



MARK 2028 | Marketing Financial Services

# Marketing Canadian Mortgages in a Post-COVID Economy

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## Overview of a Post-COVID Economy

The COVID-19 pandemic has changed how marketers across Canada can effectively communicate and appeal to their target audience amidst a recovering economy post-pandemic, rising interest rates, and rapid inflation; Canadian mortgage marketers are no exception. As Canadian consumers deal with reduced disposable income, financial marketers have had to adapt their efforts to suit customer needs in a financially tumultuous time. Considering the increasing costs of variable mortgages in particular, it will be vital that marketers communicate the value of short-term, fixed-rate mortgages and that marketing for these products highlight their increased affordability and flexibility as the primary beneficial aspects of the product.

Segmenting for Canadian mortgages should focus on Canadian newcomers seeking their first home in Canada, investors seeking affordable and lucrative investment properties, and working Canadian professionals looking to purchase a home. These segments represent the greatest opportunity for sales as Canadian financial services navigate the rapidly changing financial market; marketing for these segments should include the availability of flexible short-term, fixed-rate mortgages, the cost vs. benefit of homes/properties in specific provinces (i.e., higher housing costs in Ontario and Quebec may be steep for a Canadian newcomer or working professional, but may provide a lucrative source of rental income for an investor), and enhanced customer relations during every step of the process.

## Changes In Customer Behaviour

The increase in mortgage rates has a direct impact on the customer spending and savings.

Income equals savings plus consumption; in this scenario due to the increase in mortgage payments, the consumption has increased by considerable amounts whereas the income has somewhat stagnated. This results in individuals with little-to-no savings, trying to cut down on consumption and falling into the vicious cycle of bankruptcy. The consumer consumption is directly impacted by an increase or decrease of the cost of the consumer's mortgage payments. The increase in mortgage rate permits more consistent payments towards home loans, car loan payments, and/or education loan payments. Since COVID-19 and subsequent increasing market instability, the interest rate has risen by 0.75 points and the housing market has begun to slow ([Bank of Canada, 2022](#)).

There are two types of mortgage payments: fixed & variable rate. Fixed refers to the amount of mortgage decided in the start remaining at the decided point, and the increase of the mortgage rates would affect the tenure of the loan rather than the monthly installment.

On the other hand, variable mortgage refers to the mortgage which changes its monthly payment regarding the change in interest rate rather than the tenure.

According to the Government of Canada, individuals with variable mortgages are largely ill-equipped able to handle this fluctuation of monthly payments and are recommended to meet their financial institutions and discuss alternative methods (Financial Consumer Agency of Canada, 2022).

## Market Segmentation

Our target market refers to all the people who intend to buy house in the Canadian market. The mortgage that a home buyer will be taking up, Demographic Profiles for a few segments would be:

- **Canadian Newcomers – Aged 25 & above individuals who have either wrapped up everything from their back home country to settle in Canada.**
- 22% newcomers to Canada. 49% of first-time buyers are Millennials (25-34 years old), 40% are married, 80% are employed full-time, roughly having an income above 60k.
- In 2021, 38 per cent of homeowners in Canada were immigrants ([RE/MAX, 2022](#)). One of the major segments that are involved in the purchase of Canadian mortgages is the international immigrants' segment; international immigrants have been one of the highest contributors of the Canadian mortgage market, seeking housing in Canada as a significant those arriving into the Country will need a place of residence, so they seek to find a mortgage that suits their needs.
- **Investors – Established and financially stable Canadians, aged 55 and above, business owners or working professionals, investing for their future growth interested in the real estate industry.**
- Another segment largely involved the financial mortgage product is the investor segment. The recent increase in interest rates has encouraged a dip in real estate prices, and investors in the market take this as an opportunity to build up assets. These are consumers/organizations with elevated capital seeking investment properties as passive secondary income.
- **Working Canadian Professional – Aged 25-35, looking to buy their first house/ condo in Canada.**
- 49% of first-time buyers are Millennials (25-34 years old), 40% are married, 80% are employed full-time, roughly having an income above \$60k.

- Working Canadian consumers looking to buy a home in Canada. Yet another market segmentation is our Canadian professionals many of the young individuals who have started working and started settling down in life want to invest in real estate to make a House of their own as well as in terms of investment , because not everyone wants to live with their parents still forever.

