

## Cost of Living: Majority of mortgage holders walking a thin line as interest rate begins to rise

*Two-thirds who say their housing costs make their budget tight also say it's difficult to feed their families*

**March 7, 2022** – As the Bank of Canada wields rate hikes to battle inflation, it does so with the cost of housing in mind.

New data from the non-profit Angus Reid Institute finds budgets already squeezed by mortgages – and rent – before the slow climb of the benchmark interest rate begins. Three-in-five (58%) Canadian mortgage holders say their payments crowd out other portions of their budget. Three-quarters (74%) of renters say the same of their rent.

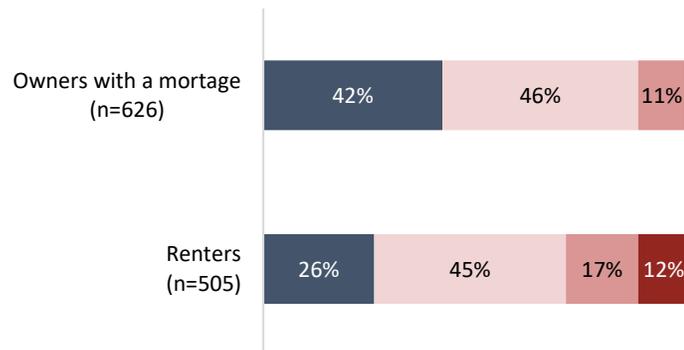
Among this group of homeowners and renters, two-thirds (65%) say it's meeting the household food budget that is becoming difficult. Almost all (92%) have done something – from cutting out takeout (72%) or switching to cheaper brands at the grocery store (62%) – to adjust to food inflation.

Inflation, the runaway horse the Bank of Canada is trying to wrangle this year, is clearly not doing Canadians any favours. But few homeowners with a mortgage or renters have wiggle room to accommodate increases to the largest line item in their budget as interest rates rise. Seven-in-ten who say their rent or mortgage payments cause them to spend less elsewhere also say there's no room in their monthly budget for an unexpected expense of more than \$1,000.

### More Key Findings:

- Four-in-five (83%) renters with a child under the age of 13 in their household say their rent eats into their budget each month; seven-in-ten (71%) of those in households without young children say the same.
- Half (51%) of those who say their rent or mortgage is no problem say they stress about money. For the rest of mortgage and renters, nine-in-ten (87%) say the same.

### Thinking about your current experience [with your rent or your mortgage] – overall, would you say:



- You can manage the payments quite easily
- You can manage, but you have to watch spending on extras
- Your payment makes things tight and curbs your lifestyle
- It's a real struggle to make ends meet

### METHODOLOGY:

The Angus Reid Institute conducted an online survey from Feb. 11-13, 2022 among a representative randomized sample of 1,622 Canadian adults who are members of [Angus Reid Forum](#). For comparison purposes only, a probability sample of this size would carry a margin of error of +/- 2.5 percentage points, 19 times out of 20. Discrepancies in or between totals are due to rounding. The survey was self-commissioned and paid for by ARI. Detailed tables are found at the end of this release.

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## About ARI

*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 foundation 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.*

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#### Part Three: The impact of the high cost of housing on household budgets

### Part One: The Canadian housing picture – who are the owners and renters?

Canadians, historically, have been [a nation of homeowners](#). The majority of Canadians own their own home [dating back to the 1970s](#), while historically around one-third of Canadians rent.

Three-in-five in ARI's sample say they own their home, while three-in-10 rent. One-in-10 say they have other arrangements, including living with their parents or another family member rent-free.

This aligns with the most recently available census data. In 2016, [Statistics Canada reported](#) 63 per cent of Canadians owned their home.

