

Keller Williams Research

This Month in Real Estate

Release Date: November 5, 2009

Canada 



On the strength of a surprisingly quick resurgence in the housing market, the Canadian economy followed suit in October. Canada's housing market showed a substantial increase in both sales and prices from a year earlier. In fact, 11 out of the 12 provinces and territories have seen an increase in price.

Based on strong fundamentals and a healthy banking system, Canada was the last major developed nation to be pulled into the global recession and, as predicted, is now one of the first out. The International Monetary Fund declared in early October that Canada would lead the developed world in recovery with the highest expected growth rate of more than 2 percent in 2010.

Commentary (cont)



With a stronger loonie and a decrease in exports of about 1 percent expected, consumers and private investors are anticipated to pick up some of the remaining sluggishness. Some economists have expressed concerns that equities, stocks, and commodities have bounced back too much, too quickly, and too soon to be truly sustainable. Others are concerned about worldwide levels of government debt.

The Canadian picture is looking brighter overall—from a healthy housing market to a positive economic outlook—and Canada seems to be well-positioned for a sustained rebound. With continued sound financial decisions from consumers and the government, Canada is set to lead the global recovery.

The Numbers That Drive Real Estate

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

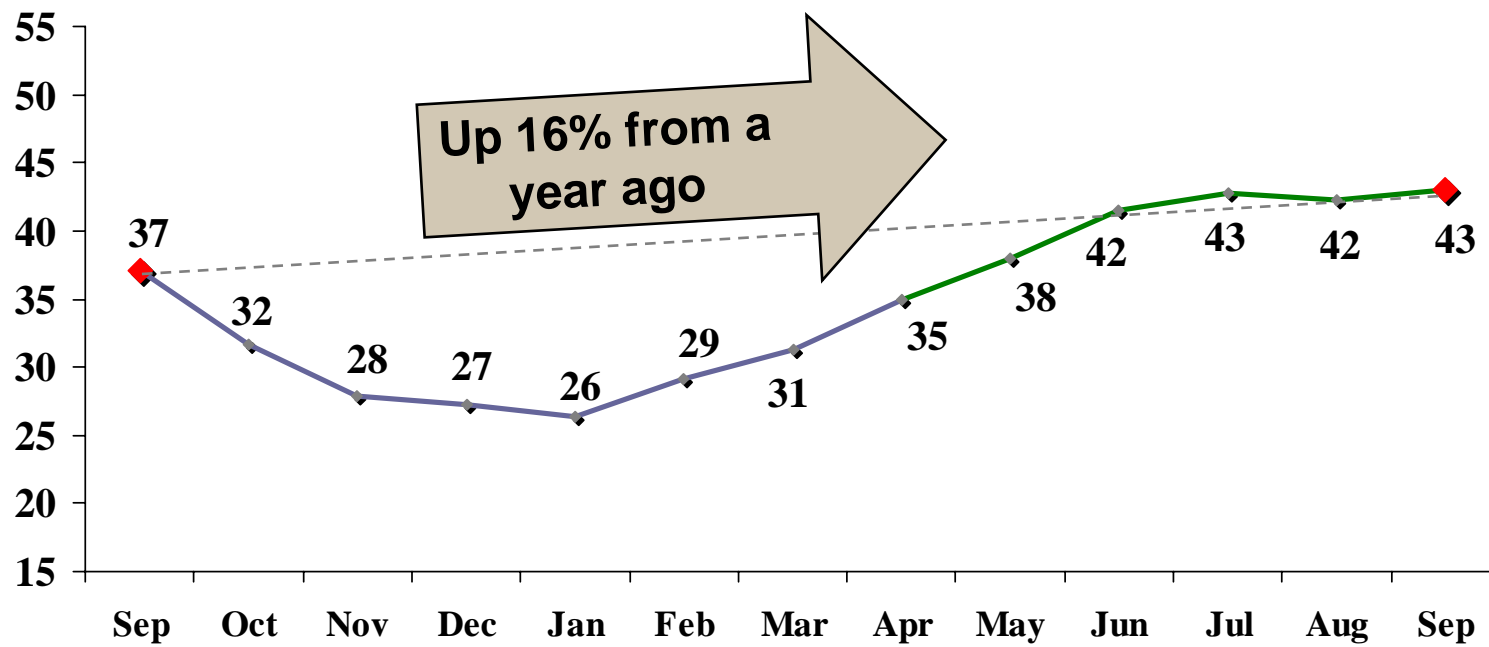


Home Sales

In Thousands



National resale housing activity in the third is up 12 percent from the second quarter. Home sales now stand 48 percent above the low reached in the fourth quarter last year. According to CREA President Dale Ripplinger, “Low interest rates, rebounding consumer confidence, and an improving overall sense of economic security continue to draw home buyers to the housing market.”



