

The State of Homebuying in Canada:

2019 CMHC Mortgage Consumer Survey



Canada



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Overview

Every year, CMHC carries out an in-depth survey of Canadians across the country to find out their thoughts, attitudes and behaviours about homeownership and the process of buying a home. The findings are then brought together to create the CMHC Mortgage Consumer Survey.

This year, we had **1,385 first-time and repeat homebuyers** take part in the online survey. The interviews included people in every region of the country in both English and French. The 2 requirements were that participants:

- were the **prime decision-makers** in their households
- had all **undertaken a mortgage transaction in the past 18 months**

This highlights the findings of the 2019 Mortgage Consumer Survey. It offers key insights into the current state of homebuying, homeownership and mortgage lending in Canada.

Respondent Profile

COMMUNITY DESCRIPTION



63%
Single-detached



8%
Row house

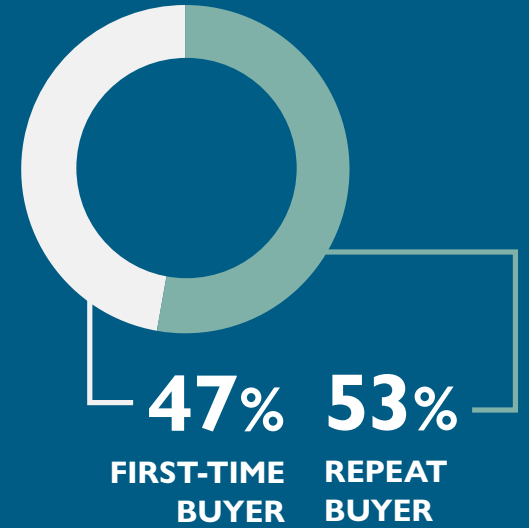


17%
Apartment/Condo

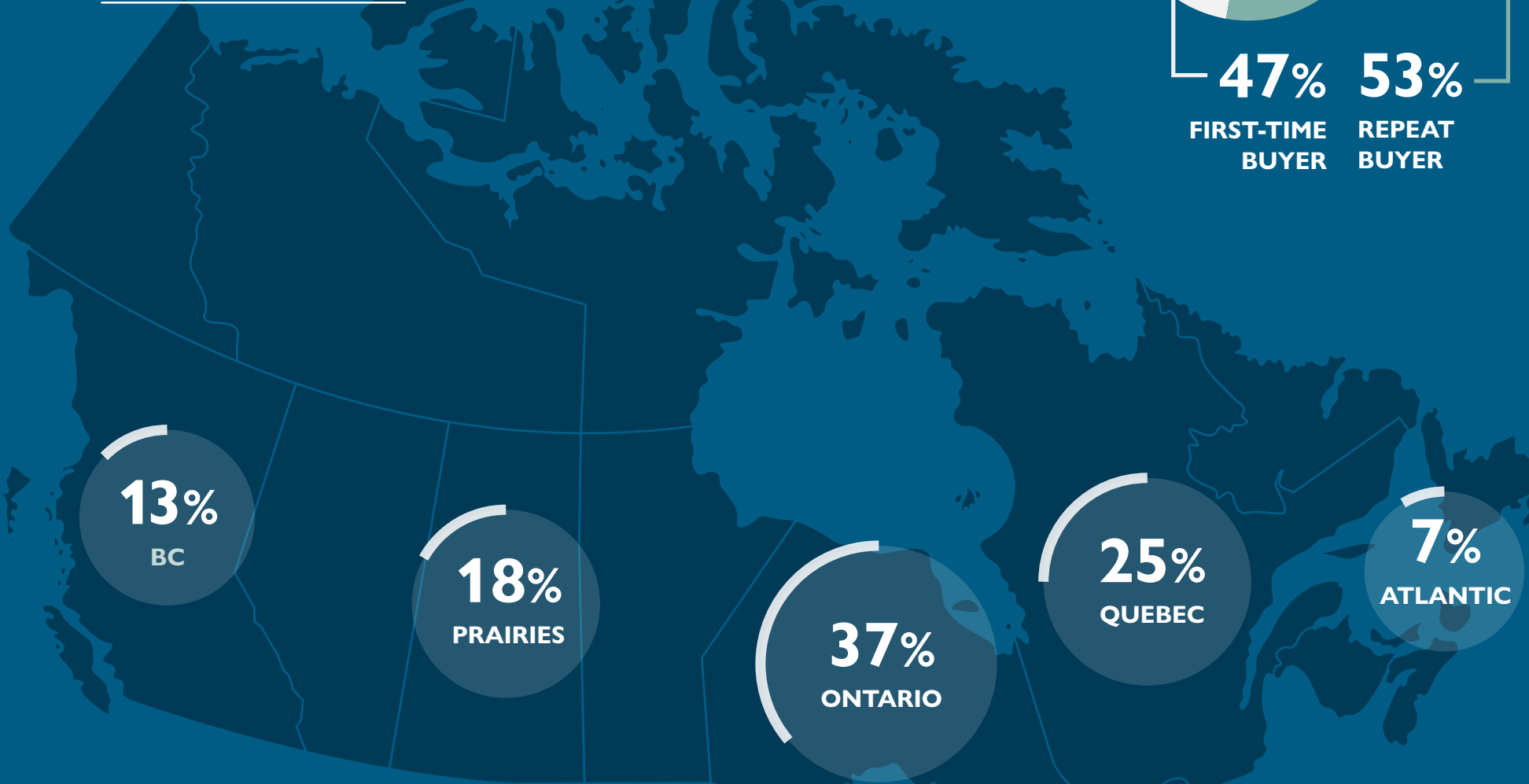


9%
Semi-detached

MORTGAGE CONSUMER SEGMENT



REGION



GENDER

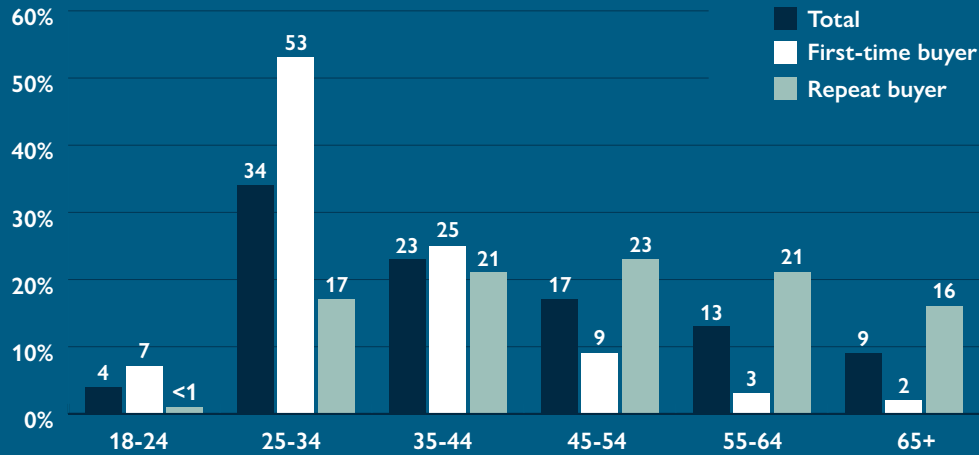


61%
FEMALE



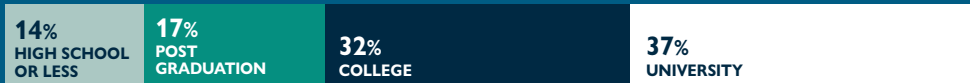
39%
MALE

AGE

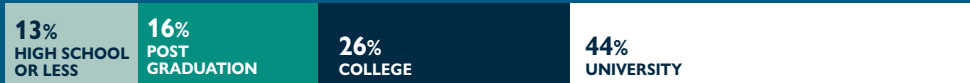


EDUCATION

TOTAL



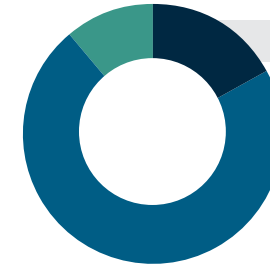
FIRST-TIME BUYERS



REPEAT BUYERS

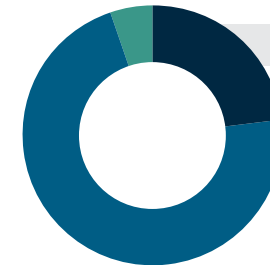


MARITAL STATUS



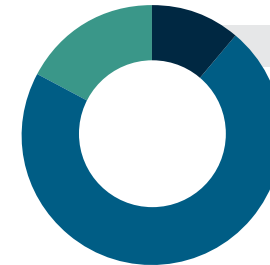
TOTAL

17% Single
71% Married/
Common Law
11% Divorced/
Separated/Widowed



FIRST-TIME BUYER

23% Single
71% Married/
Common Law
5% Divorced/
Separated/Widowed



REPEAT BUYER

11% Single
71% Married/
Common Law
17% Divorced/
Separated/Widowed

LANGUAGE

76%

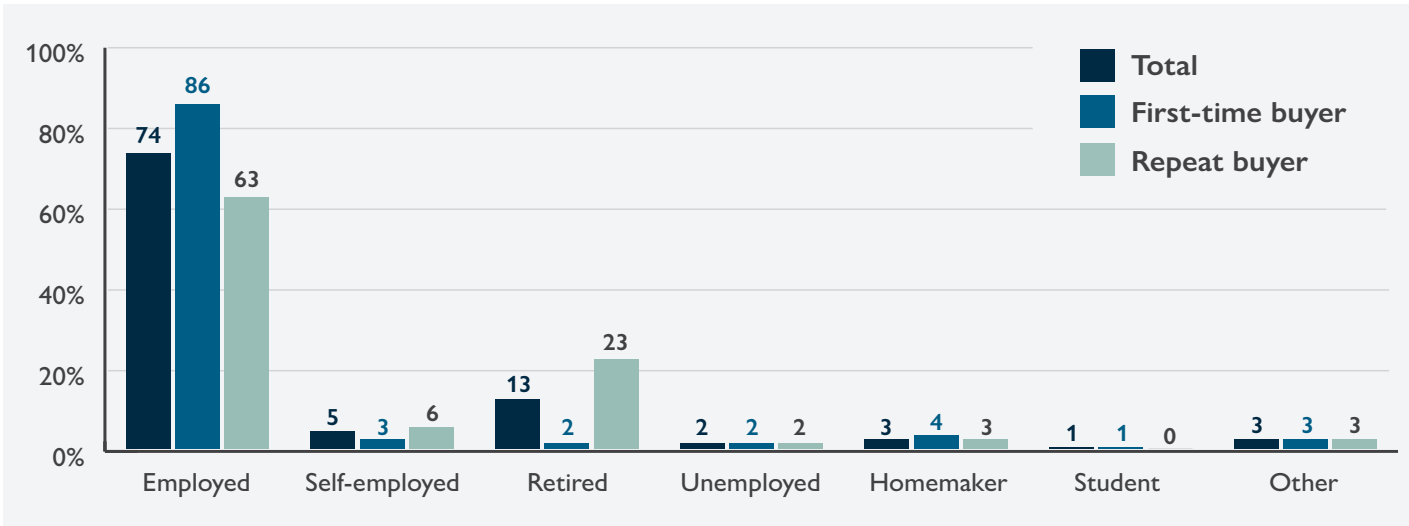
of survey participants
responded in **English**