Homeownership rates change naturally with age. Older Canadians are more likely to own their own home and younger Canadians are more likely to be renters, though there is a gender discrepancy to this last point. More than two-in-five (45%) women aged 18- to 34-years-old say they are renters, more than those who say they are owners. Men that age are slightly more likely to be owners than renters:

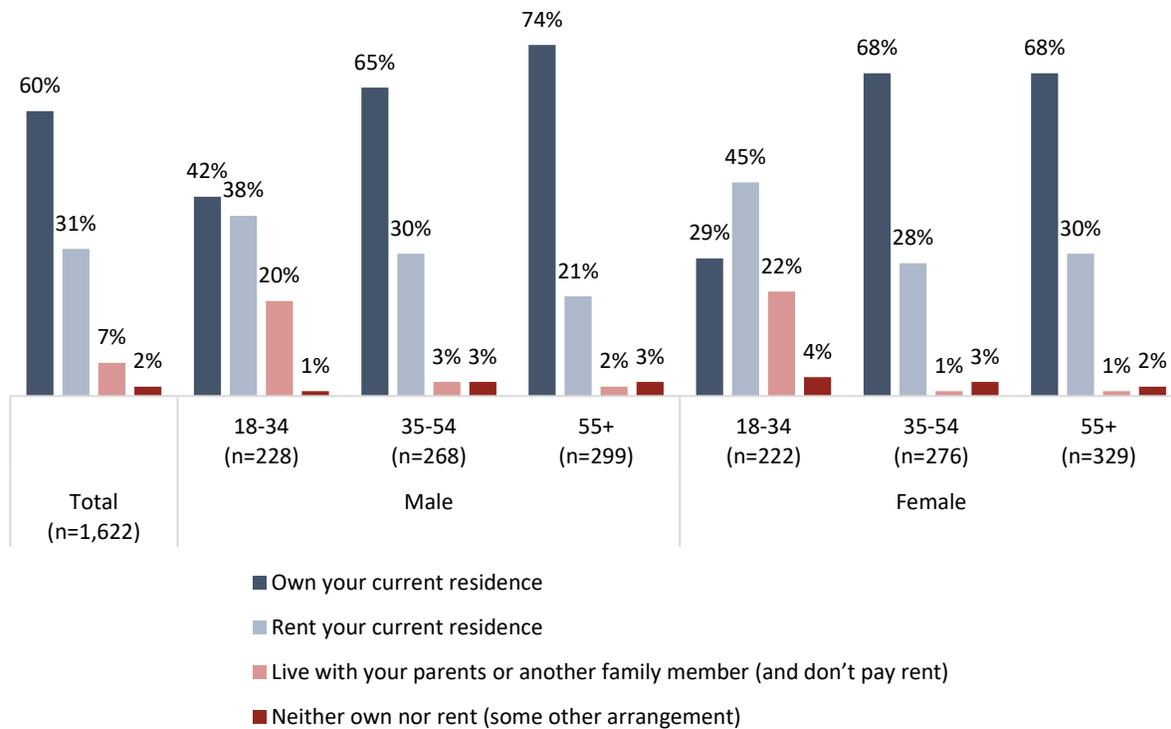
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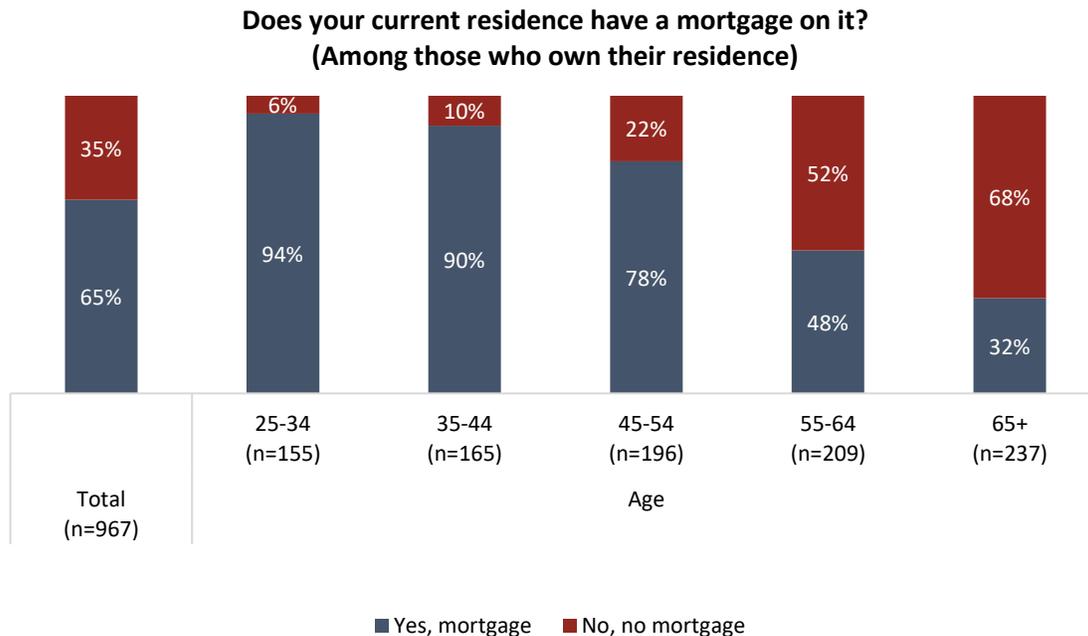
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**Which of the following best describes your current situation?**



