

**MARKET UPDATE: January 21<sup>st</sup>, 2021:**

Hello Again! And Happy New Year!

I hope you are all doing well and staying healthy, safe and sane in these crazy “lockdown” times. Here’s hoping this lockdown doesn’t last as long as the last one!

Are we having fun with online schooling yet?!?!? Try to resist the temptation to start drinking at 11am!! ☺

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. It appears we will be at this level for a long time until the economy is on strong enough footing to start increasing rates again...which could/should be years off. Most economists AND the BOC are still predicting 2023 at the earliest.

There was talk that the BOC could lower rates by less than 0.25% at this meeting (as that is all the room they have to lower them without going into “negative rate” territory), but that didn’t materialize. I don’t think they felt it would make much of a difference to do so. The Canadian Dollar has increased a lot vs the US Greenback, so there was some thought that lowering rates a bit might help settle that back down. A weaker Canadian dollar will help our recovery. But eventually they decided to stay where we have been since March of last year. And they will be forced to use other tactics to try and lower the Canadian Dollar.

Vaccines are being rolled out earlier than the BOC expected back in October. So there is some thought that could mean we are back to our old “normal” sooner and would mean rates could go up before their 2023 projection. But it seems the rollout is not going smoothly or as quickly as expected. And with the province in a lockdown again, there is no chance rates can go up anytime soon. The longer this lockdown goes on for, the harder it will be for our economy to pull out of this mess. The outlook for our economy remains highly conditional on the path of the virus and the effective rollout of the vaccines.

The BOC expects that Q1 of 2021 will have negative growth...because of the lockdown.

Though they expect a bounce-back in Q2 of this year....assuming the lockdown is over.

GDP ended up being down 5.5% in 2020. And assuming the lockdown ends soon, they expect it to grow by 4% this year.

Mortgage rates have been stable since December. There have been a lot of bank branches being uber-aggressive on the rates they offer over the last month, but in the Broker world, unfortunately we have seen no change.

For purchases with LESS than 20% down payment, 5 year fixed rates are around 1.69% for a 5 year fixed term and 5 year variable rates are around Prime less 0.90% (1.55% as of today).

For purchases with 20% down payment, the 5 year fixed term is still around 1.89%, whereas the 5 year variable rate is in the Prime less 0.80%-0.85% range (1.60%-1.65% as of today).

I don’t see things changing much until we hit the spring. At that time, lenders tend to come up with “special offers” to try and drum up more business, as historically, the number of transactions drastically

increases in the spring...when people come out from hibernating and start looking to buy a new home. So my hope is that we'll see some mortgage rate drops at that time.

In other news, Donald Trump is gone...for now (so he says!). Here's hoping he doesn't run out of golf balls anytime soon!!

Joe Biden is now officially the POTUS...much to the dismay of Q followers. While this news will bring much joy to many people, a change in policy in the USA is going to impact us here in Canada. They've already started with the cancellation of The Keystone Pipeline. Those in Alberta are already going to be impacted, and I'm sure are furious. It remains to be seen if Trudeau will do anything about this. But with a shift to more "green policies" here in Canada, I am not sure he will attempt to fight the US on this, which will only anger Albertans further, and further slow their recovery.

So there is some uncertainty over that situation and all the new policies Biden will have (e.g. Biden has talked a lot about "MADE IN AMERICA"). These types of policies would drag down growth and slow down the recovery in Canada. So a Biden Presidency won't necessarily be all good news for us here in Canada.

The Unemployment Rate still stands at around 9% (though my guess is that it is probably growing with us being in a lockdown again). It was in the mid-5's back at this time last year. So there are still a lot of people out of work. This lockdown will ruin many small business owners...the vaccine can't be rolled out soon enough for many of them. And I think we all feel for them. REMEMBER TO SHOP LOCAL AND WITH THE LITTLE GUY!

#### **IN GTA REAL ESTATE NEWS:**

*January 6, 2021 – Despite an unprecedented year due to COVID-19, including necessary public health restrictions and uncertainty surrounding the economy, Greater Toronto Area REALTORS® reported over 95,000 home sales in 2020 – the third-best result on record. The average selling price reached a new record of almost \$930,000.*

*"The Greater Toronto Area housing market followed an unfamiliar path in 2020. Following the steep COVID-induced drop-off in demand during the spring, home sales roared back to record levels throughout the summer and fall. A strong economic rebound in many sectors of the economy, ultra-low borrowing costs and the enhanced use of technology for virtual open houses and showings fuelled and sustained the housing market recovery," said Lisa Patel, Toronto Regional Real Estate Board (TRREB) President.*

*Highlights from 2020 include:*

- *95,151 sales were reported through TRREB's MLS® System – up by 8.4 per cent compared to 2019. This included a record result for the month of December, with 7,180 sales – a year-over-year increase of 64.5 per cent.*
- *Year-over-year sales growth was strongest in the GTA regions surrounding Toronto, particularly for single-family home types.*

- *The average selling price reached a new record of \$929,699 – up by 13.5 per cent compared to 2019. This included an average price of \$932,222 in December – a year-over-year increase of 11.2 per cent. The strongest average price growth was experienced for single-family home types in the suburban regions of the GTA.*
- *After a pronounced dip in market activity between mid-March and the end of May, market conditions improved dramatically in the second half of the year, with multiple consecutive months of record sales and average selling prices.*

*“While the housing market as a whole recovered strongly in 2020, there was a dichotomy between the single-family market segments and the condominium apartment segment. The supply of single-family homes remained constrained resulting in strong competition between buyers and double-digit price increases. In contrast, growth in condo listings far-outstripped growth in sales. Increased choice for condo buyers ultimately led to more bargaining power and a year-over-year dip in average condo selling prices during the last few months of the year,” said Jason Mercer, TRREB Chief Market Analyst.*

*“The next 12 months will be critical as we chart our path through recovery. In particular, the impact of resumption in immigration and the re-opening of the economy will be key. TRREB will once again be releasing its January results, Market Year in Review and 2021 Outlook report on February 8th . This will include a forecast for home sales and selling prices, the latest Ipsos consumer polling on the GTA housing market and new research related to innovative ways to bring on more housing supply,” said John DiMichele, TRREB CEO.*

SOOO...despite a 2 month “vacation” from home buying in March-May last year, we see record numbers for the GTA housing market and most of Canada in 2020. Those numbers continued to be impressive in December.

What was a real surprise in December was the recovery in the GTA condo sector. With rents way down and prices beginning to soften in the condo market, it was a bit of a surprise to see condo sales activity be so strong. Maybe Investors saw it as a buying opportunity, with prices being as much as 10% below their highs? I would think that condos will be needed and desirable again once we get back to our old “normal” and immigration increasing again...but we could still be a long-way off from that happening. It will be interesting to see if the condo segment remains hot as we start of 2021.

For single family homes, demand still greatly outweighs supply. The desire for more land and space as we are stuck at home is very strong. And with low mortgage rates, I expect this trend to continue as we move forward. We simply need a lot more listings for this to change anytime soon.

The 2020 talk of the “deferral cliff” (where listings would increase due to homeowners being forced to sell or face foreclosure) has not materialized. Even CMHC has backed off from their ultra-pessimistic stance of last year.

So that is it for this month. The next BOC Meeting is on March 10<sup>th</sup>, so I will be in touch after that.

Take care,  
And STAY SAFE!

AND GOOD LUCK MAKING IT THROUGH THIS LOCKDOWN. Sending energy your way!

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Your mortgage....Consider it done!

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