

MARKET UPDATE: September 9th, 2021:

Hello Again!

I hope you are all doing well and staying healthy!

And hopefully you and your family enjoyed the summer! Wow that went by fast!!

For all the parents out there, I hope the return to school this week is going smoothly so far! After 18 months with daddy, my kids are no longer shy and raring to go (and probably just happy to not have to be with me all day!!)

Here's hoping the entire school year goes a lot smoother than the last one!! ***fingers crossed***

I'm certainly not wanting to do online schooling EVER again!!

The Bank of Canada (BOC) met yesterday for their 6th 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 BOC has stated they expect they will be doing so in the latter half of 2022. Though interestingly enough, they made no update on the timing at this meeting.

But unlike the last couple of meetings, the BOC decided to not change the QE (Quantitative Easing Program) this month. They will stick to buying up \$2 billion worth of bonds each week for the next 6 weeks.

This is because the economy is performing weaker than they expected. GDP contracted by 1% in the 2nd quarter (and they were expecting it to increase by an annualized rate of well over 2%). On top of that, we now have a covid 4th wave, with numbers seeming to increase weekly... (and just in time for schools to open too!) That could cause many more supply chain disruptions (which are already screwed up!), and I fear, put us into another lockdown which would be good for no business (unless you are Walmart or Amazon!) That would cause a lot of damage to a lot of industries and would most likely push back the time when the BOC could raise rates.

But it appears to me that the BOC is in a bit of a pickle now....Inflation is above where they want it to be. That would normally mean they need to raise rates. But the BOC still believes that inflation is temporary, so they don't need to raise rates. However, not all economists are now believing that to be the case.

If the BOC is wrong, they might be forced to raise rates in a time when the economy is sputtering. And that is the last thing they want to do. So I'm guessing they are praying hard that they are correct and inflationary pressures are temporary! And maybe we all should be too!

On the mortgage rate front, rates are still very stable. They haven't really moved in the last 4 or 5 months. For purchases with less than 20% down payment, we are looking at 5 year fixed rates around 1.99%-2.04% and we have variable rates around 1.30% (Prime less 1.15%).

For purchases with 20% down payment we are seeing 5 year fixed rates at around 2.24%-2.34% and 5 year variable rates around 1.35%-1.45%...depending on the amortization you choose.

The big news this month is the election in less than 2 weeks. There has been much focus on the housing market. Every party (except the Green party I believe) has come out with a plan to build more homes. For a summary of each party's plans with regards to housing, cut and paste this link/site that our governing body has put together for us and paste it into your browser:

<https://mortgageproscan.ca/advocacy/2021-federal-election>

It seems to me that there are good and unrealistic ideas in everyone's plan. But for the first time in a long time, the parties are at least talking about improving housing supply! And as I've said for YEARS, that is the key here to fixing our housing market and the runaway prices. With immigration expected to ramp up after the pandemic, that is only going to increase demand further and raise prices higher. So something needs to be done ASAP! It isn't like we can just build the millions of homes needed in the next week!

Some of the other platforms/ideas/tinkering (e.g. changing blind bidding on real estate transactions, promoting 7 and 10 year terms, etc...) don't seem likely to fix the problems we are experiencing...at least not in the opinion of many economists.

But adding a bunch of new homes...especially affordable ones is definitely a positive sign in my opinion, as is possibly changing the stress test or adding more first-time buyer incentives so that those people can finally get their foot in the door and start building equity!

Increasing the threshold for buying homes with less than 20% down payment to \$1.25 million instead of \$1 million would definitely help many buyers in the GTA. In some Canadian cities, \$1million doesn't even buy you the "average" home anymore, so this threshold is definitely overdue for some tinkering.

It also seems that some of the parties are wanting to ban foreigners from buying up property as a way to reduce demand. That might not be a bad idea...I guess time will tell on that as to whether that works. HAVING SAID THAT, I fear with this rule, we might end up shooting ourselves in the foot.

This move will definitely frustrate those immigrants who are stuck waiting for years to receive their permanent residency or citizenship. That process is not a quick one and has been made even slower because of the pandemic. And we DO NEED IMMIGRATION to further enhance our work force and economy. So I feel, we as a country can't create too many deterrents for highly skilled labour coming into the country.

IN GTA HOUSING NEWS:

TORONTO, ONTARIO, September 3, 2021 – The Toronto Regional Real Estate Board (TRREB) is reporting the third-best sales result on record for the month of August. While the market has taken its regular summer breather, it is clear that the demand for ownership housing remains strong. At the same time, the supply of listings is down. The result has been tighter market conditions and sustained competition between buyers, resulting in double-digit annual increases in selling prices.

Greater Toronto Area REALTORS® reported 8,596 sales through TRREB's MLS® System in August 2021 – down by 19.9 per cent compared to the August 2020 record of 10,738. The condominium apartment market segment bucked the overall sales trend, with year-over-year growth in sales, continuing a marked resurgence in 2021. The number of new listings entered into the System was down year-over-year by 43 per cent.

"The fact that new listings were at the lowest level for the past decade is alarming. It is clear that the supply of homes is not keeping pace with demand, and this situation will become worse once immigration into Canada resumes. The federal parties vying for office in the upcoming federal election have all made housing supply and affordability a focal point. Working with provincial and municipal levels of government on solving supply-related issues is much more important to affordability than interfering with consumer choice during the home buying and selling offer process or revisiting demand-side policies that will at best have a short-term impact on market conditions," said TRREB President Kevin Crigger.

The August 2021 MLS® Home Price Index Composite benchmark was up by 17.4 per cent year-over-year. The average selling price for all homes combined was up by 12.6 per cent year-over-year to \$1,070,911. The strongest annual rates of price growth are still being experienced for low-rise home types. However, average condominium apartment price growth is now well-above inflation as well. On a seasonally adjusted basis, the average selling price continued to trend upward in August.

"Sales have accounted for a much higher share of new listings this year compared to last, and the story was no different in August. There has been no relief on the supply side for home buyers, in fact, competition between these buyers have increased. As we move toward 2022, expect market conditions to become tighter as population growth in the GTA starts to trend back to pre-COVID levels," said TRREB Chief Market Analyst Jason Mercer.

"With a federal election just weeks away, we are calling on all political parties to continue focusing on housing policies that address supply and affordability across the country. Bold action, not promises, are needed to ensure that Canada has a stable and sustainable housing market now and in the decades to come. This will ensure that the Greater Golden Horseshoe remains competitive on the global stage, in terms of attracting businesses and households to the region," said TRREB CEO John DiMichele.

So, as I tend to say every month, we have more of the same this month....We need more supply! Here's hoping whatever party does win the election on Sept.20th, that they plan to work with the provincial and municipal governments immediately to help address this issue. That should be top priority for whatever party wins the election, as it will take time to get shovels in the ground and start building!

That is it for this month. The next BOC Meeting is on October 27th, so I will be in touch after that.
Be well! Stay safe! And have a great month!
Remember to get out and vote!

Take care,

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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.