

June 2024: Mortgage market update

The spring season has been relatively slow for the Canadian housing market, as buyers are reluctant to step off the sidelines until rates drop. Now, with the Bank of Canada having carried out the first policy rate cut in over four years on June 5, 2024, and more rate cuts anticipated, there could well be a rebound in home sales in the near future.

In the wake of June's rate cut, variable mortgage rates declined almost immediately. With another rate cut expected in July, there is additional downward pressure on rates.

Bond yields have tumbled to the 3.3% range in response to the Bank's June rate cut and a number of other economic indicators from Canada and abroad, causing some lenders to reduce their fixed mortgage rates.

That said, when looked at historically, fixed and variable mortgage rates are both elevated at the moment. If you're looking for a mortgage rate in Canada right now, these are some important economic factors to know.

- Real estate update: On June 17, 2024, the Canadian Real Estate Association (CREA) published the most recent figures for the Canadian housing market for the month of May 2024. The latest data indicates that Canada's usually busy spring market has yet to regain its usual strength, with buyers appearing to be holding out for expected lower rates later in the year. As a result, the 51,219 home sales across Canada in May represented a -5.9% year-over-year decrease. Sellers, on the other hand, are entering the market in droves, inundating the market with some 99,614 homes in May, marking a 13.4% annual increase. Sluggish sales combined with increased supply led to price declines, causing the average home price in Canada to come in at \$699,117 (a -4% annual decrease). One benefit of the current situation is that buyers are enjoying balanced market conditions, with June's national sales-to-new-listings ratio (SNLR) falling to 52.8%. CREA considers a range from 45 - 65% to be balanced, with above and below that threshold representing buyers' and sellers' markets, respectively.

Read more: [Canadian CPI rises to 2.9% in May](#)

- CPI update: On June 25, 2024, [Statistics Canada](#) released the latest May Consumer Price Index (CPI) report. The most recent data reveals that the headline inflation number rose on a monthly basis by 0.2%, coming in at 2.9%. This figure is higher than expected, and, according to Statistics Canada's report, was driven in large part by an increase in service costs, such as cellular services, travel tours and air transportation (among others), which rose from 4.2% in April to 4.6% in May. The same report also noted that food costs had risen for the first time since June 2023, moving up by 1.5%. Shelter costs, which have been the biggest contributor to inflation over the past two years, stayed flat, with a decrease in mortgage interest costs (caused by lower mortgage rates in May) being balanced by a spike in rent costs, particularly in Ontario (rental costs in the province jumped from a 6.1% rise in April to 8.4% in May). The two main core inflation metrics, which are followed intently by the Bank of Canada, also rose, with CPI median up from 2.6% in April to 2.8% in May, and CPI trim rising from 2.8% in April to 2.9% in May. This latest CPI reading has cast serious doubt on whether the central bank will proceed with another rate cut in July, as had previously been widely expected. June's CPI is expected to be published before the Bank of Canada's next announcement on July 24, which will give us a more concrete idea of how the Bank might choose to proceed.

Read more: [Canadian CPI comes in at 2.7% in April](#)

2024 Housing market forecast

In response to increasing expectations of rate cuts in 2024 and pent-up home buyer demand, CREA revised its forecast for 2024 and 2025 upwards.

If CREA's predictions hold true, some 492,083 homes will be sold in 2024, an annual increase of 10.5%. Growth is projected to be most robust in those provinces where demand has been consistently strong, with Alberta as a prime example. That said, even markets that have experienced historically low sales volume in the past couple of years, like Ontario, BC and Nova Scotia, are set to experience growth. The average home price in Canada is expected to rise by 4.9% to \$710,468 in 2024.

Housing market activity is expected to continue to increase in 2024, with sales forecast to reach 530,494 homes, representing an increase of 7.8%. The average home price in Canada is projected to come in at

\$760,120, up by 7%.

5-year fixed mortgage rates are the most popular type and term combination in Canada, so it's usually the first place people start when researching mortgage rates. Ratehub.ca makes it easy to find the lowest 5-year fixed mortgage rates, as we bring rates from the big banks, lenders and credit unions all to one place at no cost to you.

June 5, 2024 Bank of Canada announcement update

On June 5, 2024, the Bank of Canada reduced its target for the overnight rate by -0.25%, taking it from 5.00% to 4.75%. This is the first time the Bank of Canada has carried out a rate cut since March 2020.

- The Bank of Canada pointed to steadily falling inflation as the justification for the rate cut. April's inflation reading came in below expectations at 2.7% (the third month in a row where the inflation rate has been under 3%), while "core" trim and median measures down to 2.6% and 3.2%, respectively.
- Fixed mortgage rates are tied to the bond market rather than to the Bank of Canada's rate decisions, but anticipation of a possible rate cut had caused bond yields to fall about 30 basis points over the days preceding the announcement. With a rate cut now on the books, lenders will almost certainly begin reducing their fixed-rate offerings.
- Canadians with variable-rate mortgages and home equity lines of credit (HELOC) will no doubt be thrilled that their rates are finally going to come down from a nearly 20-year high.
- Although this is only a 0.25% rate cut, it remains to be seen how much of an effect this has on the housing market. Buyers may be more willing to enter a lower rate environment, which in turn could spur other buyers to start shopping in order not to miss out on their ideal window.