MARKET UPDATE: January 30th, 2025:

Hello Again! I hope all is well with you and your family! I hope the Holiday Season was good to you and I hope the first month of 2025 has been enjoyable as well! Hopefully everyone is avoiding these crazy illnesses and viruses that are floating around.

The Bank of Canada (BoC) met yesterday to discuss monetary policy. It was their first meeting of 2025 and as was widely expected they decided to lower rates for the 6th straight meeting. Prime was lowered by 0.25% at the meeting, so Prime now sits at 5.20% (except for at TD, who has TD Prime at 5.35%). Prime is now down a full 2% from the first half of 2024.

Inflation is below 2% (though most likely would have been above 2% in December if not for the HST Break we are currently experiencing!) But there appears little worry about inflation at the moment which is allowing the BoC to continue to lower rates. Employment numbers were a lot better than expected in December but Unemployment is still very high (6.7%). We shall see in the coming months if December's job gains are a trend or a one-off situation. But again….like previously months, at least half of the gains were in the public sector. That is not a long-term recipe for success. We need to see the private sector hiring and doing some of the spending and heavy lifting for our economy!

Growth projections in Canada have been lowered for 2025 and beyond (mainly due to Canada lowering their immigration numbers). It does seem logical that with less people in the country spending money, we won't be growing as much!

THE PROBLEM MOVING FORWARD….Uncertainty!
We now have a provincial election coming in late February. And we have a Federal election most likely coming in May. Depending who wins, that will impact spending and growth and might impact how the BoC deals with upcoming rate decisions as well.

But the biggest uncertainty is coming from south of the border. The new regime is keeping everyone on their toes. Are 25% tariffs coming on February 1st%??!! We will know this weekend! They were supposed to come on Jan.20th, but that didn't materialize. But because of the looming threat, you won't see businesses spending a lot of money to help prop up the economy.
AND NOW…just yesterday, Trump's team threatened tariffs on April 1st ….if they don't come in Feb.1st.
This is the Donald effect… and we saw this 4-8 years ago. Companies become reluctant to expand and spend as the rules could get changed on them overnight. So this is why Donald tends to be bad for the world economy. Nothing can grow and prosper as the threats never disappear. So most companies just sit on their hands and don't spend until a new (and hopefully more stable) regime takes over.

If we have 25% tariffs rolled out this weekend…or in April… The BoC says that COULD be a 2.5% hit to our GDP and throw us into a deep recession overnight. It will also create a lot of inflation. And then of course Canada (and the world) will have to retaliate and trade-wars will be the new norm and that will make everything more expensive for EVERYONE (yes...even Americans!!). It will also torpedo the Canadian dollar....which is already a few cents lower than it was a few months ago because of all of the BoC Rate drops. We have been floating above 69 cents for the last month. But if the tariffs come out, most likely we'll see the dollar drop quickly ...possibly as low as 64 cents vs the US Greenback. (Time to vacation in Canada....if you can still afford to vacation!)

More unknowns as to what happens if a trade conflict ensues. And it is also possible that we do get tariffs from the USA, but not 25% or not on everything. Again....uncertainty!! I've seen reports from TD and Desjardins essentially saying rates probably have to drop 0.75% more than we expect today if the 25% tariffs come this weekend. (Based on Desjardins and TD's current projections, that would mean the BoC would be dropping 1.5% more in the next year and not just 0.75%). I've also seen other reports say that despite there being inflation in the short-term with those tariffs (as many of our goods and services increase in price), you might actually see the BoC dropping rates quicker than most expect to keep the bottom from falling out of the economy. The damage to the economy would be greater than the damage of prolonged inflation if the 25% tariffs come.

One thing we do know is that lowering rates isn't going to fix our economy from the trade wars. It can help smooth out the ride a bit, but it isn't going to change the fact our economy will suffer and many jobs will be lost. It will just help with the transition back to a better economy. But if these tariffs do come about, it will be a lot of pain for many.

So it should be an interesting week or so. Here's hoping the tariffs are just posturing by the POTUS or things will get very messy for many of us.

So where are rates going?!?!?

THESE PROJECTIONS ASSUME NO TARIFFS ARE COMING. If they do come about, these projections will all be revised lower very quickly.

AS OF TODAY....
-Scotiabank and Bank of America seem to be the only ones who believe the Bank of Canada is done lowering rates...so according to them we are now at the bottom with Prime being 5.2%.

-BMO predicts the BoC will drop rates 0.50% more this year....which would bring Prime down to 4.7%.

-CIBC, TD Bank and National Bank all predict the BoC will drop rates by 0.75% more this year...which would bring prime down to 4.45%.

-RBC predicts we still have 1% more in drops coming this year….which would bring Prime down to 4.2%.

Time will tell who is wise and who is not!

