



zoocasa

2018

HOUSING TRENDS REPORT:
ASPIRATIONS & OBSTACLES

Introduction

Homeownership remains a coveted goal for many Canadians. However, achieving this perceived life milestone remains as challenging as ever in 2018, as a crop of new policy measures, heating home prices, and a rising interest rate environment continue to present obstacles to homeownership.

The ability to make the jump from renting to homeownership remains financially out of reach for many aspiring buyers, as high monthly rents in some city centres reduce their ability to save for down payments. Meanwhile, the Bank of Canada has made three upward revisions to the national cost of borrowing, further squeezing Canadians' abilities to finance their home purchases.

Despite these headwinds, Canadian real estate continues to be perceived as a profitable and stable investment, making it an attractive asset for investors and seen as comparable to other investment vehicles such as the stock market.

The **2018 Zoocasa Housing Trends Report: Aspirations & Obstacles** provides insights into Canadians' sentiments on these important topics.



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Table of Contents

About the Report	4
Home Ownership as a Life Milestone	5
Top Obstacles for Aspiring Buyers	7
First-Time Home Buyers: The Down Payment Struggle is Real	8
Impact of Rising Interest Rates	10
Real Estate as an Investment: Hot or Not?	12
Contact	14

About the Report

Zoocasa conducted its inaugural Housing Trends Survey in 2017 to gain insights into the sentiments of Canadians towards the real estate market and issues concerning home ownership.

Due to the increasing number of affordability issues and policy changes facing aspiring buyers in 2018, the results for this year's survey has been separated into two reports:

1. 2018 Housing Trends Report: Hot Issues

A report focusing on recent issues and policy changes facing Canadian home buyers (released early April 2018)

2. 2018 Housing Trends Report: Aspirations & Obstacles

A second report focusing on general sentiments towards real estate and the home buying process (released late April 2018)

Methodology

The results of this report are based on an online survey conducted by Zoocasa in March 2018. The survey had a sample size of 1,431 respondents who live in Canada. The estimated margin of error is +/- 2.6 percentage points, 19 times out of 20.

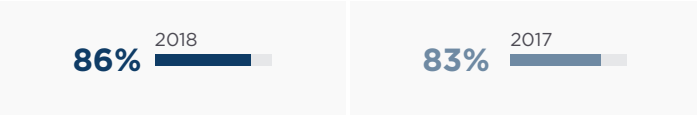
About Zoocasa

Zoocasa is a data-driven real estate company that combines advanced online search tools and a full-service brokerage to empower Canadians to buy or sell their homes faster, easier and more successfully. Search tools on www.zoocasa.com include the ability to filter by home type, find properties with basement apartments, and see listings within school boundaries by school ratings.

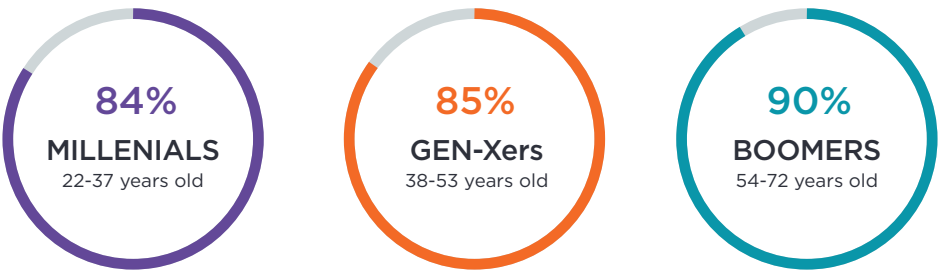
Home Ownership as a Life Milestone

Canadians of all generations continue to feel that owning a home is a significant rite of passage: 90% of Baby Boomers see ownership as a key life accomplishment, as do 85% of Millennials and 85% of Gen-Xers.

Do you think owning a home is an important life milestone?

