

Beyond Vancouver & Toronto, most Canadian city dwellers say home prices either high or unreasonable

Two-in-three would like government to intervene more in the real estate sector

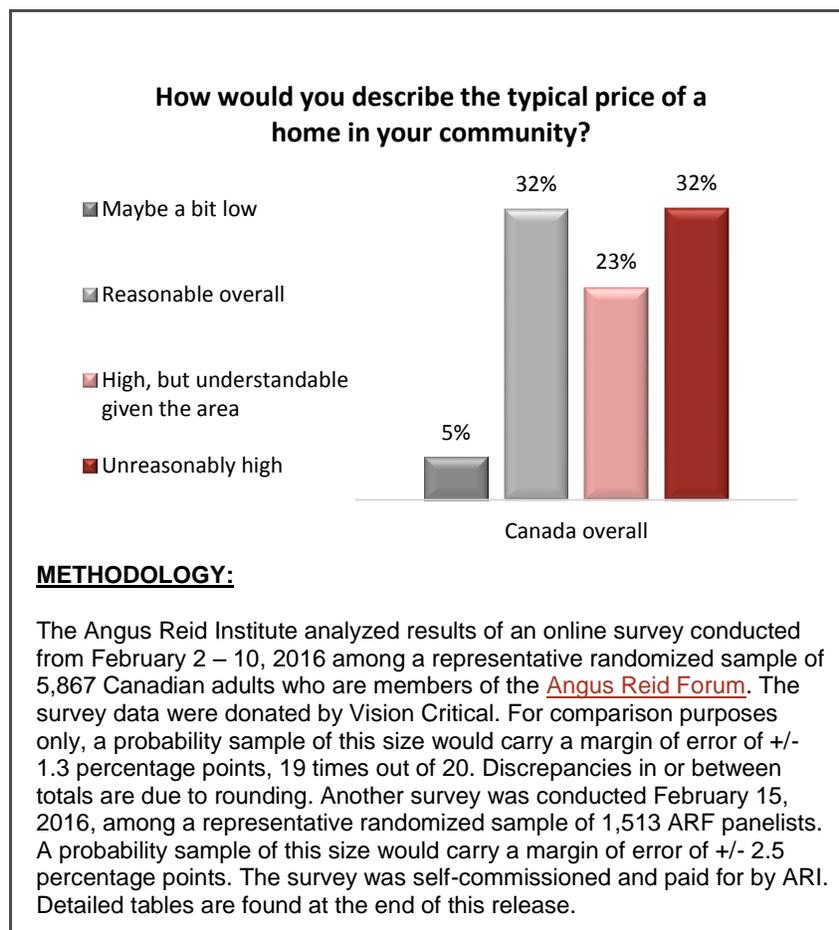
February 26, 2016 – A comprehensive survey of Canadians from coast to coast indicates perceptions of high housing prices in the Canadian real estate market exist and extend beyond the well-canvassed hotspots of Vancouver and Toronto, into smaller, less scrutinized cities.

From Halifax to Edmonton and places in between – nearly half of people living in urban Canada say the cost of buying a place to live in their neighborhoods is either “high” or “unreasonably high”.

Data from a series of two new public opinion polls from the Angus Reid Institute also suggest most Canadians see a greater role for government to play in the real estate sector – but are evenly split on the acceptability of so-called “shadow flipping” – a practice in which homes under contract are re-sold before the closing date for a higher price.

Key Findings:

- While respondents from Vancouver and Toronto are most likely to say their real estate markets are overheated, more than half of Canadians (56%) – including those living in smaller markets – also say housing prices in their neighbourhoods fall outside of what’s “reasonable”
- Two-in-three Canadians (66%) choose “government should get more involved” in the real estate sector over “government should stay out and leave it to the industry to manage”



