

HOUSING MARKET INSIGHT

Peterborough CMA



CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: May 2017

"While mortgage debt continued to grow, mortgagors in Peterborough did not show signs of financial distress during the 2012-2016 period. Trends in non-mortgage debt raise some concern, as increases in delinquencies for credit cards and car loans came almost exclusively from the consumers without a mortgage during 2016 when compared to 2015."



Olga Golozub
Market Analyst
Peterborough, Ontario

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

Mortgage and Consumer Credit Trends in Peterborough CMA

Highlights

- Between 2012 and 2016, mortgagors¹ did not show signs of financial distress, as mortgage delinquencies remained muted and the debt service ratio declined.
- The population aged 25 to 34, which includes many first-time buyers, acted cautiously during the 2012-2016 period. Fewer of them took on a mortgage and the growth in mortgage debt per mortgagor was slower than for most other age groups.
- Seniors are holding more mortgage debt. The number of people over 65 with mortgages increased much faster than the population in this age group. Also, the increase in the average mortgage debt per mortgagor aged over 74 was the second highest among all age groups during the 2012-2016 period, which may make them more vulnerable to an interest rate increase.
- Borrowers without mortgages experienced some difficulties, since the increase in delinquencies for credit cards and car loans came almost exclusively from consumers without mortgages during 2016 when compared to 2015.

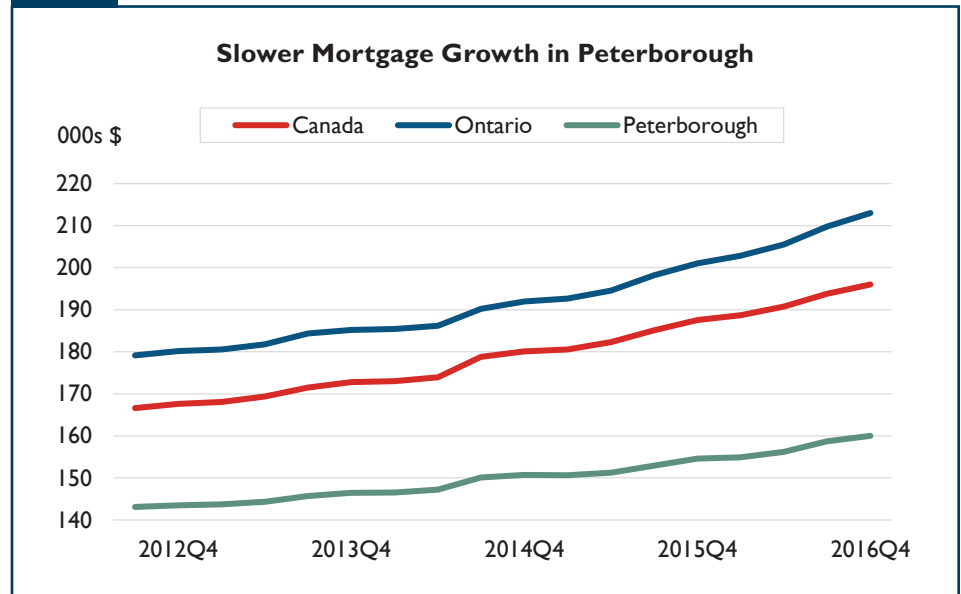
Introduction

For the first time in Canadian history total household credit surpassed \$2 trillion² at the end of 2016. Households' borrowing behaviour continues to remain an area of interest to policy makers and government officials³. The purpose of this report is to profile the debt borrowing in Peterborough Census Metropolitan Area⁴ (CMA) by focusing on mortgage and non-mortgage debts held by various age groups⁵. The analysis⁶ is based on data provided to CMHC by the credit rating agency Equifax Canada⁷.

