

## Fear of Renewal: Most new homebuyers 'very worried' next term will bring much higher monthly payments

*Half of variable rate mortgage holders having a tough time financially; one-in-three with fixed rate*

**May 2, 2023** – The Bank of Canada held its key rate firm in April, but [five more dates](#) are set aside for possible rate changes in 2023. While Canadians – particularly in urban centres – have been [voicing concern](#) about housing affordability for years, the Bank's decision to raise its target overnight rate eight times since the beginning of 2022, and the subsequent rise in mortgage lending rates, has many of those already in the housing market now adding their voices to the affordability crisis.

A new study from the non-profit Angus Reid Institute finds three-in-ten (30%) having a tough or difficult time with their mortgage, rising to half (51%) among those who have a variable rate.

This adds further anxiety to a fiscal environment where mortgage defaults and foreclosures have [already begun to rise](#).

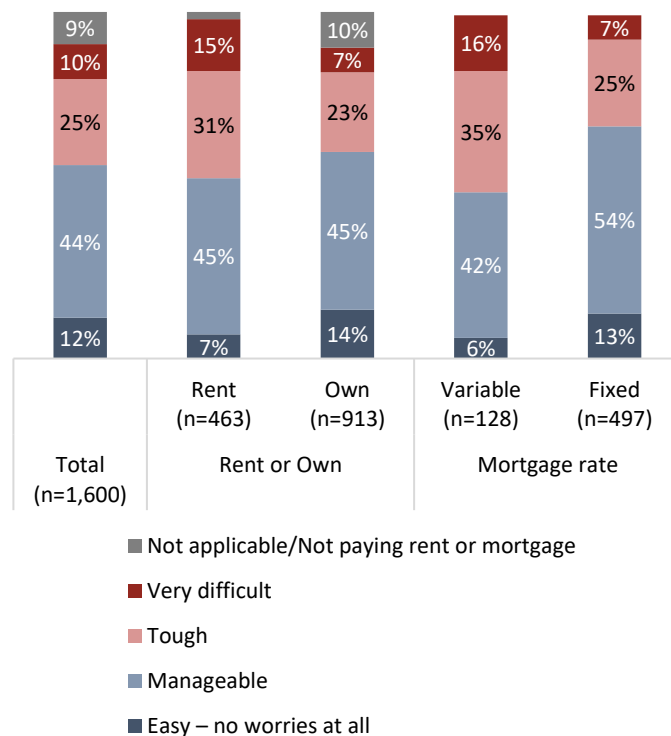
Regardless of what type of mortgage they hold – fixed, variable or other – Canadian homeowners are largely unified in their concerns about what the interest rate hikes could mean for their next renewal. Three-quarters (77%) say they are worried about the additional cost future renegotiations could bring.

These concerns are near unanimous (91%) among those whose mortgage terms are in their infancy, with 25 or more years left in their amortization schedule and drop slightly below a majority for those who have five or fewer years to go (44%).

### More Key Findings:

- Half of those with a variable rate mortgage say they have recently taken money out from a savings account they try not to touch (50%). While renters are less likely to have done this (41%),

### And whether you're paying a mortgage, renting, or otherwise, would you say the financial aspect of this is:



### METHODOLOGY:

The Angus Reid Institute conducted an online survey from March 30-31, 2023, among a representative randomized sample of 1,600 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 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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they are more likely to have borrowed from friends or family (21%) than owners (9%) to make ends meet.

- Nearly one-in-five homeowners (18%) say they would lose money if they were forced to sell their home. This proportion rises to one-quarter (24%) among those whose mortgage term exceeds 25 years.

### **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 One: Current housing struggles**

Housing affordability has been among the top issues in the nation – regardless of region – for several years now. Nearly half of renters (46%) say they're in poor or terrible financial straits right now. They're joined by three-in-ten (27%) homeowners. Notably, however, those who hold a variable rate mortgage are significantly more likely to say they're facing challenges. This, as the variable [lending rate](#) has increased from close to [one per cent to over five per cent](#) in the past 18 months.

