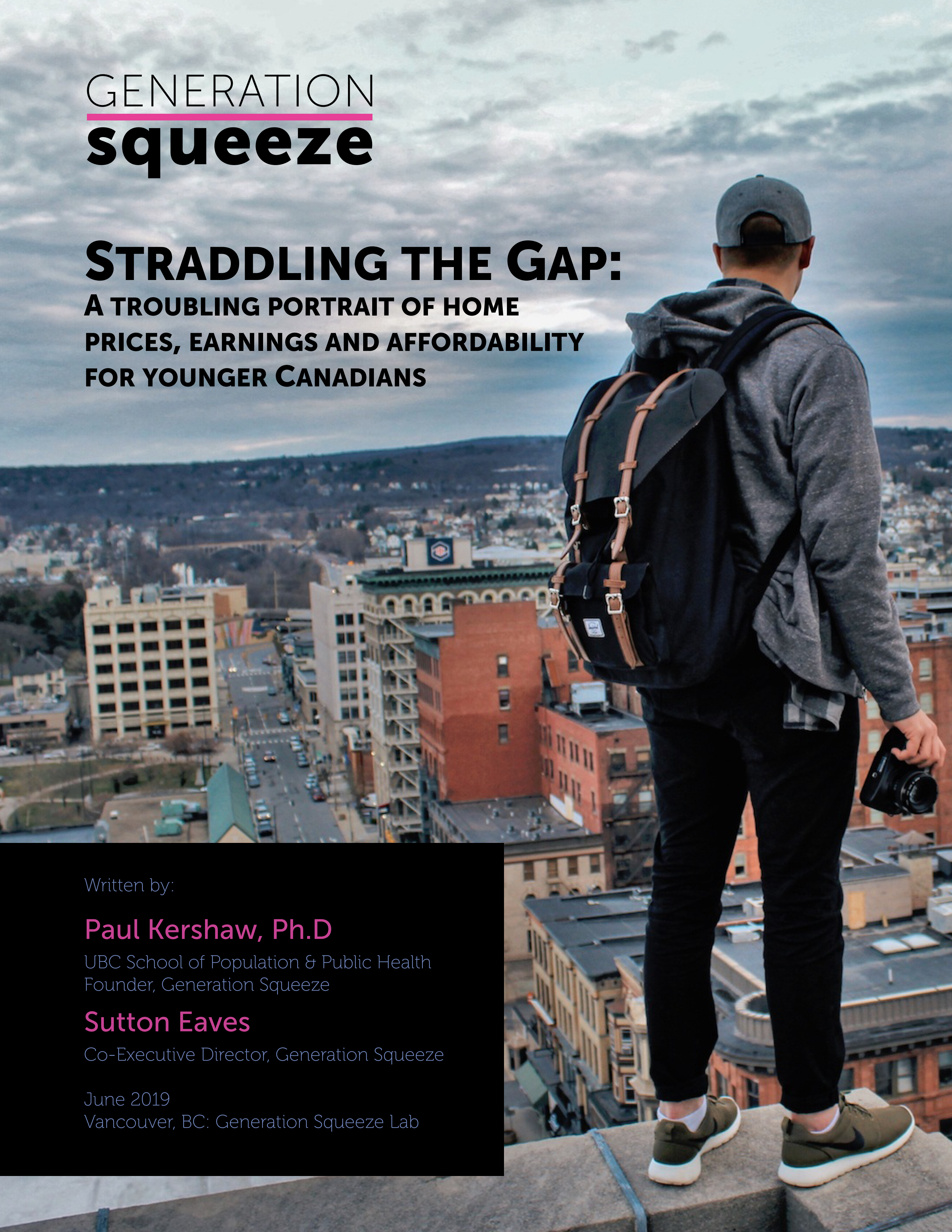

GENERATION squeeze

# STRADDLING THE GAP:
## A TROUBLING PORTRAIT OF HOME PRICES, EARNINGS AND AFFORDABILITY FOR YOUNGER CANADIANS

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# Straddling the Gap: A troubling portrait of home prices, earnings and affordability for younger Canadians

## Introduction

This study illustrates the state of housing affordability for younger Canadians, in every province and the major cities within them.

It shows that Canadians between the ages of 25 and 34 continue to straddle a massive gap between housing prices that remain at near-historic levels in key parts of the country, and earnings for this age group that have been relatively flat, if not down, for several decades.

Despite recent nominal declines in housing prices compared to previous years, the gap between the cost of owning a home and the ability of younger Canadians to afford it is still dramatic. Data in this report show that average home prices would need to drop by nearly 50% for a typical person aged 25-34 to afford an 80% mortgage on average-priced homes. Alternatively, earnings would need to double for this generation to afford the same home.

**Gen Squeeze's analysis demonstrates that Canada's national and local housing markets remain unaffordable for younger Canadians and newcomers.** If housing markets are levelling out, they remain at untenably high levels.

This affordability gap is most severe in British Columbia and Ontario – particularly in metropolitan hubs like Vancouver and Toronto, but extending beyond these major urban centres to places like Victoria, Kelowna, Hamilton and Kitchener. As the following charts show, the gap has existed in these places for many years.

This struggle underscores the need for decision makers at all levels of government to prioritize action on housing affordability and the enduring challenges facing younger – and many other – Canadians. To that end, Gen Squeeze's report also outlines policy recommendations for reducing this affordability gap and ensuring all Canadians can afford a good, secure home by 2030.

## Key Findings

### *1. Home prices would need to fall or earnings rise – a lot – to restore affordability*

Affordability means Canadians do not spend more than 30% of their pre-tax earnings on housing, according to the Canada Mortgage and Housing Corporation (CMHC). The CMHC has set a target that all Canadian residents should be able to afford a home that meets their needs by 2030.[1] Generation Squeeze has also adopted this target, recognizing there is a lot of work involved in reaching it. In addition to our data analysis, this report outlines recommended approaches for helping reduce the cost of housing – as well as other housing-sized expenses such as child care or transit – and making sure a greater number of Canadians have a good, secure home, whether they rent or own it.

**It's important to recognize there is no silver bullet that will solve Canada's housing problems.** Instead, silver buckshot is needed to address these issues across several fronts. The following data, based on averages, is meant to illustrate the difference between current housing market and wage conditions and what is widely accepted as affordable, in order to illustrate the scale of the challenge young Canadians are facing.

While there is variation across the country, the gaps between home prices, incomes and affordability are significant.

- **Canada:** Average home prices would need to fall $223,000 to achieve affordability by 2030 – about half of the current value; or typical full-time earnings would need to increase to $93,400/year – nearly double current levels.
- **British Columbia:** Average home prices would need to fall $452,000 to achieve affordability by 2030 – about two-thirds of the current value; or typical full-time earnings would need to increase to $136,200/year – nearly triple current levels.
  - **Metro Vancouver:** Average home prices would need to fall $795,000 – about three-quarters of the current value; or typical full-time earnings would need to increase to $200,400/year – quadruple current levels.
  - **Victoria:** Average home prices would need to fall $413,000 – about 60% of the current value; or typical full-time earnings would need to increase to $134,000/year – more than double current levels.
  - **Kelowna:** Average home prices would need to fall $239,000 – about half of the current value; or typical full-time earnings would need to increase to $100,000/year – nearly double current levels.

