

MARKET UPDATE: October 25th, 2018:

Hello Again! I hope you are doing well this week!

The Bank of Canada (BOC) met yesterday and as was widely expected, they increased the overnight rate by 0.25%. So that means the Bank Prime Rate now sits at 3.95% at every bank and lender, EXCEPT TD, who's Prime sits at 4.10%. For those of you with variable debts, that quarter percent increase works out to about a \$12 increase per month for every \$100k you owe.

This is the highest rates have been in ten years and was the 5th increase since last summer, so Prime is now 1.25% higher than it was in the summer of 2017. And that rate increase was expected before the new NAFTA agreement was sorted out. Now that it (USMCA) is done, it sure appears that more increases are on the way.

What Analysts took from this meeting was that the BOC removed the word "Gradual" from their writing. In the previous meetings they had said that there would be a need to increase rates at a "gradual" pace going forward. Now they have just said they are going to raise rates! That could mean that rates are going to go up faster than we expected a month ago. Or it could simply mean that they will continue to raise rates as they feel they need to and that could be at two meetings in a row, or not at all!! Hard to know for sure. But most analysts seem to think the former is what the BOC meant, and that would mean more rate increases are coming...and possibly coming quickly.

As of yesterday at 4pm, the market had already priced in an 83% chance of the BOC increasing rates again at their January meeting. I'm sure that number is even higher today as I write this. But it is definitely possible they won't wait to increase rates in January and could raise rates at their next meeting in December. Only time will tell for sure. The BOC has said many times that they would like to move rates up to a more "neutral" level. That would be anywhere from 0.75%-1.5% higher than they are today! So while you may not want to hear this, rates are going up, and most likely will be going up quickly and by quite a bit in the coming year.

BMO Capital Markets believes we will see more increases in January, April and July next year. And it appears at this time that most analysts believe that rates will go up a few more times by the spring or summer of 2019.

As of today, fixed rates have already crept up about 0.25% in the last couple of weeks in anticipation of the BOC increasing rates yesterday. After the wording of yesterday's message from the BOC, I would expect we will see fixed rates continue to creep up over the next month in anticipation of the next BOC increase. I don't think it matters whether it happens in December or January....fixed rates will move up prior to that point.

So if you are in a variable rate mortgage and considering locking in, or have a mortgage need in the coming months, (e.g. renewal or plans to buy a new home), we need to talk ASAP about your options and come up with a game plan. Currently we are seeing most lenders offering Insured 5 year fixed terms (Insured is purchases with less than 20% down payment) at around 3.59%....though there are a

handful of lenders offering slightly below that. For Purchases with 20% down payment or more or Refinances, we are seeing rates anywhere from 3.64% to 3.94%. So those are all quite a bit higher than they were a month ago. And my best guess is that those offers will be increasing in the coming weeks as well.

The BOC is still a little worried about how consumers will manage their high level of debts with rates increasing now. But not so worried that they aren't going to increase rates! So they must be happy with the data they are seeing today.

It will be interesting to see what impact this has on the Real Estate Market in the GTA. Things were already a little slow in most marketplaces. The threat of higher rates could get some buyers off the fence, but it could also move many to the sidelines. It might be a slow year for Realtors and Mortgage Brokers! I'll maybe have more time for naps! (Don't judge me...I have a 1 year old and 3 year old at home and don't ever get to sleep...so it is really all I think of!)

IN GTA REAL ESTATE NEWS:

We will have new numbers out for the month of October in about a week. Here is the info from September:

October 3, 2018 -- Toronto Real Estate Board President Garry Bhaura announced that Greater Toronto Area REALTORS® reported 6,455 sales through TREB's MLS® System in September 2018 – up 1.9 per cent compared to September 2017. The average selling price for September 2018 sales was up by 2.9 per cent over the same period to \$796,786. The MLS® HPI composite benchmark price was up by two per cent year-over-year.

New listings entered into TREB's MLS® System in September 2018 amounted to 15,920 – down by 3.1 per cent compared to September 2017. With sales up year-over-year and new listings down, market conditions became tighter. Many buyers may have found it more difficult to find a home meeting their needs.

"It is healthy to see sales and prices in many areas across the Greater Toronto Area up a bit, compared to last year's lows. At the same, however, it is important to remember that TREB's market area is made up of over 500 communities. Market conditions have obviously unfolded differently across these communities. This is why it's important to work with a REALTOR® who is familiar with local market conditions in your areas of interest," said Mr. Bhaura.

"While higher borrowing costs and tougher mortgage qualification rules have kept sales levels off the record pace set in 2016, many households remain positive about home ownership as a quality long-term investment. As the GTA population continues to grow, the real challenge in the housing market will be supply rather than demand. The Toronto Real Estate Board is especially concerned with issues affecting housing supply as we move towards municipal elections across the region," added Mr. Bhaura.

On a monthly basis, after preliminary seasonal adjustment, sales edged up by 0.2 per cent in September 2018 compared to August 2018. The average selling price, after preliminary seasonal adjustment, edged lower by 0.5 per cent month-over-month.

"Generally speaking, annual rates of price growth have been stronger for higher density home types in 2018, including condominium apartments, townhouses and semi-detached houses. In many neighbourhoods, these home types

provide more affordable home ownership options. This is why a policy focus on increasing mid-density housing options throughout the GTA is important," said Jason Mercer, TREB's Director of Market Analysis.

We have already seen tighter buying conditions in many markets. And if this Rate Increase news keeps people from selling and buying up, will the market continue to swing over to a Seller's Market like we had seen in previous years? Or will buyers move to the sidelines with rates increasing, and therefore the mortgage they would need now being unaffordable? I guess only time will tell on that.

That's it for this month! The next BOC meeting is on December 5th, so I will be in touch after that. Any questions and/or concerns please do not hesitate to contact me.

AND AGAIN...IF YOU ARE WORRIED ABOUT RISING RATES ON YOUR OWN PERSONAL SITUATION, THEN PLEASE REACH OUT TO ME. WE CAN COME UP WITH A GAMEPLAN FOR YOU AND YOUR FAMILY.

Take care,

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Your mortgage....Consider it done!

PLEASE NOTE: This update is for information purposes only. Please do not rely on it to make a major decision! Everyone's situation is different and a "one size fits all" approach doesn't work. For information on how this impacts your personal situation, please contact me directly.