### Target Groups

A study by Statistics Canada reveals that there was a 5.4% growth in Canadians living in private households from 2016-2021, and that 71.1% of this growth was supplemented by new immigrants to Canada ([StatCan, 2022](#)). The report additionally details that India is the predominant birthplace of newcomers weighing in at 18.6%, that nearly 96% of immigrants are under 65 years of age, and that 64.2% of immigrants fall within the core working age group, 25-54 ([2022](#)). This indicates that this is the most effective age bracket to target under the Canadian Newcomer segment, since they are the most likely to bring in a consistent income. A country report from Euromonitor found that men are most commonly the head of household, and a Statista study found that just over 50% of immigrants arriving in Canada were male ([Euromonitor International, 2022](#))([Statista, 2022](#)). Using this information, the primary target group under our Canadian Newcomers segment should focus on male immigrants from India, aged 30-54 years, that work with a consistent source of income and have saved money set aside in order to put down a down payment and apply for a mortgage here in Canada.

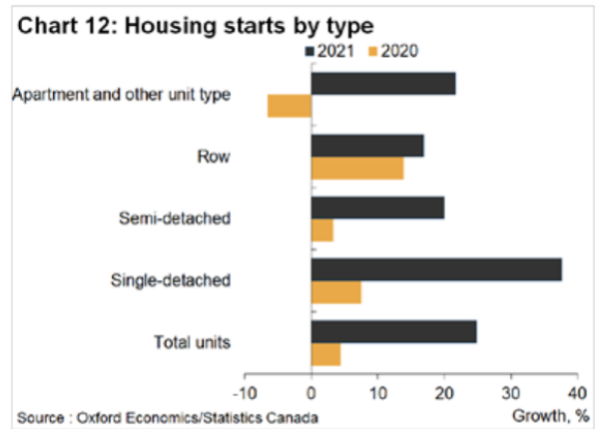
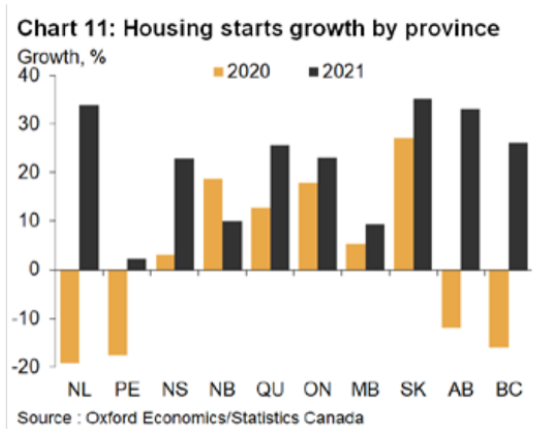
More than 1 in 6 homeowners in Canada own multiple properties to use a source of secondary income, with investors owning up to 40% the housing properties throughout the country ([Wong, 2022](#)). Rented dwellings have also drastically increased in numbers from 11.9% to 40.6% during 2016-2021 and investor demand for real estate properties continues to increase ([Guiao, 2022](#)). The majority of real estate investors operated as private investors in 2021, followed by fund managers ([Statista, 2022](#)). Demand for rentals is starting to outweigh the supply, contributing to rental prices that continue to edge upward, making investors more drawn to the passive income that they can make from these rental properties. These individuals need to have the necessary capital to put into an investment property, and as such, our Investor segment target group should focus predominantly on older Canadian couples, aged between 55-70, that already own a home, allowing them to utilize their current home equity on a second mortgage. They have a combined income of \$175,000-\$200,000 annually, and are looking to invest in a second property to generate passive income as a passive investment.

Looking at the Canadian Professionals segment, a Statista study found that 52% of homeowners in Canada are male, and that 30% live with a partner and children ([Statista, 2022](#)). While the same study found that just 29% of respondents currently live in a couple household with no children, Euromonitor International reports that couples without children are set to be the fastest growing segment in coming years, predicted to grow a massive 22% by 2040 ([Euromonitor International, 2022](#)). An additional Euromonitor International report on consumer lending in Canada found that mortgage applications are expected to continue rising, and that Gen Z consumers that are first-time home buyers will make up nearly one third of new accounts ([Euromonitor International, 2022](#)). Nesto reports that on average, an income of \$145,000 annually is required for an average home purchase in Canada ([nesto, 2022](#)). The above information indicates that our target group for the Canadian Professionals segment should focus on Canadian couples without children, aged 25-35, that have post-secondary education and work full time, earning an income between \$145,000-\$155,000 annually, combined.

