

ROYAL BANK SURVEY: CANADIAN HOUSING MARKET REMAINS HEALTHY DESPITE SUDDEN WEAKNESS IN U.S. ECONOMY

One in four Canadians consider buying a new home in the next two years

TORONTO, February 8, 2001 — Declining mortgage rates and healthy consumer confidence appear to be behind the surprisingly strong home-buying intentions of Canadians, according to Royal Bank's 8th annual home ownership survey. Almost one in four Canadians (24 per cent) say they intend to buy a home in the next two years, an increase of four percentage points over last year's survey findings.

Of the 24 per cent who indicated an intention to buy, 13 per cent say they are very likely to make a home purchase in the next two years and 11 per cent feel they are somewhat likely.

This reverses a three-year trend decline reinforcing results of Royal Bank's 2000 Housing Affordability Index. Results from this report – which were released last week – suggested pent-up demand and healthy consumer confidence are pointing to respectable housing market prospects for 2001.

"The home ownership survey results are encouraging and seem to indicate Canadians are confident about their financial future despite the sudden weakness in the U.S. economy," said Paul Bimm, senior manager of residential mortgages at Royal Bank.

"Although we're not suggesting that all 'yes' respondents will in fact follow through with an actual purchase, the results nonetheless point to an upward trend in purchase behavior for 2001 and 2002."

A breakdown by age group suggests Canadians aged 18 - 34 are the most likely to go shopping for a new home: Specifically, 36 per cent say they are "very" or "somewhat" likely to buy over the next two years.

This is up slightly from last year's survey when 29 per cent of young Canadians said they were considering a home purchase.

In this year's survey, 18 - 34 year olds were followed by: 35 – 44 year olds (29 per cent); 45 – 54 year olds (19 per cent); and 55 years+ (nine per cent).

Regionally, home buying intentions appear to be strongest in Alberta where 34 per cent of respondents say they are either very likely or somewhat likely to buy a home over the next two years.

Results from the rest of the country suggest home buying intentions are next strongest in Ontario and British Columbia (28 per cent respectively), followed by Manitoba/Saskatchewan (24 per cent), the Atlantic region (16 per cent), and Quebec (15 per cent).

Tracking these regional results from last year shows that: Alberta is up four percentage points from 30 per cent; Ontario is up eight percentage points from 20 per cent; B.C. is up nine percentage points from 19 per cent; Manitoba/Saskatchewan is up four percentage points from 20 per cent; the Atlantic region is up three percentage points from 13 per cent; and Quebec is down three percentage points from 18 per cent.

The survey also found that of those who have no intention of buying a home in the next two years, 35 per cent say it is because they are satisfied with their current home.

HIGHLIGHTS FROM ROYAL BANK'S HOME OWNERSHIP SURVEY

Home buying still viewed as a good investment

Bimm points out that more than three in four Canadians (79 per cent) believe purchasing a home or condo is a sound investment.

"When you consider the increasing competition for investment dollars, it's significant that so many Canadians still believe home buying is a good investment."

Renovation intentions remain strong

A significant number of respondents also revealed plans to renovate their homes: More than one in four home owners (28 per cent) say they will likely make improvements in the coming 12 months.

"This is yet another positive sign as home building, buying and renovating poured billions into Canada's economy last year" said Bimm.

Renovation intentions are up slightly from last year's survey that found 26 per cent of home owners were considering investing in home improvements.

Consumer outlook

Forty-nine per cent believe that mortgage rates will be the same or lower this time next year (39 per cent who say they will be the same and 10 per cent believe they will be lower) while 41 per cent of respondents believe mortgage rates will be higher this time next year.

Buyer's versus seller's market

At 47 per cent respectively, Canadians are split down the middle as to whether we are currently in a buyer's market or a seller's market.

Mortgages

More than one-half of Canadian home owners (53 per cent) currently have a mortgage on their home.

Other

Despite the boom in online banking, respondents overwhelmingly rejected the idea of applying for a mortgage via the Internet. Of the application options presented, only five per cent said they would apply in cyberspace. Instead, 93 per cent say they still prefer the face-to-face route (79 per cent at a financial institution and 14 per cent at home). Two per cent said they "didn't know."

Royal Bank's Canadian Home Ownership Survey, conducted by Ipsos Reid, represents the results of telephone interviews with 1,200 Canadian adults between November 30, 2000 and December 12, 2000. Results are considered accurate to within 2.7 percentage points, 19 times out of 20.

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