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### Is The Housing Bubble About to Burst? Three Quarters (76%) of Aspiring Homeowners are Worried That Rising Interest Rates Will Impact What Home they can Afford

Four in ten (38%) Canadians are Confused about what Rising Interest Rates Mean for Them

**Toronto, ON, June 29, 2022** — Rapidly rising interest rates in Canada appear to be causing anxiety and confusion, according to a new Ipsos poll conducted on behalf of TD. Three quarters (76%) of Canadians who are likely to buy a home in the next year agree (35% strongly/41% somewhat) that they're **worried about rising rates impacting what home they can afford**. Moreover, four in ten (38%) of all Canadians – including one in three (33%) homeowners with a mortgage and 43% of those likely to buy a home in the next year – agree that they're **confused about what rising rates mean** to them, along with 47% of renters.

With record-low rates having been the norm for many years now, many younger Canadians have never had to contend with a cycle of rising interest rates. Indeed, it is those aged 18-34 who are by far the most confused about what rising interest rates mean to them (51% vs. 33% aged 35+)

While most (74%) Canadians agree (26% strongly/48% somewhat) that they **have a good understanding of how interest rates impact the affordability of home ownership**, one quarter (26%) admit that they do not. Moreover, one quarter (25%) of those likely to buy a home say they don't have a good understanding of the link between interest rates and housing affordability. In fact, one in three (31%) Canadians say **interest rates don't impact them**, including 23% of those with a mortgage, highlighting that many Canadians who are impacted by interest rates are seemingly in the dark about their impact on their household budget.

One in four (24%) Canadians says they're at least somewhat likely (8% very/16% somewhat) to buy a home in the next year, with Canadians under the age of 35 leading the way (35%), along with those aged 35-54 (31%). Among those likely to buy:

- 41% are looking for their forever home where they plan to stay
- 23% are looking for a starter-home to get themselves into the market (29% among those aged 18-34)
- 22% are looking to make a profitable investment purchase (i.e. rental/flip property)
- 19% are looking to upsize their home (25% among those aged 35-54)
- 13% are looking to co-own with a friend or family member

With housing prices stabilizing, eight in ten (83%) Canadians agree (25% strongly/58% somewhat) that they're happy to see this trend. However, to counter that is rising interest rates which add affordability pressures. In order to afford their next home, likely buyers are willing to make compromises, including being willing to purchase and live in the home with loved ones (30%), having less land space (i.e. yard) (29%), giving up the amount of home space to live in (26%), having to move into a fixer-upper (25%), or to moving into a less desirable neighbourhood than where they



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currently live (20%). However, 17% of likely buyers aren't willing to compromise on any of these things.

While the market has cooled somewhat, a lack of supply and strong demand could still create a bidding-war scenario for buyers. If they found themselves in a bidding war, a majority (55%) of Canadians would conceivably bid over the asking price of the home or aren't sure what they would do, potentially leaving the door open to doing so: 21% would bid up to \$50K more, 7% between \$50K and \$100K more and some even upwards of \$100K or more (6%) over asking. Two in ten (21%) don't know what they'd do in this scenario. However, likely buyers are more willing to shoot over asking, with 67% saying they'd do so or aren't sure what they would do, with 15% willing to go over by more than \$100K for the right home.

It isn't just buying a home that requires a solid understanding of interest rates, however, but other transactions too. Three in five (58%) homeowners expect to take some form of action, as it relates to their home, within the next year. In terms of the specifics, 42% are likely to renovate in the next year, 13% will likely sell, and 18% of those who have a mortgage will renew their mortgage – all of which could potentially be impacted by interest rates.

However, it isn't just interest rates that confound many Canadians but other financial aspects of buying a home too:

- Around half (48%) of Canadians say they're knowledgeable (14% very/34% somewhat) about **how a home-equity line of credit (HELOC) differs from a mortgage**, leaving the other half (52%) admitting that they're not knowledgeable (19% not at all/33% not very). Knowledge is highest among owners (61%) and lowest among renters (34%).
- Two in three (67%) are knowledgeable (22% very/45% somewhat) about **how interest rates affect their ability to afford a home or renew their mortgage**. Knowledge is higher among those who have a mortgage (83%) and lower among those who are just looking to buy a home (74%). Only half (53%) of renters claim knowledge about this.
- Three quarters (74%) of homeowners with a mortgage say they're knowledgeable (22% very/52% somewhat) about **what happens if they sell their home before the end of their mortgage term**, while one quarter (26%) are not (4% not at all/22% not very).
- Six in ten (60%) first-time homebuyers are knowledgeable (16% very/44% somewhat) about **how the mortgage pre-approval process works**, while four in ten (40%) are not (7% not at all/33% not very).
- Two in three (63%) Canadians claim to be knowledgeable (22% very/41% somewhat) about **the difference between variables vs. fixed-rate mortgages**. Eight in ten (81%) with a mortgage are knowledgeable, but it drops to 72% among likely buyers, and 47% among renters.
- Seven in ten (68%) Canadians are knowledgeable (21% very/48% somewhat) about **all the costs associated with buying a home**, rising to 81% among those who own and 73% of those likely to buy a home, leaving 27% of likely buyers admitting that they are not very knowledgeable about all of the costs of owning a home.





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### About the Study

These are the findings of an Ipsos poll conducted between May 20 and 25, 2022, on behalf of TD. For the overall survey, a sample of 2,000 Canadians aged 18+ was interviewed via the Ipsos I-Say panel and non-panel sources. Quotas and weighting were applied to ensure that the sample's composition reflects that of the adult population according to Census data and to provide results intended to approximate the sample universe. The credibility of Ipsos online polls is measured using a credibility interval. In this case the results are considered accurate to within  $\pm 2.5$  percentage points, 19 times out of 20, of what the results would be had all Canadians aged 18+ been polled. The credibility interval will be wider among subsets of the population. All sample surveys and polls may be subject to other sources of error, including, but not limited to coverage error, and measurement error.

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### About Ipsos

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