

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 new listings trending downward, Canada continues to move toward balanced supply and demand conditions. Home building recorded its first broadly based 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

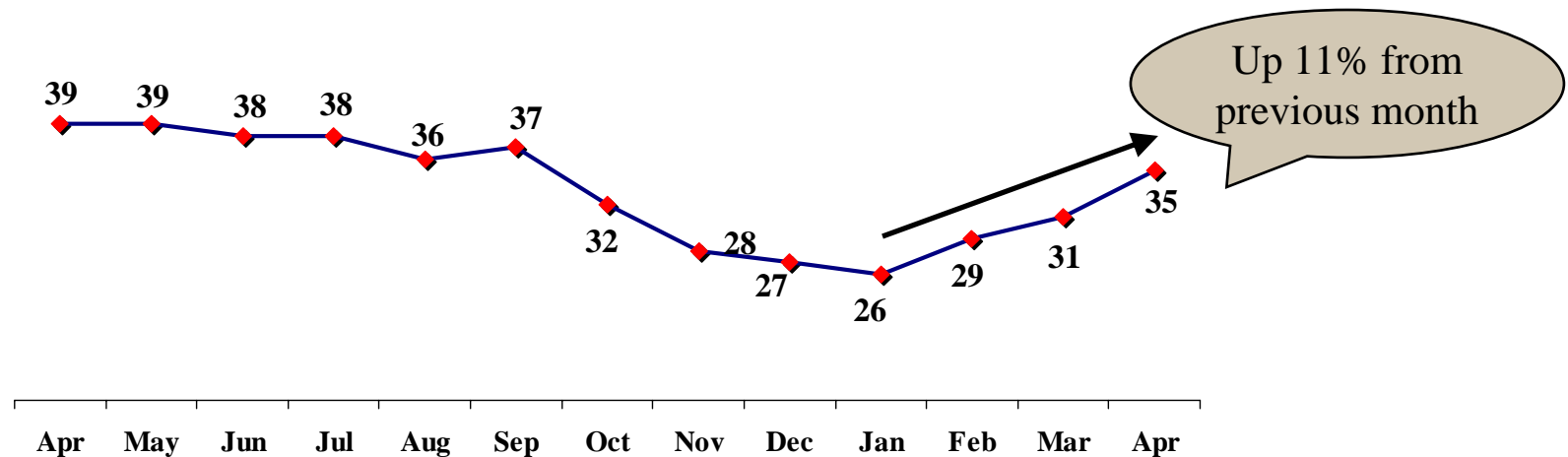


Home Sales

In Thousands



Sales activity increased 11% from the previous month. This was the largest monthly increase in more than five years. 70% of local markets saw an increase in sales. Calgary, Vancouver, Montreal, and Toronto accounted for most of the increase.



