

MARKET UPDATE: June 10th, 2021:

Hello Again!

I hope you are all doing well and staying healthy and sane.

And hopefully you are enjoying the sunshine and lovely weather! Summer has arrived early this year!!

The lockdown is ending and patio season is among us...well for those without young children it is!!

But good news for parents as well...just over 2 weeks left of online learning!! YAY!! Hopefully we NEVER have to go through this again! *fingers crossed*

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 of 2020. Rates are not expected to rise anytime soon.

The BOC's QE Program (Quantitative Easing) has not changed. They will still be purchasing \$3 Billion of Government Bonds each week to help keep rates low and keep the economy afloat. And really...the wording of their message was pretty much unchanged from their last meeting.

HERE IS WHAT THEY SAID:

With vaccinations proceeding at a faster pace, and provincial containment restrictions on an easing path over the summer, the Canadian economy is expected to rebound strongly, led by consumer spending. Housing market activity is expected to moderate but remain elevated. Strong growth in foreign demand and higher commodity prices should also lead to a solid recovery in exports and business investment. Despite progress on vaccinations, there continues to be uncertainty about the evolution of new COVID-19 variants.

Soooo...they still expect rates to stay at the current level until the 2nd half of 2022.

There are some economists who don't believe that will happen and they will be forced to wait on the sidelines longer than that. But I guess time will tell on that.

The USA has said it ideally doesn't want to raise rates until 2024!! And if we raise rates and the USA does not, it will force our dollar up higher. Our Dollar is already at around 83 cents vs the US Greenback...and that is higher than ideal. A higher dollar makes it harder on our economy...especially those companies that trade around the world.

What else can change this outlook as to when rates will go up?? Inflation! It has increased of late, but the BOC does believe those increases to be temporary. If they are wrong, they will have to raise rates sooner rather than later.

But if inflation does not take hold, they could hold off on raising rates.

So that is the key thing here and the thing to watch. Does inflation continue to climb after the summer when the economy is expected to be fully open????!! That will most likely determine when rates will have to go up.

Mortgage rates haven't changed at all in the last month. It appears rates have stabilized after a few months of having fixed rates creep higher and variable options creep lower. 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%-2.29% (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.

In other news...Get ready for a Federal Election this year! It hasn't been announced, but the writing is on the wall. Normally there is very little movement from the BOC and other policy makers (Like OSFI) during this time, as they want to appear to be neutral and not favoring one party over the other.

So assuming it is election time, the new Stress Test rate being raised to 5.25% on June 1st is most likely the last rule change you will see this year to try and slow the housing market. So if listings don't increase, prices will continue to go up.

IN GTA REAL ESTATE NEWS:

TORONTO, ONTARIO, June 3, 2021 – Residential transactions reported through TRREB's MLS® System remained high in May 2021, but fell short of the 2016 record and were below this year's March peak. Despite a slight ebb in sales over the last two months, market conditions remained tight enough to push the average selling price to an all-time record in May.

Greater Toronto Area REALTORS® reported 11,951 sales in May 2021 – more than double the result from May 2020, the second full month of the pandemic. May 2021 sales were below the May 2016 record of 12,789 but remained well above the average May sales of 10,336 for the 2010 through 2019 period. Often, May is the strongest sales month in any given year; however, 2021 results bucked this trend, with May sales below the 15,646 deals reported in March.

“There has been strong demand for ownership housing in all parts of the GTA for both ground-oriented home types and condominium apartments. This was fueled by confidence in economic recovery and low borrowing costs. However, in the absence of a normal pace of population growth, we saw a pullback in sales over the past two months relative to the March peak,” said TRREB President Lisa Patel.

The MLS® Home Price Index Composite Benchmark was up by close to 19 per cent year-over-year in May 2021. The average selling price across all home types was up by 28.4 per cent year-over-year, reaching a record \$1,108,453. On a seasonally adjusted basis, the average price increased by 1.1 per cent between April and May 2021.

“While sales have trended off the March 2021 peak, so too have new listings. This means that people actively looking to purchase a home continue to face a lot of competition from other buyers, which results in very strong upward pressure on selling prices. This competition is becoming more widespread

with tighter market conditions in the condominium apartment segment as well,” said TRREB Chief Market Analyst Jason Mercer.

“The housing supply shortage in southern Ontario has been well documented. Policymakers at all levels have acknowledged that supply is an issue. It is important to understand that dealing with this issue will be important not only for ensuring long-term housing affordability, but also the economic competitiveness of the Greater Golden Horseshoe. People and businesses are more likely to locate in regions that have an ample supply of affordable homeownership and rental options,” said TRREB CEO John DiMichele.

SOOO...again no real change this month. Demand might not be as high as it was in March of this year, but it is still pretty hot...and still higher than Supply.

So home prices are going to be forced higher as we move forward....basically the same thing that has been happening throughout the pandemic!

Scotia Economics came out with a fantastic report (In my humble opinion!!) as to how to possibly solve the supply issues we are facing and also stating that things will get worse as the world opens up again (and immigration begins again). IF YOU ARE INTERESTED IN READING THIS REPORT, JUST LET ME KNOW AND I WILL FORWARD IT ON TO YOU!

That is it for this month. The next BOC Meeting is on July 14th, so I will be in touch after that.

Be well! Stay safe!

Have a great month! And enjoy the sunshine!

Take care,

Lucas Preston

Mortgage Agent

Phone: 1-866-680-2020

Cell: 647-299-5136

Fax: 1-866-748-2627

lucaspreston@invis.ca

License #: M08003866

Your mortgage....Consider it done!

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.