



This Month in Real Estate

Released March 9, 2009

Canada

Commentary



Like the rest of the major international players, our Canadian economy remains tied up in a recession. However when compared to our American counterparts, Canadians appear to be weathering the storm better overall. While it does appear that a higher job loss rate combined with decreased demand for Canadian goods will define the first half of 2009, improvement toward the end of the year is possible. A concerted effort from Mr. Harper's Conservative Government and the Bank of Canada aims to ward off catastrophic downturns in the current fragile economy.

Canada's substantial stimulus package that rolled out in late January and early February is expected to bring numerous long-term benefits. A majority of consumers will find themselves in the fortunate position of benefitting from Reduced Tax Rates and New Additional Tax Credits. Many of those funds are expected to be put toward practical expenses with long-term benefits. The Economy should stabilize and ultimately strengthen thanks in part to a carefully structured debt-reduction strategy and a package of unique stabilizing initiatives for both foreign investment and domestic job security.

Commentary



But it's still tough sledding. Looking at current housing trends, affected heavily by the American Housing Crisis, further softening at home is likely to occur. Many parts of Canada made a definite shift to a buyers' market – with the number of homes for sale far above the yearly averages. Under these conditions, savvy home hunters see great opportunity through lower prices and greater selection. Indeed, after years of skyrocketing home prices, improved affordability is encouraging news for the next wave of aspiring home owners.

On the world stage, the Canadian banking system has weathered the economic storm far better than its international peers. In October, 2008 the World Economic Forum cited Canada as having the soundest financial system in the world. Sherry Cooper, Bank of Montreal chief economist, forecasts a “very sudden and very sharp” recovery in the Canadian stock market. Other leading economic institutions concur. “Once the global financial system stabilizes and global growth recovers, the underlying strength of the Canadian economy and financial sector should ensure a more rapid recovery than most other industrialized economies.”

These are crucial indicators for Canadians buying or selling in this current, challenging housing market. Market pressures are likely to remain for the first half of 2009, economic indicators point to the last quarter as the possible beginning of recovery.

