

## **MARKET UPDATE: March 13<sup>th</sup>, 2025:**

Hello Again! I hope all is well with you and your family! And for those of you who are parents I hope you and the kids are enjoying/surviving March Break so far!!

The Bank of Canada (BoC) met yesterday to discuss monetary policy. And for the 7<sup>th</sup> straight meeting since June of 2024 they decided to lower interest rates. Prime was lowered by 0.25% at the meeting, so Prime now sits at 4.95% (except for at TD, who has TD Prime at 5.10%). Prime is now down 2.25% since June 2024.

The Geopolitical tension and threat of trade wars has forced the hand of the BoC yet again. I'm not so sure they would have lowered rates at this meeting, (or the last one in January!) had this threat not been present. There doesn't seem to be an easy solution here. Doug Ford tried to 'bully the bully' and the bigger bully threatened back with more damage, which forced Ford to back off.

Australia was one of the country's hit with tariffs on steel and aluminum yesterday, but they have chosen not to do anything other than speak out about the injustice. It seems they are the only country/region to try that approach. We shall see if that works!

Yesterday, Canada put tariffs on an additional \$30 billion of goods (to bring the total to close to \$60 billion in goods) in retaliation to the steel and aluminum tariffs that came into effect yesterday. As mentioned earlier, Ontario was prepared to put 25% tariffs on electricity they export to the USA, but Trump immediately said he'd increase tariffs from 25% to 50% on steel and aluminum, so Ontario backed down. There appears to be more tariffs coming to lumber and dairy soon. And a bunch more coming April 2<sup>nd</sup>....potentially to every good coming across the border.

This is messy and I hope this craziness doesn't last an entire 4 years, but as America turns away from democracy and more towards a dictatorship, (all while half the country blindly watches Fox and Newsmax and therefore isn't aware that there are problems. You'd think the fact their stock market dropped drastically so many times in the past 2 weeks would alert them!!) it sure seems likely this isn't going to get better anytime soon. Trump has said many times he is happy to ruin Canada so he can take us over. (That feels weird and sad to say in 2025!)

AND...while you might not have read about this, it has happened.... Trump is not allowed to bring about tariffs without Congress' support except in times of emergencies. That emergency isn't allowed to last forever, which in theory means Trump has to stop this charade soon. BUT...not anymore!! The Republicans passed a law yesterday saying that "a day is no longer 24 hours" ....I AM NOT EVEN KIDDING...that allows Trump to bypass their own rules and laws and continue this for as long as he wants. You can't even make this stuff up!

I don't have a solution. Nor does the BoC or any other country. The BoC has said they will do their best to try and limit the damage to people and the economy. But assuming this mess continues,

there is no quick fix. The only positive is that it most likely means interest rates need to continue to fall which will be good for those owing money and especially those who have variable mortgages or who have a mortgage coming up for renewal soon.

Inflation in Canada was a little higher than hoped over the last couple of months. But a lot of that was due to “shelter” costs (aka rent/mortgage payments). The hope is that the incoming tariffs won't drive inflation up too much. With Canada lowering rates, it most likely won't be great for the Canadian Dollar which could also create inflation. So the BoC might have quite the tightrope act coming soon as they try to keep inflation down while also trying to keep the economy from collapsing. But some good news south of the border....inflation was lower than expected in the USA in February. That opens the door a bit for the US Fed to start lowering rates potentially in June. If the US does start lowering rates that will take some of the downward pressure off the Canadian Dollar.

### **WHERE ARE RATES GOING?!?!?:**

Hard to say with all of this uncertainty. As I had mentioned previously, that is the issue with the way Trump governs. He simply creates un-needed chaos and the market, countries and businesses don't know what to do! (WELL...the market seems to know what to do as seen over the last few weeks...SELL SELL SELL!!). Everyone ends up sitting on their hands doing nothing ...no further investment or hiring, so we sit in limbo...and it puts a huge strain on growth throughout the world...even in America. And most likely a recession will come to all of us if this mess continues.

GDP was higher than expected in late 2024 and the first part of 2025. BUT, could that have just been American companies buying up goods to get ahead of the incoming tariffs?

Job creation was way better than expected in Canada in January, but ground to a halt in February. These Trade Wars or threat of trade wars are clearly hurting and slowing down the economy.

So with that said, here are what the “experts” say....

All of the big 5 bank economists had expected the BoC to drop rates a quarter percent this week due to the threat of trade wars.

#### **Here is what they think is to come:**

-Scotiabank believes this is the last of the rate drops and Prime will stay where it is (4.95%) for the rest of the year.

-CIBC and TD believe we have another 0.50% of drops coming by June. That would bring Prime down to 4.45%. Then rates will stay at that level for the rest of the year.

-RBC also believes we have another 0.50% in drops coming. Though they believe it will take until the 3<sup>rd</sup> quarter to hit that mark. And then rates will stay put for the rest of the year.