There is also a natural age discrepancy when it comes to whether Canadians who own a home are paying a mortgage. Younger Canadians are less likely to own their residence outright, but there is a notable gap at the age of 54-years-old. For Canadians older than 54, a majority say they are not paying a mortgage, while one-in-five (22%) Canadians aged 45- to 54-years-old say the same:

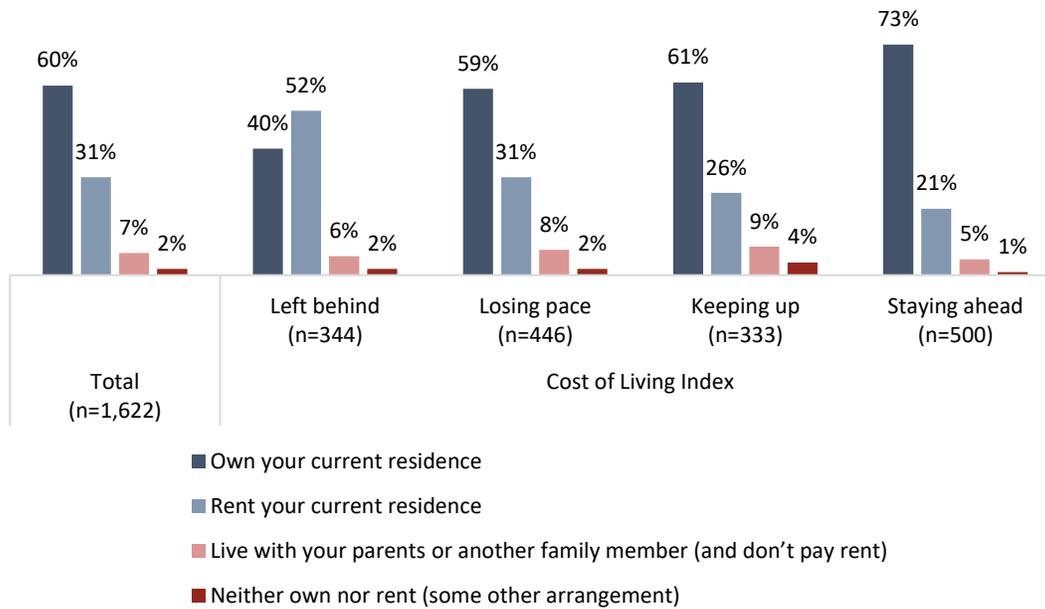


For a previous study, ARI created [a Cost of Living Index](#) to illustrate how Canadians' household budgets are coping with the rapidly increasing cost of living in the country. The Index separated respondents into four groups – Staying Ahead, Keeping Up, Losing Pace, and Left Behind – based on their self assessments on how they were faring with the cost of housing, grocery bills, and child care and the amount of wiggle room in their budget each month.

**Related: [The Cost of Living Index](#)**

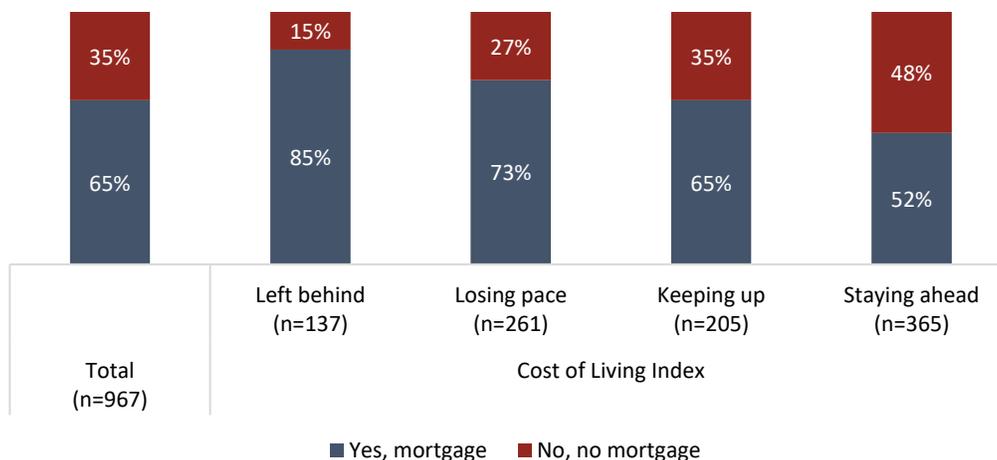
Half of those who are Left Behind by the rising cost of living are renters. For all other groups, the majority are homeowners, including approaching three-quarters (73%) of those who are Staying Ahead of rising cost of living:

**Which of the following best describes your current situation?**



For the two-in-five in the Left Behind group who own their own home, most (85%) have a mortgage on it. At the other end of the Cost of Living Index, half (48%) of the Staying Ahead say they don't have a mortgage on their home:

**Does your current residence have a mortgage on it?  
(Among homeowners)**



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## Part Two: The costs of housing

Inflation is the spectre that haunts almost every economic conversation in Canadian kitchens and living rooms these days. Canadians are increasingly feeling the pinch in their wallet and are changing their consumer habits at the grocery store and elsewhere.

### Related:

- [Falling Behind: 53% of Canadians say they can't keep up with the cost of living](#)
- [Price Check: Four-in-five say they've changed food buying habits because of increasing costs](#)

Canada's central bank is carefully wielding a weapon to fight inflation – the benchmark interest rate, which affects the cost of money across the country – with an eye on [a hot housing market that gained a significant number of mortgaged buyers during the pandemic](#). Last week, [for the first time since 2018](#), the Bank of Canada raised the benchmark rate. It now sits at 0.5 per cent, up from a rate of 0.25 per cent set throughout the pandemic to help keep the economy running as COVID-19 forced business closures and layoffs.

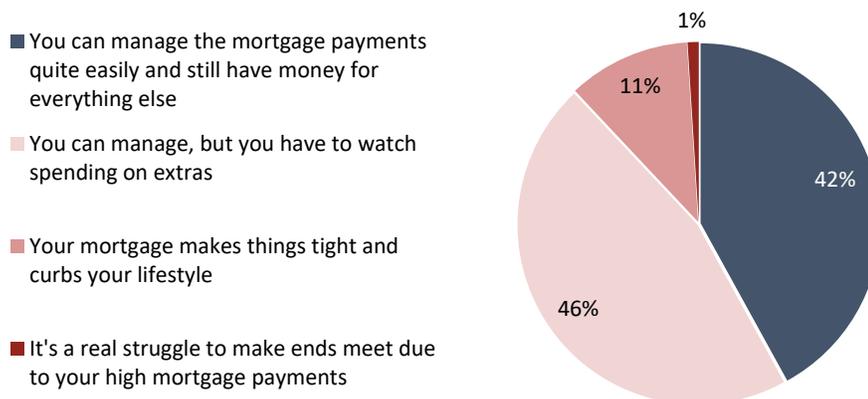
The bank is [expected to continue to raise rates this year](#) to fight inflation, and [the impact could be significant](#) on those with variable rate mortgages and those whose fixed rate mortgages come up for renewal soon.

### **Budget already tight for majority of Canadians with mortgage**

For most mortgage holders, the cost of payments is already squeezing their budget. While two-in-five (42%) say they can easily manage their payments, more (46%) say they must watch their discretionary spending. One-in-10 (11%) say it curbs their lifestyle and a handful (1%) say making their high mortgage payments is a real struggle:

**Thinking about your current experience with your mortgage – overall, would you say:**

**(Among homeowners with a mortgage, n=626)**



Homeowners with annual household incomes of less than \$100,000 are less likely to say they have money left over after their mortgage payments than those in higher income households. Half (49%) of households earning six figures annually say they can manage their mortgage payments easily, while one-

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third of those in households earning less say the same. Instead, fully half (53%) of lower-income households say their mortgage payments require them to watch their discretionary spending:

Thinking about your current experience with your mortgage – overall, would you say: (Among homeowners with mortgage)						
	Total (n=626)	Age			Household income	
		18-34 (n=149)	35-54 (n=300)	55+ (n=177)	<\$100K (n=289)	\$100K+ (n=283)
You can manage the mortgage payments quite easily and still have money for everything else	42%	44%	40%	43%	35%	49%
You can manage, but you have to watch spending on extras	46%	43%	47%	47%	53%	39%
Your mortgage makes things tight and curbs your lifestyle	11%	11%	12%	9%	11%	11%
It's a real struggle to make ends meet due to your high mortgage payments	1%	1%	1%	2%	1%	1%

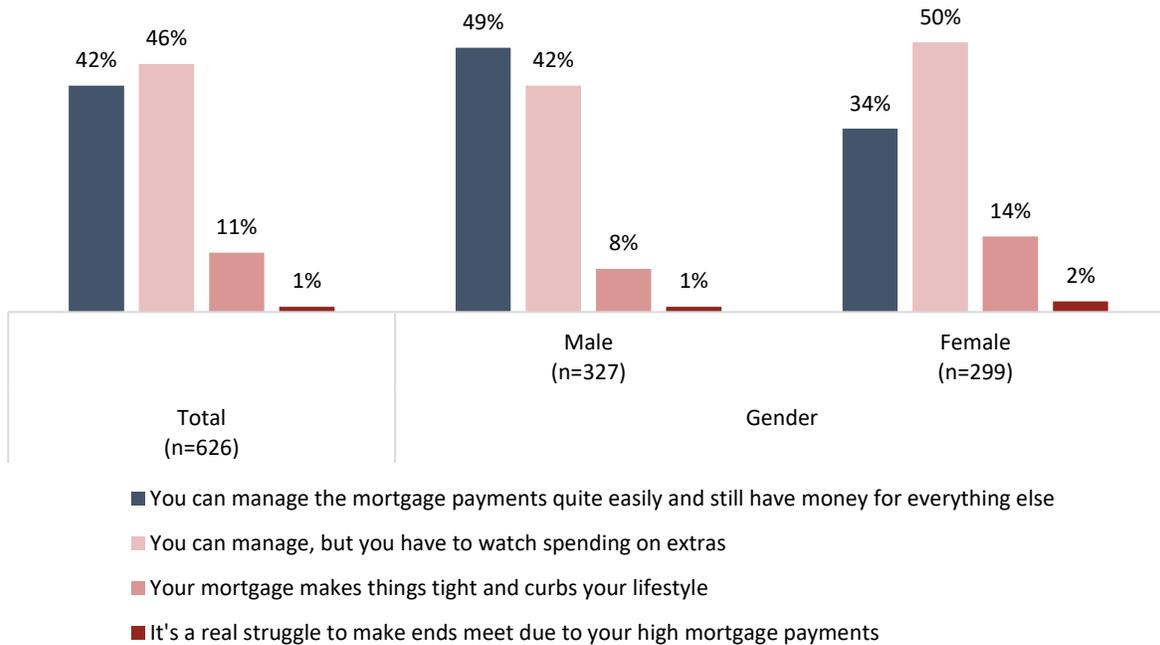
Men and women have slightly diverging views about just how much stress their mortgage is causing. Consider that one-in-three women (34%) say their mortgage is easily handled, while half of men (49%) say the same:

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**Thinking about your current experience with your mortgage – overall, would you say:  
(Among homeowners with mortgage)**



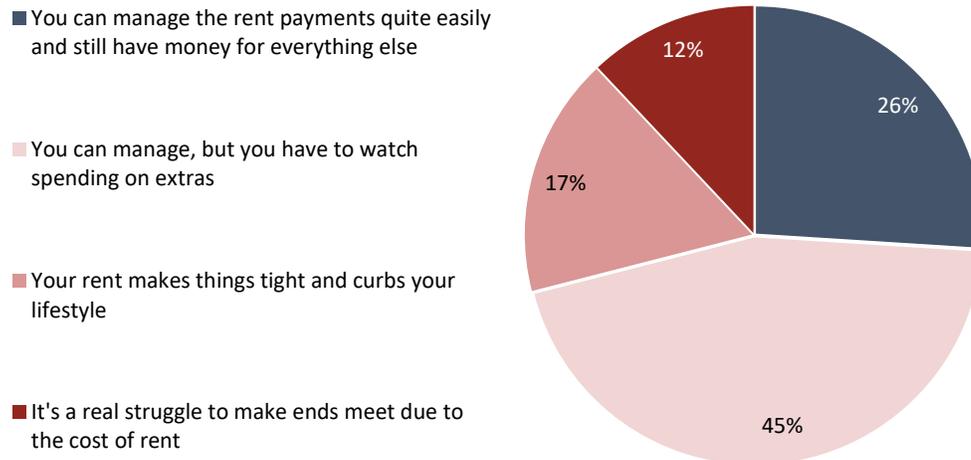
**Most renters curbing discretionary spending**