1 As discussed by Evan Siddall, CEO of CMHC: https://www.cmhc-schl.gc.ca/en/housing-observer-online/2019-housing-observer/president-ceo-evan-siddall-announces-ambitious-housing-target-2030

- **Ontario:** Average home prices would need to fall $307,000 to achieve affordability by 2030 – over half of the current value; or typical full-time earnings would need to increase to $109,000/year – more than double current levels.
  - **Greater Toronto Area:** Average home prices would need to fall $523,000 – two-thirds of the current value; or typical full-time earnings would need to increase to $150,000/year – triple current levels.
  - **Hamilton:** Average home prices would need to fall $284,000 – half of the current value; or typical full-time earnings would need to increase to $107,000/year – double current levels.
  - **Kitchener:** Average home prices would need to fall $206,000 – nearly half of the current value; or typical full-time earnings would need to increase to $92,400/year – 75% more than current levels.
  - **Ottawa:** Average home prices would need to fall $131,000 – one-third of the current value; or typical full-time earnings would need to increase to $78,200/year – nearly 50% more than current levels.
- **Quebec:** Average home prices would need to fall $45,000 to achieve affordability by 2030 – 15% of the current value; or typical full-time earnings would need to increase to $56,000/year – 17% higher than current levels.
  - **Montreal:** Average home prices would need to fall $131,000 – 35% of the current value; or typical full-time earnings would need to increase to $72,400/year – over 50% higher than current levels.
- **Alberta:** Average home prices would need to fall $66,000 to achieve affordability by 2030 – nearly one-fifth of the current value; or typical full-time earnings would need to increase to $74,000/year – 20% higher than current levels.
  - **Calgary:** Average home prices would need to fall $148,000 – one-third of the current value; or typical full-time earnings would need to increase to $88,000/year – nearly 50% higher than current levels.
  - **Edmonton:** Average home prices would need to fall $76,000 – one-fifth of the current value; or typical full-time earnings would need to increase to $72,000/year – one-quarter higher than current levels.

It remains relatively affordable for the typical person between the ages of 25 and 34 to carry an 80% mortgage on average priced homes in Saskatchewan, Manitoba, Nova Scotia, New Brunswick and Newfoundland & Labrador (at least as long as interest rates remain low, which is uncertain). While these jurisdictions represent half of the provinces, less than 10% of the Canadian population resides in these regions.

Halifax is a noteworthy exception to the housing affordability otherwise available in these regions:

  - **Halifax:** Average home prices would need to fall by $68,000 – down 22% of current levels; or typical full-time earnings would need to grow by $13,000/year – up nearly one-third.

## *2. Today's high housing prices require a lot more work to save a 20% down payment*

Four decades ago, it took the average young person around five years to save enough to afford a 20% down payment on their home. For those entering the housing market more recently, high home prices require them to work a lot longer.

It takes a typical person between 25 and 34 years of age 13 years to save a 20% down payment on an averaged priced home in Canada, compared to the five years it took when today's aging population started out as young adults around 1976. The number of years it takes for young people to save for a down payment today varies by location:

- **13 years across Canada,** on average (+8 years compared to 1976)
- **19 years in British Columbia** (where 13.5% of the Canadian population resides) (+14)
  - 29 years in Metro Vancouver (+23)
  - 17 years in Victoria (+11)
  - 13 years in Kelowna (+9)
- **15 years in Ontario** (where 38.6% of the Canadian population resides) (+10)
  - 21 years in the Greater Toronto Area (+15)
  - 14 years in Hamilton (+9)
  - 12 years in Kitchener (+8)
  - 10 years in Ottawa (+5)
- **9 years in Quebec** (where 22.2% of the Canadian population resides) (+5)
  - 11 years in Montreal (+7)
- **8 years in Alberta** (where 11.6% of the Canadian population resides) (+2)
  - 9 years in Fort McMurray (+5)
  - 10 years in Calgary (+4)
  - 9 years in Edmonton (+3)
- **8 years in Manitoba** (where 3.6% of the Canadian population resides) (+4)
  - Winnipeg reflects the provincial trend
- **7 years in Saskatchewan** (where 3.1% of the Canadian population resides) (+3)
  - Regina and Saskatoon reflect the provincial trend
- **7 years in Nova Scotia** (where 2.6% of the Canadian population resides) (+2)
  - 9 years in Halifax (+5)
- **6 years in PEI** (where 0.4% of the Canadian population resides) (+3)
  - Charlottetown reflects the provincial trend
- **6 years in Newfoundland and Labrador** (where 1.4% of the Canadian population resides) (+2)
  - St. John's reflects the provincial trend
- **5 years in New Brunswick** (where 2.1% of the Canadian population resides) (+1)
  - Fredericton reflects the provincial trend

## Policy Recommendations

Guided by the CMHC, Generation Squeeze is working to achieve widespread housing affordability by 2030. This requires governments at all levels to take a range of measures to ensure all Canadians have a good, secure home to live in.

***Reduce other housing-sized costs for young Canadians.*** While skyrocketing home prices for renters and aspiring owners are the main driver of growing levels of unaffordability in Canada, research shows that reducing non-housing costs for young people, newcomers and older renters can play an important role in easing this squeeze. These include expenses related to child care and parental leave,[2] student debt and tuition, transit costs and more.

***Level the playing field between renters and owners.*** Income and home price trends suggest home ownership will remain out of reach for a larger portion of young people today than it used to. A better, redesigned housing system must anticipate a larger share of people renting for longer periods of their lives, if not indefinitely. Supporting this trend means taking steps to ensure rents are aligned with local earnings and building more purpose-built rental housing in urban centres, among other measures.

***Capture wealth windfalls.*** The dramatic rise in home prices in some regions has created a population of housing lottery winners that has outpaced changes to tax systems. For example, annual revenue from municipal property taxation is down $4.4 billion (measured as a share of gross domestic product) by comparison with 1976, despite the $2.6 trillion in additional net wealth accumulated in principal residences over that time period.[3] Similarly, federal estimates show that that non-taxation of capital gains from principal residences will cost the federal coffer around $6 billion in 2019, with corresponding losses to provincial coffers as well.[4] These tax shelters have encouraged the commodification of housing in Canada.

***Reimagine our economic strategy to stimulate earnings.*** At 13% of our national gross domestic product (GDP) in 2019, real estate, rental and leasing is the largest driver of the Canadian economy. This same sector, however, generates just 2% of employment. No other industrial sector has such a big gap between its share of GDP and share of employment. This means Canadians have been growing our economy by increasing the major cost of living, without generating jobs in that industrial sector at a rate that ensures local earnings keep pace, particularly in urban centres.

***De-risk the real estate market for a decline in home prices.*** It is highly unlikely that local earnings in many major urban centres will rise enough to restore housing affordability by 2030. This means that a better, redesigned housing system must anticipate home prices falling over the next decade, especially after adjusting for inflation. A second phase of Canada's National Housing Strategy must contemplate new measures to de-risk the market in order to bring down home costs in ways that support all Canadians, including those who already own property.

***Protect regions where affordability has not already been lost.*** Less than 10% of Canada's population lives in markets in Saskatchewan, Manitoba and the Maritimes. These regions (except for Halifax) have not yet experienced the same decoupling between local earnings and home prices and must learn from markets that have suffered this disconnect. The second phase of the National Housing Strategy should include measures to prevent this problem from arising in these regions.

2 For more information, see: https://www.gensqueeze.ca/new_deal_for_families

3 Kershaw, Paul. 2018. "Policy Forum: A Tax Shift--The Case for Rebalancing the Tax Treatment of Earnings and Housing Wealth." Canadian Tax Journal 66,3: 585-604.

