



MORTGAGE
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Rapidly Evolving Expectations in the Housing Market

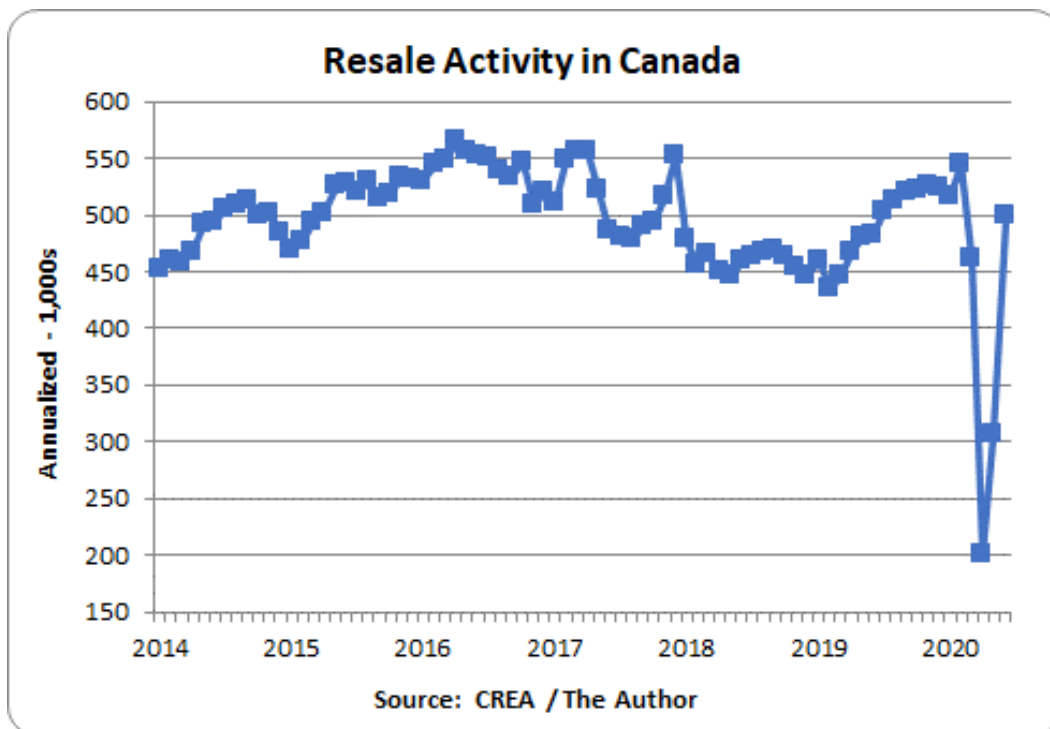
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1.0 Introduction

The COVID-19 emergency has resulted in extremely volatile shifts in the housing market. As can be seen in the chart below, resale market activity as reported by the Canadian Real Estate Association (CREA) fell very sharply in April, to an annualized rate of 200,000. It recovered somewhat during May (307,000) and then more substantially in June (500,000). For the entire second quarter of this year, sales occurred at an annualized average rate of about 335,000. By contrast, looking at sales over the past 20 years, and then making an adjustment for population growth, the long-term average sales rate is about 525,000. For the entire second quarter, sales were 37 percent below this population-adjusted average. For the month of June, the sales rate of 500,000 was five percent below average.



One of the reasons we look at economic trends is that, most of the time, the recent past gives us reasonably reliable clues about what might happen in the near future. That is not the case in these extremely abnormal times: For each month since February, the newly released data on sales has failed very badly at foretelling what was to happen in the following month. At this point, it is impossible to confidently develop any forecasts for the housing market because of extreme uncertainty about the key factors that will drive consumer decisions.

Through this report and future updates, Mortgage Professionals Canada is attempting to create some new data that will assist in tracking shifts in Canadians' expectations about the housing market. Given the current difficulty in predicting market outcomes, we will instead monitor the evolving market circumstances with these reports. This report will be the first in a series of four

that will survey Canadians in six-week increments and interpret their responses with available sales data, to measure the impact of the COVID-19 crisis on the general sentiment toward homeownership in Canada.

This report uses data from a survey of 1,046 Canadians, conducted between June 29 and July 13.

Our prior consumer surveys have usually looked broadly at the population. In this survey, we have chosen to focus on two groups within the population: non-home-owners who think that they might buy a home during the coming three years, and mortgage holders (who, depending on their situations, might have difficulty making their payments during this emergency period).

Because of the narrow sample used here, readers should be aware that none of the findings apply to the entire population—they are specific to the two groups that were surveyed. For this reason, readers should not compare this data with our prior research. Where possible, we are contrasting these new estimates with prior data for the same population subsets.

This report has four major sections that illuminate consumer opinions and expectations.

How COVID-19 has affected employment and incomes

Within the population that we surveyed, the data indicates that just over one-half (54 percent) have not experienced a reduction in their income as a result of COVID-19. About one-fifth (21 percent) have seen a reduction in their income (because they have been laid-off or their job is paying less) and 16 percent indicated that they weren't working previously. A further nine percent indicated that they have experienced some other impact.

Expectations about buying homes

We were surprised by responses that show higher expectations about buying homes in the near future: Among non-homeowners, the expectation of buying in the next year has doubled, from seven percent at the end of last year to the current 14 percent. There has also been a rise in expectations about buying for people who already own their home.

As discussed in the body of this report, these heightened expectations could reflect the sharp reductions in mortgage interest rates, as well as desires to move to situations where social distancing is easier. But, as is also discussed, an increased desire to buy homes won't necessarily result in more actual purchases.