24%

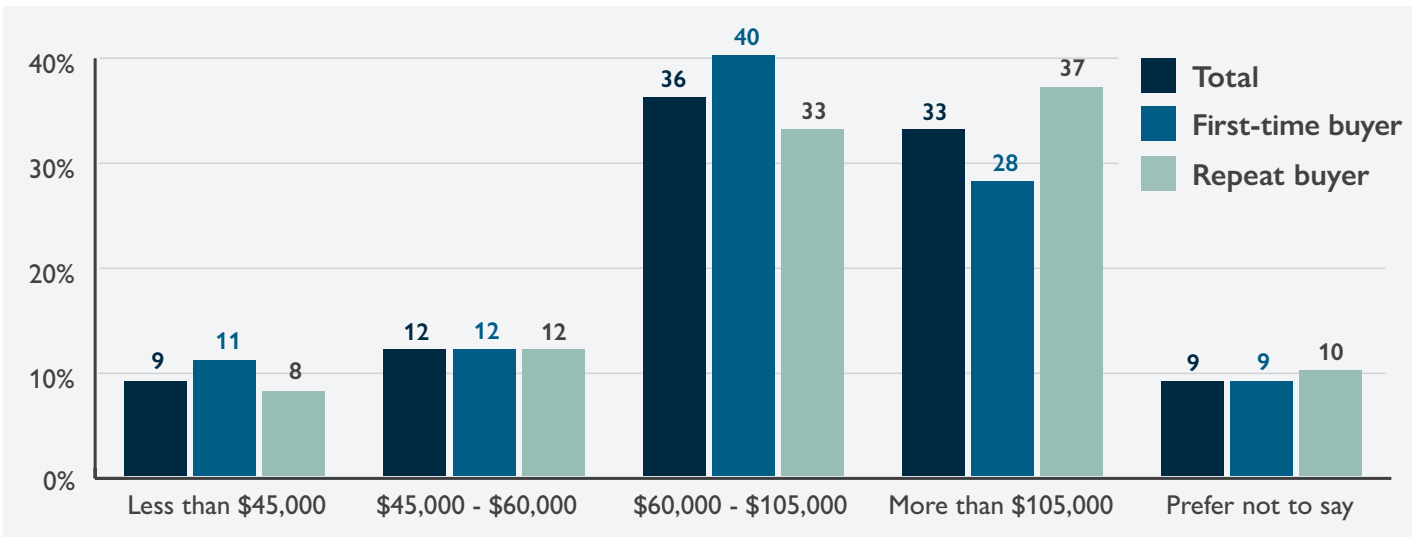
of survey participants
responded in **French**



EMPLOYMENT



HOUSEHOLD INCOME





AT A GLANCE:

Top 10 Highlights for 2019

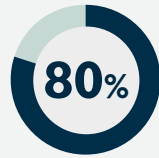
Affordability continues to be the most important factor for many Canadians when it comes to buying a home.

STRESS TEST

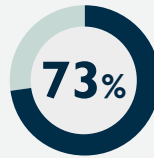
65%

of buyers said they believe the new mortgage qualification “stress test” will keep more Canadians from taking on a mortgage they **can’t afford**.

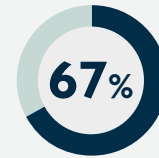
TOP HOMEBUYER “MUST-HAVES” WERE EITHER



price/
affordability



number
of rooms



proximity to
public transit

32%



of homebuyers don't expect **interest rates** to rise in the next year – up from just 20% in 2018.

56% | 47%

2018 | 2019

47% of purchasers were **first-time homebuyers** in 2019 – a significant decrease from 56% in 2018.



60% of buyers spent the **maximum amount** they could afford in 2019 – down from 78% in 2018.



35% of buyers recognize the value of using a **real estate agent** – up from 28% in 2018.

23%



of buyers said their current level of debt is **higher** than they were expecting.

81%

of buyers said their current home **meets their needs**.



