SEMI-ANNUAL STATE OF THE HOUSING MARKET

March 2022

MORTGAGE PROFESSIONALS CANADA

SEMI-ANNUAL STATE OF THE HOUSING MARKET

"Understanding human needs is half the job of meeting them."

- Adlai E Jr Stevenson.

Undertaking market research and providing in-depth insight into the minds of mortgage consumers has long been an integral component of Mortgage Professionals Canada's value-proposition to members. Through this research, we can better understand the patterns and trends in mortgage consumer behaviour, as well as the concerns or desires that drive their decision-making.

For over 16 years, we have been delivering our marquee annual consumer survey and report. This year is no different in that regard. What is different this year, is that we will now deliver these findings to you twice a year in our re-branded and re-invented Semi-Annual State of the Housing Market report.

This new approach is being accomplished in collaboration with Oxford Economics and Bond Brand Loyalty. Oxford Economics is a world leader in global forecasting and quantitative analysis, while Bond Brand Loyalty is a Canadian-owned customer experience and engagement agency. We trust you will continue to find value in the comprehensive consumer survey findings, market analysis and forecasts that are included in this report.

Why this research matters to you.

The purpose of undertaking this research and making it available to you, our members, is simple. The better we understand our clients' needs and wants, their fears and aspirations, and the thought process behind their decision-making, the more effective mortgage professionals we can become.

Based on responses from over 2,000 Canadians—both homeowners and non-owners alike— the following report delves into a multitude of sub-topics related to the housing and mortgage markets. We've taken the pulse on consumer preferences, attitudes and expectations on everything from housing affordability and mortgage rate selection to interest rate sensitivity and economic outlook. As well as everything in between.

In order for brokers and other mortgage professionals to best meet the needs of clients, we need to understand how they shop for a mortgage, what their pain points are, how they view the role of a broker or lender, and how the current economic climate may be impacting their decision-making.

Consumer attitudes, expectations and behaviour are constantly changing, particularly in today's complicated world. That's why it's more important than ever to stay abreast of shifting trends, which is what we hope to accomplish with the Semi-Annual State of the Housing Market report.

We invite you to invest the time to thoroughly review these findings, and work to implement them as you see fit in your day-to-day dealings with your clients.

TABLE OF CONTENTS

Authored by Cory Renner | Lead Economist, Macro Consulting Canada | Oxford Economics

EXECUTIVE SUMMARY

Homebuyer sentiment

- When it comes to consumer sentiment, higher home prices have started to weigh on respondents. In the latest survey, **only 29% of respondents felt it was a good time to buy a home in their community, the lowest share in the history of this survey**.
- In-line with the rapid increase in house price growth, **90% of respondents are happy with their decision to purchase a home** – with only 3% regretting their decision. The balance wish they purchased a different home.
- While there is concern that investors are driving prices upwards, when owner-occupiers are asked what weighting they place on the consideration of the home as a place to live versus an investment, **the aggregate view of respondents is 77% of their home is a place to live versus 23% as an investment** – with the percentage allocated as a place to live rising over the last two years. Canadian homes are therefore generally purchased for suitability first, with investment return a secondary consideration.
- With the rapid increase in house prices, **the average score respondents give to the question "now is a good or bad time to buy a home/condominium in your community" has plummeted to 4.2/10, well below the score of 5.5/10 seen over the past three surveys**. Despite this, **the score of 7.3/10 given for expectations of higher prices is above the score of 6.9/10 last year, indicating there is still a thought in the market that house prices will go up**.
- Respondents have a low level of regret with their mortgages, with an average score of 3.6/10 when describing their regret for taking on their mortgage size.

Outlook

- Consumers rate themselves well on their ability to weather a potential downturn in home prices (6.9/10, the same as last year's survey).
- **Canadians still believe, with an average score of 7.1/10, that real estate is a good long-term investment in Canada**. This is slightly below the score of 7.3/10 over the past two years, and likely indicative of a tougher market to enter with higher prices.

EXECUTIVE SUMMARY

Mortgage credit

- Residential mortgage credit was up 6.1% in 2020 and 9.4% 2021. The increases were driven by higher home prices and stronger home sales, both supported by low interest rates and strong government stimulus during the pandemic.
- While strong savings and low interest rates have boosted the mortgage market over the last two years, other pandemic-era trends, notably the need for more space, have also supported growth in mortgage credit.
- A main driver of mortgage demand is simply the amount of people looking for a home. Immigration (and thus population growth) weakened during the pandemic, but with immigration levels set to rise again this year, there should be some upside provided to mortgage credit growth.
- Overall, demand for mortgage credit should remain strong, but the rapid growth of the last two years is unsustainable, as higher interest rates, reduced savings and less pandemic-driven demand will dampen potential.

COVID trends

- Remote work arrangements led migration away from larger urban areas towards smaller cities and more rural areas. This has made home prices rise substantially in communities outside of major centres. Work-from-home trends also contributed to many families seeking to upgrade their homes – leading to higher demand for more expensive homes.
- The pandemic has changed preferences for housing options, which could change the type of units demanded and their location. The need for space and the ability to work from home has made people move out from larger urban centres towards smaller regions. This is most notable in Toronto, where interprovincial migration was especially weak.

Interest rates

- After the initial Bank of Canada rate hike in March, Oxford Economics believes that will be followed with multiple rate increases into 2024. This will naturally weigh on mortgage rates as renewals come up, which could dampen demand for high-priced homes.

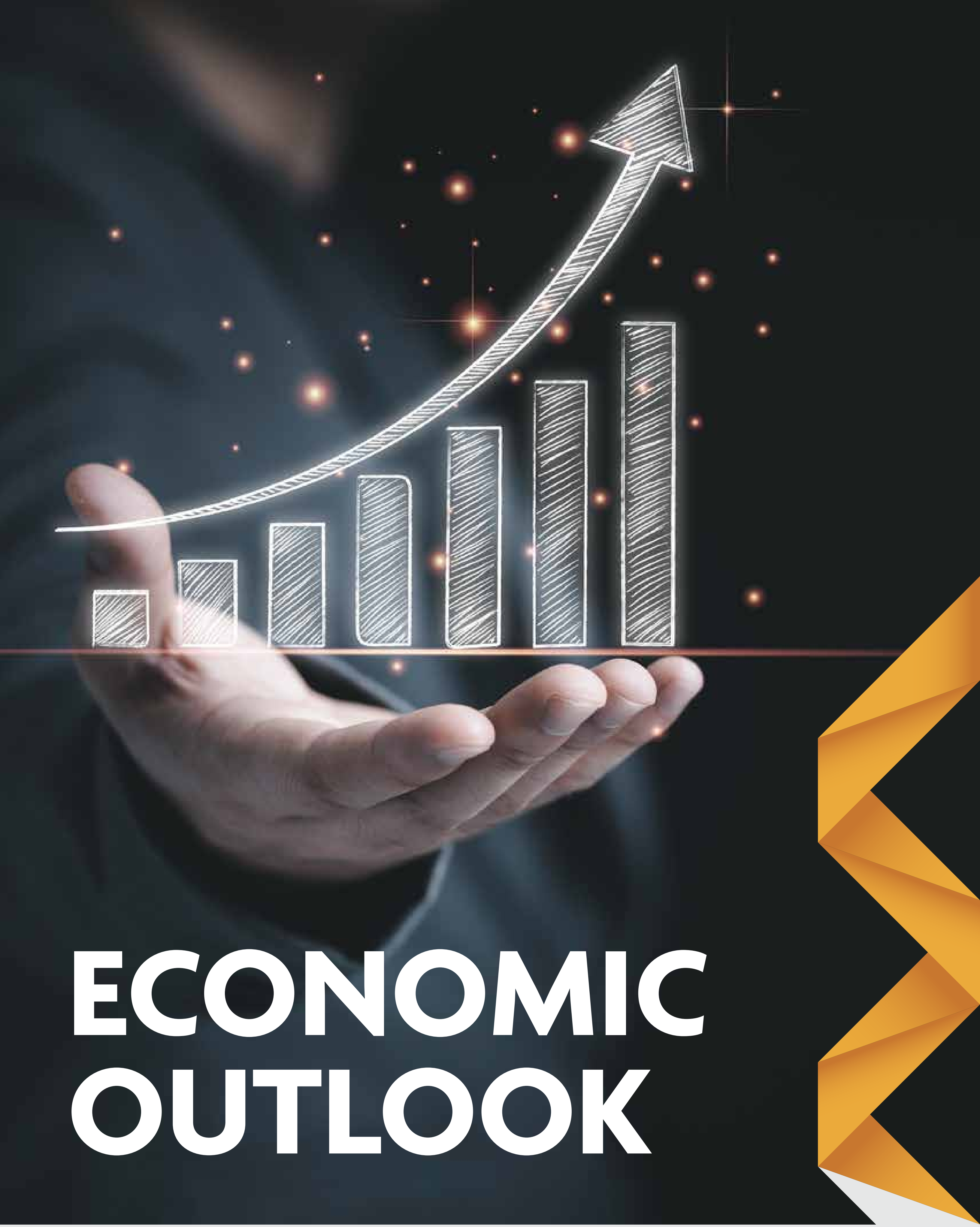
EXECUTIVE SUMMARY

Affordability

- The rapid price appreciation over the last two years makes mortgages more sensitive to rate increases. This could cause a larger correction once rates rise, as payments will increase by more when renewed.
- Disposable incomes and savings remained strong into 2021, but we expect both to weaken as pandemic supports continue to be reduced and restrictions eased, which means money will be redirected away from savings towards consumption. Oxford's research indicates that savings lead to a substantial increase in mortgage credit, meaning there is some downside to credit growth in the near-term as savings are redirected.
- While interest rates are set to rise, which will lead to higher mortgage payments, Oxford Economics believes households are able to cope. This view is backed by the survey results, where over 71% of respondents note they are able to afford mortgage payment increases of more than 20%. This, taken together with the previous bullet, means that while we don't expect major bouts of default, the higher payments implied by higher rates will still weigh on demand for mortgage credit.

Homebuying trends

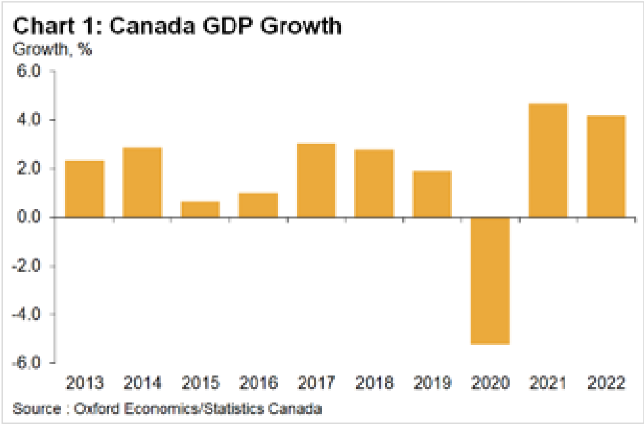
- Consumers who used the services of a mortgage broker reported higher levels of satisfaction in every aspect of the mortgage process that the survey touched on compared to those who used other channels.
- Households have increased the size of their down payment relative to their purchase price. In the latest survey, the average home price among those who bought in the last two years rose to $647,036 – but the average down payment also rose to $297,476 – equalling 46% of the purchase price. In the previous survey, the average down payment was 30% of the purchase price.
- Among sources of financing, there has only been a slight uptick in the share of down payments financed by support from family, while personal savings has seen a growing share over the last three years – reaching 55% of the total in 2021.
- Interestingly, only 13% of respondents consider only the rate when choosing a mortgage. Among more popular considerations are rate type (fixed vs variable), comfort with lender and payment frequency.
- Amidst low rates, there has been a notable shift to variable-rate mortgages (26% of respondents had variable-rate mortgages in the most recent survey, compared with 21% last year) from fixed-rate mortgages.
- While interest rates are set to rise, **64% of respondents indicated that they negotiated their rate upon renewal – with 48% significantly negotiating it**. Only 36% of respondents accept the initial provided rate.

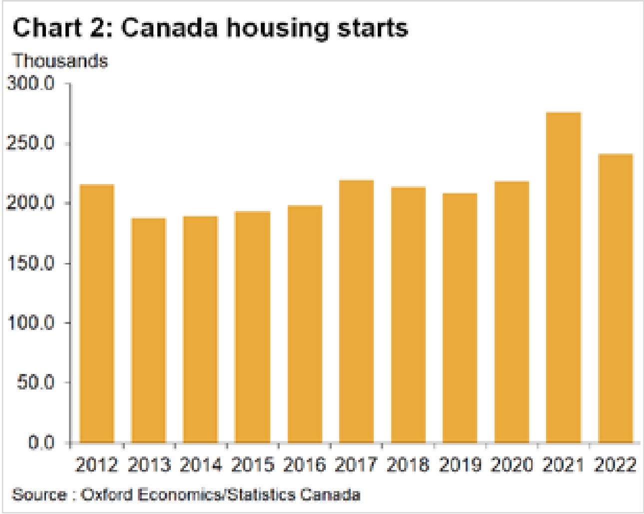


ECONOMIC OUTLOOK

CANADIAN OUTLOOK

- While the Omicron wave likely dampened GDP growth in Q1, we expect a loosening of restrictions to support a strong rebound in Q2, and project economic growth of 4.2% overall in 2022. (Chart 1).
- The most pressing issue in the economy today is how the Bank of Canada will respond to red-hot inflation, which hit a 30-year high of 5.1% YoY in January.
- With elevated inflation, tight labour markets, and no excess slack in the economy, we expect the Bank of Canada to begin raising rates in March, assuming Omicron continues to wane. We anticipate a total of four 0.25-point rate hikes this year.
- Canada's labour market picked up significant pace through 2021, with the unemployment rate falling to 6.0% in December. While Omicron restrictions led to a decline of 200,000 jobs in January and an increase in the unemployment rate to 6.5%, we expect a loosening of restrictions and a tighter labour market to support employment growth of 3.0% in 2022.
- After a 26.5% increase in housing starts in 2021, we expect total starts to decline by 12.7% in 2022. (Chart 2).
- Note: All economic forecasts presented in this report were completed in February 2022 by Oxford Economics using its model and research capabilities.





MONETARY POLICY

- Inflation dynamics are weighing heavily on policy-makers. January's inflation reading was 5.1% YoY with broad based increases. While we expect inflation growth to ease, we still expect (annual average) inflation growth of 4.3% for the year, with growth above 2% for the foreseeable future. (Chart 3).
- The higher inflation will push the Bank of Canada to raise rates four times this year, with the central bank rate reaching 1.25% by the end of 2022. (Chart 4).
- While it takes some time for the policy rate to affect households, we expect CMHC's fixed 5-year conventional mortgage rate to average 4% this year. (Chart 5).