Renters are having a more difficult time with the high cost of housing than mortgage holders on balance. This, as vacancy rates in many [cities plummet and squeeze out](#) low-income individuals. One-quarter of Canadians renters say they can comfortably afford this expense, with money left over. Approaching half (45%) say they have to watch their spending on extras, 17 per cent say the amount they pay for rent curbs their lifestyle and one-in-ten (12%) are struggling to make ends meet because of how much they pay in rent:

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**Thinking about your current experience with your rent – overall,  
would you say:  
(Among renters, n=505)**



One-third of renters over the age of 54 say covering their rent each month is no sweat, the most of any age group. For 35- to 54-year-olds, one-in-five (19%) say instead it's a struggle to make ends meet because of how much they pay in rent. Unlike mortgage holders, male and female renters hold near-identical views on their financial experiences:

Thinking about your current experience with your rent – overall, would you say: (Among renters)						
	Total (n=626)	Gender		Age		
		Male (n=230)	Female (n=275)	18-34 (n=187)	35-54 (n=157)	55+ (n=161)
You can manage the rent payments quite easily and still have money for everything else	26%	24%	28%	23%	25%	32%
You can manage, but you have to watch spending on extras	45%	45%	44%	48%	42%	43%
Your rent makes things tight and curbs your lifestyle	17%	18%	16%	21%	14%	15%
It's a real struggle to make ends meet due to the cost of rent	12%	13%	11%	7%	19%	11%

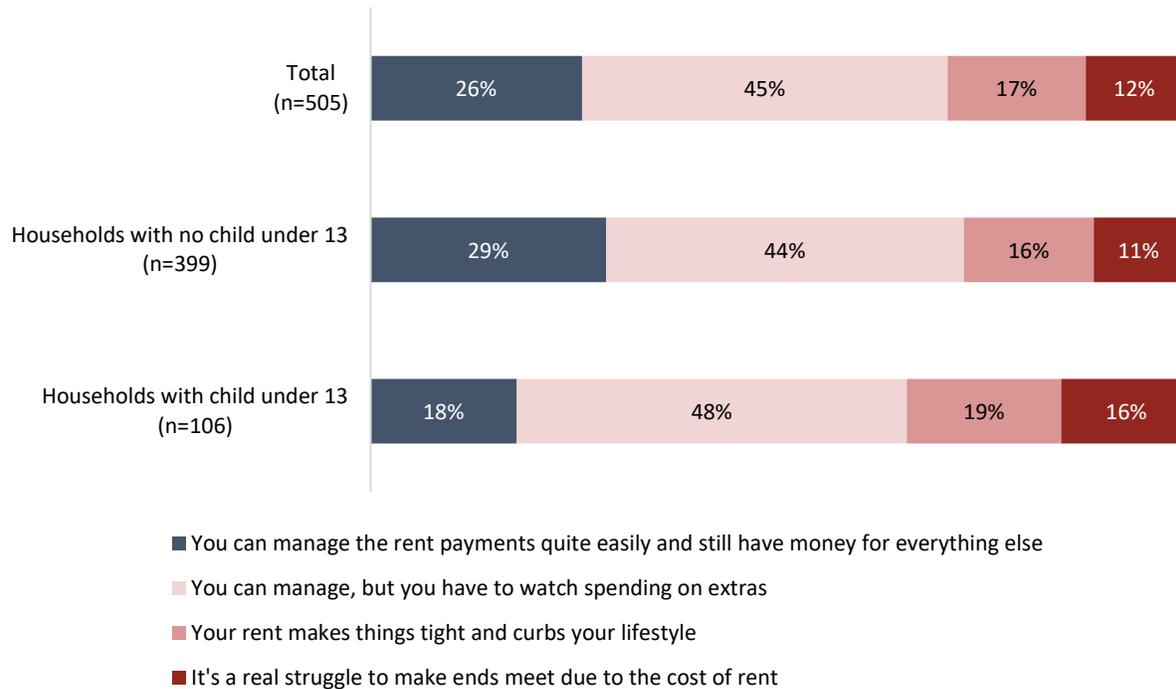
**Those with children in their household are more likely to feel pinched by their rent, mortgage**