Regardless, the survey data indicates that—so far, at least—the increased desire to buy homes is only partially due to COVID-19.

Attitudes and expectations on topics related to housing markets and mortgages

For a decade, our consumer surveys have investigated opinions on some housing-related and mortgage-related issues. The new data indicates that, in general, opinions have not become more negative during this emergency period:

- Mortgage holders are actually showing reduced levels of regret about their mortgages.
- Homeowners have not become more worried about their ability to weather a downturn in the housing market. However, they show a small reduction in confidence about the impact of higher interest rates.
- There is still a high degree of confidence that real estate is a good long-term investment.
- There has been a very small reduction in the opinion that mortgages are “good debt.”
- Not surprisingly, there has been a downshift in confidence about the economic outlook. However, it might be surprising that the degree of confidence is almost exactly at the neutral level.
- There is now more confidence that this is a good time to buy a home or condominium.
- There has been a big downshift in expectations about growth of house prices, but the average score given is still above the neutral level, meaning that there are expectations that prices will continue to rise, just not as rapidly as in the past.
- Concerning interest rates: Every time we have asked, the responses have shown an expectation that rates will rise. This time is not an exception, although this new data indicates that the expected amount of increase might be the smallest we’ve ever seen.
- Canadians continue to see homeownership as primarily a place to live, and secondarily as an investment. In the COVID-19 period, the opinion has not budged: Homeownership is 75 percent about the housing and 25 percent about the “investment” aspect.
- Very few Canadians regret becoming homeowners, and that opinion has not changed.

Opinions about the mortgage deferral program

A large majority of mortgage holders (72 percent) expect that they will have “no difficulty” making their payments, and a further 23 percent expect “some difficulty.” This leaves five percent who expect a higher degree of difficulty.

Opinions about the mortgage deferral program are mixed.

- The share of mortgage holders who see the program as supportive (54 percent) is almost double the share who believe it takes advantage of consumers (28 percent). Very few (just three percent) believe that the program should not be allowed.
- The survey asked for opinions about what is motivating the banks to allow deferrals, from a list of five options. Slightly more than one-half (54percent) selected one of the altruistic motives and 29 percent chose the selfish motive. Seventeen percent agreed that banks are only doing what the government wanted them to do.

As stated, our intention is to conduct the same survey three more times, in six-week increments, to track any changes in sentiment toward the market, the deferral programs and homeownership as a good idea. It will be interesting to see how consumer attitudes may change with the competing pressures of the evolving pandemic emergency, economies reopening and mortgage deferral programs expiring.

About Mortgage Professionals Canada

Mortgage Professionals Canada (MPC) is the national mortgage industry association representing over 12,000 individuals and 1,000 companies, including mortgage brokerages, lenders, insurers and industry service providers. Our members make up the largest and most respected network of mortgage professionals in Canada. MPC represents members' interests to government, regulators, media and consumers. Together with our members, the association is dedicated to maintaining a high standard of industry ethics, consumer protection and best practices.

The association ensures an effective and efficient mortgage marketplace by:

- Promoting consumer awareness of the benefits of dealing with the mortgage broker channel.
- Advocating for member interests on legislative and regulatory issues.
- Developing, monitoring and promoting responsible mortgage industry standards and conduct.
- Providing timely and relevant information to members and mortgage consumers.

About the Author

Will Dunning is an economist, and has specialized in the analysis and forecasting of housing markets since 1982. In addition to acting as the Chief Economist for Mortgage Professionals Canada, he operates an economic analysis consulting firm, Will Dunning Inc.

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. It builds 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.

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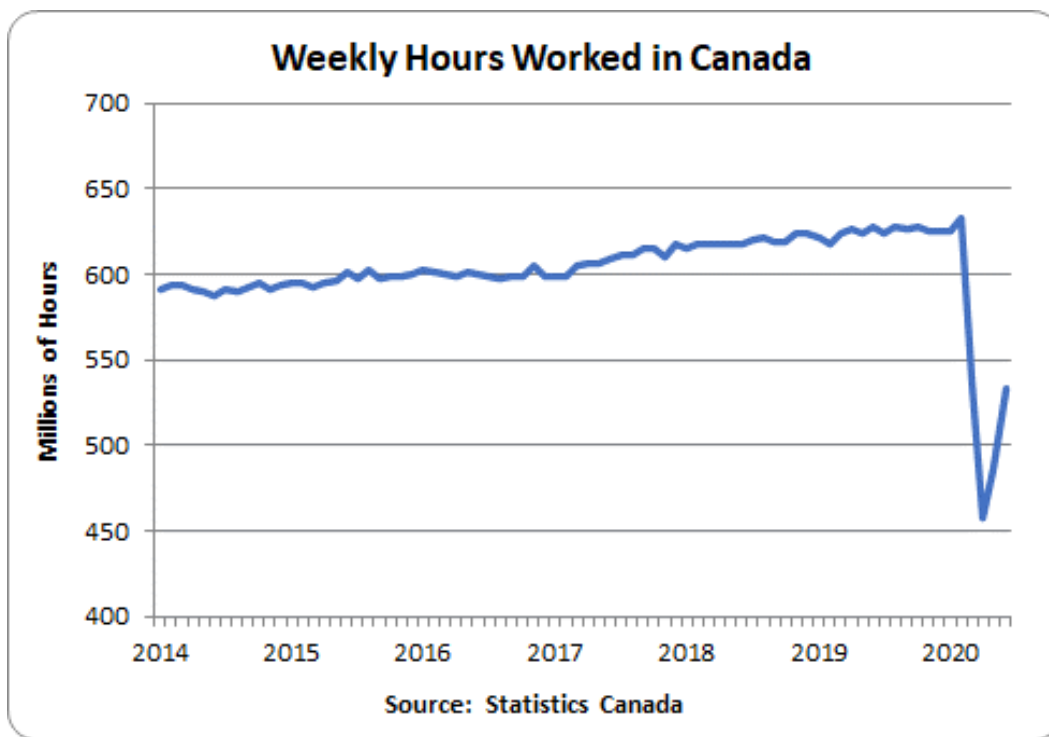
This report has been compiled using data and sources that are believed to be reliable. Mortgage Professionals Canada, Bond Brand Loyalty, Will Dunning, and Will Dunning Inc. accept no responsibility for any data or conclusions contained herein.