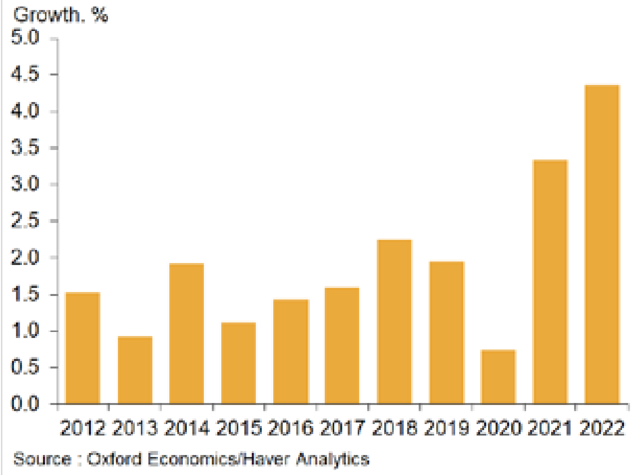


Chart 3: Canadian inflation growth

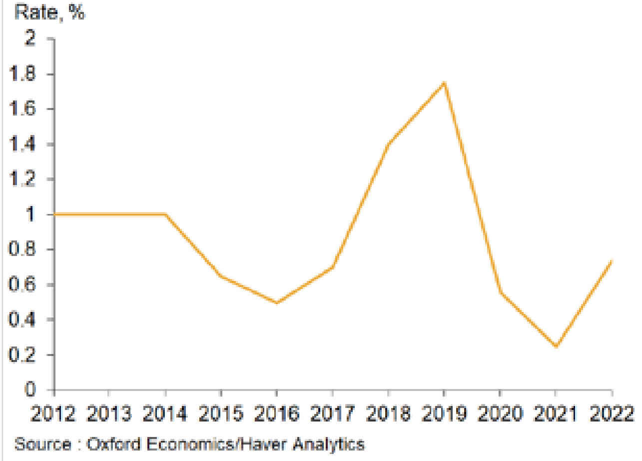


Chart 4: Canada central bank rate

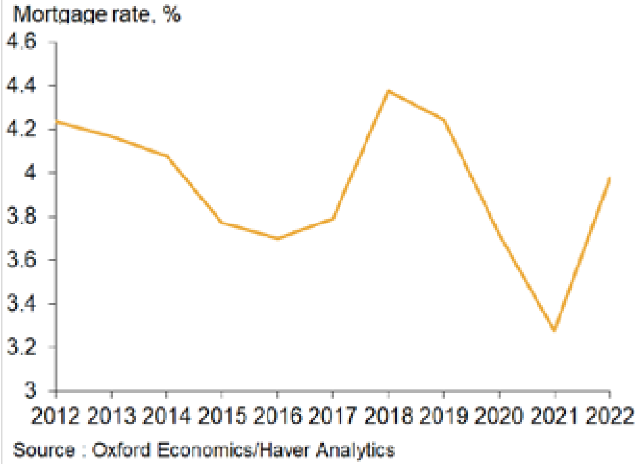
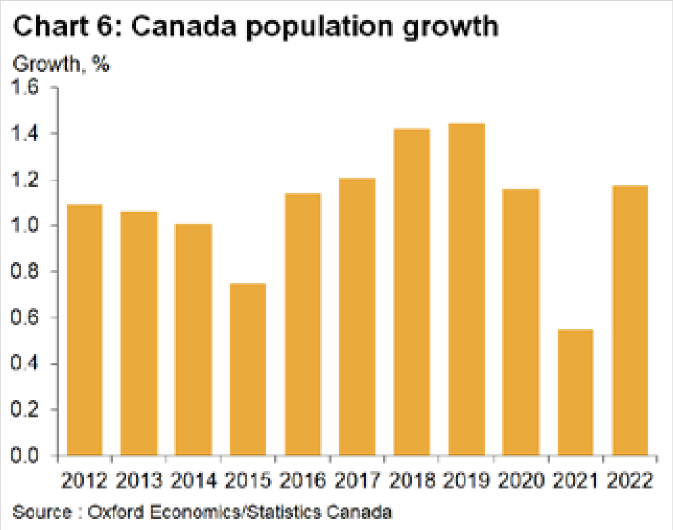
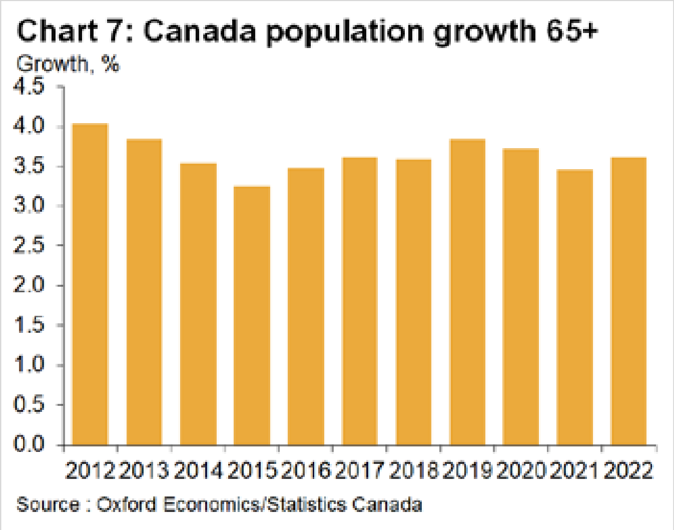


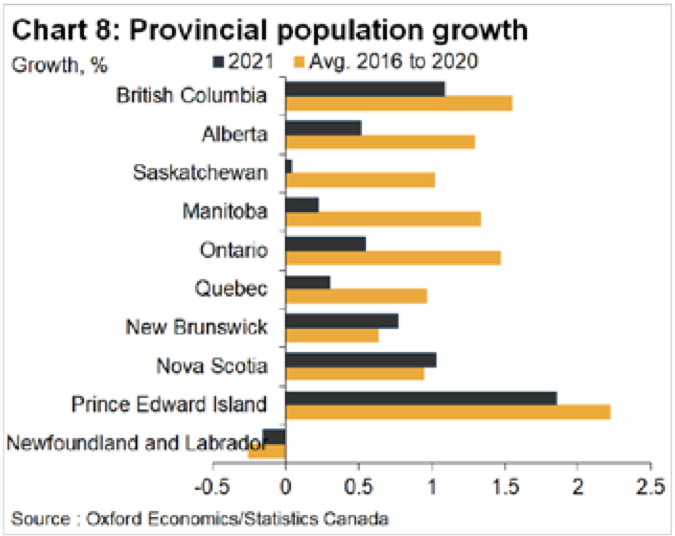
Chart 5: Canada conventional mortgage rate

DEMOGRAPHIC TRENDS

- Population growth was weighed down by lower immigration during the pandemic. However, the Liberal government is intent on increasing immigration levels again in 2022.
- Higher immigration will support population growth of 1.2% in 2022, well above the 0.5% increase in 2021. This renewed population growth will spur even further demand for housing. (Chart 6).
- A notable demographic trend is the continued aging of the population. Population growth for those aged 65 and older has been over 3% (compared to below 1.5% for the population overall) for over a decade, which will weigh on the types of housing in demand in Canada. (Chart 7).

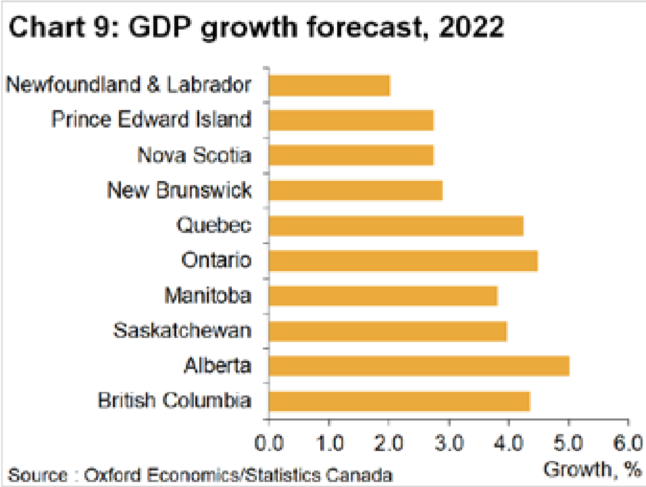


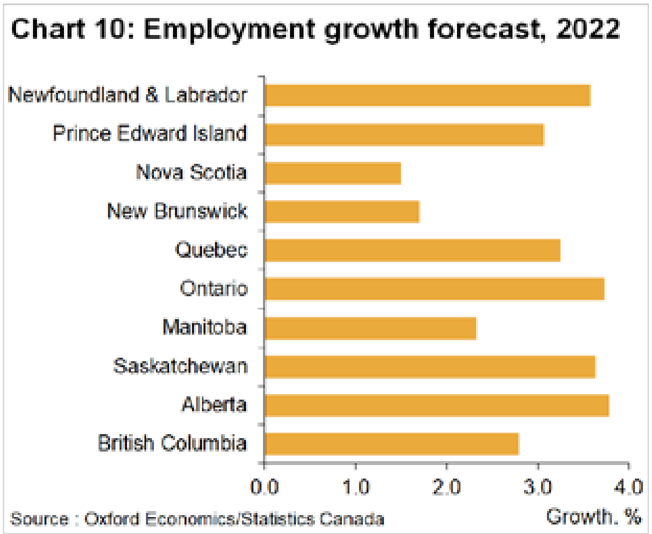


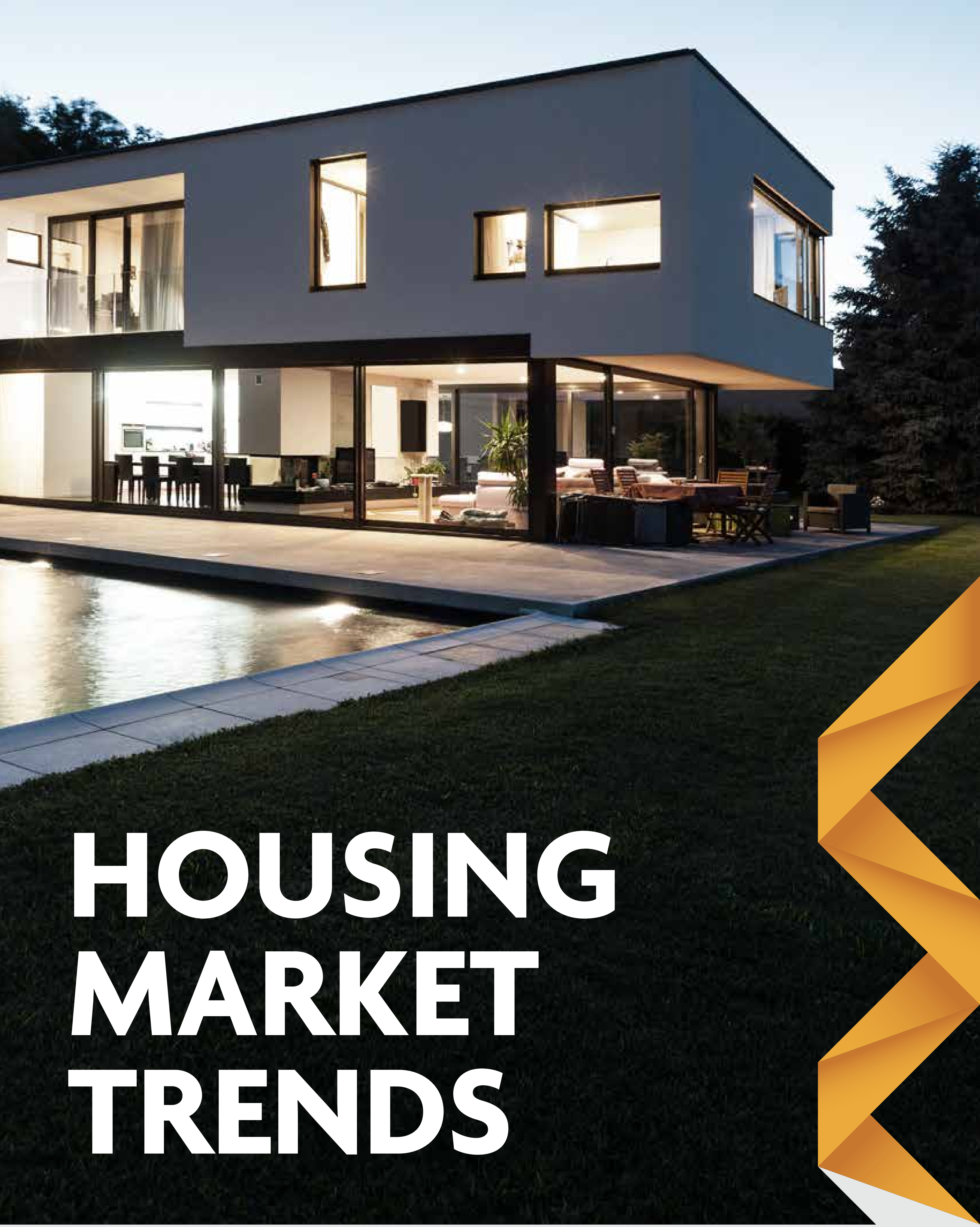


PROVINCIAL OUTLOOK

- We expect every province to see positive economic growth in 2022, with Canada's largest provinces leading the way. Notably, Alberta will see the strongest economic growth in the country as oil prices continue to rise from pandemic lows. (Chart 9).
- Meanwhile, some of the Atlantic provinces that had smaller contractions during the pandemic will see slower growth as they are already at or near potential output.
- Employment is set to be strong across all provinces, with especially strong growth in oil-producing regions. (Chart 10).
- Provinces that have had stricter restrictions, such as Ontario and Quebec, are also set to see above-average employment growth in 2022 as those restrictions ease.
- Overall, we expect economic growth to be strong across the country as restrictions begin to ease. Of course, any new variant could weigh on economic growth if policy-makers respond with restrictions.







HOUSING MARKET TRENDS

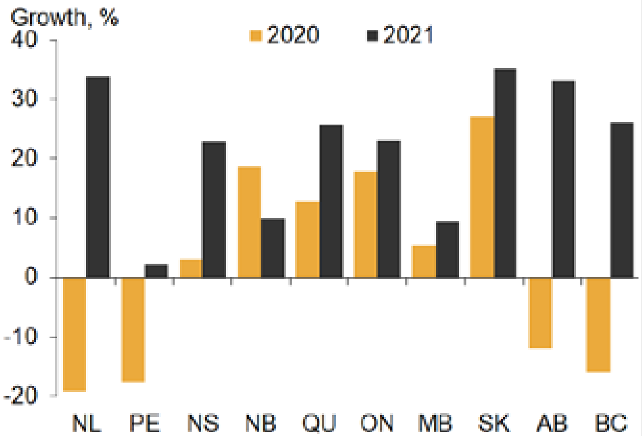
STATE OF CANADA'S HOUSING MARKET

- Canada's housing market has been hot through the pandemic. Housing starts rose in each of 2020 and 2021. However, despite strong growth in construction, rising demand led house prices to surge.
- Much of the increase in demand, and thus house prices, came down to increased savings and lower interest rates, which contributed to an increase in available spending for homes.
- Through 2020 and 2021, savings rates soared due to both pandemic-era income support programs as well as reduced spending due to COVID-related restrictions. Increased savings enabled new buyers to enter the housing market and allowed existing homeowners to trade up to larger homes.
- Moreover, interest rates fell to record lows during the pandemic, with conventional mortgage rates falling from 4.1% in January 2020 to 3.4% in January 2021. Lower borrowing costs enabled buyers to carry larger mortgages, increasing their spending power.
- In all, according to CREA, national housing prices rose by 8.5% in 2020 and 22% in 2021, with many metro areas seeing even stronger growth.
- Canada's housing markets remain at a crossroads. Cheap mortgage rates and high savings helped support mortgage credit growth through the last two years, but housing affordability has plummeted. With higher rates on the horizon, many households may seek a more affordable home, which could weigh on mortgage credit growth moving forward.