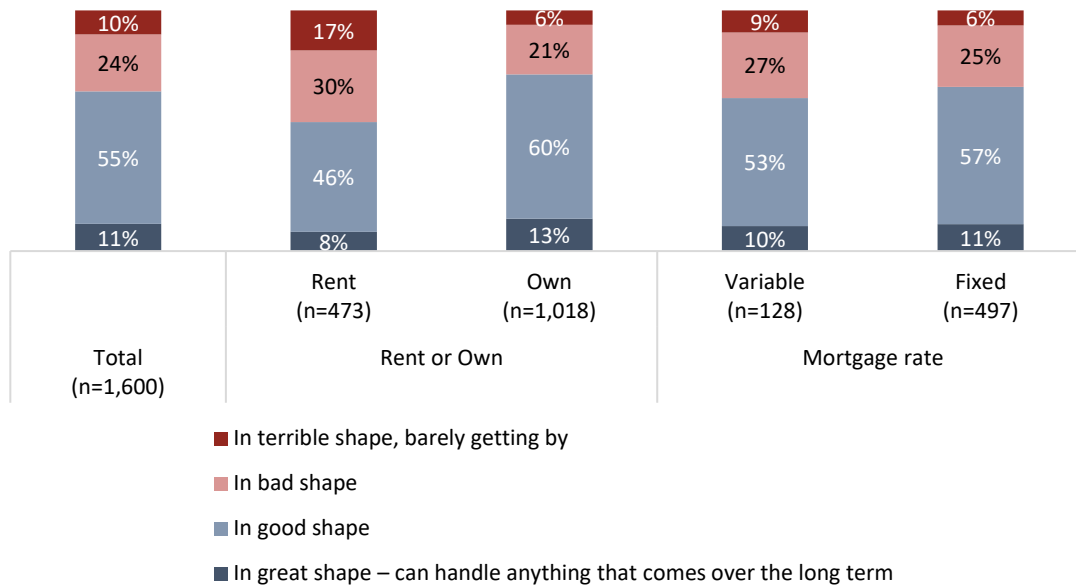
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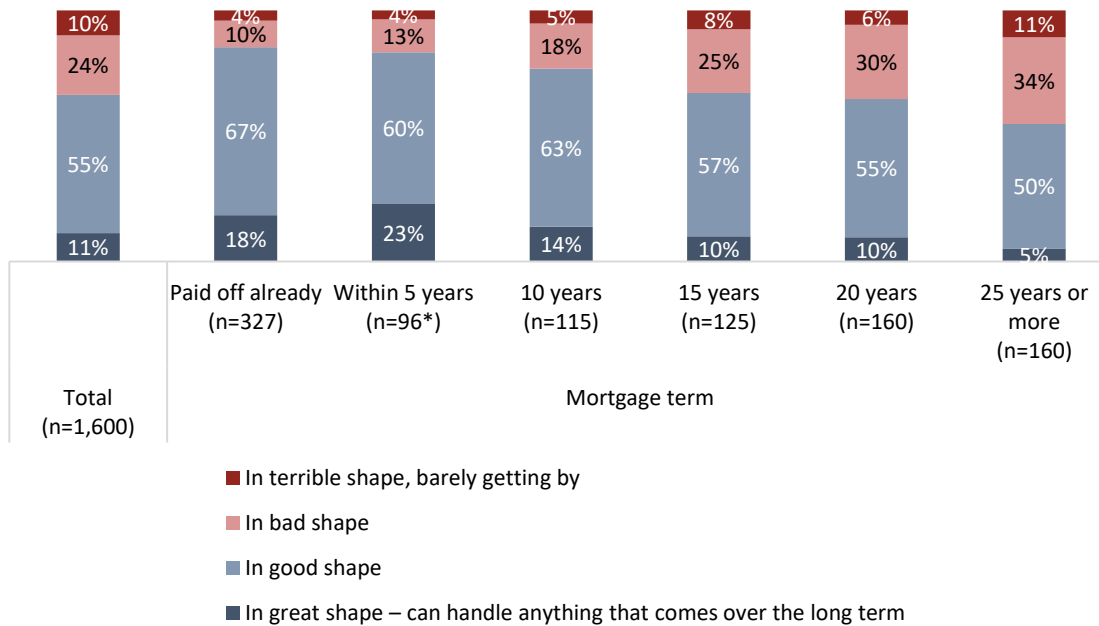
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How are things going for you? Would you say financially you are:



While overall self-assessments of financial well-being find Canadians in **a more challenging place this year** than in recent years, the likelihood of being in a bad place financially shows a correlation with the amount of time remaining on a person’s mortgage. Those who purchased most recently are most likely to report challenges, whether from the capital needed to make the purchase, or the changing financial conditions which have made their purchase more difficult to handle:

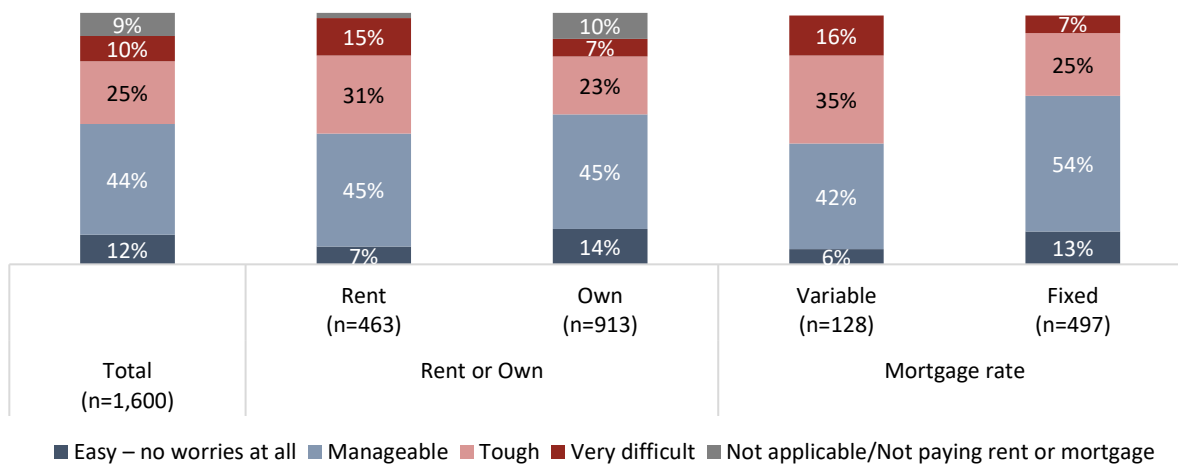
**How are things going for you? Would you say financially you are:**



