



Information Watch - July 2011

July, 2011

Canadian home sales pick up in June

According to statistics released by The Canadian Real Estate Association (CREA), home sales activity over MLS® Systems of Canadian real estate Boards climbed in June 2011 compared to May.

Highlights:

- Sales activity climbed from May to June, with a big year-over-year gain reflecting falling demand in June 2010.
 - Year-to-date sales remain in line with the ten-year average.
 - The number of newly listed homes also rose from May to June.
 - National housing market remains firmly entrenched in balanced territory.
 - National average price still being skewed upward by the value of sales in expensive Vancouver neighbourhoods, with price gains in other markets providing additional loft.
- Seasonally adjusted national home sales activity rose 2.6 per cent in June 2011 compared to the previous month. Two-thirds of local markets posted month-over-month gains in June.

Activity remained stable in Toronto while declining slightly in Vancouver and the Fraser Valley. Major markets that saw gains compared to May included Calgary, Montreal, Ottawa, London, Hamilton, and Victoria.

"Canadian housing demand remains resilient, thanks to low interest rates, job growth, and home buyer confidence in the economy," said Gary Morse, CREA's President. "That said, local housing market trends often differ from national trends, so buyers and sellers should consult their local REALTOR® to understand how the housing market is shaping up where they live."

Actual (not seasonally adjusted) activity came in 10.8 per cent above June 2010 levels, but this largely reflects falling sales activity last June. This was also the case for the year-over-year increase in activity in May. Year-over-year comparisons in July may also be stretched by falling activity one year ago, since July 2010 marked the low point for activity last year.

"The Canadian housing sector remains on a solid footing," said Gregory Klump, CREA's Chief Economist. "The rise in monthly home sales activity at the end of the second quarter, upbeat business sentiment and hiring intentions, and signs that the Bank of Canada is in no rush to raise interest rates bode well for home sales activity and prices going into the second half of 2011."

National sales activity was down 4.7 per cent in the second quarter compared to levels in the first quarter. This in part reflects how new mortgage rules announced in January and implemented at the end of March pulled sales forward into the first quarter at the expense of sales activity in April and May. Mortgage interest rates also rose in April and May, which may have moved some home buyers to the sidelines.

A total of 245,170 homes have traded hands via Canadian MLS® Systems in the first half of 2011. Year-to-date sales activity is running in line with the ten-year average, with monthly sales activity having come close to the ten-year average from January to June this year (Chart A). This

highlights the relative stability of demand this year compared to the past three years, when activity swung significantly above and below average monthly levels.

The number of newly listed homes also rose nationally by 1.8 per cent from May to June. Gains in Toronto, Vancouver, and Ottawa contributed most to the national increase. The rise in new listings will be especially welcome news for home buyers in Toronto, where listings have been in short supply relative to demand this year.

The national housing market remains firmly planted in balanced territory. The national sales-to-new listings ratio, a measure of market balance, stood at 52.6 per cent in June, little changed from 52.2 per cent in May.

About 60 per cent of local housing markets in Canada were balanced in June. Almost half of the remainder can be classified as sellers' markets, based on a sales-to-new listings ratio above 60 per cent.

The seasonally adjusted number of months of inventory stood at six months at the end of June on a national basis, holding steady compared to May. The number of months of inventory represents the number of months it would take to sell current inventories at the current rate of sales activity, and is another measure of the balance between housing supply and demand.

The national average price for homes sold in June 2011 was \$372,700, up 8.7 per cent from the same month last year. The national average price is becoming less affected by the overall number of sales in some expensive Vancouver neighbourhoods, but is still being pitched higher by the value of those sales. Activity in these neighbourhoods has eased from levels reported in February and March, while sales elsewhere across Canada have risen in line with normal seasonal trends. As a result, property sales above \$1 million in Vancouver West, West Vancouver, and Richmond now account for a smaller but still elevated share of national activity.