Mortgage Holders are Not Showing Signs of Financial Distress

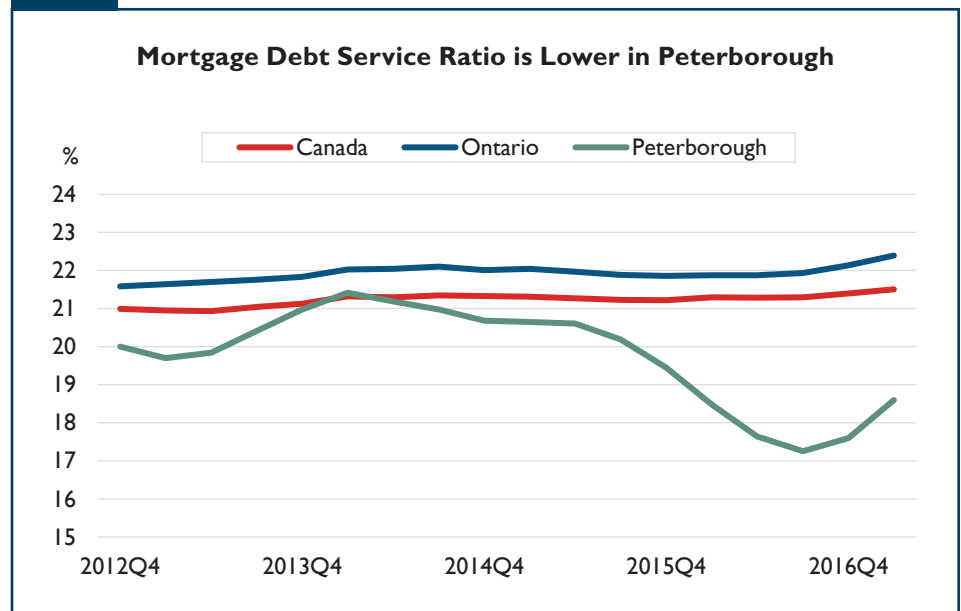
- The average mortgage in Peterborough increased by almost 12% from \$143,000 at the end of 2012 to \$160,000 by the end of 2016. During the same period, it grew by 17 and 18% in Canada and Ontario respectively (Figure 1). To understand whether this level of debt is concerning, it is worth looking at the ability of mortgagors to service their debt.
- The ability to service mortgage debt depends on mortgagors' income. The assumption was made that the average income of people in the labour force is the same as the average income of mortgagors. A higher average number of mortgagors per mortgage in Peterborough than in Ontario or Canada raised the income supporting each mortgage and reduced the mortgage debt service ratio⁸ (DSR). The DSR was relatively stable at the national and provincial levels. It was more volatile in Peterborough⁹, but generally lower than the Ontario and Canadian levels (Figure 2).

Figure 1



Source: Equifax

Figure 2



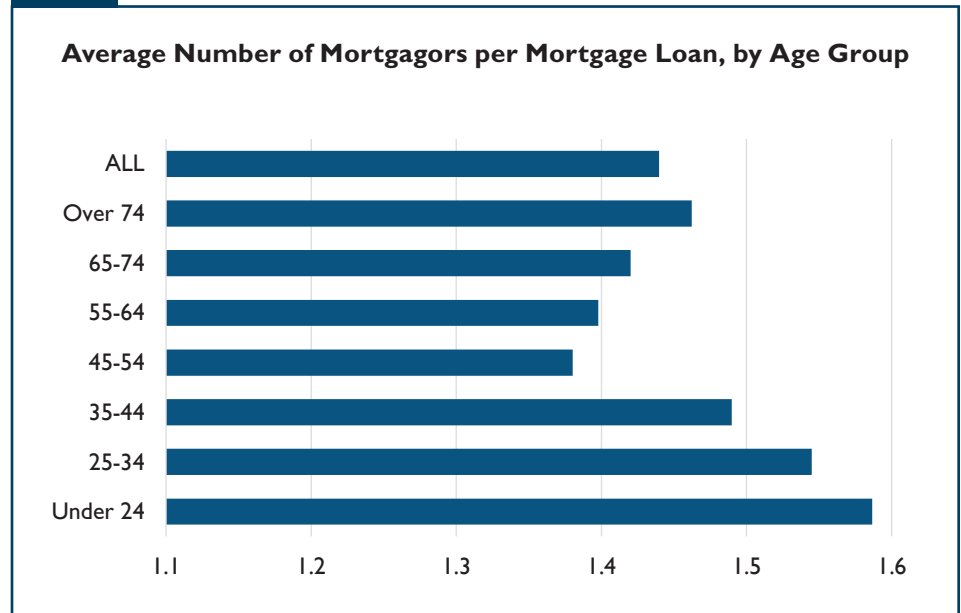
Source: CMHC calculations using Equifax and Statistics Canada data from the Labour Force Survey

