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Consumer Report Finds Homeownership is the Affordable Alternative as Rent Costs Continue to Soar.

TORONTO (September 11, 2018) Mortgage Professionals Canada is today releasing their comparative report, *Owning versus Renting a Home in Canada*. In the report, Will Dunning, Mortgage Professionals Canada's Chief Economist, compares the expected costs of housing of Canadians who will chose to rent versus those who chose to own. In the 266 scenarios examined in the report, taken from a broad cross section of regions throughout Canada, the monthly cost of homeownership is lower than the cost of renting equivalent housing in the majority of cases today, and becomes even more cost effective over time.

"The report demonstrates that the money Canadians are spending on monthly rent, if used instead to finance a home, would be a very beneficial investment over time," explained Will Dunning, author of the report. "The costs of owning and renting continue to rise across Canada. However, rents continue to rise over time whereas the largest cost of homeownership – the mortgage payment - typically maintains a fixed amount over a set period of time – usually for the first five years. The result is that the cost of renting will increase more rapidly than the cost of homeownership."

More and more Canadians are getting used to the idea that they may never own a home and become permanent renters. However, the new report suggests that Canadians who do have the opportunity to invest in in homeownership will be significantly better off in the long term. The study compares the costs of renting five and ten years in the future. It finds that if mortgage rates remain at 3.25%, in 10 years the cost of ownership (on the net basis that takes out principal repayment) will be lower than the cost of renting for almost 98% of cases. On average, the net cost of owning will be \$1,295 less than the monthly cost of renting equivalent dwellings. If the interest rate rises to 4.25% after 10 years, the cost of ownership is less than the cost of renting in 92% of case studies, with an average saving of \$1,014 per month.

Even if the interest rate rises to 5.25% - which would be two full percentage points above current typical mortgage interest rates – in 10 years homeownership will be less expensive than renting in 82% of the cases, by an average of \$726 per month.

"Using conservative expectations for rental increases over time, there is a clear financial benefit of owning versus renting," commented Paul Taylor, President and CEO of Mortgage Professionals Canada. "While recent changes to mortgage qualifying have made the barrier to entry higher, those who can qualify will be much better off in the long term. Given the economic advantages of homeownership, Mortgage Professionals Canada would recommend the government consider ways to enable more middle class Canadians to achieve homeownership. Our collective long-term economic success may be compromised without that support."

The report outlines that in every one of the 266 cases, when a mortgage is fully repaid the cost of owning will be vastly lower than the cost of renting. In 25 years, on average, the cost of owning is projected at \$1,549 per month versus \$4,655 for renting equivalent dwellings.



Long-term Benefits

The report also reviews data From Statistics Canada on wealth in Canada. The data shows that homeowners are distinctly better off financially compared to tenants who are similar in age and level of income.

“Everyone wants to save for their future, but rising costs, including rent, are making that more difficult,” Dunning stated. “The lower life-time costs of homeownership mean that owners have more ability to save for retirement than do renters. The financial benefits of homeownership go beyond equity accumulation.”

Mortgage Professionals Canada is the national mortgage industry association representing 11,500 individuals and 1,000 companies, including mortgage brokerages, lenders, insurers and industry service providers. Its members make up the largest and most respected network of mortgage professionals in the country whose interests are represented to government, regulators, media and consumers. Together with its members, the association is dedicated to maintaining a high standard of industry ethics, consumer protection and best practices.

The mortgage broker channel originates over 35% of all mortgages in Canada and 55% of mortgages for first-time homebuyers, representing approximately \$80 billion dollars in annual economic activity. With this diverse and strong membership, Mortgage Professionals Canada is uniquely positioned to speak to issues impacting all aspects of the mortgage origination process.

A copy of the report can be found here.

<https://mortgageproscan.ca/docs/default-source/government-relations/owning-vs-renting-2018.pdf>

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