*\*Smaller sample size, interpret with caution*

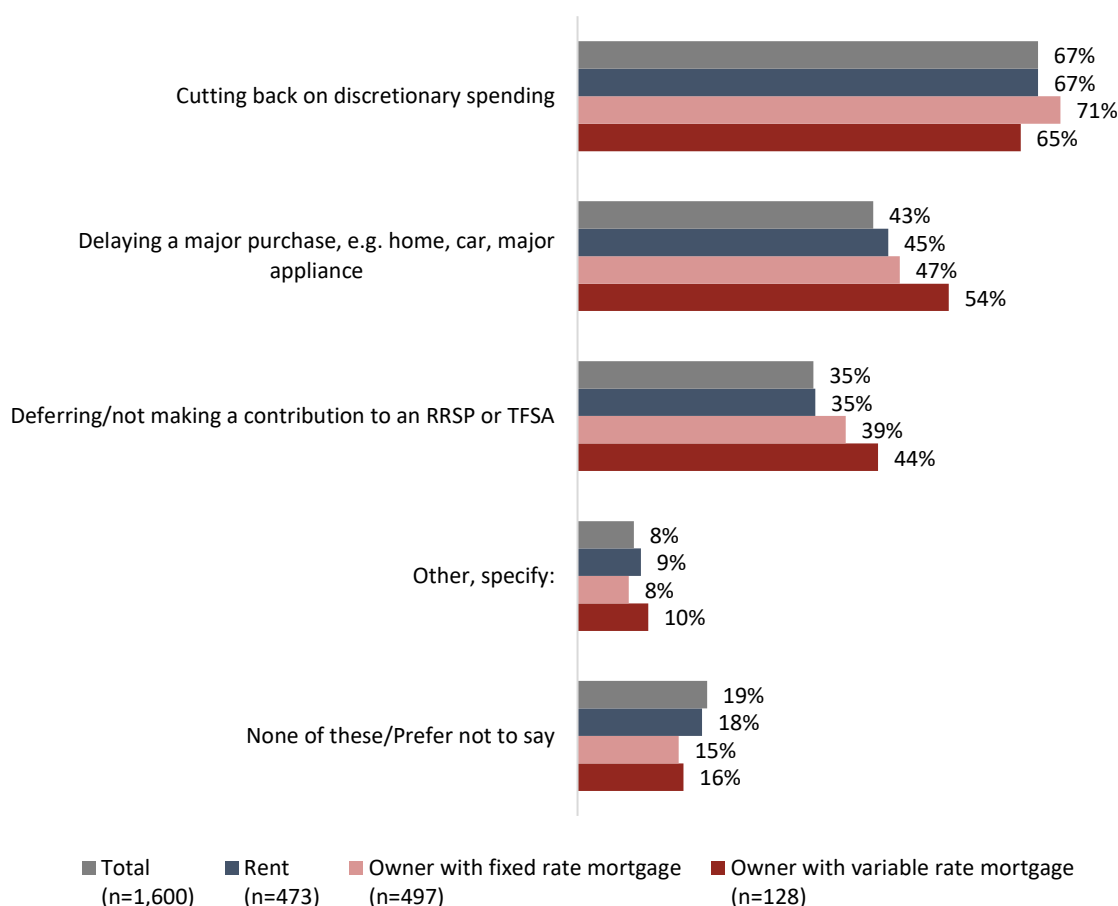
The financial pressure of rising rates is shown when Canadians are asked to evaluate their rent or mortgage payments. Those with variable rate mortgages are more likely than those locked in to say they find their mortgage tough or difficult to pay. As well, half of renters (46%), who often find their rents increase as their landlords' mortgage costs rise, also say they are struggling with their monthly rent:

**And whether you're paying a mortgage, renting, or otherwise, would you say the financial aspect of this is:**



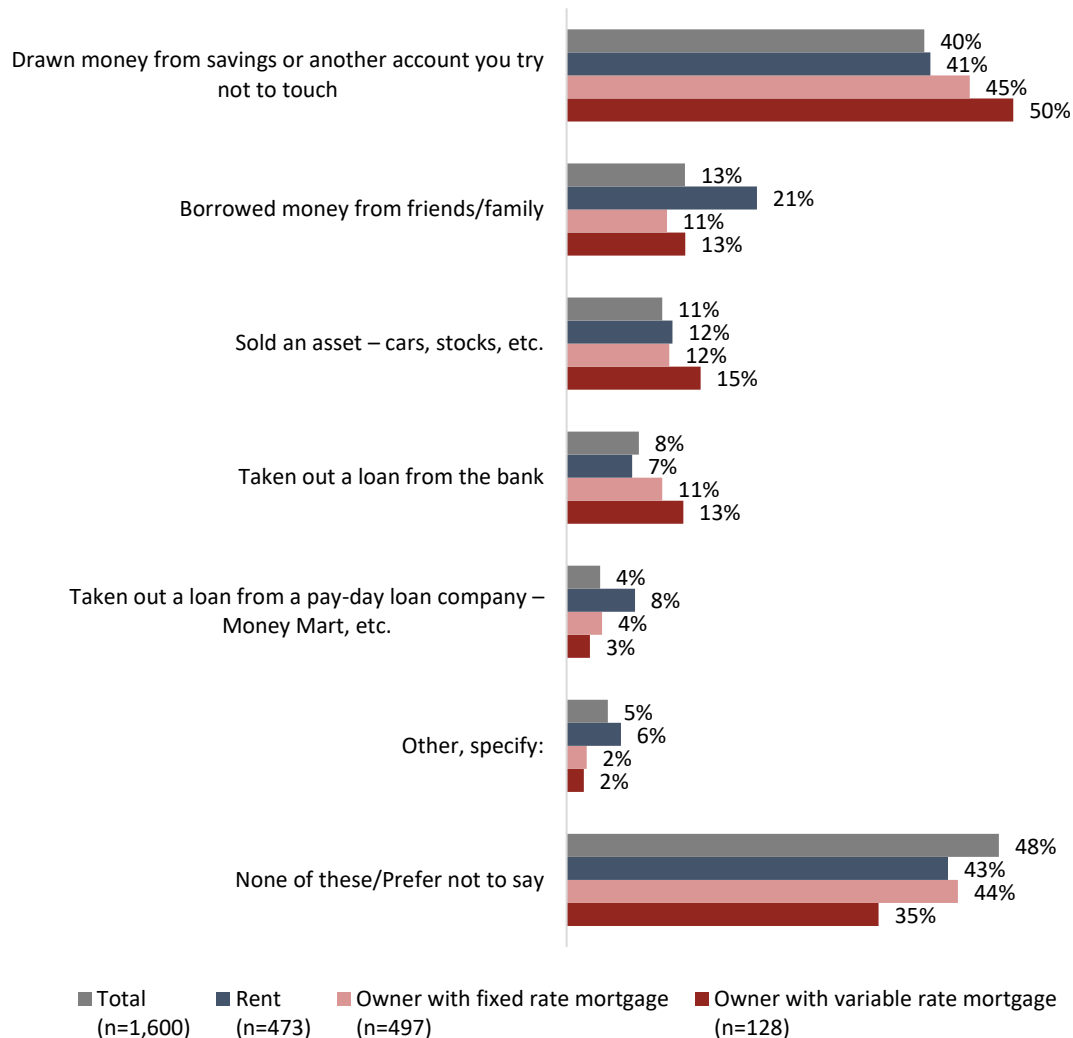
Challenges for those with variable rates – seeing their payments increase unexpectedly over the past year or more – are evident when analyzing other behaviours. These individuals are much more likely to say that they have been cutting back in other areas of their lives, including delaying major purchases or contributions to savings:

**In the last few months, have you or your household done any of the following to cut back on spending?**



Canadians from all walks of life have been making their own financial adjustments in recent months. Indeed, two-in-five have withdrawn money from accounts they try not to touch. This rises 10-points higher among those with variable rate mortgages. Homeowners are also more likely than renters to have sought out a loan from a bank or other financial institution:

**And, in the last few months, have you or your household done any of the following to help pay your bills/expenses?**



**Part Two: Interest rate concerns**

Interest rates have climbed significantly in the past 12 months. Canadian homeowners holding variable rate mortgages were more exposed to the rise. Economists estimate that two-thirds of variable rate mortgages will have reached their trigger rate with the latest Bank of Canada hike in January, which means a larger proportion of the holders' monthly payment will be going towards interest rather than paying down the principal on the loan. Still, even fixed rate mortgage holders will feel the effect as many have to renegotiate their rates every five years.