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.

2.0 Changing Employment Situations

The COVID-19 emergency has affected the Canadian economy very profoundly (although evolving data is showing signs of a developing recovery).

In terms of supporting housing demand (for both ownership and renting), the employment situation plays a key role. The employment situation can be portrayed using several different statistics. The chart below uses total hours worked in Canada, as estimated by Statistics Canada's monthly Labour Force Survey. According to these estimates, by April, total weekly hours worked were 28 percent lower than in February. By June, a partial recovery left total hours 16 percent lower than in February.



Our survey asked Canadians how their (and, if applicable, their partner's) "employment situation changed as a result of COVID-19." Nine options, plus an "Other" category, were provided. The table below summarizes the results for respondents plus their partners. At the bottom of the table, the response options have been collected into major groupings.¹

¹ Within the subtotals: "Similar (or more) income" combines "Earning a similar amount of money as before," "Was laid off, but I'm back working for the same money," and "Was laid off, but I'm back working for more money." "Impaired Income" includes five of the options, in order from "Working a similar amount, but for less money" to "Was laid off, but I'm back working for less money."

These survey responses indicate that homeowners have been affected less severely than renters and others (people who don't own or rent, such as living with parents). Among owners, more than one-half are earning the same or more than previously. For the two groups of non-owners, less than one-half are earning the same or more.

*Table 2-1
Changes in Employment Situations Due to COVID-19*

<i>Change</i>	<i>Owners</i>	<i>Renters</i>	<i>Others</i>	<i>Total</i>
Was not working before COVID-19	16%	15%	8%	16%
Earning a similar amount of money as before	55%	40%	42%	51%
Working a similar amount, but for less money	4%	5%	3%	4%
Working less hours now, and making less money	8%	8%	4%	8%
Laid off temporarily	6%	7%	9%	7%
Laid off permanently	1%	3%	5%	2%
Was laid off, but I'm back working for less money	1%	2%	2%	1%
Was laid off, but I'm back working for the same money	1%	7%	3%	3%
Was laid off, but I'm back working for more money	0%	1%	0%	1%
Other	7%	11%	25%	9%
Subtotals				
Similar (or more) income	57%	48%	45%	54%
Impaired Income	20%	26%	22%	21%
Not Working Before COVID-19	16%	15%	8%	16%
Other	7%	11%	25%	9%
Total	100%	100%	100%	100%
Source: Mortgage Professionals Canada survey, Mid-year 2020; estimates by the author.				

This survey data is broadly consistent with other research that has been published on changes in the employment situation, which shows that employment impacts have been worst for the groups that typically rent (younger ages and for people who work in industries that have low wages).

3.0 *Expectations About Home Buying*

This survey has investigated expectations about home buying.

The new data indicate that there has been an increase in the percentage of Canadians who expect to buy a home in the coming year (the first row of data in the next table) and in the following two years (the second row).

The data for the new survey indicates that there has been a doubling in the percentage of non-owners who expect to buy a home in the coming year (from seven percent in the two prior surveys to 14 percent). Similarly, there has been a large drop in the percentage who expect to never buy a home (the third-last row of data).²

The data also shows an increase in the share of owners (who have mortgages) who expect to buy, either by selling their current home and buying a new one, or buying an additional property.

Interpreting the new data is challenging.

- It is possible that the evolving emergency has caused more non-owners to decide that they want to buy homes (for example, to move out of an apartment building, where social distancing is challenging, to a lower-density environment).
- At the same time, lower interest rates are making ownership more affordable.
- We also need to bear in mind that not everyone who expects to buy has realistic prospects of actually buying. Also, some people, when they research their options, may decide not to buy. Or, they might discover that because of the mortgage stress tests, they would be unable to obtain the financing they would require.
- Therefore, not all of these people who expect to buy homes will actually buy within the timeframes that they have indicated.
- Furthermore, this is data from a sample survey, and these surveys occasionally produce outliers, or inaccurate estimates.
- While it isn't clear how we should interpret these estimates from our new survey, it might become very interesting to watch how the data evolves in future.

² In this new survey, our final dataset includes non-homeowners only if they expect to buy during the coming five years. But, in conducting the survey we did contact a broader sample of non-owners, in order to ask them if they expect to buy (those non-owners who do not expect to buy within the next five years were then removed from the rest of the survey). The data shown in this table for non-owners is based on all of the non-owners who were asked this screening question.

Table 3-1
Consumer Responses on Expectations of Buying a Home,
By Date of Survey

<i>Period of Expected Purchase</i>	<i>Non-Owners</i>			<i>Homeowners (with Mortgages)</i>		
	<i>Fall 2018</i>	<i>Year end 2019</i>	<i>Mid-year 2020</i>	<i>Fall 2018</i>	<i>Year end 2019</i>	<i>Mid-year 2020</i>
In the next year	7%	7%	14%	8%	7%	9%
In the next 2 years	16%	19%	23%	10%	11%	14%
In the next 5 years	27%	22%	27%	23%	25%	23%
In the next 10 years	19%	15%	15%	16%	15%	15%
Sometime after the next 10 years	7%	6%	7%	22%	20%	19%
Never	26%	32%	14%	20%	23%	19%
Total	100%	100%	100%	100%	100%	100%
Subtotal - Next 5 Years	49%	47%	64%	41%	43%	47%

Source: Mortgage Professionals Canada survey, Fall 2018, Year end 2019, and Mid-year 2020; estimates by the author.

