

MARKET UPDATE: January 29th, 2026:

Hello Again! Happy New Year!! I hope all is well and that you and your family somehow avoided the plague that was floating around much of the Holiday Season! And hopefully you are managing to stay warm this January! We've certainly had quite the winter already!!

The Bank of Canada (BoC) met yesterday for the first time in 2026 to discuss monetary policy. And as was widely expected, they decided to NOT change rates at this meeting. So Prime still sits at 4.45% (except for at TD, who has TD Prime at 4.60%).

It seems highly unlikely that we will see any change by the BoC anytime soon. Most (All??) analysts believe we can't see any change until at least Q3 of 2026 and the majority say no move until 2027 at the earliest.

So assuming the economists are correct, we should be expecting a pretty stable year and most likely no changes for a while.

BUT....the one thing that could change that is the CUSMA (Canada, U.S., Mexico Agreement...aka the new NAFTA) negotiations. That is up for renewal in July and currently keeping about 85% of Canada's industries free from Trump's tariffs. I expect it will be tweaked a bunch and I don't think that should change the outlook for rates much no matter how much it is tweaked. BUT if it is not renewed by the USA then that would be disastrous for all 3 economies and would force rates down further.

Most experts in the USA are pleading with The Don to renew CUSMA. But he is of course saying it is a bad deal and it shouldn't be renewed. Posturing?? Maybe. But being that we don't know what tomorrow will look like in this Trumpian world we now live, I won't put it past him to cancel it even though it would be terrible for us all. With US Midterms coming up in November, I have to think not renewing it would spell the end of the GOPs reign. So if I had to guess, it will be renewed.

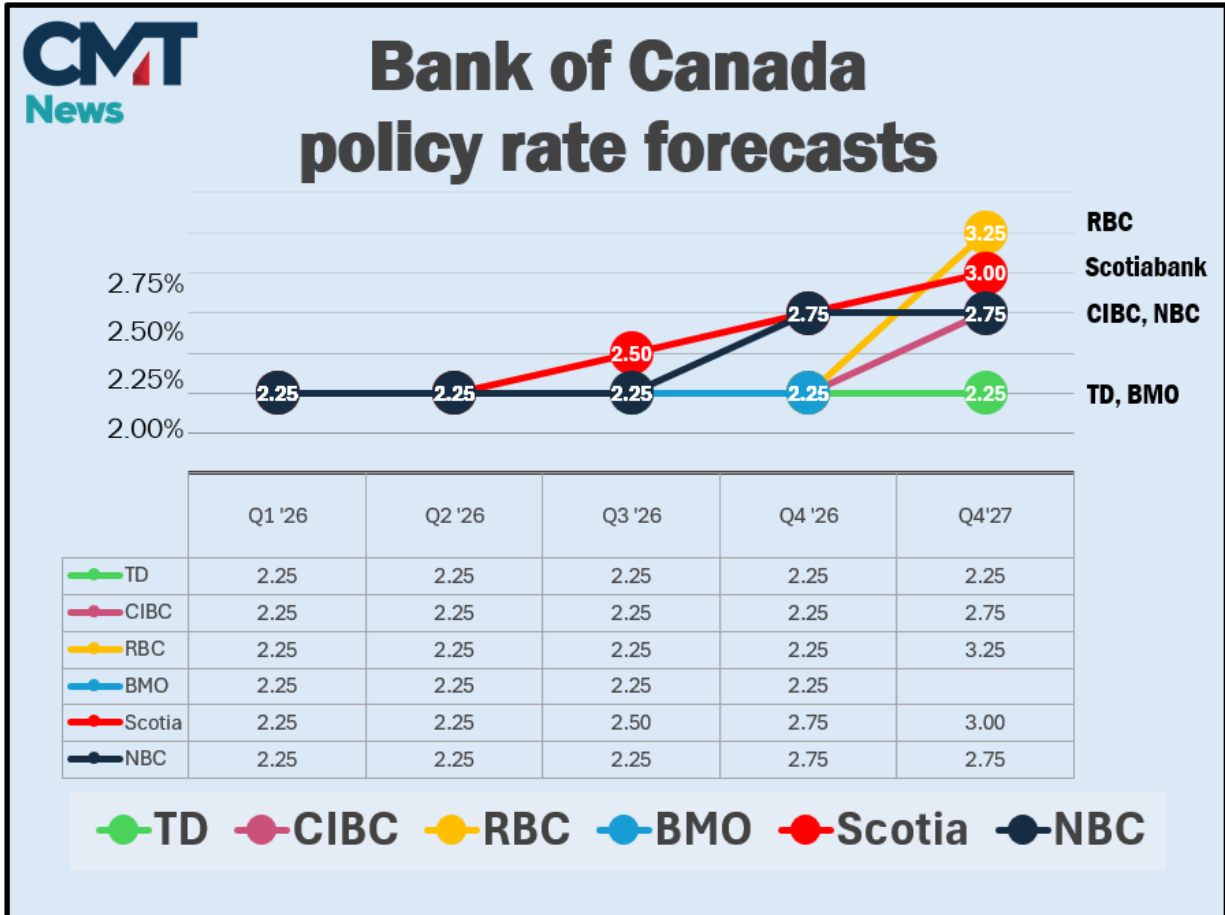
Because of this, rates are stable and the most seem to think the risks are tilted more to the downside (meaning greater chance rates go down next than up if they were to change in 2026). So if you are worried about interest rates, keep your ears open for news on the CUSMA negotiations. That is what will determine the direction of rates for the foreseeable future.