HOUSING STARTS

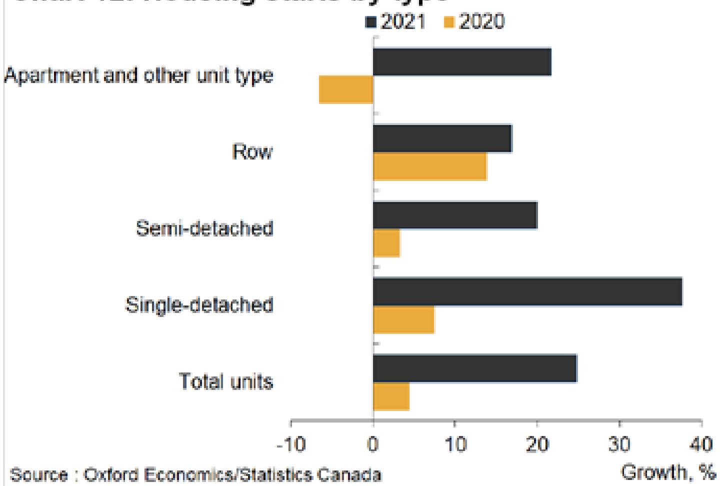
- Canadian housing starts rose by 25% in 2021, one of the best years on record.
- On a provincial level, Canada's two largest provinces, Ontario (+23%) and Quebec (+26%), both had increases in-line with the Canadian average. (Chart 11).
- Among Western provinces, Alberta (+33%), B.C. (+26%), Saskatchewan (+32%) and Manitoba (+10%) all saw strong growth in starts.
- Atlantic provinces had a more mixed year, with starts in Newfoundland and Labrador (+34%) and Nova Scotia (+23%) especially strong, while starts in New Brunswick (+10%) and P.E.I. (+2.2%) were more modest.
- As Canadians demanded more room, housing starts of single-detached homes grew by 38%, the fastest of any category. (Chart 12).
- All other unit types also saw strong growth in 2021, though it's notable that apartments, which did grow by 22% in 2021, declined in 2020, making its two-year growth rate the lowest of all types.
- It's not a surprise larger homes fared better in the last year, given migration out of larger urban centres (which typically have a higher percentage of apartments) towards suburbs, where other unit types are more prevalent.

Chart 11: Housing starts growth by province



Source : Oxford Economics/Statistics Canada

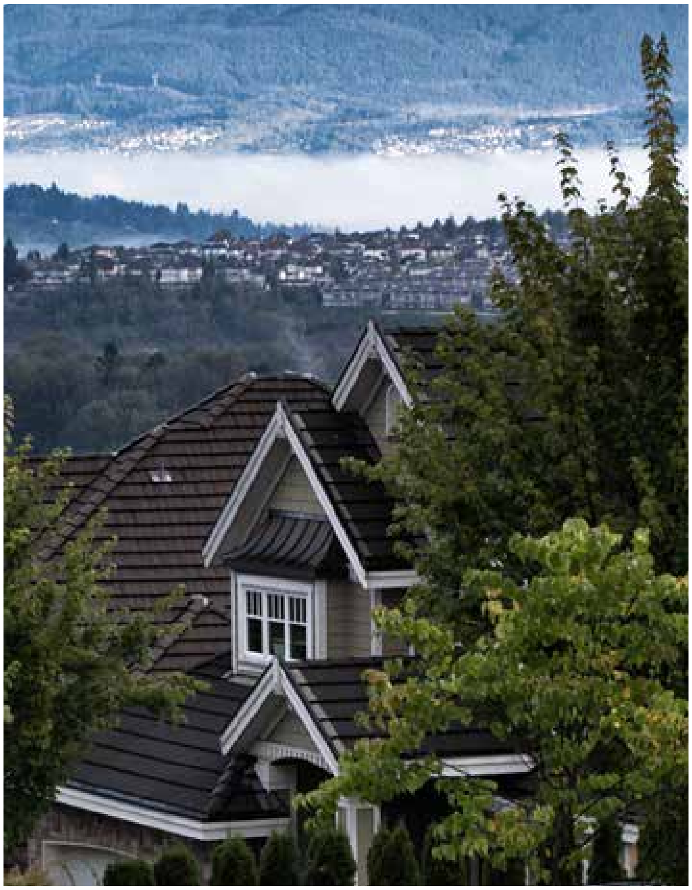
Chart 12: Housing starts by type

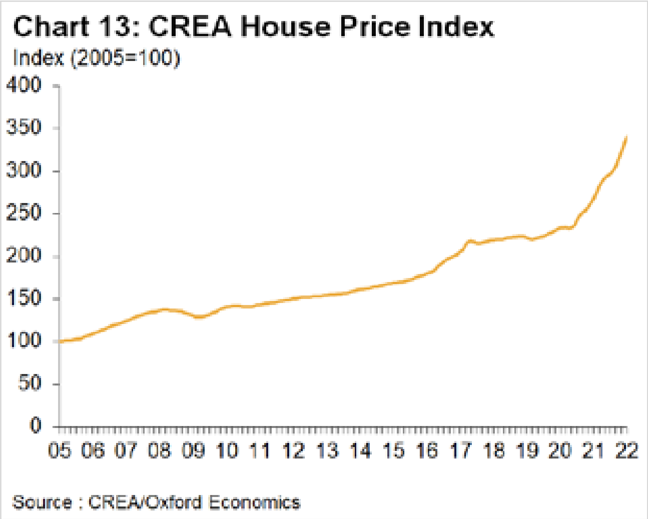


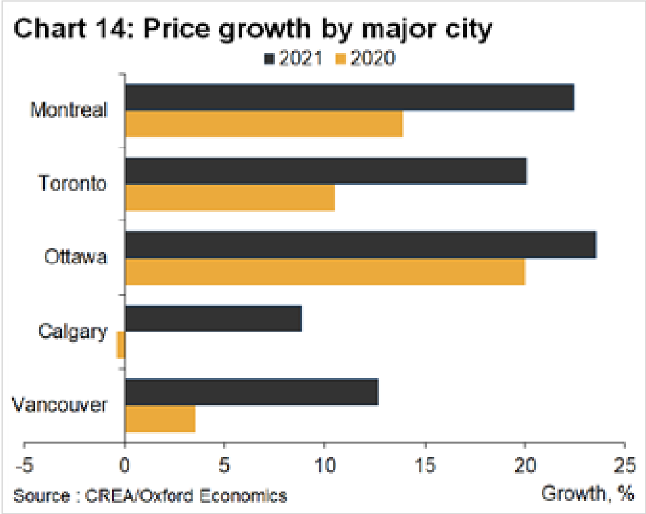
Source : Oxford Economics/Statistics Canada

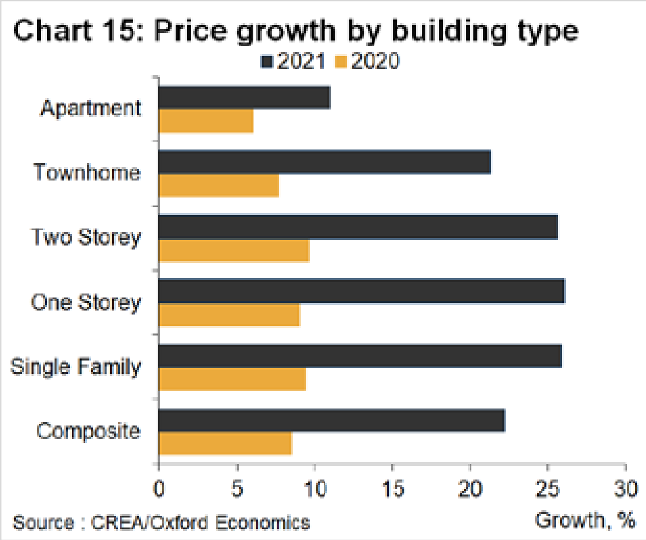
PRICE DYNAMICS BY REGION

- The national composite house price index rose by 8.5% in 2020 and 22.5% in 2021, but house price increases were broad. (Chart 13).
- Toronto and Vancouver saw home prices increase by 20.1% and 12.7%, respectively, in 2021, as inventory in those cities remained low. Montreal and Ottawa also each saw strong growth, while price increases were more muted in Calgary and other Prairie communities. (Chart 14).
- Growth in detached homes was strongest as people moved out of apartments in major cities, boosting demand for larger units in smaller communities. (Chart 15).



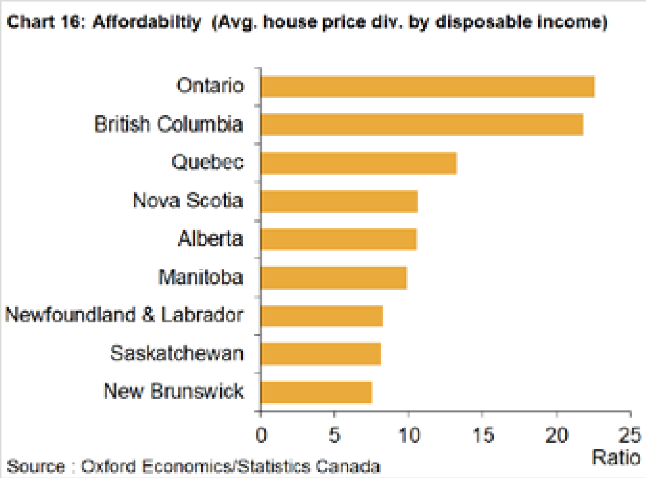






AFFORDABILITY BY REGION

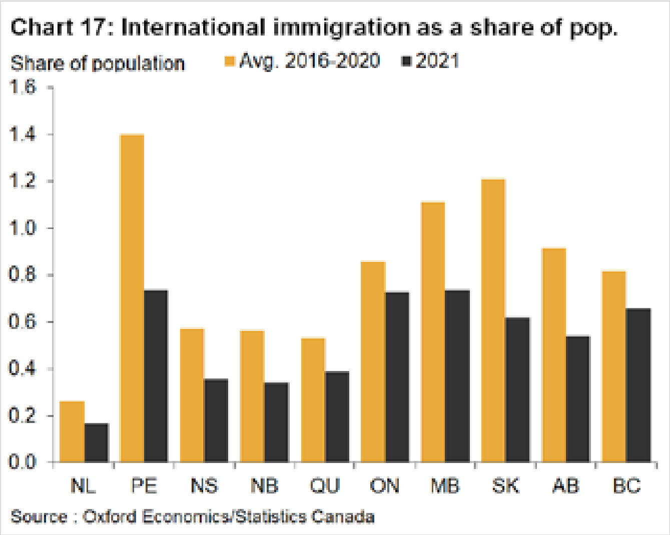
- Strong house price growth has led to a substantial deterioration in affordability, even despite strong income growth last year.
- Ontario (average house prices are 22.5 times average disposable income) and British Columbia (21.8 times) are by far the least affordable. Prices in Quebec are 13.2 times average disposable income. (Chart 16).
- Among other Western provinces, Alberta (10.5 times), Saskatchewan (8.1 times) and Manitoba (9.8 times) fare better.

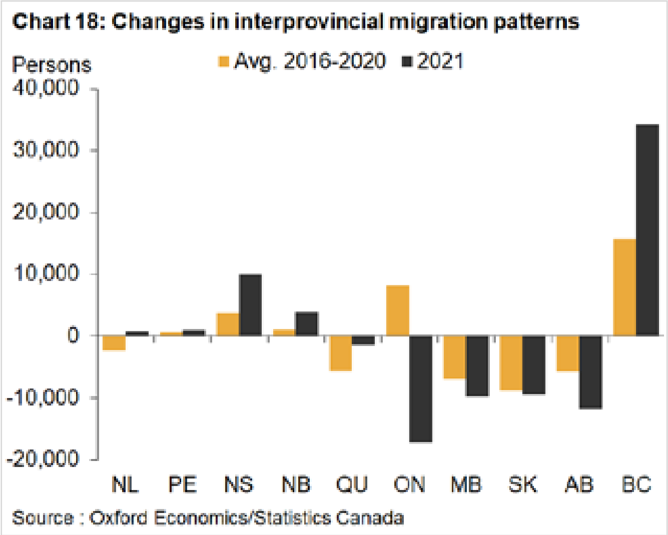


- Meanwhile, the Atlantic provinces are more affordable. N.B. (7.5 times), N.S. (10.6 times), N.L. (8.2 times)

CHANGES IN IMMIGRATION PATTERNS

- Overall, one of the biggest drivers of mortgage credit across Canada will be migration, both between provinces and from abroad.
- Immigration will increase further in 2022, and immigration trends in the next year will have a strong impact on regional housing performance.
- Increased immigration will support housing demand in Ontario. The province has a high immigration rate compared to other provinces, with many moving to the Toronto area, which already faces price pressure. (Chart 17).
- Some Atlantic provinces, notably P.E.I. should also see more demand for housing coming from higher immigration as the province has established itself as an attractive destination for new migrants.
- British Columbia, while a destination for many international immigrants, will see its biggest boost come from interprovincial migration, especially among the newly retired who typically favour the province.
- Quebec typically has among the lowest immigration rates, which we expect will continue, and so the upcoming increase in international migration will impact the province less than others.
- The last two years have also seen a change in interprovincial migration. While Ontario (and Toronto) were major destinations between 2010 and 2019, interprovincial migration declined markedly in both 2020 and 2021. (Chart 18).
- Meanwhile, B.C. continues to be a preferred destination for interprovincial migration, a trend that will continue.





