

Keller Williams Research

This Month in Real Estate

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Canada 

Resilient Canadian housing market looking up in spite of down economy



Canada's overall economy might be stalled, but its housing market is firing on all cylinders. In fact, Canadian home prices are now up over 11 percent compared to last year, and moving forward at a steady pace. Home sales actually posted the largest year-over-year gain in more than two years. What's more, with less severe exposure to the mortgage crisis than the U.S., recent data suggests the correction in the Canadian market appears to be largely finished.

Improved demand combined with fewer new listings continues to draw down housing inventory. And this positive news on the housing front supports the price stabilization predicted by many analysts. Milan Mulraine, economic strategist at TD Securities, said "We do think the environment is still favorable for home buyers. Prices are attractive, rates remain low [and] the Canadian economy and the labor market itself seem to be healing."

Resilient Canadian housing market looking up in spite of down economy



Proactive government action on interest rates and the availability of tax credits has helped shore up the housing market as well. The Central Bank remains conditionally committed to keeping rates low and credit accessible until the economy perks up in 2010. So as the rebound firms across the economy, look for rates to rise in turn. In the meantime, the federal government's popular \$5,000 tax credit for first-time home buyers, which was introduced in the budget for the current fiscal year, is not likely to last beyond next year.

Although most signs in September point to a solid housing market, there are some who take a more cautious view. “A withdrawal of government stimulus measures supporting housing sales could result in some downward pressure on home buying,” said CREA Chief Economist Gregory Klump. As long as the broader economy heals, exports pick up and more jobs are created in 2010, it’s likely the Canadian housing market will remain strong.

The Numbers That Drive Real Estate

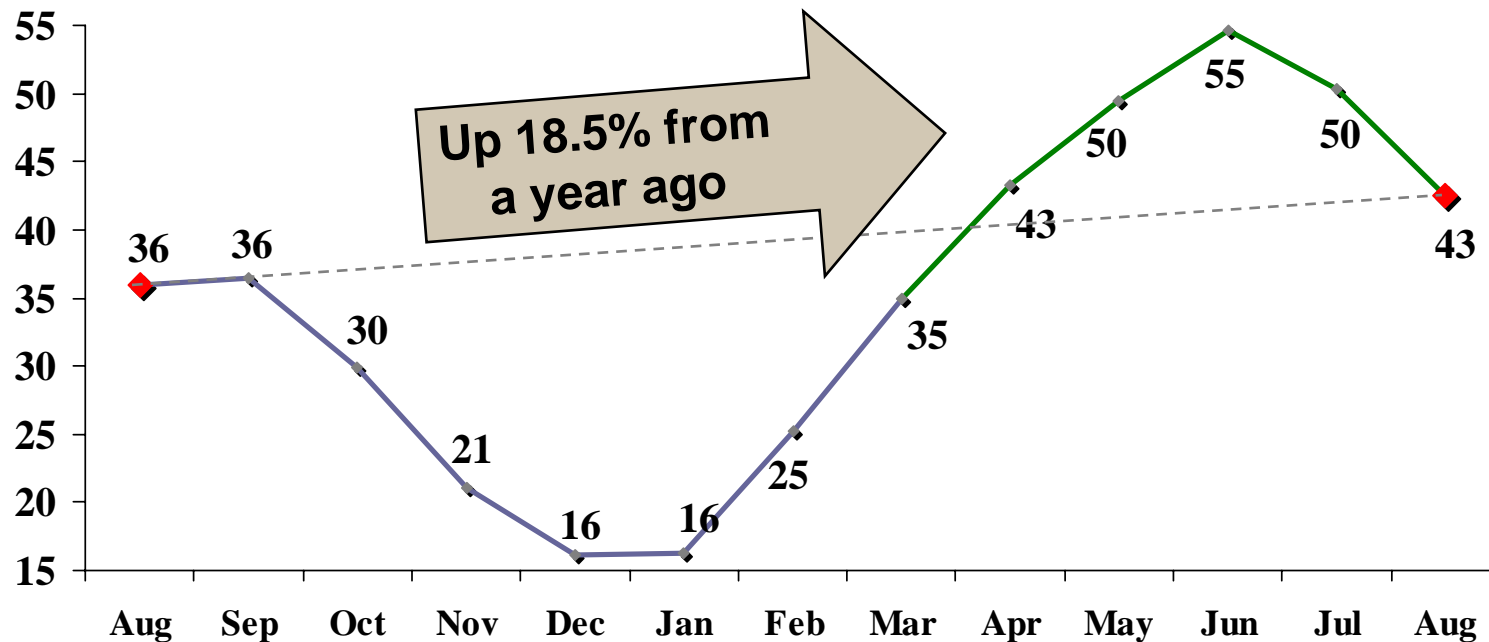
1. Sales
2. Prices
3. Inventory
4. Mortgage Rates