Despite the BoC being expected to do nothing yesterday, My governing body came out with scathing report about the decision. Anyone involved in Real Estate knows the housing market needs a bit of push in the backside to get it going again. So CMBA are pleading for the BoC to lower rates ASAP to help kickstart the housing market. I'm biased, so I think I'd love it if that would happen! But I don't see that as very likely. The risk is that they do fall behind in building homes and if/when things do take off we will have a supply issue again like we saw from 2013-2022.

Growth was better than expected in Canada in the 3rd quarter, but the BoC expects growth to have stalled in Q4. Inflation seems to be little worry...short-term inflation numbers are up, but a lot of

that has to do with the fact that we had a GST holiday for 2 months at this time last year. So the BoC expects inflation to stay close to their 2% target for the foreseeable future and at the moment it is not a worry.

Here is a chart showing the Big 6 Bank projections on interest rates for the next 2 years:



SOOOO....what to make of this??

-Scotia expects a quarter percent increase in Q3 of this year and then another quarter percent increase in Q4 and one more in 2027.

-National Bank expects a half percent increase in Q4 of 2026, but none in 2027.

National Bank and Scotiabank are the only economists I've seen predicting increases this year. No one else seems to expect an increase in 2026.

-TD doesn't expect any increases in 2026 or 2027!

-BMO doesn't have a projection in 2027, but as you can see they don't expect any change in rates in 2026. While they believe there is most likely to be no change this year, they say the likelihood of a

drop is greater than a hike.

-CIBC also predicts no increases in 2026 and half a percent increase in 2027. While they believe there will be no change this year, like BMO, they believe the likelihood of a drop is greater than a hike at the current moment.

-RBC predicts no increases in 2026 and a full one percent increase in 2027.

As I've said before, these things can change in a hurry, so don't go making life plans based on one news article! But it should show you that something major needs to happen if we are to see rates change before the July or September BoC meetings.

TODAY'S MORTGAGE RATES:

After seeing fixed rates creep up in early December, they have started to come back down for most of this month. I would guess that mortgage rates should be pretty stable and really only nominal changes are expected over the next few months. They could easily slide up a bit or down a bit, but I don't see any major changes in the next number of months. As mentioned above, it will be the CUSMA negotiations that should determine the direction of mortgage rates in Canada this year.