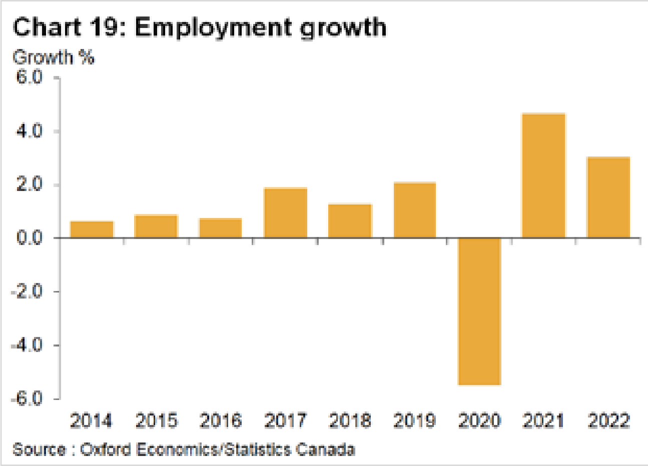
MORTGAGE MARKET OUTLOOK

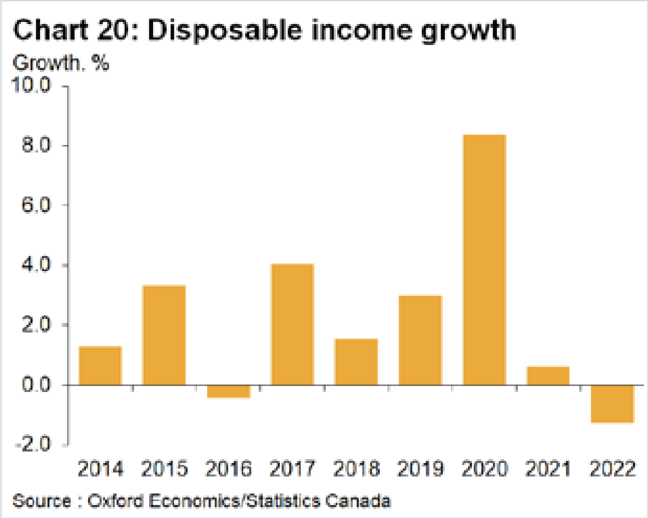
MORTGAGE CREDIT DEMAND SUMMARY

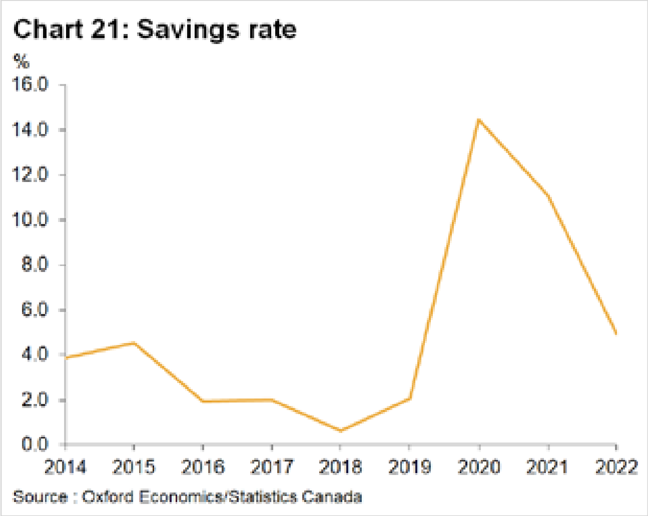
- The main factors affecting mortgage credit are employment growth and interest rates. The former drives stability in income, which is a prerequisite to buying a home. As people are employed longer, savings increase, which helps support a down payment for a home and thus more mortgage credit. Meanwhile, interest rates influence how much mortgage a buyer can afford – as a higher rate implies a higher payment for the same house price.
- Employment growth has been strong after recovering from the pandemic lows, surpassing its pre-pandemic peak in Q4 2021 before experiencing a significant, but likely temporary, setback in January. We saw a strong rebound in February and expect the strength to continue as restrictions ease, but slower job growth afterward will hold the unemployment rate above 6% for the rest of 2022. This means employment growth will be a positive driver for mortgage credit this year, though likely less so than normal following the pick-up in home sales during the pandemic.
- As stated, we anticipate that the Bank of Canada will ultimately lift the policy rate one full percentage point over the course of 2022, starting with its hike in March and three additional increases to come.
- Savings have also been strong in Canada, but data indicates that much of these accumulated savings have already been contributed towards housing. As the savings rate declines quickly over the next two years, the level of savings that can go towards housing will be greatly diminished.
- Overall, we expect demand for mortgages to be modest in the next year. While there are economic concerns coming out of the pandemic, household finances remain in good shape. The biggest holdback at this point is higher home prices, which makes entry more difficult.

LABOUR MARKET AND WAGES

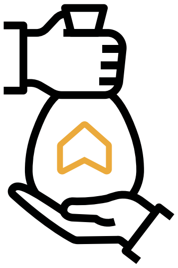
- Employment and income growth have been strong over the last year, which will be a positive driver for mortgage credit over the next year. On top of that, higher immigration should also bring in more new buyers to the country.
- Canada-wide, employment rose by 4.6% in 2021, the largest gain on record. We expect the trend to continue, with employment rising by another 3.0% in 2022. (Chart 19).
- However, despite a relatively tight labour market, we expect disposable income growth to weaken as wage growth slows and pandemic supports wane. After rising by 8.4% in 2020, we expect a modest gain of only 0.6% in 2021 and a decline of 1.3% in 2022. This leaves less money available to spend on housing and will weigh on mortgage credit demand. (Chart 20).
- Slowing income growth, along with a rebound in consumption, is expected to drive down the savings rate, which has been a major boost to the mortgage credit market. We expect the savings rate to fall below 5% by the end of 2022 from a high of 27% at the onset of the pandemic. Less savings means less available money for a mortgage. (Chart 21).





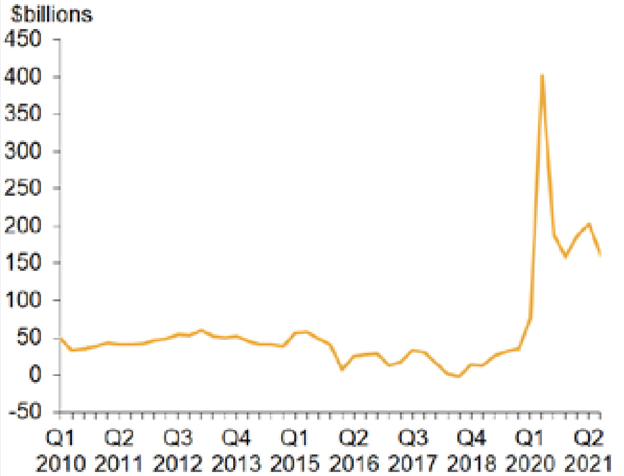


HOUSEHOLD SAVINGS



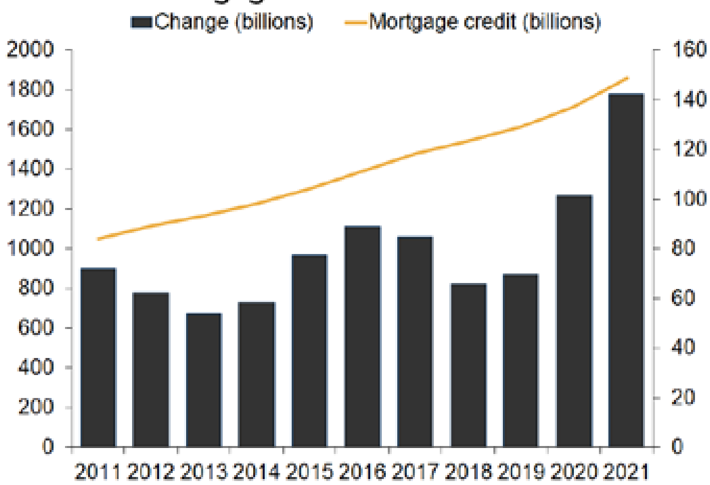
- One of the biggest boosts to mortgage credit growth over the last two years is the steep increase in savings.
- During the pandemic, the savings rate reached 27.2% and has remained above 10% even into the third quarter of 2021 – for some context, savings rates went negative in the third quarter of 2018. (Chart 22).
- The glut of savings naturally helped boost mortgage credit – average annualized net savings has been above $159 billion each quarter since the pandemic began. While some of this has helped support increases in the stock market and debt paydown, it has also helped support the housing market.
- In fact, Oxford Economics estimates that between Q1 2020 and Q1 2021, households accumulated $184 billion in excess savings.
- Overall mortgage credit rose by roughly $130 billion between Q1 2020 and Q1 2021, a substantial increase over the average growth of $70 billion between 2011 and 2019. This indicates a large share of mortgage credit growth in the past two years is related to excess savings brought on by the pandemic. (Chart 23).
- The direction savings go will be key for mortgage demand going forward. There's no doubt that higher savings has filtered into the mortgage market, but as restrictions ease, inflation eats away at spending power and benefit programs end, less savings in the economy is likely hit mortgage credit demand directly.

Chart 22: Household savings



Source : Oxford Economics/Statistics Canada

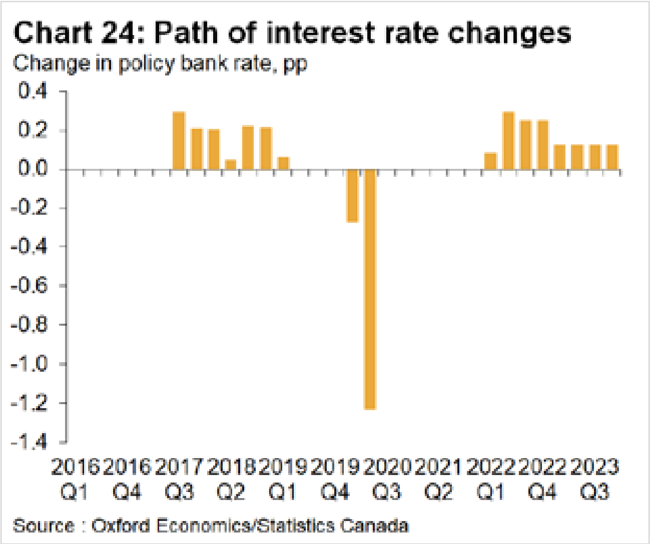
Chart 23: Mortgage credit in Canada

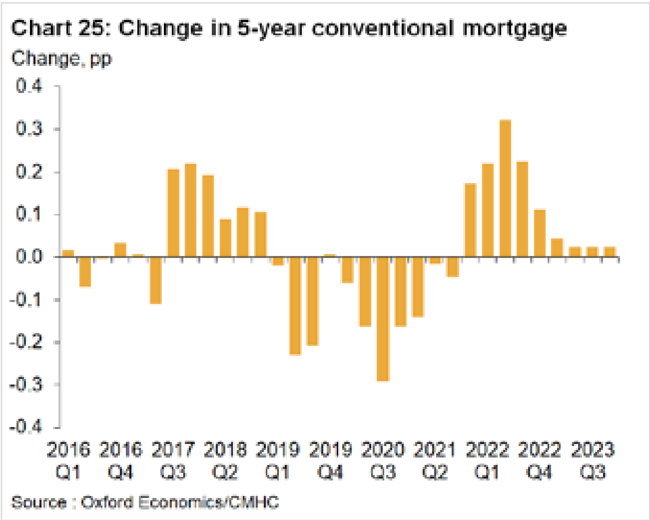


Source : Oxford Economics/Statistics Canada

INTEREST RATE FORECAST

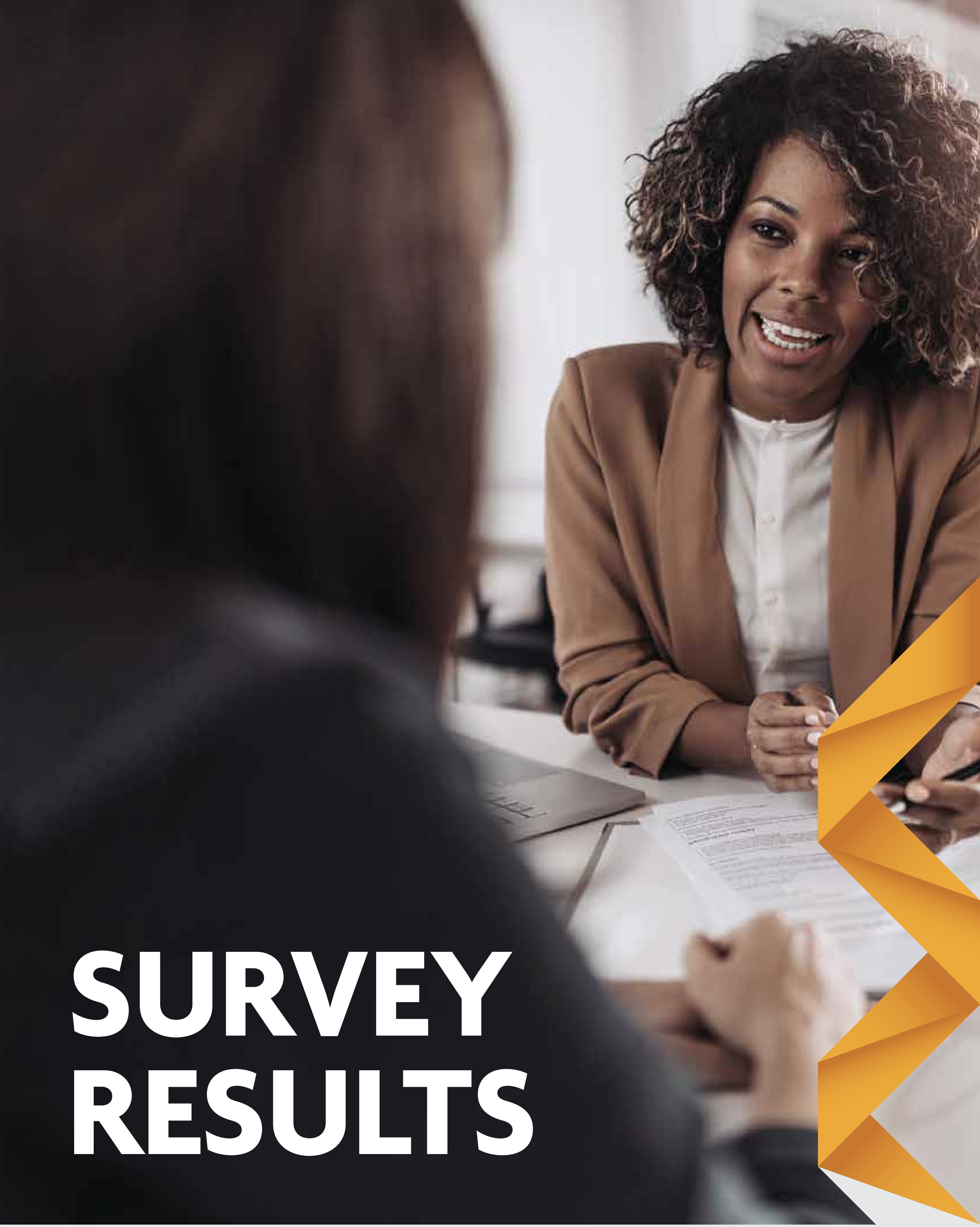
- After the rate hike in March, we expect three more increases in 2022, leading the central bank rate to reach a policy rate of 1.25% by the end of the year. Two more increases in 2023 will lead interest rates to reach 1.75% by the end of 2023.
- The increase in the policy rate will push mortgage rates higher. We expect CMHC's posted 5yr fixed conventional mortgage rate to rise through the next two years, reaching 4.3% by the end of 2022. (Chart 25).
- Higher rates will raise debt servicing costs on new mortgages, weighing on mortgage demand. This effect is likely to be particularly pronounced in less affordable areas where debt service already comprises a large share of household income.





