

## **MARKET UPDATE: April 16<sup>th</sup>, 2020:**

Hello Again! I hope you are all doing well, managing to stay safe and sane!

The Bank of Canada (BOC) met yesterday and decided not to lower rates further. They already lowered their Overnight Rate by 1.5% in the last month (and held two emergency meetings in that time to continue to drop rates), and had already lowered the Overnight Rate to 0.25%, so it was widely expected they would not lower rates again. There is some speculation that they could lower rates into “negative” territory, but most analysts believe that is not going to happen. There is no evidence that doing so would actually help the situation and the economy. So it appears we will be at this level for a long time.

With the BOC’s Overnight Rate dropping by 1.5%, the banks and lenders have dropped their Prime Rate by the same 1.5%. Prime was at 3.95% about a month ago, but now sits at 2.45%.

Unfortunately this has not done much to help mortgage rates. The cost to acquire funds to loan out has increased (due to heightened risks of default), and the banks and lenders are passing that cost on to you.

March 13<sup>th</sup> was the bottom and rates started creeping up on March 14<sup>th</sup>. That continued for the next few weeks, but have since stabilized and actually improved slightly over the last week. So my hope is that the rate increases have stopped.

Back on March 13<sup>th</sup>, you could get 2.29% (5 yr fixed) or Prime less 1.05% for a Purchase with less than 20% Down Payment. Today we are looking at 2.74% and Prime less 0.05%.

For Purchases with 20% Down Payment, we were looking at 5 yr fixed terms in the 2.54%-2.64% range back on March 13<sup>th</sup> or Prime less 0.75%. Today we are looking at 2.94% and Prime plus 0.10%.

So we’ve seen fixed rates jump around 0.50% and variable spreads get worse by 0.85%-1.0% in the last month.

No one has a crystal ball, but it seems likely that mortgage rates will slowly but surely improve once the distancing is over, people start going back to work, and risks, fears and defaults start to subside. But will that take a couple months? 6 months? 18 months until we have a vaccine?? No one knows.

So with that being said, for the time being, anyone who needs a new mortgage today, it probably makes the most sense to go with the variable option I believe. You can take advantage of a slightly lower rate (versus fixed), and then can hopefully watch rates drop and then turn around and lock into fixed once fixed mortgage rates bottom out.

That is the hope anyway of what might happen.

This tactic obviously comes with a bit of risk, as in theory, mortgage rates do not have to go back down.

And if Prime goes up, so does your rate and payment (as does the fixed rate you wanted to lock back into).

But it sure seems unlikely the BOC could raise rates anytime soon. I can't see the economy improving to a level to be able to raise rates quickly after it has come to a complete stop and so many people are not working. Even when we start to go back to work, many people will not have jobs to go back to. And many people will be struggling financially. So it seems likely that the BOC will not be able to raise rates any time in the foreseeable future.

While the BOC did not lower rates again, they did announce a lot of Bond buying to give the banks, and provinces options to borrow to help improve liquidity in both the financial system and to help the provinces roll out initiatives to help the public.

They stated that they expect economic activity to be a whopping 15-30% lower in the 2<sup>nd</sup> quarter. This will be the biggest economic crisis in almost 100 years, since the Great Depression. (AND most likely will be the biggest recession of all time!)

We already had over one million jobs lost in March and April has brought more of that....I've seen expectations that number will climb to about 2.8 million Canadians by the end of April. The best guess is that the unemployment rate has jumped from around 5.8% in February to around 20% today.

There are over 6 million Canadians that have already applied for benefits from the government. So unfortunately there are many Canadians who are struggling financially at this point. And those numbers don't even take into consideration those that are not eligible for money at the current time (though it appears the government continues to tweak the rules on a regular basis, to try and help more people that need it).

So the distancing is definitely taking a financial toll on a number of households in the country.

We have seen the mortgage market change drastically over the last few weeks. It seems that if your mortgage was approved prior to the global shutdown, the banks, insurers and lenders are working with consumers to make those deals still happen...even if you are no longer working.

BUT, if you are trying to be approved now, you are going to have a more difficult time if you are not working or have had your hours cut back. They are not using any government money to help you qualify.

Even if you run your own business (and would normally qualify based on a 2 year history of your income), you are not guaranteed to be approved even if the income you showed is enough to qualify the deal. The lenders are asking many questions about whether you are working or if your income has dropped. The requirements for everyone have gone through the roof. It is simply not an easy time to get approved for money.