Home Sales In Thousands



According to CREA President Dale Ripplinger, “National sales activity in the third quarter is on track for a significant increase compared to the second quarter.” National resale housing market activity remained up from year-ago levels in August for the third consecutive month. Home sales, which totaled 42,483, were up 18.5% over the same month last year. This was the largest year-over-year gain in two years.



Data released on September 15, 2009

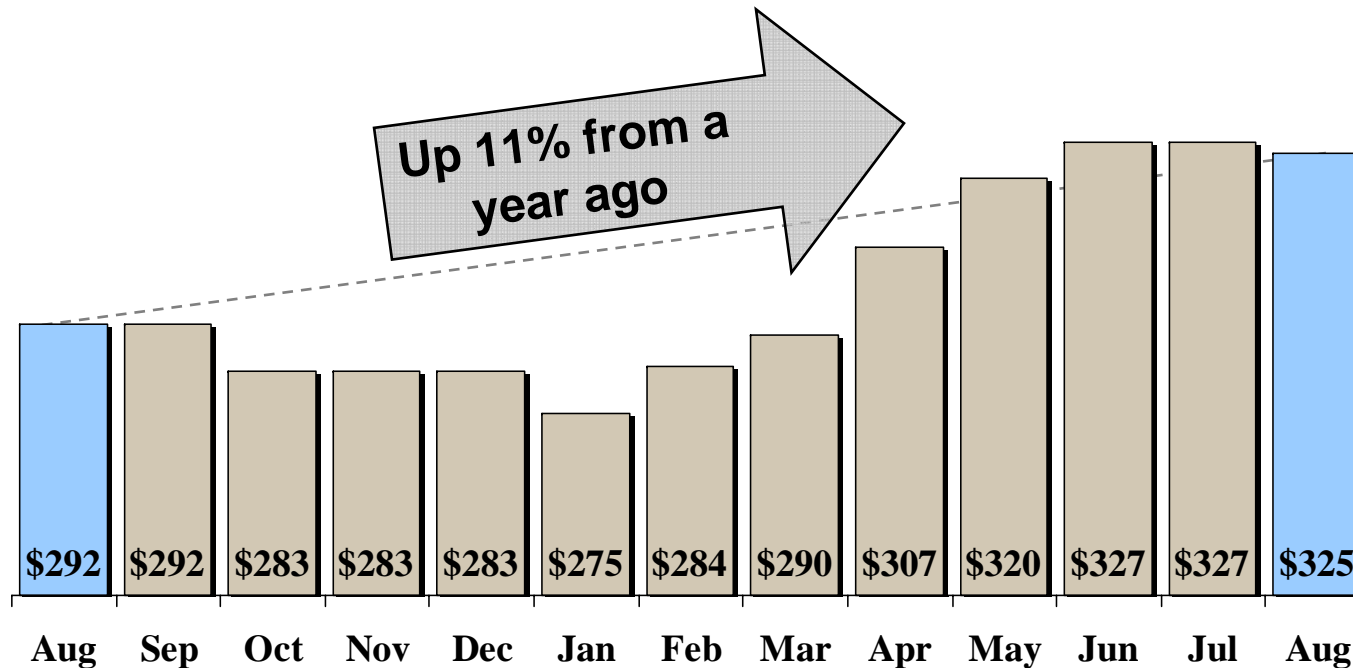
Sources: Conference Board, The Canadian Real Estate Association, Royal Bank of Canada

Average Home Price

In Thousands



The national average price rose 11.3% from one year ago to \$324,779. A sustained increase in sales activity, including a strong rebound in activity at the higher end of the price spectrum in some of Canada's priciest markets, is skewing the national average price upward.



