



RESEARCH

This Month in Real Estate

Released May 8, 2009

Canada

Canadian Housing Market Firming, Government Support Remains Strong



While buyers absorb inventory and demand remains intact especially among first-time buyers, industry experts envision a continual shift to a more balanced market in the coming months. Home prices, which firmed in late winter, remained lower compared to last year but are showing clear signs of a potential rebound. With inventory levels still somewhat high, builders are proactively adjusting by slowing new residential construction starts, which now stand at their lowest level of the decade.

Spotlighting an interesting trend in the condo market, research suggests many of Canada's older baby boomers and younger eco-boomers hold a preference for condos. The low maintenance and smaller footprint are compelling points for the older generation, while the more affordable prices serve as an entry point for an aspiring younger generation of homeowners.

In a welcome surprise, April's employment numbers showed an unexpected addition of nearly 36,000 new jobs compared to the anticipated loss of 50,000.

While this news is encouraging, the potential for future weakening in the labour market still poses a risk to overall housing demand.

Canada's government remains firmly focused on supporting the housing market. The Bank of Canada cut the overnight rate to a record low and has made a commitment to keep rates at this level until mid next year. A commitment of this nature is unprecedented among central banks.

The Numbers That Drive Real Estate

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



Home Sales

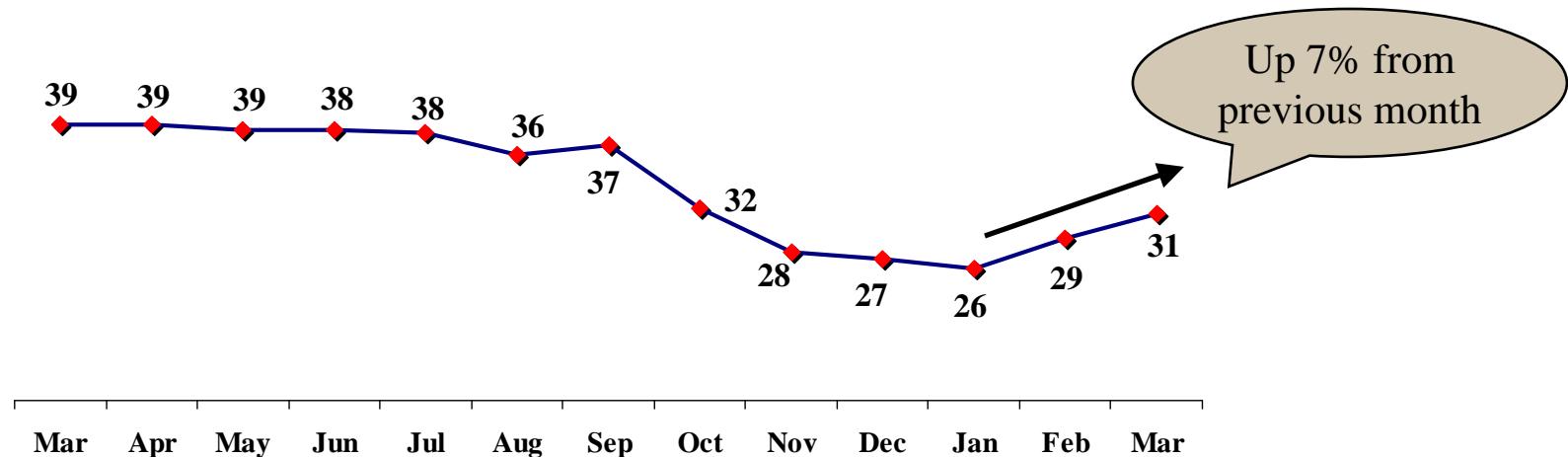
In Thousands



According to the most recent data, existing home sales increased for the second month in a row. Home sales increased 7%, which built on the 10% gain the month before. The number of sold transactions now stands 18% above levels reported in January, when activity fell to the lowest level in a decade.

The monthly increases in activity were the most significant in British Columbia and Ontario. Sales were also up in the Northwest Territories, Manitoba, Quebec, and Newfoundland and Labrador.

Buyers are starting to take notice of lower prices, interest rates, and rising affordability conditions.