Data released on October 15, 2009

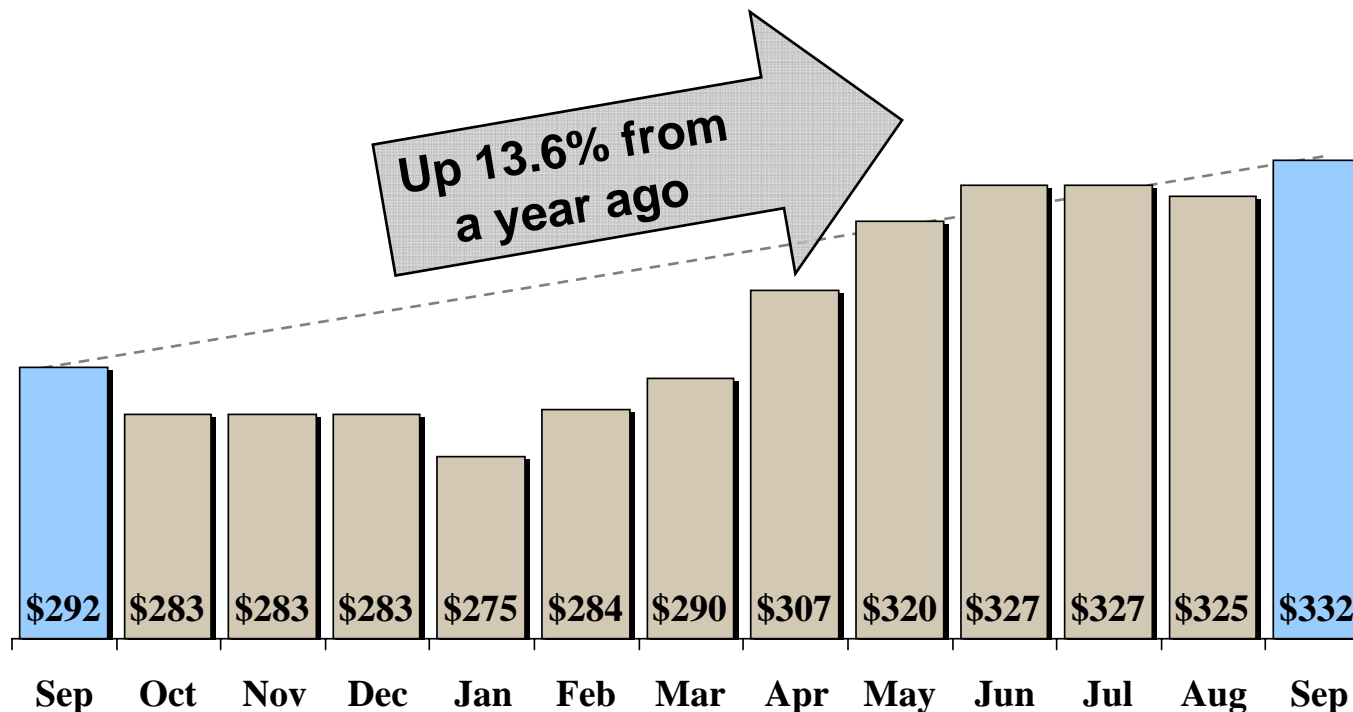
Sources: Conference Board, The Canadian Real Estate Association, Royal Bank of Canada

Average Home Price

In Thousands



In September the national average price surpassed all previous monthly levels this year, rising 13.6 percent year-over-year to \$331,602. A sustained increase in sales activity, including a sharp rebound in movement at the higher end of the price spectrum in some of the priciest markets, continues to skew the national average price upward.