People who indicated that they expect to buy within the next three years were asked “Which of the following is the main reason you are considering buying?” Seven options plus “Other” were provided. As shown in the next table, among homeowners the most common reason selected was “My current home is no longer suitable (i.e. size, location).” Among non-homeowners, the most common reason was “I want to live in a nicer home.” And for other people (who neither own nor rent, which usually means they live with parents) the most common reason was “Other.”

For people selecting “Other” as the response, there was an option to insert the reason. Among the non-owner/non-renter respondents (“Others”), the most common original responses related to wanting to leave the parental home. Among renters, the “Other” responses were mostly about not wanting to rent or wanting to own. For current homeowners, there was just a handful of “Other” responses.

*Table 3-2
Reasons for Wanting to Buy a Home, by Current Housing Tenure*

	Owners	Renters	Others
1. Low interest rates make this a good time to buy	10%	12%	12%
2. The current situation makes this a good time to get a deal	11%	14%	15%
3. My current home is no longer suitable (i.e. size, location)	38%	14%	12%
4. I want to live in a nicer home	13%	28%	16%
5. I want to live somewhere less expensive	9%	11%	4%
6. I can no longer afford my current home	3%	2%	0%
7. I want to be closer to friends and family	5%	3%	8%
Other	10%	17%	33%
Total	100%	100%	100%

Source: Mortgage Professionals Canada survey, Mid-year 2020; estimates by the author.

For those who indicated the reason was that the current home is no longer suitable, we asked about reasons the dwelling isn't suitable. People could select any (one or more) of the reasons, from a list of eight, plus "Other."

In the table below, the results are summarized in two ways. The first block (the first two columns of data) summarizes the responses as percentages of those who see their dwelling as unsuitable. The second block shows the responses as percentages of the total sample (of people who expect to move in the next three years).

In designing this part of the survey, we were wondering to what extent people found their current dwelling unsuitable for reasons related to COVID-19. That consideration resulted in some of the response options that were offered (especially the options that are numbered 1, 5, 6, and 7 in the next table). The responses suggest that, to this point, COVID-19 has had some effect on people's desire to move. The most substantive COVID-19-related reason is that 12 percent of owners who expect to move indicated that working at home more is resulting in a need for more space. For non-owners, this reason was indicated by only four percent of people who expected to buy. Combining responses, 20 percent of the homeowners who expected to buy indicated one or more of "suitability" reasons 1, 5, 6, or 7. Among the non-owners who expected to buy, just eight percent selected one or more of those reasons.

Another substantive response is that 12% of owners who expect to buy indicate an "Other" reason". Looking at the written-in responses, by far the most common "Other" reason is that changing family circumstances is causing a need for more space.

Table 3-3
Reasons Current Dwelling is Not Suitable

	As % of Not Suitable		As % of All Who Expect to Buy in Next 3 Years	
	Owners	Non-Owners	Owners	Non-Owners
1. Spending more time at home means I need more space	31%	33%	12%	4%
2. I don't need all of the space I have now	12%	10%	5%	1%
3. I need to be closer to where I work	6%	17%	2%	2%
4. I no longer need to be as close to where I work	6%	7%	2%	1%
5. I want to live somewhere where social distancing is easier (i.e. no elevators, less or no roommates, less crowded sidewalks and stores, etc.)	9%	7%	3%	1%
6. When quarantined, the property doesn't support my mental health or provide enough outdoor space (i.e., a garden, balcony, terrace, etc.)	15%	17%	6%	2%
7. The space isn't conducive to the inclusion of a dedicated work area and can't be or isn't easily modified	17%	24%	6%	3%
8. I want to rely less on public transit	6%	5%	2%	1%
Other	31%	29%	12%	4%
Subtotal – One or More of Reason 1, 5, 6, or 7	54%	60%	20%	8%

Source: Mortgage Professionals Canada survey, Year end 2019 and Mid-year 2020; estimates by the author.

The survey asked people who expect to buy a home at any time "What impact did COVID-19 have on this decision?" As is shown in the next table, among people who currently own their homes, three-quarters see their decision as unaffected by COVID-19. On the other hand, among non-owners, a large share indicate that they have to delay their home purchase. As was shown earlier, the impact of COVID-19 on employment and incomes has been worse for non-owners than for owners.

Table 3-4
Impact of COVID-19 on Expectations About Home Buying, by Current Housing Tenure

	Owners	Renters	Others
There was no impact	76%	37%	33%
I am planning to purchase sooner than I originally would have	7%	21%	16%
I had to delay my purchase	17%	43%	51%
Total	100%	100%	100%

Source: Mortgage Professionals Canada survey, Mid-year 2020; estimates by the author.
Note: Totals may not add to 100% due to rounding.

The survey also asked current homeowners about their plans to sell their current home. Not surprisingly, expectations about selling are very similar to their plans about buying. A follow-up question asked if COVID-19 has affected those plans. A large majority (80 percent) indicated there was no impact. Just six percent indicated that they were “planning to sell sooner than I originally would have,” and 14 percent said they were delaying the sale of their home.