Data released on May 15, 2009

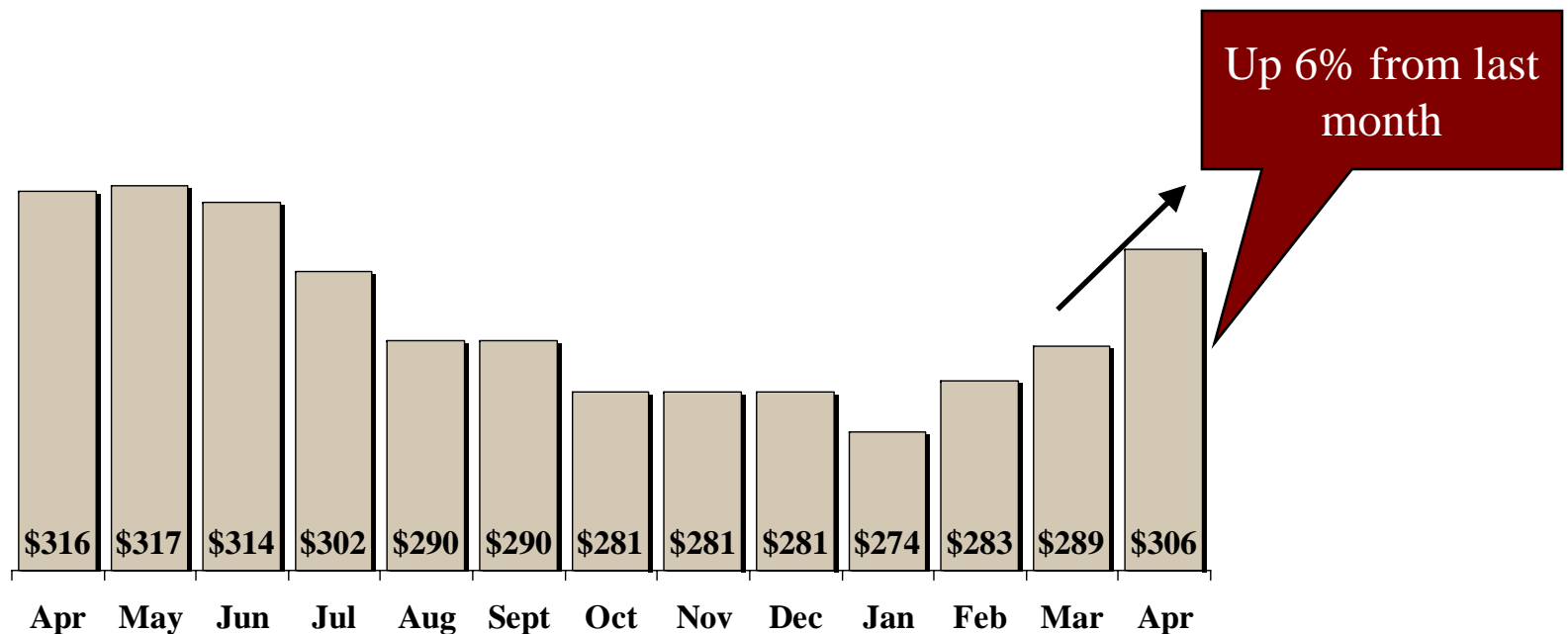
Source: Conference Board, The Canadian Real Estate Association, Royal Bank of Canada

Average Home Price

In Thousands



Home prices increased 6% from the previous month but still remained slightly lower than the same time last year. Record home prices were seen in Saskatchewan, Manitoba, Quebec, and Nova Scotia.