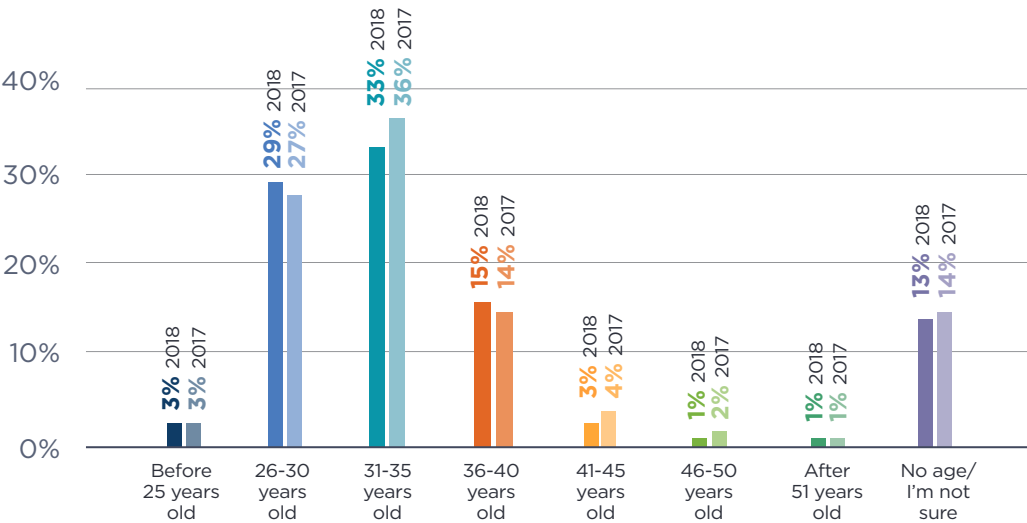


Respondents who agree that owning a home is an important life milestone



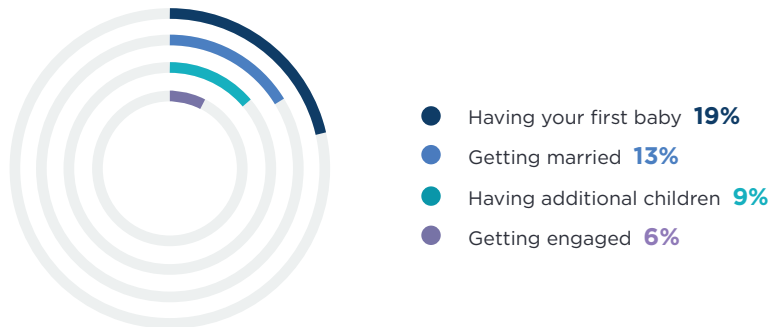
Compared to last year, respondents had similar levels of expectation as to when people should reach the homeownership milestone, with 65% of respondents believing you should own a property by 35 years old.

By what age should someone own a home or property?



Although respondents believe that owning a property is a life milestone, the majority have indicated a lack of home ownership would not deter them from achieving other goals. Less than one-fifth of aspiring first-time buyers would delay having children or getting married if they couldn't buy a property.

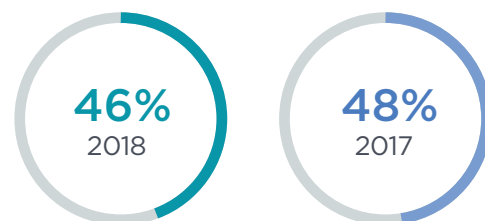
If you aren't able to purchase a property in your expected timeframe, which life milestone(s) would you postpone?



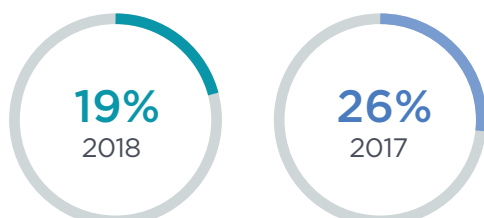
How stressful is buying a home compared to other life milestones?

In comparison to other major occasions, almost half the respondents perceive a home purchase to be more stressful than getting married, but far fewer think buying real estate is more straining than saving for retirement or having a baby.

