

# RBC ROYAL BANK NINTH ANNUAL HOUSING STUDY 2002

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INTEREST RATES DRIVE MARKET OVER LAST YEAR,  
84% SAY A HOUSE IS A GOOD INVESTMENT – UP  
FROM 79% LAST YEAR**



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## **RBC ROYAL BANK NINTH ANNUAL HOUSING STUDY 2002**

### **HOME BUYING INTENTION OUTLOOK VIRTUALLY MATCHES 2001 – NEAR TERM BUYING DUE TO LOW INTEREST RATES DRIVE MARKET OVER LAST YEAR, 84% SAY A HOUSE IS A GOOD INVESTMENT – UP FROM 79% LAST YEAR**

Toronto, ON – RBC Royal Bank released the findings of its ninth annual Canadian Housing Study today. The findings indicate that Canadian Home Purchase intentions for 2002 virtually match last year, however more have the intention to buy sooner. Further, lower interest rates and more people believing that a home is a good investment this year (84%) than last year (79%) is fueling the market.

*These are the findings of an Ipsos-Reid/Royal Bank poll conducted between December 2001 and January 2002. The poll is based on a randomly selected sample of 1,500 adults. With a sample of this size, the results are considered accurate to within  $\pm 2.5$  percentage points, 19 times out of 20, of what they would have been had the entire adult Canadian population been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population. These data were statistically weighted to ensure the sample's regional and age/sex composition reflects that of the actual Canadian population according to the 1996 Census data.*



## ***Canadian Home Purchase Intentions for 2002 virtually match last year – but more are buying sooner . . .***

One quarter (23%) of Canadians indicate that they are likely to purchase a home in the next two years which is similar to last year's intentions (24%). Of those who are likely to buy, 12% are *very likely* to buy (compared to 13% in 2001) and 11% indicate that they are *somewhat likely* to buy in the next two years (which compares to 11% in 2001). In a historical perspective, the intensity of intent to purchase is similar to 1999 and to 1996.

But, of those who are likely to purchase a home over the next two years (23%), a higher percentage of likely purchasers will be looking for a home in the 6 months and the next 12 months than the case was last year. In last year's survey, 7% of those who intended to buy over the next 2 years (24%) said they would do so in the next six months compared to 12% this year, and 13% of last year's likely buying group said they'd be on the hunt for a house between 6 and 12 months compared to 17% this year.

In effect, the research suggests that 3% of the entire Canadian population could be on the move in the next 6 months, with another 4% (17% of those likely to purchase in the next two years) in the next 6 – 12 months – a total of 7% of the entire Canadian population over the year. Rounding out the time frame, another 4% of all Canadians suggest their intention to buy between 12 – 18 months (19% of the 23% likely to buy) and 11% of the total public (48% of the 23%) indicating that the longer horizon of 18 – 24 months is their decision time frame.

Those who are younger (36% of those aged 18 – 34 and 30% of those 35 – 44) are more likely than those who are older (19% of those 45 – 54 and 7% of those 55+) to be in the market over the next two years. Also, there is not a lot of difference in terms of purchase intention among income categories for those above \$50,000 per year with approximately 30% of this group indicating their intentions and



25% of those between \$25,000 and under \$50,000. Those below \$25,000 per year in income are least likely to intend to purchase (9%).

Canadians most likely to purchase a home in the next two years are from the Prairies (27%), British Columbia (27%), Ontario (25%) and the Atlantic Provinces (21%) with the province of Quebec (17%) least likely.

### ***Detached and semi-detached homes continue to be the first choice . . .***

As for what those who are likely to buy will be buying, two thirds (65%) indicate that it will be a re-sale home compared to 31% who say it will be a new home. There are virtually no differences between those that currently own and currently rent or for those who have a mortgage in this regard. Of those who are going to buy, 77% indicate that it will be a detached or semi-detached house (up 7 percentage points over last year) while 10% select a condominium, 5% a townhouse, 3% an apartment and 1% a loft.

### ***In fact, while bigger accommodations are predominant for likely purchasers . . .***

Half of Canadians (49%) plan on purchasing a bigger home than the one they currently own, 32% will purchase a home about the same size, and 19% will purchase a smaller home. There has been a decrease in the number of Canadians who will purchase a bigger home (49%) this year compared to last year (55%) and an increase in the number who will purchase a smaller home (19% this year versus 14% last year).