Data released on April 15, 2009
Source: Conference Board, CREA, Royal Bank of Canada

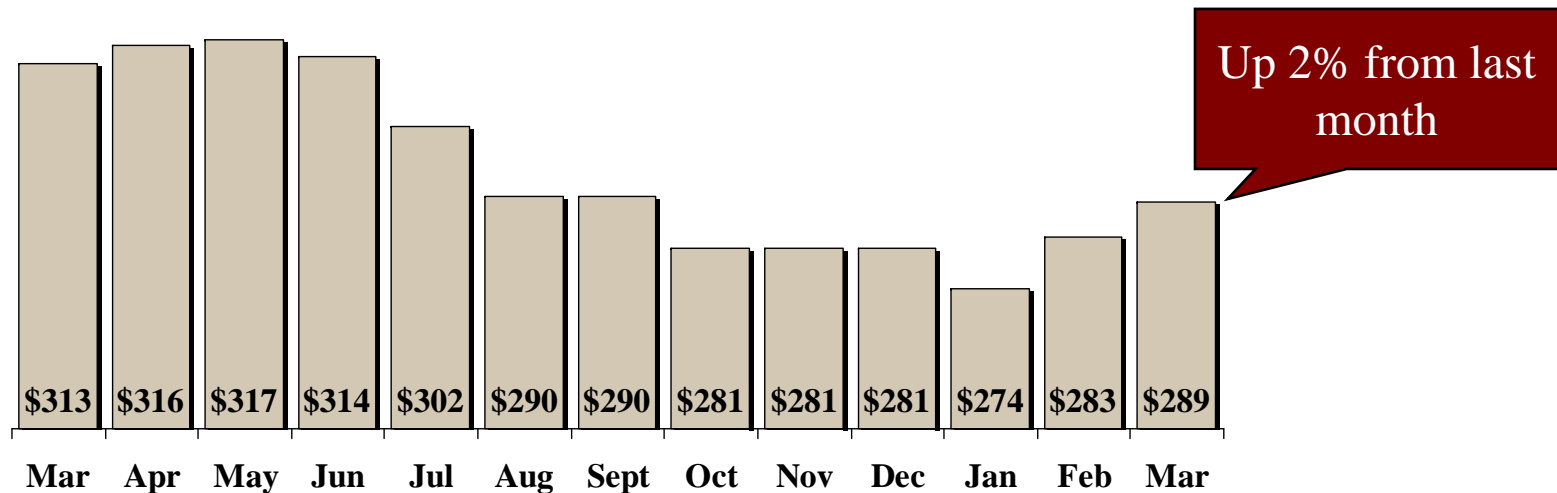
Average Home Price

In Thousands



The pace of home price declines is tapering which is providing some glimmer of stabilization in the housing market. Home prices increased 2% from the previous month but is down 8% from the same time last year, which is the smallest year-over-year decline in six months.

The average home price currently stands at \$288,641. The national average price continues to be skewed downward by lower activity in Canada's more expensive housing markets, i.e., British Columbia, Alberta and Ontario which accounts for 67% of national activity. 7 out of 12 provinces and territories actually saw price increases.

