

MARKET UPDATE: JANUARY 23rd, 2020:

Hello Again and Happy New Year!

I hope you are all doing well, that you survived the Holiday Season (flu bugs galore!!) and that your 2020 is off to a great start!

The Bank of Canada (BOC) met yesterday and as was widely expected, they decided NOT to change the overnight rate. This is the 10th straight meeting without a change in rates, which means no change in rates since October 2018. 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%.

Nearly every economist polled believed that the BOC would hold rates again this month. However 31% of them believe that the BOC should lower rates. That is because growth in Canada has been weaker than the BOC projected back in October. Though that doesn't mean the BOC will actually lower rates! But the BOC certainly didn't have the same optimism for the state of the economy as they had at the last meeting.

The BOC stated that they will be closely watching the data that comes in. They are unsure if the recent slowdown in growth is a temporary factor or if it will prove to be more persistent than they forecast. But they have now definitely left the door open for rate cuts in the future.

Inflation is still on target, so there is no reason to increase rates anytime soon. And IF the BOC is correct and the recent slowdown is temporary, it should mean that rates stay where they are for the foreseeable future. But if the slowdown continues, the BOC will probably be forced to lower rates in the coming months. Prior to the meeting, Swap Markets had priced in a 50% chance of a Rate-Drop happening in 2020. That is now up to 100%! So the markets sure seem to think rates have to go down at some point this year.

Fixed Rates jumped up a bit after the last BOC announcement in December (about 0.20%). This is due to the fact that prior to the last meeting, the market believed rates would have to come down in 2020. After the BOC meeting in December, it became apparent that this might not be the case.

So we are now seeing 5 year fixed rates for purchases with less than 20% down payment at around 2.84%. Whereas purchases with 20% down payment now have a 5 year fixed rate around 3.09%. Variable mortgage rates are still slightly higher than fixed rates.

BUT, we might now see fixed rates come back down a bit with the thought that the BOC might now be forced to lower rates. Time will tell on that.

We shall see if the US/China Trade Deal materializes, and how the US Impeachment Soap Opera plays out. Geopolitical risks have also increased since the last BOC Meeting. So if those don't play out as planned, there would be more reason to lower rates in the coming months.

In GTA Real Estate News:

TORONTO, January 7, 2020 - Toronto Real Estate Board President Michael Collins reported that December 2019 residential sales reported through TREB's MLS® System by Greater Toronto Area REALTORS® were up by 17.4 per cent year-over-year to 4,399. Total sales for calendar year 2019 amounted to 87,825 – up by 12.6 per cent compared to the decade low 78,015 sales reported in 2018. On an annual basis, 2019 sales were in line with the median annual sales result for the past decade.

“We certainly saw a recovery in sales activity in 2019, particularly in the second half of the year. As anticipated, many home buyers who were initially on the sidelines moved back into the market place starting in the spring. Buyer confidence was buoyed by a strong regional economy and declining contract mortgage rates over the course of the year,” said Mr. Collins.

While sales were up in 2019, the number of new listings entered into TREB's MLS® System was down by 2.4 per cent year-over-year. For the past decade, annual new listings have been largely in a holding pattern between 150,000 and 160,000, despite the upward trend in home prices over the same period.

“Over the last ten years, TREB has been drawing attention to the housing supply issue in the GTA. Increasingly, policy makers, research groups of varying scope and other interested parties have acknowledged that the lack of a diverse supply of ownership and rental housing continues to hamper housing affordability in the GTA. Taking 2019 as an example, we experienced a strong sales increase up against a decline in supply. Tighter market conditions translated into accelerating price growth. Expect further acceleration in 2020 if there is no relief on the supply front,” said Jason Mercer, TREB's Chief Market Analyst.

The MLS® Home Price Index Composite Benchmark was up by 7.3 per cent on a year-over-year basis in December 2019. From June 2019 onward, the annual growth rate in the MLS® HPI Composite Benchmark accelerated. The average selling price in December 2019 was \$837,788 – up almost 12 per cent year-over-year. For calendar year 2019, the average selling price was \$819,319 – up by four per cent compared to \$787,856 in 2018.

So again...not much has really changed this month in the GTA Real Estate Market. Demand continues to outpace Supply, which is driving up prices throughout the GTA and creating bidding wars in many parts of the city and the suburbs. That most likely won't change for the next couple months as listings don't tend to improve until the spring.

So that is it for this month. The next BOC Meeting is on March 4th, so I will be in touch after that.

I hope you have an amazing month! Stay warm!

Take care,

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