So if you are not working, or earning your full income, you are going to have a very difficult time trying to be approved by a major lender or bank.

## **IN GTA REAL ESTATE NEWS:**

TORONTO, ONTARIO, April 3, 2020 – Toronto Regional Real Estate Board President Michael Collins announced that Greater Toronto Area REALTORS® reported 8,012 home sales through TRREB's MLS® System in March 2020 – up by 12.3 per cent compared to 7,132 sales reported in March 2019.

However, despite a strong increase in sales for March 2020 as a whole, there was a clear break in market activity between the pre-COVID-19 and post-COVID-19 periods. For the purposes of this release, the start of the post-COVID-19 period was the week beginning Sunday, March 15.

- The overall March sales result was clearly driven by the first two weeks of the month. There were 4,643 sales reported in the pre-COVID-19 period, accounting for 58 per cent of total transactions and representing a 49 per cent increase compared to the first 14 days of March 2019.
- There were 3,369 sales reported during the post-COVID-period – down by 15.9 per cent compared to the same period in March 2019.

*“The overall sales result for March was strong relative to last year, but the impact of COVID-19 was certainly evident in the number of sales reported in the second half of March. Uncertainty surrounding the outbreak’s impact on the broader economy and the onset of the necessary social distancing measures resulted in the decline in sales since March 15. Sales figures for April will give us a better sense as to the trajectory of the market while all levels of government take the required action to contain the spread of COVID-19,”* said Mr. Collins.

*“While COVID-19 has clearly had an impact on the housing market, the late March numbers still suggest that there is activity in the marketplace. TRREB continues to strongly recommend stopping in-person open houses and has provided its Members with guidelines for social distancing. TRREB’s professional development staff are working hard to educate its Members via webinars on using technology in innovative ways to conduct business virtually,”* said TRREB CEO John DiMichele.

For March as a whole, new listings were up by three per cent year-over-year to 14,424. However, similar to sales, new listings dropped on a year-over-year basis during the second half of the month (beginning March 15) by 18.4 per cent.

*“Despite sales and listings trending lower in the second half of March, demand for ownership housing remained strong enough relative to listings to see the average selling price remain above last year’s levels, including during the last few days of the month. As we move through April, we will have a clearer view on how social distancing measures and broader economic conditions will influence sales and ultimately the pace of price growth,”* said Jason Mercer, TRREB’s Chief Market Analyst.

The MLS® Home Price Index Composite Benchmark price was up by 11.1 per cent year-over-year in March 2020. The average selling price for March 2020 as a whole was \$902,680 – up 14.5 per cent compared to March 2019. The average selling price for sales reported between March 15 and March 31, was \$862,563 – down from the first half of March 2020, but still up by 10.5 per cent compared to the same period last year.

So it appears the market has essentially gone to sleep (not necessarily gone down). The number of transactions is way down as people are staying at home and putting their buying plans on hold. There are some people still buying and selling, but it appears most sellers will be holding off on listing their home for sale unless they absolutely need to sell today. The same can be said for most buyers who will hold off on buying until the pandemic is over.

I believe some people think that buying now is a good idea, as they can maybe get a deal on a home as they are not in competition with as many people to buy a home. That might turn out to be true, but it sure seems that house values are not drastically falling as a whole. So buyers are not necessarily getting an amazing deal at this time. It could turn out to have been a deal if prices climb again quickly after the pandemic and bidding wars start to materialize again.

We could see a surge in listings and months of pent up demand should drive prices back up in the GTA after we get past the distancing stage and people return to work. There will most likely not be enough listings to keep up with the demand, so there will be pressure on prices to increase again. Though the commercial real estate market might never recover from this situation! I believe we are going to see a lot more people working from home after we get through this, so the need for office space will drop drastically.

So that is it for this month. The next BOC Meeting is on June 3<sup>rd</sup>, so I will be in touch after that.

I hope you have a good month! Stay healthy! And Stay at Home if you can!

And finally, a big thank you to everyone on the front lines helping to keep us all safe and fed...whether that person is a doctor, nurse, fireman, truck driver, delivery man, grocery store clerk, etc.....you know who you are! Thank you for everything you are doing to help us all out. We couldn't get through this without you!

Take care,

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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.