RBC HOUSING STUDY PART II
The Investment Value Of The Buy Increases Steadily…
Especially In Intensity

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RBC HOUSING STUDY PART II

The Investment Value Of The Buy Increases Steadily… Especially In Intensity

Toronto, ON – Nine in ten Canadians say that buying a house or condominium is currently a good investment according to the RBC Royal Bank 12th Annual Housing Study with four in ten (37%) Canadians it is a "very good investment" – a consistent trend upward since 1999.

Expectations of market prices remain steady as two-thirds (64%) of Canadians say housing prices and rental accommodations prices will be higher this time next year as they are today, and just over half (54%) say that mortgage rates will be higher this time next year as they are today.

On average, Canadians who are likely to buy a house or another home in the next 2 years will put 32% down as a down payment.

According to current homeowners, the market value of their home today has increased by approximately 17% over the last 2 years. Half (56%) of Canadian homeowners have a mortgage on their home and, on average, they expect that it will take, approximately 12 years to pay off.

One-quarter (22%) of homeowners have borrowed against the equity in their home. Of those who have never borrowed against the equity in their home, 35% would be comfortable doing so. Furthermore, after being told that: "Borrowing against the equity in your home is typically the least expensive form of borrowing available" 38% of those who said they were "not very comfortable" now say they would be comfortable borrowing against the equity in their home.

These are the findings of an Ipsos-Reid/RBC Royal Bank poll conducted from January 18th to January 24th, 2005. For the survey, a representative randomly selected sample of 2001 adult Canadians was interviewed by telephone. With a sample of this size, the results are considered accurate to within ± 2.2 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 weighted to ensure the sample's regional and age/sex composition reflects that of the actual Canadian population according to the 2001 Census data.

Nine in Ten Say Buying A House Is A Good Investment…

Nine in ten (87%) Canadians say that buying a house or condominium is currently a good investment, split between those who feel it is a "very good investment" (37%) and those who feel it is a "good investment" (50%). Just 12% of Canadians do not think that buying a house or condominium is currently a good investment, 7% say it is "not a very good investment" and 5% say it is "not a good investment at all." The remaining 1% say they "don't know."

- Canadians who own their home (91%) are more likely than renters (79%) to say that buying a house or condominium is a good investment.

And Most Think That Prices Will Be Higher Next Year…

Thinking about housing prices, two-thirds (64%) of Canadians say they will be higher this time next year as they are today, 27% say they will be the same as they are today, and 8% say housing prices will be lower. The remaining 1% “don't know” whether housing prices will be higher, lower, or if they will stay the same.

Just over half (54%) of Canadians say that mortgage rates will be higher this time next year as they are today, 38% say they will stay the same and just 5% say they will be lower. The remaining 4% say they “don't know” whether mortgage rates will be higher, lower or remain the same this time next year.

Thinking about the price of rental accommodations, 64% of Canadians say they will be higher this time next year as they are today, 30% say they will remain the same and just 4% say they will be lower. The remaining 2% of Canadians say they “don't know” if rental prices will rise, fall, or stay the same as they are today.

How Much Will They Pay and For How Long?

On average, Canadians who are likely to buy a house or another home in the next 2 years will put 32% down as a down payment. Half (47%) of Canadians say they will put more than 25% down as a down payment.

Canadians who are putting a down payment on a new house are divided between whether they will take a fixed rate mortgage (30%), a variable rate mortgage (23%), or a combination of both (38%) on their new home. The remaining 9% of Canadians “don't know” what type of mortgage they will use.

According to homeowners, the approximate market value of their home today is $236,993, and they estimate that the market value of their home has increased by approximately 17% over the last 2 years.

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- Canadians in British Columbia estimate that the market price of their house has gone up by 22%, 20% in Quebec, 17% in Ontario, 15% in Alberta, 15% in Atlantic Canada, and 14% in Saskatchewan/Manitoba.

Half (56%) of Canadian homeowners have a mortgage on their home (44% do not). Just 1% "don't know." And, on average, they have $109,504 left to pay off and expect that it will take, approximately 12 years to pay off.

- Ontarians (59%) are the most likely to have a mortgage on their home, followed by residents of British Columbia (56%), Quebec (56%), Alberta (55%), Saskatchewan/Manitoba (49%), and Atlantic Canada (47%).

- Homeowners with an annual household income of $60,000 or more (66%) are the most likely to have a mortgage on their home, those with $30,000 to just under $60,000 (54%) and with less than $30,000 (39%) are less likely to have a mortgage on their home.

- Residents of British Columbia have the most, on average, left to pay off on their mortgage ($163,168), those in Alberta ($141,180), Ontario ($105, 219), Saskatchewan/Manitoba ($99,429), and Atlantic Canada ($95,732) have slightly less. Those with a mortgage in Quebec have the least to pay off on their mortgage ($79,437).

Turning to Borrowing and Refinancing…

One-quarter (22%) of homeowners have borrowed against the equity in their home. Three-quarters (76%) have not, and 2% "don't know."

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Of those who have never borrowed against the equity in their home, 35% would be comfortable doing so. Furthermore, after being told that: "Borrowing against the equity in your home is typically the least expensive form of borrowing available" 38% of those who said they were "not very comfortable" now say they would be comfortable borrowing against the equity in their home.

One in ten (10%) homeowners have refinanced their mortgage in the last 12 months. Nine in ten (89%) have not refinanced in the last 12 months and 2% "don't know."

On average, Canadians have refinanced $38,358 more than the amount of their existing mortgage. One-quarter (24%) "don't know" how much they have refinanced.

When they refinanced their mortgage, six in ten (62%) Canadians say they used a mortgage only, 12% used a home equity line of credit and two in ten (20%) used a combination of both a mortgage and a home equity line of credit. The remaining 7% of Canadians "don't know" what they used when they refinanced their mortgage.

Primary reasons for refinancing their mortgage include: "Came up for renewal" (26%), "renovate home" (15%), "lower interest costs" (13%), and "to get a better rate" (10%). All other responses were given by less than 10% of Canadians.

One in ten (8%) Canadians intend to refinance their mortgage within the next 12 months. Nine in ten (90%) do not intend to refinance your mortgage, while 2% "don't know."

Given a list of borrowing products, Canadians believe a secured line of credit (25%) or a home equity loan (23%) typically carry the lowest interest rate, followed by a home equity

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line of credit (13%), a term loan (8%), overdraft (6%), and an unsecured line of credit (4%). Almost one-quarter (22%) of Canadians "don't know"

Three-quarters (3%) of those who have a mortgage have insurance on their mortgage payments in case of death or disability. One-quarter (25%) do not have insurance on their mortgage and 2% "don't know."

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