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THE C21 EXECUTIVES REPORT

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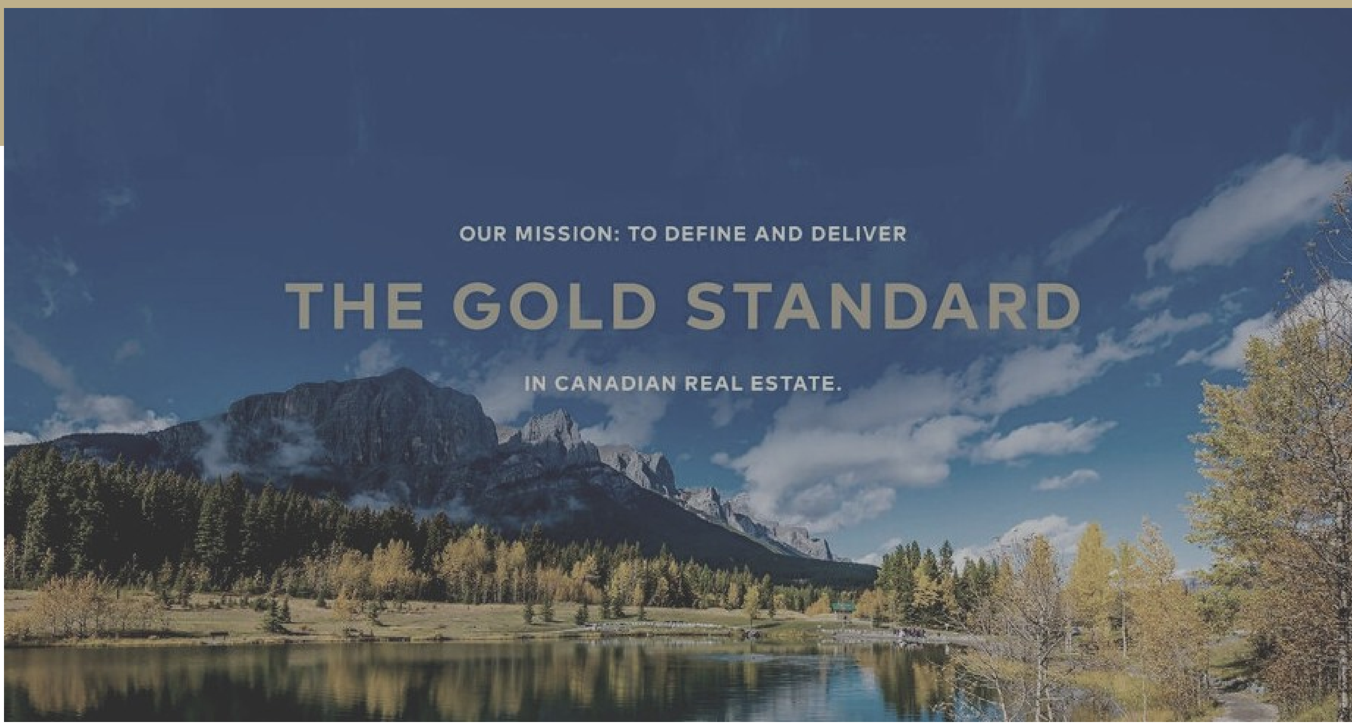

STATUS QUO IN A SELLER'S MARKET

This month the overall message is positive, with a little bit of caution peeking through the door. The market is cruising along just as we predicted. Perhaps a little better than we predicted. The absorption (percentage of total residential inventory that sells on a monthly basis) in both the North Okanagan and the Central Okanagan is staying strong at slightly above 50% in October. The Shuswap is staying strong at slightly above 40%. Usually, there is downward pressure on absorption as the market slows for the winter this time of year. Looking back on previous years, the absorption tends to start dropping in September and continues until spring. That has not happened yet. Again, to be redundant, the absorption has to get below 20% before the upward pressure on prices levels off. Statistically, absorption has to get below 12% before you see prices trending downward. Prices still show strong upward pressure. Year-to-date prices for residential properties are up 20+% in all three zones (Central Okanagan, North Okanagan and Shuswap) compared to last year's same time frame. Keep in mind this is residential properties only.

What's in this newsletter:

THE QUANTITATIVE EASE

Here is the caution I spoke of. The Bank of Canada has decided to end or ease off on a program called "Quantitative Ease." I am not an economist, nor would I propose to understand the intricacies of this, but here is what I know so far. The "Quantitative Ease" (QE) program is designed to push inflation and avoid deflation. The Federal Government buys billions in bonds weekly, which somehow keeps interest rates down, pushing people to buy more "stuff"; cars, houses etc. As of October 27, the Feds have decided to diminish these purchases to slow down inflation.