The Numbers That Drive Real Estate

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

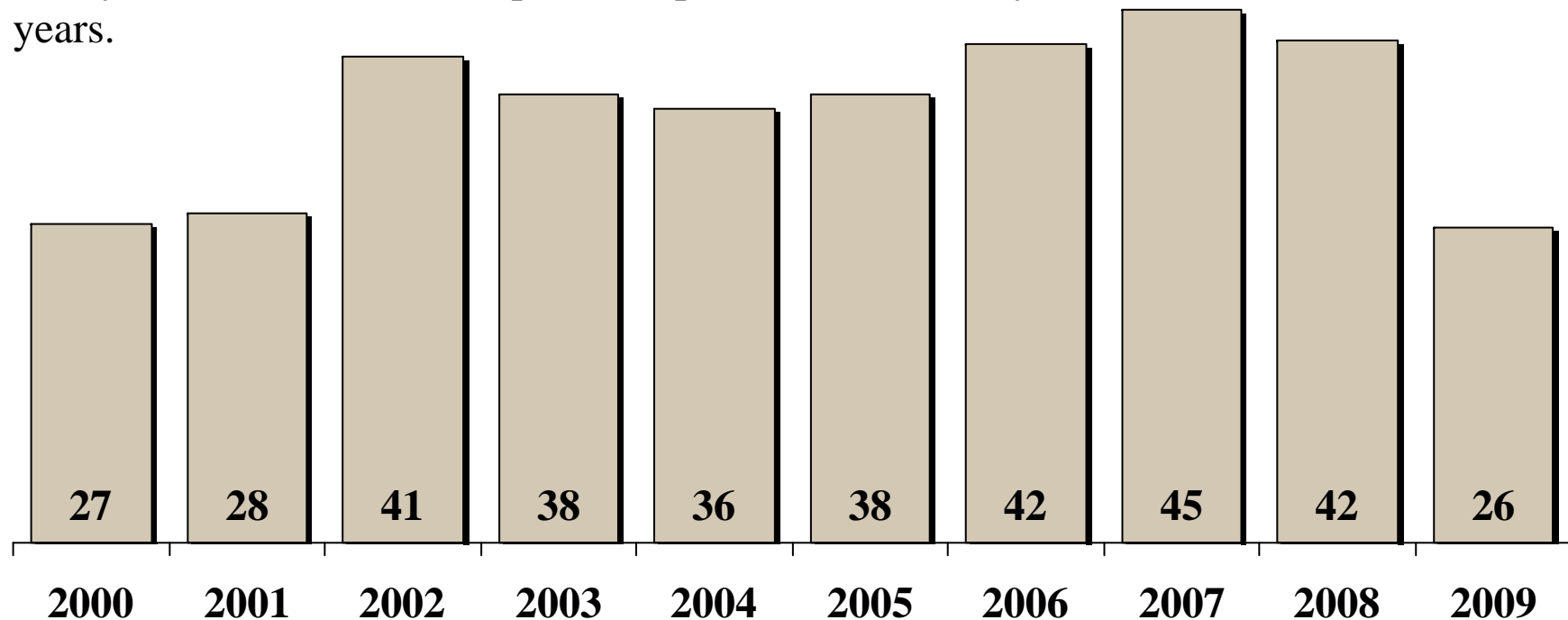


Home Sales

In Thousands



While home sales fell by 37% in January as compared to the same time last year, actual sales activity increased slightly by 0.4% from December 2008 to January 2009. According to a new survey released by the Royal Bank of Canada, Canadians are becoming more