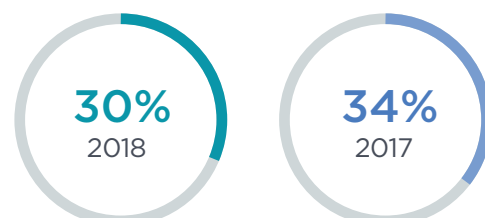
Respondents who believe buying a home is more stressful than getting married



Respondents who believe buying a home is more stressful than having a baby



Respondents who believe buying a home is more stressful than saving for retirement

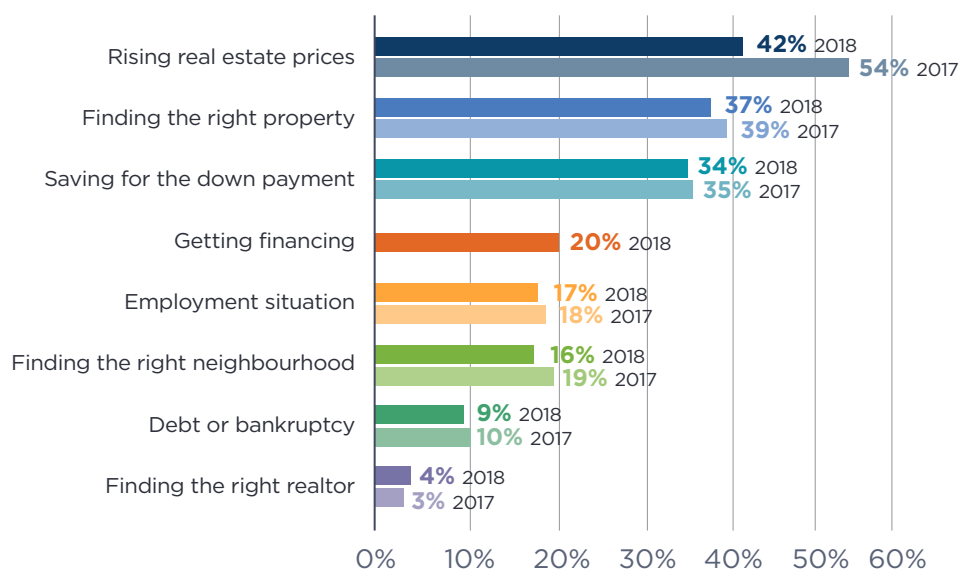


Top Obstacles for Aspiring Buyers

The biggest challenge facing aspiring home buyers this year continues to be increasing real estate prices, followed by finding the right property and saving for a down payment.

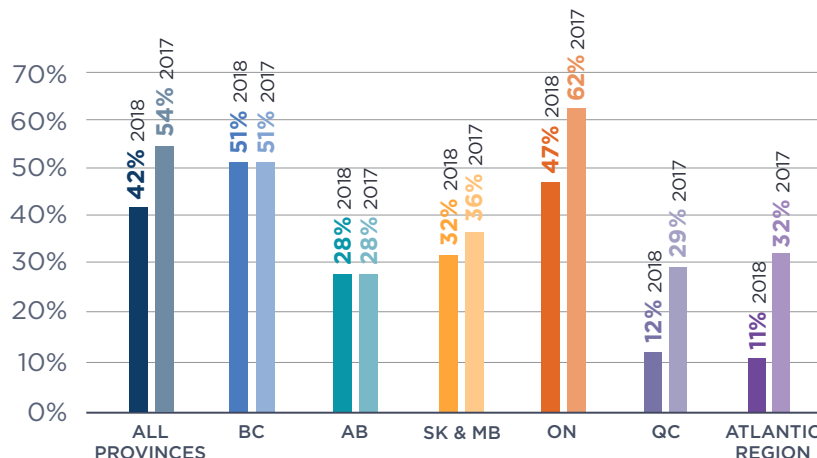
However, with average Canadian home prices falling 10% from \$548,073 in March 2017 to \$491,065 in March 2018¹, it seems like potential buyers are feeling some relief. Only 42% of respondents cited rising prices as a major barrier to ownership, compared to 54% last year.