87%

of homebuyers feel confident that buying a home is a sound **long-term investment**.



33%

of buyers didn't have a **monthly budget** before buying a home.



The homebuying process: focusing on affordability

The old real estate adage tells us that the 3 most important things to look for in a property are “location, location, location.” For the majority of Canadians who bought a home over the past year, the most important factors affecting their decision were **price and affordability**.

When asked to name **their top 3 “must-haves”** in a home, more than 66% of the buyers who took part in the survey said either:

- price / affordability (80%)
- number of rooms (73%)
- proximity to public transit (67%)

Exactly 33% of buyers pointed to affordability as their single biggest need, a slight increase over 2018. A full **80% of buyers said finding a home they could afford was a necessity.**

FIRST-TIME HOMEBUYERS

The highest proportion of first-time homebuyers live in **ONTARIO** and are between **18-34 YEARS OLD**



Percentage of first-time buyers who **rented for 10+ years before buying a home** increased from 22% in 2018 to 31% in 2019



Percentage of first-time buyers who had **rented with family and friends** before buying a home increased from 28% in 2018 to 44% in 2019



Percentage of first-time buyers who were **renting on their own** before buying a home decreased from 39% in 2018 to 23% in 2019



The percentage of homebuyers who were **first-time buyers** decreased from 56% in 2018 to 47% in 2019

When it came to **homebuying “wants,”** buyers singled out a wider range of features, such as:

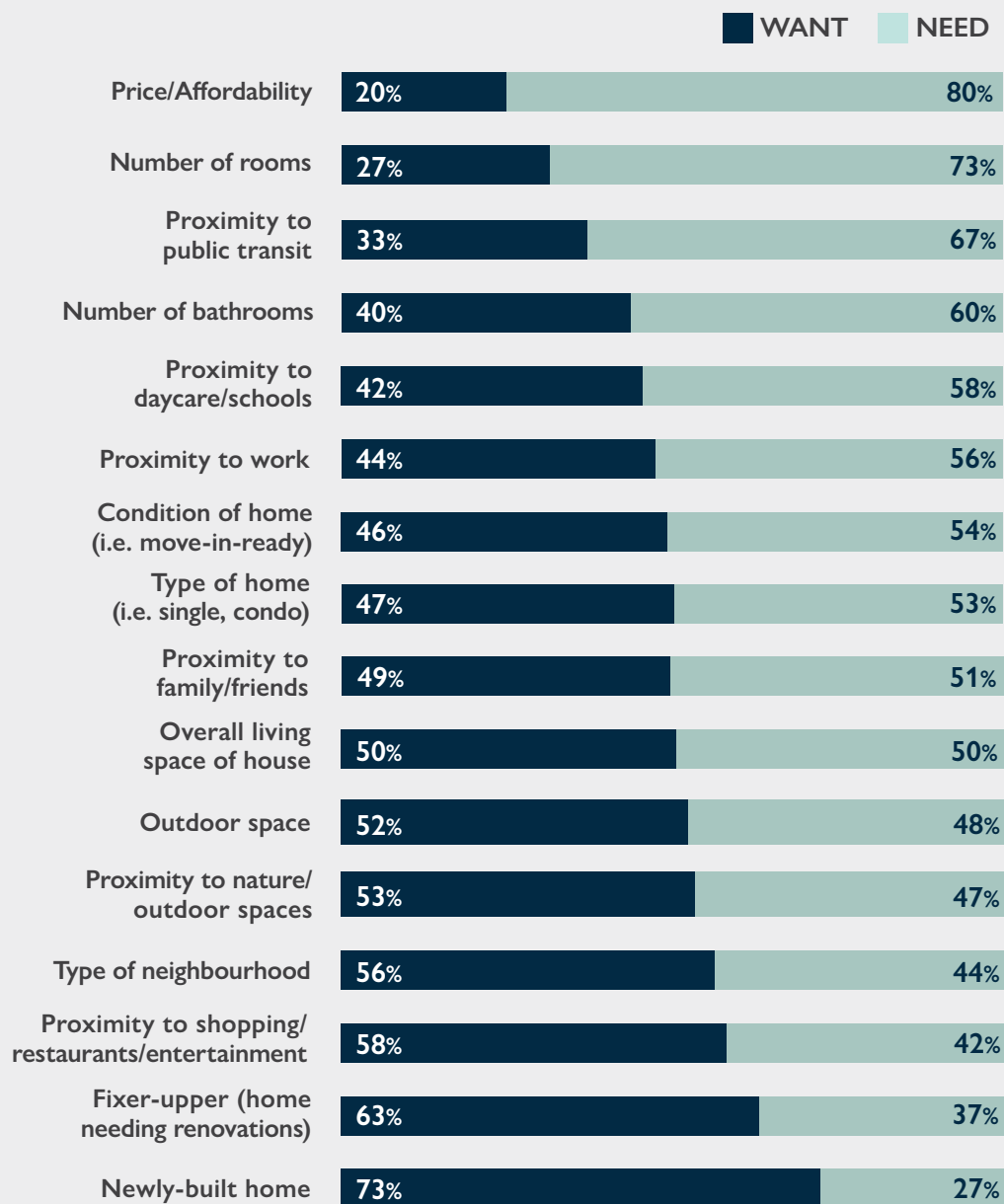
- buying a brand new home
- looking for a fixer-upper
- proximity to shopping, restaurants and entertainment

There was a significant decrease in the percentage of buyers who listed a **move-in-ready** home as their most important “want.” Only 6% of homebuyers wanted a turnkey house in 2019. That’s **barely half** of the 11% of buyers who were looking for a move-in ready home in 2018.

