

MARKET UPDATE: SEPTEMBER 5TH, 2019:

Hello Again!

I hope you are doing well this week and enjoying having the kids back to school!!!!

The Bank of Canada (BOC) met yesterday and as was widely expected, they decided NOT to change the overnight rate. This is the 7th straight meeting without a change in rates. So that means the Bank Prime Rate still sits at 3.95% at every bank and lender, EXCEPT TD, whose Prime sits at 4.10%.

While No Change was expected, the market and economists were unsure of what the BOC would say in their message. Most had expected a “Dovish” tone and hopefully some signal from the BOC that they would be forced to lower rates at their next meeting in October. Surprisingly, the tone of the BOC’s message was quite neutral. They acknowledged that the slumping world economy and the trade wars were having an impact on the economy, but they would continue to let the data guide them as to the next direction.

So that has left some uncertainty as to what will happen next...it definitely doesn’t force their hand to lower rates in October (as many economists had hoped/predicted).

So what does this mean??

Well it now seems most (if not all) economists believe a rate cut is going to be the next move by the BOC. (It would be the first drop in 4+ years). What everyone is undecided on, is when that move will happen.

Most countries have started lowering rates already (including the USA). Our Economy had surprisingly great numbers in Quarter #2...though many of those factors are believed to be temporary, and it is expected that growth will slow in the 2nd half of 2019.

Prior to the meeting, the “Swap” markets had priced in a 60% chance of a rate drop at the next BOC meeting in late October. And that there was a 97% chance of a rate drop before the end of the year. HOWEVER, now there is some uncertainty.

Here is what some of the Big Bank Economists think:

BMO’s and Scotiabank’s economists still believe the BOC will be forced to cut rates in October. Though they said it will essentially depend on how the US/China Trade War pans out.

CIBC and RBC predict there will not be a drop until January 2020.

SOOOOO...It should mean rates can’t go up anytime soon, and might creep down a little further as the month’s pass by. And it now seems pretty certain that the BOC’s next move will have to be a drop.

As of now we are seeing Fixed Rates remain pretty steady over the last month or so....only down a touch

in the last 2 months from 2.69%-2.64% for 5 year fixed for Purchases with less than 20% Down Payment, and 2.79% (instead of 2.89%) for 5 year fixed terms for Purchases with 20% down payment.

Variable rates are at around 2.90% (For Purchases with less than 20%), and around 3.2% (Purchases with 20% down payment). **This is the first time I can recall in the 20 or so years I have been working in mortgages that fixed rates are lower than variable rates!**

All of this has to be good news for those who need a mortgage in the coming months. And for those who were sitting around 2.59% and worried how high their payments would jump when their mortgage is up for renewal....you need not worry anymore it seems!

In other news, the Federal Government rolled out their new FTHBI Program (First Time HomeBuyer Incentive Program). They predict it will help 100,000 people, though most "experts" I follow, tend to believe that is way overstated and they will be lucky to get 5000 people to use the program. The government is helping give homebuyers 5% extra down payment on the purchase of their first resale home, and 10% on a "new construction" purchase. This is a loan that has no payments and only has to be repaid if you refinance the mortgage or sell the home. Seems like a good deal, but the fine print and inner-workings of the deal do not really address the true issue for many first time buyers.... Getting a home they can qualify for the mortgage needed! Prices just are rising too fast.

On top of that, First Time HomeBuyers can now withdraw up to \$35,000 from their RRSPs to help with a home purchase. This is up from \$25k per person.

I don't expect these two things to move the needle much. And they both definitely don't help with "affordability", which ironically is what they are said to be doing!

IN GTA REAL ESTATE NEWS:

TORONTO, SEPTEMBER 5, 2019 – Toronto Real Estate Board President Michael Collins announced that Greater Toronto Area REALTORS® reported 7,711 residential sales through TREB's MLS® System in August 2019. This result represented a 13.4 per cent increase compared to 6,797 sales reported in August 2018. On a month-over-month basis, after preliminary seasonal adjustment, sales were up by 0.8 per cent.

GTA-wide sales were up on a year-over-year basis for all major market segments, with annual rates of sales growth strongest for low-rise home types including detached houses. This reflects the fact that demand for more expensive home types was very low in 2018 and has rebounded to a certain degree in 2019, albeit not back to the record levels experienced in 2016 and the first quarter of 2017.

Market conditions also became tighter in August 2019 compared to a year ago because, while sales were up year-over-year, new listings were down by three per cent over the same time period to 11,789. Year-

to-date, growth in sales has well outstripped growth in new listings. This is why overall active listings counted at the end of August were down by more than 11 per cent compared to August 2018. The MLS® Home Price Index Composite Benchmark for August 2019 was up by 4.9 per cent on a year-over-year basis. The average selling price, at \$792,611 in August 2019, was up by 3.6 per cent year-over-year. Both the MLS® HPI benchmark prices and average selling prices were up on an annual basis for major market segments. The condominium apartment segment continued to lead the way in terms of price growth, followed by higher density low-rise home types and finally detached houses.

SOOOO....more of the same that we have seen over the last number of months. A lack of supply is slowly driving prices up. Condos continue to fare better than single family homes, as they are more affordable for those looking/wanting/needing to buy.

But I have to think that this trend of condos outperforming other types of homes can't continue forever. The average Condo in the 416 is now worth only about \$94k less than the average Townhome in the 416.

That's it for this month! The next BOC meeting is on October 30th, so I will be in touch after that. Any questions and/or concerns please do not hesitate to contact me.

It should be an interesting eight weeks...to see what materializes with the US/China Trade Wars and also our upcoming Federal Election. YAY endless toxic adds about how lousy every Political Party is!!!

I hope you have a great eight weeks!

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.