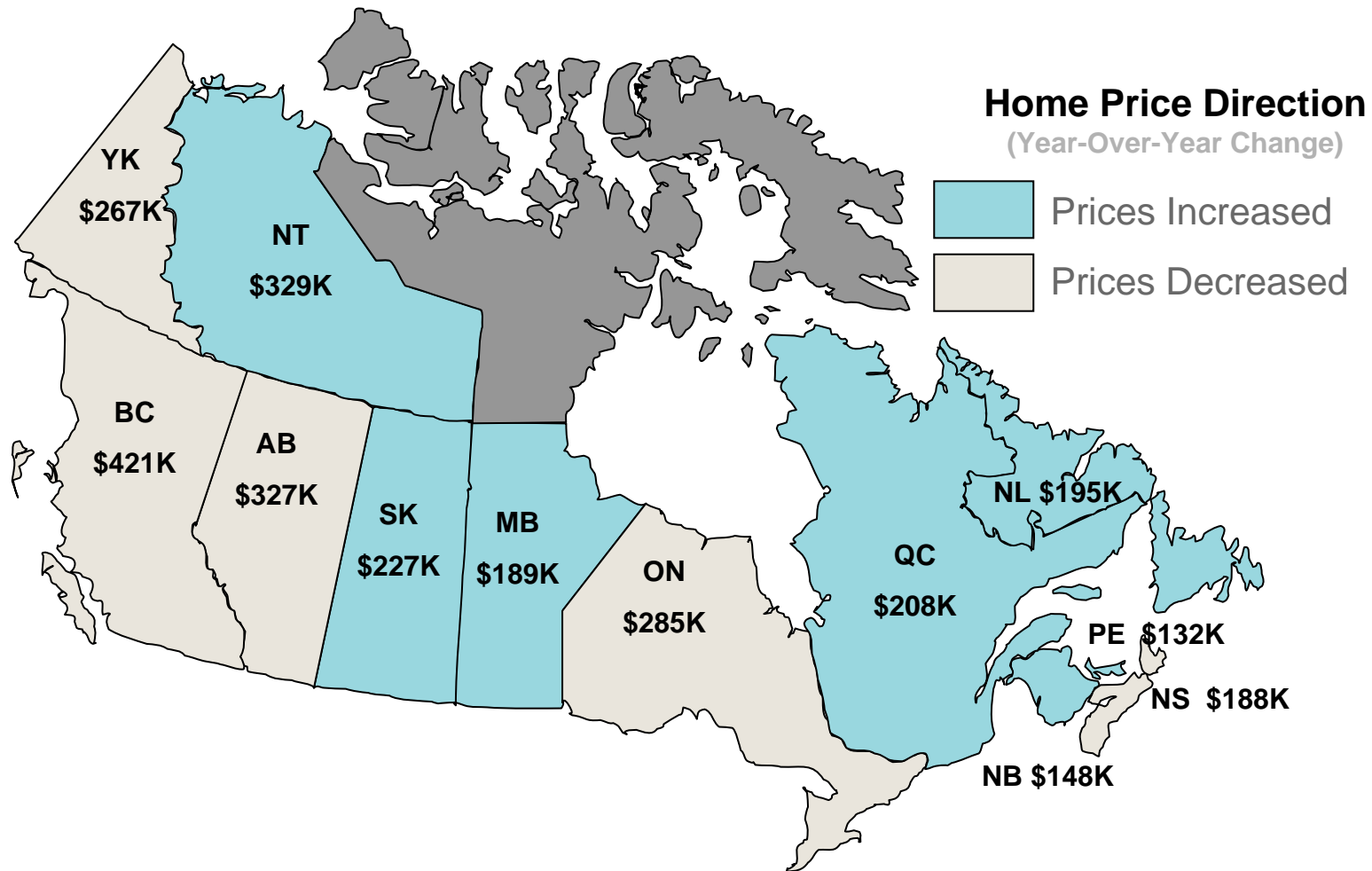


Average home price as of February every year (Data released on March 15, 2009)

Source: Conference Board and CREA

Home Prices by Province and Territories

7 out of 12 experienced an increase in home price



Average Home Price as of February every year (Data released on March 15, 2009)

