MARKET UPDATE: December 6th, 2018:

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

The Bank of Canada (BOC) met yesterday and as was widely expected, they decided NOT to change the overnight rate. So that means the Bank Prime Rate still sits at 3.95% at every bank and lender, EXCEPT TD, who's Prime sits at 4.10%.

Just a few weeks ago, there were many economists that believed the BOC would increase rates at this meeting. But with Canadian oil prices dropping like a rock, (to levels not seen in many years), that has lowered gas prices, which has taken away some of the inflation worries.
Also, the Canadian economy and world economy are starting to slow a bit, and with word of the GM Plant closing in Oshawa in 2019, and Alberta now planning on cutting oil production in 2019, it became apparent that the BOC was going to hold pat at this meeting.

There are still many economists who believe the BOC will raise rates at their January meeting. Though what seemed a "sure thing" only a few weeks ago, now appears less likely. The market had priced in a 90% chance of a rate hike happening in January. But that is now down to about a 37% chance, as of this moment.

The BOC didn't sound so "Hawkish" about the state of the economy after their meeting yesterday as they did back in October. But they still reiterated that there is a need to increase rates in the future. It appears the majority of economists believe we are now going to see 2 or 3 increases in 2019. This is down a bit from the projections of a month ago, where it was believed rates would be increasing 3-4 times in 2019. TD economists now believe that we won't see an increase until the spring. Though other big bank economists still believe there is a decent chance of an increase in January.

So while it is apparent rates will be increasing in 2019 and beyond, it now seems that those rate increases will not be occurring quite as fast as we thought only a few short weeks ago. So that is good news for most consumers, who are still trying to adjust to slightly higher borrowing costs.

Fixed mortgage rates have gone up over the last few weeks. For Purchases with less than 20% down payment, we are now up to around 3.69% for a 5 year fixed term. For Purchases with 20% down payment, we are now looking at rates up to around 3.89% for a 5 year fixed term. So that is an increase of around 0.10%-0.25% since my last update. It is expected that fixed rates will continue to climb over the next year or so.

IN GTA REAL ESTATE NEWS:

Toronto Real Estate Board President Garry Bhaura announced the continuation of moderate price growth in November 2018 compared to November 2017. The MLS® Home Price Index (HPI) Composite Benchmark was up by 2.7 per cent year-over-year. The average selling price was up by 3.5 per cent year-over-year to $788,345.

Greater Toronto Area REALTORS® reported 6,251 residential transactions through TREB's MLS® System in November 2018. This result was down by 14.7 per cent compared to November 2017, when we saw a temporary upward shift in demand as the market was distorted by the looming OSFI-mandated stress test at the end of last year.

"New listings were actually down more than sales on a year-over-year basis in November. This suggests that, in many neighbourhoods, competition between buyers may have increased. Relatively tight market conditions over the past few months have provided the foundation for renewed price growth," said Mr. Bhaura.

On a preliminary seasonally adjusted basis, sales were down by 3.4 per cent compared to October 2018. The average selling price after preliminary seasonal adjustment was down by 0.8 per cent compared to October 2018.

"Home types with lower average price points have been associated with stronger rates of price growth over the past few months. Given the impact of the OSFI-mandated mortgage stress test and higher borrowing costs on affordability, it makes sense that the condo apartment and semi-detached market segments experienced relatively stronger rates of price growth in November, as market conditions in these segments remained tight or tightened respectively over the past year," said Jason Mercer, TREB's Director of Market Analysis.

So as we've seen in the last number of months, condos and townhomes continue to appreciate at a greater rate than detached homes. And supply in many neighbourhoods is quite low, so that is going to put more pressure on prices to increase in those "seller's" markets.

IN OTHER MORTGAGE NEWS...

TD and RBC have changed their underwriting rules, with regards to how they qualify customers who have HELOC's (Home Equity Lines of Credit). MOST LENDERS only count against you what you currently owe on the HELOC when you are trying to qualify for additional credit. But now TD and RBC will "qualify you" based on you owing the entire limit of the HELOC, even if you don't owe a cent on it!

In most cases, this is only going to impact a client if they are buying an additional home, like an investment property or a cottage. And as of now is only going to impact you if you are trying to qualify for credit at TD or RBC. The other banks/lenders have not followed suit as of yet.

To me, this is absolute overkill. We already qualify you based on a rate 2% higher than you are getting, to "protect you" from rate increases and ensure that you will still qualify if rates go up 2%. Yet lenders don't take into consideration any additional income you will have in say 5 years! And if you are buying a rental property, they are only using 25%-50% of the rent you'll be receiving to help you qualify, so you already need to show very high income to qualify for an additional home.

So now they are "qualifying you" based on you owing money that you don't actually owe?!?!?

I just hope that the other lenders and banks don't follow suit on this rule!
What is next? Are we going to have to qualify you based on the fact you won't have a job?!?!?

If these crazy rules continue, no one is going to qualify for credit and the economy is going to collapse. But what do I know? TD made $10+ Billion this year and RBC made almost $12.5 Billion in 2018, so they must be doing something right!
I guess time will tell if the other banks and lenders will follow suit.
I sure hope they don't! It seems RBC and TD have a pretty pessimistic opinion on the intelligence of their customers. Most people I know don't buy an additional home and put their hard earned money into it, if they can't afford it.
I guess the view at the top of the TD and RBC mountain is a little different than mine! (Probably a lot foggier up there I would argue! They can't see what is actually happening down here on the ground in the real world!!!)

That's it for this month! The next BOC meeting is on January 9th, 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 TO ENSURE YOU CAN SLEEP AT NIGHT AND STILL AFFORD TO ENJOY YOUR LIFE!

And I hope you and your family have a Happy, Healthy and Prosperous Holiday Season and start to 2019! May Santa not bankrupt you!!!

Take care,

Lucas Preston
Mortgage Agent
Phone: 1-866-680-2020
Cell: 647-299-5136
Fax: 1-866-748-2627
lucaspreston@invis.ca
License #: M08003866
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