Respondents who cited each factor as a major obstacle to buying property



By region, there was a substantial drop in the portion of Ontario buyers who feel strained by rising prices, from 62% in 2017 to 47% in 2018 - likely correlated to home prices in both Ontario and Toronto falling 14% year-over-year in March 2018².

Respondents who cited "rising real estate prices" as an obstacle, by region



Sources:

1. Canadian Real estate Association, March 2018

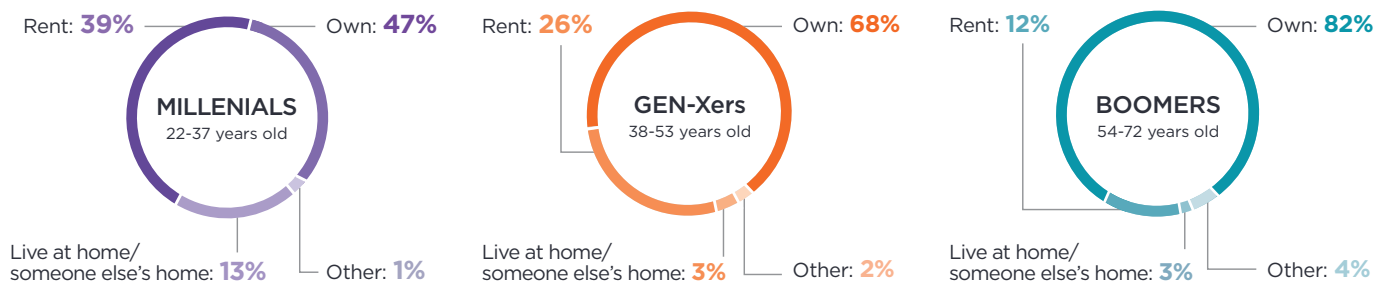
2. Toronto Real Estate Board, March 2018

First-Time Home Buyers: The Down Payment Struggle is Real

Home buyers face a range of financial obstacles when it comes to buying their first home, from saving a down payment to being able to carry the monthly costs.

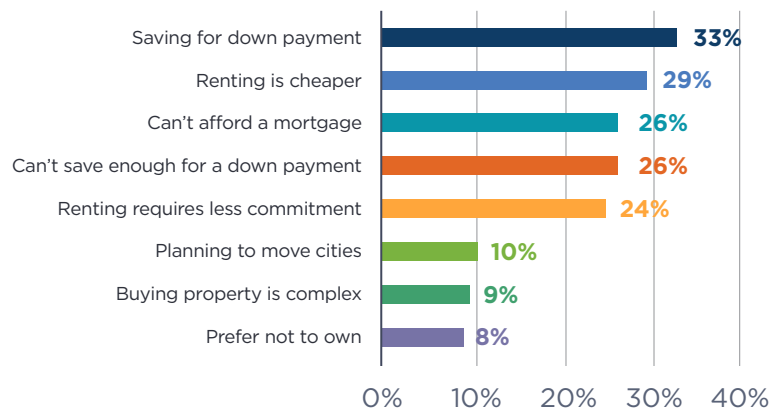
In pricey cities like Vancouver, where the median price for one-bedroom rentals hit \$2,000 in 2018³, saving for a down payment can prove extra challenging for renters. These affordability challenges especially impact Millennials, who are the most likely to be renting their current home compared to older age groups.

Housing status of respondents by age group



Accumulating a down payment seems to be the top home-buying challenge for renters who are aspiring to buy for the first time. Over half cited saving for a down payment, or not being able to save enough for a down payment, as the reason they're renting.

Why are you currently renting?