Source: Conference Board and CREA

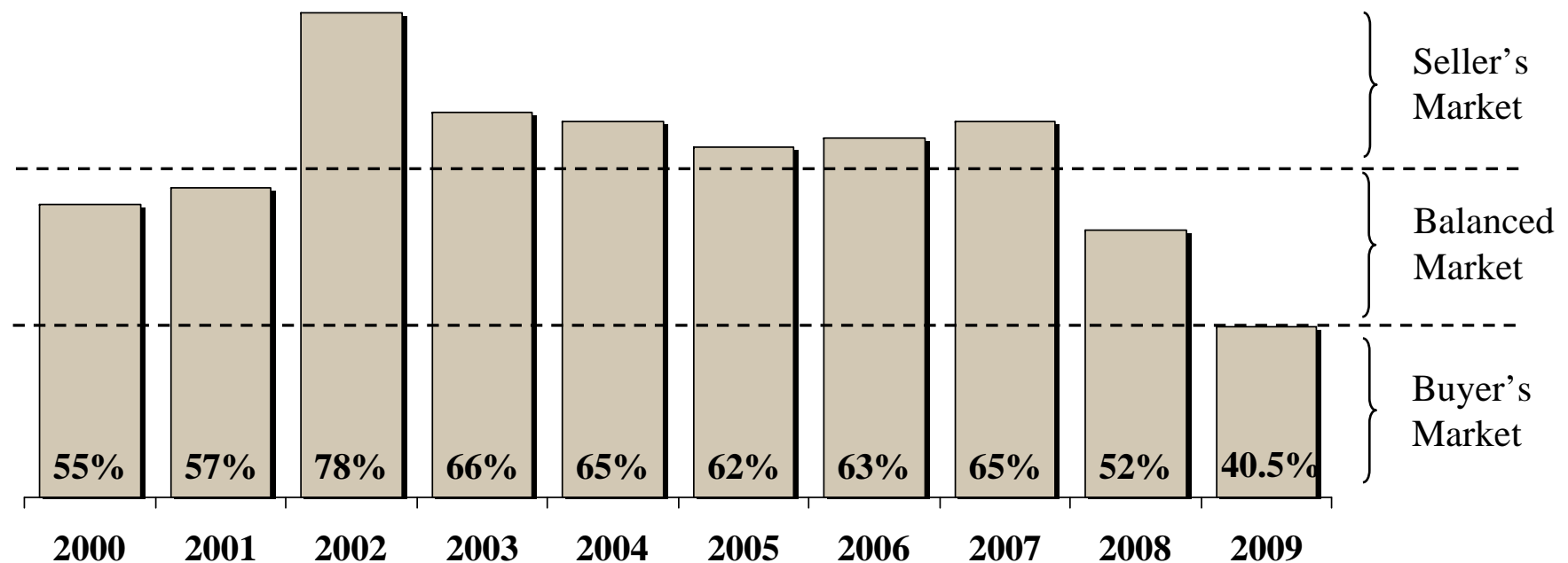
Inventory

Sales-to-Listings Ratio



There were 11% fewer homes on the market in February compared to the same time last year. With less inventory buildup and strengthening resale activity, the sales-to-listings ratio, a measure of how tight the market is, tiptoed into the 40-60% range.

“Economic uncertainty is keeping home buyers in a cautious mood, so homes are taking longer to sell than in recent years.” Gregory Klump, CREA Chief Economist.



Inventory as of February every year (Data released on March 15, 2009)

