MARKET UPDATE: July 16th, 2020:

Hello Again! I hope you are all doing well, and still managing to stay safe and sane! And I hope you all are managing to stay cool over the last handful of weeks with all the hot weather we've been having!

The Bank of Canada (BOC) met yesterday and decided not to change rates again this month. 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.

Obviously no one has a crystal ball, but I've seen many analysts and economists saying rates must stay low throughout 2021 and into 2022. BMO's Deputy Chief Economist said this week that he can't see rates moving up for at least 2-3 years.

Mortgage Rates continue to creep down as we move through the pandemic.
Purchases with less than 20% Down Payment now can get around 2.04% for a 5 year fixed term or 1.95% (Prime less 0.50%) for a 5 year variable term.
For Purchases with 20% down payment, we are looking at 2.29%-2.39% for a 5 year fixed term (depending on the amortization you choose) and 2.05% (Prime less 0.40%) for the 5 year variable term.

It seems likely rates should continue to creep lower as we move forward...BARRING a second wave breaking out. That would most likely cause rates to jump in the short-term, like we saw in March when the Shutdown started.

The Covid numbers in Ontario continue to look good. And we are seeing many areas of the province moving into Phase 3 of Re-Opening. Assuming we can do that and the numbers continue to stay low, that should help our economy and keep mortgages rates falling. HOWEVER, California is now moving back to Phase 1 after they thought they had everything figured out in Phase 3. So it is really too soon to tell what will happen. There are many unknowns still and also big fears about what things will look like in the fall when flu season arrives.
AND we will see mortgage deferrals end most likely in September and October. And we could see some of the Federal Government handouts ending in the coming months as well (though it seems at least at this point, they keep extending them).
So that will play a big part in what will happen with the economy going forward and what will happen to rates.
As will the situation south of the border. It will be hard for our economy to hit full stride when our biggest trading partner is going to be forced to shut things down again.

It appears around 15% of mortgage holders took advantage of the deferrals (to some extent).
And 40% of the 3 million jobs lost will have found work again by the 3rd quarter. Though it appears half of those are only part-time jobs and unfortunately, it appears likely a large number of the permanent jobs lost might never return as we adjust to our "new normal" in the pandemic world. It is expected

that unemployment is still around 13%, but it should improve to about 7% by the end of 2021. (For perspective, it was around 5% prior to the pandemic).

The BOC has stated that the global economy is improving faster than expected. But again, sites worries and unknown as to what the fall will bring. The economy didn't collapse as far and fast as their worst fears. Low rates, mortgage deferrals and government handouts have certainly helped here in Canada. As has the relaxing of the containment measures put in place to slow the spread of the virus. They now expect GDP in Canada to decline by 7.8% in 2020, but to improve by 5.1% in 2021 and 3.7% in 2022.

Inflation is essentially nil (gas prices and no one travelling anymore!), and until it starts to take off, there is no need for the BOC to increase rates.
So that is another reason we will see low rates for the foreseeable future.

IN GTA REAL ESTATE NEWS:

TORONTO, ONTARIO, July 7, 2020 – Toronto Regional Real Estate Board President Lisa Patel announced that Greater Toronto Area REALTORS® reported 8,701 sales through TRREB's MLS® System in June 2020. This result represented a very substantial increase over the May 2020 sales result, both on an actual (+89 per cent) and seasonally adjusted basis (+84 per cent), and was only down by 1.4 per cent compared to June 2019.

Year-over-year growth in sales was reported in some areas and market segments. Especially notable were the detached and townhouse market segments in the GTA regions surrounding the City of Toronto.

The MLS® Home Price Index Composite Benchmark was up by 8.2 per cent year-over-year in June. The average selling price for all home types combined was $930,869 – up by 11.9 per cent compared to June 2019. The actual and seasonally-adjusted average selling price was also up substantially compared to May 2020, by 7.8 per cent and 9.8 per cent respectively.