It’s also notable that most homebuyers said the **type of neighbourhood** was more of a “want” (56% of buyers) than a “need” (44%).

“About 8 out of 10 buyers agree that their current home meets their needs.”

“WANTS” VS. “NEEDS”





Finding answers: where Canadians get information about buying a home

Nearly half (47%) of all homebuyers **used both online and offline resources to gather information** about mortgages or buying a home. The other half divided almost equally between those who used only online sources (30%) and those who did all their research offline (23%).

The most frequently consulted online sources were the websites of mortgage brokers (21% of buyers) and lenders (45%). Many buyers also went online to compare interest rates (87%) or use a mortgage calculator (82%).

The use of social media to gather information was surprisingly limited – 68% of buyers didn't rely on any social media platforms when doing their research.

On average, half of buyers contacted both mortgage lenders and brokers to learn about mortgage options. Most buyers contacted up to 3 lenders and 2 mortgage brokers for information or advice.

TREND ANALYSIS: WHERE DO HOMEBUYERS GATHER THEIR INFORMATION?



22% | **36%**
2018 | **2019**

Significant increase
in use of **real estate
listing websites**



66% | **45%**
2018 | **2019**

Significant decrease
in the use of **lender
websites**



ONLY 1/3
of buyers (29%) used
social media to gather
mortgage-related
information

Markets on the move: rising uncertainty

While buyers might have had a variety of attitudes this year in terms of their wants, needs and sources of information, what many of them shared was a clear **increase in uncertainty about the homebuying process**.

For nearly half (47%) of all homebuyers, the main causes of concern were:

- unforeseen housing costs
- living with home expenditures
- paying too much for a home

In all, **42% of 2019 buyers said they felt concerned or were uncertain** about the process of buying a home. This is a noticeable jump over the 37% of buyers who said the same in 2018.

Perhaps because of this uncertainty, **78% of buyers interacted with a real estate agent** to help guide them through the process. That's a significant increase over the 61% of buyers who used an agent in 2018.

There was a strong **increase in buyers' perceptions of the value of working with a real estate agent**. The percentage of homebuyers who recognized the value of using an agent rose from 28% in 2018 to 35% this year. Some of the key reasons buyers highlighted for this trend were an appreciation for the advice they received from their agent and their agent's attentiveness to their specific needs.

More than **82% of all buyers also interacted with a lawyer** in 2019, compared to 53% of buyers the previous year. That's an increase of more than 50% in a single year.



“2019 saw a strong increase in buyers’ perceptions of the value of working with a real estate agent, rising from 28% of buyers in 2018 to 35% of homebuyers this year.”

REFERRALS AND RECOMMENDATIONS



ONE THIRD OF BUYERS received recommendations to use **mortgage lenders (33%), mortgage brokers (33%)** and **real estate agents (35%)**

23%

of buyers received recommendations for **mortgage lenders** from their family members

32%

of buyers received recommendations for **real estate agents** from their family members

34%

of buyers received recommendations for **mortgage brokers** from real estate agents

INTERACTION WITH DIFFERENT PEOPLE





The cost of homeownership: keeping an eye on the bottom line

One of the biggest stories of 2019 was the dramatic **decrease in the number of homebuyers who chose to spend the maximum amount they could afford** on their home. This suggests that many Canadians may be shying away from the “house-rich, cash-poor” approach of past years.

In 2018, 78% of homebuyer – that’s **more than 3 out of every 4 buyers** – bought the highest-priced home they could afford. In 2019, that number fell to just 60%. Only 18% of all Canadians who bought a home last year spent less than they could have afforded.

Nearly one third of buyers spent \$300,000 to \$499,000 on their home purchase in 2019. Only around 1 in 5 buyers spent more than \$500,000.

On average, buyers were equally divided between the **3 down payment categories**: more than 20%, 20% and less than 20%. Half of the buyers who put down less than 20% cited a **lack of funds** as the main reason (53%). This was followed by a desire to keep some of their funds for **other expenses** (27%) and wanting to be **comfortable at their current debt level** (14%).

One third of the buyers (30%) who put down 20% or more said they did so to **avoid paying mortgage loan insurance**. Others wanted to **reduce the amount of interest they had to pay** (28%) and **pay down their mortgage** as soon as possible (26%).

“One of the biggest stories of 2019 was the dramatic decrease in the number of homebuyers who spent the maximum amount they could afford.”

Approximately 1 in 5 buyers **took less than 2 years to save for their down payment**. Nearly half (47%) of all buyers received advice on the amount of their down payment. Further, 45% of buyers turned to a mortgage lender for advice, followed by family members (33%) and mortgage brokers (29%).