Homeowners with younger children in their household are close to equally likely to say they find their mortgage payments easy or difficult compared to those who do not have children ([see detailed tables](#)). This is less the case for renters. For those who do not own their residence, three-in-ten (29%) in households without children under 13 say they have an easy time paying their rent; one-in-five (18%) living with a kid under 13 say the same. The majority in both groups face challenges in covering this essential cost of living:

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**Thinking about your current experience with your rent – overall, would you say:  
(Among renters)**



**Part Three: The impact of the high cost of housing on household budgets**

Respondents were asked to assess how well their monthly budget could accommodate a surprise expense. Overall, renters are less likely to have room to spare for unexpected bills than homeowners with mortgages. One-quarter (23%) of renters say they could not manage any unexpected expense, nearly double the number of mortgage-holders who say the same (12%). One-third of renters say they could handle an unplanned-for bill of \$1,000, while just over half (54%) of homeowners with a mortgage feel the same:

How large of a one-time unexpected expense could you manage this month?			
	Total (n=1,622)	Housing situation	
		Renter (n=505)	Homeowner with mortgage (n=626)
Could not manage any unexpected expense	14%	23%	12%
Up to \$100	5%	8%	3%
Up to \$250	8%	11%	6%
Up to \$500	9%	10%	9%
\$500 - \$1,000	15%	15%	16%
Could manage over \$1,000	50%	33%	54%

For those who find their rent or mortgage payments easy to handle, three-quarters say they could handle an unexpected expense of over \$1,000. For others who say the cost of their rent or mortgage eats into their budget for other things, at least three-in-five say they wouldn't be able to accommodate an unplanned bill of more than \$1,000:

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How large of a one-time unexpected expense could you manage this month?					
	Total (n=1,622)	Mortgage/Rent payments			
		Manage payments easily (n=395)	Manage, but watch spending (n=515)	Makes things tight (n=153)	Real struggle (n=69*)
Could not manage any unexpected expense	14%	1%	19%	34%	50%
Up to \$100	5%	2%	5%	10%	13%
Up to \$250	8%	5%	8%	17%	13%
Up to \$500	9%	5%	12%	12%	11%
\$500 - \$1,000	15%	15%	19%	9%	9%
Could manage over \$1,000	50%	73%	37%	18%	4%

*\*Smaller sample size, interpret with caution*

Other money worries are also more plentiful among those whose mortgage or rent occupies a significant portion of their budget. Nearly all who say the high cost of their housing makes their budget tight or a real struggle say they feel left behind by the rising cost of living. Few in those groups say they are never stressed about money and at least two-thirds say they are carrying too much debt:

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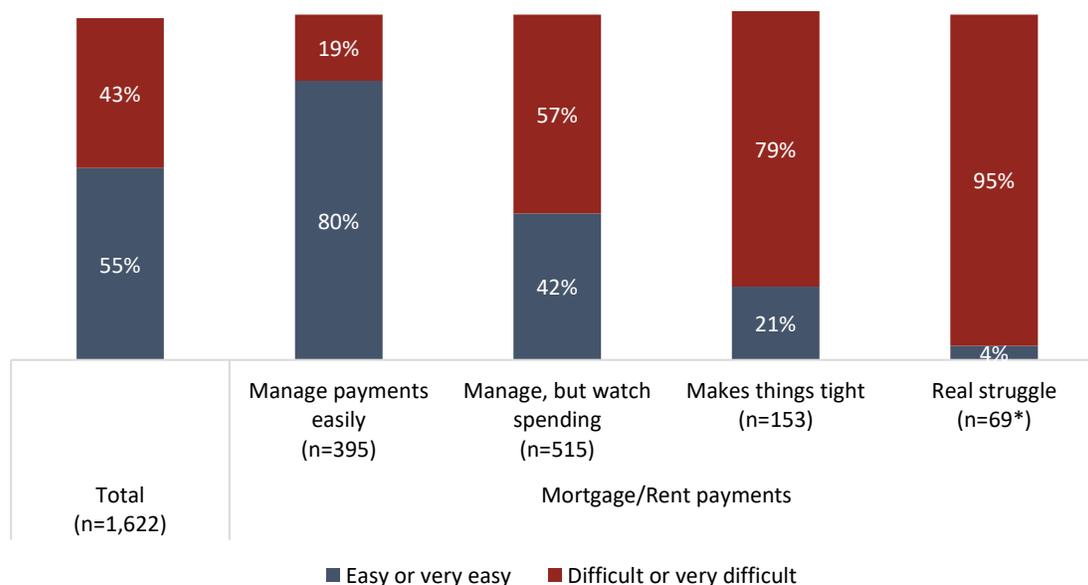
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Agree vs. disagree (Those who select 'agree' or 'agree strongly' shown)					
	Total (n=1,622)	Mortgage/Rent payments			
		Manage payments easily (n=395)	Manage, but watch spending (n=515)	Makes things tight (n=153)	Real struggle (n=69*)
I'm concerned that I or someone in my household could lose a job because of the economy	36%	23%	43%	49%	73%
I can't keep up with the cost of living	53%	26%	64%	90%	98%
I'm never really stressed about money	28%	48%	15%	7%	1%
I have too much debt	36%	21%	50%	67%	77%

*\*Smaller sample size, interpret with caution*

Four-in-five who feel they have plenty left over after they've paid their rent or mortgage also say it's easy to feed their household. For every other group, a majority say the opposite:

**Thinking about grocery shopping and your household's food budget, how easy or difficult would you say it is to afford to feed your household?**



*\*Smaller sample size, interpret with caution*

Rising food prices have apparently had a larger impact on the behaviours of Canadians who are having a harder time with their monthly rent or mortgage payments. For those who say they can easily cover their rent or mortgage each month, three-in-ten (28%) say they haven't changed their food-buying habits, a proportion much higher among those who find their monthly housing costs more difficult.

Instead, a majority of those who say the cost of their rent or mortgage eats away at their budget also say they've cut down on dining at restaurants and are saving money at the grocery store by switching to cheaper brands:

Are you or your household doing any of the following more than usual because of food prices?					
	Total (n=1,622)	Mortgage/Rent payments			
		Manage payments easily (n=395)	Manage, but watch spending (n=515)	Makes things tight (n=153)	Real struggle (n=69*)
Eating out less	62%	54%	69%	76%	81%
Switching to cheaper, lower quality brands	46%	33%	57%	72%	73%
Cutting back on meat	35%	26%	39%	51%	53%
Cutting back on alcohol	25%	19%	30%	40%	33%
Cutting back on fresh fruit and vegetables	21%	9%	25%	38%	62%
Gone to a food bank for groceries	4%	2%	4%	6%	24%
Other	10%	9%	12%	9%	17%
None of these	19%	28%	9%	4%	4%

*\*Smaller sample size, interpret with caution*

As for other spending cuts, more than two-in-five (44%) who say they are easily handling their rent or mortgage say they haven't done any. For the rest of renters and mortgage holders, nearly all have adapted their spending in some way, including majorities who have cut back to the essentials and delayed a major purchase:

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In the last few months, have you or your household done any of the following to cut back on spending?					
	Total (n=1,622)	Mortgage/Rent payments			
		Manage payments easily (n=395)	Manage, but watch spending (n=515)	Makes things tight (n=153)	Real struggle (n=69*)
Cutting back on discretionary spending	53%	38%	62%	75%	88%
Delaying a major purchase	41%	20%	53%	59%	75%
Driving less	31%	19%	35%	42%	65%
Cancelling/scaling back planned travel	29%	19%	33%	35%	50%
Deferring/not making a contribution to an RRSP or TFSA	22%	11%	27%	39%	50%
Other	3%	1%	4%	4%	4%
None of these	26%	44%	13%	8%	5%

\*Smaller sample size, interpret with caution

For detailed results by age, gender, region, education, and other demographics, [click here](#).

For detailed results by the Cost of Living Index and whether or not there is a child under the age of 13 in the household, [click here](#).

For detailed results by housing situation and how respondents feel they handle their mortgage or rent payments, [click here](#).

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