4 Ibid

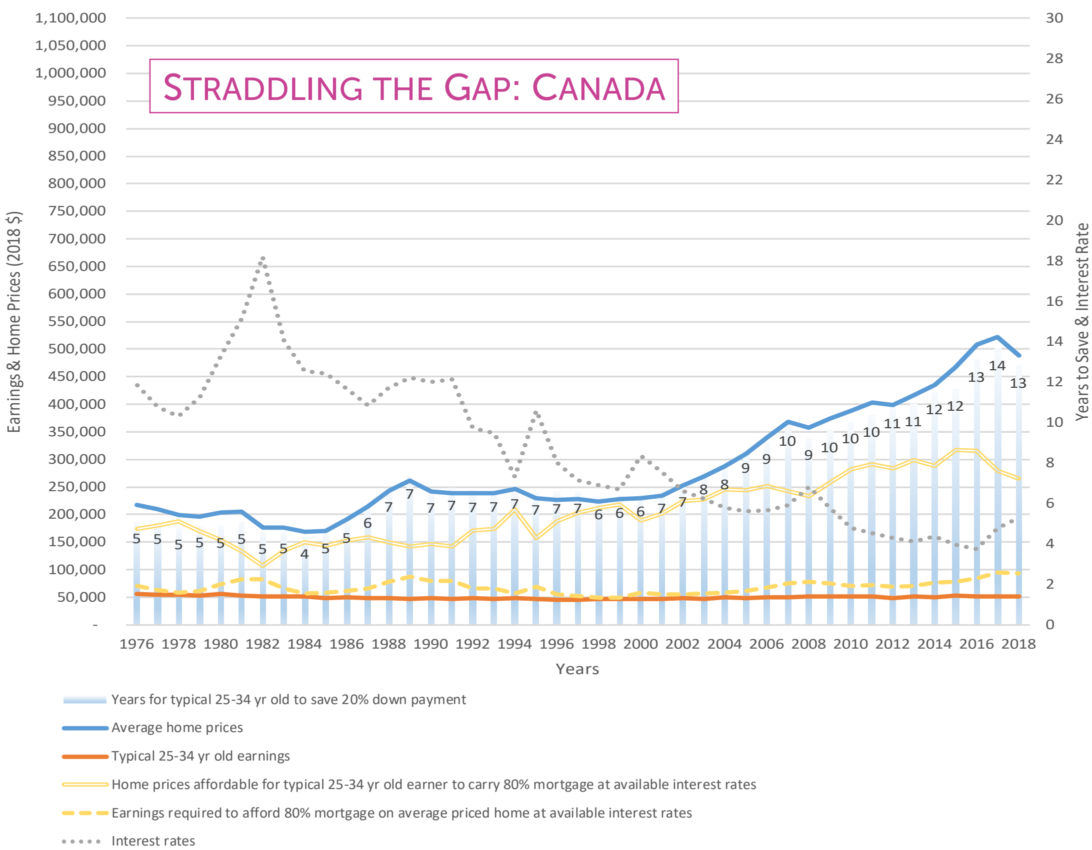
Generation Squeeze has worked with the Housing Research Collaborative, which includes academics and other experts from Quebec, Ontario and BC, to produce a four-part housing policy framework that all federal parties are being called on to adopt in advance of this fall's federal election. This framework would help advance some of the policy themes and goals outlined above, and demonstrate each party's commitment to taking meaningful action on housing affordability. The framework includes four foundational commitments for federal parties to include in their housing platforms:

1. Pursue a second phase of the National Housing Strategy that expands the current focus on social housing to address factors in the broader housing market that have contributed to home prices leaving behind earnings in many regions of Canada.
2. Adopt the CMHC goal and timeline to ensure all Canadians can afford a good, secure home by 2030.
3. Embrace "Homes First" as a guiding principle, whereby housing is treated as a place to call home first and foremost in Canada.
4. Enact policies that address both demand-side and supply-side challenges and solutions, rebalance the tax treatment of earnings and housing wealth, and scale up non-profit housing. Incomplete strategies may exacerbate the problem by either delaying restoration of affordability by 2030, or contributing to construction and land cost inflation or replacement of older, more affordable units with more expensive supply that is out of reach for many in the neighbourhood.

The numbers in this graph illustrate the gap between average home prices in **Canada** and what is considered affordable* for typical Canadians between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $223,000 – or about half of the current value – to make it affordable for a typical young Canadian to manage an 80% mortgage at current interest rates.
- Typical full-time earnings would need to increase to $93,400/year – nearly double current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 13 years of full-time work for the typical young Canadian to save a 20% down payment on an average priced home – 8 more years than when today's aging population started out as young people.




While important steps have been taken to address this affordability gap for younger (and other) Canadians, these data demonstrate the need for continued, concerted efforts by all levels of government.

As federal parties prepare their upcoming election platforms, Gen Squeeze and others are calling on each party to demonstrate its commitment to meaningful action on housing affordability by adopting the four-part housing policy framework developed by academics and experts within the Housing Research Collaborative, which is outlined earlier in this report.

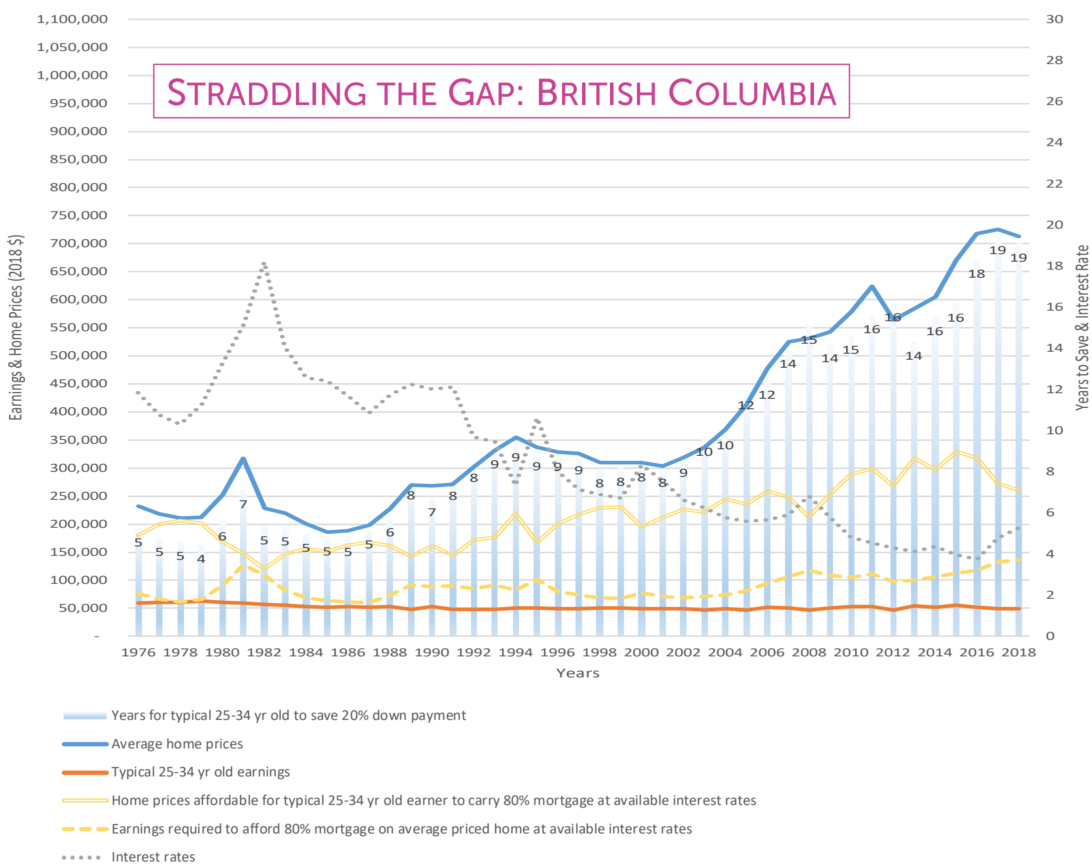
Child care, parental leave and transportation add up to additional mortgage or rent-sized payments for many Canadians. Investments in these areas can also help close the gap between incomes and housing costs.

**Affordability means Canadians do not spend more than 30% of their pre-tax earnings on housing, according to the Canada Mortgage and Housing Corporation (CMHC).*

The numbers in this graph illustrate the gap between average home prices in **British Columbia** (where 13.5% of Canadians reside) and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $452,000 – about two-thirds of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $136,200/year – nearly triple current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 19 years of full-time work for the typical young British Columbian to save a 20% down payment on an average priced home – 14 more years than when today's aging population started out as young people.