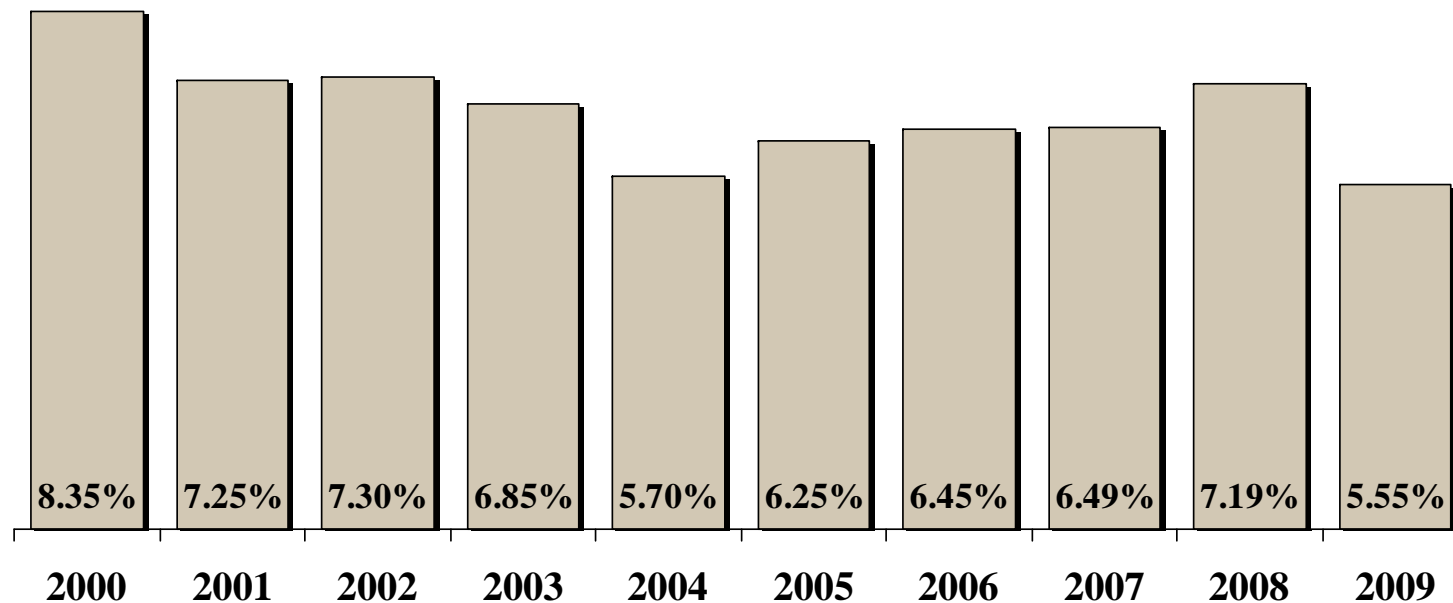
Source: Conference Board and CREA

Mortgage Rates



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

Mortgage rates were 1.64 percentage points lower than the same time last year. Baked into this record low mortgage rate is Bank of Canada's slashing of its overnight lending rate on March 3. It was the Bank's ninth cut since December 2007. The rate is now at an all-time low of 0.5%. The Bank is expected to stand ready to provide additional monetary stimulus, if required, through credit and quantitative easing. Framework for such measures is to be outlined in the April Monetary Policy Report.



Mortgage rates as of March every year
Source: Bank of Canada



Snapshot of the Economy

1. Gross Domestic Product
2. Composite Leading Indicator
3. Inflation
4. Unemployment

Summary of Key Metrics



The Canadian economy continued to fare better than other leading industrial nations. Canada's 3.4% contraction in GDP in the fourth quarter of 2008 was barely half that of the United States and Europe, and merely one quarter of Japan's. Much of the contraction stemmed from declines in consumer spending amidst rising unemployment and shrinking exports resulting from weakened economic conditions in the United States and around the world.

In February, 82,600 jobs were shed, pushing the unemployment rate to 7.7%. The addition of 28,300 part-time positions helped offset part of the 110,900 full-time job cut. While construction jobs fell by 43,200 to reflect home builders' adjusted expectations, manufacturing positions increased by 24,700, providing some relief to the sector's cumulative job loss.

Headline inflation rate edged up to 1.4% this month. Most of the upward pressure came from a rise in gasoline and food prices. With further contraction expected in the near term and unused capacity building in the economy, inflationary pressure is likely to abate. This will create room for Bank of Canada to continue focusing on stimulating the economy through aggressive monetary policy.

Metrics	Simple Definition	%
Real GDP (% Change)	Standard measure of the overall economy	-3.4%
Inflation Rate	General increase in prices across the economy	1.4%
Unemployment Rate	% of the labour force that is actively looking for work but still unemployed	7.7%



Recent Government Action

Government Takes Swift Action to Stimulate Economy



In order to begin working on projects from the economic stimulus plan as soon as possible, the government acted with unprecedented action to make \$3 billion of funds available April 1. The funds for the plan that passed in early February would ordinarily not be available until Parliament approves detailed 2009 budget funds in June.

The lack of exact details from the government on how they intend to spend the funds concerned the opposition and fueled the political controversy that created a good deal of clamor in the later part of last year. The interests of the economy and the well-being of the people took priority over politics and the Senate approved access to \$3 billion of the funds in late March.

The projects should create new jobs that would help cushion the impact of the increasing unemployment rate. In general, it implies greater job and economic stability for Canadians and could put Canada in a position for rapid recovery once global conditions start improving.

Infrastructure Stimulus Should Provide Benefit to Canadians



The Economic Action Plan intends to inject \$12 billion over two years into infrastructure spending to stimulate the economy, promote job stability, and help support Canadian communities with long-term benefits. The government will combine new and old budgets to accelerate planned projects and engage in new ones by partnering with all levels of government and the private sector. These partnerships should enable the government to have a greater impact by assisting in a portion of the cost for many projects rather than footing the entire bill for only a few.