optimistic about the housing market despite the current economic turmoil. The survey found that approximately two thirds of Canadians thought it was a good time to buy a home. More than a quarter expressed intent to buy a home over the next two years.



Home Sales as of January every year (Data released on February 15, 2009)

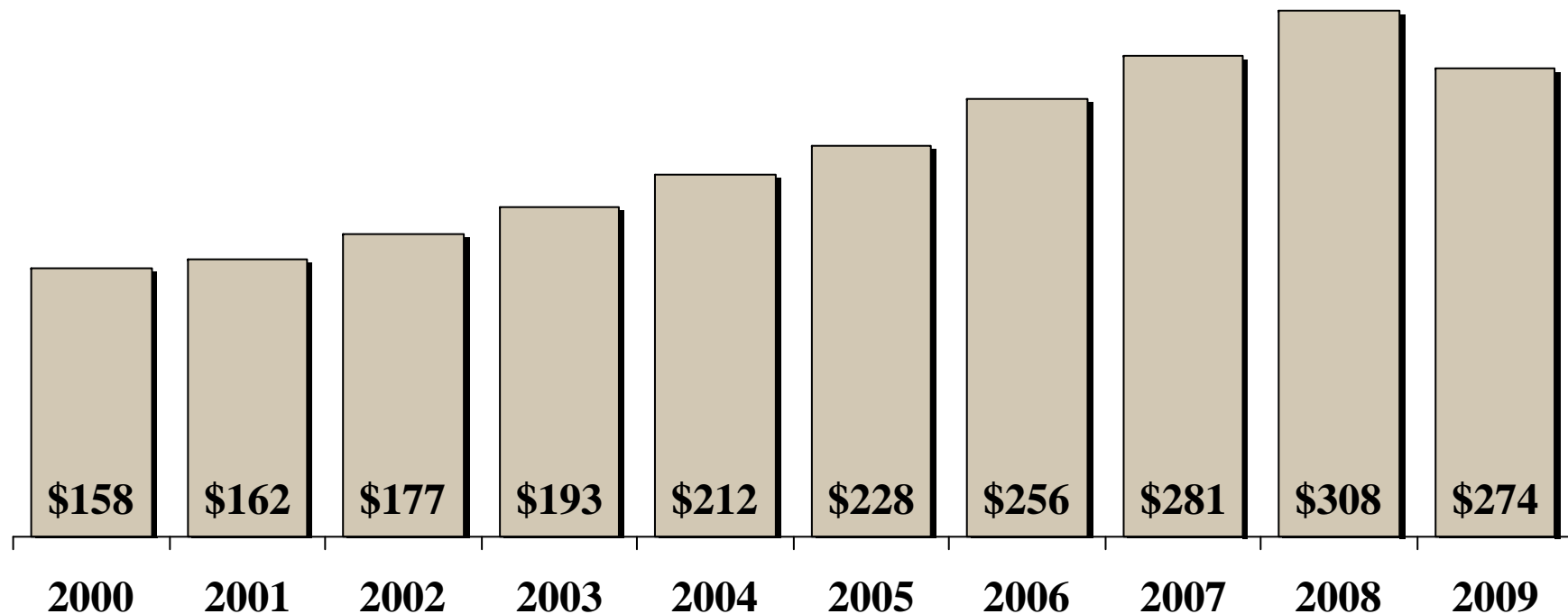
Source: Conference Board, CREA, Royal Bank of Canada

