<u>MARKET UPDATE: March 7th, 2024:</u>

Hello Again!
I hope all is well with you and your family and that those of you with kids are getting excited for March Break that is two school days away!!
The Bank of Canada (BoC) met yesterday to discuss monetary policy for the second time in 2024 and for the fifth straight meeting the BoC decided to do nothing….and that decision was never truly in doubt. So Prime still sits at 7.20% (or 7.35% if you are with TD).

The bond market has priced in a 33% chance that the BoC will drop rates at their next meeting on April 10th, though it seems more likely that we will be waiting until the June meeting to see our first rate drop. The US Fed meets in a couple of weeks and if they decide to drop rates for the first time, that would likely increase the chances of the BoC dropping rates in April. Though it seems unlikely that will materialize…especially after recent comments by US Fed Chair Jerome Powell that rates have to stay higher for longer. That is what the BoC Governor has been saying as well of late. So it appears we'll have to hold our breath for a little longer.

Inflation continues to improve/subside…which is good news. The January reading was at 2.9% and if they backed out 'shelter costs' (e.g. costs for mortgages, rent, etc…) it was actually down at 2.1%. But while the BoC feels that we should be past the point of needing a rate hike, they want to be 100% sure that inflation is going to drop back to 2%. Core Inflation is slowing but still remains above 3%, so we need to see that heading closer to 2% before the BoC will be comfortable dropping rates.

The economy is soft and underperforming. Higher interest rates have slowed spending and slowed growth….not just in Canada but around the world. It appears that we have avoided a recession, but most likely only due to aggressive immigration. Per-Capita we have negative growth, but the economic impact of bringing in hundreds of thousands of people has kept growth above zero in Q4 of 2023. Had we seen negative growth, we would have been in a technical recession here in Canada as growth was negative in Q3. Most likely this trend will continue and growth will be sluggish and/or weak in the months to follow.

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

Bond yields/spreads have been very stable since the last BoC Meeting. If you recall, we had a bit of a spike in yields of about 0.30%-0.40% in early January. Today they are sitting about 0.10% less than they were back in late January. So that has kept mortgage rates stable as well. We have some lenders that have come out with some 'rate specials' so we are generally seeing fixed rates at a slightly lower mark than we saw in late January.

For Purchases with less than 20% down payment the 5 year fixed rate was at around 5.74% in late October. Today we are still seeing offerings around 4.89%.

The 5 year variable term is still at Prime less 0.90% so no change in the spread or today's variable rate of 6.3%.
The 3 year fixed rate was sitting around 6.29% in late October....with some lenders being up as high as around 7%. I'm now seeing 3 year fixed terms as low as 5.04%....though most lenders are in and around 5.44% today.

For Purchases with 20% down payment the 5 year fixed rate was up around 6.34% in late October. Today it is down to as low as 5.49%. The 3 year fixed term was around 6.69%-6.86% in late October...depending on the lender. That is now down to around 5.70%.
The 5 year variable term has not had a change in spread....still Prime less 0.35% which is still at 6.85%.

As mentioned in my last couple of Updates, the hope is that this trend will continue and we will see rates continue to fall as we move forward and get closer to reductions from the BoC.

And as mentioned last month and also above, I still believe that variable or shorter fixed terms like 2 or 3 years fixed is the way to go today. With rates expected to be quite a bit lower in a year or two, it makes no sense to lock in for say 5 years just to save less than 1% versus taking a shorter term at a slightly higher rate. I expect you'll pay more interest in the next year or so in variable and shorter terms but will then easily recoup that extra interest by having a much lower rate in the years that follow.

IN GTA REAL ESTATE NEWS:

TORONTO, ONTARIO, March 5, 2024 – Greater Toronto Area (GTA) home sales and new listings were up on an annual and monthly basis in February 2024. Selling prices also edged upward compared to a year earlier. Population growth and a resilient regional economy continued to support the overall demand for housing. Higher borrowing costs kept home sales below the February sales record reached in 2021.

"We have recently seen a resurgence in sales activity compared to last year. The market assumption is that the Bank of Canada has finished hiking rates. Consumers are now anticipating rate cuts in the near future. A growing number of homebuyers have also come to terms with elevated mortgage rates over the past two years. To minimize higher monthly payments, some buyers have likely saved up a larger down payment, chosen to purchase a less-expensive home type and/or looked to a different location in the GTA," said TRREB President Jennifer Pearce.

REALTORS® reported 5,607 GTA home sales through TRREB's MLS® System in February 2024 – an increase of 17.9 per cent compared to February 2023. Even after accounting for the leap year effect, sales were up by 12.3 per cent year-over-year. New listings were up by an even greater annual rate than sales in February, pointing to increased choice for buyers. On a seasonally adjusted month-over-month basis, February sales were lower following two consecutive monthly increases while new listings were flat. Monthly figures can be somewhat volatile, especially when the market is approaching a transition point.

Home selling prices in February 2024 remained similar to February 2023. The MLS® Home Price Index Composite benchmark edged up by 0.4 per cent. The average selling price of $1,108,720 increased by a modest 1.1 per cent. On a seasonally adjusted monthly basis, both the MLS® HPI Composite and the average selling price edged upward.

"As we move through 2024, an increasing number of buyers will re-enter the market with adjusted housing preferences to account for higher borrowing costs. In the second half of the year, lower interest rates will further boost demand for ownership housing. First-time buying activity will also be a contributing factor, as many renters look to trade high monthly rents for a long-term investment in which they can live and build equity," said TRREB Chief Market Analyst Jason Mercer.

"Population growth has been at a record pace and with the anticipated lower borrowing costs, the demand for housing – both ownership and rental – will also increase over the next two years. Unaffordable housing not only has a financial impact but also a social impact. Recent research conducted for TRREB by CANCEA in our 2024 Market Outlook and Year in Review report underscores the negative impact of unaffordable housing on peoples' mental health and life satisfaction. It's comforting to see that there has been some real building happening in the GTA and that the provincial government is rewarding those municipalities that are working to eliminate the red tape and meet those homeownership needs," said TRREB CEO John DiMichele.

So it appears the housing market is starting to come back to life. I've heard from many Realtors that they are seeing multiple-offers on many listings in the last month....especially for those "turn-key" homes. I would assume that trend should continue as buyers hop off the fence and plunge back into the housing market. This should improve further when rates start to significantly decrease. Soon we will be back to the trend of 2018-2021.....needing more listings to keep prices from skyrocketing!

That's it for this update. The next Bank of Canada meeting is on April 10th, so I will be in touch after that.

I hope you and your family have an awesome month!
Take care,
Luke

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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.