### **Strategies & Recommendations for Post-Covid Economy**

The prime interest rate in Canada has increased quarter after quarter and has effectively squeezed many Canadians budgets the limit. The specialized, short-term, fixed-rate mortgage would offer fundamental benefits compared with a traditional long-term, variable-rate mortgage to specialized groups. Specialized groups include newcomers to Canada, investors, and working professionals as they are seeking affordable mortgage options in the post-covid economy. Additional fundamental benefits that can be promoted include cashback – allowing more access to capital for businesses or peoples, extended amortization – allowing longer amortization periods for lower payments, potentially at a reduced rate, delayed payments due to government shutdowns or layoffs (different from mortgage insurance as it would be part of the product), or more customizable mortgages that can cater to different groups that are affected differently.

The strategies and recommendations for the pre-COVID and post-COVID economy are similar; specializing marketing to additional target groups, such as healthcare workers, independent contractors, food, and tourism industry, etc., will continue to increase consumer loyalty and increase the number of sales, even considering the increasing mortgage rates.

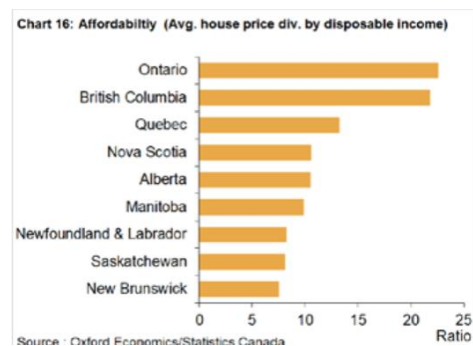


## Quantitative Research

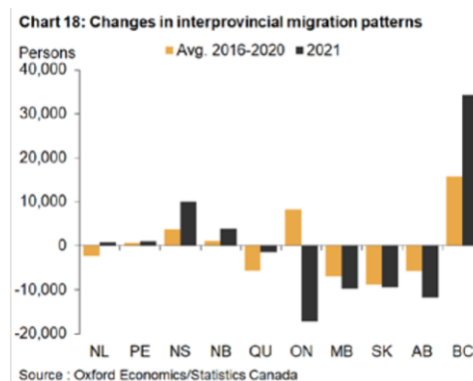
### Housing Market Trends

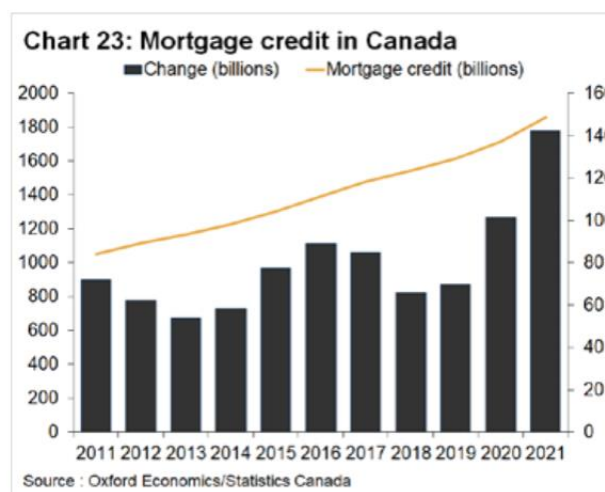
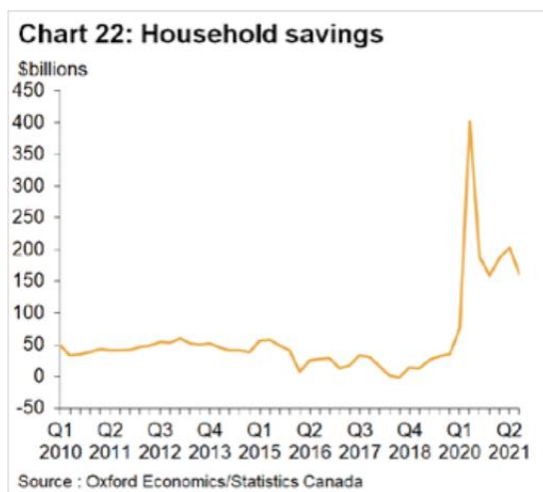
The Canadian housing market has surged through the pandemic. However, rising demand has increased house prices significantly as a result. This phenomenon, during the pandemic, is a consequence of increased savings and low interest rates therefore, Canadian’s acquire disposable income to increase spending on homes. In fact, Canadian housing starts rose by 25% in 2021 and the two largest provinces, Ontario and Quebec, increased in tandem with the Canadian average. Furthermore, Canadian homebuyers desire a spacious home hence, shifting migration towards the suburbs and increasing demand for single-detached homes.