*The expectation that interest rates will rise by this time next year is likely spurring short term boost to buying, and while most think a home is a good investment, renters are more likely to see rent increases on the horizon which may make buying now more attractive . . .*

The majority of Canadians (54%) expect that mortgage rates will increase by this time next year (55% of renters and 54% of owners). Last year, only 41% of Canadians expected higher interest rates as compared to 54% this year.

There are slight differences of opinion among Canadians based on age as to whether mortgage rates will be higher, lower or the same next year as they are today. Canadians between the ages of 18 and 34 (60%) are more likely to believe that mortgage rates will be higher than those who are between the ages of 35 and 44 (52%), between 45 and 54 (50%), or over 55 years of age (51%). Canadians from British Columbia are more pessimistic with 61% believing that mortgage rates will be higher next year than this year compared to Canadians from Ontario (59%), the Prairies (57%), the Atlantic Provinces (55%), and Quebec (42%).

Further, a higher percentage (84%) of Canadians think that purchasing a home this year is a good investment compared to last year (79%).

While those who rent (77%) are less likely to believe that purchasing a home is a good investment than those who currently own a house (87%), the majority of Canadians (55%) anticipates that the price of rental accommodations will increase next year – where 60% of renters feel this way compared to 53% of home owners.



As for home prices over the next year, 44% of Canadians think they will be higher at this time next year and 10% think they will be lower – 43% think they will be about the same. In this regard 45% of renters and 43% of current homeowners think that home prices will be higher.

### *So, what about the other 77% who are not likely to buy a home in the next two years . . .*

Of this group, 62% say they're satisfied with their current home, while 26% say they won't be looking due to financial constraints. Another 14% cite old age and current retirement conditions.

### *Mortgages: First, the facts . . .*

The research indicates that a majority of Canadians who own a home (56%) carry a mortgage. There has been a 3% increase since last year, when 53% of those who owned a home carried a mortgage. The average amount of current owners original mortgage is \$97,504. Eleven percent borrowed under \$50,000, 27% borrowed between \$50,000 and \$99,999, 25% borrowed between \$100,000 and \$199,999, and 4% borrowed over \$200,000. On average, Canadians from British Columbia carry the largest mortgage amount (\$114,697) compared to Ontario (\$110,609), the Atlantic Provinces (\$97,090), the Prairies (\$91,753), and Quebec (\$69,056).

Those who carry a mortgage, on average, still owe \$75,067. Twenty-two percent owe under \$50,000, 24% owe between \$50,000 and \$99,999, and 16% owe between \$100,000 and \$199,999, and 1% owe over \$200,000. Canadians who live in Quebec owe on average less (\$50,623) than those who live in the Atlantic Provinces (\$51,836), in the Prairies (\$69,282), British Columbia (\$87,936), and Ontario (\$92,441).



***Of those who carry a mortgage (56%), one quarter (24%) would borrow against their home equity mainly for renovations – up from last year as borrowing for an investment dims with the volatile stock market run . . .***

Of those who carry a mortgage on their home 24% would consider borrowing against the equity in their home in December 2001 versus 20% in December 2000. There are regional differences where Quebec would be least likely (13%) to borrow against their equity than other regions such as Ontario (24%), British Columbia (25%), the Atlantic Provinces (29%), and the Prairies (35%). Also, those with children (31%) are more likely than those without (18%) to borrow against the equity of their home. In fact, the most likely age category is 45 – 54 (32%) and with those in excess of \$100,000 of income (32%).

The main reasons given for borrowing against home equity is for renovations (41%), followed by paying off bills (11%), investments (7%), emergencies (7%) and property/land purchase (6%). Higher percentages of Canadians would borrow for renovations this year (41%) than last year (32%); however, fewer Canadians would borrow from their equity for investments this year (7%) than last year (17%).

***Renovation intentions over the next 12 months mirror 2001 – with cosmetic renovation being the main reason, with upgrading or making changes to existing living space (such as kitchen or bathroom) being the focus with an average expenditure of \$9,300 . . .***

Slightly more than one quarter of Canadians (27%) is planning to renovate their homes in the next twelve months – similar to last years (28%). Of those who are planning to renovate, 38% are making

changes or upgrading existing living space, 22% are mostly decorating, 14% are increasing their living space by converting an unfinished area of their home and 5% are increasing the living space with a new addition. Twenty-one percent were renovating for another reason.

Slightly over one quarter (28%) report renovating mainly for looks, 21% renovate to upgrade to modern standards, 17% need more space, 12% because they have an aging house.