Data released on October 15, 2009

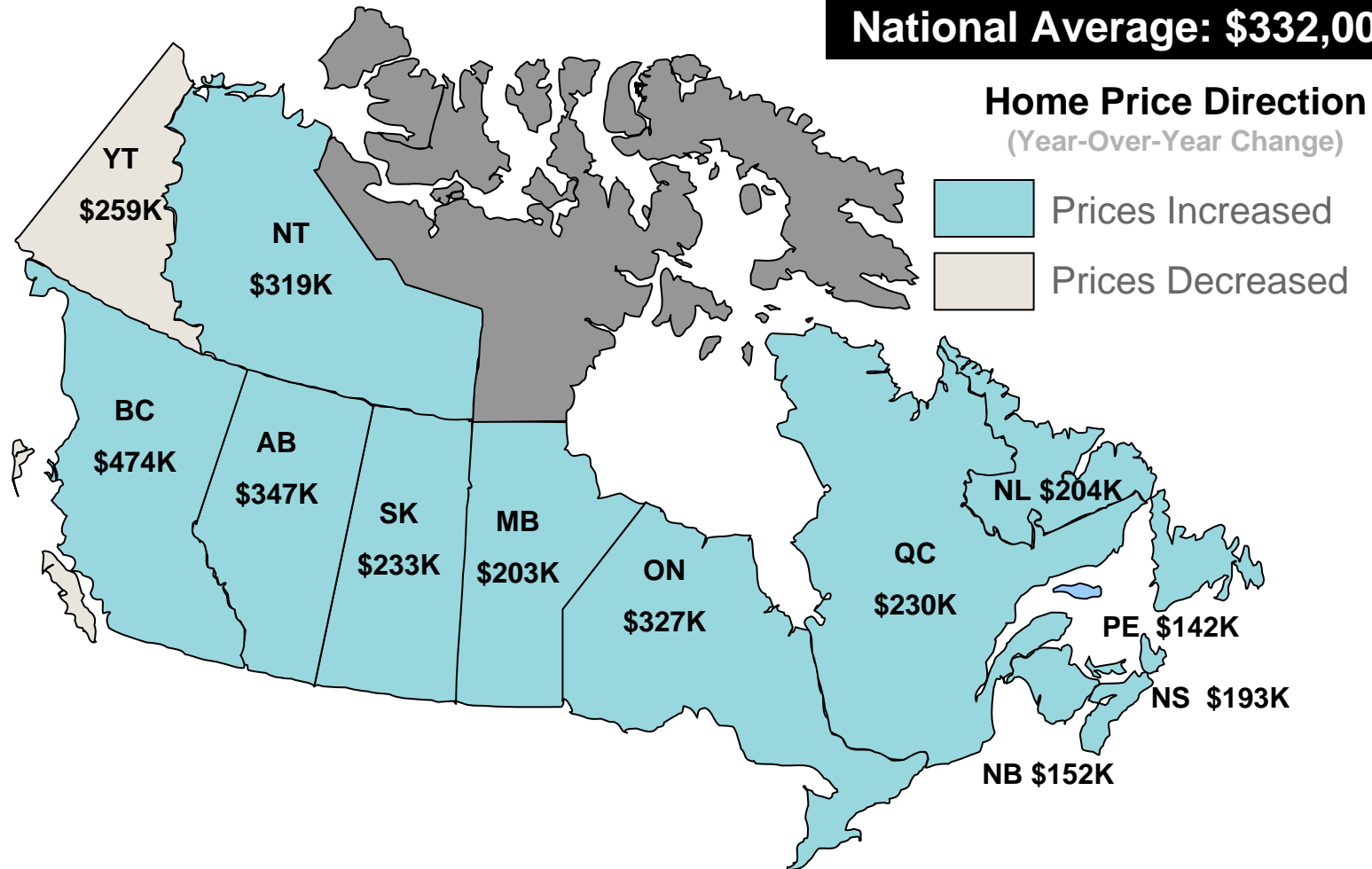
Sources: Conference Board and The Canadian Real Estate Association

Home Prices by Province and Territory

11 out of 12 experienced an increase in home price



National Average: \$332,000



Average home price as of September every year (Data released on October 15, 2009)