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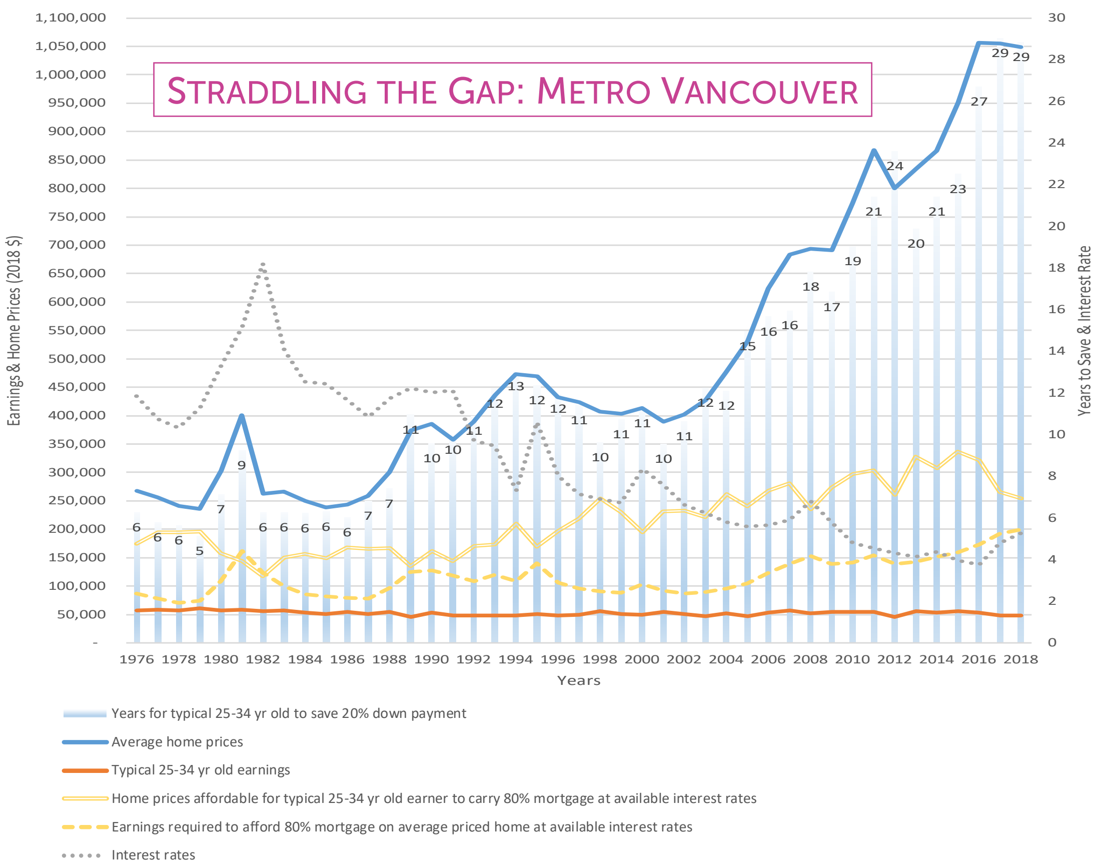
The numbers in this graph illustrate the gap between average home prices in **Metro Vancouver** and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $795,000 – about three-quarters of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $200,400/year – nearly quadruple current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 29 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 23 more years than when today's aging population started out as young people.

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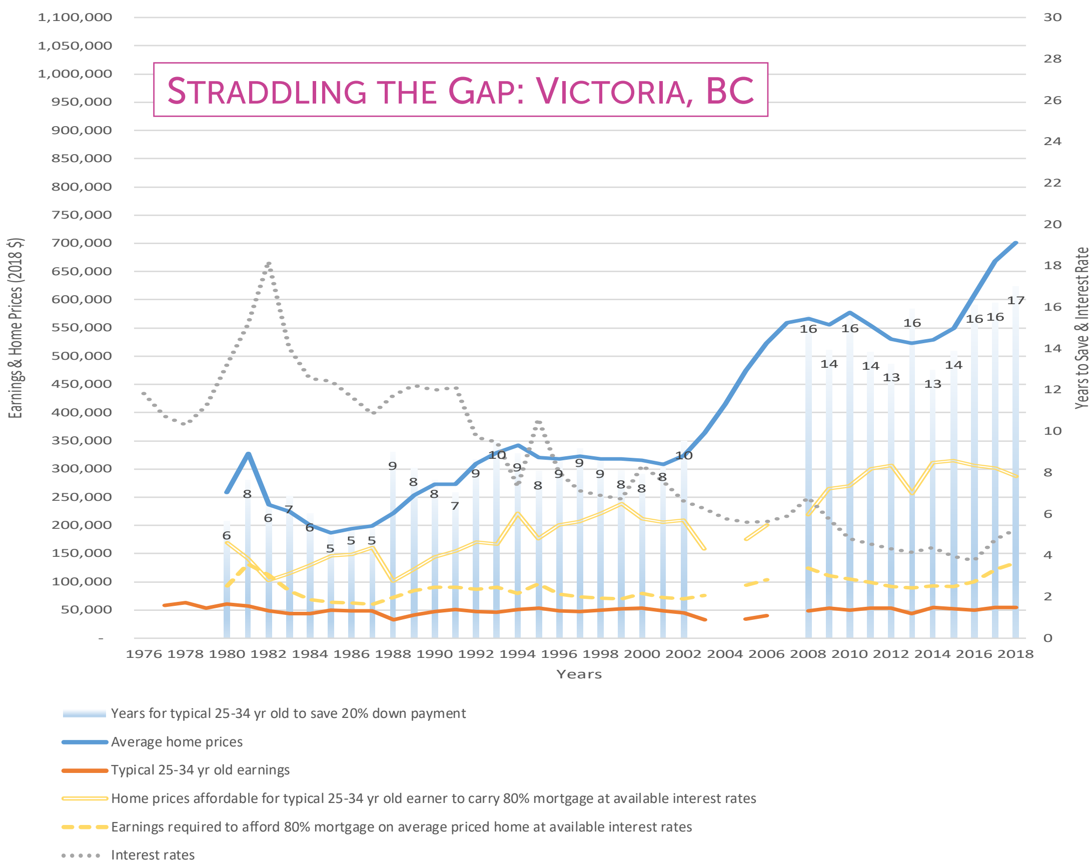
The numbers in this graph illustrate the gap between average home prices in **Victoria, BC** and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $413,000 – about 60% of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $134,000/year – more than double current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 17 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 11 more years than when today's aging population started out as young people.

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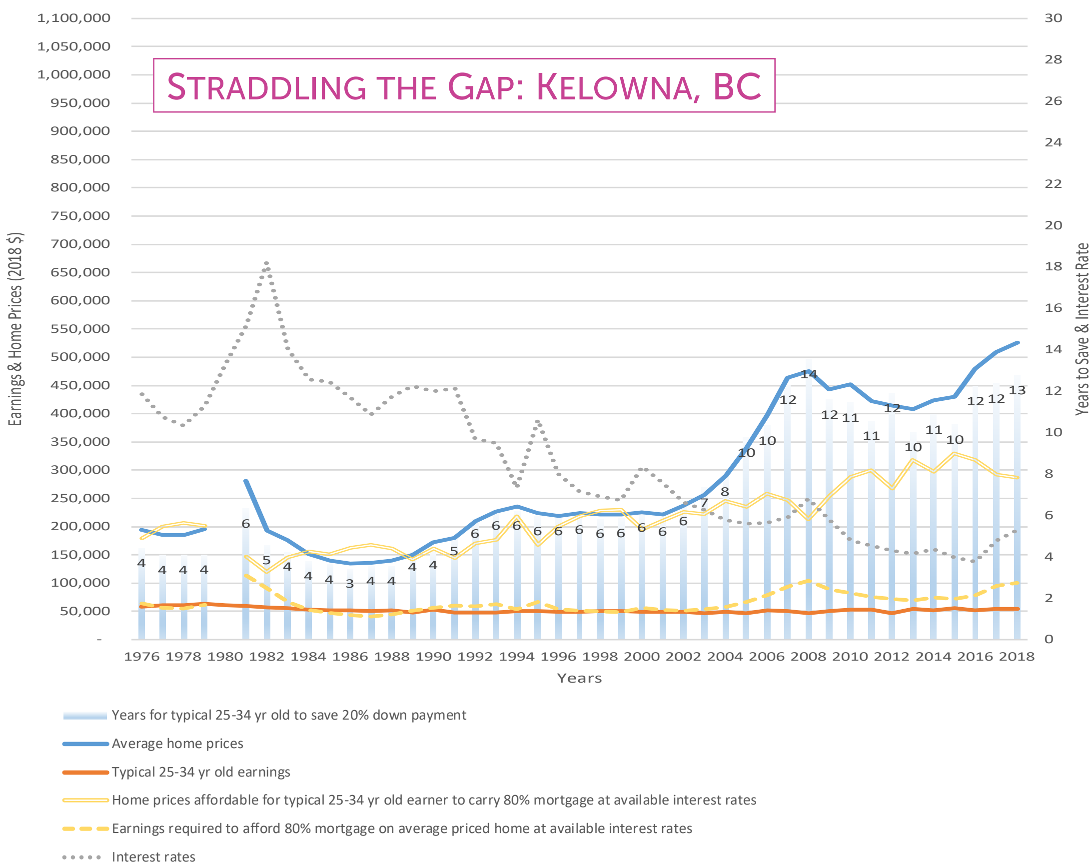
The numbers in this graph illustrate the gap between average home prices in **Kelowna, BC** and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $239,000 – about half of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $100,600/year – nearly double current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 13 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 9 more years than when today's aging population started out as young people.