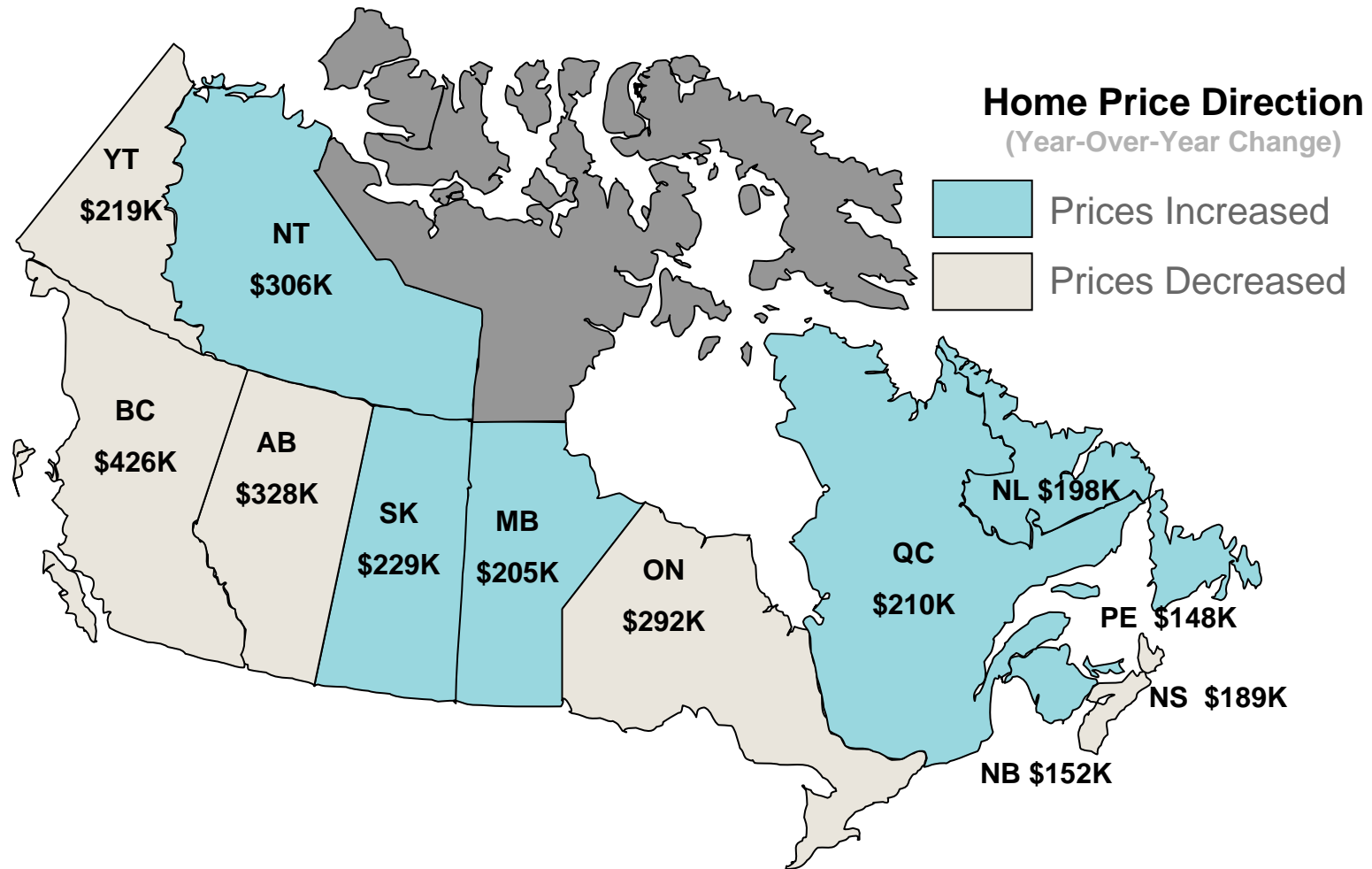


Average home price as of March every year (Data released on April 15, 2009)

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 March every year (Data released on April 15, 2009)