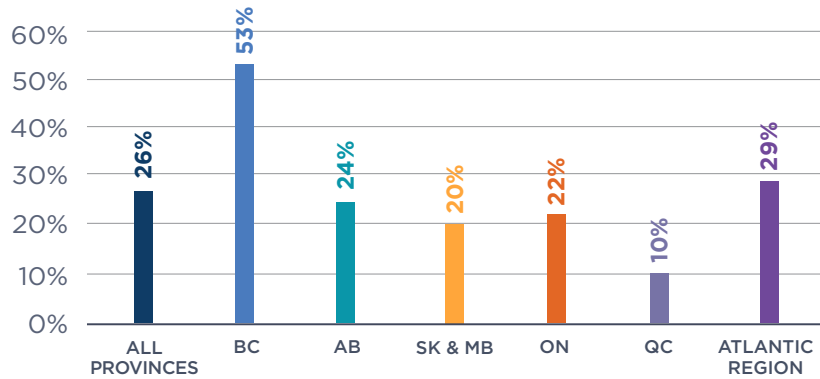


Sources:

3. Top 10 One-Bedroom Median Rent Prices, March 2018, PadMapper.

The challenge of not being able to save enough for a down payment especially stood out for BC renters, who were twice as likely as the rest of Canada to say they're renting because they can't save enough for a down payment.

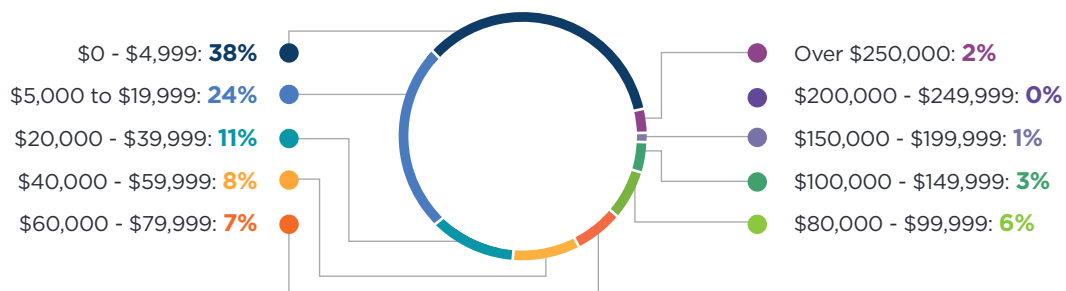
Respondents who cited “can’t save enough for a down payment” as the reason they rent



Looking at the amount renters have saved towards their future first home, it becomes clear why respondents cited down payment-related reasons as why they're renting.

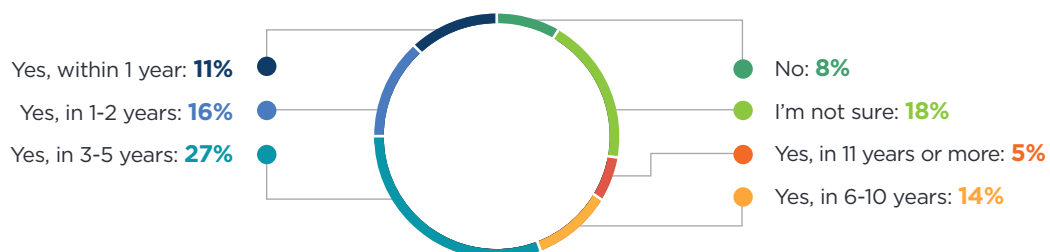
Based on the average Canadian home price of \$491,065⁴, even a minimum 5% down payment is \$24,553 – but 38% of renters only have \$4,999 or less saved.

How much do you have saved towards a down payment?



Despite the barriers renters face when it comes to buying their first home, this group remains hopeful. Almost 30% of renters aspire to buy their first property within 2 years.

Do you plan on buying a property in the future?