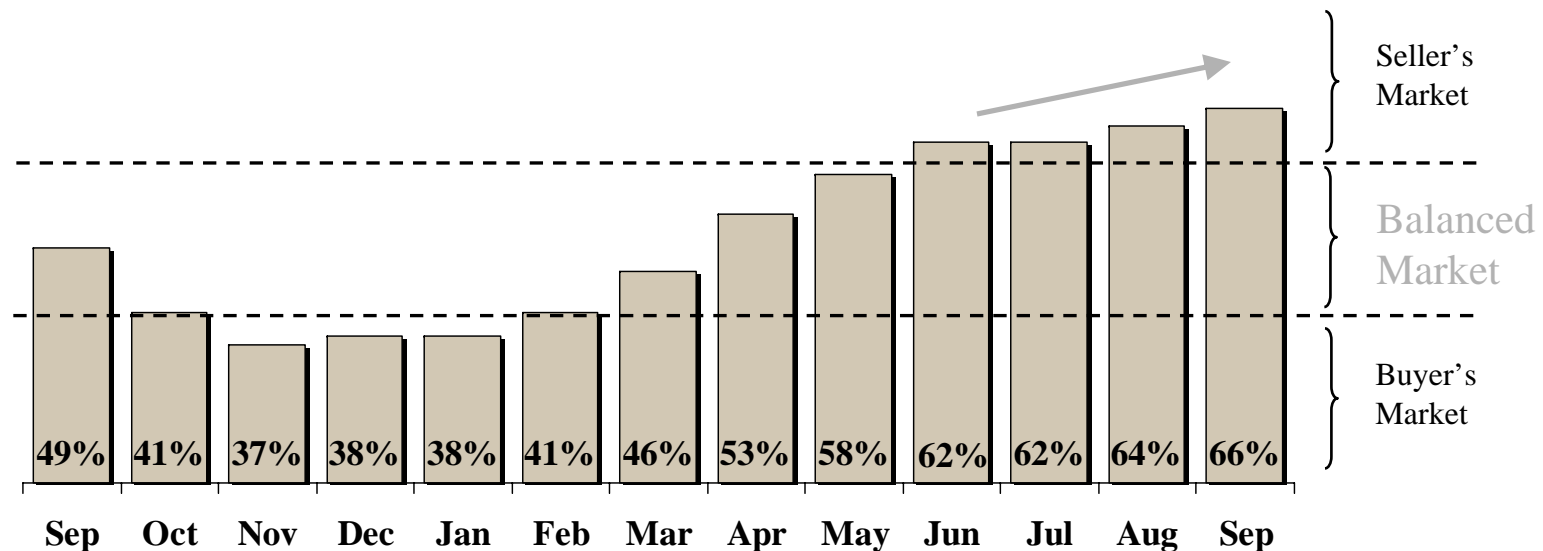
Sources: Conference Board and The Canadian Real Estate Association

Inventory

Sales-to-Listings Ratio



The number of new listings coming onto the market in September marked the ninth consecutive month of declines from year-ago levels. New listings fell 15 percent from September 2008 to 64,803. An increase in sales volume and fewer new listings are drawing down inventories and pushing the market further into sellers' territory. In September, the sales-to-listings ratio was 66%.



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

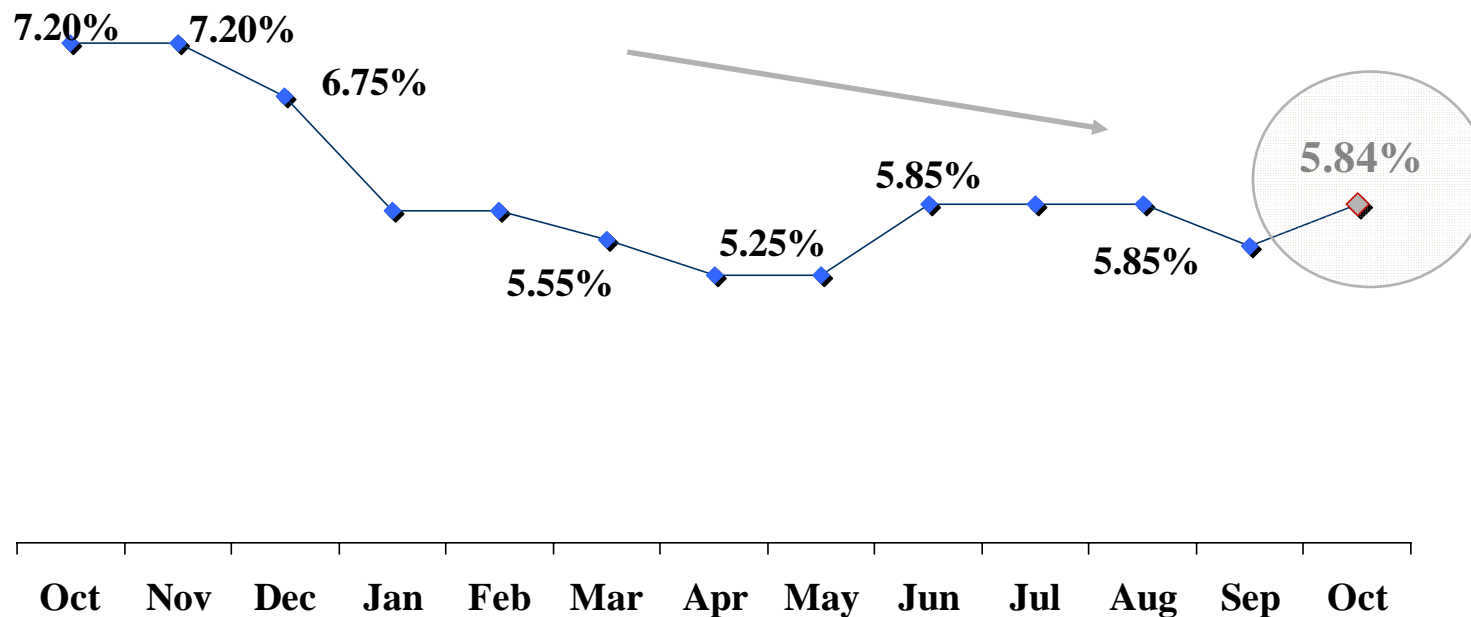
Sources: Conference Board, Canadian Mortgage and Housing Corporation, The Canadian Real Estate Association