- On average, at the end of 2016 there were 1.4 mortgagors per mortgage (Figure 3). During 2012-2016 period, mortgagors younger than 35 years old were more likely to share the mortgage with co-signers. Mortgagors under 35 held a relatively large share of new mortgages¹⁰ in Canada, Ontario and Peterborough, which kept the average number of mortgagors per new mortgage higher than for existing mortgages.
- Consistent with rising housing prices, the average new mortgage in Peterborough rose 28% from \$175,000 at the end of 2012 to \$224,000 by the end of 2016.
- The average monthly payment for new mortgages rose more modestly from \$1,070 at the end of 2012 to \$1,180 in 2016, as the impact of rising prices was partly offset by declining mortgage rates during the period.

Seniors Carrying More Mortgage Debt

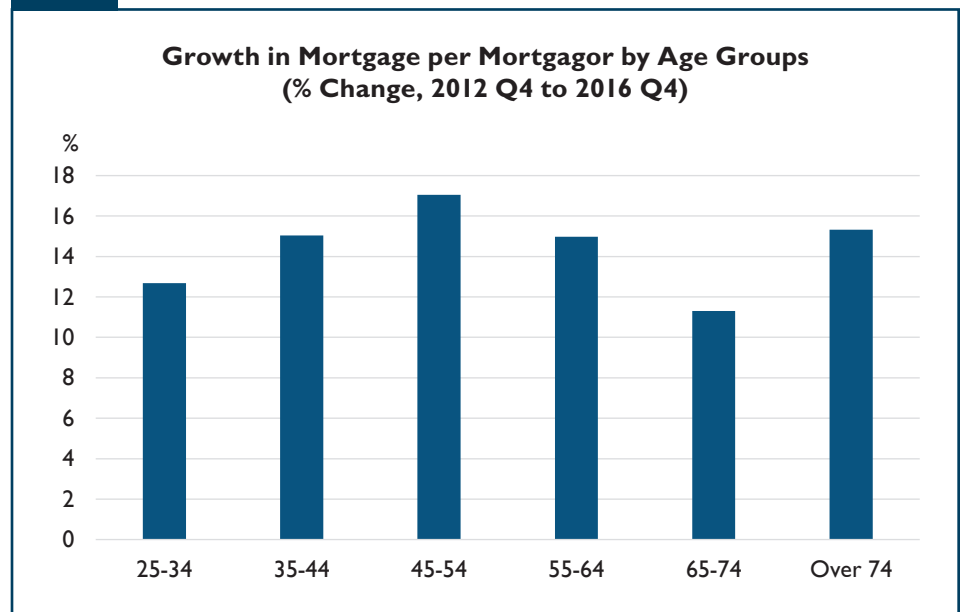
- The data suggest that the population aged 25 to 34, which includes many first-time buyers, acted cautiously. Fewer of them took on a mortgage and the growth in the mortgage debt per mortgagor was the second lowest among age groups. Between 2012 and 2016 the population in this age group grew by 15%¹¹, the second highest increase among all age groups, but the number of mortgagors did not increase as rapidly (Figure 4).