These initiatives focus on maintaining structures, improving transportation, and water systems. This should contribute to cleaner air, water and reduced greenhouse gas emissions. Areas receiving substantial improvements may become more desirable places to live and home prices may appreciate with time as a result of infrastructure improvements.

List of planned projects that have either already received funds or have been promised funds since February.

Project Description	Federal Funding (in millions)
Smaller communities - 480 projects	\$1,500
GO Transit in Ontario	\$250
HELP Clean Water in Ontario	\$50
Nicomekl Bridge in British Columbia	\$2.6
Broadband connections	\$7.7
Evergreen Transit Line in British Columbia	\$350
Highway 11 in Saskatchewan	\$62
Edmonton Ring Road interchange	\$100
Highway 101 in Nova Scotia	\$6.75
TELUS World of Science in Calgary, Ontario	\$40
Water Supply in Shannon, Quebec	\$13.3
Quebec Municipalities' Water System Rehabilitation	\$350
City of Levis Water Filtration Treatment Facility	\$11.75

Take Advantage of the Home Renovation Tax Credit



Homeowners that renovate their home this year may be able to claim a tax credit on their 2009 returns for their expenses. More than 4.5 million families are expected to participate.

How It Works	
Credit Amount	15%
Renovation Cost	\$1,000–\$10,000
Maximum Credit	\$1,350
Beginning Date	January 27, 2009
Ending Date	February 1, 2010

Eligible Renovations	Ineligible Renovations
<ul style="list-style-type: none"> • Renovating a room • New flooring • Building an addition • Building a deck or fence • Painting • Resurfacing driveway • New sod • New furnace or water heater 	<ul style="list-style-type: none"> • Furniture • Appliances (except for furnace or water heater) • Cleaning • Maintenance • Pool cleaning • Furnace cleaning • Snow removal • Lawn care

Homeowners can take advantage of this tax credit by making improvements that may increase the value of the home and could mean a higher selling price or greater interest from buyers when the time comes to sell. Investing in energy-efficient improvements can also help lower monthly bills.

Changes in Income Tax Rules May Translate to More Money For You



The tax cuts included in the Economic Action Plan could help stimulate the economy, position it for future growth, and create more jobs.

Notable Changes: The basic personal amount exempted from income tax will increase \$720 in 2009. The first two income tax brackets will increase by 7.5% for approximately an additional \$3,000 in the first bracket and \$5,700 in the second bracket. This means more money for those whose income falls within those boundaries.

Tax Bracket	0%		15%		22%		26%		29%	
	2008	\$0	\$9,600	\$9,601	\$37,885	\$37,886	\$75,769	\$75,770	\$123,184	\$123,185
2009	\$0	\$10,320	\$10,321	\$40,726	\$40,727	\$81,452	\$81,453	\$123,184	\$123,185	+
Increase	\$720		\$2,841		\$5,683		\$0		\$0	

Government Aid to Auto Industry Could Preserve Home Prices



The auto industry makes up a large portion of the overall Canadian economy. It represents half a million jobs and 23% of the country's manufacturing trade. The trouble in the industry that began around a year and a half ago has led to substantial job losses. Because the housing market is driven by job stability, the impact was felt. The government is taking action that addresses the vitality of the automakers and as a result employment and housing.

In December, the federal and Ontario governments pledged \$4 billion, following the United States' aid package of US\$17.4 billion in emergency loans to General Motors Corp. and Chrysler LLC. The bailout aimed at keeping these automakers afloat while they restructure their businesses. On February 17, General Motors and Chrysler sought \$21.6 billion in additional federal loans to stave off bankruptcy and allow extra time for restructuring. Officials required the two automakers to submit restructuring plans by the end of March for review before deciding on whether to extend the loans or call it in and allow the companies to collapse.

On March 31, both the United States and Canadian governments rejected plans submitted by GM and Chrysler on grounds that the plans don't go far enough and that they rely on overly optimistic assumptions. GM and Chrysler were given another 60 and 30 days, respectively, to present new proposals. Meanwhile, the Canadian and Ontario governments will hold to their promised funds of C\$4 billion to help tide the auto makers over through the restructuring planning.

The good news is that the governments opted for an extension over bankruptcy. The fact that the governments refused to accept mediocre plans can be seen as a positive sign for the future potential of these companies.

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 agents 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



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 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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