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Annual State of the Residential Mortgage Market in Canada - November 2009

TORONTO, Ontario, November 16, 2009 — Canadians are emerging from the recession confident that the value of their homes is rising and optimistic about their local housing markets. The Canadian mortgage market is rebounding and will surpass the $1 trillion mark in 2010, reports the Canadian Association of Accredited Mortgage Professionals (CAAMP) in the fifth edition of the Annual State of the Residential Mortgage Market, released today. The report is authored by CAAMP Chief Economist Will Dunning and based on information gathered by Maritz Research Canada in a survey conducted in October 2009.

Canadians are positive about house prices, and attitudes about whether this is a good time to buy a home have never been higher in the three years that CAAMP has surveyed on that question. The overwhelming majority of those surveyed (40 per cent) expect house prices to go up, which is more than double the opinion of those surveyed in spring 2009 (18 per cent). Only a small minority expects house prices to fall, and more than one-half expect stable prices.

In past surveys, negative house price sentiments were most evident in British Columbia, Alberta and Ontario, provinces that in retrospect were hardest hit by the economic downturn. On a 10-point scale (where 1 is very negative and 10 is very positive), attitudes in these provinces have sharply rebounded to 6.44 from 4.77 in fall 2008, 6.24 from 5.00, and 6.30 from 5.11, respectively, and are now in line with the 6.25 national average.

Most Canadians are optimistic and believe now is a good time to purchase a home, setting a record-high national average of 6.56 out of 10, up almost a full point from 5.58 last fall. Ontarians are most positive at 6.82, while Saskatchewan residents, who have seen house prices increase rapidly, are most negative at 6.05.

Despite this positive outlook, the vast majority of Canadians clearly indicated they were hesitant to buy at this time. In fall 2008 and spring 2009, 4.6 and 4.5 per cent respectively planned to purchase, and this number has now dramatically decreased to 3.2 per cent, suggesting that the robust home buying of recent months may soon slow.

As interest rates remain low, it is not surprising that Canadians continue to be satisfied with their mortgages. Of those who renewed in the last year, 73 per cent received lower rates than their original mortgage term.

“Mortgage consumers have been busy, and have effectively capitalized on low interest rates to shop and renegotiate,” said Jim Murphy, AMP, President and CEO of CAAMP. “CAAMP’s survey found that, on average, negotiated rates were discounted by 1.23 percentage points lower than typical advertised rates for 5-year mortgages, and we see this discounting trend continuing.”

Despite a difficult year, mortgage brokers’ share of the market remained stable at 23 per cent; that share increased among those who have taken out a new mortgage, a third of whom utilized brokers.

In spite of continued job loss concerns, Canadians' mortgage debt load remains reasonable. Homeowners have close to three-quarters (74 per cent) of the value of their properties in equity and for those with mortgages, equity is more than one-half (52 per cent) of the value of their homes. Fewer Canadians took equity out of their mortgages this fall (down to 18 per cent from 22 per cent last year). The primary motivator was once again debt consolidation or payment (approximately $17 billion), followed by home renovations (approximately $12 billion, down from $14.5 billion in 2008). One third of respondents who took out equity to fund home renovations said the Home Renovation Tax Credit had influenced their decision.

"While many Canadians have been negatively affected by the recession and worry about the future, the vast majority are in solid financial situations," said Will Dunning, CAAMP Chief Economist. "Consumers continue to be thoughtful and strategic about their mortgage decisions, treating home ownership as the bedrock of their personal financial plans, and their decisions have provided stability as we weather these challenging economic times."

Residential mortgage lending is one of the largest categories within the Canadian financial sector. Over the past 15 years, the volume of outstanding residential mortgages has expanded by 182 per cent, growing 7.1 per cent annually. Growth was especially rapid from 2004 to 2008. CAAMP forecasts residential mortgage approvals to reach $186 billion in 2009, a 14 per cent reduction from the $216 billion total in 2008. In August 2009, there was about $940 billion in outstanding mortgage credit and this is expected to surpass $1 trillion in 2010.

The Annual State of the Residential Mortgage Market report contains a wealth of industry information, including consumer choices and shopping behavior, regional breakdowns of survey responses, and an outlook on residential mortgage lending. For a copy of the report, please visit: www.caamp.org.