

MARKET UPDATE: OCTOBER 31st, 2019:

Hello Again! And Happy Halloween!!

I hope you are doing well and enjoying this lovely Scottish Sunny Day! ☺

It looks like those of us with kids are going to get drenched tonight!

The Bank of Canada (BOC) met yesterday and as was widely expected, they decided NOT to change the overnight rate. This is the 8th 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%.

Fixed rates have crept up a bit since the last BOC Meeting in September. We are now seeing “Insured” rates (purchases with less than 20% down payment) up to around 2.79% instead of 2.64% for a 5 year fixed term. “Uninsured” purchases (those with 20% down payment) are up from around 2.79% to 2.99%.

Having said that, it is entirely possible that they start to creep back down in the coming weeks and months!! Most analysts believe that the BOC will be forced to lower rates at their next meeting in December or the meeting in January. Now, that isn't a foregone conclusion, but if the market thinks it might happen, that should force the fixed rates to come down in anticipation of this, at least in the short-term. About a quarter of economists believed the BOC would lower rates at yesterday's meeting. And the vast majority believe a drop is coming by early 2020 at the latest. So it sure seems likely a rate drop is coming.

In essence, nothing has changed in the last 7 or 8 weeks since my last update. We still have a Liberal Government, and the issues with Brexit and the USA trade wars with China have not been fixed. So the world economy and the Canadian economy is continuing to slump due to worries and uncertainty. Because of this, the market and economists believe the BOC's hand will be forced and they will have to lower rates soon to get ahead of what they feel will be a more severe slumping economy in the near future.

So unless Brexit gets fixed and unless Trump stops the trade wars...which I guess is an option if he wants to get into the good graces of the public during all the impeachment talks...it sure seems like the next BOC move will be a drop.

So that is good news for those who will be seeking a mortgage in the coming months!

In other news, a Liberal Minority probably doesn't change much in the mortgage and housing world. I can't imagine any changes to the “Stress Tests” which are hurting what people can qualify for. And I can't imagine too many new housing initiatives in the near future. Though they might be forced to throw the NDP's a bone to get their votes to pass some bills. And the NDP wanted to create 50,000 new “affordable” homes each year over the next decade. So we could see some improvement there, though I highly doubt it will be as many as 50,000 a year. (In reality, even if the NDP had won the election, I

don't think they could afford to do 500,000 homes in the next 10 years anyway!). So it is possible some initiatives could be created, but I'm not sure they will move the needle too much. And none of them are going to be "quick fixes" to the issues we are facing right now in the housing market in the GTA.

IN GTA REAL ESTATE NEWS:

TORONTO, October 3, 2019 - Toronto Real Estate Board President Michael Collins announced that Greater Toronto Area REALTORS® reported 7,825 sales through TREB's MLS® System in September 2019. This result represented strong year-over-year sales growth of 22 per cent compared to 6,414 sales reported in September 2018. It is important to note, however, that sales remain well-below the record September 2016 peak of more than 9,800 sales.

On a preliminary seasonally adjusted basis, the September 2019 sales level remained in virtually the same as the August 2019 result.

The supply of listings continued to be a concern in September 2019, with new listings down by 1.9 per cent year-over-year to 15,611. We have experienced multiple months this year wherein the annual rate of sales growth outpaced the annual rate of new listings growth, resulting in the overall number of active listings at month-end being well-below last year's levels. This speaks to tightening market conditions and an accelerating annual rate of price growth.

"Demand for ownership housing increased throughout the spring and summer of 2019 compared to the very slow pace of sales experienced in 2018. That being said, many first-time buyers are still experiencing difficulty finding an affordable home. Federal parties vying for seats in the October election have pledged to alleviate affordability issues hampering first-time buyers with a variety of policy proposals. While these demand-side proposals are important, it is also important that all levels of government remain focused on promoting a sustainable supply of different housing types moving forward," said Mr. Collins.

The annual rate of price growth in September reached the highest point so far in 2019. The MLS® Home Price Index (HPI) Composite Benchmark was up by 5.2 per cent on a year-over-year basis in September. The average selling price for all home types combined was up by a similar annual rate of 5.8 per cent to \$843,115.

On a preliminary seasonally adjusted basis, the September 2019 average selling price was up by 1.2 per cent compared to August 2019.

"It is interesting to note that market conditions for detached homes have tightened over the past year. In many of the regions surrounding the City of Toronto, detached price growth was above the rate of inflation on an annual basis. Consumer polling conducted for TREB over the past few years has pointed out that many intending home buyers are still focused on ground-oriented housing. This points to the need for a greater diversity of housing types to bridge the gap between detached houses and condominium apartments," said Jason Mercer, TREB's Chief Market Analyst.

“Statistics Canada’s most recent national population estimate represented the highest twelve month population increase ever recorded. This growth was driven by immigration, of which the GTA was likely a key beneficiary due to its strong regional economy and diversity. As a result, the demand for all types of housing in the GTA – rental and ownership – will remain strong. This fact underpins the need for immediate and sustained action on housing supply,” said TREB CEO John DiMichele.

SOOOO, this should come as no surprise, but there hasn’t been much change here over the last number of months. Low rates and increased immigration keep the Demand high. But Supply is still too low. So despite the challenges all of the many years of government rules have created, the prices in most neighbourhoods continue to creep up. And that isn’t going to change until the Supply concerns are fixed. And that fix doesn’t seem to be coming anytime soon.

So we should continue to see what we have seen in the housing market as we go forward. There will be pressure on prices to increase.

The next BOC Meeting is on December 4th, so I will be in touch after that.

I hope you have a great month!

Again, Happy Halloween! Remember your umbrella and your stretchy pants! You might put on some weight tonight after the kids go to bed!!!

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.