Mortgage Rates



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

Key mortgage rates remained low in October as the Central Bank reiterated its ongoing conditional commitment to keep the overnight target rate at 0.25 percent until June 2010. The current 5-year conventional mortgage rate stood at 5.84 percent, down 1.36 percent from this time last year.



Source: Bank of Canada



Recent Notable News



Appreciating Loonie, Canada's Catch-22



Over the past month, the Canadian dollar has risen to 97 U.S. cents because of a devaluing of the U.S. dollar and very strong domestic job creation. In the past, this level of appreciation has not lasted for long, but this time experts expect the loonie to remain

strong for sometime. Goldman Sachs predicts that the Canadian and U.S. dollars will become equal in the next three months.

A strong currency is a double-edged sword for Canada. On one hand, strong currency traditionally denotes a stronger and less risky economy. On the other hand, one third of its economy is tied to exports. A stronger currency means exports would become more expensive and less attractive. In fact, The Canadian Manufacturers and Exporters estimates that for every 1% increase in currency, its members lose \$2 billion in sales and for every 1 U.S. cent increase in currency, it sheds 25,000 jobs.

The rise of the currency could slow growth in the economy and will almost certainly do so in those industries that rely heavily on exporting.

Bank of Canada Holds Firm



A string of good news on the economy combined with Australia's recent increase in policy interest rate created some speculation that the Bank of Canada may raise interest rates sooner than anticipated. The bank held firm to its conditional commitment to keep rates at current level until June 2010.

Earlier this month, Australia made an unexpected move to increase its policy rate from 3 to 3.25 percent. Australia has a sound banking system, a hot housing market, and strong demand for commodities from China. Although Canada's economy also deals heavily in commodities, 70 percent of its exports go south of the border and end up in the United States.



The slow and potentially bumpy recovery in the United States, combined with a stronger currency, will potentially temper Canada's growth and inflation. These factors are acting somewhat like an increase in interest rates and will allow the Bank of Canada to hold firm to its conditional commitment.

Private Investments Begin to Thaw



Private equity firms with cash to spare are finally coming back into the market after freezing investments since the onset of the credit and financial crisis.

The capital investments have been directed toward small to midsized companies that weathered the recession well. One venture capitalist firm, iNova, plans to double the deals they did last year. Others are beginning to defrost and follow suit.

Analysts believe this is a strong sign of an economic recovery—entrepreneurs have continued innovating and investors are jumping back in. Going forward, experts anticipate both consumer spending and private investment to play a large role in recovery. The market now sees the beginning of that.



Topics for Home Buyers and Owners



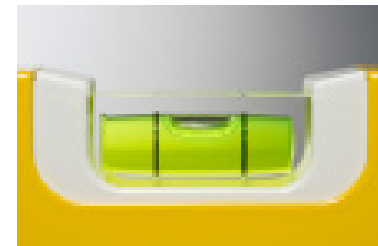
Considering Fixed-Rate Mortgages



York University professor Moshe Milevsky was the author of a study that found 88 percent of consumers did better with variable option mortgages over time. This study was widely cited during boom times before the financial crisis. Currently only about 25 percent of borrowers are opting for variable mortgages.

Although Milevsky says that the study still holds true, even in the current market, the analysis does not take certain types of risk into account. Discounts and premiums vary wildly. Even Milevsky has begun to lean toward a 5-year closed fixed-rate mortgage given, the potential confusion in the marketplace.

Regardless of which type of mortgage consumers decide to go with, understanding all of the provisions and features is a vital part of making the best decision for the individual's current and expected circumstances.



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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