Figure 3



Source: Equifax

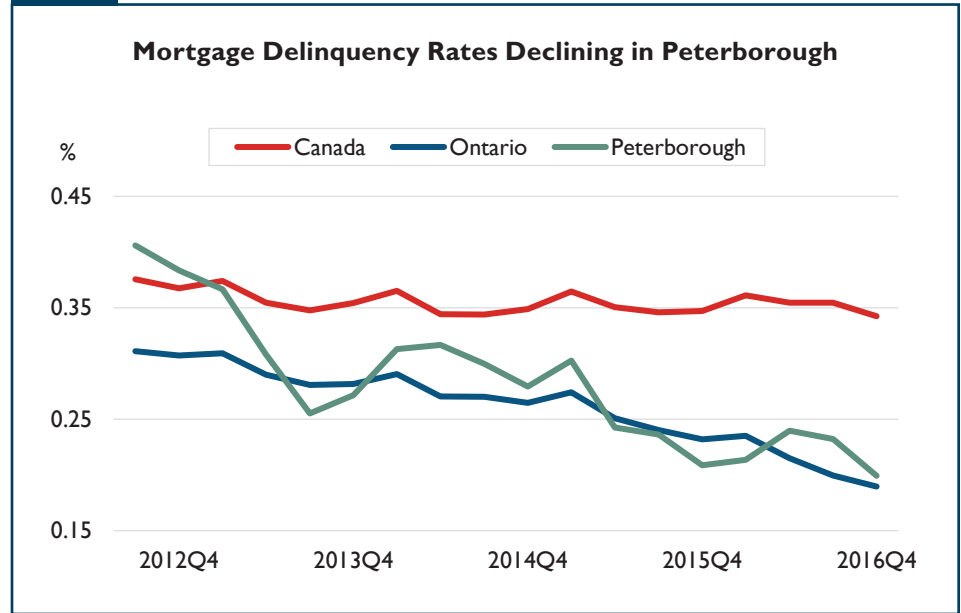
Figure 4



Source: CMHC calculations using Equifax data

- By contrast, the number of mortgagors aged 65-74 and older than 74 increased much faster than the population in their respective age groups, implying greater willingness to carry a mortgage. The increase in the average mortgage per mortgagor was the lowest among age groups for the 65-74 year olds, but mortgagors aged 74 and over had the second highest increase. At the same time, the number of mortgagors per mortgage for the over 74 age group was higher than average. One explanation for this pattern might be that some mortgagors in this age group are acting as co-signers on a mortgage agreement with their children or grandchildren.

Figure 5

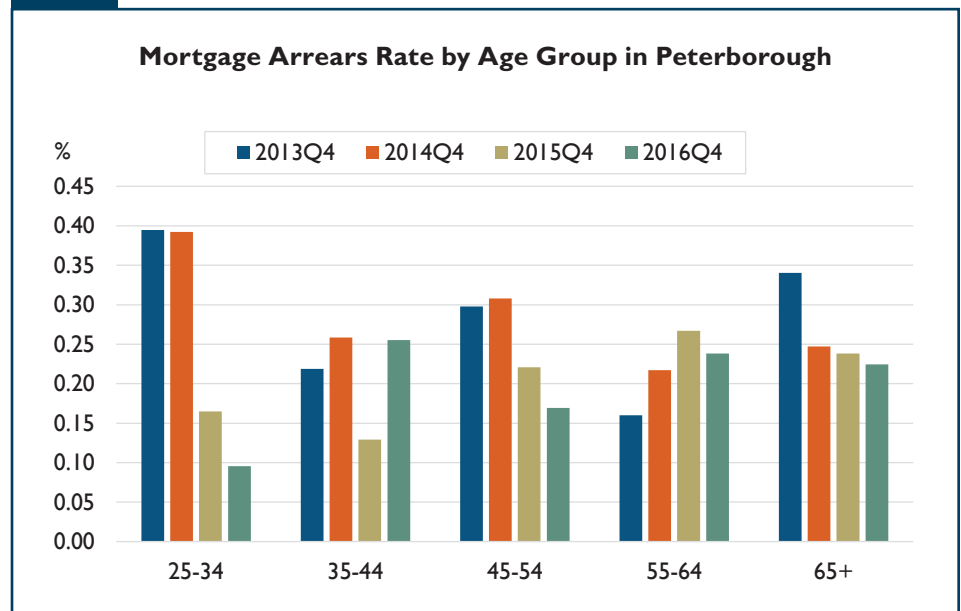


Source: Equifax

Mortgage Delinquencies Remained Muted

- The share of mortgages in arrears in Peterborough remained low during the 2012-2016 period. At the national level, delinquencies remained mostly steady at 0.35% during the same time period. In Ontario and Peterborough delinquencies trended lower, which signaled an improved performance in servicing mortgage debt (Figure 5).
- A stronger labour market was a factor allowing more households to service their mortgages in a timely manner. Between the end of 2012 and through 2016 employment was growing in both Ontario and Canada and at a slightly faster rate in Ontario. Peterborough experienced a strong recovery in employment in 2013 which contributed to the decline in mortgage arrears throughout this period.