-BMO believes we have 0.75% more in drops coming...They have said another 0.25% drop is coming at each of the next three meetings in April, June and July. They expect Prime to be at 4.2% by Q4 of 2025.

AGAIN....these are just their best projections. So much can change in this environment! The worse the tariffs get the lower rates will have to go. The April 2<sup>nd</sup> date will be key as that is when the next batch of tariffs is supposed to come from America. There are to be the big batch that Trump has delayed for 30 days again, but also reciprocal tariffs as well. That will probably force us and the rest of the world to retaliate again. And then how will Trump deal with that?? I wouldn't put it past him to hike the tariffs even higher.

### **TODAY'S MORTGAGE RATES:**

Fixed rates have started to creep down a bit....especially for "insured" purchases (aka purchases with less than 20% down payment). HERE ARE TODAY'S RATES:

#### **For Purchases with LESS than 20% down payment....**

-The 5 year fixed rate is now around 4.24%-4.34% at most lenders. This is down about 0.2% since late January.

-The best 5 year variable term remains at Prime less 0.85% (or 4.10% as of today after the 0.25% drop by the BOC yesterday).

-The 3 year fixed rate is now down to 3.99%-4.09% at most lenders, which is a huge drop as it was at 4.19% at one lender, but most lenders were offering around 4.59% at the end of January.

#### **For Purchases with 20% down payment ....**

-The 5 year fixed rate is currently as low as 4.49%. That is down about 0.10% since late January.

-The discounts on the 5 year variable term have not changed in the last month or so. Most lenders are offering Prime less 0.30%-0.40%. One Lender has Prime less 0.55% (4.40% today) if you have a 30 year amortization and Prime less 0.65% (4.30% today) if you have a 25 year amortization or shorter.

-The 3 year fixed term special at 4.49% is now gone. A couple lenders are now offering 4.54% which is down 0.10%-0.20% in the last month.

Hopefully with more drops by the BoC expected, we will see the fixed rates continue to creep down. There is certainly room for drops based on the cost of funds for lenders/banks to acquire money to loan to you.

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

*TORONTO, ONTARIO, March 5, 2025 – Homebuyers continued to benefit from substantial choice in the Greater Toronto Area (GTA) resale market in February 2025. Home sales last month were down*

*compared to the same period last year, while listing inventory remained high, providing substantial negotiating power for homebuyers.*

*"Many households in the GTA are eager to purchase a home, but current mortgage rates make it difficult for the average household to comfortably afford monthly payments on a typical property. Fortunately, we anticipate a decline in borrowing costs in the coming months, which should improve affordability," said TRREB President Elechia Barry-Sproule.*

*"On top of lingering affordability concerns, homebuyers have arguably become less confident in the economy. Uncertainty about our trade relationship with the United States has likely prompted some households to take a wait-and-see attitude towards buying a home. If trade uncertainty is alleviated and borrowing costs continue to trend lower, we could see much stronger home sales activity in the second half of this year," said TRREB Chief Market Analyst Jason Mercer.*

*GTA REALTORS® reported 4,037 home sales through TRREB's MLS® System in February 2025 – down by 27.4 per cent compared to February 2024. New listings in the MLS® System amounted to 12,066 – up by 5.4 per cent year-over-year. On a seasonally adjusted basis, February sales were down month over month compared to January 2025.*

*The MLS® Home Price Index Composite benchmark was down by 1.8 per cent year over year in February 2025. The average selling price, at \$1,084,547, was down by 2.2 per cent compared to the February 2024. On a month-over-month basis, the MLS® HPI Composite and the average selling price edged lower after seasonal adjustment.*

*"With the Ontario provincial election just behind us and the federal political situation in flux, there is a lot to consider from a policy perspective when it comes to housing. Not only do policymakers and those vying for high public office need to make clear their direction on housing supply and affordability, but they also need to be clear on how they intend to tackle issues related to trade and the economy. Clear direction will go a long way to strengthen consumer confidence," said TRREB Chief Executive Officer John DiMichele.*

SOOOOOO.....I believe the uncertainty is definitely keeping prospective buyers on the fence. Lower rates will help but if your job is potentially at risk it is hard to take the plunge and try to sell your home so you can buy a new one. And in times of chaos, most are not thinking of spending a million bucks on a new home...even if they wanted to!

I fear the housing market will be stuck in limbo until we have some certainty about the tariffs or this geopolitical mess disappears. And with Trump at the helm, that seems unlikely to happen anytime soon.

That's it for this update. The next BoC meeting is on April 16<sup>th</sup>...exactly 2 weeks after the next batch of tariffs are expected to kick in. So I will be in touch after that.

Have a great rest of the week and a great start to spring! **\*fingers crossed\*** my next update is a little more uplifting!

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.