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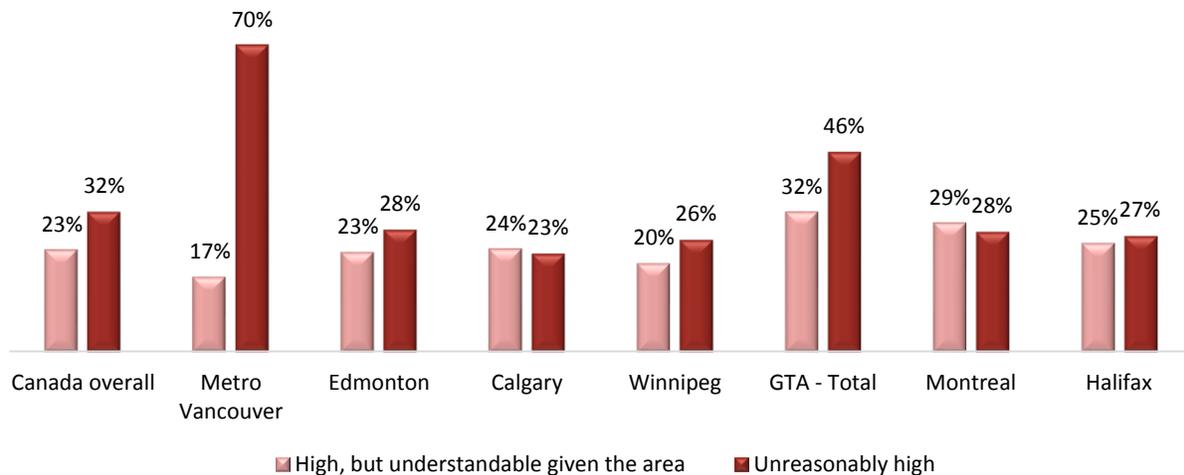
- Younger Canadians are more likely than older generations to see the practice of using “assignment sales” as a form of real estate speculation as acceptable – roughly half (48%) do

Are housing prices “reasonable”? It depends on where you ask:

Previous Angus Reid Institute studies have focused on people’s perceptions of the [Metro Vancouver](#) and [Greater Toronto Area](#) housing markets, but the large sample size in this survey allows for a first-of-its-kind comparison of such perceptions across several other cities.

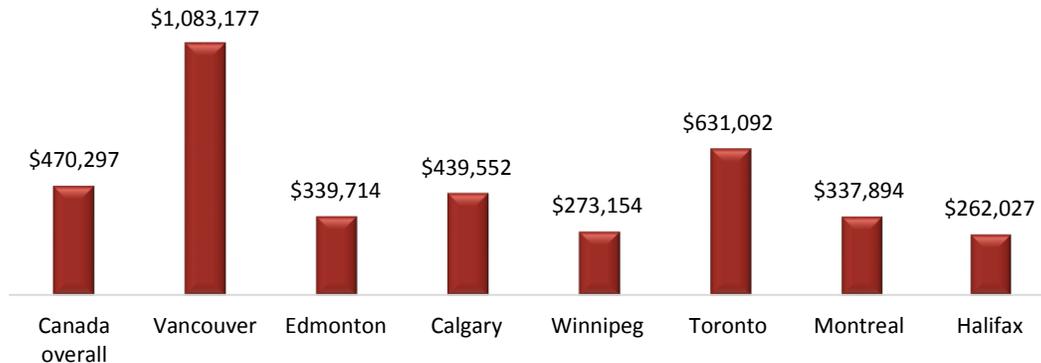
Looking at the data in this way, it’s clear that Vancouver-area residents remain most frustrated by real estate costs. However, as the following graph demonstrates, a significant proportion of residents in smaller urban centres don’t exactly see themselves rolling in clover when it comes to their own markets. No fewer than 45 per cent in Edmonton, Calgary, Winnipeg, Montreal or Halifax view prices as either “high” or “unreasonably high” (for results by province, see detailed tables at the end of this release or [this infographic](#)):

How would you describe the typical price of a home in your community?



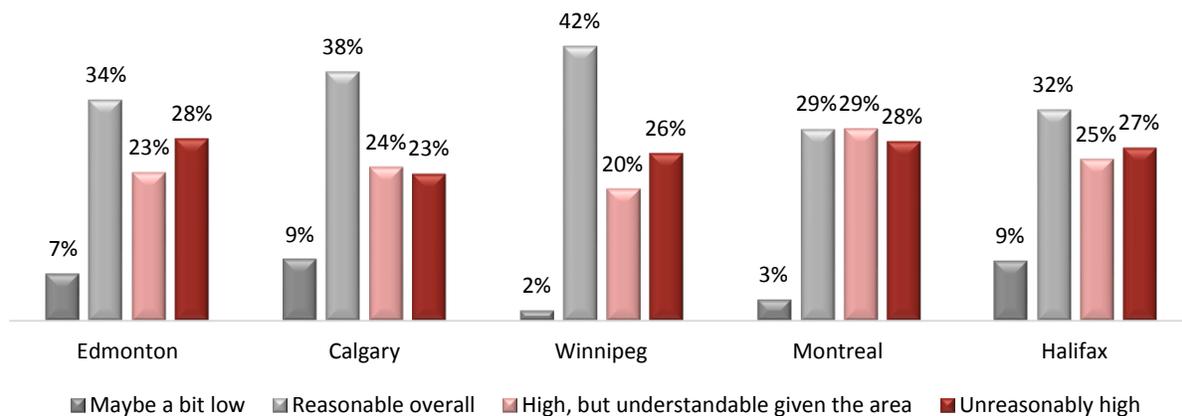
As seen in the following graph, the percentage of people who choose the “high” or “unreasonable” options roughly mirrors the actual average cost of a home in each city, according to January data [from the Canadian Real Estate Association](#):