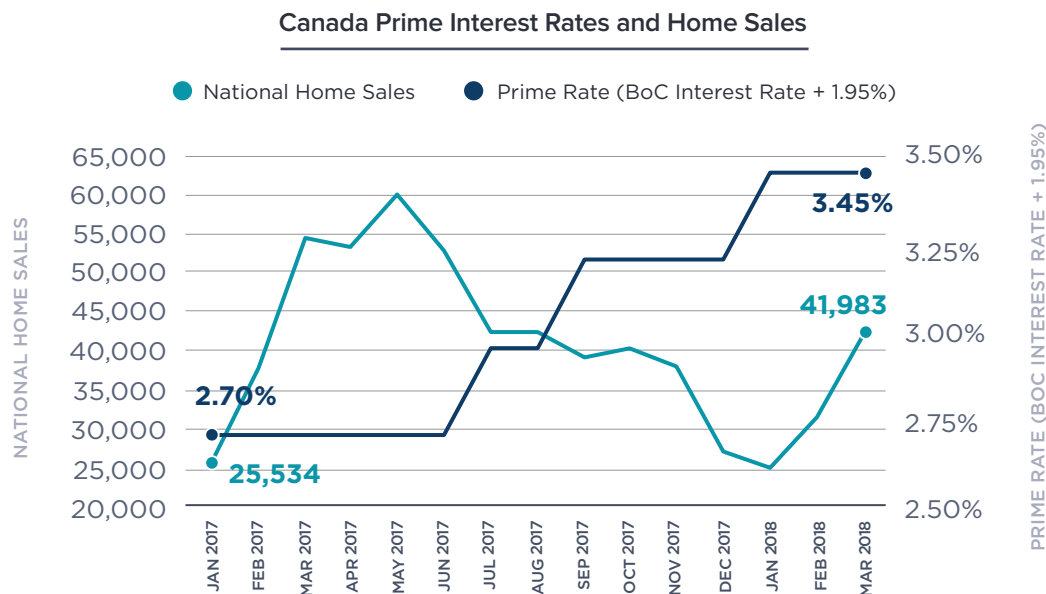
Sources:

4. Canadian Real Estate Association, March 2018

Impact of Rising Interest Rates

The Bank of Canada hiked interest rates three times over the past year from 0.75% in June 2017 to 1.5% in January 2018, doubling the overnight lending rate and increasing costs for mortgage borrowers. While experts believed that rising interest rates could negatively impact the housing market, data from the Canadian Real Estate Association shows that national home sales for March 2018 have already recovered back to July 2017 levels.

Our sentiments findings from this survey of respondents who bought a home within the last twelve months seem consistent with the trend of the national home sales: the majority of recent buyers cited that interest rate changes had no impact on their buying timelines.



Impact of interest rates on recent home buyers

Out of survey respondents who bought their home within the last twelve months, over half said the rate changes had no impact on their timelines, while over a quarter said the interest rate hikes influenced them to purchase a property sooner.

The Bank of Canada raised interest rates three times within the last year.
How did these interest rate increases impact the timeline of your home purchase?