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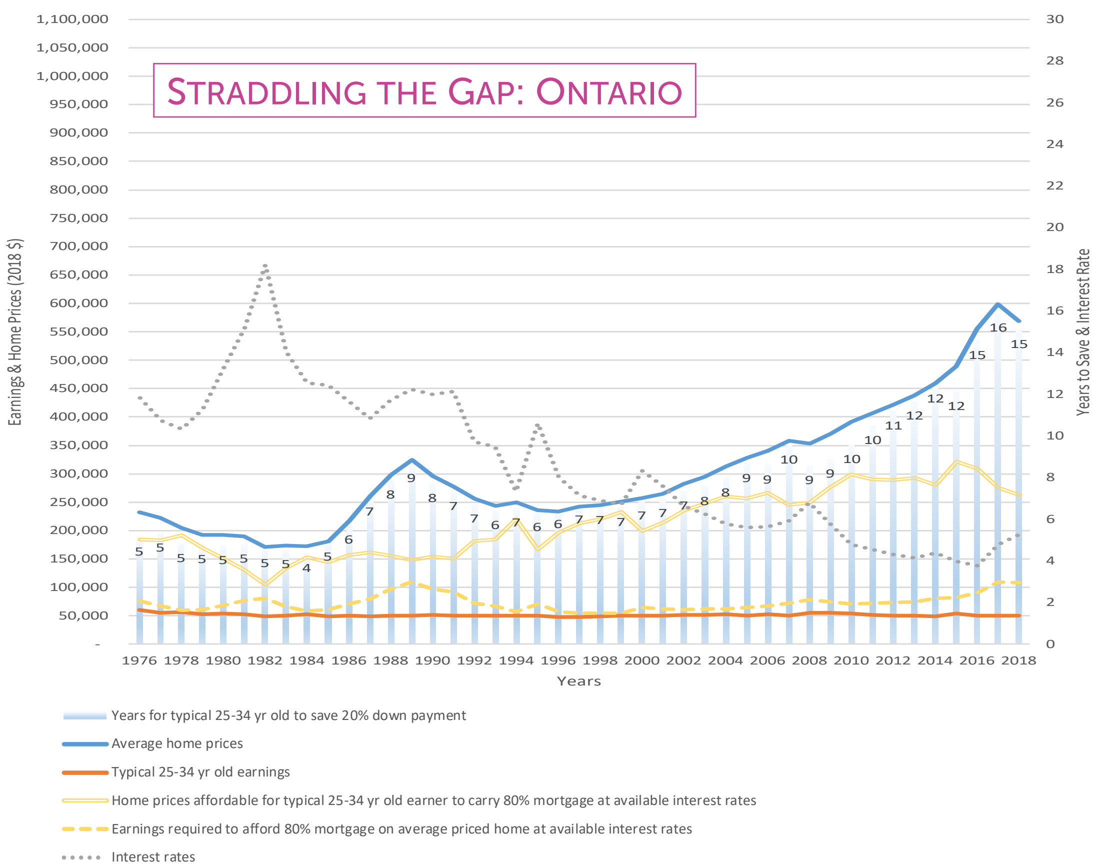
**Affordability means Canadians do not spend more than 30% of their pre-tax earnings on housing, according to the Canada Mortgage and Housing Corporation (CMHC).*

The numbers in this graph illustrate the gap between average home prices in **Ontario** (where 38.5% of Canadians reside) and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $307,000 – over half of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $109,000/year – more than double current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 15 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 10 more years than when today's aging population started out as young people.

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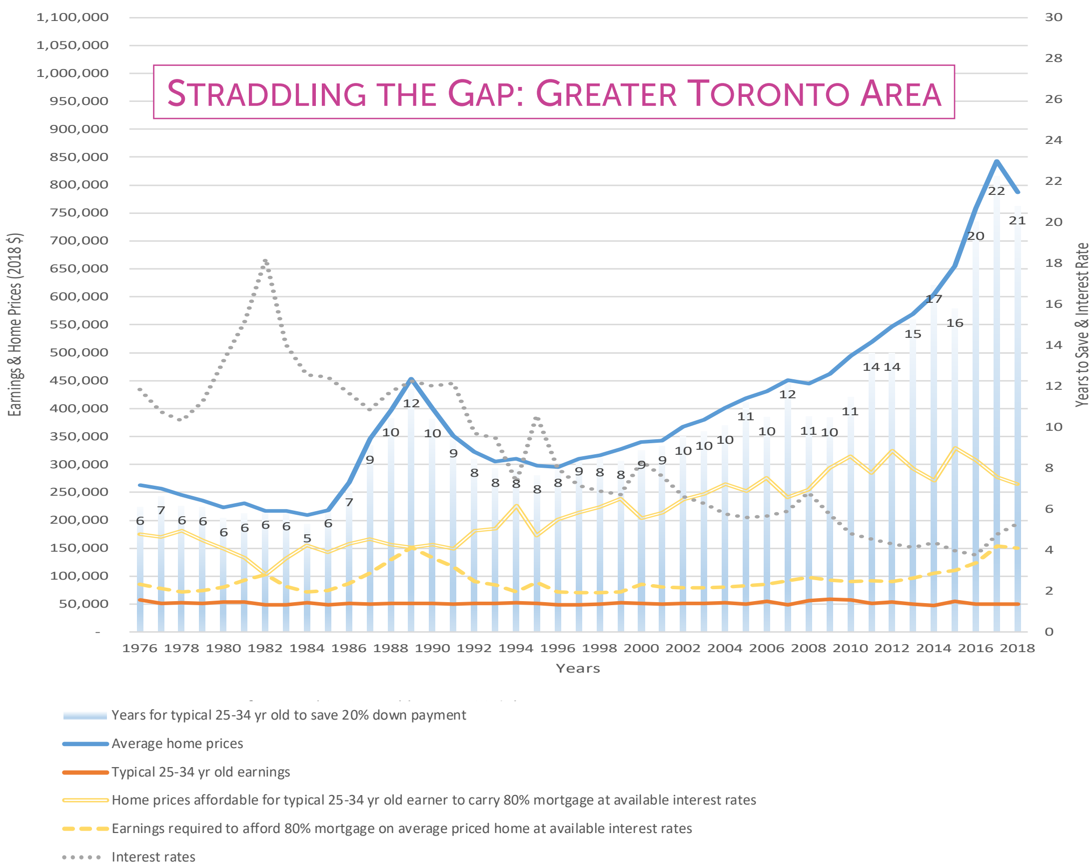
**Affordability means Canadians do not spend more than 30% of their pre-tax earnings on housing, according to the Canada Mortgage and Housing Corporation (CMHC).*

The numbers in this graph illustrate the gap between average home prices in the **Greater Toronto Area** and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $523,000 – two-thirds of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $150,000/year – triple current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 21 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 15 more years than when today's aging population started out as young people.

