

## **MARKET UPDATE: June 6<sup>th</sup>, 2024:**

Hello Again!

I hope all is well with you and your family and that you are enjoying all the sunshine we've been having of late! Summer is almost here!! (After today, we only have 16 days of school left for elementary students! But who's counting?!?!?)

The Bank of Canada (BoC) met yesterday to discuss monetary policy for the fourth time in 2024 and FINALLY decided to start lowering rates. That loud noise you heard yesterday was a collective sigh from all of those people in Canada with debt!!! Most economists were calling for this to happen, but there were a handful (TD, Scotia, etc..) that were predicting the BoC to hold off until the meeting in late July (though TD had hoped it would come...they just didn't think it would come so soon). So Prime now sits at 6.95% (or 7.10% if you are with TD).

Now we can change the talk of "when will rates drop" to "how fast and how far will they drop!!" One would think that one move would signal an avalanche of additional moves, but the BoC has said they want to take it one meeting at a time. And as of this moment the Bond Market has priced in only an 11% chance of a drop at the next meeting in late July. It seems the market and investors believe the BoC will take a meeting off and then drop again at their meeting in September. BUT we do have 2 inflation reports coming out between now and the next BoC meeting in July. So if those reports are showing inflation to continue to slow, there could be a better chance than 11% that the BoC drops rates again on July 24<sup>th</sup>.

Based on what the BoC said, it doesn't feel like they will simply be dropping rates at every meeting, which was our hope and belief only a few months ago. It could take us longer than we want for rates to fully come down.

Most economists believe the BoC doesn't want to diverge too much from the USA, who haven't started lowering rates yet. But the BoC doesn't seem to be as concerned as we expected. If the Canadian dollar weakens because our rates are dropping and the US's rates are not, they seem to be content that a lower Canadian dollar is the consequence of that and it won't be the end of the world if that happens.

Here are the predictions of the major 6 banks on where rates will be at by the end of 2024 and the end of 2025. **AND PLEASE NOTE...THIS REPORT IS FROM MONDAY MORNING...BEFORE THE BANK OF CANADA LOWERED RATES YESTERDAY. SO IT IS POSSIBLE SOME OF THESE PREDICTIONS MIGHT BE CHANGED IN THE COMING DAYS.**

<b>LENDER:</b>	<b>Today's Target Rate:</b>	<b>Target Rate End of 2024:</b>	<b>Target Rate End of 2025:</b>
BMO	4.75%	4.00%	3.00%
CIBC	4.75%	4.00%	2.75%
National Bank	4.75%	4.25%	3.00%
RBC	4.75%	4.00%	3.00%
Scotiabank	4.75%	4.25%	3.00%
TD	4.75%	4.25%	2.75%

Again...we can't just assume that this is correct. But it is worth noting that 3 of 6 expect 0.50% more of cuts in 2024 and the other 3 economists predict 0.75% more of cuts. And all 6 of them believe we will see at least 1.75% more in cuts by the end of 2025. If the Target Rate is 3%, that means our Prime rate is 5.2%. FYI

Inflation is slowing. Job growth is slowing (it is still growing, but not as fast as immigration. So that is why the Unemployment Rate is rising). Wage growth is slowing. Assuming these don't turn back around, we should be talking about lower rates for the next year and a half at least.

**TODAY'S MORTGAGE RATES:**

Rates have been very stable for the last 6 weeks. We saw fixed rates jump up a bit in April but have started to slide back down. Bond Spreads/Yields have improved by around 0.35% since Friday May 31<sup>st</sup>, so there is certainly room for fixed rates to drop further in the short-term.

When the BoC raises rates, we tend to see lenders and banks move quickly to hike fixed rates as well. Unfortunately it doesn't always happen as quickly when rates come down. It tends to take one lender to make a move to drop rates, and then the masses follow. So while I do expect fixed rates to come down at some point soon, at this moment there has been no change to fixed rates.

For Purchases with less than 20% down payment the 5 year fixed rate is still around 4.89%.