Average Home Price

In Thousands



Home prices fell by 11% to \$274K in January 2009 compared to a year ago. Sluggish demand in more expensive markets such as British Columbia, Alberta and Ontario continued to skew the national average price.

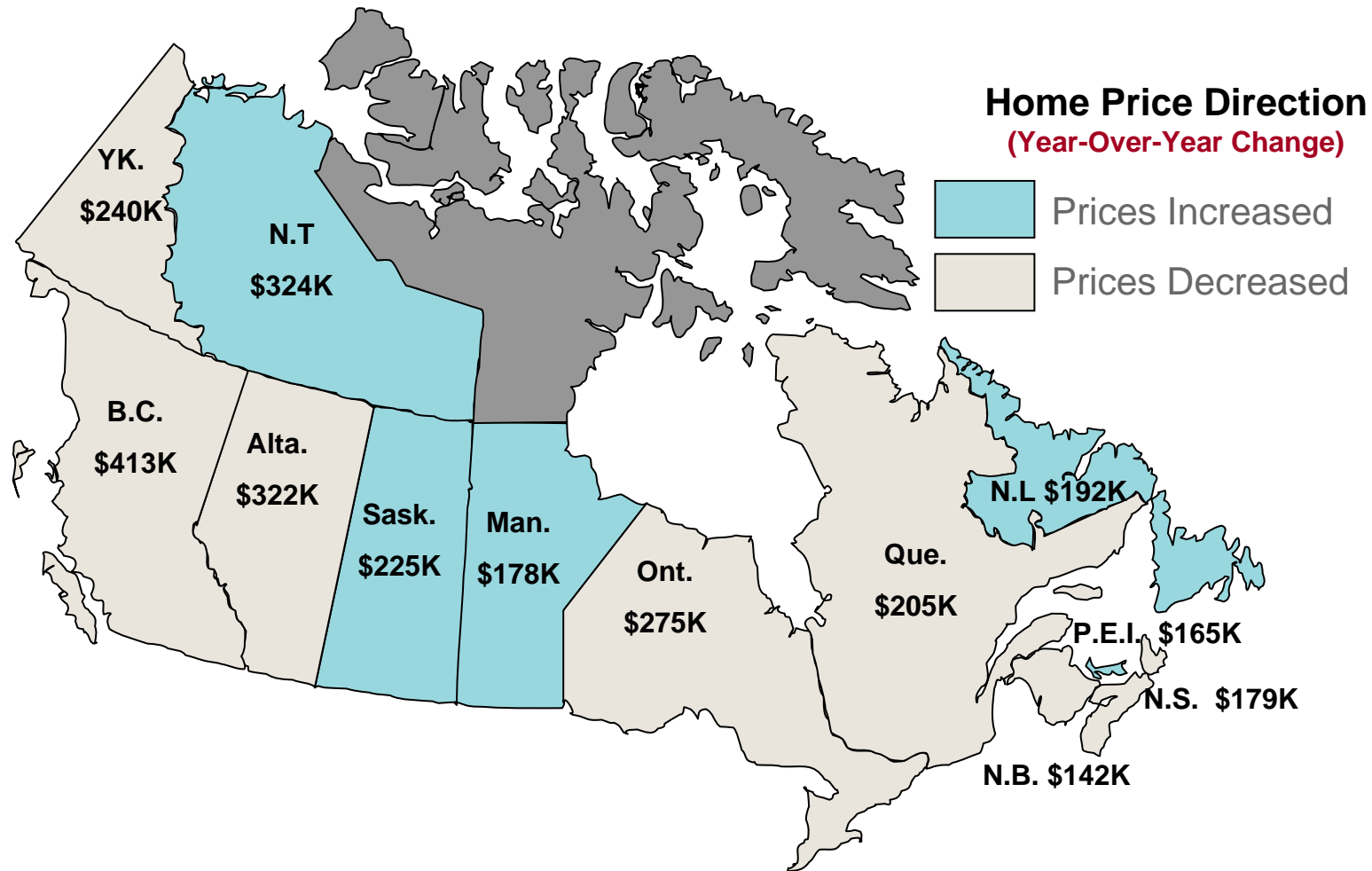


Average Home Price as of January every year (Data released on February 15, 2009)