Buyers were also savvier about preparing for **unexpected or “hidden costs.”** More than half (56%) of homebuyers discussed the possibility of unexpected costs with their mortgage professionals in 2019, compared to just 48% in 2018.

A third (33%) of all buyers surveyed also ended up having to pay some of those costs this year, compared to just 25% of buyers in 2018. This included expenses like home repairs, legal fees and adjustments.

BY THE NUMBERS: SAVING VS. SPENDING



Equity from **previous home** and **savings outside of a Registered Retirement Savings Plan (RRSP)** are the main down payment sources



INCREASE

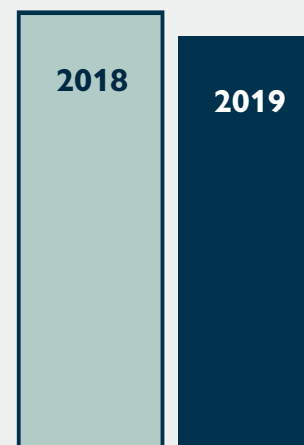
- Increase in % of buyers with a **less than 20% down payment** (33% in 2019 compared to 26% in 2018)
- Increase in % of buyers who **didn't have enough saved for a larger down payment** (53% in 2019 vs. 49% in 2018)



ONE IN FOUR buyers (24%) in 2019 were involved in a bidding war

55% of homebuyers paid what they had planned in **2018**

52% of homebuyers paid what they had planned in **2019**



DECREASE

in % of buyers **saving funds for other expenses** (27% in 2019 compared to 34% in 2018)

Changing the rules: the mortgage qualification “stress test”

This was also more than a full year since the **new federal mortgage qualification rules, or “stress test,” came into effect**. The majority (59%) of homebuyers surveyed were aware of the new rules. Among all buyers aware and not aware of the new rules, more than three-quarters (76%) said the changes had little or no impact on their decision to buy a home. This number is down slightly from 80% in 2018, but still represents a healthy majority of homebuyers.

Most of those buyers impacted by the new rules were **still able to buy a home by making other compromises**. This included things like buying a smaller (52%) or less expensive home (61%), cutting back on other expenses (60%), or dipping deeper into their savings (59%) to come up with a larger down payment.

Interestingly, nearly 2 out of every 3 respondents (65% of all the homebuyers surveyed) felt the new “Stress Test” rules would help keep more Canadians from taking on a mortgage they can’t afford in the future.

“65% of homebuyers felt the new “stress test” rules would help keep more Canadians from taking on a mortgage they can’t afford.”

THE “STRESS TEST” EFFECT

59% of homebuyers were **aware of the latest mortgage qualification rules “stress test”** (compared to 52% in 2018)

76% said the new rules had **no impact on their decision** to buy a home

60% reduced their other **non-essential expenses** (compared to 56% in 2018)

59% **dipped into their savings** to increase their down payment (compared to 44% in 2018)

61% of homebuyers who were impacted by the stress test reacted by **purchasing a smaller or less expensive home** (compared to 47% in 2018)



Mortgages 101: interest rates and buyer optimism

Mortgage rates were up in 2019. Consumer optimism was also on the rise. More buyers were betting that interest rates wouldn't rise again anytime soon.

In 2019, for example, 43% of buyers negotiated a mortgage with an interest rate between 3% to 3.499%. In 2018, 32% paid between 2.5% to 2.999%. When asked about the future, **32% of buyers in 2019 said they don't expect interest rates to rise next year.** This number is considerably higher in comparison to the 20% of buyers who made the same prediction in 2018.

Nearly half of 2019 buyers (47%) **used a mortgage broker** to negotiate their mortgage, a slight increase from 45% in 2018. Of those who arranged a mortgage through a financial institution (lender), about half (45%) worked with a mortgage specialist at their bank, up significantly from 37% in 2018.

Currently, nearly 7 in 10 buyers in Canada have a **fixed mortgage rate**. More than 6 in 10 buyers chose **5 years as the renewal term** for their mortgage but half of all buyers surveyed said they would consider a **longer renewal term**. Over 30% would pay up to 1% higher, if the option was available to them. Half of current buyers have an **amortization period** of 25 years, but 7 in 10 said they would have preferred a longer amortization.

Similar to 2018, the majority of buyers this year (76%) obtained a **mortgage only** – as opposed to a home equity line of credit (HELOC) (5%) or a combination of a mortgage loan and a HELOC (17%). Nearly half (46%) of the buyers purchased mortgage insurance.

Fewer buyers were aware that they could **include renovation costs as part of their mortgage**. In total, just 63% of homebuyers said they were aware of this option in 2019. That's down slightly from 69% in 2018.

HELOCS* VS. TRADITIONAL MORTGAGES



More buyers are obtaining a HELOC due to a **recommendation by their bank, lawyer or broker** (26% in 2019 vs. 11% in 2018)

Less buyers are obtaining a HELOC to have **more control** over the amount borrowed (24% in 2019 vs. 44% in 2018)



56% | **48%**
2018 | **2019**

Decrease in buyers planning to use their HELOC as a **safety or emergency fund**



43% | **37%**
2018 | **2019**

Decrease in buyers planning to use their HELOC for **home improvements**

*HELOC (home equity line of credit) is a type of loan where you can borrow up to a pre-determined limit any time you like. You can borrow money, pay it back and borrow it again without needing to get a new loan.