INTEREST RATES AND DEBT SERVICING COST

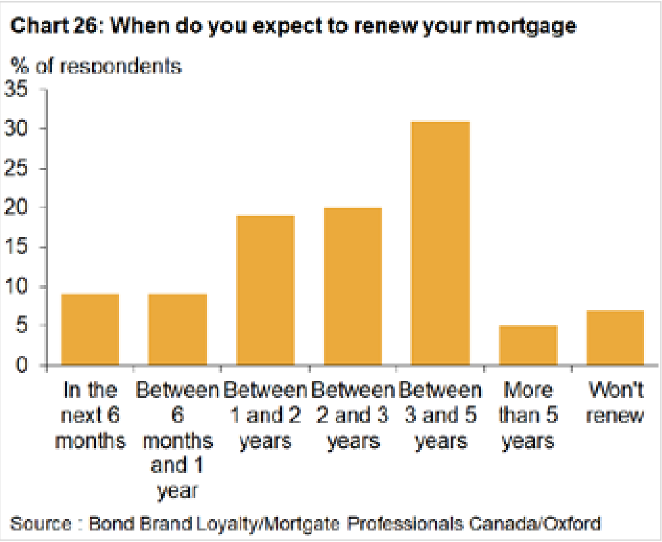
- While there is always worry that higher interest rates will put household finances at risk, Oxford believes most households can weather higher payments.
- One benefit for Canadian homeowners, at least for now, is that many are tied to fixed-rate mortgages that were negotiated just recently, so many household will feel reprieve from early rate hikes.
- While that's a short-term positive, we expect rates to continue to rise into 2024, which means rates for renewals may be higher for those who wait.
- Higher rates will naturally lead to higher debt payments as a share of disposable income, a trend we saw when the Bank of Canada was on a rate-hiking cycle before the pandemic.
- Despite this, respondents to the survey were generally positive about their ability to weather higher payments. 71% of respondents indicate that they can afford payments that are 20% or higher than what they currently pay.
- In all, while higher rates will undoubtedly affect some households, most respondents in the survey indicate they can afford a modest increase to their mortgage payments.

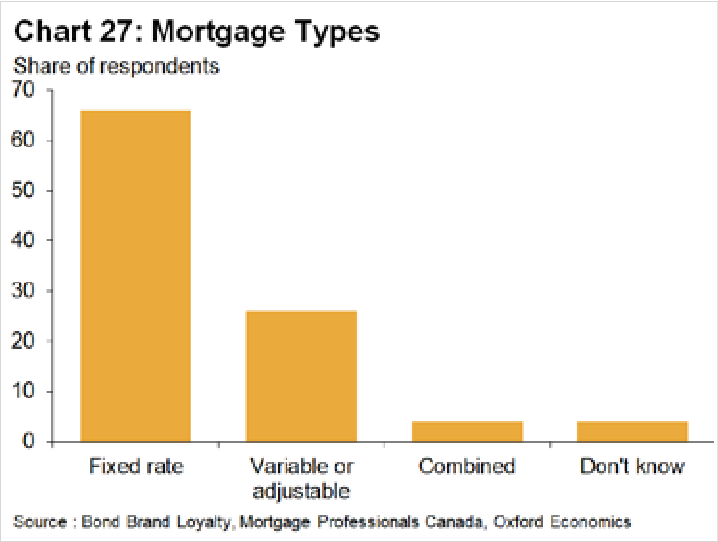


SURVEY RESULTS

MORTGAGE RENEWAL AND TYPE

- With interest rates set to rise over the next year, the number of mortgages set for renewal will be key for housing markets.
- According to the survey, 37% of mortgage holders will need to renew their mortgage in the next two years and will likely renew at higher rates. (Chart 26).
- Meanwhile, 51% of respondents expect to renew in between two and five years.
- Notably, most Canadians are not subject to near-term interest rate variation. According to the survey, 66% of mortgage holders have fixed-rate mortgages. (Chart 27).
- Despite this, there has been a slight shift towards variable-rate mortgages in the past year. While 26% of respondents reported having a variable-rate mortgage in the most recent survey, this was an increase from 21% from last year's survey.

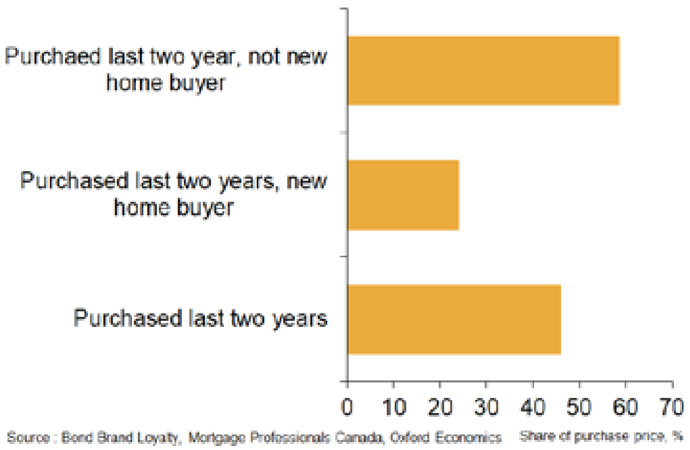




HOME BUYER TRENDS

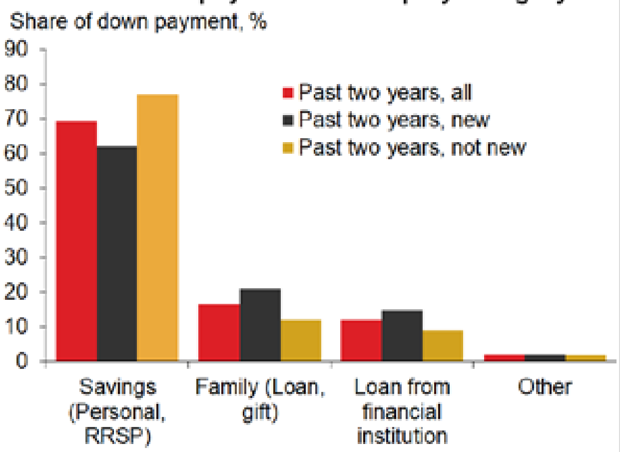
- Among survey respondents, those who have purchased a home in the last two years paid an average of $647,036.
- This is a substantial increase from last year's survey, where the average purchase price for those who bought in the last two years was $536,822.
- Despite the higher price, down payments remain relatively high. Among those who bought in the past two years, the average down payment is $297,476 – more than half the average purchase price.
- Among first-time home buyers in the last two years, who normally have less savings, the average down payment was $120,545, roughly 24% of the average purchase price of $500,491. (Chart 28).
- Despite news indicating otherwise, new buyers in the past two years still rely heavily on personal savings.
- Respondents indicate that 58% of their down payment was financed by personal savings, with another 11.6% from RRSP withdrawals. Only 16.7% come from a gift or loan from family. (Chart 29).
- These rates are fairly consistent across groups, with new home buyers in the past two years financing down payments with 53% from savings and 9% from RRSP withdrawals. On average, 21.1% down payments are funded from a gift or loan from parents.

Chart 28: Down payment by category



Source : Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

Chart 29: Downpayment make-up by category

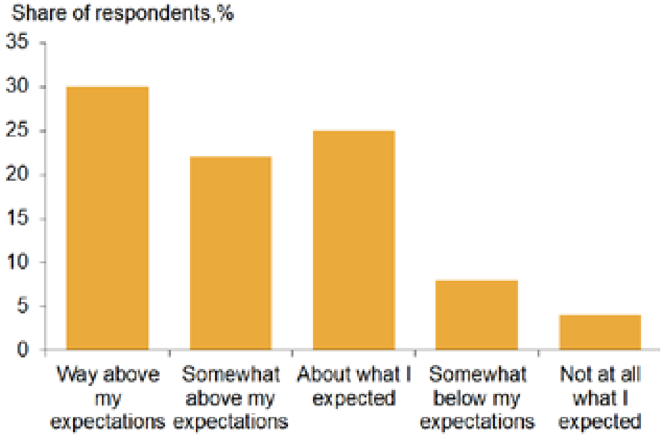


Source : Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

HOUSE PRICE EXPECTATIONS

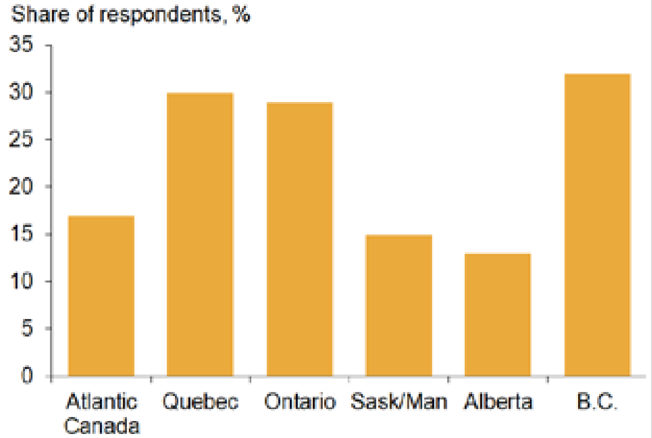
- Expectations for house price growth remain solidified in the minds of Canadians. 26% of respondents expect house price growth to increase dramatically. Meanwhile, 56% expect any sort of increase. (Chart 30).
- What's notable is the increase in respondents who expect dramatic house price increases – a nod to the steep price growth of the last two years. Four years ago, only 10% of respondents expected dramatic price growth, compared to 26% in 2022.
- There has also been a notable decrease in the share of respondents expecting prices to decline, from 28% in 2018 to 17% in 2022.
- In all, only 29% of respondents think now is a good or neutral time to buy a home, notably lower than the 50% of respondents who thought the same last year.
- In Ontario and B.C, where prices have been especially strong, over 29% of respondents expect dramatic price growth. In Quebec, over 30% of respondents expect the same.
- Meanwhile, only 15% of respondents in Manitoba/Saskatchewan and 13% of respondents in Alberta expect house prices to increase dramatically in the next year. In Atlantic Canada, that rate is also low at 17%. (Chart 31).
- When it comes to mortgage rates, 86% of Canadians expect mortgage rates to rise, with the intensity of increase on a scale from 1 to 10 of 7.3. This is substantially higher than the average intensity of 5.2 in last year's survey.
- On past performance, 52% of Canadians say their home has appreciated in value way above their expectations.

Chart 30: Home price growth versus expectations since purchase



Source: Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

Chart 31: Share of respondents who expect dramatic price increases

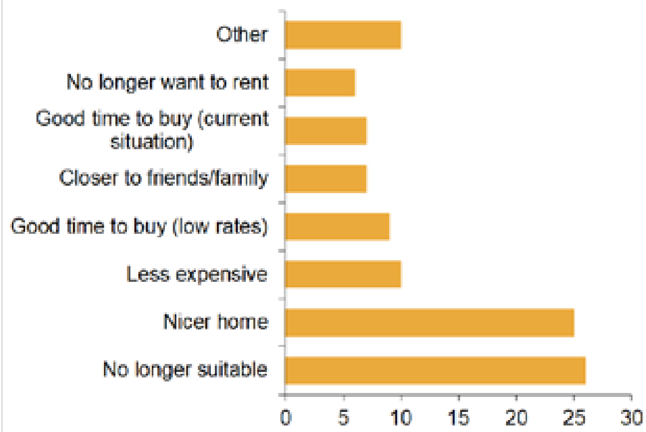


Source: Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

PREFERENCES TOWARDS PURCHASES

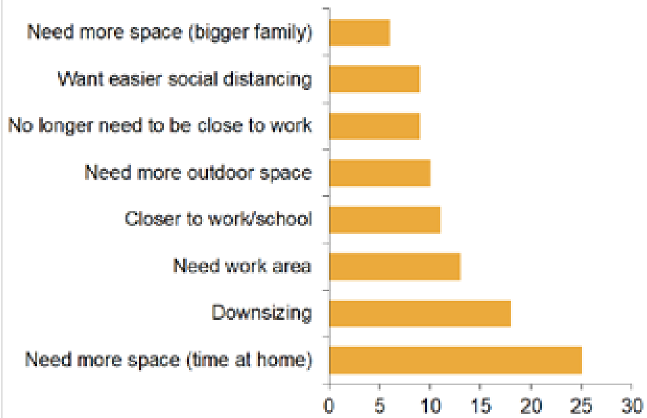
- In-line with the changing need for homes, 26% of those who plan to buy in the next five years feel their home isn't suitable anymore (either size or location). Another 25% are looking to upgrade to a nicer home. (Chart 32).
- Among new buyers, 9% of respondents are looking to buy because of low interest rates and another 6% are looking to move on from renting towards ownership.
- Among those who feel their home is no longer suitable, most (25%) need more space, another 13% need a dedicated working space. Meanwhile, 18% want to downsize. (Chart 33).
- When asked to rate (on a sliding scale from 0-100) how much they view their home as an investment versus as place to live, on average respondents rated their home as 77.3% a place to live versus 22.7% as an investment. (Chart 34).