Source: Conference Board and CREA

Home Prices by Province and Territories

5 out of 12 experienced an increase in home price



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

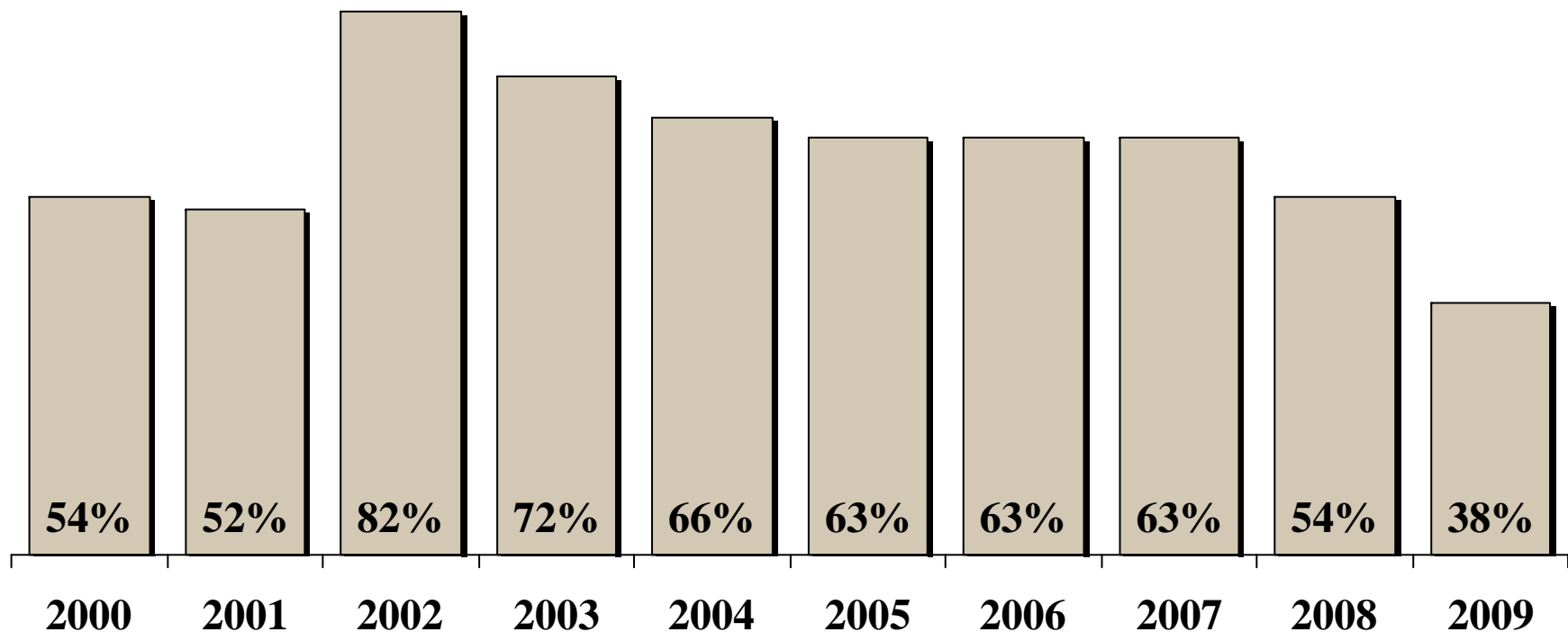
Source: Conference Board and CREA

Inventory

Sales to Listings Ratio



Virtually all of Canada began 2009 in a “Buyers” market as sales as a percentage of new listings stood at 38% in January, virtually unchanged from the previous month. While sales declined considerably, there were fewer homes that went on the market as the number of new listings fell 14%. The decline in supply of existing homes could help offset the downward pressures on prices due to lower demand.