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

Just like I reported last month, while we have seen our Prime Rate drop 2.00% since early June of 2024, fixed rates have not been following suit.
There are a number of reasons for that. And the hope is that eventually we will see fixed rates start to trickle down again. But as of now, we've seen very little movement in fixed rates over the last few months.

For Purchases with LESS than 20% down payment….
-The 5 year fixed rate is now around 4.44% at most lenders. Though one lender is as low as 4.29%… (No change since early October).
-The best 5 year variable term has been reduced from Prime less 1.05% to Prime less 0.85% over the last couple of months. This tends to happen when rates drop and profit margins gets squeezed…I had made reference to this in my last 3 updates in September, October and December….
So after the 0.25% drop yesterday by the BoC, we are looking at 5 year variable rates around 4.35% (Prime less 0.85%).
-The 3 year fixed rate is sitting as low as 4.49%-4.64% at most lenders (Down 0.10%-0.25% since December), but there is one lender with a special offer at 4.19% (No change since November). 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 4.59% (though most lenders are in the 4.74%-4.84% range). There really hasn't been any change here since late October.
-The discounts on the 5 year variable term continue to shrink. Many lenders are down in the Prime less 0.30%-0.40% range (4.8%-4.9% as of today). There is one lender holding off and has Prime less 0.50%-0.60% range (4.6%-4.7% as of today).
-The 3 year fixed term is now down to around 4.64%-4.74% at most lenders. This is down around 0.10%-0.15% in the last month. But again….one lender has a special offer around 4.49% with a couple of hoops to jump through to obtain. No real change to the 4.49% rate since early November.

As mentioned in my last few write-ups, there appears to be 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 getting very narrow now.

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

These stats are a little outdated, as the January sales numbers won't be released by TREB until next week. FYI

TORONTO, ONTARIO, January 7, 2025 – The Greater Toronto Area (GTA) housing market experienced a transitionary year in 2024. Annual sales were up slightly compared to 2023, and new listings were up significantly year-over-year. Buyers benefited from substantial negotiating power on price, especially in the condominium apartment market. Average selling prices in 2024 dipped in comparison to 2023 as a result.

"Borrowing costs were top of mind for home buyers in 2024. High interest rates presented significant affordability hurdles and kept home sales well below the norm. The housing market did benefit from substantial Bank of Canada rate cuts in the second half of the year, including two large back-to-back reductions. All else being equal, further rate cuts in 2025 and home prices remaining below their historic peaks should result in improved market conditions over the next 12 months," said the Toronto Regional Real Estate Board (TRREB) President Elechia Barry-Sproule.

Annual 2024 home sales amounted to 67,610 – up by 2.6 per cent from 65,877 sales in 2023. New listings, at 166,121, were up by a greater annual rate of 16.4 per cent. Listings increasing by a greater rate than sales provided buyers with considerable choice in the marketplace, which effectively kept a ceiling on any widespread price growth.

The average selling price for all home types combined was $1,117,600 in 2024, representing a decline of less than one per cent compared to the 2023 average of $1,126,263. Market conditions were tighter for ground-oriented housing and selling prices held up better in these segments as a result. Price declines were more notable for condo apartments.

"Market conditions varied by market segment in 2024. Sales of single-family homes, including detached houses, increased last year, whereas condo apartment sales were down. Many would-be first-time buyers remained on the sidelines, anticipating more interest rate relief in 2025. The lack of first-time buyers impacted the less-expensive condo segment more so than the single-family segments," said TRREB Chief Market Analyst Jason Mercer.

"Consumer sentiment, monetary policy, development policy, and issues such as congestion continued to impact the resale, new, and rental housing markets in 2024. Government policies on these fronts need to be reviewed in 2025. TRREB is providing in-depth coverage on all of these topics in our highly anticipated Market Outlook and Year in Review report to be released at the beginning of February," said TRREB CEO John DiMichele.

GTA home sales amounted to 3,359 in December 2024 – down slightly from December 2023. New listings were up over the same period, continuing the trend of a well-supplied market. The MLS® Home Price Index Composite Benchmark was up by less than one per cent year-over-year in December. Over the same period, the average price, at $1,067,186, edged lower.

SOOOO…it seems like things are starting to pick up a bit…at least in the single-family home segment. There are some deals to be had if you are looking for condos in the GTA as inventory is stronger than we've seen in a long time. But I am seeing evidence that many well priced detached homes in the city are being scooped up quickly and over asking price.
It would certainly help if rates came down a bit more to help improve the affordability issue we are facing!

That's it for this update. The next BoC meeting is on March 12th, so I will be in touch after that.
Have a great rest of the winter!!
Stay warm and stay safe!
And don't forget to get out and vote in late February!
Take care,
Luke

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Your mortgage….Consider it done!