<u>MARKET UPDATE: October 24th, 2024:</u>

Hello Again! I hope all is well with you and your family and that you've been enjoying the awesome weather we've had the last 2 months! (For the most part, the fall has been better than August was!!)

NOTE: This Update will be a little longer than usual as we have lots to discuss…like a bunch of new gov't rules!

The Bank of Canada (BoC) met yesterday to discuss monetary policy. It was their 7th of 8 meetings in 2024 and they decided to lower rates for the 4th straight meeting. BUT…this time they decided to lower Prime by 0.50% instead of only a quarter percent. So Prime now sits at 5.95% (except for at TD, who has Prime at 6.1%).

This move was widely expected by most economists after The US Fed lowered their rates by 0.50% at their last meeting Sept.18th, and then Canada's Inflation came in at 1.6% for the month of September (down from 2.7% in June). So that is now well below the BoC's 2% Inflation target. The September Inflation Report showed other less volatile inflation measures dropping quickly as well so now the BoC's attention turns from fighting inflation to restoring economic growth! Job Creation was better than expected in September, but it is expected to weaken as we move forward.

TD Bank was the only one of the major economists that was calling for only a 0.25% drop at this meeting. It certainly seems that rates are going to drop faster and farther than we had previously anticipated. That isn't a certainty….Anything can change, but as of now, only Scotiabank's economists are sticking to older projections. The rest have all increased the amount of drops they are projecting and sped up the timeline for those drops.

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 0.50% YESTERDAY. SO IT IS POSSIBLE SOME OF THESE PREDICTIONS MIGHT BE CHANGED IN THE COMING DAYS.**

NOTE: Today's Target Rate of 4.25% = Prime of 6.45%. After yesterday's meeting, the Target Rate is now down to 3.75% (and therefore Prime is down to 5.95%).

LENDER:	Today's Target Rate:	Target Rate End of 2024:	Target Rate End of 2025:
BMO	4.25%	3.75%	2.50%
CIBC	4.25%	3.50%	2.25%
National Bank	4.25%	3.25%	2.00%
RBC	4.25%	3.25%	2.00%
Scotiabank	4.25%	3.50%	3.00%
TD	4.25%	3.75%	2.50%

SOOOO....again...we can't just assume or trust these things. Our hearts have been broken too many times before by economists! BUT.....my guess is that TD and BMO will quickly be adjusting their end of 2024 Target rate from 3.75% to 3.50% (which would mean a quarter percent drop at the BoC meeting in December).
AND the masses are diverging from Scotiabank's projection. If Scotia is correct, Prime is down to 5.2% by March or April in 2025 (or 0.75% lower than today). They are the only major lender in the country that hasn't been changing their projections from June.
If the rest of the major banks are correct, Prime is down in the 4.2%-4.7% range by the end of June 2025, which is about 6 months faster than the previous "bottom" was projected just a couple of months ago.

The market is split about 50/50 as to whether the December BoC meeting will have a 0.25% drop or 0.50% drop. The BoC did state that most likely more drops are coming. But they will take it meeting by meeting as to whether they will drop and by how much.

As of this writing, we have not seen anyone lower fixed rates for the last few weeks. That is despite yesterday's 0.50% drop being pretty much anticipated by most for the last few weeks. So it remains to be seen if we will see significant drops to fixed rates prior to the next BoC meeting on Dec.11th.

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

As mentioned above, we haven't seen much change in fixed rates of late. We actually saw fixed rates jump up a bit about a month ago after the U.S. had WAY better job creation than expected. So that made the market believe that maybe the U.S. would not be lowering rates as quickly as we previously thought. If they stop lowering rates it does make it harder for Canada to continue to drop rates aggressively. BUT, for the most part, fixed rates have come back down to where they were prior to the little increase at the beginning of this month.

For Purchases with LESS than 20% down payment....
-The 5 year fixed rate is now around 4.44%. (Down about 0.15% since early September).

-The best 5 year variable term has been reduced from Prime less 1.05% to Prime less 1%. This tends to happen when rates drop and profit margins gets squeezed...I had made reference to this in my last update in September.... So after the 0.50% drop yesterday by the BoC, we are looking at 5 year variable rates around 4.95% (Prime less1%).

-The 3 year fixed rate is sitting as low as 4.74% at most lenders, but there is one lender with a special offer at 4.34%. This offer has a couple of 'catches' to obtain this rate however.

For Purchases with 20% down payment ....
-The 5 year fixed rate is currently as low as 4.64% (though most lenders are in the 4.74%-4.84% range), which is down about 0.20%-0.30% since early September.

-Like last month, the 5 year variable term is still at Prime less 0.60%, which would mean your rate today is 5.35%.

-The 3 year fixed term is now down to around 4.84%, which is about 0.20% lower than early September. But again....one lender has a special offer around 4.59% with a couple of hoops to jump through to obtain.

As mentioned in early September, there is plenty of room for more drops in the coming months to all fixed terms. Whether that materializes remains to be seen though. It is definitely making variable terms more popular of late than their fixed counterparts. The gap between the two options is narrowing quickly.

IN GTA REAL ESTATE NEWS:

TORONTO, ONTARIO, October 3, 2024 – Greater Toronto Area (GTA) home sales increased year-over-year in September. Buyers were starting to take advantage of more affordable market conditions brought about by interest rate cuts and lower home prices.

