



Newcomer First-Time Home Buying Experience

Qualitative Research Results

QUALITATIVE RESEARCH RESULTS

The purpose of this report is to present an understanding of the experiences and expectations of newcomer first-time home buyers, by way of a comparison with all first-time buyers. It is based on qualitative research conducted with both groups of first-time buyers.

This more in-depth understanding of the first-time home buying experience is difficult to obtain through quantitative surveys. For such understanding, qualitative research is better suited to providing the needed insights on various topics.

It must be noted that the results of qualitative research are not statistically projectable. Rather, they are directional in nature. As such, the results presented here do not include percentages, nor proportions that might suggest that the results are statistically projectable.

General Overview of Newcomers

- As published in CMHC's 2014 Canadian Housing Observer, there were 1,162,900 newcomers¹ to Canada as of 2011. They maintained 335,300 households, representing 2.5% of all households in Canada. Newcomer homeownership rates were higher the longer individuals had been in Canada, presumably because of the time required to gain a solid footing in the labour market, and to build up savings and a good credit rating. Households with immigrant maintainers who came to Canada between 6-10 years ago had much higher homeownership rates at 59% than newcomers who came to Canada within the past 5.5 years at 36%.
- According to data published by Citizenship and Immigration Canada, over the 9 year span covering 2006 to 2014 Canada had on average of 254,444 new immigrants annually. The newcomers included in this data are those who immigrated to Canada in a specific year with permanent residency status, and includes family, economic immigrants, refugees, and other immigrants.
- In addition, Citizenship and Immigration Canada data shows there was an average of 154,346 Economic Immigrants² to Canada annually between 2006 and 2014, representing over half of all immigrants.

Motivations and Desires

Buying Reasons

- To a very large degree, there was strong alignment and similarity in the diverse buying reasons noted by newcomer first-time buyers and all first-time buyers. They were practically identical and relate to financial ability, the desire to build equity, and stage in the family cycle.
- Newcomer buyers were very pragmatic when it came to explaining the importance of owning a home. Nearly all tended to focus on the "investment" or "equity" aspect of home ownership. Paying for a mortgage was seen as building equity while paying rent was seen as wasteful.

- A few newcomers indicated that frustrations with their rental situation had motivated them to think of owning. In particular, the sense of "throwing money out the window" by renting, or a recent increase in their rental fee, was enough to convince them they should not continue to rent.
- Unique to newcomers was the notion that buying a home was an important step towards "getting settled" in a new country and city.
- Of note is that for both groups of buyers, very few participants indicated that the low interest rate environment was a primary motivation for buying a home. While low interest rates were a consideration, they were inclined to believe they would have purchased their home even if the rates had been higher. The low interest rate environment was more likely to be considered a secondary "perk" or "bonus" rather than a catalyst for purchasing now.

Type of Home

- For the most part, newcomer first-time buyers and all first-time buyers had similar desires for the type of home they preferred, with an emphasis on single detached homes. The emphasis was a little more pronounced among newcomers, perhaps reflecting a slightly older demographic.
- Both groups placed an emphasis on location, preferably central or at least in close proximity to their work and public transit.
- Newcomers seemed more inclined to want to stay in the neighborhood in which they were renting, because of its familiarity. Safety was also an important consideration, especially for those with children.
- Newcomers preferred to be part of the broader social fabric, and did not prioritize living in an area dominated by their own ethno-cultural community.

¹ Newcomers for this study were defined as immigrants who have been in Canada for up to five-and-a-half years.

² Economic immigrants are defined by Citizenship and Immigration Canada as "A category of immigrants selected for their skills and ability to contribute to Canada's economy. Economic Class immigrants include skilled workers, provincial and territorial nominees, business immigrants, Quebec skilled workers and Canadian Experience Class members, and their spouses and dependants."

Home Buying Process

Resources Used

- There were few discernable differences between newcomer first-time buyers and all first-time buyers when it came to the tools and resources they used in the home buying process.
- Going online was the single most common step in the home buying process for both groups. The most common activity online was to look at particular property listings. Even after contacting a professional, the Internet was still used to continue scanning listings and to access financial institution websites for rates.
- Mortgage calculators and variants of them were the most often used online tools for both groups, and were typically found on the website of one's own bank, and other bank/lender sites.
- Mobile apps were used by some newcomers, but usually at the early stages of the entire process to look up listings.
- Social media was leveraged to access real estate and listings information, but newcomers were hesitant to share personal information.