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

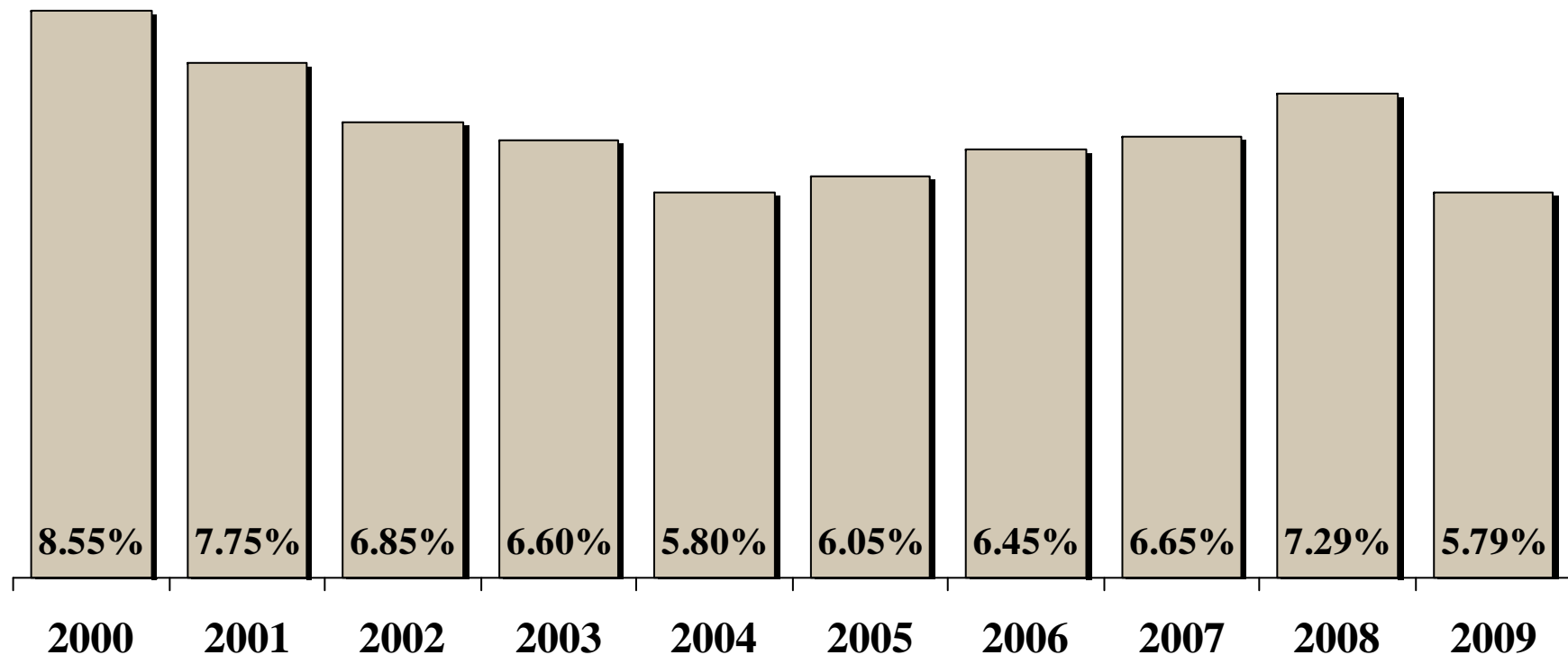
Source: Conference Board and CREA

Mortgage Rates



Average for: 25 Yr Amortization, 5-Year Term

Mortgage rates (5 year term) averaged around 5.79% in January, a significant drop from 7.29% a year ago. The continuing decline in the cost of mortgage, together with lower house prices will continue to give Canada a needed boost in housing affordability.



Mortgage rates as of February 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 economy contracted by 3.4% in the final quarter of 2008 in light of shrinking consumer spending and business investment. Although posting a decline, Canada continues to outperform many countries across the globe and managed to outperform the U.S who experienced a 6% decline the same quarter.

Consumer prices continue to experience downward pressures due to falling commodity prices and recessionary pressures. As a result, inflation grew marginally by 1% in January.

After a strong expansion in the labour market that added almost 900K jobs from January 2006 to October 2008, shrinking business confidence led to notable erosion in employment conditions. As a result, the unemployment rate increased to 7.2% in January. This is the first time in over four years the unemployment rate exceeded 7%.

Metrics	Simple Definition	%
Real GDP (% Change)	Standard measure of the overall economy	-3.4%
Inflation Rate	General increase in prices across the economy	1.1%
Unemployment Rate	% of the labour force that is actively looking for work but still unemployed	7.2%



Recent Government Action

Government introduces new tax-free savings account



Overview

- Beginning in January 2009, Canadians can save \$5,000 a year in a Tax-Free Savings Account (TFSA).
- The funds can be withdrawn at anytime for any purpose.
- Withdrawn funds can be replaced at a later date.
- Unused contribution room can be carried forward in later years.
- Contributions to this account are exempt from investment income taxes including capital gains taxes but are not deductible for income tax purposes like RRSP's.
- As capital gains and other investment income earned in this account is not taxed, it is estimated that a person contributing \$200 a month to this account for 20 years will earn an additional \$11,045 when compared to saving in a non TFSA savings account.

G7 Finance Ministers Convene



February 14, 2009.

Overview

- Due to Canada's reliance on exports and clearly stated pre-condition for recovery of global economic stability, this concerted effort among G7 central banks is of particular importance.
 - G7 countries: Canada, France, Germany, Italy, Japan, UK, US
- The Finance Ministers from the world's top economies met to discuss what they can do once interest rates cannot go down any lower. The overnight lending rates for the U.S. and Japan are currently at virtually zero. England recently adjusted its overnight rate to 0.5%, the same as Canada's new rate.
- After their meeting, they committed to working together to stabilize the economy and financial markets but vowed to "avoid distorting free trade in the process".

Bank of Canada lowers overnight lending rate



March 3, 2009.

Overview

- Due to significant weakening in the Canadian economy, the Bank of Canada lowers its overnight lending rate by ½ percent, bringing the overnight lending rate to an unprecedented 0.5%.
- Canadian charter Lenders reacted almost immediately by adjusting their key lending rates accordingly. As of March 4, 2009, consumer interest rates fell below 5%.
- Bank of Canada stated that it will keep the policy rate “at this rate or lower” until the economy noticeably demonstrates that it has begun to recover. It is expected these lower base rates will remain in effect for the balance of 2009
- The Bank will also consider additional measures if it becomes necessary.

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 Realtor
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 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. Keller Williams provides associates with all the tools needed to thrive and grow in today's market.

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