Average home price by city/CMA (source: Canadian Real Estate Association)



What's notable about these findings, however, is that residents in the other cities canvassed are also feeling squeezed by the cost of real estate – even if their actual costs pale in comparison to the big two markets. They're divided, however, as to whether those costs are “understandable” or not:

How would you describe the typical price of a home in your community?



Even in Calgary – where the recent economic downturn has slowed new construction and left analysts warning [a market correction may be underway](#) – nearly half choose one of the two “high” options, and fewer than one-in-ten (9%) say prices are “maybe a bit low.”

Could CMHC rule changes cool the market?

While the issue of housing prices is dominated most by what's happening on the ground in Vancouver and Toronto, it should be noted that more than one-in-five residents of each major city canvassed see

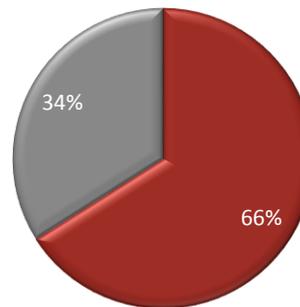
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prices as “unreasonably high.” Indeed, when presented with two opposing possibilities for government involvement in the real estate sector, fully two-in-three Canadians (66%) opt for greater participation:

Thinking about the whole real estate sector, would you say:

- Government should get more involved to ensure the system is fair
- Government should stay out and leave it to the industry to manage



Regionally, British Columbia is the province where opinions are most hardened. Nearly three-quarters (74%) of B.C. residents say government should get more involved ([see comprehensive tables for greater detail](#)).

On this front, the federal government has already made one policy change aimed at cooling real estate markets in major cities. New Canada Mortgage and Housing Corporation (CMHC) rules that took effect on Feb. 15 require buyers purchasing real estate for \$500,000 or more to make a minimum down payment of at least 10 per cent – an increase from the previous rule of 5 per cent.

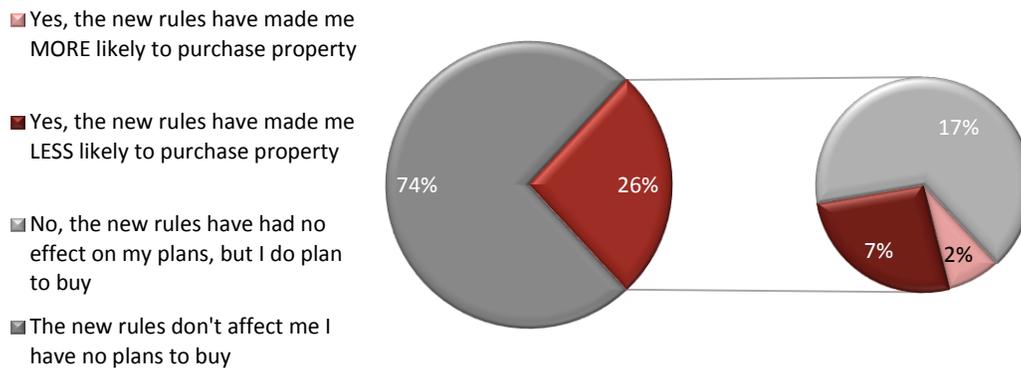
The idea, according to Finance Minister Bill Morneau, is [to contain risks in the market](#) by ensuring buyers have enough equity in their homes, with the hope of [cooling the overheated Toronto and Vancouver markets](#), specifically.

Roughly three-quarters of Canadians (74%) say they have no plans to buy real estate in 2016. A breakdown of the 26 per cent who say they do plan to buy can be seen in the following graph:

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Have the new CMHC rules regarding down payments had any effect on your own personal plans to purchase real estate in 2016?



