

CORRECTION, NOT CRASH FOR CANADIAN REAL ESTATE MARKET IN 2009; AVERAGE HOUSE PRICES FORECAST TO FALL 3.0 PER CENT

– Historically low interest rates, stable local economies and increasing affordability should support Canada's residential real estate market during transitioning period –

TORONTO, January 6, 2009 – After experiencing a significant reset in 2008 – a reaction to continuous dire news surrounding the health of the global economy combined with a cooling from the previous years' fervid activity levels – Canada's resale real estate market should see only modest price and unit sales corrections take place across the country during 2009. Both national average house prices and the number of homes sold is expected to decline this year, according to the Royal LePage 2009 Market Survey Forecast released today.

Nationally, average house prices are forecast to dip by 3.0 per cent from last year to \$295,000, while transactions are projected to fall to 416,000 (–3.5 %) unit sales in 2009. In spite of this cooling trend on a national level, price and activity gains are anticipated in some provinces.

Emotional reaction to recent economic and political instability did much to dampen consumer confidence during the latter part of 2008, causing a marked slowdown in house sales activity. However, as a more rational understanding of the issues gains ground, together with a wide range of announced corrective measures, consumer confidence is anticipated to recover, prompting real estate activity to pick up once again in the latter half of 2009. Further, Canada in 2009 enjoys a stronger economic foundation than most countries and that should temper the housing market correction. The combination of low inflation, reasonable employment levels and improving housing affordability, driven in part by low mortgage rates, are anticipated to stimulate demand in the coming months.

"While Canada's housing market is anticipated to continue to move through a period of adjustment over the next six months, we should expect modestly lower home prices, not a U.S.-style collapse, which was brought on by a structural failure of the entire American credit system," said Phil Soper, president and chief executive of Royal LePage Real Estate Services. "Most consumers are not aware that nationally, Canadian housing market activity peaked in 2007 and has been adjusting lower since. We are well into this inevitable cyclical correction."

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Added Soper: "While a grey cloud hangs over some markets, the sky is not falling. In recent years, Canada has been a difficult place to be a purchaser of real estate, particularly for first-time buyers. When real estate markets correct, inventory levels rise, providing buyers choices instead of frustrating bidding wars. In 2009, appropriately-priced homes will still sell for fair value."

The housing market is expected to perform quite differently from region to region across the country. In many mid-sized cities where home prices remain below the national average, such as Regina and Winnipeg, prices are expected to increase moderately through 2009, as home ownership remains particularly affordable. The most significant price decreases are forecast for Canada's most expensive city, Vancouver, which has experienced above average price increases for most of the decade. The correction is a natural cyclical reaction to an extended period of high price appreciation. Vancouver's fundamentals, including growing population figures and the positive economic spinoffs expected from the 2010 Olympics, remain very positive.

Observed Soper: "For several years, Vancouver experienced aggressive price run-ups in response to overwhelming levels of demand – conditions, which eventually reached a tipping point. While buyers will be acquiring properties for less in 2009, it is important to note that prices are coming down from all-time record levels."

Secondary Ontario markets heavily populated by people working in the manufacturing sectors are also anticipated to experience greater than average declines in house prices and activity levels in 2009. In contrast, real estate in Montreal and Ottawa is poised to remain stable, with average house prices relatively flat through 2009.

After moving through a period of correction that started in 2007, well before other regions in the country, both Calgary and Edmonton's housing markets are anticipated to return to a growth state later in 2009, characterized by stable average house prices and increased unit sales. Despite slowdowns and delay with some major energy projects, Alberta's economy remains one of the strongest in Canada.

Looking east, Halifax's real estate market is expected to experience very modest price appreciation through 2009. After experiencing strong price increases over the last year and a half, the market has hit its capacity for absorbing rising prices and activity levels. The city's diversified array of industries is expected to bolster the economy and continue to create solid employment opportunities, stabilizing home values.

Canadians have been confused and justifiably skeptical of the efforts of the worlds' central banks and governments to combat the global economic crisis. There is broad belief, however, that Canada's financial house is in better shape than many peer countries, particularly the U.S. While the federal and most provincial governments have been slow to implement economic stimulus packages, they enjoy broad public support in principle. Together with the actions taken by the Bank of Canada, the positive impact on consumer confidence stemming from infrastructure spending announcements and other stimulus programs is expected to be significant.

Concluded Soper: "We believe that the Canadian economy will struggle early in 2009, but that conditions will progress continually throughout the year. Improving credit markets, the stimulative impact from a weaker Canadian dollar, together with the implementation of large fiscal stimulus initiatives, set the stage for a return to growth in the second half of 2009."

Economic Factors Impacting 2009 Forecast

Global Economic Woes

No country is impervious to the current economic woes being felt around the world. The poor performance of the equity markets and the constant stream of pessimistic economic news had a very negative impact on housing activity in Canada in 2008. Consumer confidence is expected to slowly recover during 2009 as the impact of the many corrective actions introduced and announced takes root.

Tempered, but continued growth in emerging economies, particularly China, India and Brazil, should mitigate the downside risk to Canadian commodity exporters.

Foreclosure Figures in Canada

Foreclosure rates in Canada are expected to increase, but remain very limited, especially when compared to the U.S. experience, where a broad structural failure of the credit system occurred. Canada's relatively insignificant subprime market, and in turn, the low number of Canadians contractually committed to very risky mortgages, should result in a foreclosure rate of insufficient volume to impact house prices or transaction activity.

Employment Rates

Across the country, employment rates are expected to erode somewhat in 2009, but remain at long-term healthy levels. Some areas in Ontario, and to a lesser extent Quebec, that have high levels of manufacturing jobs, may experience greater than national average unemployment. Areas in Alberta tied to the energy sector

may see short-term employment declines, but the province's tight overall labour market is expected to mitigate the downside.

Interest Rates

The Bank of Canada's overnight target-lending rate, already at very low levels, is expected to be reduced again early in 2009. This should bode well for home buyers in 2009 as loosening credit spreads allow banks to offer more aggressively priced mortgages.

2009 Market Survey Forecast – Average House Prices

Market	09/08%	2009 Forecast	2008 Projected	2008 / 2007	2007	2006
Halifax	1.0%	\$234,300	\$232,000	7.2%	\$216,339	\$203,178
Montreal	-1.0%	\$254,400	\$257,000	4.3%	\$246,500	\$215,659
Ottawa	0.0%	\$291,000	\$291,000	6.6%	\$273,058	\$257,481
Toronto	-4.0%	\$364,800	\$380,000	0.8%	\$377,029	\$352,388
Winnipeg	4.0%	\$204,900	\$197,000	20.5%	\$163,500	\$151,983
Regina	6.0%	\$243,300	\$229,500	38.6%	\$165,613	\$131,851
Calgary	-1.0%	\$402,000	\$406,000	-1.9%	\$414,066	\$346,675
Edmonton	0.0%	\$333,000	\$333,000	-1.7%	\$338,636	\$250,915
Vancouver	-9.0%	\$540,100	\$593,500	4.0%	\$570,795	\$509,876
Canada	-3.0%	\$295,000	\$304,000	-1.1%	\$307,265	\$276,974

About Royal LePage

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-30-

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