



Real Estate Monthly



Kandice Rienstra
For all your Real Estate needs
SALES REPRESENTATIVE



Johanna Rienstra
For all your Real Estate needs
BROKER

Tel: (905) 666-1333 / Direct Line: (905) 668-0040
dbldutch@rogers.com www.movetogta.com

INTEREST RATES TO REMAIN ON HOLD FOR LONGER

The Bank of Canada kept its trend-setting Bank Rate at 1.25 per cent on October 25, 2011. This marks the ninth consecutive announcement in which interest rates have been held steady.

“...the outlook for growth in 2013 was upgraded to 2.9% from 2.1%, indicating the Bank believes that anticipated stronger growth will eventually be achieved...core inflation is now expected to remain below the Bank's 2% target until the end of 2013.”

The tone of the accompanying statement was very dovish, with the Bank noting that “the global economy has slowed markedly as several downside risks to the projection outlined in the Bank's July Monetary Policy Report (MPR) have been realized.”

Of particular note, the Bank said it now expects a “brief recession” in the Eurozone. The Bank remains of the opinion that the euro-area crisis will be contained, but flagged obvious downside risks to that assumption.

As a result of this and other factors, the Bank has downgraded its forecast Canadian economic growth this year (2.1% compared to 2.8% in the July MPR) and for 2012 (1.9% compared to 2.6% in the July MPR).

That said, the outlook for growth in 2013 was upgraded to 2.9% from 2.1%, indicating the Bank believes that anticipated stronger growth will eventually be achieved. Along with the return of more robust economic activity being pushed further out into the future, core inflation is now expected to remain below the Bank's 2% target until the end of 2013.

What it all means is that interest rates will likely be on hold even longer. Expectations as to how long it would be before the Bank hikes rates had previously centered around the fall of 2012, although it will now more likely be into 2013 before the Bank begins to tighten monetary policy from current levels.



As of October 25, 2011, the advertised five-year lending rate stood at 5.29 per cent. This is down 0.1 percentage points from 5.39 per cent on September 7, when the Bank made its last policy interest rate announcement.

The Bank will make its next scheduled rate announcement on December 6th, 2011.

AVERAGE SELLING PRICES STILL INCREASING IN DURHAM REGION

Durham Region REALTORS® reported 800 sales in October which is a 9% decrease from September

In October, 1,342 new listings entered the market place bringing to total number of available homes to 2,167. “We are beginning to see the market slow as the temperature drops. The number of listings is down 20% this month from September bringing the number of available listings down 6% over all,” reported Dierdre Mullen, President of the Durham Region Association of REALTORS®.

However, the average selling price of a home in Durham Region still shows modest gains of 1% to \$319,807 in October compared to \$317,634 in September. This number is also slightly higher than the year-to-date average sales price of \$317,447.

“The slow but steady market in Durham Region is due in part to low interest rates and affordability,” commented President Mullen.

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CANADA'S HOME BUILDING STEAMS AHEAD

OTTAWA — Home construction rose more than expected in September, led by multiple-units activity, according to Canada Mortgage and Housing Corp.

CMHC said Tuesday that housing starts totalled a seasonally adjusted 205,900 units during the month, following an upwardly revised 191,900 units in August.

"Housing starts picked up in September due to an increase in multiple starts in the Atlantic region, Quebec and in British Columbia," said Mathieu Laberge, CMHC's deputy chief economist. "Multiple housing starts are expected to move back towards levels consistent with demographic fundamentals in the near term."

The seasonally adjusted annual rate of urban starts rose 8% to 185,900 units in September. Multiple-unit urban starts jumped 14.2% to 118,000 units, while urban single-unit construction fell 1.5% to 67,900 units.

Rural starts edged up to 20,000 units from 19,700 in August.

Economists had forecast overall housing starts of about 190,000 in September.

"With single starts declining mildly, multiple starts were the main driver for the increase in home building activity, although this category is widely expected to scale down in the months ahead," said CIBC World Markets economist Emanuella Enenajor.

"The data suggest that residential construction could be a plus for GDP in Q3 as home building continues to garner support from a low rate environment, and a robust multiples market."

Economist Robert Kavcic, at BMO Capital Markets, said the housing market "continues to hold up well in Canada, helped by extremely low interest rates and a solid, though cooling, labour market."

CANADA'S PRIME INTEREST RATE FOR JANUARY 1ST AND JULY 1ST 1943-2011

Year	January	July	Year	January	July
1943	2.50%	2.50%	1978	7.50%	9.00%
1944	2.50%	1.50%	1979	11.25%	11.75%
1945	1.50%	1.50%	1980	14.00%	10.18%
1946	1.50%	1.50%	1981	17.00%	19.89%
1947	1.50%	1.50%	1982	14.72%	15.60%
1948	1.50%	1.50%	1983	9.81%	9.51%
1949	1.50%	1.50%	1984	9.98%	13.24%
1950	1.50%	1.50%	1985	9.66%	9.31%
1951	2.00%	2.00%	1986	1.33%	8.63%
1952	2.00%	2.00%	1987	7.74%	8.76%
1953	2.00%	2.00%	1988	8.63%	9.53%
1954	2.00%	2.00%	1989	11.54%	12.32%
1955	2.00%	1.50%	1990	12.29%	13.59%
1956	2.75%	3.00%	1991	10.88%	8.94%
1957	3.97%	4.05%	1992	7.08%	5.50%
1958	3.83%	1.22%	1993	6.81%	4.41%
1959	3.71%	5.66%	1994	3.88%	6.04%
1960	4.91%	3.40%	1995	8.38%	6.87%
1961	3.47%	2.88%	1996	5.37%	4.75%
1962	3.35%	6.00%	1997	3.25%	3.50%
1963	4.00%	3.50%	1998	4.50%	5.00%
1964	4.00%	4.00%	1999	5.25%	4.75%
1965	4.25%	4.25%	2000	5.00%	6.00%
1966	4.75%	5.25%	2001	5.75%	4.50%
1967	5.25%	4.50%	2002	2.50%	2.70%
1968	7.00%	6.50%	2003	2.75%	3.50%
1969	6.50%	8.00%	2004	3.00%	2.20%
1970	8.00%	7.00%	2005	2.75%	2.75%
1971	6.00%	5.25%	2006	3.50%	4.50%
1972	4.75%	4.75%	2007	4.50%	4.50%
1973	4.75%	6.25%	2008	4.50%	3.25%
1974	7.25%	9.25%	2009	1.75%	0.50%
1975	8.25%	8.25%	2010	0.50%	0.75%
1976	9.00%	9.50%	2011	1.25%	1.25%

Source: Bank of Canada, Rates and Statistics