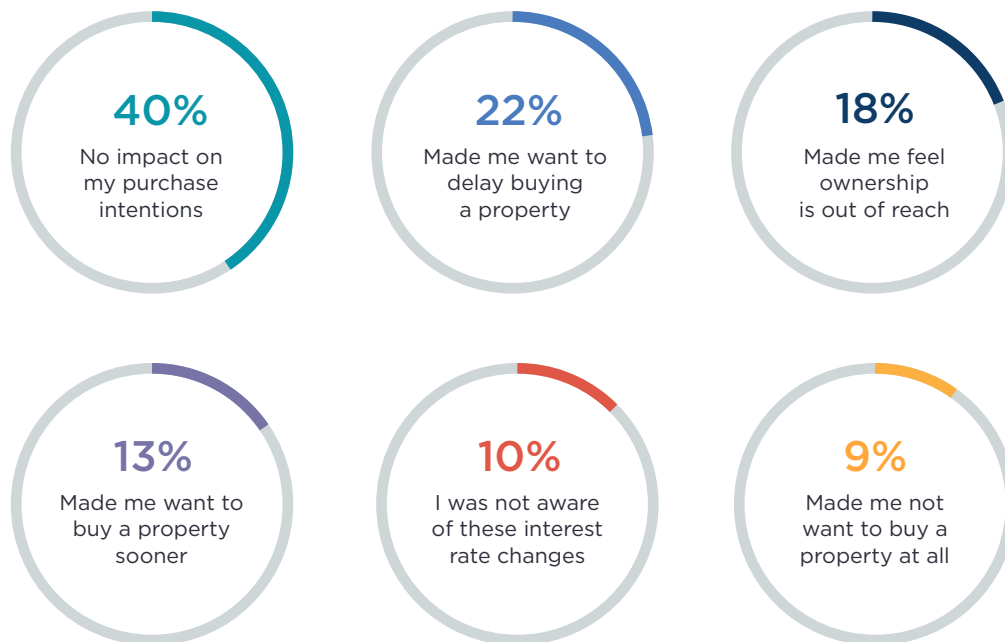


- There was no impact on my timelines **56%**
- I bought my property sooner **28%**
- I delayed buying my property **9%**
- I was not aware of the interest rate changes **7%**

Impact of interest rates on future home buyers

For first-time home buyers and those looking to buy again, 35% cite that the rising rates have made them change their timelines (either buying sooner or delaying buying) while 30% feel outright discouraged (citing they feel now ownership is out of reach or has made them not want to buy a property at all). However, the most common response was that the recent and potential future interest rate increases have no impact on their purchase intentions.

The Bank of Canada raised interest rates three times within the last year and may raise rates again this year. How did/do these interest rate changes impact the timeline for buying your future property? The (potential) changes have:

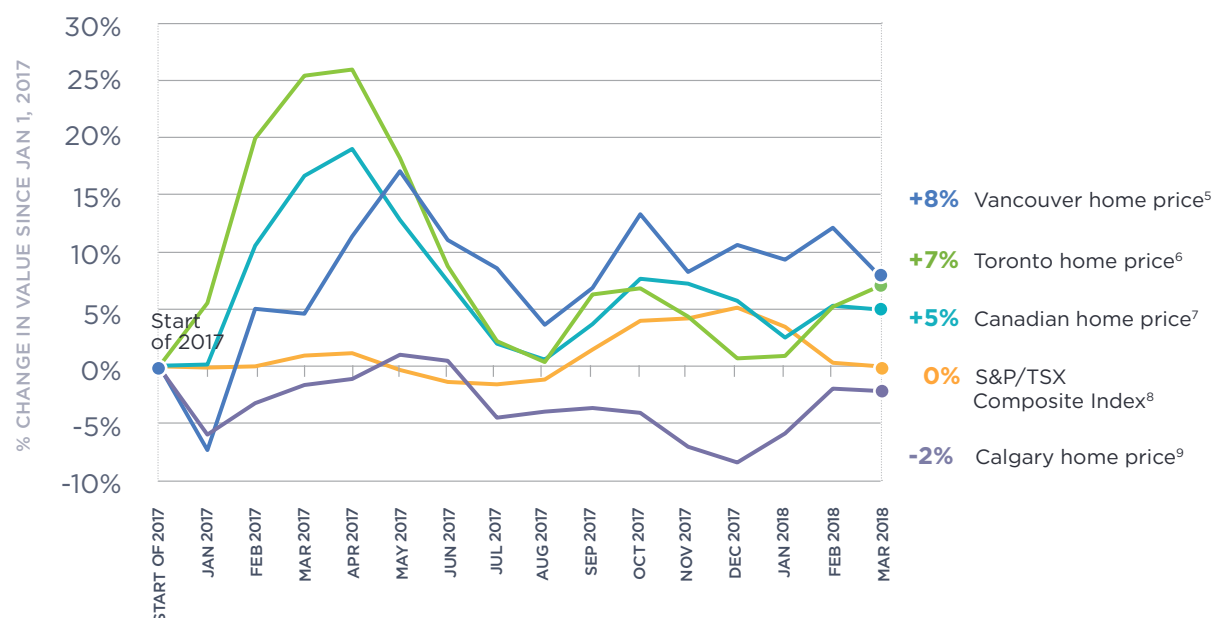


Real Estate as an Investment: Hot or Not?