Figure 6



Source: Equifax

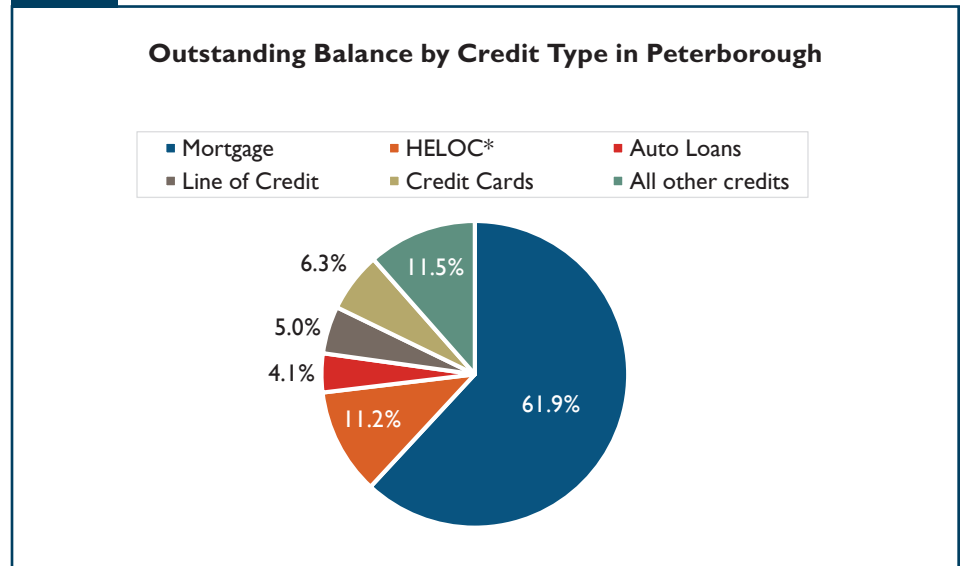
- When mortgage delinquencies in Q4 2016 were compared to the same quarter of the previous years in the 2013-2016 period, a downward trend among 25-34

and 45-54 age groups was evident (Figure 6). The proportion of arrears for mortgagors older than 65 declined slightly.

Slower Growth in Non-Mortgage Debt

- At the end of 2016, non-mortgage debt¹² accounted for 38.1% of the total debt in Peterborough, down from 42.2% in 2012. The shift implies that non-mortgage debt was growing at a slower rate than mortgage debt, which in nominal terms accounted for 61.9% of the total debt in Peterborough (Figure 7).
- Delinquency rates have been trending upward in auto loans since late 2014 and after years of decline, delinquency rates in credit cards started to inch up quarter after quarter during 2016 (Figure 8). This suggests that some consumers began to experience difficulty meeting their monthly obligations.