In the long term, it's the 7 per cent of Canadians who say the rules make them less likely to buy who would be responsible for any effect the new down payment rules have on real estate markets. Extrapolating responses against population, this group may represent more than two million Canadians, more than 500,000* of whom live in either Metro Vancouver or the GTA.

The theory – [according to the government](#) – is if this group stays out of the market because of CMHC changes, demand for properties worth \$500,000 or more will decrease, thereby stabilizing prices for this type of property. The targeted markets, where there are more properties worth \$500,000 or more, would be especially affected. Whether this actually happens remains to be seen.

Assignment Sales: Speculation or Protection?

Another area where government intervention [has been suggested](#) – though not yet implemented – is in addressing a practice news reports have dubbed “shadow flipping,” which is in fact a specific use of a legal real estate practice called “assignment.”

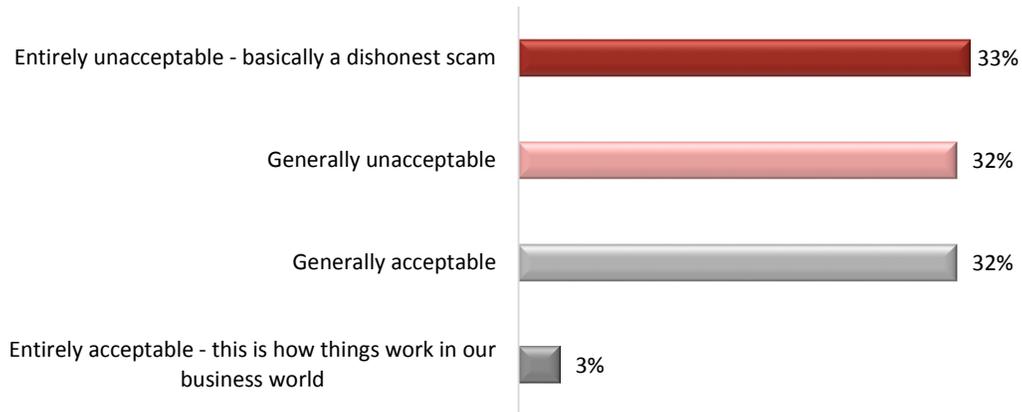
Assignment sales were originally designed to allow buyers to get out of a home purchase in cases of illness or sudden financial hardship, but [recent news reports suggest](#) that some real estate agents now use assignment as a form of market speculation – re-selling homes that are under contract before the closing date for a higher price, or assuming the contracts themselves and then re-selling after a few months.

Asked about the practice, given its newly exposed use, two-thirds of Canadians (65%) take a decidedly dim view of assignment sales:

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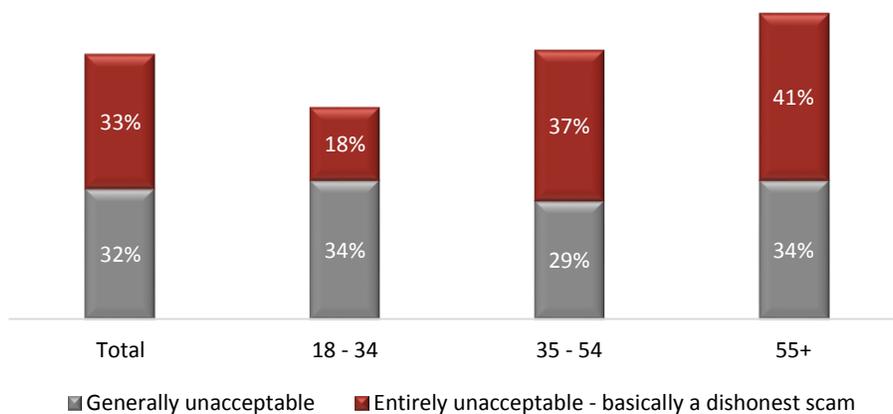
Overall, in your view, are assignment sales for the purposes of speculation:



Residents of British Columbia are especially likely to choose the most-extreme characterization of “entirely unacceptable.” nearly half (45%) do ([see comprehensive tables](#)).

Older Canadians (those ages 55 and older) are also more likely than other age groups to both say that the practice is unacceptable and to say it’s a scam, as seen in the graph that follows:

Overall, in your view, are assignment sales for the purposes of speculation: ("unacceptable" responses shown)



As the graph suggests, younger Canadians are roughly evenly split on the acceptability of real estate speculation through assignment sales. Most (52%) choose one of the two “unacceptable” options seen in

the graph, while nearly half say such sales are either “generally acceptable” (43%) or “entirely acceptable – this is how things work in our business world” (4%).