Data released on September 15, 2009

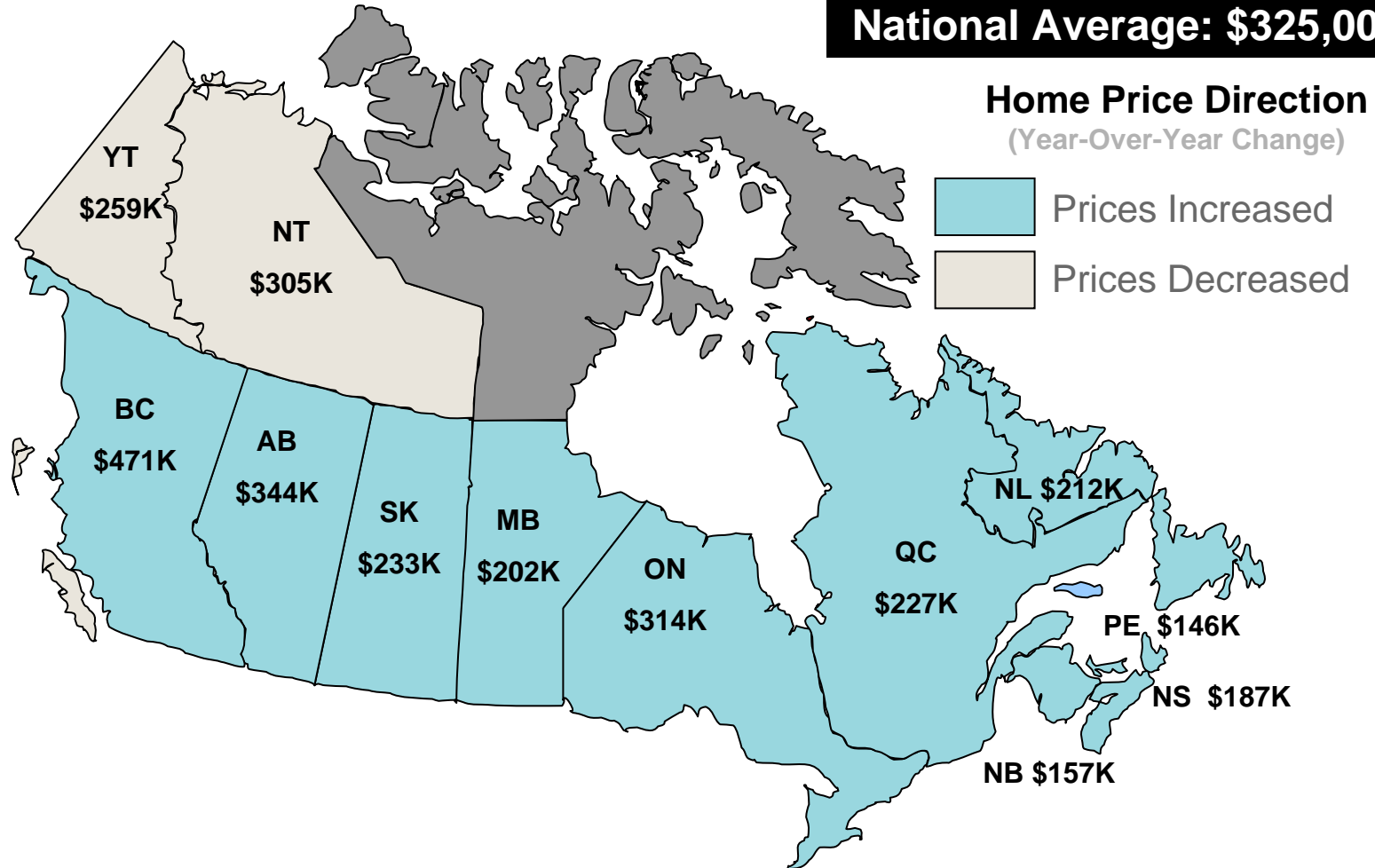
Sources: Conference Board and The Canadian Real Estate Association