Chart 32: Reason to buy a new home in the next 5 years



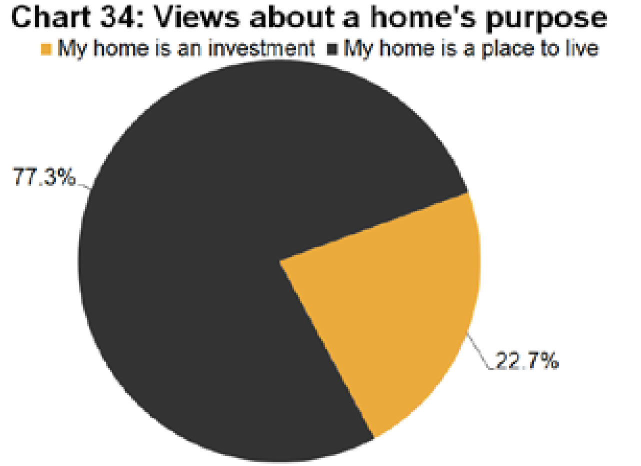
Source : Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

Chart 33: Reason home isn't suitable



Source : Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

Chart 34: Views about a home's purpose

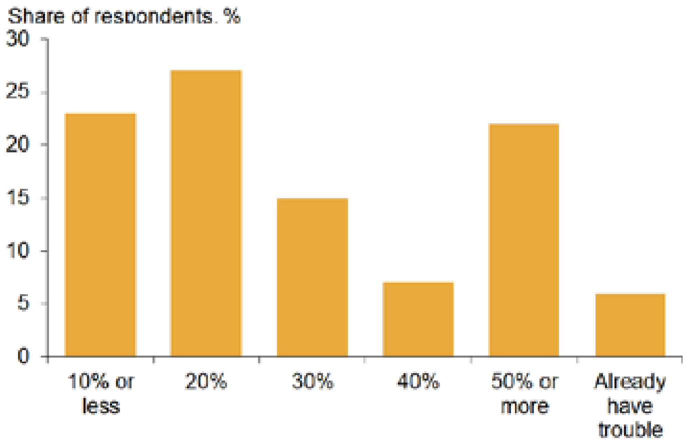


Source : Oxford Economics/Haver Analytics

MORTGAGE AFFORDABILITY AND HELOCS

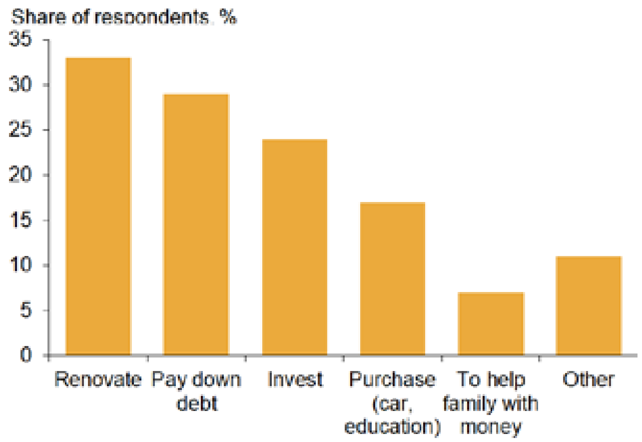
- While many Canadians expect higher rates, which will translate to higher payments, some Canadians are on the verge of having trouble making their mortgage payments.
- In a new survey question, 6% of respondents are already struggling to make their payments, while 23% of respondents would struggle to make their payments if their payment went up 10% or less, while another 20% would struggle if their mortgage payment went up 20%. (Chart 35).
- Canadians continue to borrow against their home. 32% of homeowners with a mortgage have a HELOC, and 70% of those with a HELOC have one above $10,000. The average HELOC among those who have one is $38,000.
- Among those who have taken out equity in the last year, 33% of respondents used the funds for home renovations, 29% to pay down debt, 24% to invest elsewhere while 17% was for another major purchase (education, car). (Chart 36).
- Despite drawing from the equity in their home, 79% of respondents are comfortable with their loan-to-value ratios.

Chart 35: Mortgage payment increase before trouble paying



Source : Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

Chart 36: Reason to take out HELOC in last year

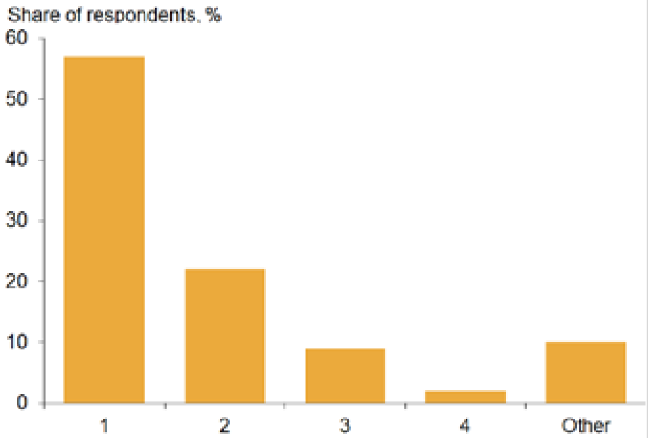


Source : Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

MORTGAGE BUYING BEHAVIOUR

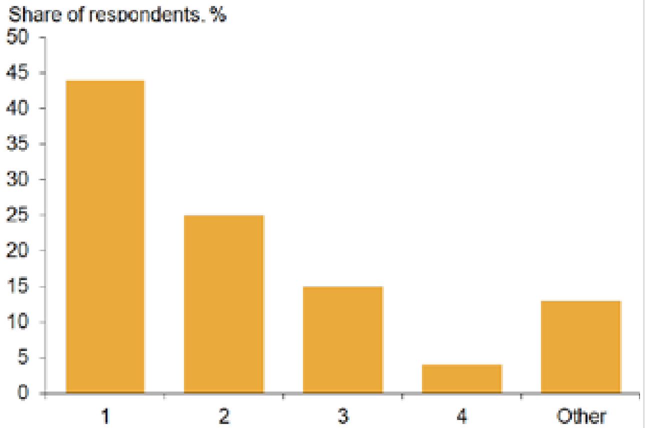
- When searching for a mortgage, the average respondent consulted with just under two mortgage professionals- 51% consulted with one, 22% consulted with two. (Chart 37).
- The average respondent receives just over two quotes (2.3 on average). 44% receive just one, 25% receive two and 15% receive three. (Chart 38).
- The key decision points for choosing a mortgage is whether it's fixed or variable (33% of respondents), familiarity with the lender (32%), payment frequency (28%) and the advice of their mortgage professional (25%).
- Other key reasons include amortization period, prepayment options and the offer of other financial products. (Chart 39).

Chart 37: Number of mortgage professionals consulted



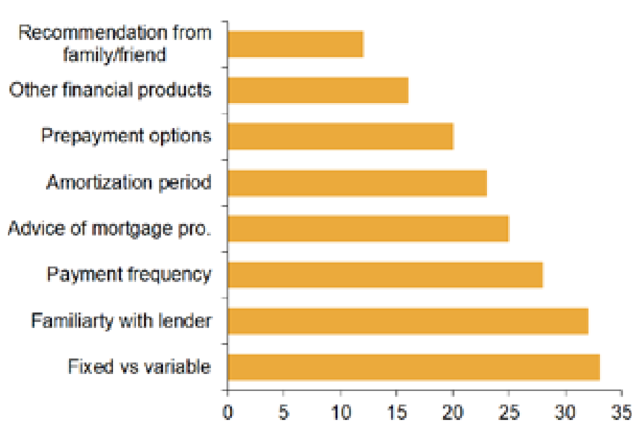
Source : Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

Chart 38: Number of mortgage quotes received



Source : Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

Chart 39: Reasons for choosing mortgage (other than rate)



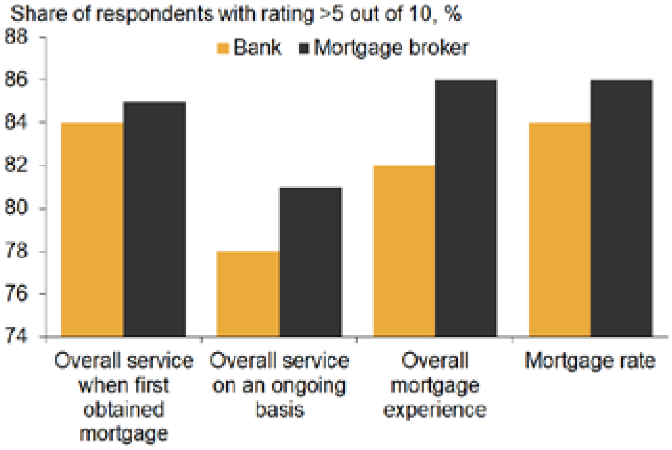
Source : Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

MORTGAGE PROFESSIONALS

- Overall, 84% of respondents answered positively about their level of satisfaction with their mortgage professional.
- The level of satisfaction was slightly higher for those using a broker (85%) versus a bank (84%).
- However, respondents who sourced their mortgage from a mortgage broker saw slightly higher satisfaction when it came to ongoing service (81% satisfied vs 78% for those from banks).
- Respondents were also more satisfied with their overall mortgage experience and mortgage rate when using a mortgage broker.
- The vast majority of customers rate being happy with the competitive mortgage rates they've received. (Chart 40).
- Other areas where customers note high levels of satisfaction with mortgage brokers is being suggested mortgage products they're comfortable with (82%), safeguarding personal information (83%), responsiveness (81%) and timeliness (81%).
- When comparing mortgages sourced from a broker versus a bank, most respondents note a higher level of satisfaction with brokers.
- Notably, 51% of respondents are very satisfied with the ease of doing business from a mortgage broker, compared to 39% for a mortgage from a bank.
- Also, 51% of respondents who use a mortgage broker are very satisfied with the competitiveness of their mortgage rate, compared to 37% for those received from a bank. (Chart 41).

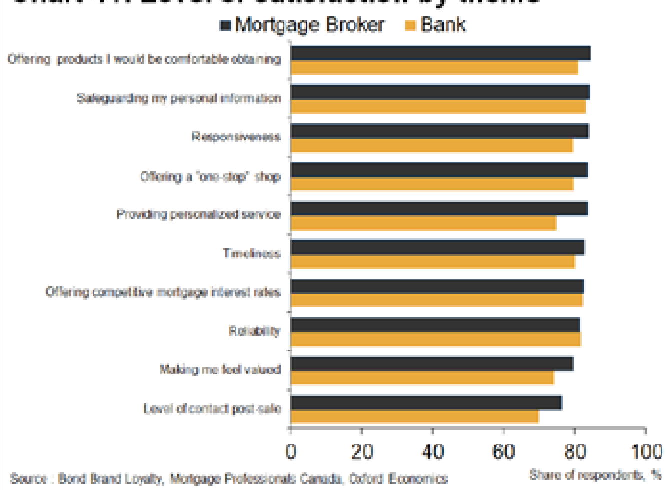
Chart 40: Customer satisfaction

Share of respondents with rating >5 out of 10, %

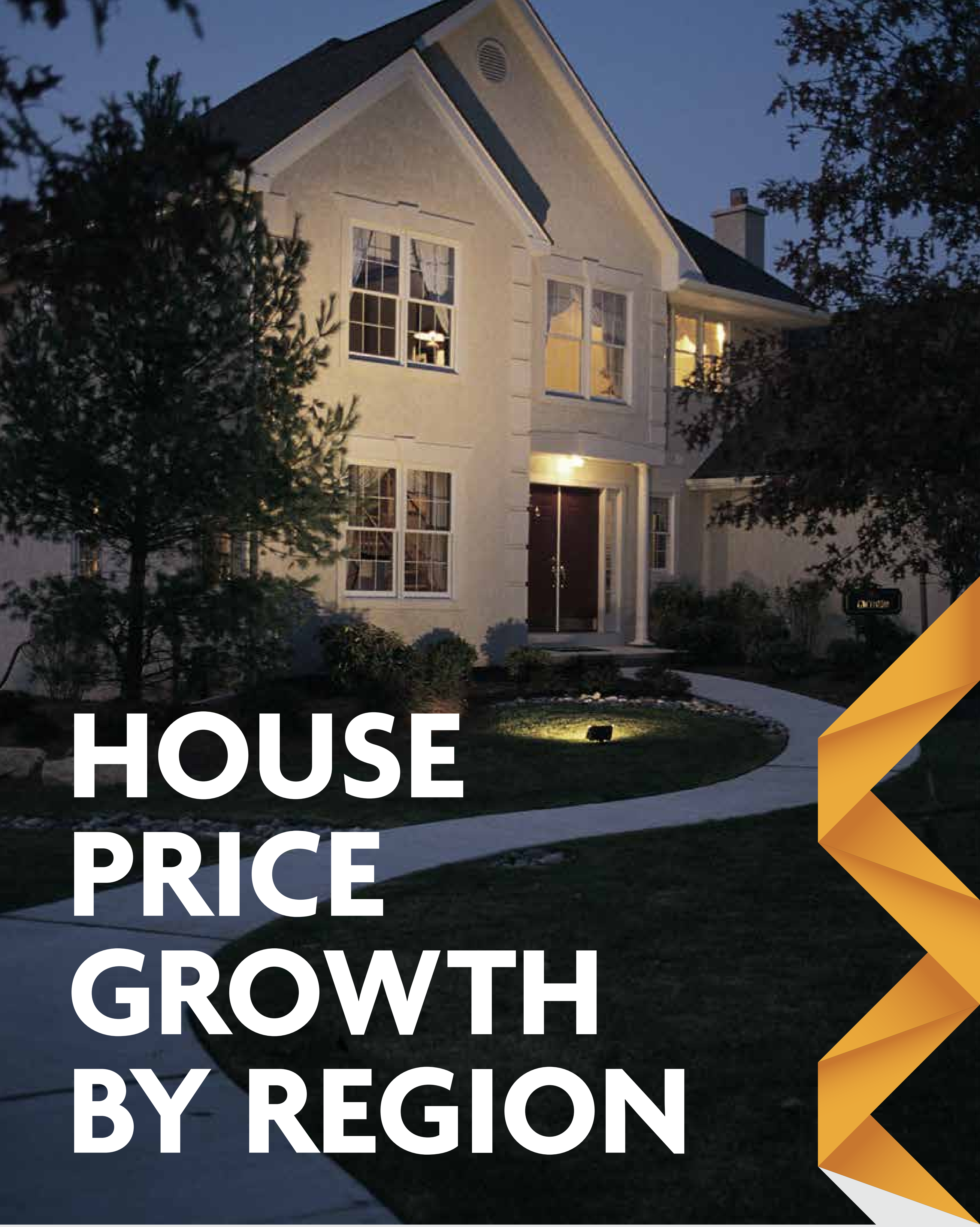


Source : Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

Chart 41: Level of satisfaction by theme



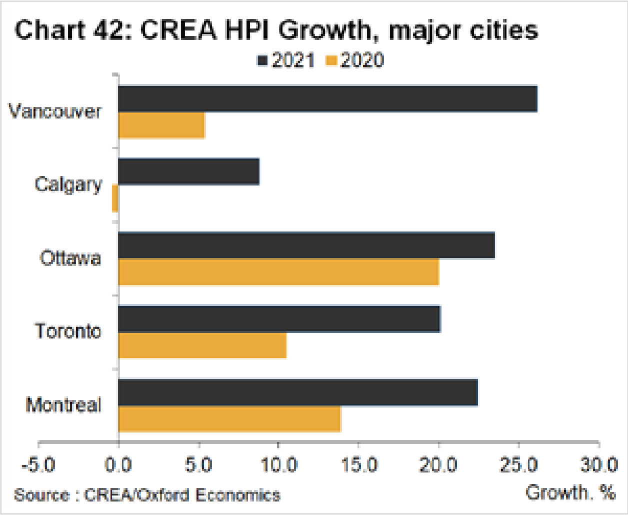
Source : Bond Brand Loyalty, Mortgage Professionals Canada, Oxford Economics