HERE ARE TODAY'S MORTGAGE RATES:

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

-The 5 year fixed rate is now around 4.09% at most lenders. While there were some lenders at 3.99%, most were up around 4.24% back in early December. So we are still in the same range as we were in early December.

-The best 5 year variable term we are seeing today is Prime less 0.85%. With Prime at 4.45%, that would mean your rate is 3.60% as of today. This is 0.10% better than was available in early December.

-The 3 year fixed rate is now as low as 3.89%. This is 0.10% better than it was in early December.

For Purchases with 20% down payment

-The 5 year fixed rate is currently up to 4.49%. It had been pretty stable from September to December, but this is up 0.10%-0.30% in the last 7 weeks (depending on the lender).

-The discounts on the 5 year variable term haven't changed in the last couple of months. Most lenders are offering in the Prime less 0.10% to Prime less 0.20% range.

There were some offers as good as Prime less 0.50% back in December, but now there is nothing better than Prime less 0.40% that I am seeing.

-The best 3 year fixed term is still 4.24%...the same as it was back in December. But most lenders have increased their 3 year fixed rate to 4.44%-4.49%. Most of these increases happened immediately after the last BoC meeting in December.

IN GTA REAL ESTATE NEWS:

January 7, 2026 - Annual Greater Toronto Area (GTA) home sales declined in 2025 compared to 2024, as economic uncertainty weighed on consumer confidence. Over the same period, listing inventory remained elevated, allowing for selling prices to be negotiated downward, helping improve affordability.

“The GTA housing market became more affordable in 2025 as selling prices and mortgage rates trended lower. Improved affordability has set the market up for recovery. Once households are convinced that the economy and labour market are on a solid footing, sales will increase as pent-up demand is satisfied,” said Toronto Regional Real Estate Board (TRREB) President Daniel Steinfeld.

For calendar year 2025, GTA REALTORS® reported 62,433 home sales through TRREB’s MLS® System – down by 11.2 per cent compared to 2024. New listings amounted to 186,753 – up by 10.1 per cent year-over-year. The annual average selling price in 2025 was \$1,067,968 – down by 4.7 per cent compared to \$1,120,241 in 2024.

There were 3,697 home sales reported in December 2025 – down by 8.9 per cent compared to December 2024. New listings entered into the MLS® System amounted to 5,299 – up by 1.8 per cent year-over-year.

The MLS® Home Price Index (MLS® HPI) Composite benchmark was down by 6.3 per cent year-over-year in December 2025. The average selling price, at \$1,006,735, was down by 5.1 per cent compared to December 2024.

On a seasonally adjusted basis, December home sales were down slightly month-over-month compared to November 2025, while new listings were up. The MLS® HPI composite trended slightly lower compared to November while the average selling price edged higher.

“Reaffirmed trade relationships and large-scale domestic economic development projects will be key for improved home sales moving forward. GTA households must be confident in their employment situation before committing to long-term monthly mortgage payments, even in this more affordable market,” said TRREB Chief Information Officer Jason Mercer.

“We urge governments at all levels to take action now to provide tax relief for consumers and help ease the rising cost of living. Families and individuals need financial breathing room so they can afford a home or apartment and meet their basic needs. Fair and responsible tax policies can put more money back into people’s pockets, restore consumer confidence, and rebuild trust in the economy. These actions are essential to support stable households and create an economy that works for everyone,” said TRREB CEO John DiMichele.

So as you can see it was quite the slow ending to 2025 in the GTA housing market. There is always optimism that things will improve in the coming year. But it will be hard for many to pull the trigger on a large purchase unless they have job stability. And for many, that is not going to happen unless/until CUSMA is renewed. Things have definitely tilted into a buyer's market in most neighbourhoods.

That's it for this update. The next BoC meeting will be on March 18th, so I'll be in touch after that. Hopefully by then we are done with this winter and looking at brown lawns instead of lots of white covering the lawn!!

Be well and 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.