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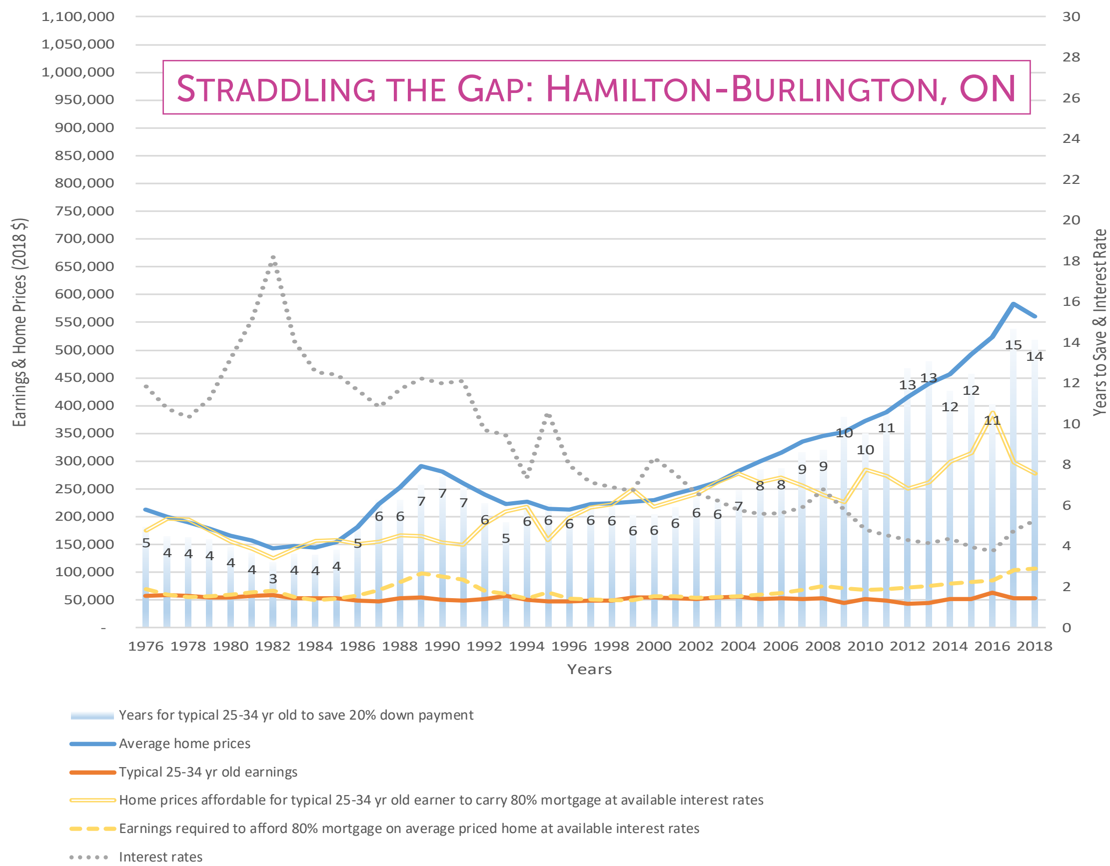
The numbers in this graph illustrate the gap between average home prices in **Hamilton-Burlington, ON** and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $284,000 – half of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $107,000/year – double current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 14 years of full-time work for the typical young resident to save a 20% down payment on an average priced home – 9 more years than when today's aging population started out as young people.

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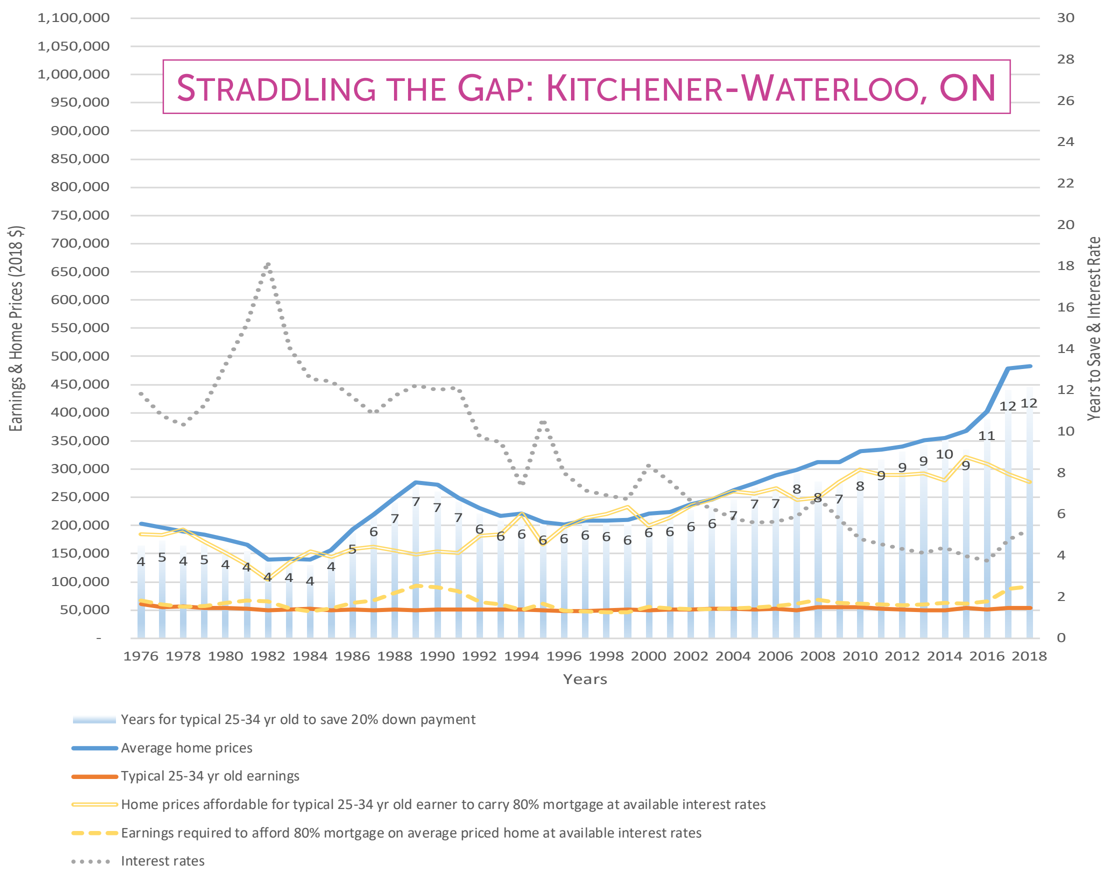
The numbers in this graph illustrate the gap between average home prices in **Kitchener-Waterloo, ON** and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $206,000 – nearly half of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $92,400/year – 75% more than current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 12 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 8 more years than when today's aging population started out as young people.