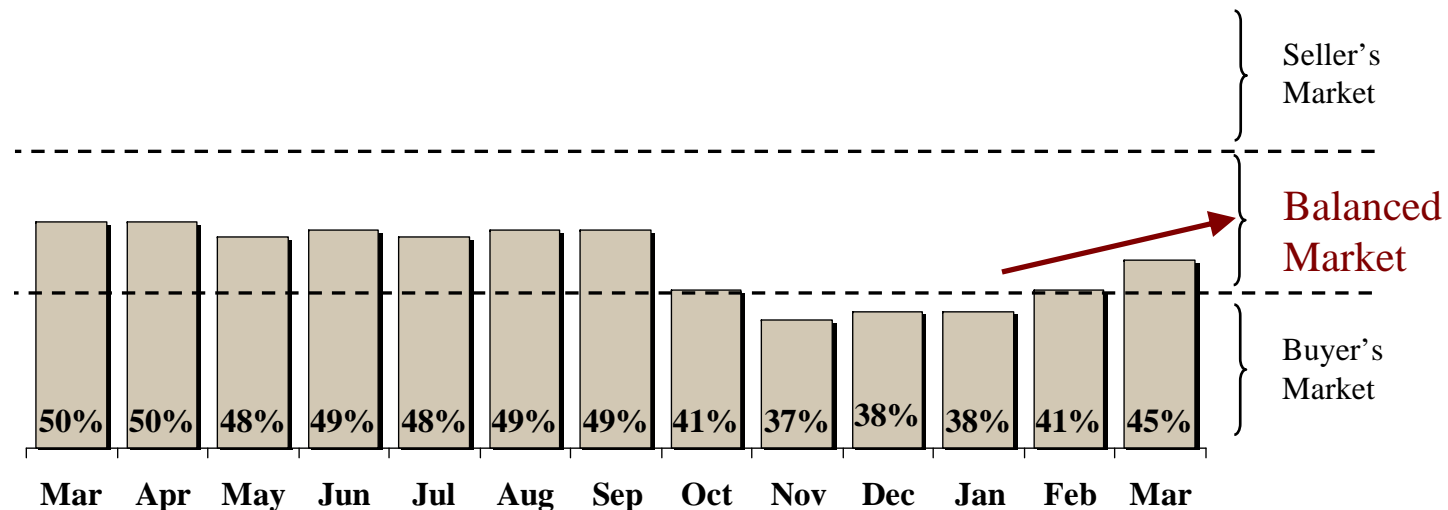
Source: Conference Board and CREA

Inventory

Sales-to-Listings Ratio



Market conditions moved toward balanced conditions due to increase in demand and fewer new listings. In the first quarter of 2009, there were 6% less homes entering the market compared to the previous quarter, which represents three consecutive quarters of declines in new listings.



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

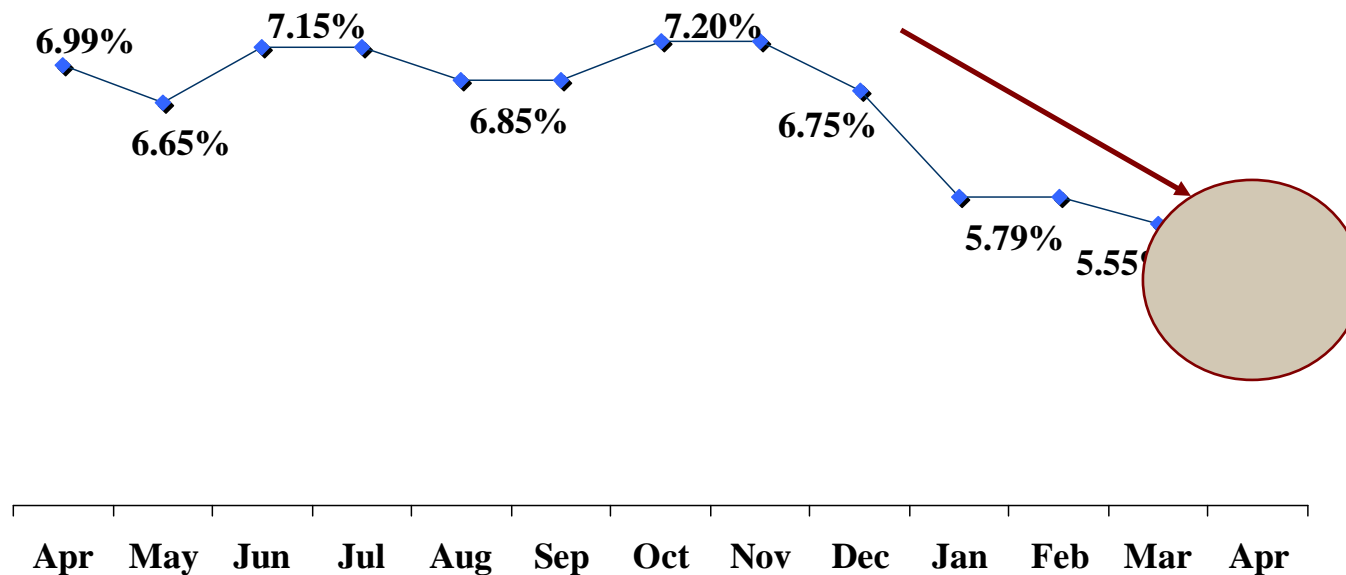
Source: Conference Board, CMHC, CREA

Mortgage Rates



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

Bank of Canada lowered its overnight lending rate to the lowest rate on record. As a result, mortgage rates decreased to 5.25% last month. Mortgage rates were 1.7 percentage points lower than the same time last year.



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



Recent Government Action



Bank of Canada Makes Historically Unprecedented Move



In an effort to stimulate the economy, the Bank of Canada has come to yet another historic cut in its interest rate policy on April 21. The Bank cut the overnight rate from .5 to .25%. This rate cut mostly influences traditional lending institutions but should also impact pricing in open markets as well.

The Bank has committed to keep rates as is until mid-2010. No known central bank has ever committed to anything of this nature, illustrating the Bank's firm commitment to supporting the economy.



Tips for Homebuyers and Owners



Buying a Home

Is Home Ownership Right for You?