Advice Gathered

- The title of most valuable professional was typically assigned to the first professional newcomer participants encountered, whether mortgage broker or specialist or real estate agent. This first person helped them the most to understand the home buying process. Furthermore, a real estate agent was more likely to be consulted first compared to a mortgage broker or specialist.
- Family and friends were resources most commonly relied upon by newcomers throughout the home buying process. Many said they were the most important resource relied upon to help them understand the steps they needed to follow when buying a first home in Canada.
- There seemed to be a real difference for newcomers in comparison to all first-time buyers, with newcomers more likely to involve family members at this stage of the process.
- Of particular note was that among newcomers, very few participants felt they would have benefitted if their professionals (agent or broker) had been from the same cultural community. It was a "nice to have", where competence and trustworthiness were seen as much more important.
- Newcomer participants were also not interested in documentation in their mother tongue. Participants felt they had been in Canada long enough to be more comfortable with documents in an official language other than their mother tongue.

Mortgage Process

Budget and Affordability

- For both groups of buyers, the primary reason to focus on budgeting was to get the down payment sorted.
- There was much less discussion about "budgeting" specifically among newcomers, but most had a good idea of what they could afford, primarily from talking to professionals and others.
- A credit history does not exist in some countries and many participants needed to rely on friends and family to tell them soon after immigrating that they needed to start building up their financial track record.
- Mortgage Loan Insurance (MLI) was not well known or understood by both groups of first-time buyers, although newcomers were even less aware of it.
- The majority of newcomers obtained some sort of pre-approval.
- Regarding price range, newcomer participants almost always started their search for a home with a good idea of what they could afford. This was achieved by working with their real estate agent, mortgage specialist/broker and/or using an online mortgage calculator.
- A difference among newcomers was there seemed to be less awareness of closing costs than among all first-time buyers. This was likely related to being from other countries where there may not have been similar closing costs.
- Not all newcomer participants had set an operating budget, which caused surprises for some after moving in.

Lenders vs. Brokers

- Banks and mortgage brokers were used by all first-time buyers and also by newcomers, although for some newcomers and first-time buyers from smaller urban centers, the concept of a mortgage broker was completely new.
- Newcomers seemed to be more open to dealing with lenders, but nevertheless were still looking for the best rate as a key criterion. For some, the relationship with the bank was important, and they felt that dealing with a lender would make the home buying process easier.
- Among newcomers, some participants reached out to a mortgage broker, usually on the advice of their real estate agent or a friend/relative.
- Being able to compare all available interest rates and select the best one was a compelling proposition for newcomers. Many wished they had compared interest rates more. Some were not aware they had the option to compare rates at different financial institutions.

Qualitative Research Eligibility Criteria

Newcomer First-Time Buyers: To be eligible for this research, participants needed to be born in a country other than Canada or the United States, and had purchased a home in the last 36 months or planning to do so in the near future. Participants had to have been involved in the process of purchasing their home (either in the financial decision or research process), and not have purchased their home with a family member, spouse, friend or partner who was born in Canada or the United States. They also had to have immigrated to Canada in the last 15 years. A total of 94 persons participated in this research.

All First-Time Buyers: To be eligible for this research, participants either had to have the intention to purchase their first house within the next 6 months, or have purchased their first house within the past 6 months. (In some markets, the eligibility criteria were relaxed to include those seeking to purchase in the next nine months to a year, or had purchased in the last nine months to a year). The research sought to include a mix of participants by age, annual household income before taxes, gender, family size, and whether born in Canada or another country. A total of 89 persons participated in this research.