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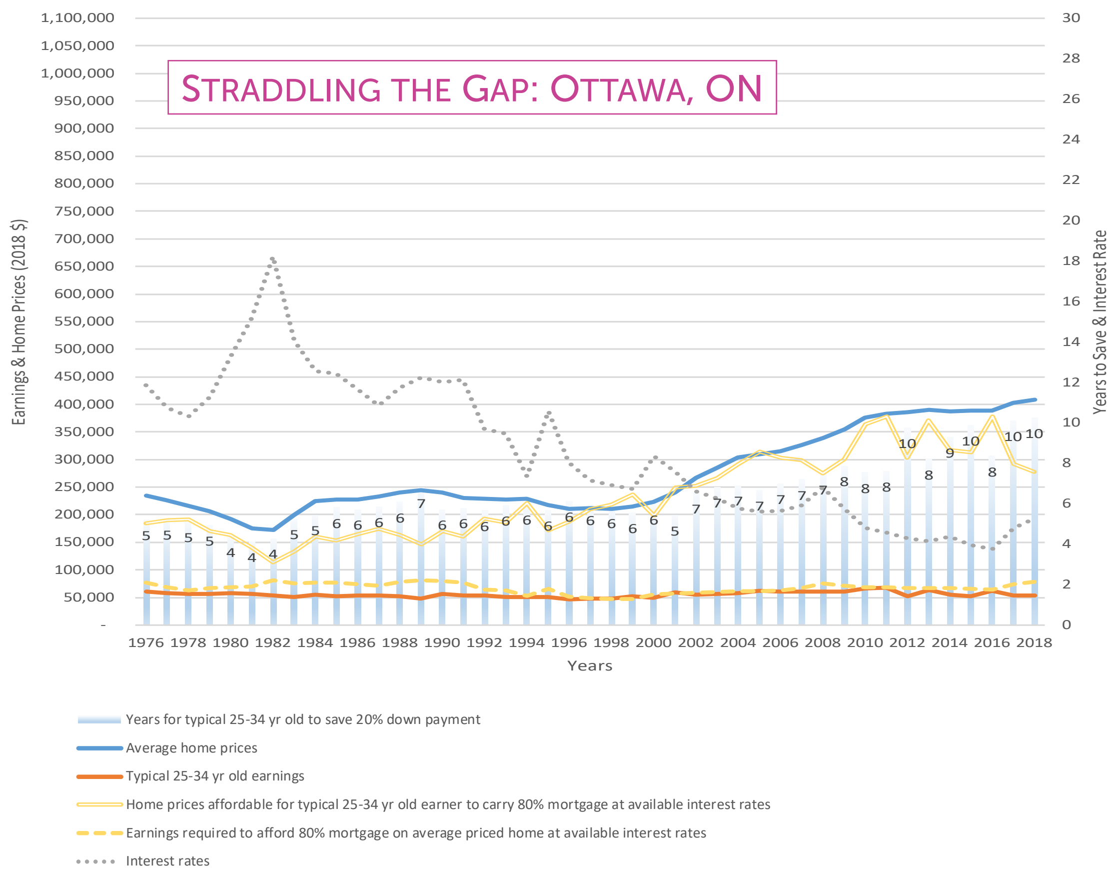
The numbers in this graph illustrate the gap between average home prices in **Ottawa, ON** and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $131,000 – one-third of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $78,200/year – nearly 50% more than current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 10 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 5 more years than when today's aging population started out as young people.

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Child care, parental leave and transportation add up to additional mortgage or rent-sized payments for many Canadians. Investments in these areas can also help close the gap between incomes and housing costs.

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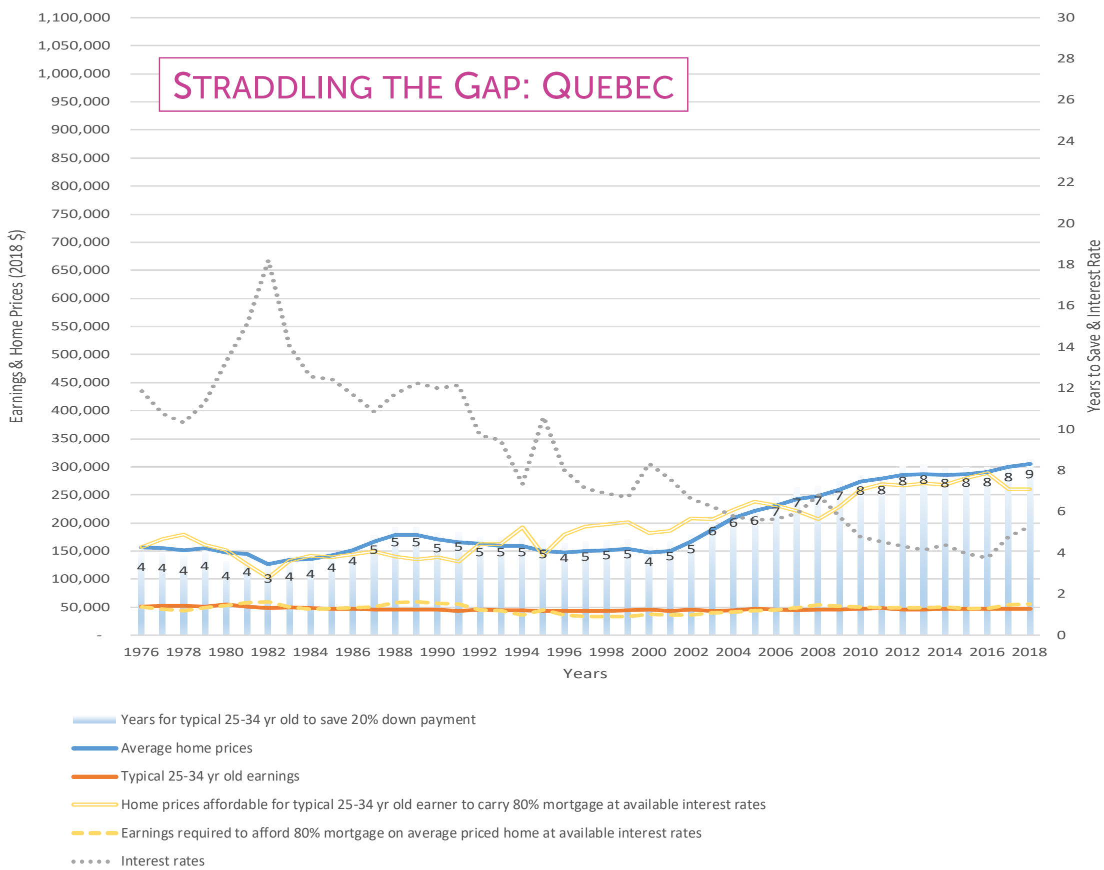
The numbers in this graph illustrate the gap between average home prices in **Quebec** (where 22.2% of Canadians reside) and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $45,000 – nearly 15% of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $56,000/year – 17% higher than current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 9 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 5 more years than when today's aging population started out as young people.

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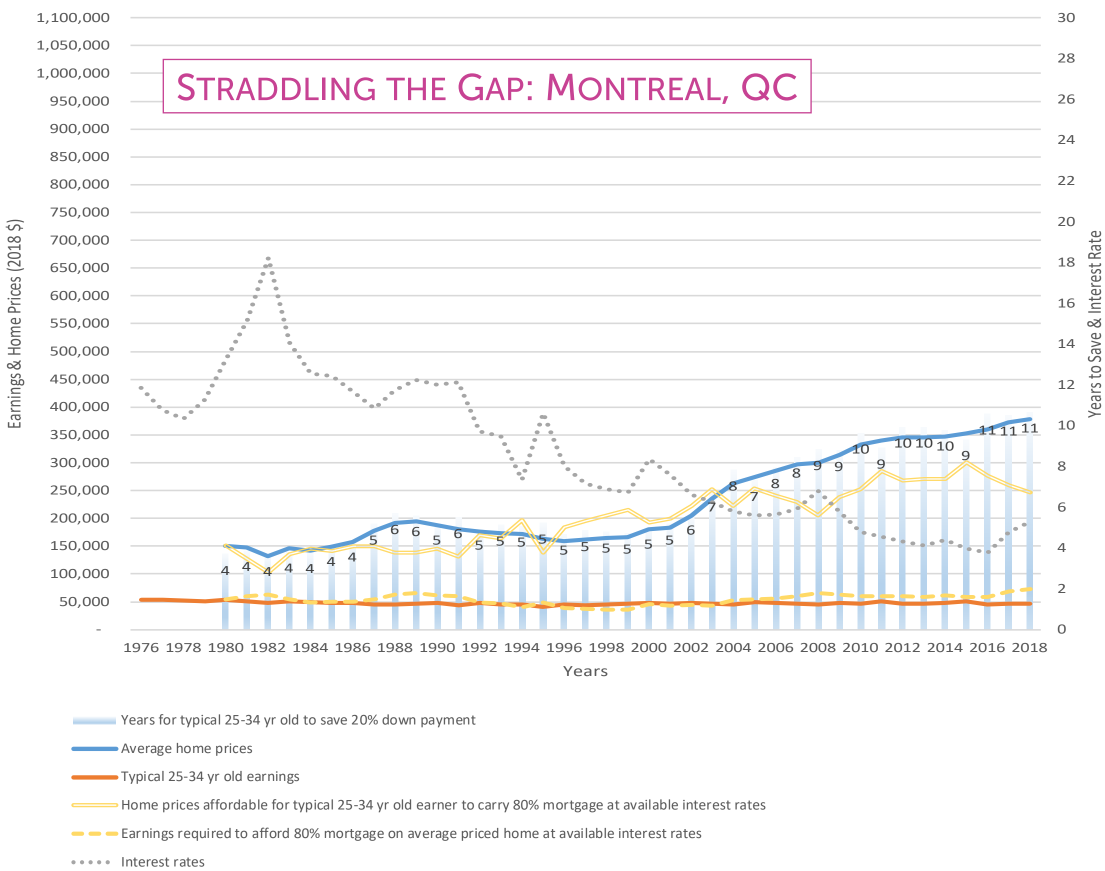
The numbers in this graph illustrate the gap between average home prices in **Montreal, QC** and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $131,000 – 35% of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $72,400/year – over 50% higher than current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 11 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 7 more years than when today's aging population started out as young people.