Combining the responses to the various questions about buying and selling, there is a suggestion of a rise in purchases and a drop in listings. If this occurred, the result would be a tightening of the overall “balance” in the market, which would increase pressures for prices to rise. These survey responses, of course, are highly influenced by the circumstances that currently exist. The data does not necessarily provide any reliable predictions, because we will see further substantive shifts in conditions, and therefore in expectations and actions, by consumers. In particular, it might be that non-owners are currently overly optimistic about their prospects for buying homes.

Even more importantly, future decisions to buy and sell homes will be highly influenced by changing employment situations, by how much need there is for income supports and whether adequate supports can be provided. In addition, it will matter a great deal whether mortgage deferrals will be needed for longer than is currently anticipated and whether deferral periods can be extended if needed.

In short, a key issue for the evolution of the housing market is whether there will be large numbers of homeowners who are forced to sell their homes, or have their homes repossessed, due to economic hardship.

4.0 *Consumer Sentiment*

Attitudes to topical questions

This special report repeats a line of questioning that has been used since 2010, investigating attitudes on issues related to housing markets and mortgages. The survey respondents have been offered various statements and asked to indicate the extent to which they agree or disagree with each, on a 10-point scale. A response of 10 would indicate complete agreement and a response of one indicates complete disagreement. Average responses of 5.5 out of 10 would indicate neutrality.

As was discussed in the introduction, this edition of the survey has targeted two subsets of the population, rather than being structured as a “general population” sample. Therefore, the results found here should not be compared to prior surveys. However, to permit some comparisons, the first table below does include re-estimates, for the same subsets of the population, from the most recent prior survey (year end 2019).

The first subset of the population includes homeowners who have mortgages, or do not have a mortgage but do have other debts associated with the property (such as a Home Equity Line of Credit). The second subset includes tenants and people in other non-ownership situations (such as living with parents), who expect to buy a home within the next three years.

We are, of course, keenly interested to see whether the current results differ from the pre-COVID-19 results. These estimates indicate:

- There is moderately strong agreement that “low interest rates have meant that a lot of Canadians became homeowners over the past few years who should probably not be homeowners.” Among homeowners, there has been only a trivial change in the level of agreement with this statement. For the non-owners, there has been a sizable drop in agreement. Their average score of 6.44 out of 10 remains above the neutral figure of 5.5.
- On the other hand, and as we have seen in prior surveys, mortgage holders have low levels of regret about the size of mortgages they took on. And, the level of regret has fallen in this edition of the survey (from an average of 3.81 at the end of 2019 to the current 3.54).
- As we have commented in prior years, the combination of these two questions poses a paradox: On a collective basis, consumers believe their own choices have been responsible, but collectively they believe that other people are being irresponsible. This inconsistency suggests that these beliefs about “other people” are shaped by messages in the media and from pundits more than by actual behaviour.
- Canadians’ confidence about their ability to weather a downturn in the housing market (through reduced home prices) has not weakened. For the homeowners, the average score is unchanged (6.91 out of 10 for both periods). For non-owners, there was a small improvement, from 6.59 to 6.75.

- For a similar proposition “I/My family would be well positioned to handle a potential increase in mortgage interest rates,” the responses are slightly less positive, and have softened compared to the end of 2019. For homeowners the average response fell from 6.39 out of 10 to 6.11, which remains slightly above the neutral score of 5.5. For non-owners there was a larger drop, from 5.94 to 5.34, which is a shift from slightly above neutral to slightly below neutral.
- Canadians continue to agree strongly with the proposition that real estate is a good long-term investment, and at this point the scores have not fallen in the COVID-19 period. The average rating among homeowners was unchanged (at a quite high 7.45) and the score rose among non-owners (from 7.17 to 7.39).
- Unsurprisingly, the level of confidence about the economy has fallen, from slightly above neutral at the end of last year. But, it might be surprising that the average scores are very close to the neutral figure of 5.5.
- There is still substantial agreement that mortgages are “good debt.” The current figures show a fractional reduction compared to the end of last year.
- A new question in this edition of the survey asked about how COVID-19 has affected anxiety about finances. For homeowners, the impact has been less substantial (average rating of 5.12) than for non-owners (average of 6.25). The detailed data shows that 28 percent of the respondents have high levels of anxiety (scores of eight to 10). Among homeowners, 22 percent have high anxiety. For non-owners, the share of people with anxiety is much higher, at 40 percent. Similarly, among homeowners, 33 percent indicated that they have a low anxiety level (scores of one to three out of 10), but among non-owners just 20 percent indicated low levels of anxiety. Moderate levels of anxiety (scores of four to seven) were indicated by 44 percent of owners and 40 percent of non-owners.

Table 4-1
Summary of Responses to Topical Questions by Housing Tenure
(Average Scores on a Scale of 1 to 10)

	Homeowners		Non-Owners (Expect to Buy)	
	Year end 2019	Summer 2020	Year end 2019	Summer 2020
Low interest rates have meant that a lot of Canadians became homeowners over the past few years who should probably not be homeowners	6.62	6.65	6.89	6.44
I regret taking on the size of mortgage I did	3.81	3.54	NA	NA
I/My family would be well-positioned to weather a potential downturn in home prices	6.91	6.91	6.59	6.75
I/My family would be well positioned to handle a potential increase in mortgage interest rates	6.39	6.11	5.94	5.34
Real estate in Canada is a good long-term investment	7.45	7.45	7.17	7.39
I am optimistic about the economy in the coming 12 months	6.20	5.53	6.07	5.50
I would classify mortgages as “good debt”	7.40	7.31	6.90	6.81
As the result of COVID-19, I am anxious about my/my family’s financial situation over the next few months		5.12		6.25

Source: Mortgage Professionals Canada survey, Year end 2019 and Mid-year 2020; estimates by the author.