Average and benchmark selling prices were up year-over-year for all major home types. The strongest average annual rates of price growth were experienced in the detached and semi-detached market segments in the City of Toronto at 14.3 per cent and 22 per cent respectively. This, coupled with the fact that average selling price growth outstripped growth in the MLS® HPI benchmarks, points to a resurgence in the higher-end market segments.

"Following the broader movement to reopen the economy in June, we experienced a very positive result in terms of home sales and selling prices. Before the onset of COVID-19, there was a great deal of pent-up demand in the market. This pent-up demand arguably increased further over the past three months. We are still in the early days of recovery, but barring any setbacks, we should continue to see stronger market conditions in the second half of 2020 as households look to satisfy their ownership housing needs," said Ms. Patel.

New listings were up slightly on a year-over-year basis by 2.1 per cent. However, active listings on TRREB's MLS® System at the end of June 2020 were down by 28.8 per cent compared to June 2019. Growth in new listings will need to outstrip growth in sales for a number of months before active listings approach last year's levels.
"It will be important to closely monitor housing market conditions as economic recovery continues in the second half of 2020 and into 2021. Policy makers should proceed cautiously with any demand-side stimulus. The persistent lack of listing inventory in the GTA understandably took a back seat to COVID related issues in the short term, but supply should once again be top-of-mind once the recovery takes hold, in order to ensure long-term affordability in the GTA," said TRREB CEO John DiMichele.

SOOOO...things have definitely improved over the last month or so in the Southern Ontario Housing Market.
Demand is still way higher than Supply. And I'm guessing Covid has changed the way people are looking at things as well. If you no longer need to go to work in Toronto, buying a home farther away from the city (which is generally more affordable) is now an option that won't see you spending 3 hours a day travelling to and from work....unless we go back to the "old normal" which is starting to seem unlikely.

AND if you've been stuck in an apartment or condo for the last number of months, I would think there is some desire to have your own place that has outdoor space (and no elevator rides with multiple strangers on a daily basis!)
So we are seeing homes and cottages being very popular of late, even for first-time buyers.

These facts, combined with all-time low mortgage rates should continue to keep the housing market hot and continue to drive up prices. The "unknown" is whether what CMHC termed "The Deferral Cliff" will happen in the fall when people can no longer defer their mortgage payments. If that happens, will people be forced to sell, thus flooding the market with more listings and driving prices down??
No one knows for sure of course, but it seems to me that demand is so high right now, that if this did happen, it would only be a short-term blip.

As for the future of real estate in the GTA, demand was party being driven by immigration. The Trudeau Government was bringing in 400,000+ immigrants yearly and that isn't happening anymore. Immigration is down 85% since Covid started. And we also won't see our usual 500,000 international students coming this year.
This should mean we see vacancy rise in the city and should help soften rent prices.

BUT, we do have 3.5 million Canadians living outside the country and they might decide to come back. We have 400,000 Canadians alone living in Hong Kong and with the uncertainty with China happening there, we could see a large number of Canadians heading back to live in Canada. So that could make up for the lack of immigrants coming into the country in the coming months and maybe years.

ALSO, we normally see about 100,000 Canadians move to the US every year. It sure seems unlikely that many will choose to do that this year due to the sad state of affairs south of the border. It seems only sports teams want to go to Florida (or anyone wanting to get the virus at Disney World!)
And with people being able to work from home, there is less need to move to the USA, even if you work there. Many jobs can still be done from your home here in Canada.

On top of that, we might see much fewer Snowbirds heading to Florida and Arizona this winter, and they will need somewhere to stay.

Barring a second wave of Covid, all of these factors should mean that the housing market SHOULD stay hot and force house prices up in the future.

So that is it for this month. The next BOC Meeting is on September 9th, so I will be in touch after that.
I hope you have a good remainder of the summer! Stay healthy and stay safe and stay sane!
And I hope you get to enjoy the nice weather!

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.