Home Prices by Province and Territory

10 out of 12 experienced an increase in home price



National Average: \$325,000



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

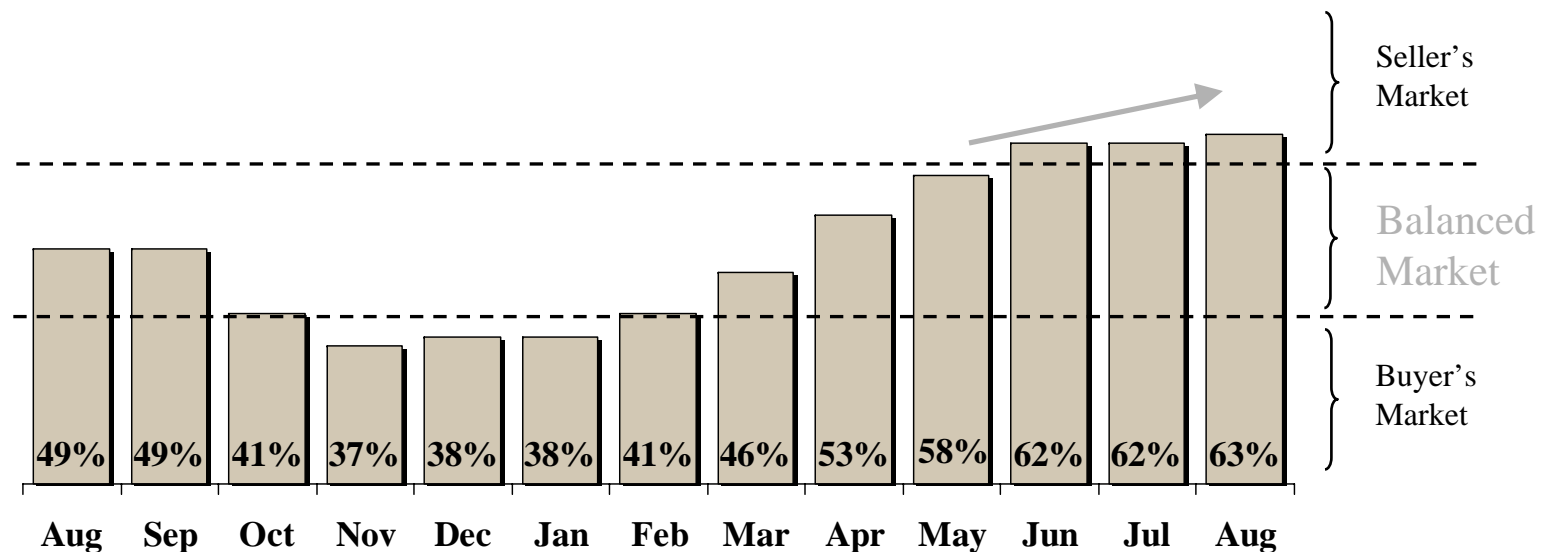
Sources: Conference Board and The Canadian Real Estate Association

Inventory

Sales-to-Listings Ratio



The number of new listings coming onto the market posted the eighth consecutive decline from year-ago levels. At the end of August, new listings were down 8.9% year-over-year to 64,167, the lowest level for the month of August in five years. Overall, improved demand is combining with fewer new listings to draw down inventories on the housing market, moving into a seller's market.