- 1. Are you financially ready to buy a house?** To avoid any unpleasant surprises down the road, take the time now to calculate your net worth, current household budget, and any monthly debt payments you already make. This information can help you evaluate your current financial situation, decide how much house you can afford, and find out the maximum home price you should be considering. As a general rule, your monthly housing costs (including mortgage principal and interest, taxes, and heating) shouldn't add up to more than 32% of your gross household monthly income. In addition, your entire monthly debt load shouldn't be more than 40% of your monthly income.
- 2. How much will your home actually cost?** Once you've figured out the price range you can afford, you still need to take into account all the other costs associated with home ownership. These include up-front costs such as mortgage loan insurance premiums, appraisal and home inspection fees, legal fees, moving expenses, and a down payment, as well as such ongoing costs as maintenance and repair expenses, service fees, emergency savings, and condo or strata fees.
- 3. What kind of mortgage is right for you?** Depending on the size of your down payment, you may have either a conventional or high-ratio mortgage. You will also need to choose the term and amortization period for your mortgage, work out a payment schedule, decide whether you would prefer a closed or open mortgage, and choose between a fixed, variable, or adjustable interest rate. To make all of these decisions easier, it can often be a good idea to select a lender and get pre-approved for a mortgage before you begin looking for the home of your dreams.

Buying a Home

Who You Need on Your Team



- 1. Real estate agent.** Among other services, your real estate agent will help you find a home, write an offer of purchase, negotiate a purchase on your behalf, and save you a considerable amount of time, trouble, and headaches. When choosing the agent you want to work with, ask for references and don't be afraid to ask questions or call your local real estate association for advice.
- 2. Lender or mortgage broker.** Many different institutions lend money for mortgages, including banks, trust companies, credit unions, caisses populaires, pension funds, insurance companies, and finance companies. It can be a good idea to shop around and speak with more than one lender before you make a choice. Many Canadians choose to work with a mortgage broker because they don't represent any specific lending institution. They can often help you find a mortgage with terms and rates that will suit your needs.
- 3. Lawyer (or notary in Quebec).** A lawyer can protect your legal interests by ensuring the property is clear of liens, charges, or clean-up orders and will review all contracts before you sign them and your offer (or agreement) to purchase. Make sure your lawyer or notary is a licensed, full-time professional who understands the local laws and regulations, has reasonable fees, and can explain things to you in plain language.



Buying a Home

Who You Need on Your Team (cont.)



- 4. Home inspector.** When considering purchasing a home, you should hire a knowledgeable and professional home inspector. He or she will be able to tell you if something in the home is not functioning properly, what repairs need to be done, and whether there may have been any problems in the past.
- 5. Insurance broker.** An insurance broker can help you purchase property and mortgage life insurance. Your lender can also help you with mortgage life insurance.
- 6. Appraiser.** An appraiser will assess your property's worth and help protect you from paying too much.
- 7. Land surveyor.** You may need the services of a land surveyor if the seller does not have a current survey or certificate of location.



Home Maintenance Tips for Spring

Protect Your Home and Your Investment



1. Check your furnace, air exchanger, and air conditioner filters, and clean or replace them if needed.
2. Check and clean your range hood filters on a monthly basis.
3. Make sure all indoor and outdoor air vents (intake, exhaust, and forced air) are clear of snow and debris.
4. From the ground or any overlooking windows, check your roof for missing or damaged shingles. Have any damaged ones repaired.
5. Check the condition of caulking around windows and doors. Replace as necessary.
6. Test ground fault circuit interrupter(s) on electrical outlets each month by pushing the test button, which should cause the reset button to pop up.

Home Maintenance Tips for Spring

Protect Your Home and Your Investment



7. Consult your hot water tank owner's manual and follow its recommendations for testing the temperature and pressure relief valve to ensure it isn't stuck. If you are unsure, consult a plumber.
8. Shut down and clean the furnace humidifier, and close the furnace humidifier damper on units with central air conditioning.
9. Have your fireplace or woodstove and chimney cleaned and serviced as needed.
10. Have well water tested for quality, and test for bacteria every six months.
11. Check smoke, carbon monoxide, and security alarms, and replace their batteries.
12. Clean all windows, screens, and window hardware. Repair any holes in screens or replace them if necessary.



Home Maintenance Tips for Spring

Protect Your Home and Your Investment



13. Open the valve to the outside hose connection once any danger of frost has passed.
14. Examine the foundation walls for cracks, leaks, or signs of moisture, and repair them if required.
15. Make sure your sump pump is operating properly before the spring thaw sets in, and ensure the discharge pipe allows water to drain away from the foundation.
16. Clear all drainage ditches and culverts of debris.
17. Repair and paint fences as needed.
18. Carry out any spring landscaping and, if necessary, fertilize young trees.



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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