MARKET UPDATE: July 15th, 2021:

Hello Again!
I hope you are all doing well and staying healthy and sane. At least there is no online schooling to deal with this month!
And hopefully you are enjoying the start of the summer!

Patios have been open, but Mother Nature sure gave us a lot of rain over the last month…that is not what the restaurant industry needed.
Fortunately Ontario moves to Stage 3 tomorrow, so that should definitely help the restaurant industry…even on those days where Mother Nature doesn't want to cooperate! From what I've read, it seems many establishments are requiring you to prove you have been vaccinated before you can enter. FYI!

The Bank of Canada (BOC) met yesterday for their 5th rate decision of 2021 and as was widely expected, they decided not to change rates again this month. They already lowered their Overnight Rate by 1.5% back in March of 2020. Rates are not expected to rise anytime soon. The announcement (and therefore this Market Update) are as low-key as expected by economists and analysts.

The one thing that did change at yesterday's BOC meeting, was their QE Program (Quantitative Easing). The BOC has been purchasing Government Bonds each week to help keep rates low and keep the economy afloat. The BOC decided to lower their weekly purchases from $3 billion to $2 billion. This is another sign of things slowly but surely improving as our economy continues to fight its way through the pandemic.

However, we are still at the mercy of the virus. Things have improved faster than the BOC expected a few months ago, but the recovery is uneven still. Vaccination rates have gone better than most expected here in Ontario (but that is not necessarily the case in other parts of the world). And now the Delta variant is causing worry in many parts of the world…especially in those areas/regions where vaccination rates are low.

Despite these worries, the BOC has revised upwards its growth projections for the world and Canada for the rest of this year, 2022 and 2023. So things are better than they were in April when they last came out with projections.

Consumption is expected to lead the recovery in Canada, as consumers start booking trips, or going to concerts and restaurants again….finally spending money on things other than Amazon! Though the recovery is expected to be uneven across different sectors of the economy, as we start to reopen.

The big news of late has been Inflation. BOC ideally wants to see inflation around 2%, but we are currently at about 3.6%.
Normally high inflation would mean that the BOC is forced to raise rates. But fortunately the BOC still

believes the inflationary pressures we are facing are temporary. They do expect inflation to be high for the remainder of 2021. But they expect it to fall back down to around 2% by 2022.
So they believe there is still no need to raise rates at this time.

Speaking of rates, nothing has changed on the "rate hike" projections either. The BOC is still thinking that the 2nd half of 2022 will be when they will start hiking rates. Only time will tell whether they are able to do so at that time.

Economists have been speaking out this month about the coming rate increases. Many seem to welcome rates increasing earlier rather than later (e.g. late 2022 instead of 2023 or later).
If they start increases earlier, they can increase at a more measured pace and not shock the heck out of the economy by hiking rates fast and hard! If they wait too long to start increasing rates, they might be forced to hike them quickly which could hurt the economy and many borrowers.

So from where I sit today, it is seeming more likely that rates could begin to increase later in 2022 but when they do start to increase they will be done as slowly as possible, to slowly bring us back to more normal interest rate levels. This is starting to look more likely than it was last month. AGAIN…STILL TOO EARLY TO KNOW FOR SURE THOUGH.

In Mortgage Land, mortgage rates have not changed at all since my last update in June. We are still seeing 5 year fixed rates at around 2.04% for purchases with LESS than 20% down payment.
Variable rates are around 1.30% currently for purchases with less than 20% down payment.
Purchases with 20% down payment or more are seeing 5 year fixed rates at around 2.19%-2.34% (depending on the amortization you choose). And the 5 year variable rate for these types of deals is now at 1.35%-1.45%...again depending on the amortization you choose.

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

TORONTO, ONTARIO, July 6, 2021 – June home sales were up compared to last year, but remained below the March 2021 peak and were lower than the number of transactions reported for May 2021, consistent with the regular seasonal trend. The average selling price in June increased by double digits compared to last year as well, but the annual rate of increase moderated compared to the previous three months.

Greater Toronto Area REALTORS® reported 11,106 sales through TRREB's MLS® System in June 2021 – up by 28.5 per cent compared to June 2020. Looking at the GTA as a whole, year-over-year sales growth was strongest in the condominium apartment segment, both in the City of Toronto and some of the surrounding suburbs. On a month-over-month basis, both actual and seasonally adjusted sales continued to trend lower in June.

"We have seen market activity transition from a record pace to a robust pace over the last three months. While this could provide some relief for home buyers in the near term, a resumption of population growth based on immigration is only months away. While the primary focus of policymakers has been artificially curbing demand, the only long-term solution to affordability is increasing supply to accommodate perpetual housing needs in a growing region," said TRREB President Kevin Crigger.

In all major market segments, year-over-year growth in sales well outpaced growth in new listings over the same period, pointing to the continuation of tight market conditions characterized by competition between buyers and strong price growth. On a month-over-month basis, both actual and seasonally adjusted average prices edged lower in June.

The June 2021 MLS® Home Price Index composite benchmark was up by 19.9 per cent year over year. The average selling price for all home types combined was up by 17 per cent over the same time period to $1,089,536. While price growth continued to be driven by the low-rise segments of the market, it is important to note that the average condominium apartment price was up by more than eight per cent compared to June 2020, well outstripping inflation.

So this is good news I think. We still have tight market conditions and the housing market is still hot. But it isn't "STUPID HOT" like it had been for the spring. So you might not have to bid $200k over the list price to get a home!

As mentioned above, we are not too far off from immigration being ramped up again. But immigrants don't necessarily buy the moment they get in the country. But eventually that is going to increase demand again and we could again move back into the "stupid hot" category if supply is not increased.

With a Federal Election coming at some point this year, we are starting to see some housing plans (from the Green and Orange teams at least). So there is at least some talk about addressing the supply issues we have. But in my opinion, not enough is being done by the red and blue teams at this point. And the situation is only going to get more dire the longer we wait to address the many issues that lead to a lack of supply.
So in that department, nothing has changed!

That is it for this month. The next BOC Meeting is on September 8th, so I will be in touch after that.
Be well! Stay safe! And have a great summer! Hopefully a lot more sunshine coming our way!

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.