<u>MARKET UPDATE: March 9th, 2023:</u>

Hello Again!
I hope all is well with you and your family!

The Bank of Canada (BoC) met yesterday to discuss monetary policy. This was their 2nd meeting of 2023 and unlike the previous 8 meetings dating back to March of 2022…. they decided to NOT hike rates again!! Yay!!!! The BoC did say at the previous meeting back in late January that they ideally wanted to stop the increases and hold rates where they were. And while Canada had a REALLY good job creation report for January that had some worried that the BoC would have to go back on their word and increase rates again… (150,000 jobs created in Canada…when only 15,000 were expected)….they did remain true to their word and did not hike rates at this meeting.
There is hope that they won't have to increase rates again this year. But more on this in a bit.

So Prime remains at 6.7% (except TD who's Prime is at 6.85%).
The BoC still believes inflation will be back around 3% by the middle of this year (the last reading was from January and it was at 5.9%...down from a high of 8.1% in June of last year).

So what is going to happen with rates moving forward?? The BoC is now firmly "Data Dependent". It appears they clearly would like to keep rates where they are at as they fear "over-shooting" and creating a worse recession. So they want to keep things where they are until inflation is back at the 2% target and then they can start to lower rates again to get back to a more "neutral" level.
But if we keep getting crazy job reports or inflation proves more "sticky" than expected, the BoC will have to increase rates again.

We have 2 more jobs reports and 2 more inflation reports before the next BoC Meeting in April. So it is possible that the BoC would have to raise rates at the April meeting if those reports do not show things are slowing down as expected.

As of now, around half of the 30 economists polled by Reuters believe we will have no more increases in 2023. But just under half believe rate increases by the BoC in 2023 are not done.
So everyone will be watching those jobs and inflation reports closely as we move forward.
The bond market has priced in an 80% chance of rates increasing again in 2023. (But that was as of Tuesday…Prior to the BoC Meeting yesterday). I'm guessing that will come down a bit in the next week or so after the BoC didn't indicate surprise with any of the statistics coming in.

One other factor that could force the BoC's hand…..The US Fed. It is clear they are not going to pause and will continue to hike rates south of the border. It appears another 0.75% or so of increases is expected. That is going to put pressure on the Canadian Dollar, which should drop vs the US Greenback. That will only create more inflationary pressure as every good we get from outside of Canada is going to cost more Canadian dollars to buy! So if the USA hikes rates more than expected, the BoC might be forced to increase rates in Canada whether we/they like it or not!

But relief does appear closer….it seems everyone is under the impression now that rates will be able to be lowered in 2024. How fast and how far remains to be seen. This week Canada's Independent Budgetary Watchdog predicted that rates will not go up again in 2023 and that the BoC will start to lower rates early in 2024 and that they will come down a full 2% by December 2024! Now this is just one prediction…so don't take it to the bank just yet! As mentioned above, about 50% of economists think we still have increases to come in 2023! But maybe this projection gives some hope to those with variable debts! Having mortgage rates back in the 3's sounds a lot more attractive than today's rates!!

<u>TODAY'S MORTGAGE RATES:</u>

I had mentioned in my previous update that fixed mortgage rates had been creeping downwards since December. Unfortunately those "Rate Specials" are gone and fixed rates have shot back up over the last couple of weeks, after the amazing Jobs Report. This is because there appeared to be a greater chance that the rate hikes aren't done with for 2023.

For Purchases with less than 20% down payment the 5 year fixed rate was at around 4.74% 6 weeks ago and is now back up to 4.94%. The 5 year variable term is still at Prime less 0.90% so no change in the spread or variable rate of 5.8%.
The 3 year fixed term is back up to around 5.29% now for purchases with less than 20% down payment. The 3 year rate had dropped down to around 4.89% a couple of weeks ago.

For Purchases with 20% down payment the 5 year fixed rate has not changed and is still in the 5.14% range. The 3 year fixed term is still around 5.29%. The 5 year variable term has not changed and is still at around Prime less 0.40% which is 6.30% today.

There is hope that 3, 4 and 5 year fixed terms could creep back down a bit in the coming months if we don't continue to get mind-blowing reports about job creation and such!

<u>IN GTA REAL ESTATE NEWS:</u>

TORONTO, ONTARIO, MARCH 3, 2023 – February sales in the Greater Toronto Area (GTA) were down substantially from the pre-rate hike levels of early 2022. However, the number of new listings also dropped substantially year-over-year. The result was that the average selling price and MLS® HPI continued to level off after trending lower through the spring and summer of last year.

"It has been almost a year since the Bank of Canada started raising interest rates. Home prices have dropped over the last year from the record peak in February 2022, mitigating the impact of higher borrowing costs. Many homebuyers have also decided to purchase a lower priced home to help offset

higher borrowing costs. The share of home purchases below one million dollars is up substantially compared to this time last year," said Toronto Regional Real Estate Board (TRREB) President Paul Baron.

GTA REALTORS® reported 4,783 sales through TRREB's MLS® System in February 2023 – down 47 per cent compared to February 2022, the last full month before the onset of interest rate hikes. The number of new listings entered into the system was down by a similar annual rate of 40.9 per cent to 8,367. "New listings continued to drop year-over-year in the GTA. Recently released Ipsos polling suggests buying intentions have picked up for 2023. This increased demand will run up against a constrained supply of listings and lead to increased competition between buyers. This will eventually lead to renewed price growth in many segments of the market, especially those catering to first-time buyers facing increased rental costs," said TRREB Chief Market Analyst Jason Mercer.

The average selling price for February 2023 was $1,095,617 – down 17.9 per cent compared to February 2022. Some of this decline is attributable to the fact that the share of sales below $1,000,000 was 57 per cent in February 2023 versus only 38 per cent a year earlier. On a monthly basis, the average price followed the regular seasonal trend, increasing relative to January 2023. The MLS® Home Price Index (HPI) Composite Benchmark was down year-over-year by a similar annual rate of 17.7 per cent, but was also up on a monthly basis.

"As we move toward a June mayoral by-election in Toronto, housing supply will once again be front and centre in the policy debate. New and innovative solutions, including the City of Toronto's initiative to allow duplexes, triplexes and fourplexes in all neighbourhoods citywide, need to come to fruition if we are to achieve an adequate and diverse housing supply that will support record population growth in the years to come," said TRREB Chief Executive Officer John DiMichele.

SOOOOOO….There is some talk that the market is slowly but surely starting to pick up now (both from economists and Realtors). There are more listings receiving multiple offers again (though certainly not like we were seeing for most of 2020 and 2021).
Prices still appear way down vs this time last year. But to me it doesn't appear that we are comparing "apples to apples" in that comparison.
As mentioned above, In February 2022, 38% of homes purchased were under $1million. In February of 2023, that number is up to 57%. I believe you can attribute this to the fact that it is mainly the cheaper homes that are being bought and sold now. The more expensive homes aren't being listed.
And with higher rates, the bigger mortgages needed to buy the more expensive homes are harder to qualify for and afford! This is all skewing the average sale price vs last year to make it look like the average home costs way less than it did a year ago. But that might not be the case! We will find out soon enough as the market starts to pick up steam again….especially now that it seems rates are more stable than they have been for the last year.

The next Bank of Canada meeting is on April 12th, so I will be in touch after that!

Be well! Stay Healthy! And have a great month!
And for those of you with kids…I hope you enjoy March Break next week! Have fun!

Take care,

Lucas Preston
Mortgage Agent
Cell: 647-299-5136
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.