While the effect of Vancouver activity on the national average price has begun to wane, broadly based price gains in other housing markets are holding the national average price aloft. Close to 80 per cent of local markets posted year-over-year average price gains in June. This includes Toronto, where price gains reflect a tight balance between supply and demand.

PLEASE NOTE: The information contained in this news release combines both major market and national MLS® sales information from the previous month.

CREA cautions that average price information can be useful in establishing trends over time, but does not indicate actual prices in centres comprised of widely divergent neighborhoods or account for price differential between geographic areas. Statistical information contained in this report includes all housing types.

MLS® is a co-operative marketing system used only by Canada's real estate Boards to ensure maximum exposure of properties listed for sale.

The Canadian Real Estate Association (CREA) is one of Canada's largest single-industry trade associations, representing more than 100,000 REALTORS® working through more than 100 real estate Boards and Associations.

Bank of Canada maintains overnight rate target at 1 per cent

The Bank of Canada announced that it is maintaining its target for the overnight rate at 1 per cent. The Bank Rate is correspondingly 1 1/4 per cent and the deposit rate is 3/4 per cent.

The global economic expansion is proceeding broadly as projected in the Bank's April Monetary Policy Report (MPR), with modest growth in major advanced economies and robust expansions in emerging economies. The U.S. economy has grown at a slower pace than expected and continues

to be restrained by the consolidation of household balance sheets and slow growth in employment. While growth in core Europe has been stronger than expected, necessary fiscal austerity measures in a number of countries will restrain growth over the projection horizon. The Japanese economy has begun to recover from the disasters that struck in March, although the level of economic activity in that country will remain below previous expectations. In contrast, growth in emerging-market economies, particularly China, remains very strong. As a consequence, commodity prices are expected to remain at elevated levels, following recent declines. These high prices, combined with persistent excess demand in major emerging-market economies, are contributing to broader global inflationary pressures. Widespread concerns over sovereign debt have increased risk aversion and volatility in financial markets.

In Canada, the economic expansion is proceeding largely as projected, although the expected rotation of demand is somewhat slower than had been anticipated. Household spending remains solid and business investment robust. Net exports remain weak, reflecting modest U.S. demand and ongoing competitiveness challenges, particularly the persistent strength of the Canadian dollar. Despite increased global risk aversion, financial conditions in Canada remain very stimulative and private credit growth is strong.

Following an anticipated slowdown in growth during the second quarter due to temporary supply chain disruptions and the impact of higher energy prices on consumption, the Bank expects growth in Canada to re-accelerate in the second half of 2011. Over the projection horizon, business investment is expected to remain strong, household spending to grow more in line with disposable income, and net exports to become more supportive of growth. Relative to the April projection, growth in household spending is now projected to be slightly firmer, reflecting higher household income, and net exports to be slightly weaker, reflecting more subdued U.S. activity. Overall, the Bank projects the economy will expand by 2.8 per cent in 2011, 2.6 per cent in 2012, and 2.1 per cent in 2013, returning to capacity in the middle of 2012.

Total CPI inflation is expected to remain above 3 per cent in the near term, largely reflecting temporary factors such as significantly higher food and energy prices. Core inflation is slightly firmer than anticipated, owing to temporary factors and to more persistent strength in the prices of some services. Core inflation is now expected to remain around 2 per cent over the projection horizon. Total CPI inflation is expected to return to the 2 per cent target by the middle of 2012 as temporary factors unwind, excess supply in the economy is gradually absorbed, labour compensation growth stays modest, productivity recovers, and inflation expectations remain well-anchored.

The Bank's projection assumes that authorities are able to contain the ongoing European sovereign debt crisis, although there are clear risks around this outcome.

Reflecting all of these factors, the Bank has decided to maintain the target for the overnight rate at 1 per cent. To the extent that the expansion continues and the current material excess supply in the economy is gradually absorbed, some of the considerable monetary policy stimulus currently in place will be withdrawn, consistent with achieving the 2 per cent inflation target. Such reduction would need to be carefully considered.