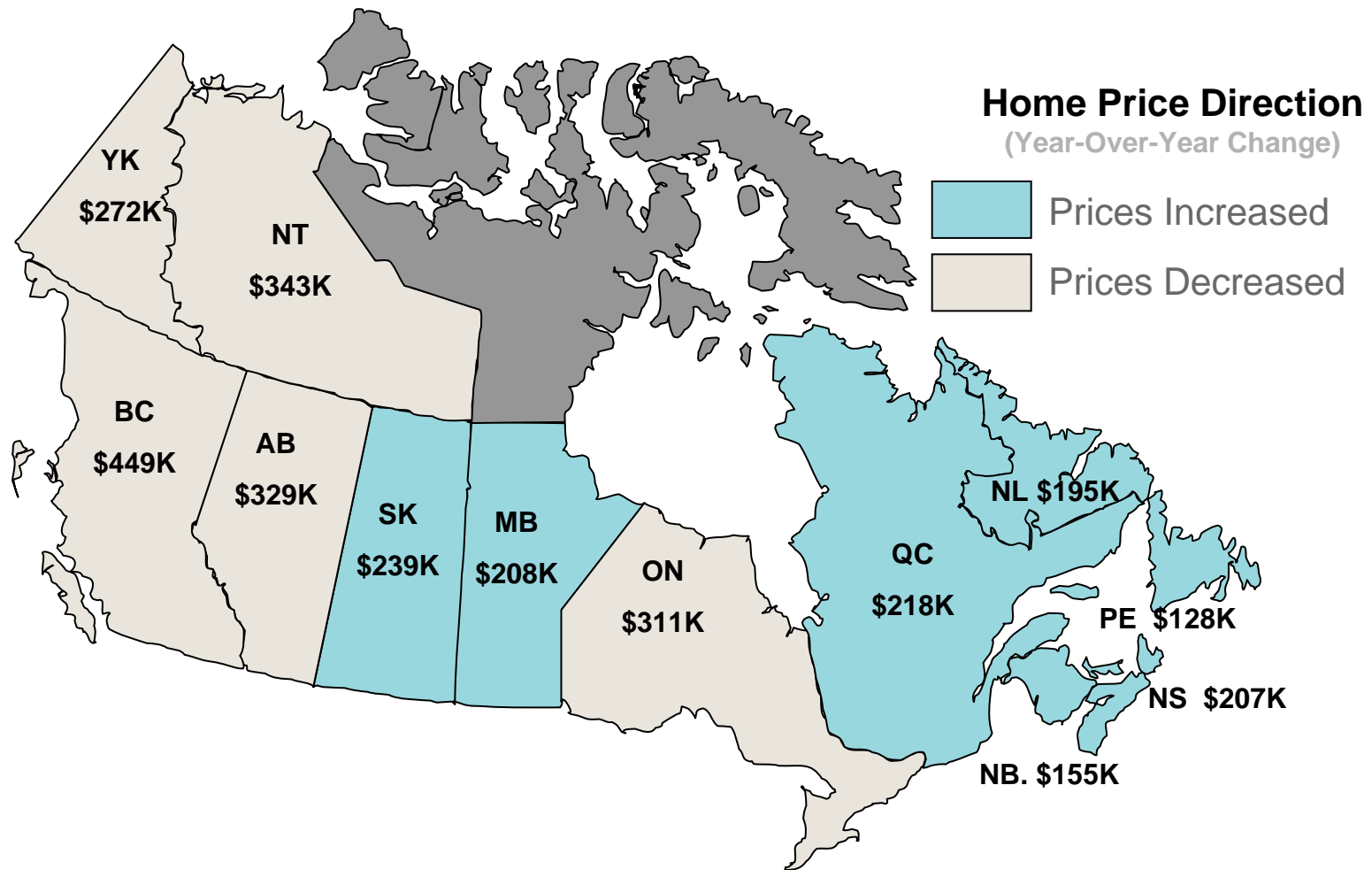


Data released on May 15, 2009

Source: Conference Board and The Canadian Real Estate Association

Home Prices by Province and Territory

7 out of 12 experienced an increase in home price



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

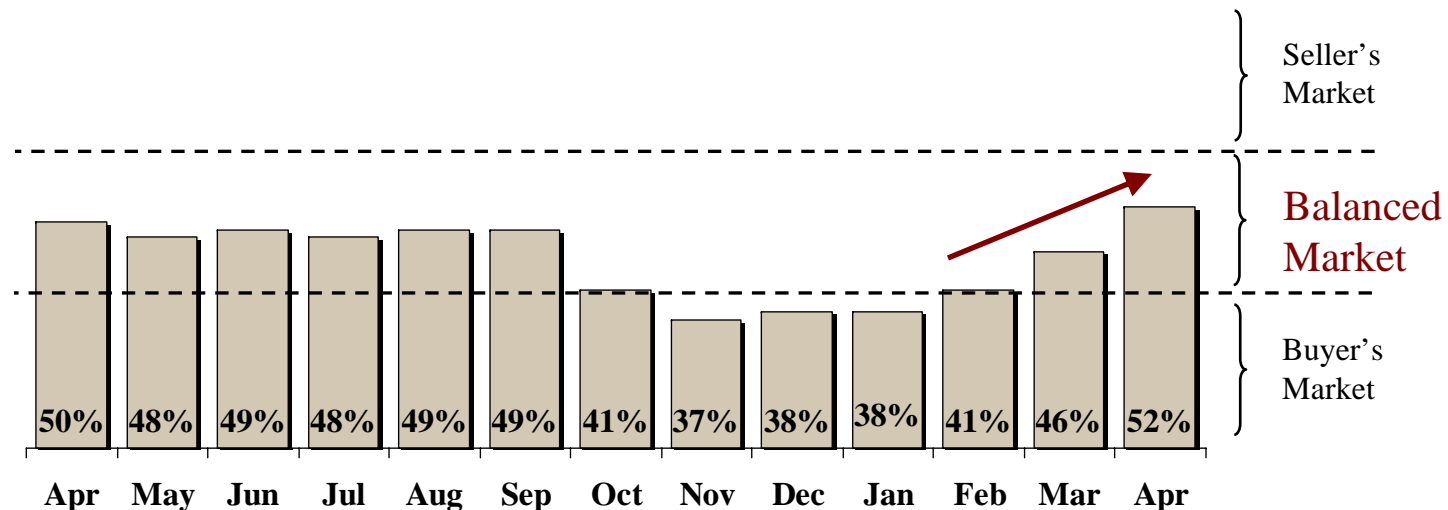
Source: Conference Board and The Canadian Real Estate Association