A second look at the survey data reviews the current responses, segmented by how COVID-19 has affected employment and incomes. For that purpose, the consumers' reported impacts have been combined into four groups:

- Similar or increased incomes (563 responses out of the total sample of 1,046).
- Impaired incomes: currently laid off or income is lower than previously (245 responses).
- Was not working before COVID-19 (148 responses).
- Response of "Other" impact (90).

The survey data indicates:

- For the first proposition (about the effects of low interest rates), there are only trivial differences of opinion.
- Levels of regret about sizes of mortgages are higher for those with impaired incomes than for the other groups (although the average level of regret is still well below the neutral score of 5.5).
- Similarly, those whose incomes have been impaired by COVID-19 are less confident about their ability to weather a downturn in home values (although the average score remains above the neutral figure of 5.5). Sentiments are weaker concerning ability to handle higher interest rates (at 5.32 for those with impaired incomes).
- Attitudes about real estate as a long-term investment are only slightly less positive for those with impaired incomes compared to those whose incomes have not been reduced.
- Expectations about the economic outlook are quite similar across the three groups.
- Attitudes about mortgages as "good debt" are slightly less positive for those with impaired incomes.
- As we should expect, anxiety about financial situations is considerably higher for those with impaired incomes. For those with impaired incomes, a large minority (44 percent) rates their level of anxiety as high (in the range of eight to 10 out of 10), just 13 percent rate their anxiety as low (one to three out of 10) and 42 percent indicate moderate anxiety (four to seven out of 10). For those with similar or higher incomes, 22 percent gave a high rating for their anxiety, 35 percent gave a low rating and 43 percent gave a moderate rating.

Table 4-2
Summary of Responses to Topical Questions by Change
in Employment Situation, Summer 2020
(Average Scores on a Scale of 1 to 10)

	<i>Similar (or More) Income</i>	<i>Impaired Income</i>	<i>Not Working Before COVID-19</i>	<i>Other</i>
Low interest rates have meant that a lot of Canadians became homeowners over the past few years who should probably not be homeowners	6.65	6.55	6.43	6.43
I regret taking on the size of mortgage I did	3.38	4.14	3.48	3.09
I/My family would be well-positioned to weather a potential downturn in home prices	7.10	6.32	6.80	7.00
I/My family would be well positioned to handle a potential increase in mortgage interest rates	6.26	5.32	5.61	5.46
Real estate in Canada is a good long-term investment	7.51	7.28	7.37	7.44
I am optimistic about the economy in the coming 12 months	5.54	5.40	5.64	5.73
I would classify mortgages as "good debt"	7.31	6.87	7.00	7.27
As the result of COVID-19, I am anxious about my/my family's financial situation over the next few months	4.96	6.79	5.06	5.66
Source: Mortgage Professionals Canada survey, Mid-year 2020; estimates by the author.				

Expectations

This edition of the survey repeated some of the prior questions about consumers' expectations. Again, the responses are given on a 10-point scale.

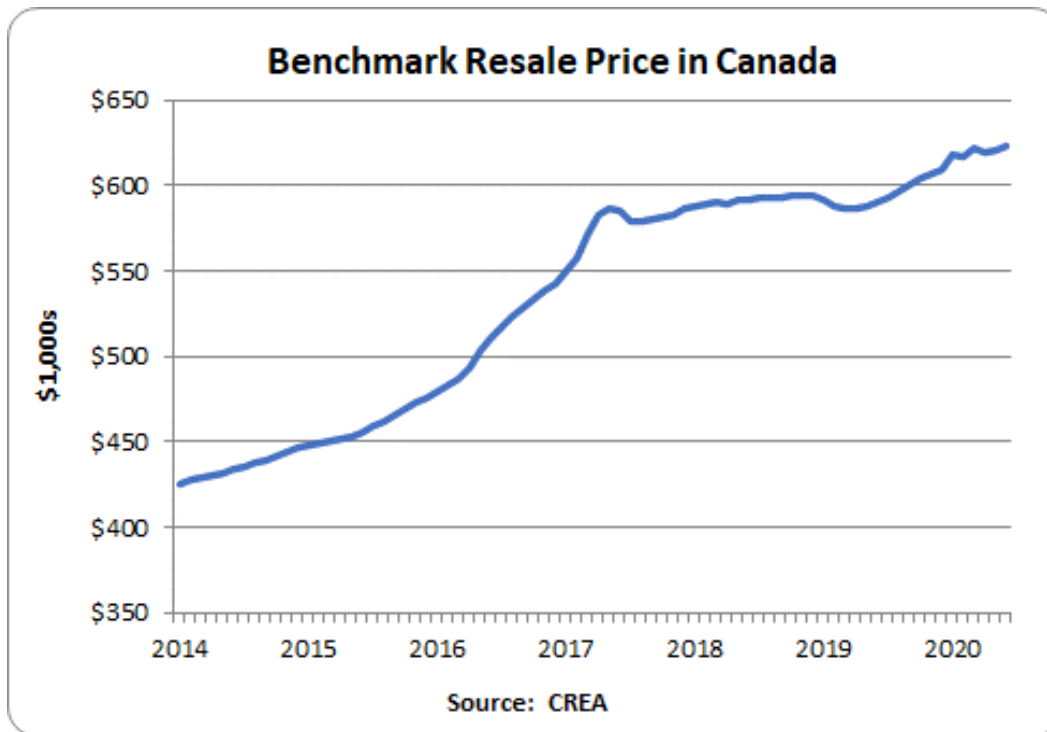
- For the question of whether this is a good time to buy a home or condominium in their own community, the new responses were more positive compared to year end 2019. For homeowners, there was a slight rise, but for non-owners who expect to buy, there was a large shift from a slightly-negative position (an average score of 5.23 at year end, which was below the 5.5 neutral score) to a relatively strong average of 6.28 in the new survey. For the latter group, we would expect that non-owners who expect to buy within the next three years would have positive opinions on whether this is a good time to buy. Therefore, the current average score of 6.28 for this group isn't surprising. What is perhaps surprising is that at year end opinions within this group were so low: In some areas of the country, market conditions were feverish late last year and early this year, which may have generated this slightly negative attitude.
- In this edition of the survey we added two slightly different questions.
- Concerning whether this is a good or bad time to **sell** a home, owners provided a slightly below-neutral average score of 5.41 and non-owners gave lower average score of 5.09.