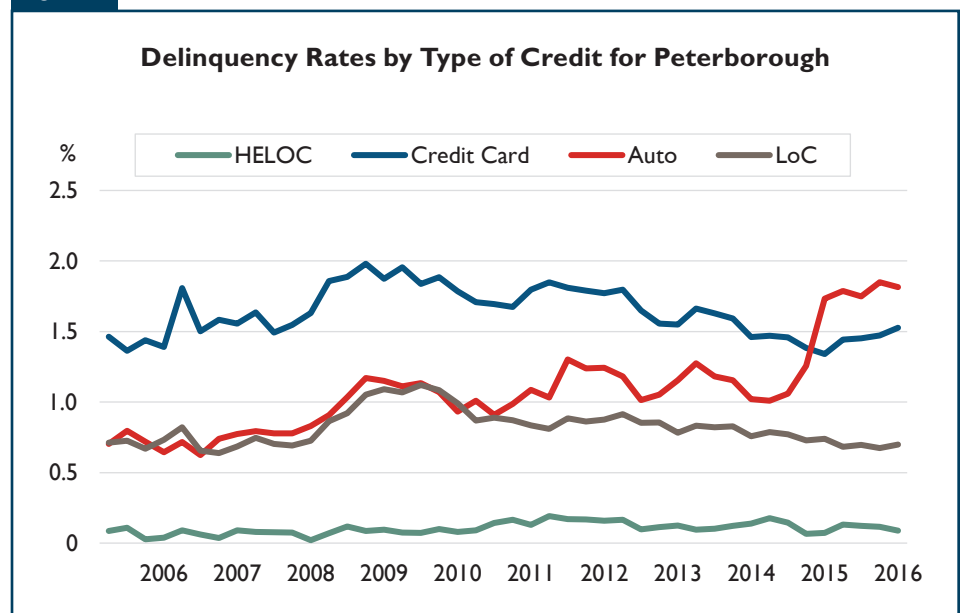
Figure 7



Source: Equifax

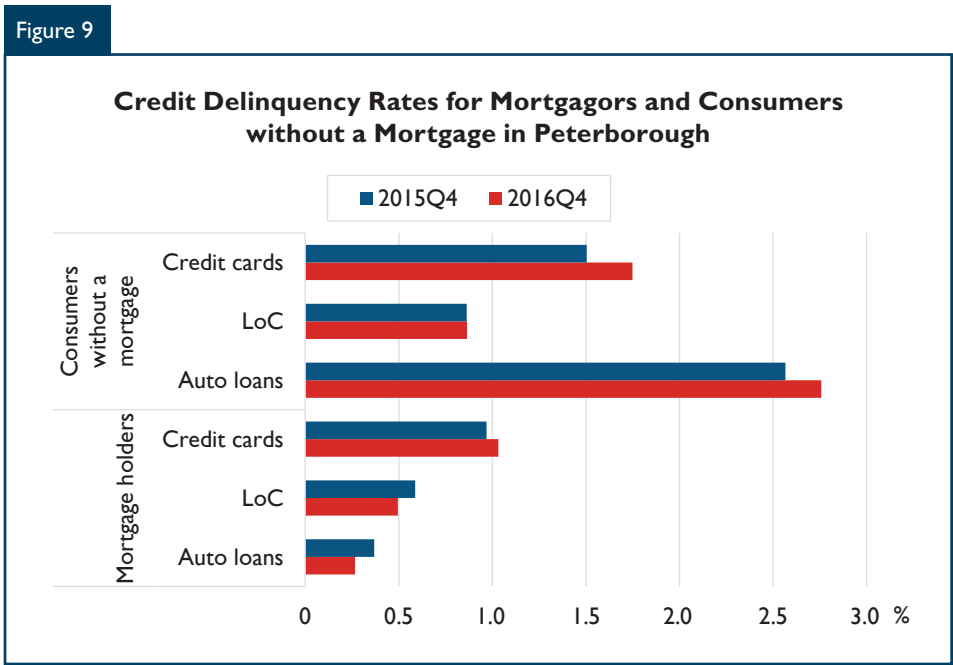
*HELOC - Home equity line of credit

Figure 8



Source: Equifax

- Increases in delinquencies for credit cards and car loans came almost exclusively from consumers without a mortgage in Q4 2016 when compared to Q4 2015 (Figure 9). The average credit score of consumers without a mortgage deteriorated during 2015-2016 periods, while the average credit score of consumers with a mortgage has been on an upward trend since early 2014. An increased number of auto loans provided to consumers with lower credit scores has contributed to a sizable growth in auto loan delinquency rates.



