

September 2010

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Market Update

Excellent Opportunities Still Exist

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At 2.05%, a variable-rate product today may look as attractive as ever, but the five-year fixed-rate closed mortgage is falling fast. It can now be had for a shade under 4%, says Rob McLister, editor of Canadian Mortgage Trends "Bond yields have fallen out of bed and nobody expected that," said Mr. McLister, adding the spread between the five-year Government of Canada bonds and five-year mortgages is still large enough that the banks may reduce long-term rates even more. However, at about 4%, the five-year closed fixed-rate mortgage isn't far off its record low. Bank of Montreal senior economist Sal Guatieri does agree that variable-rate products have worked out better than fixed-rate mortgages throughout history, but says the tide may be turning. "Given that the central bank has already raised rates a couple of times now and will likely continue to raise rates, it probably is a correct assumption to make," says Mr. Guatieri, noting variable usually works in a declining interest-rate environment. "The next five years might not quite follow the past. You could probably argue it's wiser to lock in now. It's a close call."

Bank of Montreal is forecasting another 25 basis point move in September and says rates will climb another 1.5 percentage points by the end of 2011. If Mr. Guatieri and others are right, by 2012, the variable-rate products out today would clock in at just above 3.75%, if the discounting remains the same.

"If you are still in that variable-rate product then, you'd have to sweat out the next three years because there would still be possibly more increases," says Mr. Guatieri, who adds his bank sees the overnight rate eventually going to 4% in the following three years. Based on the present gap between the Bank of Canada and prime, that would place the variable-rate product you get today at 6% by around 2015. Fears of such a scenario are driving people into fixed-rate products again. That, plus new mortgage rules that make it easier to qualify for a mortgage if you go for a fixed-rate product with a term of five years or longer. It makes sense, but with variable rate still at around 2%, it's easy to see why people wouldn't want to lock in. Even Mr. Guatieri says if you are secure in your financial situation and don't need to fix your mortgage payments, "you might just want to let it ride. "There just never seems to be a clear answer on whether to lock in or stay variable." One thing is crystal clear—affordability of, and qualifying for a mortgage is Definitely Easier with housing prices staying somewhat flat, or even softening a little, Real Estate Opportunities Do Exist!

Residential Sales by Price Year to Date

| PRICE RANGE | 2010 | 2009 |
|------------------------|------|------|
| \$0 to \$200,000 | 7 | 5 |
| \$200,001 to \$240,000 | 9 | 21 |
| \$240,001 to \$280,000 | 30 | 25 |
| \$280,001 to \$320,000 | 58 | 80 |
| \$320,001 to \$360,000 | 134 | 175 |
| \$360,001 to \$400,000 | 181 | 205 |
| \$400,001 to \$440,000 | 193 | 171 |
| \$440,001 to \$480,000 | 163 | 142 |
| \$480,001 to \$520,000 | 131 | 132 |
| \$520,001 to \$560,000 | 101 | 76 |
| \$560,001 to \$600,000 | 66 | 65 |
| \$600,001 to \$999,999 | 178 | 131 |
| \$1 Million and over | 29 | 11 |

Summary of Residential Sales Year to Date

| TYPE | 2010 | 2009 |
|--------------------------|-------------|-------------|
| Acreage | 27 | 10 |
| Acreage/House | 64 | 49 |
| Acreage (Waterfront) | 4 | 1 |
| Business | 12 | 10 |
| Townhouse | 371 | 365 |
| Condo | 503 | 492 |
| Duplex | 60 | 68 |
| Farms | 9 | 10 |
| IC & I | 51 | 17 |
| IC & Lands | 5 | 1 |
| Lots | 127 | 56 |
| Leases | 23 | 37 |
| Lots (Waterfront) | 1 | 0 |
| Multi-Family | 2 | 3 |
| Multi Plex | 3 | 7 |
| Mobile Homes | 150 | 117 |
| Recreational | 7 | 7 |
| Residential | 1279 | 1239 |
| Residential (waterfront) | 24 | 18 |
| Timeshares | 1 | 0 |
| TOTAL | 2723 | 2507 |



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A Few More Real Estate Stats

Average House Price in Aug 2010 \$ 496,077
 Median House Price in Aug 2010 \$ 449,400
 Number of houses listed last month: 352
 Number of lakeshore homes sold last month: 4
 Average Mobile Home Price: \$ 99,161
 Dollar value of sales in Aug 2010 :\$113,088,593
 Dollar value of sales in Aug 2009. \$156,387,334

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ACTIVE LISTINGS

| Res. | Mobiles | Strata | Lots |
|------|---------|--------|------|
| 1838 | 231 | 1566 | 805 |

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