

MARKET UPDATE: October 29th, 2020:

Hello Again! I hope you are all doing well and staying safe, and that the first 2 months of this school year has gone smoothly for you and your family! And I hope everyone without kids isn't getting too bored!

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/should be years off. Most economists are predicting 2023 at the earliest.

What was significant at the BOC meeting was that they actually came out and stated that their models show that they will most likely not be able to increase rates until 2023. So it now isn't just the economists who are predicting rates to stay where they are until 2023. So that is very good news for those needing a mortgage over the next few years or for those in a variable mortgage! Money is going to be very cheap for a while.

The only thing that would change this situation is if inflation starts to rise, which seems unlikely to happen at this point.

As I've mentioned in every update since April....Mortgage Rates continue to slowly creep down as we move through the pandemic.

Purchases with less than 20% Down Payment now can get around 1.79% for a 5 year fixed term or 1.70% (Prime less 0.75%) for a 5 year variable term.

For Purchases with 20% down payment, we are looking at 1.94%-2.04% for a 5 year fixed term (depending on the amortization you choose) and 1.85% (Prime less 0.60%) for the 5 year variable term

It seems likely rates should continue to creep a bit lower as we move forward...BARRING a second lockdown...which the Ford Government seems to be determined not to have happen. Another full lockdown 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. And IF we have another lockdown that will only push back further the projections of when rates can start to increase again.

The BOC expects a decline in GDP of 5.5% this year, but expects Canada's economy to grow by 4% in both 2021 and 2022. BUT, growth will be "choppy" as we move forward as demand will be influenced by the virus and its impact on consumer and business confidence. Due to the increase in covid numbers and some partial shutdowns in 4 of our Regions, growth is expected to be very flat for the next quarter or two.

The Unemployment Rate continues to fall. It was at around 10% six weeks ago at the time of my last update. Now it currently sits around 9%. And it is still expected to rebound to around 7.5% by the end of 2021.

IN GTA REAL ESTATE NEWS:

TORONTO, ONTARIO, October 6, 2020 – Toronto Regional Real Estate Board President Lisa Patel announced that sales reported through TRREB’s MLS® System by Greater Toronto Area REALTORS® amounted to 11,083 – a new record for the month of September. This result was up by 42.3 per cent compared to September 2019.

Following a record third quarter, sales through the first nine months of 2020 were up by approximately one per cent compared to the same period in 2019.

“Improving economic conditions and extremely low borrowing costs sustained record-level sales in September, as we continued to account for the substantial amount of pent-up demand that resulted from the spring downturn. Further improvements in the economy, including job growth, would support strong home sales moving forward. However, it will be important to monitor the trajectory of COVID-19 cases, the related government policy response, and the impact on jobs and consumer confidence,” said Ms. Patel.

Year-over-year sales growth in September continued to be driven by ground-oriented market segments, including detached and semi-detached houses and townhouses. Annual growth rates were also higher for sales reported in the GTA regions surrounding the City of Toronto.

The September 2020 MLS® Home Price Index Composite Benchmark was up by 11.6 per cent year-over-year. The average selling price for all home types combined in September was \$960,772 – up by 14 per cent year-over-year. Price growth was driven by the low-rise market segments. The relatively better supplied condominium apartment segment experienced a comparatively slower pace of price growth. “On a GTA-wide basis, market conditions tightened in September relative to last year, with sales increasing at a faster pace than new listings. With competition between buyers increasing noticeably, double-digit year-over-year price growth was commonplace throughout the region in September, resulting in the overall average selling price reaching a new record,” said Jason Mercer, TRREB’s Chief Market Analyst.

“The housing market recovery experienced throughout the summer benefitted the broader economy as well. Home sales reported through TRREB’s MLS® System result in billions of dollars in spin-off expenditures, support for tens of thousands of jobs, and billions of dollars in taxes paid to all levels of government. The demand for housing and the related economic impacts will continue in the postCOVID period as population growth resumes. Policymakers will need to continue their efforts to bring more housing supply on line to meet this longer-term demand,” said TRREB CEO John DiMichele.

Sooooo...the market continues to soar in Southern Ontario. That is especially so for single-family homes as there are too few listings and demand is still hot.

The condo market however...ESPECIALLY in Toronto...is beginning to slow a bit, as the number of condo listings continues to increase. We are no longer seeing huge growth in this sector.

It could be slowing rents or no Air-BNB that make condos less desirable for investors to own condos in Toronto. Or maybe it is simply a desire for people to find more space in the pandemic?? (OR MAYBE BOTH OF THOSE THINGS?!?) But for the first time in a long time, the condo market is no longer a "seller's market".

There are still some economists who expect a drop in housing prices in 2021 due to the market being flooded with listings (from Investors and those who are forced to sell...as government handouts and mortgage deferrals taper off). Though many economists expect that will not materialize. I guess time will tell on that.

And of course...The US Election is next week. I'm hoping we don't have violence and that we have an answer by the time of my next update!! *fingers crossed*

So that is it for this month. The next BOC Meeting is on December 9th, 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!
Happy Halloween!

(FYI...We are doing a "hunt" like an Easter Egg hunt for the kids. And also Daddy will be dressing up in different costumers, so the kids can go "door to door" in our house and get more candy from a "stranger". Bottom line...I'll be fatter next month as I will have chocolate and candy to steal from the kids as they sleep!

I hope you are able to come up with some ideas to make it a fun time for your kids and that you get your share of chocolate and candy as well!)

Take care,
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