"As buyers take advantage of changes to mortgage lending guidelines and borrowing costs trend lower, home sales will steadily increase in relation to population growth. With every rate cut, a growing number of GTA households will afford a long-term investment in home ownership, including first-time buyers," said Toronto Regional Real Estate Board (TRREB) President Jennifer Pearce.

GTA REALTORS® reported 4,996 home sales through TRREB's MLS® System in September 2024 – up by 8.5 per cent compared to 4,606 sales reported in September 2023. New listings entered into the MLS® System amounted to 18,089 – up by an even greater 10.5 per cent year-over-year. On a seasonally adjusted basis, September sales increased on a monthly basis compared to August, along with new listings.

The MLS® Home Price Index Composite benchmark was down by 4.6 per cent year-over-year in September 2024. The average selling price, at $1,107,291 was down by a lesser one per cent compared to the September 2023 average of $1,118,215. On a seasonally adjusted basis, the average selling price edged up slightly compared to August.

"The annual improvement in September home sales was more than matched by the increase in new listings over the same period. This resulted in a better-supplied market and increased negotiating power for buyers re-entering the market. The ability to negotiate on price, led to moderate year-over-year price declines, particularly in the more affordable condo apartment and townhouse segments, which are popular with first-time buyers," said TRREB Chief Market Analyst Jason Mercer.

“We are pleased with the positive changes to mortgage lending guidelines announced over the past month. The ability for existing mortgage holders to shop around for the best rate without facing the stress test will result in more affordable renewals. Longer amortization periods and the ability to insure mortgages for purchases over $1 million dollars will give home buyers more options as the GTA housing market recovers. TRREB has long been calling for these changes to give buyers more flexibility as they navigate their home buying journey,” said TRREB CEO John DiMichele.

SOOOOO…we have more of the same. Listings are increasing but the market is still a little slow. The GTA condo market is a lot slower than usual as there are a lot of listings (thanks in part to a flood of listings this summer from completed new construction projects. Investors most likely purchased them years ago expecting to be able to collect enough rent to cover costs. With today’s high rates that isn’t happening, so they’ve decided to sell and the result is a buyer’s market in the condo world).
Single Family Homes are a different story. That market is a lot closer to balanced in many neighborhoods. I’m told homes that don’t require any work, are in the right neighbourhood and are priced correctly, seem to be selling quickly still.

The hope is that lower rates (and new mortgage rules…more on that in a bit) will help bring life back to the condo market. And then in 9-12 months we can resume talking about a shortage of listings and watch prices go through the roof again!!! 😊

NEW GOVERNMENT MORTGAGE RULES:

We’ve had a few changes by the Federal Government and OSFI since my last update that I wanted to briefly touch on….

-Come December 15th, Homebuyers can buy a home with less than 20% down payment up to $1.5 million. The current threshold is $1million. The minimum down payment is 5% of the first $500k and 10% of every dollar above that…up to $1.5 million of course. The hope is that this will allow more people to buy in the GTA or GVA where prices are so high. BUT….if you are buying for say $1.5 million you will need very high income to qualify for this at today’s rates (like $350K++ annual income).

-Also come December 15th, First Time Buyers will be allowed to have an amortization as long as 30 years….even if they buy with less than 20% down payment. Currently you must have 20% down payment to get a mortgage with a 30 year amortization. But now First Time Buyers can get a slightly longer amortization which will allow them to qualify and afford slightly more. Those who are not first time-buyers and who buy with less than 20% down payment still have a maximum amortization of 25 years.

-Come November 21st, borrowers looking to transfer their mortgage from one lender to another (and not add any money to the mortgage or increase the amortization) no longer have to qualify for the mortgage with the “stress test”. They can now qualify using the rate they are getting on the new mortgage instead of the rate + 2%. This should help make it easier for all to transfer their mortgage and forces the current institution to offer better rates to all clients at renewal.

-Come January 15th, 2025, Homeowners will be able to refinance their current homes (assuming they qualify of course) up to 90% of the current value (capped at 90% of $2million)....if they are using the proceeds from the refinance to build secondary suites in the home. So that could be to build a laneway home or maybe a nanny suite or additional units in the home to rent out. The max Units in the home is 4 (including the existing one). 30 year amortization is allowed...even if you are borrowing over 80% of the home’s value. No Short-term rentals are allowed though. It must be for long-term rentals. And each unit must be self-contained, meaning it has its own private entrance and kitchen, bathroom, etc...
IMO...THIS ONE IS A LITTLE LIGHT ON DETAILS STILL. I’m not sure how they will police the length of rentals in the home moving forward. AND if you do borrow 90% of a $2million dollar home, the CMHC Fee tacked onto the mortgage would be about $55,800 based on current premiums. So it certainly wouldn’t be cheap to access funds through this route.

Whether these options are wise or will move the needle on the need for more housing remains to be seen. I personally applaud the Federal Government and OSFI for trying to implement changes that at least try to address some of the issues we are facing in the housing market. It is going to take more solutions than this and some creativity. But it appears they are at least trying to help!

That’s it for this update. The next and final Bank of Canada meeting of 2024 is on December 11th, so I will be in touch after that.
Have a great month! And Happy Halloween!! And for the parents out there....good luck with your kids being on a sugar high for most of the next couple of weeks!!!
Take care,
Luke

Lucas Preston
Mortgage Agent, Level 2
Cell: 647-299-5136
lucaspreston@invis.ca
License #: M08003866
Your mortgage....Consider it done!