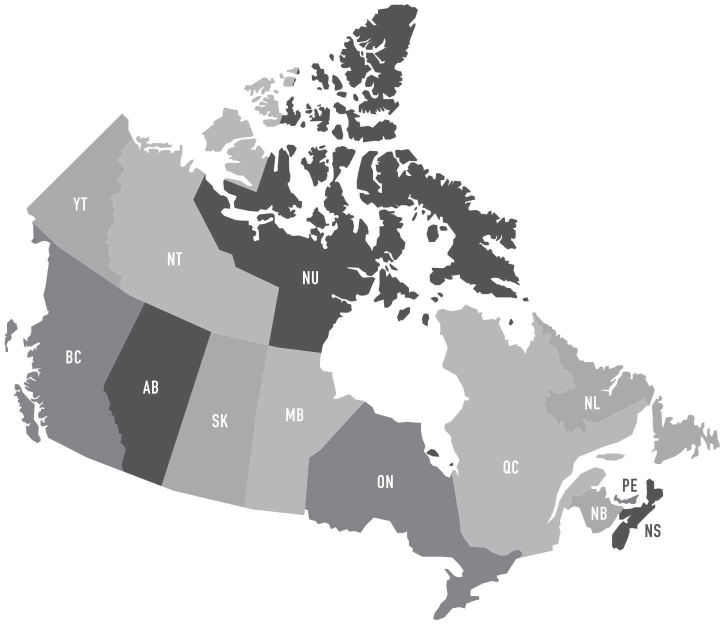


HOUSE PRICE GROWTH BY REGION

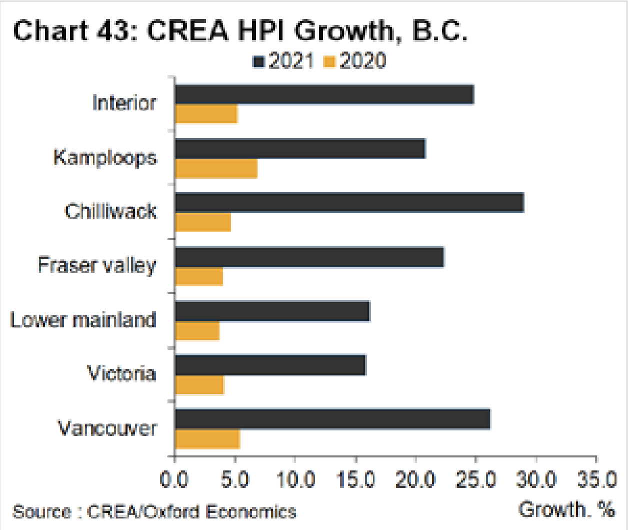
HOUSE PRICE GROWTH BY REGION

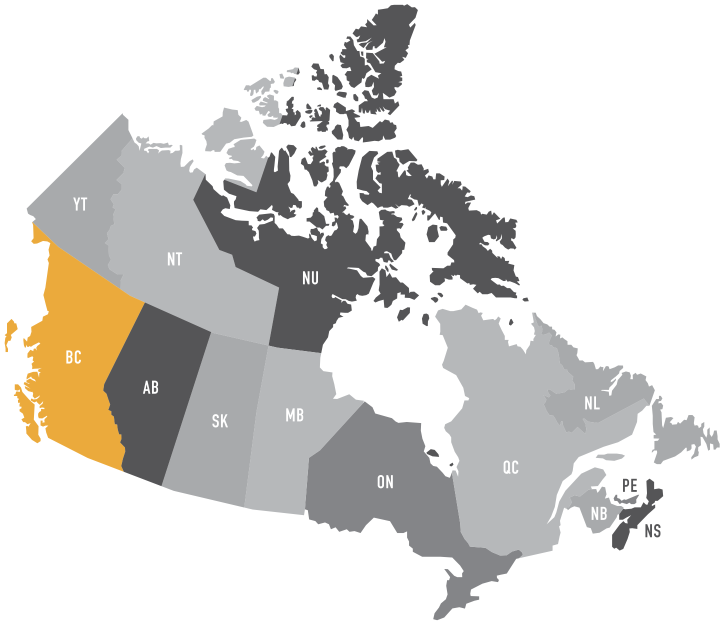
- As noted previously, many of Canada's major cities saw significant price growth in 2021, but this doesn't tell the whole story. As people moved towards suburbs and outside of major cities, many other cities saw steep price increases too. (Chart 42).





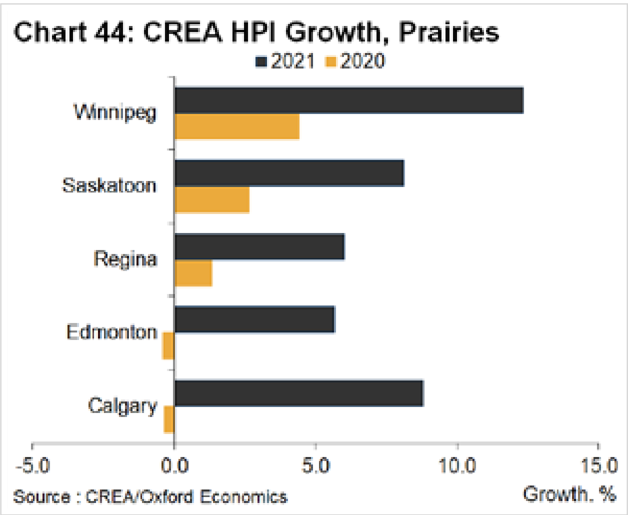
- This is true in British Columbia, where Vancouver typically steals the headline for rapid price growth. However, all communities saw price growth above 20% in 2021, following strong province-wide increases in 2020. (Chart 43).

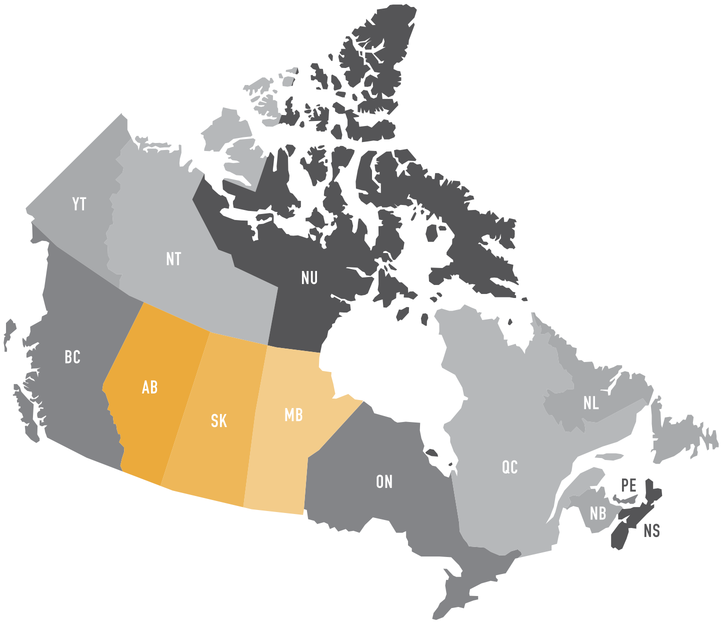




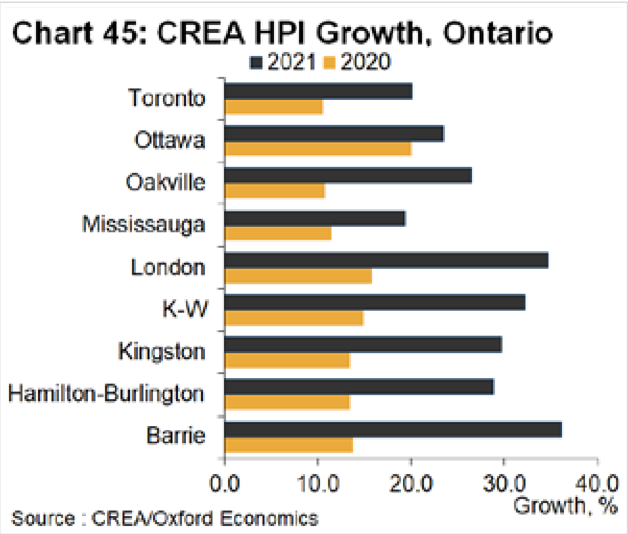
HOUSE PRICE GROWTH BY REGION

- Meanwhile, price growth in the Prairie provinces has been significantly more muted than the rest of Canada. While growth in Winnipeg and Saskatoon remain strong (though not at the levels of B.C. or Ontario), price growth in the other communities, especially over the last two years, has been modest. (Chart 44).



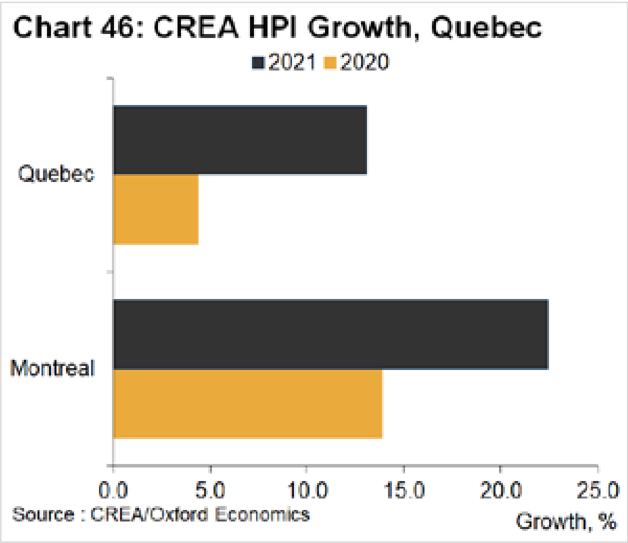


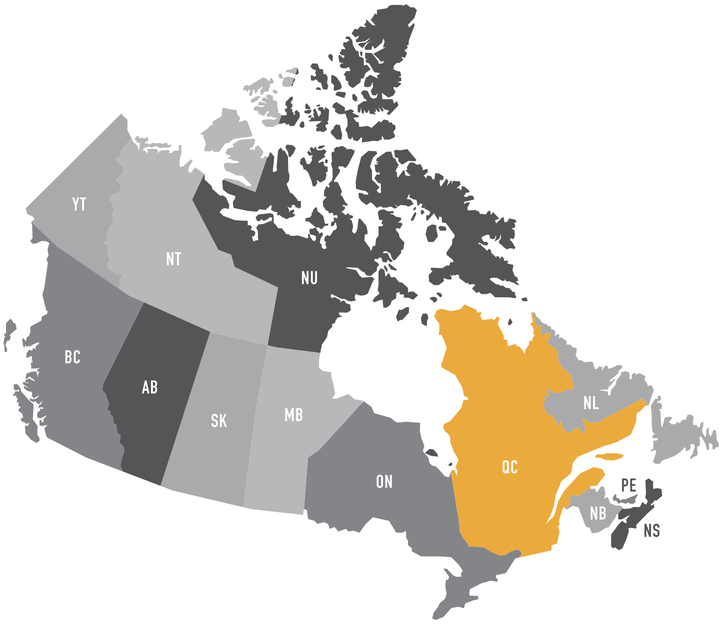
- Price growth across Ontario has been rapid, with Toronto stealing most of the headlines. But in fact, many other communities in the province are seeing higher growth, particularly the regions around Toronto. In fact, Toronto has among the lowest price growth over the last two years of major Ontario population centres. (Chart 45).



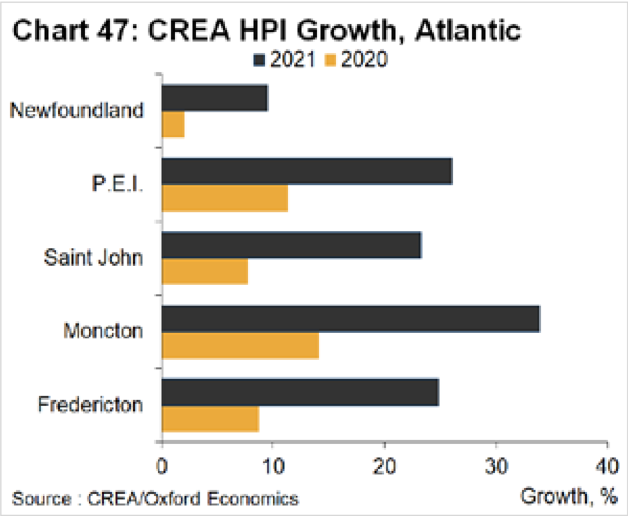
HOUSE PRICE GROWTH BY REGION

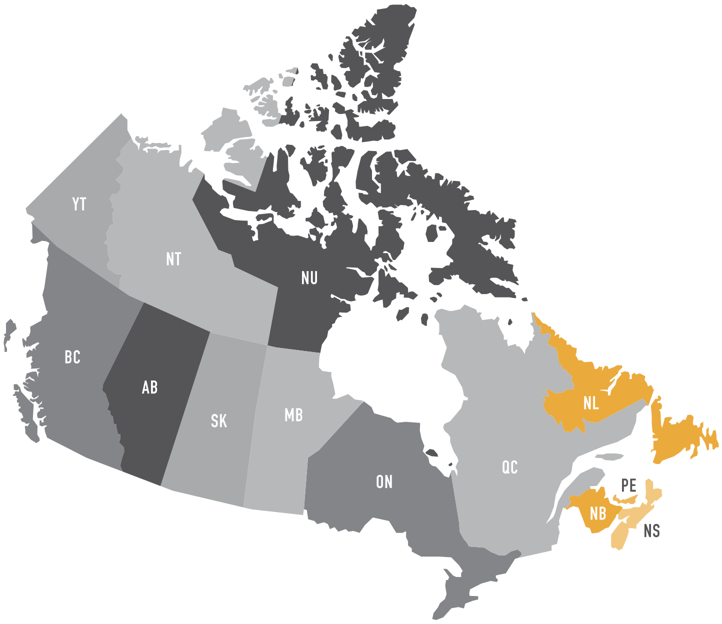
- The two major cities in Quebec, Quebec City and Montreal, have both seen strong price growth over the past two years, though growth in Montreal has been significantly higher. (Chart 46).





- Price growth in Atlantic Canada has also been strong over the past two years, with prices rising above the national average in many parts of the region over the past two years. (Chart 47).





DATA TABLES

DATA TABLES

These results are based on an online survey of 2,003 Canadians, including homeowners with a mortgage (1145), homeowners without a mortgage (456) and those who do not own (402). The survey took place between January 26 and February 7, 2002.