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

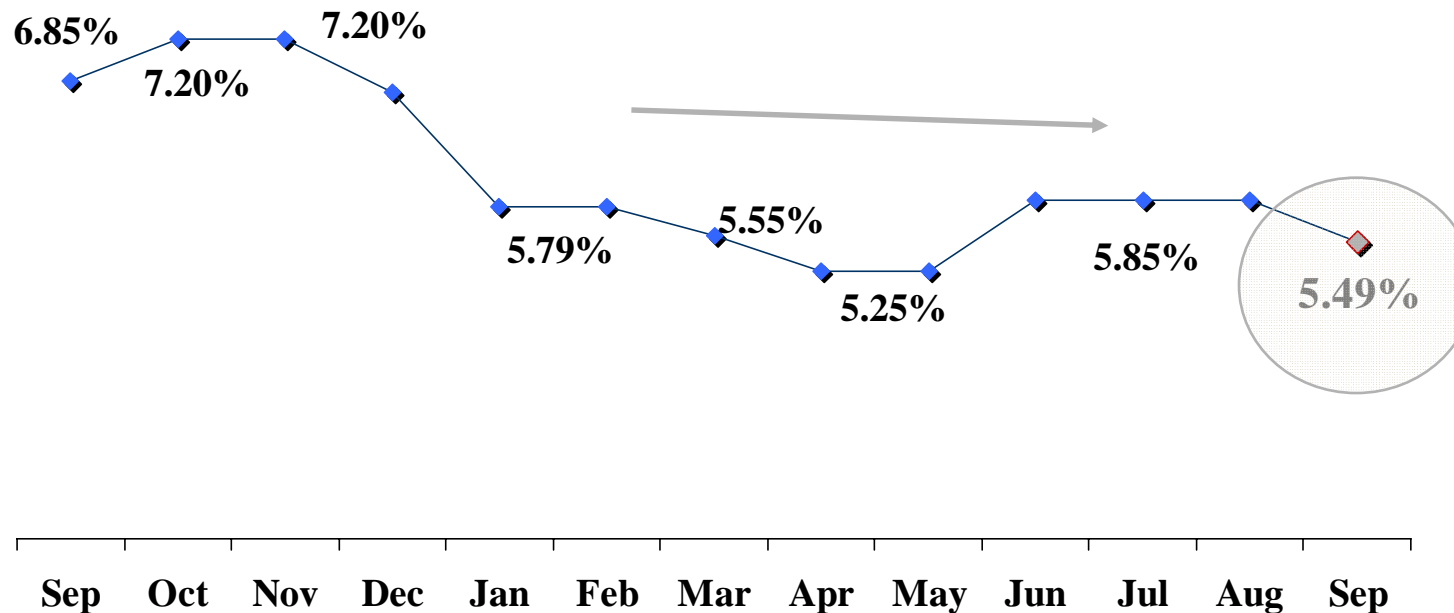
Sources: Conference Board, Canadian Mortgage and Housing Corporation, The Canadian Real Estate Association

Mortgage Rates

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



Key mortgage rates remained low in September thanks to the central bank's ongoing conditional commitment to keep the overnight target at 0.25%. The 5-year conventional mortgage rate stayed well below 6%. Current rates at 5.49% have dropped near record-low levels reached in April, and are 1.36% lower than the same time last year.



Source: Bank of Canada



Recent Government Action



Creative Way Canadians Could Save Money



Income splitting is the practice of transferring income from one spouse that earns more to one who earns less to minimize the family's overall taxes.

Under the tax laws, when any money is gifted to a spouse, the original earner must still pay taxes on the gift amount. This is not true when money is lent. The Canadian Revenue Agency recently confirmed that married couples, or those living in common law, can loan to each other for an interest rate 1% that is paid to the spouse. This all-time low prescribed interest rate is calculated quarterly based on T-bill rates. If families would benefit from this arrangement, it would be wise to do so before interest rates on T-bills increase.

This ultra-low interest rate on income splitting could lead to more couples saving money on taxes and either spending or saving more, which would boost the economy or bolster the family's long-term economic health. Speak with a financial or tax advisor for more specifics.



Improved Global Outlook Good for Exports



During the G20's most recent meeting in Pittsburg in late September, the group emerged as caretakers of the global economy. As the nations of the G20 make up 90% of the world's economic output, the goal is to strengthen the world economy and prevent future hardships like the current global financial crisis.

Key goals of the G20 from the Pittsburg conference:

1. Avoid premature withdrawal of stimulus
2. Keep emergency economic support in place until recovery is sustained
3. Rein in financial industry by tightening rules regarding capital requirements
4. Aim to correct economic imbalances



A large portion of Canada's economy is concentrated on exports. Therefore, strength in other nations' economies is an important part of maintaining strong demand for Canada's goods. Strong foreign demand is a positive aspect for a strong Canadian economy.



Topics for Home Buyers and Owners



Would your home pass property inspection?



(NC)—Receiving a home purchase agreement contingent on property inspection is stress provoking for many home sellers. Yet, contrary to popular belief, an inspector does not assess your property on a pass or fail basis.

“We typically evaluate the home and its key elements as being in excellent, good, fair or poor condition,” explains John Umpleby of Informed Decisions Property Inspections. “We look at the home's integrity, identifying any deficiencies to be addressed to give the buyer purchase confidence. We're there to protect all parties, not stop a deal.”



Homes with good up-keep usually receive a good or fair rating. Umpleby advises all homeowners – whether selling or not – to do periodic mini-inspections to identify potential issues before they become problematic.

“I find many prospective home sellers value the opportunity to have any worrisome issues assessed and addressed on their own terms, rather than second-guessing what an inspection report may reveal at time of sale.”

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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