Why this generation gap? It may simply be that younger people have less “skin in the game” on this question, due to lower rates of homeownership overall. For example, [ARI's 2015 study](#) of the Metro Vancouver housing market found that older residents of the region were considerably more likely to own homes – indeed most who bought homes decades ago said they had “hit the jackpot”.

Thus, the tolerance younger Canadians show for flipping through assignment sales could be related to the fact that fewer have real estate “jackpots” to lose, and may not be looking to “cash in” – at least not anytime soon – and are thus perhaps less concerned about not getting top dollar for their sale.

The Angus Reid Institute (ARI) was founded in October 2014 by pollster and sociologist, Dr. Angus Reid. ARI is a national, not-for-profit, non-partisan public opinion research organization established to advance education by commissioning, conducting and disseminating to the public accessible and impartial statistical data, research and policy analysis on economics, political science, philanthropy, public administration, domestic and international affairs and other socio-economic issues of importance to Canada and its world.

***Methodology note:** *This estimate is derived from the fact that roughly one-quarter of respondents who say the CMHC rule changes make them “less likely to buy” are located in either Metro Vancouver or Greater Toronto.*

Summary tables from the Feb. 2 – 10 survey follow. The sample plan for that poll included large over-samples in many provinces, weighted back to provide a national snapshot.

For detailed results from the Feb. 15 survey, including responses by age, gender, region, income, and other demographics, [click here](#).

How would you describe the typical price of a home in your community?

	Total (5867)	City								
		Metro Van (405)	Edm (281)	Calgary (236)	Wpg (514)	GTA - Total (431)	GTA - 905 (244)	GTA - 416 (187)	Mtl (372)	Halifax (122)
Maybe a bit low	5%	1%	7%	9%	2%	3%	3%	2%	3%	9%
Reasonable overall	32%	8%	34%	38%	42%	12%	11%	14%	29%	32%
High, but understandable given the area	23%	17%	23%	24%	20%	32%	37%	25%	29%	25%
Unreasonably high	32%	70%	28%	23%	26%	46%	42%	51%	28%	27%
Don't know	8%	4%	8%	6%	10%	8%	8%	8%	10%	7%

How would you describe the typical price of a home in your community?

	Total (5867)	Region								
		BC (803)	AB (799)	SK (748)	MB (807)	ON (969)	QC (805)	NS (295)	NB (288)	NFL (265)
Maybe a bit low	5%	2%	9%	4%	3%	4%	4%	14%	17%	6%
Reasonable overall	32%	22%	38%	32%	42%	29%	35%	43%	46%	31%
High, but understandable given the area	23%	20%	21%	19%	18%	26%	27%	17%	8%	12%
Unreasonably high	32%	52%	25%	35%	27%	33%	25%	19%	18%	46%
Don't know	8%	4%	7%	9%	10%	8%	9%	7%	11%	5%

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Have the new CMHC rules regarding down payments had any effect on your own personal plans to purchase real estate in 2016?

	Total (5867)	City								
		Metro Van (405)	Edm (281)	Calgary (236)	Wpg (514)	GTA - Total (431)	GTA - 905 (244)	GTA - 416 (187)	Mtl (372)	Halifax (122)
Yes, the new rules have made me MORE likely to purchase property	2%	3%	1%	2%	1%	5%	2%	8%	2%	1%
Yes, the new rules have made me LESS likely to purchase property	7%	8%	7%	12%	6%	8%	8%	7%	9%	5%
No, the new rules have had no effect on my plans, but I do plan to buy	17%	19%	22%	20%	17%	17%	17%	17%	21%	21%
The new rules don't affect me I have no plans to buy	74%	70%	70%	67%	77%	71%	74%	67%	68%	73%

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	Total (5867)	Region								
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Yes, the new rules have made me MORE likely to purchase property	2%	2%	2%	1%	1%	3%	2%	1%	1%	2%
Yes, the new rules have made me LESS likely to purchase property	7%	8%	9%	6%	4%	6%	7%	5%	6%	6%
No, the new rules have had no effect on my plans, but I do plan to buy	17%	16%	21%	18%	16%	16%	19%	14%	16%	14%
The new rules don't affect me I have no plans to buy	74%	74%	69%	75%	79%	76%	71%	80%	77%	78%

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