Regardless of income growth amongst Canadians, steady housing price increase has hindered affordability. As a result, Ontario, British Columbia, and Quebec are the least affordable showing average housing prices 22.5, 21.8, and 13.2 times the average disposable income, respectively.



Interprovincial and international migration will be a significant mortgage credit driver. Increased immigration will support housing demand in Ontario and some Atlantic provinces which are becoming desirable destinations for new migrants. Furthermore, British Columbia sees significant interprovincial migration as it is a popular destination for newly retired Canadians.

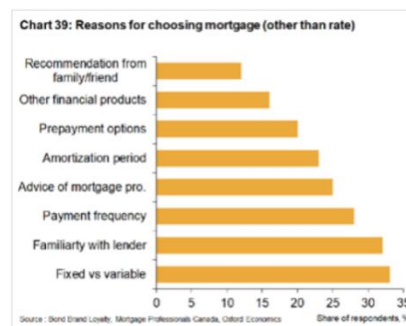
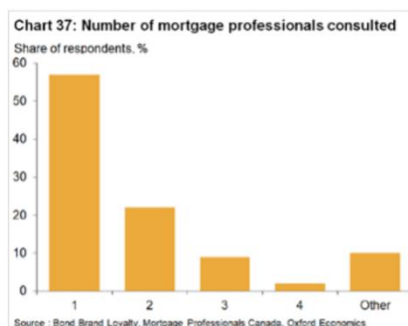




## Mortgage Market

The significant driver of mortgage credit is increased household savings during the pandemic. In fact, Oxford Economics estimates Canadian households grossed \$184 billion in excess savings. However, as benefit programs end, restrictions ease, and inflation costs hinder spending, it is probable that the mortgage credit demand will significantly decrease.

Furthermore, in searching for a competitive mortgage, on average 51% of Canadian's consult with only one mortgage professional. Also, major key decision points, exclusive of the interest rate, are if the mortgage is fixed or variable, the client's familiarity with the lender, and the payment frequency.



## Competitive Customer Relations

Post-COVID, we will be introducing our new customer relationship engagement plan. Our product should stand out from the competition, so we want to create separation from our competitors and ensure our customers feel heard and valued. Implementing our new customer relationship engagement plan, we will be sending home purchase anniversary videos every year to remind clients why they enjoyed working with us. We want to show that we care and value our customers, so having some check-ins throughout the year is necessary moving forward. Connecting with our client on a personal

level is something to always cherish as it creates authenticity as compared to our other competitors and what they have to offer. Another new implementation is hosting of virtual mortgage events/webinars for current or potential customers to learn from, ask questions, and engage with the company further. Considering how busy people tend to be, hosting virtual events to get to talk to these potential clients and referral partners without taking up too much of anyone's valuable time is our strategy to capture their attention in a quick, convenient way. This is to keep creating meaningful connections in our market, while demonstrating to the consumers that we respect their busy schedule. Having a virtual event and sending home anniversary videos packages is all part of the strategy to increase customer loyalty and engagement and encourage the sharing of their experience through positive word-of-mouth advertisement.

Both new implementations will be promoted through Facebook and Instagram, as well as direct email to our customer list. Advertising events, sharing positive reviews and testimonials from our clients, posting photos of our home closings, and shared listings from our real estate partners will be highlighted on social media to increase awareness and interest, whereas the online events will provide further information on our Canadian mortgages and increase the consumer to the desire stage of AIDAR. We plan to keep most elements of the strategy that helped us stay successful throughout the pandemic, this will be the main source that creates separation from us and the competition. Our push is for our clients to feel prestige as possible and to help individuals find the realistic, affordable mortgage.



## Work Breakdown

Team Member	Role
Meghan Rosseel	<ul style="list-style-type: none"> <li>• Team Leader</li> <li>• Overview</li> <li>• Target Groups</li> <li>• Report Editing/Formatting</li> </ul>
John Ho	<ul style="list-style-type: none"> <li>• Quantitative Research</li> <li>• Mortgage Market</li> <li>• Strategies &amp; Recommendations</li> </ul>
Ekjot Singh	<ul style="list-style-type: none"> <li>• Changes in Customer Behaviour</li> <li>• Market Segmentation</li> </ul>
Adrian Diaz	<ul style="list-style-type: none"> <li>• Competitive Customer Relations</li> </ul>

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