cmhc.ca/surveys

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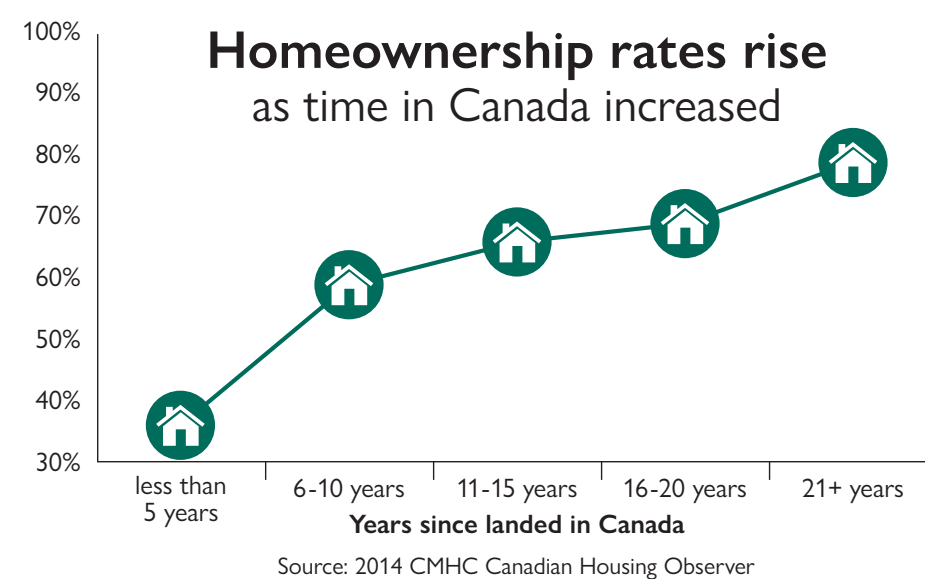
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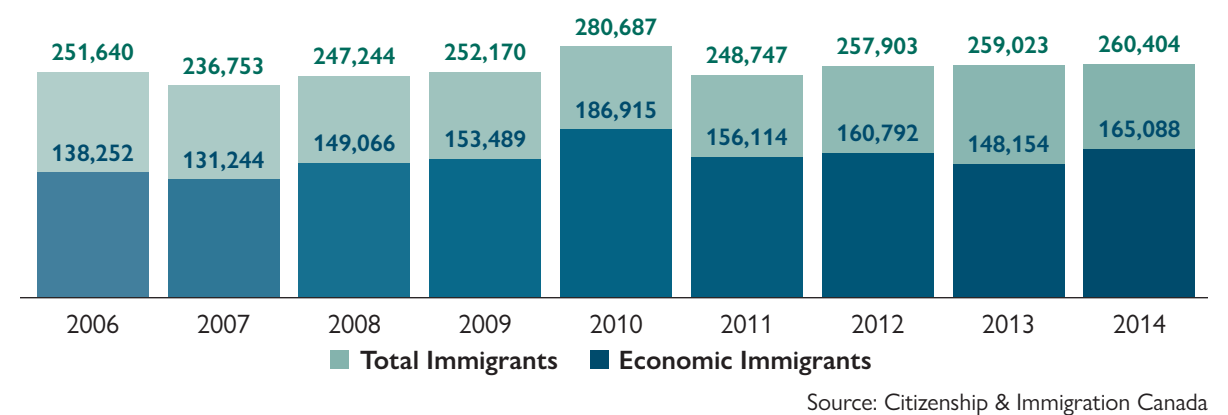
Newcomer First-Time Home Buying Experience

QUALITATIVE RESEARCH RESULTS

General Overview



Over 250,000 new immigrants to Canada annually with over half as economic immigrants



Motivations and Desires



Buying Reasons

Primary reasons cited...

- ✓ Stop paying rent
- ✓ Desire to build equity as a long term investment
- ✓ Felt financially established to carry a mortgage
- ✓ Needed space for a growing family

Few noted low interest rate environment as a primary motivator for buying a home

Noteworthy
Important step towards "getting settled" in new country or city

Type of Home

Preferred characteristics identified...



Single detached homes



Close in proximity to work/transit



Safety was a strong consideration

Noteworthy

Not specifically looking to buy within their own ethno-cultural community

Home Buying Process



Resources Used

GOING ONLINE

Most common step in the home buying process

followed by

MULTIPLE WEBSITES

Listings, Lender, Broker websites visited even after working with professional

MORTGAGE CALCULATORS

Most often used online tool

Noteworthy

Newcomers used social media to access real estate and listings information, and were hesitant to share personal details

Advice Gathered

The first mortgage professional contacted was considered the most valuable

Mortgage Professionals

Real Estate Agents were likely to be consulted first

Family & Friends

Both were important resources, and family was strongly relied upon

Noteworthy

Low desire for documentation in mother tongue or professional from same cultural background

Mortgage Process



Budget and Affordability

Budgeting

Primary focus was to accumulate down payment

Mortgage Loan Insurance

Not well known or understood by newcomers

Operating Budget

Newcomers often did not set an operating budget, which led to surprises after moving in

Noteworthy

"Credit history" and "closing costs" were new concepts to some newcomer first-time buyers

Lenders vs. Brokers

Lender

Newcomers thought dealing with their own bank would simplify the mortgage process

Broker

Newcomers met with Brokers on recommendation from a Real Estate Agent or Family/Friend

Noteworthy

The ability to compare interest rates was a compelling proposition and many wished they had the opportunity to compare more