- In response to whether this is a good time to **buy an investment property**, responses were just slightly above neutral for both owners (5.66) and non-owners (5.79).
- Expectations about growth of house prices have downshifted substantially, for both homeowners and non-owners who expect to buy. But, for both groups, the average scores remain above the neutral level of 5.5 (5.94 for owners and 6.20 for the non-owners who expect to buy).
- In terms of actual effects of COVID-19 on housing prices, the evolving data does not yet show any impact (as is illustrated in the chart on the next page, which uses estimates produced by the Canadian Real Estate Association). The sharp downshift in Canadians' expectations about price growth has no doubt been influenced by their own thoughts about the changing economic situation, and by media reports that show a very wide range of forecasts from economists.
- There has been a downshift in expectations about interest rates, although the average scores remain above the neutral level. In prior editions of the survey, it has been found that responses to this question always show an expectation of rising rates (the lowest average score in the prior editions was 6.16). As commented earlier, due to the sampling approach used in this edition of the survey, we shouldn't compare current results to prior surveys. That said, it appears quite likely that the average score in the current survey (5.92) might be the lowest ever recorded by this survey.

Table 4-3
Summary of Consumer Responses on Expectations by Housing Tenure
(Average Scores on a Scale of 1 to 10)

	<i>Homeowners</i>		<i>Non-Owners (Expect to Buy)</i>	
	<i>Year end 2019</i>	<i>Summer 2020</i>	<i>Year end 2019</i>	<i>Summer 2020</i>
Now is a good or bad time to buy a home/condominium in my community	5.82	6.05	5.23	6.28
Now is a good or bad time to <u>sell</u> a home/condominium in your community	NA	5.41	NA	5.09
Now is a good time to buy a home/condominium in your community <u>as an investment property</u>	NA	5.66	NA	5.79
Expectations for growth in housing prices in my community (the coming year)	6.71	5.94	6.93	6.20
Expectations for rise in mortgage interest rates (the coming year)	6.25	5.83	6.61	6.14

Source: Mortgage Professionals Canada survey, Year end 2019 and Mid-year 2020; estimates by the author.



Housing as an investment

These surveys have occasionally investigated to what extent people see their housing as a place to live versus as an investment. The respondents give two numbers (the percentage “place to live” and the percentage “investment,” and the two numbers must add to 100). At different times, this has been asked of varying subsets of the survey samples (sometimes all owners, sometimes mortgage holders only). This time, we asked the entire sample (although, once again, the reader should note that we used a targeted sample rather than a general population sample).

This new survey yielded the same result as the year end 2019 survey, finding that Canadians see their housing 75 percent as a place to live and 25 percent as an investment. I don’t know if there is a correct percentage, but this strikes me as a healthy attitude.³

Also, as has occurred in the past, analysis that looks at different groupings of the population found only very small statistical variations: This opinion that homeownership is 75 percent a place to live is consistent across the provinces, age groups of the population, for owners versus renters, for different levels of household incomes (and even looking at whether COVID-19 has affected employment situations). In particular, the responses are the same for people who expect to buy a

³ The first time we asked this question, homeowners replied that they saw their housing 70 percent as a place to live (and 30 percent as an investment). The “place to live” percentage has crept upward since then.

home in the next three years as for people who do not expect to buy. This data has hinted in the past and continues to hint that buying decisions (being made by people who will occupy the dwellings themselves) are not being excessively driven by an “investment motive” or a “speculative mindset.”

Happiness with decision to buy a home

Since the spring of 2014, homeowners have been asked whether they are happy with their decision to buy their home. This question once again finds a very high degree of satisfaction with purchase decisions. Three optional responses were available:

- By far, homeowners are happy with the decision to buy their home (the 90 percent figure for the recent survey is essentially the same as the year end figure of 91 percent).
- A very small minority (three percent) indicated that “I regret my decision—I wish I did not choose to own a home.”
- In addition, small percentages indicated “I regret my decision—I wish I had purchased a different home/property.”
- For the most recent buyers, satisfaction levels are the same as for all homeowners.

<i>Table 4-4 Happiness with Decision to Buy a Home, by Period of Purchase</i>				
<i>Survey Date</i>	<i>Year end 2019</i>		<i>Summer 2020</i>	
<i>Period of Purchase</i>	<i>2015-2019</i>	<i>All Periods</i>	<i>2015-2020</i>	<i>All Periods</i>
I am happy with my decision	90%	91%	90%	90%
I regret my decision—I wish I did not choose to own a home	4%	3%	3%	3%
I regret my decision—I wish I had purchased a different home/property	6%	6%	7%	8%
Total	100%	100%	100%	100%
Source: Mortgage Professionals Canada survey, Year end 2019 and Summer 2020; analysis by the author.				
Note: Totals may not add to 100% due to rounding.				