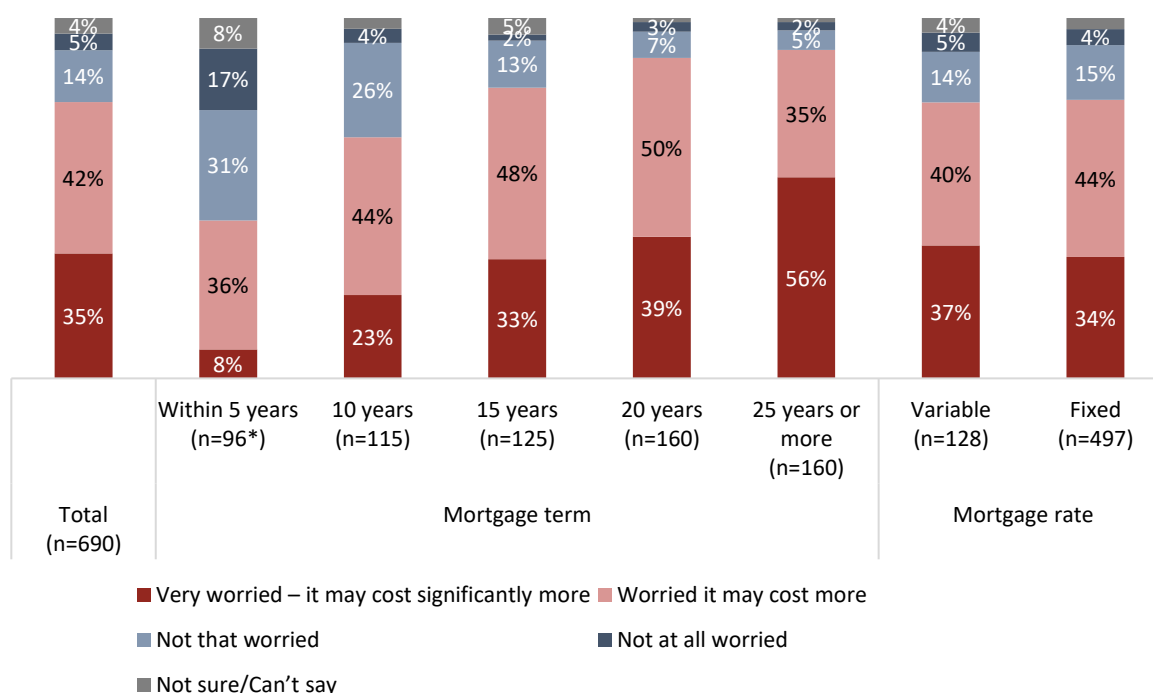
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Notably, those on fixed mortgages (77%) are as likely as those on variable rate ones (77%) to say they are worried about their next mortgage renewal.

However, it is newer buyers, or those who perhaps extended the term on their mortgage to lower their monthly payments, who are much more concerned about their next mortgage renewal than those who have less term left on their loan. More than half (56%) of those whose remaining term is 25 years or longer say they are very worried their next renewal will significantly increase their monthly payment. That proportion falls as the respondents' term shortens:

**Thinking about your next mortgage renewal, which best describes how you feel about it?  
(Among those with a mortgage)**