Inventory

Sales-to-Listings Ratio



The supply of homes continued to shrink. There were 21% fewer new listings in the market in April when compared to the same time last year. With sales activity rising strongly and new listings trending downward, Canada continued to move toward balanced supply and demand conditions.



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

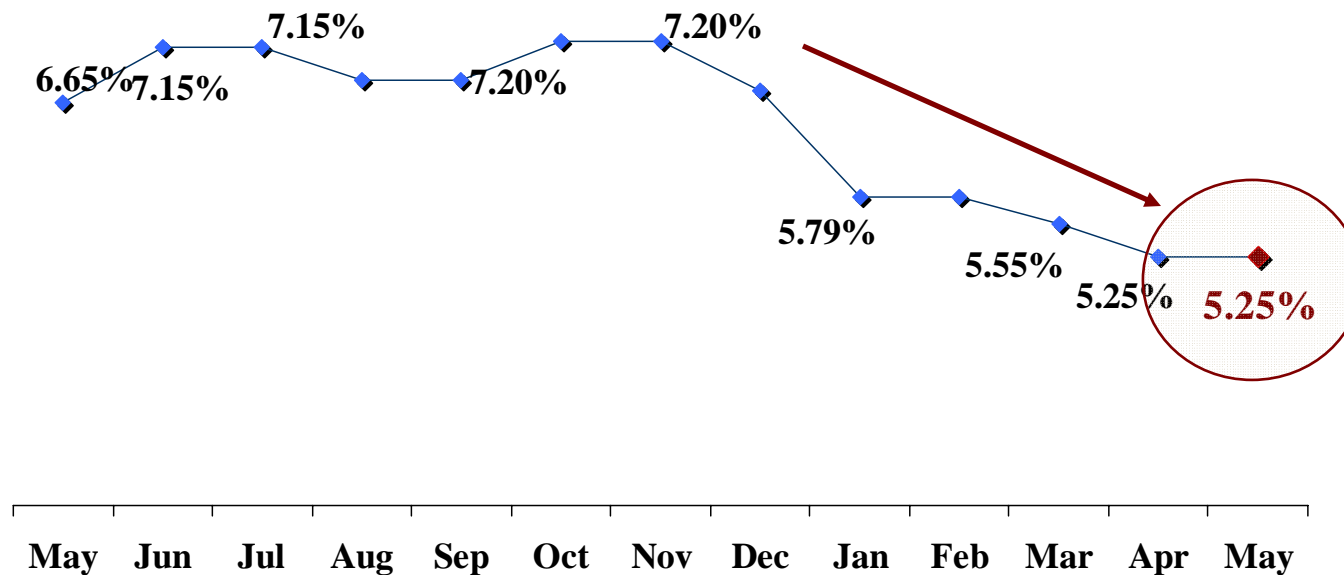
Source: Conference Board, Canadian Mortgage and Housing Corporation, The Canadian Real Estate Association

Mortgage Rates



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

Mortgage rates stood at 5.25% last month. This was 1.4% lower than the same time last year and .2% below where it stood when the Bank made the latest rate cut on April 21.



Source: Bank of Canada



Recent Government Action



Government Rescues General Motors



A comprehensive restructuring plan was approved on June 1 after General Motors failed to get its bondholders on board.