Cutting costs: mortgages and consumer debt

Consumer debt continues to be a significant challenge in nearly every part of the country. The impact of those debts also continued to spill over into the mortgage markets.

In total, around **23% of homebuyers in 2019 said their current level of debt is higher** than they were expecting. This number is up from 19% of buyers in 2018.

In addition, 59% of buyers reduced their non-essential expenditures since owning a home. Among those, the most common area where they chose to cut back was on entertainment (66%), vacations (55%) and food (44%). About a quarter of the homebuyers surveyed (26%) applied for a tax credit or rebate with their purchase.

On average, 1 in 5 buyers listed car loans and groceries as their biggest monthly expenses (after their mortgage). Surprisingly, **a third (33%) of all buyers said they did not have a monthly budget** in place before they bought their home. Nearly two thirds incorporated a financial buffer to plan for the future.

A third (33%) of all buyers did not have a monthly budget in place before they bought their home. More than two thirds (69%) operate on a monthly budget as a homeowner.

PAYING THE BILLS



Among those having difficulties maintaining the schedule of payments for some of their existing debt obligations since starting their mortgage, more than half (53%) said these difficulties are **related to their current mortgage, unexpected spending related to their home purchase (45%), a decrease in household income (34%), and credit cards debts (73%).**

86% of buyers in 2019 **didn't have difficulty** maintaining the schedule of payments for some of their existing debt obligations since starting their mortgage

46% Nearly half of homebuyers make **monthly mortgage payments**

32% About one third of buyers make **higher mortgage payments** than the minimum amount required

Why buy: homebuyer attitudes and behaviours

The vast majority of homebuyers in 2019 had a **positive attitude towards the idea of buying a home.**

Close to **9 out of 10 buyers were “happy” (47%) or “excited” (39%)** about buying a home. However, 34% of buyers surveyed also said that buying a home made them feel “stressed.” Another 10% said the whole process left them feeling “frustrated.”

A total of 87% of the buyers surveyed were **confident in the long-term financial prospects of homeownership**, and their future ability to make their mortgage payments. Other signs of steady consumer confidence in Canada’s housing markets included:

- 32% of buyers are paying more than their minimum mortgage payments
- most buyers were consistent in their monthly budgets both before and after buying a home
- most homebuyers (61%) set aside a “buffer” for possible higher expenses in the future

More than 6-in-10 homebuyers (63%) **plan to renovate in the next 5 years.** Similar to last year, the top reason is to customize the home to meet their needs and preferences (56%). The expected renovation cost is approximately \$18,000. The majority plan to finance their renovations from savings.

CONSUMER SENTIMENT ABOUT HOMEOWNERSHIP



47%
HAPPY



39%
EXCITED



34%
STRESSED



30%
OPTIMISTIC



29%
CONFIDENT



28%
ANXIOUS



12%
NEUTRAL



10%
FRUSTRATED



9%
FEARFUL

The homebuyer experience: mortgage lenders and brokers

Most homebuyers were generally satisfied with their experience with their lender or mortgage broker. Many also said they would recommend their real estate professional to friends and family members, or use them again the next time they bought a home.

For **buyers who got their mortgage through a lender, roughly 79% were satisfied with their choice of lender.** Close to 71% said they would likely use the same lender again for their next mortgage transaction. The most common reasons buyers gave for choosing a lender were the interest rate offered (80% of buyers) and the level of service they received (80%).

Results from this year's survey show that lender loyalty among first-time buyers has increased slightly at 54% compared to 52% one year ago. Loyalty among repeat buyers has decreased slightly at 72% compared to 75% in 2018. On average, buyers in the 35-44 age group tended to be the least loyal. The main reasons buyers gave for switching or staying with their lender were to get a better interest rate.

Buyers who used a mortgage broker, on the other hand, said they did so either to get a better interest rate (61% of buyers), to save time (52%), or because of the advice (50%) they received.

A total of 77% of buyers who used a broker said their **mortgage broker gave them advice** on rates and terms. Seventy-five percent said they were offered advice on choosing a mortgage they could afford.

Most of the buyers surveyed were **satisfied with their brokers** and/or would likely recommend them to others (76% and 69% respectively).

Nearly three quarters (73%) of buyers agree it is important to **discuss face-to-face** with their mortgage professionals. However, half would feel comfortable using **more technology** to arrange their next mortgage transaction (i.e. their mortgage renewal). There is a significant decrease in the comfort level of managing the entire homebuying process and mortgage transaction without having to meet with a mortgage professional (38% in 2019 compared to 45% in 2018).