*\*Smaller sample size, interpret with caution*

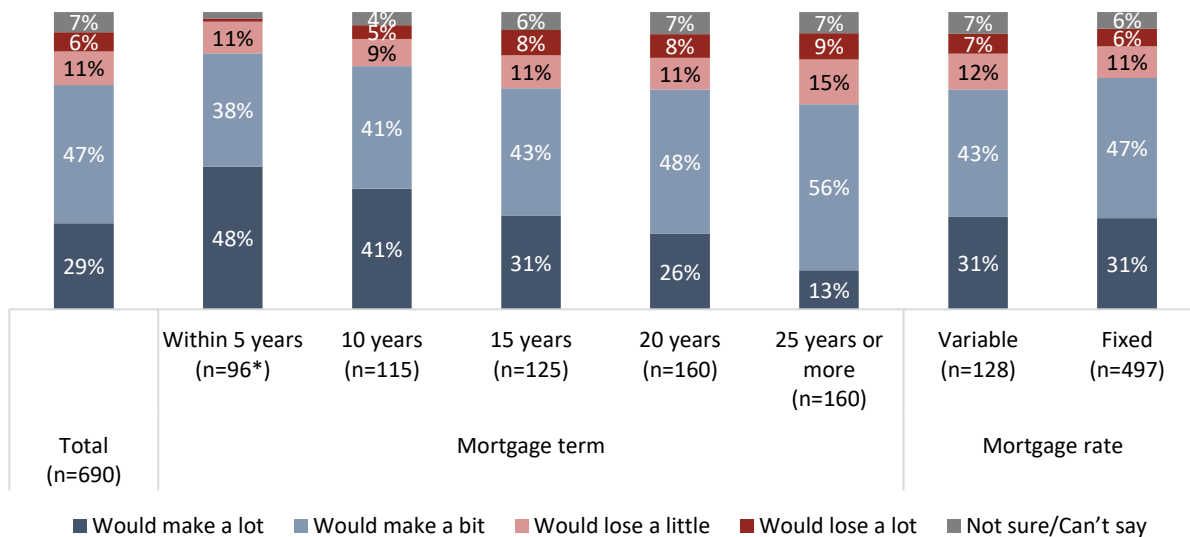
There has been a significant correction to housing prices in recent months in Canada. In February, prices had fallen 15 per cent from the peak seen in February 2022. But prices still have not dropped below pre-pandemic levels, and represent a significant appreciation in value for most Canadian homeowners if they had bought at any time prior to 2020.

This is reflected in the fact that an overwhelming majority of mortgage holders (75%) say they would make a little or a lot of money if they were forced to sell their home today. Those who have the longest term remaining, possibly those who purchased at the peak of the price spike last year, are the most likely to say they would lose money if they were forced to sell (24%):

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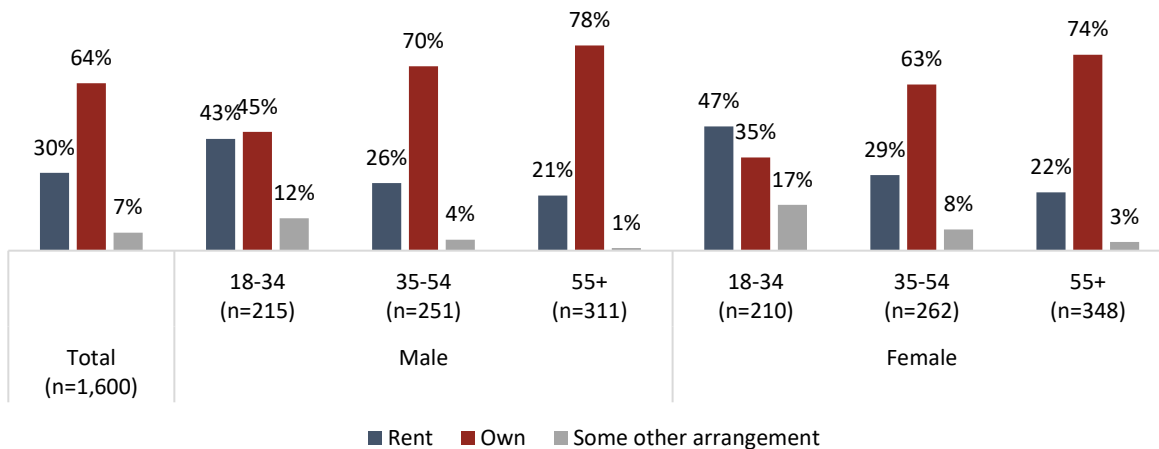
**If you were forced to sell your home now, would you make money or lose money?  
(Among those with a mortgage)**



**Appendix: Demographics of owners and renters**

As conventional wisdom suggests, renters tend to be younger – between the ages of 18 and 34 – than homeowners. Overall, two-thirds of adults in this sample own the home they live in. Owners also tend to have higher household incomes.