5.0 *The Mortgage Deferral Program*

In response to COVID-19, mortgage borrowers (with the agreement of their lender) may be able to defer their mortgage payments for up to six months, if they are facing financial difficulties. The missed payments and accrued interest would need to be made up later. The Canadian Bankers Association has reported that, based on data from 13 of its members as of June 30, 760,000 Canadians have deferred mortgages or skipped payments. This is about 16 percent of the mortgages in the banks' portfolios.⁴ The banks represent about three-quarters of outstanding residential mortgages in Canada. It is unknown how many deferrals have occurred at other lenders.

Our survey investigated consumer opinions about the mortgage deferral program. To start, we asked mortgage holders: "Thinking only of the impact of COVID-19, what level of difficulty do you expect to have in making your regular mortgage payments during the coming months?" As is shown in the table, a considerable majority (72 percent) of them expect no difficulty. In addition, a substantial minority expect "some difficulty." This leaves only five percent in much more challenging situations: expecting "a lot of difficulty" (four percent), "only be able to make partial or infrequent payments" (only one percent) or "not be able to make any payments" (extremely few). In this data, the most recent buyers do not expect any more difficulty than those who bought earlier.

We expect that in future editions of this survey we will be very highly interested in responses to this question.

<i>Table 5-1 Expected Difficulty in Making Mortgage Payments, By Period of Purchase</i>				
<i>Period of Purchase</i>	<i>Before 2010</i>	<i>2010- 2014</i>	<i>2015- 2020</i>	<i>All Periods</i>
I/we will have no problem making our regular payments.	68%	69%	77%	72%
I/we will make our regular payments, but there may be some difficulty	26%	25%	19%	23%
I/we will make our regular payments, with a lot of difficulty	4%	4%	4%	4%
I/we will only be able to make partial or infrequent payments	1%	1%	0%	1%
I/we will not be able to make any payments	0%	1%	0%	0%
Total	100%	100%	100%	100%
Source: Mortgage Professionals Canada survey, Summer 2020; analysis by the author. Note: Totals may not add to 100% due to rounding.				

⁴ Source: <https://cba.ca/canadian-banks-are-standing-by-canadians>

A different look at the responses found that for first-time buyers, expected difficulties are slightly greater than for repeat buyers.

<i>Table 5-2 Expected Difficulty in Making Mortgage Payments, First-Time versus Repeat Buyers</i>		
<i>Period of Purchase</i>	<i>First-Time Buyers</i>	<i>Repeat Buyers</i>
I/we will have no problem making our regular payments	68%	75%
I/we will make our regular payments, but there may be some difficulty	25%	21%
I/we will make our regular payments, with a lot of difficulty	5%	3%
I/we will only be able to make partial or infrequent payments	1%	0%
I/we will not be able to make any payments	0%	0%
Total	100%	100%
Source: Mortgage Professionals Canada survey, Summer 2020; analysis by the author. Note: Totals may not add to 100% due to rounding.		

Looking at these responses relative to how COVID-19 has affected employment situations, the next table shows that:

- For people who have similar or higher incomes than previously, a large majority (67 percent) expect no difficulty and a further 24 percent expect “some” difficulty. A smaller minority (nine percent) expect their difficulty may be worse than “some.”
- But, for people who whose incomes have been impaired to some degree, a lower share (just 24 percent) expect no difficulty, 54 percent expect some difficulty and a noteworthy minority (22 percent) expect greater difficulty.

Table 5-3
Expected Difficulty in Making Mortgage Payments,
By Impact of COVID-19 on Employment or Income

<i>Period of Purchase</i>	<i>Similar (or More) Income</i>	<i>Impaired Income</i>	<i>Not Working Before COVID-19</i>	<i>Other</i>
I/we will have no problem making our regular payments	67%	24%	57%	57%
I/we will make our regular payments, but there may be some difficulty	24%	54%	36%	28%
I/we will make our regular payments, with a lot of difficulty	7%	15%	3%	16%
I/we will only be able to make partial or infrequent payments	2%	5%	0%	0%
I/we will not be able to make any payments	0%	2%	4%	0%
Total	100%	100%	100%	100%

Source: Mortgage Professionals Canada survey, Summer 2020; analysis by the author.
Note: Totals may not add to 100% due to rounding.

According to the survey data, 80 percent of mortgage holders were aware of the mortgage deferral option “before today.”

Two questions investigated mortgage holders’ opinions about the deferral program.⁵

When asked “How do you feel about this program?” (Four response options were available.):

- 54 percent chose “this option provides support to consumers during a difficult period.”
- 28 percent chose “this option takes advantage of consumers when they are vulnerable.”
- 3 percent chose “this option should not be allowed.”
- 15 percent chose “don’t know or no opinion.”

We asked “Which of these statements best describes the motivation of banks for providing this option?” (Five optional responses were provided.) Responses were:

- 18 percent chose “the banks want to help people stay in their homes to support them, and to avoid market disruption.”
- 4 percent chose “the banks are making a financial sacrifice for the good of the country.”
- 32 percent chose “the banks are taking a short-term revenue loss instead of forcing defaults. This action protects both impacted Canadians and the banks’ own financial positions.”

⁵ For both questions, the response options were presented in random order.

- 29 percent chose “the banks are only thinking of themselves—they’re offering the options to make more profits on deferred interest.”
- 17 percent chose “the banks are only doing this because the government pressured them to do it.”

For mortgage holders who were aware of the option “before today,” the survey found that 17 percent considered taking advantage of the deferral option. Looking more closely at these responses, among those who expect “no problem” with their payments, nine percent considered the program. For those who expect “I/we will make our regular payments, but there may be some difficulty,” 34 percent considered taking advantage. Among the mortgage holders who expect high levels of difficulty, 65 percent considered the option.