MARKET UPDATE: September 10th, 2020:

Hello Again! I hope you are all doing well, and that you and your family enjoyed the summer, and that everyone is in good health!

Now the real test for many of us...how is the return to school going to go!?!? I'm sure many parents (and all teachers) worried about this week coming for a while. GOOD LUCK TO ALL OF YOU! STAY SAFE!

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. Most economists are predicting 2022 at the earliest and many are saying 2023 at the earliest.

Inflation remains low (or non-existent) thanks to low oil prices and drops in travel spending. And while the economy has improved over the last couple of months and Consumer Spending has increased faster than the BOC expected....maybe all the necessary LCBO purchases by parents who have had the kid's home with them, is the reason for this?!?!?
...unemployment is still above 10% and currently stands at around 10.9%.
Unemployment is forecast to still be at around 7.5% by the end of 2021, which is 2% higher than prior to the pandemic.
So the BOC can't leave that many people behind. Rates have to stay low until they can get the economy humming again and/or there is a huge rise in Inflation, which seems unlikely anytime soon.

That is why we should be seeing no increase by the BOC until at least 2022 and possibly longer. And barring a short-term spike if a 2nd wave breaks out, mortgage rates will not creep back up until there is a chance the BOC could raise rates again soon.

As I've mentioned every update since April....Mortgage Rates continue to creep down as we move through the pandemic.
Purchases with less than 20% Down Payment now can get around 1.84% for a 5 year fixed term or 1.80% (Prime less 0.65%) for a 5 year variable term.
For Purchases with 20% down payment, we are looking at 1.99%-2.09% for a 5 year fixed term (depending on the amortization you choose) and 1.95% (Prime less 0.50%) for the 5 year variable term.

The "Stress Test" Rate (the rate at which you qualify for a mortgage) has come down a bit to 4.79%.
So that does slightly increase the purchase power of everyone. Though there is still plenty of talk in my industry that this Stress Test rate needs to fall much further. There is no chance that rates are going to go up to 4.79% in the next 5 years, so why are we forcing those who want a mortgage to qualify at this rate?!?

It seems likely rates (and the Stress Test Rate) should continue to creep lower as we move forward...Again, BARRING a second wave breaking out. A second wave would most likely cause rates to jump in the short-term, like we saw in March when the Shutdown started. But rates should then creep back down again as the economy was allowed to open up again...just as we've seen over the last 5 or 6 months.

On top of keeping rates at all-time lows, the BOC continues to purchase a minimum of $5 Billion a week of Government of Canada bonds. They are doing this to help maintain liquidity in the finance system and to help keep rates low. They indicated they will continue to do this until the Recovery is well underway.

We are now reaching a critical point of the pandemic, from an economic standpoint. I don't see a 20% delinquency rate or a drop in house prices of 18%, like CMHC predicted. (And in truth, not one economist in the country sees anything close to that happening. I liken CMHC to that drunk uncle at your wedding...just nod and smile and leave him at the bar!! They'll have new leadership by the end of the year, and maybe can earn some respect back in the industry).
But, the risks of a second wave definitely increase as we send the kids back to school, and a 2nd wave could push us back a phase or two of the reopening plan, which wouldn't be good for many small business owners.

The risks of default on your obligations go up as Mortgage Deferrals taper off as do the CERB and other government incentives. Having said that, it appears the government will still have programs to try to help those out of work survive financially. AND Mortgage Deferrals are not fully going away.
I've been told that instead of 6 months of deferrals, now clients can request 3 months at most banks and lenders. Whether those offers are available for those who have already had 6 months off...I honestly don't know, but I believe they will be. I believe the criteria to receive the deferral might be more stringent at this time than it was back in March when the shutdown occurred.
But the lenders and banks do NOT want to take your home. They make money by collecting interest. So I believe that most banks and lenders will work with you to ensure they are still receiving interest and keeping that mortgage going.

IN GTA REAL ESTATE NEWS:

September 3, 2020 – Toronto Regional Real Estate Board (TRREB) President Lisa Patel announced that the strong rebound in Greater Toronto Area (GTA) home sales continued with a record result for the month of August. GTA REALTORS® reported 10,775 residential sales through TRREB's MLS® System in August 2020 – up by 40.3 per cent compared to August 2019.

Sales were up on a year-over-year basis for all major home types, both in the City of Toronto and surrounding GTA regions. It should be noted that the low-rise market segments, including detached and semi-detached houses and townhouses, were the drivers of sales growth. Condominium apartment sales were up on an annual basis for the second straight month but to a lesser degree.

“Increased demand for ownership housing has been based on improving economic conditions, in terms of monthly GDP growth and job creation, and the continuation of very low borrowing costs. In addition, fewer households have chosen to go on vacation as a result of COVID-19 and instead have remained in the GTA and been active in the housing market, satisfying pent-up demand from the spring,” said Ms. Patel.

Both the number of new listings entered into TRREB’s MLS® System during the month and the number of active listings at the end of the August 2020 were up on a year-over-year basis. While new listings were up strongly for all home types, growth in new condominium apartment listings far outstripped growth in the other market segments.

“Generally speaking, market conditions remained very tight in the GTA resale market in August. Competition between buyers was especially strong for low-rise home types, leading to robust annual rates of price growth. However, with growth in condominium apartment listings well-outstripping condo sales growth, condo market conditions were comparatively more balanced, which was reflected in a slower pace of price growth in that segment,” said Jason Mercer, TRREB’s Chief Market Analyst.

The MLS® Home Price Index Composite Benchmark was up by 11.1 per cent in August 2020 compared to August 2019. Over the same period, the overall average selling price was up by 20.1 per cent to $951,404. Annual detached and semi-detached sales growth was stronger in the comparatively more-expensive City of Toronto compared to the surrounding GTA regions, which helps explain why growth in the overall average selling price outstripped growth in the MLS® HPI Composite Benchmark.

“With demand for ownership housing continuing to recover, it will be important for policy makers to remain focussed on the longer-term goal of bringing more housing supply on line, especially as we return to a normal cycle of immigration. We have to focus on supply both in the aggregate and in terms of a greater diversity of home types. This will be key in addressing housing affordability in the GTA moving forward and keeping the region competitive in attracting businesses and talent from around the world,” said TRREB CEO John DiMichele.

So as you can see, the housing market is still hotter than hot. The condo market has moved towards a more “balanced” market instead of a ‘seller’s’ market, as listings have jumped in this segment over the last couple of months. But that was probably to be expected as many people seek more space and land if they are going to be spending their lives at home in this “new normal”.

It appears this trend should continue, barring another shutdown. Low rates and a low number of listings should keep prices climbing in both the 416 and 905 area codes.

So that is it for this month. The next BOC Meeting is on October 28th, so I will be in touch after that.

I hope you have a great month and I am hoping and praying that everyone stays safe and that the return to school (or the return to online learning) goes well for everyone.

Take care,

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