The 5 year variable term has improved to Prime less 1%. So after the 0.25% drop today, we are looking at 5 year variable rates around 5.95%.

The 3 year fixed rate is sitting as low as 5.19%. It was down as low as 5.04% back in early April.

For Purchases with 20% down payment the 5 year fixed rate is currently as low as 5.39%....slightly below what we were seeing in April. The 3 year fixed term is now also down to around 5.29-5.39% (The 5.39% is for a 30 yr amortization....5.29% is for 25 yrs or less).

The 5 year variable term has improved...both the rate itself and the spread is lower. We can now get Prime less 0.50%, which would mean your rate today is 6.45%.

Barring some terrible inflation news in the coming weeks, I'm hoping to have much lower rates by

the time of my next update in late July!! And hopefully the chances of a further drop by the BoC on July 24<sup>th</sup> will increase from 11%!! \*fingers crossed\*

### **IN GTA REAL ESTATE NEWS:**

*TORONTO, ONTARIO, June 5, 2024 – May home sales continued at low levels, especially in comparison to last spring’s short-lived pick-up in market activity. Home buyers are still waiting for relief on the mortgage rate front. Existing homeowners are anticipating an uptick in demand, as evidenced by a year-over-year increase in new listings. With more choice compared to a year ago, buyers benefitted from more negotiating room on prices.*

*"Recent polling from Ipsos indicates that home buyers are waiting for clear signs of declining mortgage rates. As borrowing costs decrease over the next 18 months, more buyers are expected to enter the market, including many first-time buyers. This will open up much needed space in a relatively tight rental market," stated Toronto Regional Real Estate Board (TRREB) President Jennifer Pearce.*

*Greater Toronto Area REALTORS® reported 7,013 home sales through TRREB’s MLS® System in May 2024 – a 21.7 per cent decline compared to 8,960 sales reported in May 2023. New listings entered into the MLS® System amounted to 18,612 – up by 21.1 per cent year-over-year.*

*The MLS® Home Price Index Composite benchmark was down by 3.5 per cent on a year-over-year basis in May 2024. The average selling price of \$1,165,691 was down by 2.5 per cent over the May 2023 result of \$1,195,409. On a seasonally adjusted monthly basis, the average selling price edged up slightly compared to April 2024.*

*"While interest rates remained high in May, home buyers did continue to benefit from slightly lower selling prices compared to last year. We have seen selling prices adjust to mitigate the impact of higher mortgage rates. Affordability is expected to improve further as borrowing costs trend lower. However, as demand picks up, we will likely see renewed upward pressure on home prices as competition between buyers increases," said TRREB Chief Market Analyst Jason Mercer.*

*"In order to have an affordable and livable region over the long term, we need to see a coordinated effort from all levels of government to alleviate our current housing deficit and to provide housing for new population moving forward. On top of this, governments need to ensure the delivery of infrastructure to support our growing population. The economic health and liveability of our region depends on the timely completion of public transit projects including better transparency and clear timelines on the completion of the Eglinton Crosstown LRT," said TRREB CEO John DiMichele.*

We have seen signs of the market stalling over the past month or so...in most neighborhoods anyway! It will be interesting to see how the housing market responds to this first rate drop by the BoC. How long will it take to come to life again?!?!? Will people jump in now or wait until rates are substantially lower? Only time will tell. But there is a lot of pent-up demand I believe. Unfortunately, one rate drop doesn't really change the fact that mortgages and homes are so expensive. Yes...it psychologically feels a bit better...at least there is hope that mortgage will be more affordable in the near future, but it is possible we will need a few drops by the BoC before we see much of that pent-up demand hop off the fence and into the housing market.

That's it for this update. The next Bank of Canada meeting is on July 24<sup>th</sup>, so I will be in touch after that.

I hope you and your family enjoy the rest of the school year and the start of the summer!  
Ginger Luke says...REMEMBER YOUR SUNSCREEN!!

Take care,  
Luke

Lucas Preston  
Mortgage Agent, Level 2  
Cell: 647-299-5136  
[lucapreston@invis.ca](mailto:lucapreston@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.