Q. What was the down payment amount on your first home (Percent of purchase price)?	Total 2021	Mortgage Status: Mortgage	Own Outright	Owner (Net)	Non-Owner	Mortgage Source: Bank/ CU	Mortgage Broker	Mortgage Type: Origination	Renewal /Reneg-otiate	Young Canadians: 18-24	25-34	35+	Age: 18-34	35-54	55+	Region: Atlantic	Quebec	Ontario	Man./ Sask	Alberta	B.C.
Less than 5%	9%	10%	9%	9%	10%	10%	9%	9%	9%	13%	8%	10%	8%	8%	11%	18%	11%	8%	9%	5%	8%
5% to less than 10%	20%	24%	14%	20%	15%	24%	25%	20%	30%	10%	19%	20%	18%	24%	15%	22%	22%	17%	28%	25%	15%
10% to less than 15%	17%	19%	16%	18%	14%	19%	17%	18%	20%	11%	12%	18%	12%	15%	23%	27%	15%	15%	24%	19%	18%
15% to less than 20%	12%	10%	13%	11%	16%	11%	8%	10%	10%	0%	11%	12%	10%	10%	14%	10%	10%	12%	15%	10%	13%
20% to less than 25%	13%	17%	8%	13%	11%	16%	21%	22%	12%	9%	25%	11%	24%	13%	8%	8%	14%	15%	1%	16%	12%
25% to less than 30%	9%	6%	12%	8%	11%	6%	6%	6%	7%	10%	5%	9%	6%	9%	10%	7%	8%	10%	3%	9%	10%
30% to less than 35%	3%	4%	2%	3%	5%	3%	5%	4%	3%	0%	3%	4%	3%	4%	3%	1%	3%	5%	1%	4%	2%
35% to less than 40%	3%	2%	4%	3%	3%	2%	3%	2%	3%	14%	4%	3%	5%	4%	1%	0%	3%	5%	4%	1%	1%
40% or more	14%	8%	22%	14%	15%	9%	5%	9%	6%	34%	13%	14%	14%	13%	14%	6%	13%	14%	13%	11%	21%

Q.What are the reason(s) that your current home is no longer suitable?	Total 2021	Mortgage Status: Mortgage	Own Outright	Owner (Net)	Non-Owner	Mortgage Type: Origination	Renewal /Reneg-otiate	Age: 18-34	35-54	55+	Region: Atlantic	Quebec	Ontario	Man./ Sask	Alberta	B.C.
Spending more time at home means I need more space	25%	29%	21%	26%	22%	37%	22%	28%	27%	10%	5%	22%	28%	19%	23%	30%
I don't need all of the space I have now/ downsizing	18%	22%	37%	27%	6%	16%	31%	8%	17%	52%	23%	15%	20%	6%	23%	16%
The space isn't conducive to the inclusion of a dedicated work area	13%	15%	7%	12%	14%	17%	15%	15%	15%	4%	23%	13%	14%	10%	7%	15%
I need to be closer to where I work/ go to school	11%	11%	7%	9%	13%	14%	8%	14%	11%	2%	5%	11%	8%	20%	15%	13%
When quarantined, the property doesn't support my mental health or provide enough outdoor space	10%	9%	4%	7%	15%	9%	6%	15%	7%	5%	27%	9%	13%	0%	7%	5%
I no longer need to be as close to where I work	9%	10%	10%	10%	8%	8%	11%	8%	11%	9%	8%	9%	10%	17%	7%	7%
I want to live somewhere where social distancing is easier	9%	8%	7%	7%	11%	8%	8%	10%	9%	3%	8%	9%	8%	18%	5%	11%
Need more space / need a larger home for my growing family	6%	6%	7%	6%	6%	7%	5%	8%	5%	3%	8%	2%	7%	10%	7%	7%
I want to rely less on public transit	4%	5%	3%	4%	5%	6%	3%	5%	5%	1%	2%	5%	5%	2%	4%	5%
Do not want to rent / want to own a home	4%	1%	0%	0%	9%	1%	0%	7%	2%	1%	1%	5%	3%	6%	6%	3%
Want to live on my own / away from parents	2%	0%	0%	0%	6%	0%	0%	4%	1%	0%	0%	4%	2%	0%	1%	3%
Moving to a different area [a move to the city or suburbs]	2%	1%	4%	2%	1%	0%	1%	1%	1%	4%	6%	1%	2%	3%	3%	0%
Dislike the neighbors / my neighborhood	2%	2%	2%	2%	1%	1%	3%	1%	2%	2%	0%	2%	0%	10%	4%	1%
Want a yard / more land / a waterfront	1%	2%	0%	1%	2%	1%	3%	1%	1%	4%	1%	3%	1%	0%	2%	0%
Want a nicer home / looking to upgrade	1%	1%	2%	2%	0%	1%	2%	1%	1%	2%	0%	0%	1%	0%	2%	2%
Requires too much work / maintenance / repairs	1%	1%	3%	1%	1%	0%	1%	0%	2%	3%	4%	1%	1%	0%	1%	1%
Making an investment / investment opportunity	1%	1%	1%	1%	1%	1%	1%	0%	2%	1%	0%	1%	0%	4%	3%	1%
Want to live closer to my family	1%	1%	1%	1%	0%	0%	1%	0%	0%	2%	1%	1%	0%	0%	0%	2%
It is too expensive	1%	1%	0%	1%	0%	1%	1%	0%	1%	0%	0%	0%	1%	3%	0%	1%
Looking for a change [unspecified]	0%	0%	1%	1%	0%	0%	0%	0%	0%	2%	0%	0%	1%	0%	0%	0%
Other Mentions	4%	3%	2%	3%	5%	2%	4%	4%	3%	5%	4%	6%	3%	11%	1%	2%
No specific reasons	1%	1%	1%	1%	2%	1%	0%	1%	2%	0%	5%	0%	2%	0%	0%	1%
Not applicable / does not feel current home is unsuitable	2%	2%	2%	2%	2%	2%	2%	1%	2%	4%	5%	1%	1%	0%	4%	2%

Q.C3 Using the scale below, to what extent do you think the following will change in the next year? - Housing prices in my community	Total Year: 2021	2020	2019	2018	Mortgage Status: Mortgage	Own Outright	Owner (Net)	Non-Owner	Mortgage Type: Origination	Renewal /Reneg-otiate	Young Canadians: 18-24	25-34	35+	Age: 18-34	35-54	55+	Region: Atlantic	Quebec	Ontario	Man./ Sask	Alberta	B.C.
Go Up Dramatically x10	15%	8%	7%	4%	13%	11%	12%	20%	16%	9%	15%	19%	13%	18%	16%	9%	12%	16%	16%	10%	7%	18%
x9	12%	10%	9%	6%	13%	11%	12%	11%	14%	12%	12%	10%	12%	10%	13%	11%	5%	14%	13%	5%	6%	15%
x8	21%	22%	18%	14%	21%	22%	22%	18%	20%	22%	13%	20%	21%	19%	21%	22%	15%	18%	24%	20%	22%	20%
x7	21%	22%	22%	22%	21%	24%	22%	20%	20%	22%	22%	21%	21%	21%	19%	25%	24%	21%	20%	19%	24%	22%
Stay About The Same x6	15%	18%	22%	25%	14%	17%	15%	13%	12%	16%	17%	14%	15%	14%	15%	14%	21%	13%	13%	21%	21%	11%
Go Down Dramatically x1	0%	1%	0%	1%	0%	0%	0%	1%	0%	0%	1%	1%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Net: Go up dramatically (9-10)	26%	18%	15%	10%	26%	21%	24%	31%	30%	21%	27%	29%	25%	28%	29%	20%	17%	30%	29%	15%	13%	32%
Net: Go up (6-8)	56%	62%	62%	62%	56%	63%	59%	51%	52%	60%	52%	54%	57%	54%	54%	62%	60%	52%	57%	60%	66%	53%
Net: Go down (3-5)	16%	18%	22%	26%	18%	15%	16%	17%	17%	17%	20%	15%	17%	16%	16%	18%	23%	17%	13%	24%	20%	14%
Net: Go down dramatically (1-2)	1%	2%	1%	2%	1%	1%	1%	1%	1%	1%	1%	2%	1%	2%	1%	0%	0%	1%	1%	2%	1%	0%

Please tell us whether you think now is a good or bad time to buy a home/ condominium in your community.	Year: 2021	2020	2019	2018	Mortgage Status: Mortgage	Own Outright	Owner (Net)	Non-Owner	Mortgage Type: Origination	Renewal /Reneg-otiate	Young Canadians: 18-24	25-34	35+	Age: 18-34	35-54	55+	Region: Atlantic	Quebec	Ontario	Man./ Sask	Alberta	B.C.
Very Good Time x10	3%	6%	4%	4%	4%	3%	4%	2%	5%	3%	4%	4%	3%	4%	3%	3%	5%	3%	3%	2%	6%	2%
x9	3%	6%	5%	4%	4%	4%	4%	1%	5%	3%	0%	3%	3%	2%	3%	3%	1%	2%	4%	2%	3%	3%
x8	6%	13%	12%	12%	8%	6%	7%	4%	6%	10%	6%	5%	7%	5%	7%	6%	1%	5%	6%	15%	11%	7%
x7	7%	12%	14%	14%	8%	8%	8%	5%	9%	7%	6%	9%	7%	8%	8%	5%	6%	5%	8%	9%	13%	6%
x6	9%	14%	14%	15%	9%	11%	10%	7%	9%	10%	10%	10%	9%	10%	9%	8%	8%	7%	9%	13%	14%	8%
x5	16%	19%	21%	19%	17%	14%	16%	16%	16%	17%	10%	17%	16%	16%	14%	18%	17%	12%	16%	17%	16%	20%
x4	10%	9%	9%	11%	9%	9%	9%	12%	10%	9%	13%	13%	9%	13%	10%	8%	12%	11%	8%	7%	14%	11%
x3	16%	8%	8%	9%	15%	19%	17%	15%	15%	15%	14%	16%	16%	15%	16%	16%	16%	16%	17%	14%	12%	18%
x2	7%	5%	4%	4%	7%	8%	8%	6%	8%	8%	12%	6%	7%	7%	7%	8%	10%	10%	7%	3%	4%	6%
Very Bad Time x1	22%	8%	7%	7%	18%	18%	18%	31%	17%	19%	27%	19%	23%	20%	22%	24%	24%	29%	22%	18%	8%	18%
Net: Good Time (9-10)	6%	11%	9%	8%	8%	7%	7%	3%	10%	6%	4%	6%	6%	6%	6%	7%	5%	5%	7%	4%	9%	5%
Net: Neutral (6-8)	23%	39%	41%	42%	25%	25%	25%	17%	25%	27%	21%	24%	22%	23%	24%	20%	15%	17%	23%	37%	37%	21%
Net: Bad Time (1-5)	71%	50%	50%	50%	67%	68%	67%	79%	65%	67%	75%	70%	71%	71%	69%	74%	80%	78%	70%	59%	54%	73%

SEMI-ANNUAL STATE OF THE HOUSING MARKET

About Mortgage Professionals Canada

Mortgage Professionals Canada is Canada's mortgage broker channel association. Representing almost 15,000 individuals and over 1,000 companies including mortgage brokerages, lenders, insurers and industry service providers. Our members, whose interests we represent to government, regulators, media and consumers, make up the largest and most respected network of mortgage professionals in the country. Together with our members, we are dedicated to maintaining a high standard of industry ethics, consumer protection and best practices.

MORTGAGE
PROFESSIONALS
CANADA

About Oxford Economics

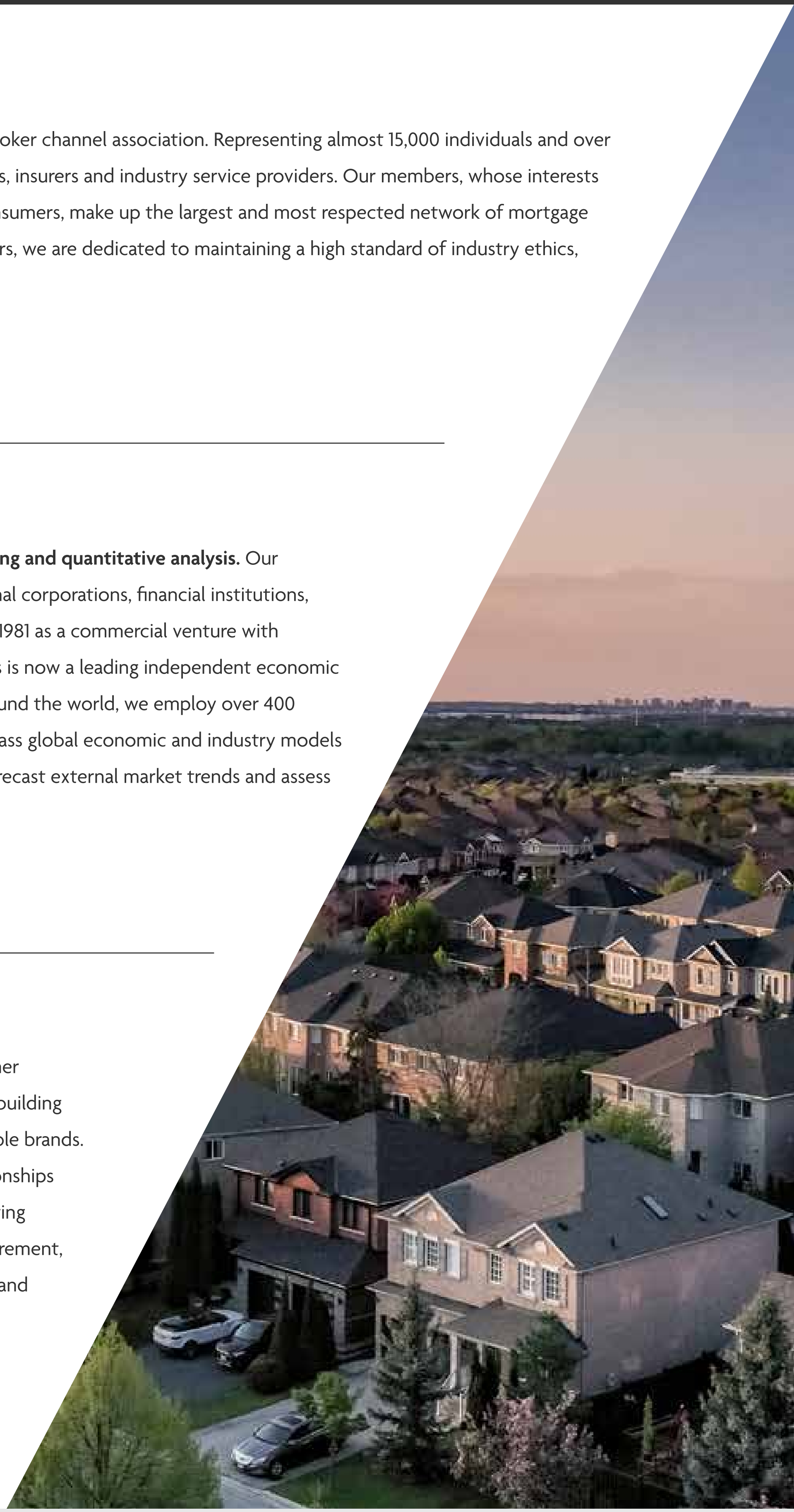
Oxford Economics is a world leader in global forecasting and quantitative analysis. Our worldwide client base comprises over 2,000 international corporations, financial institutions, government organizations and universities. Founded in 1981 as a commercial venture with Oxford University's business college, Oxford Economics is now a leading independent economic consultancy. Headquartered in Oxford, with offices around the world, we employ over 400 people, including some 250 economists. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

OXFORD
ECONOMICS

About Bond Brand Loyalty

Bond Brand Loyalty is a Canadian-owned global customer experience and engagement agency that specializes in building brand loyalty for the world's most influential and valuable brands. We build measurable, authentic, and long-lasting relationships through a combination of services that includes marketing research, loyalty solutions, customer experience measurement, marketing and management, customer analytics, live brand experiences and proprietary technology platforms.

bond. BRAND LOYALTY



This report has been compiled using date and sources that are believed to be reliable. Mortgage Professionals Canada, Bond Brand Loyalty and Oxford Economics accept no responsibility for any data or conclusions contained herein. The opinions and conclusions in this report are those of the author and do not necessarily reflect those of Mortgage Professionals Canada or Bond Brand Loyalty.

MORTGAGE
PROFESSIONALS
CANADA