Summer Maintenance For Your Home

Rising temperatures and glorious sunny days make summer an ideal season for getting work done around the house. Whether you're cooling off indoors or working on your tan, take the time to perform some simple, routine home maintenance. You'll have a safer home if you catch problems and wear-and-tear before they become hazards.

Keeping Cool Inside

Energy efficiency is a top priority when electricity bills climb as high as the temperatures outside. Hopefully you've had your air conditioning system checked in the spring, as repairmen are often

busy in the summer and you may have to sweat it out until your appointment.

Ceiling fans provide an energy-efficient way of circulating cool air. Dust them if needed and balance any wobbly blades by tightening loose screws. For additional energy efficiency, check windows and doors for air leaks and seal with weather stripping or caulk as needed. You're paying for the cool air, so take steps to be sure it's not escaping outdoors.

Home Exterior Care and Landscaping

Take advantage of the warm weather and wash the outside of your windows and clean the siding. While it might be tempting to use a pressure washer, a garden hose is best to avoid potentially damaging the exterior of your home. Apply a coat of fresh paint if needed, and repair any damaged vinyl or aluminum siding.

Be aware of termites while you're outside inspecting your home. Termites can easily go undetected until significant damage has been done. Look for telltale signs like flaking wood or mud buildup and tunneling systems in the exterior wood of your home. Professional pest control inspections are recommended if you have any suspicions of possible infestation.

Well-tended landscaping and a trim and tidy house are as welcoming to guests as the smells of a barbecue. Garden beds look their best when mulched and weeded. Summer annuals can be induced to produce more flowers and bloom longer when you deadhead them. Removing spent flowers also prevents the plant from going to seed. Check garden plants, trees, and shrubs for insect infestations. Unhealthy plants should be removed so that others may thrive.

Lush green grass is of course desirable; however, it is not always realistic or water-efficient. Encourage healthy grass growth with regular mowing, but remember: Keeping grass cut longer in the summer months will prevent roots from drying out as quickly.

Grass and plants should be watered in the morning to allow the water to soak through the soil throughout the day in order to completely nourish their root systems. Check to see if your municipality has water conservation restrictions before watering your lawn or garden.

Trees provide shady ambience and should be well cared for to avoid potential damage to your home. Keep their branches pruned and at a safe distance from your home to avoid storm-related damage. Inspect trees for signs of decay, such as cracks or hollowed limbs, and keep branches clear of your home and power lines. Arborists or tree care professionals can assist with the cutting and removal of large or high limbs.

Also, before planting additional trees and shrubs in your yard, take into consideration the plant's size when mature and whether or not roots might intrude upon underground pipes or paved surfaces such as sidewalks and driveways.

Garage Upkeep

Hazardous materials such as paint and solvents should be disposed of properly. Don't store heat-sensitive or combustible materials in the garage, as the temperature will be rising throughout the season. Inspect the floor for grease spots from leaking car fluids, and have your car serviced promptly if you find any.

If you have children, instruct them not to go in the garage unaccompanied. Store your hand tools and power tools behind a lock and key. Fertilizers, weed-killers, and pesticides should be stored out of a child's reach or behind a locked cabinet. You might also consider organic gardening, which employs nontoxic alternatives to these poisonous chemicals.

Driveways And Walkways

Inspect the pavement for cracks and holes, and remedy them. This goes a long way in preventing accidental slips, trips, and falls. It also works to avoid larger repairs or resurfacing in the future. If you see weeds popping up between cracks in the pavement, resist the urge to pull them up. You'll remove the upper part of the weed, but the root system will remain intact and new growth will return within a few weeks. For a cost-effective solution, boil water in a kettle, carefully carry the

kettle outside, and pour the water on any weeds to kill them off for the season.

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