

Mortgage Carrying Costs and Required Incomes Scenarios

Administration estimated monthly mortgage carrying costs for existing and new homes in the Edmonton region under seven scenarios. Monthly mortgage carrying costs were estimated using October 2019 Canadian Real Estate Association MLS Home Price Index (HPI) data as well as October 2019 median absorption price data from the Canada Mortgage and Housing Corporation (CMHC). The estimations were based on an assumed 20 percent down payment as well as a Gross Debt Service ratio cut-off of 32 percent. The Gross Debt Service ratio formula is as follows: $(\text{Principal} + \text{Interest} + \text{Taxes} + \text{Heating Costs}) / \text{Gross Annual Income}$.

House prices are based on October 2019 Canadian Real Estate Association MLS HPI data as well as October 2019 absorption price data from CMHC. Annual income is median total income for all census families in the Edmonton census metropolitan area using Statistics Canada 2017 taxfiler data. Property taxes were estimated using the City of Edmonton's Property Tax Estimator tool, heating costs as well as condominium fees were taken from 2017 Survey of Household Spending results for the Edmonton region. Additional key inputs used in each scenario are outlined below. The interest rate of 4.09 percent in scenario 1 reflects the October 2019 five-year conventional mortgage lending rate from the CMHC. Scenarios 2 to 5 consider additions to this rate as per the current stress test (2 percent) and Council's proposed advocacy (0.75 percent).

Scenario 1: Control for monthly carrying cost comparison

Additional key inputs: interest rate of 4.09 percent and amortization period of 25 years

	Existing Home - Single Family	Existing Home - Apartment	New Home - Single-family Detached	New Home - Semi-detached
Monthly mortgage carrying cost	\$ 1,572.34	\$ 791.27	\$ 2,059.93	\$ 1,518.40
Required income	\$ 6,414.00	\$ 3,566.63	\$ 8,209.19	\$ 6,052.91
Monthly median income (2017)	\$ 8,432.50			

Scenario 2: Applying the Stress Test

Additional key inputs: interest rate of 6.09 percent and amortization period of 25 years

	Existing Home - Single Family	Existing Home - Apartment	New Home - Single-family Detached	New Home - Semi-detached
Monthly mortgage carrying cost	\$ 1,910.72	\$ 961.56	\$ 2,503.24	\$ 1,845.17
Required income	\$ 7,471.44	\$ 4,098.78	\$ 9,594.53	\$ 7,074.06
Monthly median income (2017)	\$ 8,432.50			

Scenario 3: Applying the Stress Test and Extending the Amortization Period

Additional key inputs: interest rate of 6.09 percent and amortization period of 30 years

	Existing Home - Single Family	Existing Home - Apartment	New Home - Single-family Detached	New Home - Semi-detached
Monthly mortgage carrying cost	\$ 1,778.32	\$ 894.93	\$ 2,329.78	\$ 1,717.32
Required income	\$ 7,057.69	\$ 3,890.56	\$ 9,052.47	\$ 6,674.53
Monthly median income (2017)	\$ 8,432.50			

Scenario 4: Limiting the Stress Test Rate Increase

Additional key inputs: interest rate of 4.84 percent (i.e. increase of 0.75 percentage points instead of two percentage points) and amortization period of 25 years

	Existing Home - Single Family	Existing Home - Apartment	New Home - Single-family Detached	New Home - Semi-detached
Monthly mortgage carrying cost	\$ 1,695.61	\$ 853.30	\$ 2,221.42	\$ 1,637.44
Required income	\$ 6,799.22	\$ 3,760.47	\$ 8,713.84	\$ 6,424.91
Monthly median income (2017)	\$ 8,432.50			

Scenario 5: Limiting the Stress Test Rate Increase and Extending the Amortization Period

Additional key inputs: interest rate of 4.84 percent (i.e. increase of 0.75 percentage points instead of two percentage points) and amortization period of 30 years

	Existing Home - Single Family	Existing Home - Apartment	New Home - Single-family Detached	New Home - Semi-detached
Monthly mortgage carrying cost	\$ 1,552.40	\$ 781.23	\$ 2,033.80	\$ 1,499.14
Required income	\$ 6,351.69	\$ 3,535.25	\$ 8,127.53	\$ 5,992.72
Monthly median income (2017)	\$ 8,432.50			