MARKET UPDATE: June 4th, 2020:

Hello Again! I hope you are all doing well, managing to stay safe and sane! And for those who are parents, I hope you are enjoying the unpaid teaching jobs that have been added to your busy plate!!

The Bank of Canada (BOC) met yesterday and decided not to lower rates further. They already lowered their Overnight Rate by 1.5% back in March, so it was widely expected they would not lower rates again. It appears we will be at this level for a long time until the economy is on strong enough footing...which could be years off.

BMO Economists stated about a month ago that the BOC will not be able to raise rates until at least 2022. So assuming that is correct, we should be seeing historically low rates for a while.

Prime was at 3.95% back in March, but now continues to sit at 2.45% at every bank/lender except TD Bank (who's Prime Rate is at 2.60%).

As of today, the Bond Market is starting to price in the chance of another 0.25% drop in the Prime Rate, to bring the Overnight Rate down from 0.25% to 0%. That doesn't mean it will happen, but Investors believe there is a chance it now could. So that would further help those with variable mortgages and lines of credit.

Mortgage Rates continue to slowly but surely improve since that two week spike at the beginning of the Pandemic shutdown during the last half of March.

Back on March 13th, 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 2.44% and Prime less 0.40%....which is about 0.30%-0.35% better than 6 weeks ago.

For Purchases with 20% Down Payment, we were looking at 5 yr fixed terms in the 2.54%-2.64% range back on March 13th or Prime less 0.75%. Today we are looking at 2.59%-2.69% and Prime Less 0.20%....Again...and improvement of around 0.30%-0.35% in the last 6 weeks.

No one has a crystal ball, but it sure seems likely that this trend should continue as we move through the pandemic and the economy starts to open up again.

Assuming this assumption is correct, it does make variable rates the much more attractive option for anyone with the budget and risk tolerance to deal with some added risk.

Taking variable means a lower rate than fixed, so you are saving money right off the bat. And then if fixed rates continue to slowly but surely creep down, you could have the opportunity to lock back in to fixed rates that are much lower than the fixed rates available today. AND possibly in the coming months and years, even lower than the variable rate you have.

The BOC expects this 2nd quarter to be a disaster, but not as bad as it could have been. They believe we are falling in the middle of their projection range. It will still mean GDP will drop by 10%-20% this quarter, but that is better than the worst scenario which was a drop between 15%-30%. Their hope is that our economy will return to growth by the 3rd quarter. That of course depends on how quickly and safely we can open up the economy.

I believe the real test will come in September. That is when the Mortgage Deferrals from banks and lenders might end, as well as some of the government stimulus packages like the CERB. It remains to be seen if these programs will continue past September. If they do not, there could be a world of trouble for the many people still out of work, or business owners who have lost their business or are simply making enough money to keep the doors open. There are many who are not thriving, and many more who are enduring major struggles financially. They will be in real trouble if they are not receiving any money or income, but now have all of their bills to pay again.

I believe our Unemployment Rate currently sits at around 16%. And it is now forecast that it will be around 9% still in 2021. For reference, it was around 5.67% in 2019. So for many, the struggles could continue for at least the next year and a half unfortunately.

CMHC came out with a bold prediction recently, stating that they believe that Mortgage Arrears will jump to 20%. So that means they believe that 1 in 5 people will fall behind on their mortgage. This prediction has already been scoffed at by EVERY economist. Currently the default rate is well below 1%. That doesn't mean the defaults won't increase as we move forward. But to say that it will jump to 20% is complete lunacy. If the government truly did believe that would happen, you'd think they would have come out with some severe measures to ensure this doesn't happen?!?! The BOC predicts arrears will reach as high as 0.8% only. That is a lot different than 20%!

I'm not a fan of these "doomsday" predictions, as they help to ruin the mental wellbeing of our nation, which is already being tested to the limits. In my opinion, these predictions are foolish and dangerous from what is supposed to be a well respected source of information.
So please don't take too much stock into what CMHC is preaching. Yes, things are bad, but they aren't going to get THAT bad!

<u>IN GTA REAL ESTATE NEWS:</u>

TORONTO, ONTARIO, June 3, 2020 – Toronto Regional Real Estate Board President Michael Collins released the following key housing market statistics for May 2020:

TRREB MLS® System Sales and New Listings:
• Greater Toronto Area REALTORS® reported 4,606 sales through TRREB's MLS® System in May 2020. This result was down by 53.7 per cent compared to May 2019.
• While the number of sales was down substantially on a year-over-year basis due to the continued impact of COVID-19, the decline was less than the 67.1 per cent year-over-year decline reported for April 2020.
• On a month-over-month basis, actual and seasonally adjusted May sales were up substantially compared to April. Actual May 2020 sales increased by 55.2 per cent compared to April 2020. After

accounting for the regular seasonal increase that is experienced each year between April and May, seasonally adjusted sales were up by 53.2 per cent month-over-month.

• The number of new listings entered into TRREB's MLS® System in May was down by a similar annual rate to that of sales, dipping by 53.1 per cent to 9,104. On a month-over-month basis, actual new listings were up by 47.5 per cent.

"While the public health and economic concerns surrounding COVID-19 continue to impact the housing market, the May sales result represented a marked improvement over April. TRREB released updated Ipsos consumer intentions polling results in May that indicated that 27 per cent of GTA households were likely to purchase a home over the next year. Providing we continue to see a gradual re-opening of the economy, it is very possible that home sales will continue to improve in the coming months," said Mr. Collins.

"As we move toward recovery, the housing sector will be a key driver of growth as consumer confidence increases and more households look to take advantage of very low borrowing costs. It will be important for policy makers at all levels of government to continue, and indeed enhance their efforts to bring on line a greater diversity of ownership and rental housing supply. This will help avoid the pace of home price growth accelerating to unsustainable levels," said TRREB CEO John DiMichele.

Home Prices:

• The MLS® Home Price Index Composite Benchmark price was virtually unchanged in May 2020 compared to April 2020. On a year-over-year basis, the composite benchmark was up by 9.4 per cent.

• The average selling price for all home types combined was up by three per cent compared to May 2019 to $863,599. On a seasonally adjusted basis, the average selling price was up by 4.6 per cent month-over-month compared to April 2020.

• The difference in year-over-year growth between the MLS® HPI Composite Benchmark and the average selling price was related to the fact that home sales in the City of Toronto, particularly in the detached segment, were down by a greater annual rate than overall sales in the GTA. This resulted in a compositional impact on the overall average selling price.

"With home sales and new listings continuing to trend in unison in May, market conditions remained balanced. This balance was evidenced by year-over-year average price growth slightly above the Bank of Canada's long-term target for inflation. If current market conditions are sustained during the gradual re-opening of the GTA economy, a moderate pace of year-over-year price growth could continue as we move through the spring and summer months," said Jason Mercer, TRREB's Chief Market Analyst.

SOOOOO...It appears the housing market is slowly but surely coming back, as confidence starts to improve and the economy slowly starts to open back up. This trend should probably continue, barring a violent second wave of the virus. Low rates should help keep demand high, which will eventually put pressure on prices again, unless listings drastically increase.

So that is it for this month. The next BOC Meeting is on July 15th, so I will be in touch after that.

I hope you have a good month! Stay healthy and stay safe and sane!
And I hope you get to enjoy the nice weather!

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.