This will put upward pressure on interest rates. We have already seen borrowing rates rise slightly in the last few weeks.

At this stage, I am not sure what will happen to interest rates or the effect on our demand for Real Estate in the Okanagan Shuswap. You will not see huge jumps in interest rates. It would shut down the economy. They will "creep" them up. It does not take a rocket scientist to figure out that as interest rates went down, more and more people qualified and were able to buy. So guess what; as interest rates go up less and fewer people will be eligible to buy. I doubt we will see anything but a continued minor slow down as we end the year and walk into 2022. However, as always, that is just the world, according to Bill. I will keep you posted.

Have a great month, folks.

> *The "Quantitative Ease" (QE) program is designed to push inflation and avoid deflation.*

Residential Market STATS
October 2021

CENTRAL OKANAGAN

53.9%	33	$1M	31%
ABSORBTION RATE %	DAYS ON MARKET	AVERAGE PRICE	INVENTORY

NORTH OKANAGAN

50%	40	$742K	39%
ABSORBTION RATE %	DAYS ON MARKET	AVERAGE PRICE	INVENTORY

SHUSWAP

42%	51	$718K	11%
ABSORBTION RATE %	DAYS ON MARKET	AVERAGE PRICE	INVENTORY

***ABSORBTION RATE** is the percentage of the total inventory that sells on a monthly basis.

CENTURY 21®
Executives Realty Ltd.

Bank of Canada ends quantitative easing program, moves forward timeline for rate hikes

WRITTEN BY MARK RENDELL
PUBLISHED OCTOBER 27, 2021

The Bank of Canada is ending its quantitative easing program and moving forward its timeline for potential interest rate hikes as supply chain disruptions and surging oil prices have forced it to reconsider its outlook for inflation.

The central bank kept its policy interest rate at 0.25 percent on Wednesday but said that it could start raising the benchmark rate in the "middle quarters of 2022," opening up the possibility of a rate hike as early as April. Previously, the bank said it wouldn't hike rates before the second half of 2022.

It also announced the end of its quantitative easing (QE) program, a measure launched at the start of the COVID-19 pandemic that has seen the bank buy hundreds of billions of dollars worth of federal government bonds and quadruple the size of its balance sheet in an effort to hold down interest rates.

The changes put the Bank of Canada ahead of most major central banks in withdrawing stimulus put in place to support the economy through the pandemic. Central banks around the world are struggling with a surge in inflation caused by a spike in energy prices, transportation bottlenecks and shortages of manufacturing inputs, such as semiconductors. The strength and persistence of consumer price growth in recent months has caught monetary authorities by surprise, forcing some to revise their economic projections and begin tightening monetary policy.

"We will be considering raising interest rates sooner than we previously thought," Bank Governor Tiff Macklem said in a Wednesday morning news conference. "Interest rates don't need to be as low for as long to get that full recovery and get inflation back."

It's time for Bank of Canada to raise its message on inflation, if not interest rates just yet

The pace of annual consumer price index growth has been above the central bank's 1-per-cent-to-3-per-cent target range since April, hitting an 18-year high of 4.4 percent in September.

In its quarterly Monetary Policy Report (MPR), published Wednesday, the bank increased its inflation projections. It now expects inflation to average around 4.8 percent for the remainder of 2021 before gradually dropping to around 2 percent by the end of next year. It raised its inflation outlook for the whole of next year by a full percentage point, to 3.4 percent from 2.4 percent.

These revisions will feed into the continuing debate about whether current high inflation is "transitory," or whether it is the start of a period of longer-lasting price pressures.

Mr. Macklem repeated the bank's long-held view that the jump in consumer prices is being driven mainly by temporary factors, including gummed-up transportation networks and a spike in the price of oil, which reached US$85 for a barrel of West Texas intermediate crude this week. But he acknowledged that supply bottlenecks are "more severe and more persistent," than the bank expected.

Mr. Macklem said the bank is watching wage growth and inflation expectations closely to see if supply-side price pressures feed into more generalized inflation and become entrenched. "So far we're not seeing that. But if we do see that, we will certainly take action and adjust our monetary policy stance further," he said.

The market response to the announcement was swift. The Canadian dollar increased by about half a cent, while the yield on two-year Government of Canada bonds jumped around 20 basis points on Wednesday. (A basis point is one one-100th of a percent).

The Globe and Mail - article-bank-of-canada-ends-quantitative-easing-program-moves-forward-timeline