**When it comes to your living situation, do you rent, own or do you have some sort of other arrangement?**

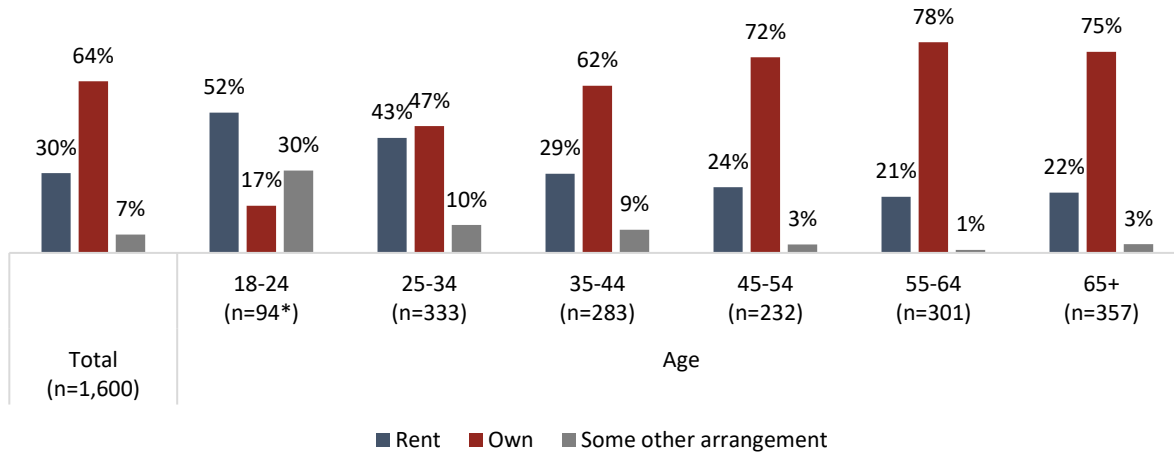


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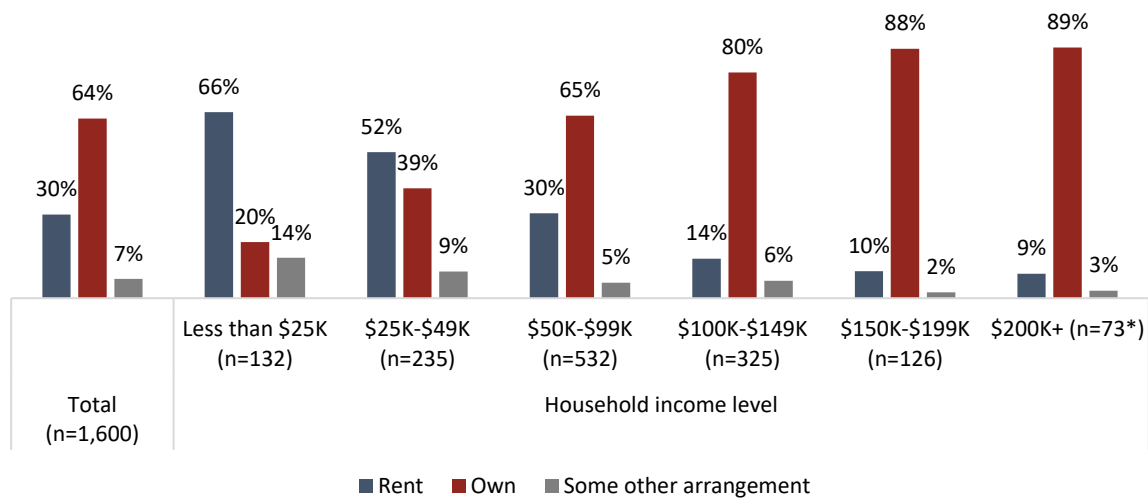


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**For detailed results by age, gender, region, education, and other demographics, [click here](#).**

**For detailed results by mortgage term, type of mortgage, renters and owners, [click here](#).**

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