While the additional details on the restructuring gets ironed out, the massive rescue plan by the Canadian and U.S. governments will yield a majority ownership in excess of 70% between the two governments. The \$9.5 USD billion in aid from the Canadian government will translate into a 12% stake in the “New GM.” This represents the largest corporate rescue in the history of Canada.

Typically, financial institutions step in to provide a company with funds through the restructuring process, but with the trouble in the financial sector, no institutions took interest leaving it up to the governments to provide \$40 USD billion on top of the \$20 USD billion the company already received.

The massive intervention bodes well for Canadian interest in the company by ensuring that the interests of Canada receive formal representation, and it protects the company from liquidation, saving numerous Canadian jobs. This action intends to support the auto industry; however, the 12% stake pales in comparison to the 60% majority held by the U.S. government.

Government Cut Red Tape on Employment Insurance Program



Key changes to the Employment Insurance Program were announced on June 2 to allow workers to receive their benefits quicker.

Employers will be no longer required to print a paper copy for employees who file for employment insurance. This should improve the processing time considerably. New time lines were put into action as well to allow employers to issue records of employment (ROE) in line with their pay cycle.

ROE is a vital document when filing for employment insurance. Approximately 8 million ROEs are issued every year by approximately 1 million Canadian employers.





Tips for Home Buyers and Owners



Mold Tips for Homeowners



There are more than 270 variants of mold in Canadian homes. Certain types of mold can pose significant health concerns and damage to your home.

Mold Indicators:

- **Smell.** Musty smells can be evidence of hidden mold but may not be always present.
- **Discoloration.** Mold comes in a wide range of colors including black, white, red, orange, yellow, blue, or purple.



Easy Mold Test:

- Apply a small amount of bleach to the discoloration. If the color fades or the stain disappears, it very well may be. If you do have a mold issue, do not use bleach to clean up mold problems as the fumes can be harmful to you and the environment.

If the spot in question is larger than a square meter, have it checked out by a professional.

Click on the following link for an in-depth guide on mold prevention and cleanup:

http://www.cmhc-schl.gc.ca/en/co/maho/yohoyohe/momo/momo_005.cfm#smallclean

Are You Financially Ready to Buy a Home?



If you're like most Canadians, your home is probably the most important investment you will ever make. But how do you know if you are financially ready for all the responsibilities that come with homeownership?

To help you avoid any unpleasant surprises, Canada Mortgage and Housing Corporation (CMHC) offers the following tips on how to assess your current financial situation, calculate your monthly expenses, and determine how much home you can afford:

1. Calculate your net worth. Your net worth will give you an accurate snapshot of your current financial situation, as well as an idea of how large a down payment you can afford.

YOUR NET WORTH

= **Assets** Minus **Liabilities**

Assets
Investments
Savings
Properties
Vehicles
Other Assets

Liabilities
Mortgages
Car Loans
Personal & Student Loans
Credit Cards
Other Debts

Are You Financially Ready to Buy a Home?



2. Calculate your current monthly expenses to determine what kind of mortgage payment could comfortably fit into your budget. Your monthly expenses include your current housing expenses (such as rent, utilities, parking, and other fees) as well as all other regular, nonhousing-related costs (such as cable TV/Internet, debt payments, insurance, car fuel and repairs, clothing, medical and dental costs, child care expenses, groceries, entertainment, and other expenses).
3. Once you have a clear picture of your financial situation, figure out how much you can afford in monthly housing costs.

How Much Can You Afford?

- 1. Your Total Housing Costs (Mortgage Principal + Interest + Taxes and Heating)**
= **less than 32%** of gross household income
- 2. Your Entire Debt Load (Mortgage Payments + Student/Car Loans + Credit Cards)**
= **less than 40%** of gross household income

Are You Financially Ready to Buy a Home?



4. If you have made all the necessary calculations and feel you are ready, it can be a good idea to select a lender and ask them to preapprove you for a mortgage. Getting preapproved lets you know in advance what price range you should have in mind when you are shopping for your new home.
5. For most people, the hardest part of buying a home—especially a first home—is saving for the down payment. With mortgage loan insurance, you can purchase a home for as little as 5% down.



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 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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