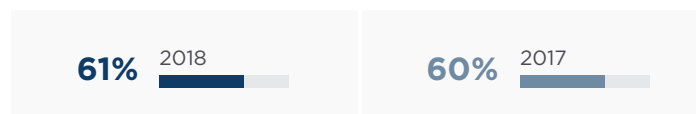
Given its steady appreciation in value in most markets over the last decade, Canadian real estate is considered to be an asset with stable returns, making it an attractive option for investors. However, concerns that speculative investment has inflated real estate prices has caused different levels of government to introduce new requirements and taxes to cool the market in the past year. However, the sentiment towards real estate as an investment continues to be generally positive.

Even with the 2017 drop in home prices, the average Canadian home outperformed the broad stock market over the 2017 to 2018 period. It's no wonder that even with the disadvantages of illiquidity and lack of diversification compared to the broad stock market, over 60% of respondents currently believe real estate is a better investment.

**Canadian Real Estate Prices vs S&P/TSX:
Change in Value Since the Start of 2017**



**Respondents who agree that real estate
is a better investment than the stock market**



Sources:

5. Vancouver home price change. Base and ending values: \$948,246 in Dec 2016, \$1,022,523 in Mar 2018. Monthly sold prices sourced from the Canadian Real Estate Association (CREA).

6. Toronto home price change. Base and ending values: \$730,472 in Dec 2017, \$784,558 in Mar 2018. Monthly sold prices sourced from the Toronto Real Estate Board.

7. Canadian home price change. Base and ending values: \$469,881 in Dec 2016, \$491,065 in Mar 2018. Monthly prices sourced from CREA.

8. S&P/TSX Composite Index change. Base and ending values: 15,403.03 on Jan 3, 2017, 15,367 on Mar 29, 2018. Monthly data is based on the closing of the last business day of the month and sourced from Yahoo Finance.

9. Calgary home price change. Base and ending values: \$480,188 in Dec 2016, \$469,883 in Mar 2018. Monthly prices were sourced from CREA.

Almost one-tenth of survey respondents report they currently own investment property. The majority of these investors hold just one property, however, a small percentage seem have made real estate investing a serious undertaking: 4% of investors said they have four or more investment properties.

8% of respondents currently own at least one investment property.

How many investment properties do you own?



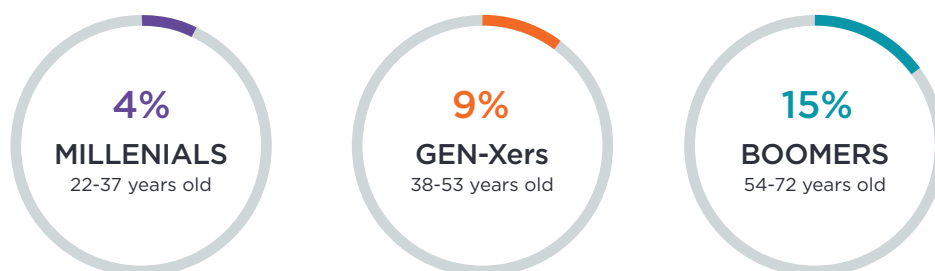
Survey respondents were just as likely to own detached houses as condo apartments for investment purposes. Condo apartments are more prevalent in the largest city centres and attractive for landlords due to rising rents, while detached homes are more common in other areas across Canada.

What type of investment property(s) do you own?



By age group, Baby Boomers were almost twice as likely as Generation X'ers and almost four times more likely than Millennials to hold real estate investments. This is not surprising, as many Millennials are just working towards buying their first property.

Likelihood of respondents to own investment property by age group



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