Source: Equifax

ENDNOTES

- ¹ A mortgagor is a consumer with a mortgage. A mortgagee is the lender. The mortgagee will acquire a property if the mortgagor cannot repay a loan.
- ² Statistics Canada. CANSIM Table 176-0032 Credit measures, Bank of Canada. Last updated February 24, 2017.
- ³ “We are getting at the overall concern around family indebtedness and a sense that we recognize that Canadians are relatively highly indebted,” Remarks by Bill Morneau, Finance Minister, in an interview to the “Globe and Mail”, Oct. 3, 2016. “Years of low interest rates have, by design, encouraged growth in household credit, leaving many highly indebted. In Canada, average household debt is around 165% of disposable income.” Remarks by Carolyn Wilkins, Bank of Canada Senior Deputy Governor, Sept. 14, 2016. “I encouraged the (Canadian) government to remain vigilant against vulnerabilities in the housing sector.” Christine Lagarde, Managing Director of the International Monetary Fund (IMF), Sept. 14, 2016
- ⁴ Any reference to Peterborough is a reference to Peterborough CMA, which includes the City of Peterborough, Cavan-Monaghan, Douro-Dummer, Otonabee-South Monaghan and Selwyn Townships.
- ⁵ Equifax mortgage data is available beginning mid-2012, while other credit information is available from 2006.
- ⁶ The analysis does not take into account household assets.
- ⁷ Data are based on information reported to Equifax and covers approximately 85% of the market. Coverage can vary by type of credit, time period and geography.
- ⁸ The debt service ratio was calculated as the monthly mortgage payment divided by monthly income. Monthly income is based on the underlying trend in average weekly earnings (Statistics Canada CANSIM Table 282-0071) multiplied by the number of mortgagors per mortgage.
- ⁹ Income data in Peterborough tend to be volatile since they are based on a survey of relatively small sample.
- ¹⁰ New mortgages include newly issued mortgages as well as mortgages renewed or refinanced with a new lender. The data may or may not include loans that are refinanced or renewed with the same lender, depending on how each financial institution is reporting.
- ¹¹ Statistics Canada. Table 051-0056 Estimates of population by census metropolitan area, sex and age group for July 1, based on the Standard Geographical Classification (SGC) 2011, annual (persons). CANSIM. Last updated March 7, 2017.
- ¹² Non-mortgage debt includes credit cards, auto loans, student loans, installment loans, revolving loans and secured and unsecured lines of credit.

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for almost 70 years.

CMHC helps Canadians meet their housing needs. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer objective housing research and information to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at www.cmhc.ca or follow us on [Twitter](#), [LinkedIn](#), [Facebook](#) and [YouTube](#).

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/en/hoficlincl/homain

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to printed editions of MAC publications, call 1-800-668-2642.

©2017 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please complete the [CMHC Copyright request form](#) and email it to CMHC's Canadian Housing Information Centre at chic@cmhc.ca. For permission, please provide CHIC with the following information: Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on

FREE REPORTS AVAILABLE ON-LINE

Local, regional and national analysis and data pertaining to current market conditions and future-oriented trends.

- Canadian Housing Statistics
- Condominium Owners Report
- Housing Information Monthly
- Housing Market Assessment
- Housing Market Insight
- Housing Now Tables
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Regional and Northern
- Housing Market Outlook, Canada and Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Preliminary Housing Starts Data
- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

FREE DATA TABLES AVAILABLE ON-LINE

- Housing Construction Activity by Municipality
- Comprehensive Rental Market Survey Tables
- Comprehensive New Home Construction Tables

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

CMHC's Market Analysis Centre provides a wealth of local, regional, and national data, information, and analysis through its suite of reports, data tables, and interactive tools.

- **Forecasts and Analysis** – Future-oriented information about local, regional and national housing trends.
- **Statistics and Data** – Information on current housing market activities – starts, rents, vacancy rates and much more.

HOUSING MARKET INFORMATION PORTAL!

The housing data you want, the way you want it.

- Information in one central location
- Quick and easy access
- Neighbourhood level data

cmhc.ca/hmiportal

Housing Observer Online

Featuring quick reads and videos on...

- Analysis and data
- Timely insights
- Updates to housing conditions and trends & much more!

All links can be shared in social media friendly formats!

Subscribe today to stay in the know!
www.cmhc.ca/observer