On average those who are planning on renovating estimate that it will cost around \$9,300. One quarter (23%) will spend between \$1,000 and \$2,500, another quarter (23%) will spend between \$5,000 and \$10,000, 18% will spend between \$10,000 and \$19,999, 13% will spend between \$2,500 and \$4,999, and 10% will spend under \$1,000. On average, Canadians from the Atlantic Provinces will spend more (\$17,714) than Canadians from Ontario (\$10,955), British Columbia (\$10,341), the Prairies (\$6,521), or Quebec (\$5,043).

The majority of Canadians who say they will renovate, plan on financing their renovations mainly by paying cash (56%) and credit cards (4%). When these two are combined (60%) and compared to the 2001 survey at a combined amount (42%), it's clear that there has been a significant jump in this category (up 18%). This compares with personal savings last year, which accounted for 32% of the financing which is now dropped to 15%. Of those intending to use a line of credit (6%), a new loan or adding on to their mortgage/refinancing (4%), results are almost identical to last year.

### *How Canadians prefer to get their mortgage . . .*

If Canadians were to buy a home in the next two years, two thirds (63%, down 3 percentage points from last year) say they'd get it from their current bank whereas 5% (compared to 10% last year) say they'd get it from another bank. Eight percent, equal to last year, say they'd use a mortgage broker and 5%, compared to 6% last year say they'd use another financial institution. Ten percent of Canadians said they wouldn't get a mortgage at all.

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A large majority of Canadians (83%) would prefer to apply for a mortgage through an in-person meeting at a bank rather than in-person at home (12%) or through the internet (3%). Since this time last year there has been an increase in the percentage of Canadians who would prefer to apply for a mortgage through an in-person meeting at a bank (83% and 79%, respectively).

According to Canadians, the most important aspects of choosing a mortgage lender are the mortgage rates themselves (83%), the terms available for the mortgage such as payment options (71%), the ability to provide advice and information (64%), and the ability to handle all of their financial needs like a full service bank (56%).

In choosing a mortgage lender, women tend to rate more services as important than men. Services that are more important for women are lenders that provide advice for them (71% of women versus 57% of men); cash back incentives (39% of women versus 27% of men); terms available for the mortgage such as payment options (75% of women versus 68% of men); ability to handle all of their financial needs like a full service bank (61% for women versus 50% for men); and a personal relationship (43% for women versus 35% for men). There is no difference in rating of importance of mortgage rates between men and women.

Canadians over the age of 55 are less likely to rate mortgage rates and the ability to handle all of their financial needs like a full service bank as important when choosing a mortgage lender than are younger age groups. For example, 75% of Canadians over 55 rate mortgage rates as important compared to 86% of 18 to 34 year olds, 85% of 35 to 44 year olds, and 88% of 45 to 54 year olds. Similarly, 59% of 55 year olds rated the terms available for the mortgage such as payment options as important compared to 76% of 18 to 34 year olds, 75% of 35 to 44 year olds, and 77% of 45 to 54 year olds.

***3 in 10 (31%) say that when they go to borrow the mortgage, they'll get more than they need to pay for the home so they can pay for additional expenses such as window coverings . . .***

One third of Canadians (31%) would borrow more than they need to pay for additional items and expenses associated with their new accommodations. In addition to their down payment, they would borrow more money to pay for such things as window coverings like blinds or draperies (60%), kitchen appliances (52%), furniture for shared living areas (40%) a washer/dryer (39%), an alarm/security system (33%), outdoor tools such as a lawnmower or hedge trimmer (33%), and 29% would get new internet access.

### ***So, what's a home: Refuge or active place?***

The majority of Canadians (60%) considers their home a refuge, meaning a safe place where they get away from it all, as opposed to 36% who consider their home a very busy active place. There are regional differences where higher percentages of people from Quebec (69%) consider their homes a refuge than other areas such as British Columbia (61%), Ontario (57%), Prairies (56%), and the Atlantic Provinces (48%). Canadians who rent their homes (67%) are more likely to see their home as a refuge compared to those who own (57%).

### ***And finally . . .***

- Higher percentages of Canadians (69%) own a home rather than rent (31%) compared to last year (67% and 33%, respectively). The likelihood to own is higher in the Atlantic Provinces (80%) than in the Prairies (75%), Ontario (71%) British Columbia (64%), or Quebec (60%).



**Ipsos Reid**

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