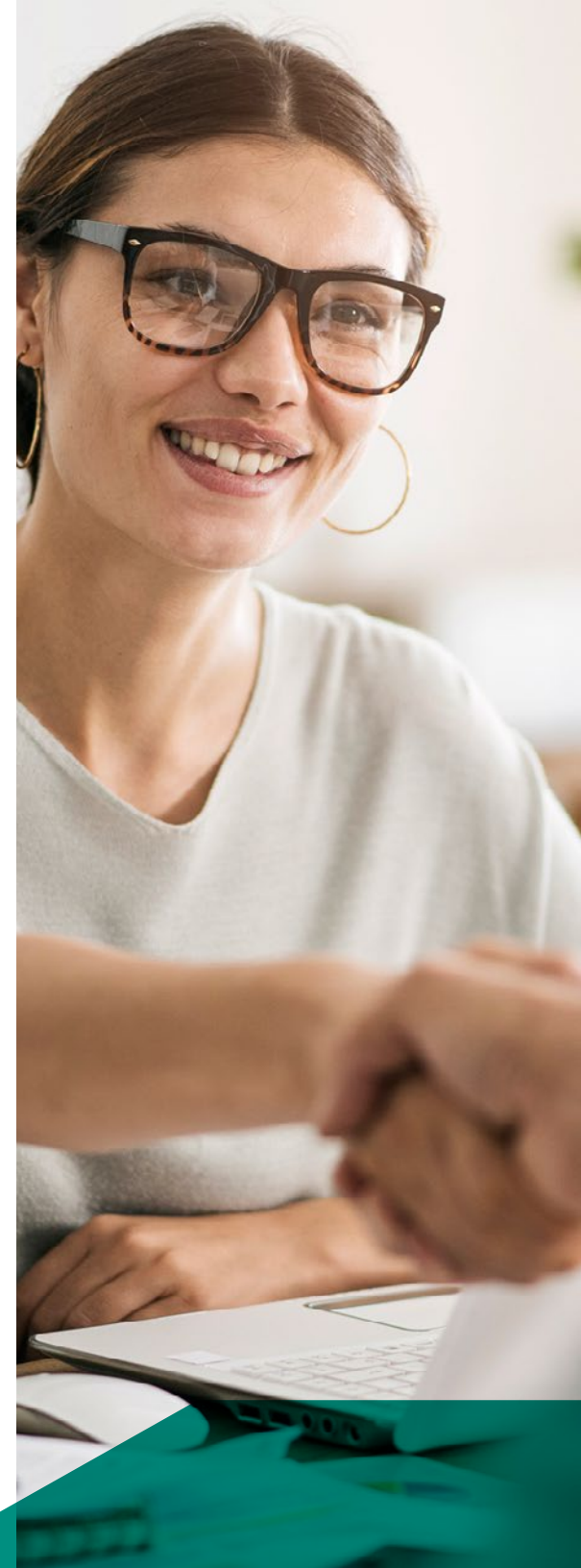


46%

Almost half of the buyers said their **brokers followed up with them** after they bought their home.

35%

Only about a third of all the homebuyers surveyed were **contacted by their mortgage lender** after their transaction was completed.





OTHER FINANCIAL PRODUCTS



LENDERS

The percentage of buyers who were offered other financial products by their lenders decreased from **46%** in 2018 to **34%** in 2019

MORTGAGE BROKERS

The percentage of buyers who were offered other financial products by their brokers decreased from **47%** in 2018 to **27%** in 2019



LENDERS

More than three-quarters of buyers (77%) were offered **mortgage life insurance**

MORTGAGE BROKERS

80% of buyers were offered **mortgage life insurance**



LENDERS

Two-thirds (67%) of buyers were offered a **line of credit**

MORTGAGE BROKERS

More than half of buyers (53%) were offered a **line of credit**

By the Numbers: Mortgage Renewals and Refinancing in 2019

Although this year's survey focused on first-time homebuyers, a number of mortgage renewers and refinancers were also surveyed on select aspects of the mortgage transaction to better understand their thoughts, attitudes and behaviours.

RENEWALS



78% of people who renewed their mortgage through a lender in 2019 were satisfied with their overall experience



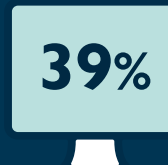
54% of renewers who used a lender did so because they had received excellent service



83% of people who renewed their mortgage through a broker in 2019 were **satisfied** with their overall experience



67% of renewers who used a mortgage broker did so because they wanted to get the **best rate or deal**



39% of renewers researched information both online and offline in 2019, compared to 42% in 2018



only 36% of renewers used social media to get mortgage advice in 2019 (down from 39% in 2018)

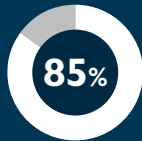
REFINANCING

78%

of people who refinanced their mortgage through a lender in 2019 were satisfied with their overall experience

54%

of refinancers who used a lender did so because they had received excellent service



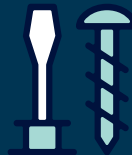
of people who refinanced their mortgage through a broker in 2019 were **satisfied** with their overall experience



69% of refinancers who used a mortgage broker did so to get the **best mortgage rate or deal**

PLAN TO RENOVATE

61% of refinancers survey in 2019 indicated they were currently **renovating their home**, compared to only 23% in 2018



FIRST-TIME vs. REPEAT

52% of refinancers in 2019 said it was their first time refinancing



TOP REASONS FOR REFINANCING

reconcile debt (34%);
fund home improvements (27%)

NO. OF YEARS SINCE PURCHASE OF CURRENT HOME

55% refinanced their home more than 10 years after their purchase



CMHC Helps Canadians Meet Their Housing Needs

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