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Ottawa's Resale Market "Steady as She Goes"

Members of the Ottawa Real Estate Board sold 2,146 residential properties in October through the Board's Multiple Listing Service® System, compared with 1,604 in October 2019, a year over year increase of 34 per cent. October's sales included 1,665 in the residential-property class, up 38 per cent from a year ago, and 481 in the condominium-property category, an increase of 22 per cent from October 2019. The five-year average for October unit sales is 1,515.

"We are heading into the colder months, the second wave of the pandemic is upon us, and yet Ottawa's resale market continues to hold steady," observes Ottawa Real Estate Board (OREB's) President

"While the October average price gains, number of sales, and new listings coming onto the market were all down from September, demand persists, and the number of sellers choosing to enter the market remains strong. With 1,937 residential listings and 708 condo units added to the housing stock in October, this is a 48% and 70% respective increase in new listings over last year at this time," she adds.

October's average sale price for a condominium-class property was $368,936, an increase of 16 per cent from this time last year, while the average sale price of a residential-class property was $603,253, an increase of 25 per cent from a year ago. With year-to-date average sale prices at $579,026 for residential and $361,666 for condominiums, these values represent a 19 per cent percent increase over 2019 for both property classes.

"The condominium market is on our watchlist. Inventory for condo units increased 15% over last October, while inventory for residential properties is down 46%. This is an inverse relationship compared to the beginning of 2020 when condo supply was depleting much quicker than residential," reports OREB's President.

"The shift in the condo market occurred around June. There has been a lot of speculation about changing buyer behaviour and preferences due to our pandemic reality with homeowners wanting home offices and gym space, for example. One could extrapolate or conclude that buying preferences may be shifting towards a desire for properties with more square footage than this property type offers. Particularly, due to the sheer number of employees working remotely for the foreseeable future, commute times may continue to be less of an issue."

"As the chillier weather and upcoming holiday season approaches, it will be interesting to see how the market calibrates. Typically, we start to see a slowdown in home sale activity. Whether that actually transpires is something we can't predict given the topsy turvy year that is 2020. What I can tell you is that this is not the time to navigate the market on your own; there is too much at stake to venture in without the knowledge and guidance of an experienced REALTOR®," OREB's President concludes.

In addition to residential and condominium sales, OREB Members assisted clients with renting 2,829 properties since the beginning of the year compared to 2,334 at this time last year.

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Bank of Canada plans to keep interest rate near zero until 2023

Bank is assuming no widespread lockdowns are coming back, and that there will be a vaccine by 2022.

The Bank of Canada says it has no plans to change its benchmark interest rate until inflation gets back to two per cent and stays there, something it says isn't likely to happen until 2023.

The central bank said last month it has decided to keep its benchmark interest rate steady at 0.25 per cent. The news was expected by economists, as although the economy is showing signs of recovering from the impact of COVID-19, things are still a long way from normal, so cheap lending will be needed for a long while yet.

The bank outlined a fairly bleak assessment of the worst case scenario when it laid out its last Monetary Report in July. But the roughly eight months since COVID-19 began in Canada have given the bank a clearer picture of how things are shaking out, even if the picture isn't always rosy. "With more than six months since the onset of the pandemic, the Bank has gained a better understanding of how containment measures and support programs affect the Canadian and global economies," the bank said. "This, along with more information on medical developments related to COVID-19, allows the bank to now make a reasonable set of assumptions to underpin a base-case forecast."

Rocked by COVID-19, the central bank says it expects Canada's economy will shrink by 5.7 per cent this year, but grow by 4.2 per cent next year, and 3.7 per cent in 2022. Inflation, meanwhile, is expected to be 0.6 per cent this year, 1.0 per cent next year, and 1.7 per cent in 2022.

Those growth and inflation projections, however, are based on two leaps of faith: that there won't be a second — or third — widespread lockdown in Canada, and that a vaccine or some sort of effective treatment will be widely available by the middle of 2022 at the latest.

"The breadth and intensity of re-imposed containment measures, including impacts on schools and the availability of child care, could lead to setbacks," the bank said in the quarterly Monetary Policy Report that accompanied the rate decision.

Impact on mortgages

The bank's outlook and rate decisions have real world impact on Canadian borrowers and savers. Fixed-rate mortgages are priced based on what's happening in the bond market, but the central bank's rate has a direct impact on variable rate mortgages.

So telegraphing that rates are going to stay low for long presents something of a conundrums for borrowers, says James Laird, Co-founder of Ratehub.ca and president of mortgage brokerage CanWise Financial. "There is no wrong answer right now," Laird said. "Canadians who derive value from certainty should choose a fixed rate. For Canadians who are open to a little more risk, considering a variable rate is certainly appropriate, since the Bank is committed to keeping rates where they are for at least another two years."

Economist Sri Thanabalasingam with TD Bank says the bank made it clear on Wednesday that the road to a full recovery will be slow. "There's a long way to go for the Canadian economy to emerge out of this crisis," Thanabalasingam said. "The path forward is filled with uncertainty, most of which could set the recovery back a step or two, [so] the bank is set to continue to provide monetary support for many years to come."