

MARKET UPDATE: December 9th, 2021:

Hello Again!

I hope you and your family are all doing well and getting excited for the fast approaching Holiday Season!

The Bank of Canada (BOC) met yesterday for their 8th and final 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. The BOC stated at their last meeting AND AGAIN AT THIS MEETING that they do not expect to be raising rates until the middle two quarters of 2022.

BUT...the market believes that Inflation is getting out of control and that the BOC will be forced to increase rates as early as January (or as late as April) of 2022.

Despite this, the BOC is still stating they believe it will happen in the middle 2 quarters of next year... Reiterating what the BOC Deputy Governor said in a speech 3 weeks ago....that the market was getting ahead of itself and they still expected rates to increase in the middle of 2022 sometime.

Since that talk 3 weeks ago, we have had Omicron appear which is helping bring gas prices and oil prices down. This should only help slow inflation in the short-term. And with the added uncertainty of Omicron, that could help push back any possible increases as well. Also, the devastating floods in BC won't help with the supply chain issues we are experiencing, which is not helping the economy. So January seems a little too soon to start increasing from where I sit. I would think that if that was going to happen, the BOC would have changed their stance from "raising rates in the middle 2 quarters" at this meeting. So it seems pretty apparent that we should have another few months of low variable rates at least....barring some major changes in the next 6 weeks.

It seems most of the banks believe the BOC will start raising rates in April of 2022. So that is the date to watch out for I think.

HERE ARE WHAT THE BIGGEST SIX BANKS IN CANADA THINK WILL HAPPEN WITH THE OVERNIGHT/PRIME RATE OVER THE NEXT TWO YEARS:

BMO: 0.50% increase by the end of 2022.

CIBC: 0.50% increase by the end of 2022. And a further 0.75% increase by the end of 2023.

NATIONAL BANK: 1% increase by the end of 2022. And a further 0.50% increase by the end of 2023.

RBC: 0.75% increase by the end of 2022.

SCOTIABANK: 1% increase by the end of 2022. And a further 1% increase by the end of 2023.

TD: 0.75% increase by the end of 2022. And a further 0.75% increase by the end of 2023.

The “November Job Report” just released last week shows that nearly 4 times the expected amount of jobs were created in November. The BOC had previously stated it wanted to wait until the Labour Market recovery was complete before hiking rates. Well it certainly appears we are almost there. Unemployment is down to 6%....only 0.3% higher than February of 2020. Vacancies remain elevated, and Wage Growth is also starting to pick up.

Some economists thought this positive report could force the BOC’s hand to raise rates sooner rather than later. But while the BOC did make reference to the good jobs report, they are standing firm on their previous prediction of waiting until the middle two quarters to increase rates.

Mortgage Rates continue to creep upwards as we prepare for the inevitable increases by the BOC. For Purchases with less than 20% Down Payment, we are seeing 5 year fixed rates around 2.64% ...about 0.60% higher than it was 2 months ago!.....and 5 year variable rates around 1.30% (Prime less 1.15%)...that is about 0.15% higher than last week.

For Purchases with 20% Down Payment, the 5 year fixed rate is up to 2.79%-2.89%...up 0.50%-0.60% in the last two months. The 5 year variable option is now at 1.45% (prime less 1%)...that is about 0.10% higher than last week.

Most likely this trend will continue as we move forward.

SO FOR ANYONE WITH A MORTGAGE NEED IN THE NEXT 120 DAYS....YOU WOULD BE WISE TO GET PRE-APPROVED ASAP.

IN GTA REAL ESTATE NEWS:

December 3, 2021 – Home sales reached a new record for the month of November, and the average selling price also reached a new all-time high. New listings were down substantially compared to last year for all market segments – further highlighting the inherent supply issue across all home types in the Greater Toronto Area (GTA).

GTA REALTORS® reported 9,017 home sales through TRREB’s MLS® System in November 2021 – 3.3 per cent above the November 2020 result, setting a new record. In contrast, new listings were down by 13.2 per cent year-over-year, with double-digit declines for low-rise home types and condominium apartments.

“Governments at all levels must take coordinated action to increase supply in the immediate term to begin addressing the supply challenges of today, and to work towards satisfying growing demand in the future. The GTA remains the primary destination for new immigrants and is at the centre of the Canadian economy. For far too long, governments have focused on short-term band-aid policies to artificially suppress demand. Current market activity highlights decisively that these policies do not work, and unless governments work together to cut red tape, streamline the approval processes, and incentivize mid-density housing, ongoing housing affordability challenges will escalate. On this point, we commend the City of Toronto for moving forward with initiatives to facilitate the creation of more mid-density

home types, including their current consultations on options to encourage more multiplex development across the city,” said TRREB President Kevin Crigger.

The MLS® Home Price Index composite benchmark was up by 28.3 per cent year-over-year in November 2021. The average selling price for all home types combined was \$1,163,323 – up by 21.7 per cent compared to November 2020.

“A key difference this year compared to last year, is how the condo segment continues to tighten and experience an acceleration in price growth, particularly in suburban areas. This speaks to the broadening of economic recovery, with first-time buyers moving back into the market in a big way this year. The condo and townhouse segments, with lower price points on average, will remain popular as population growth picks up over the next two years,” said TRREB Chief Market Analyst Jason Mercer.

“As population and housing demand continues to grow in the GTA, it will be important to support the fabric of our region’s neighbourhoods. This can be partially accomplished by bringing on line a greater diversity of housing choices. However, in addition, local businesses also need support, and TRREB was encouraged to see the new small business property tax class approved by the City of Toronto. This will be an important tool for post-pandemic recovery,” said TRREB CEO John DiMichele.

And like a broken record, we see more of the same. House Prices shooting through the roof as demand is still strong, and listings get fewer and fewer as we move on.

It is nice to see President Crigger call out all levels of government about the lack of supply.

That is it for this year!. The next BOC Meeting is on January 26th, so I will be in touch after that.

Be well! Stay safe! And have a great month!

Wishing you, your family and your friends a happy and healthy Holiday Season and a wonderful and prosperous 2022!

Take care,

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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.