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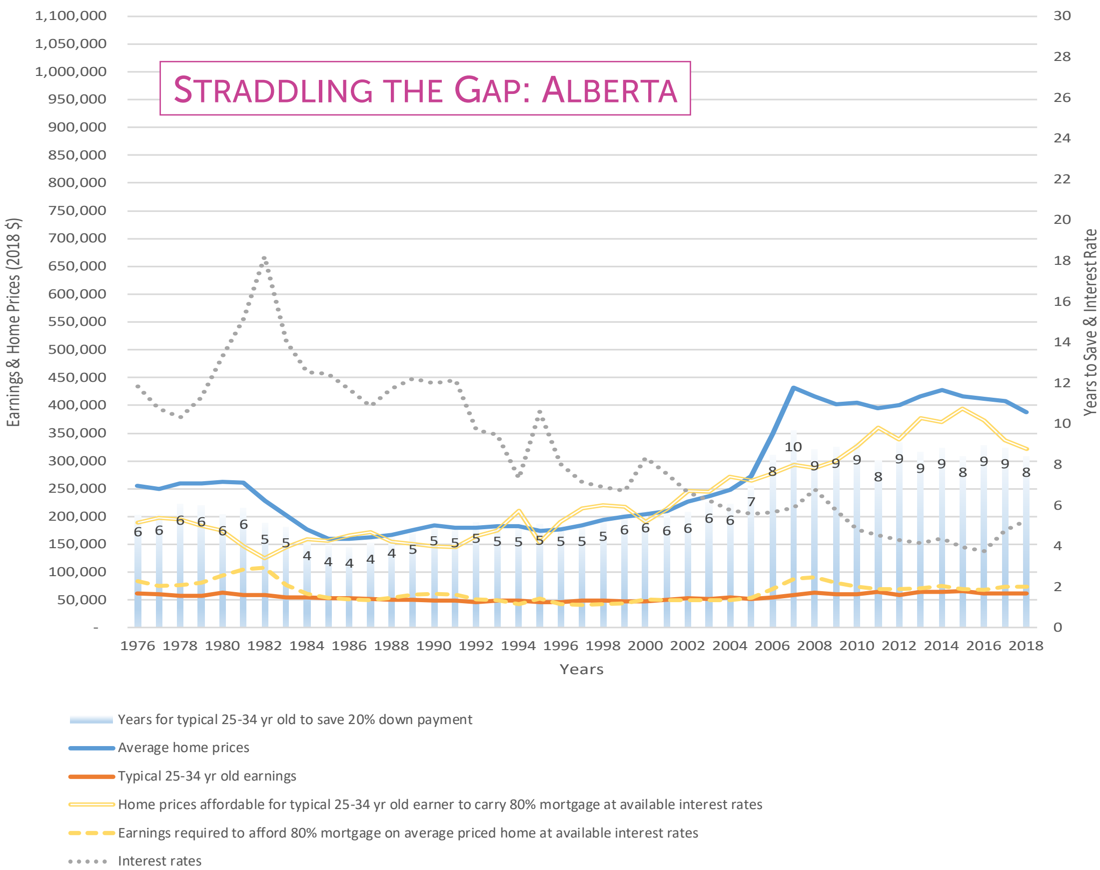
The numbers in this graph illustrate the gap between average home prices in **Alberta** (where 11.6% of Canadians reside) and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $66,000 – nearly one-fifth of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $74,000/year – 20% higher than current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 8 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 2 more years than when today's aging population started out as young people.

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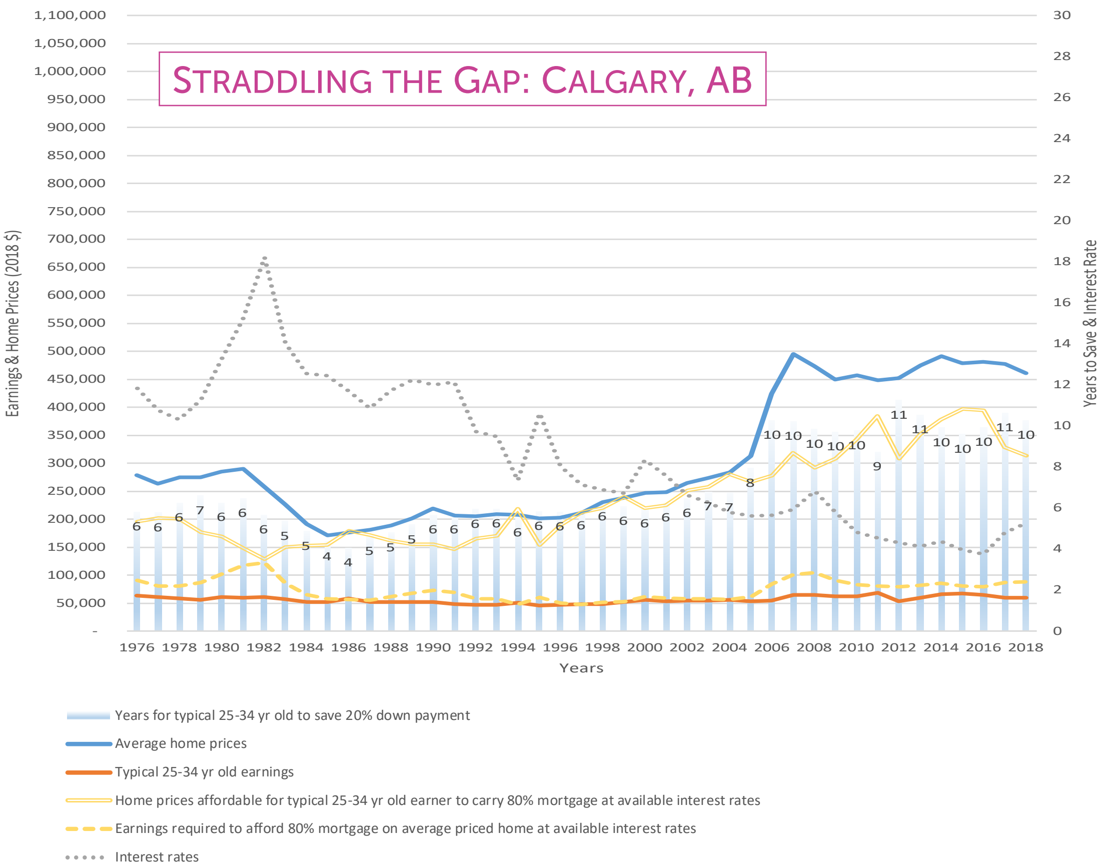
The numbers in this graph illustrate the gap between average home prices in **Calgary, AB** and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $147,000 – one-third of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $88,000/year – nearly 50% higher than current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 10 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 4 more years than when today's aging population started out as young people.

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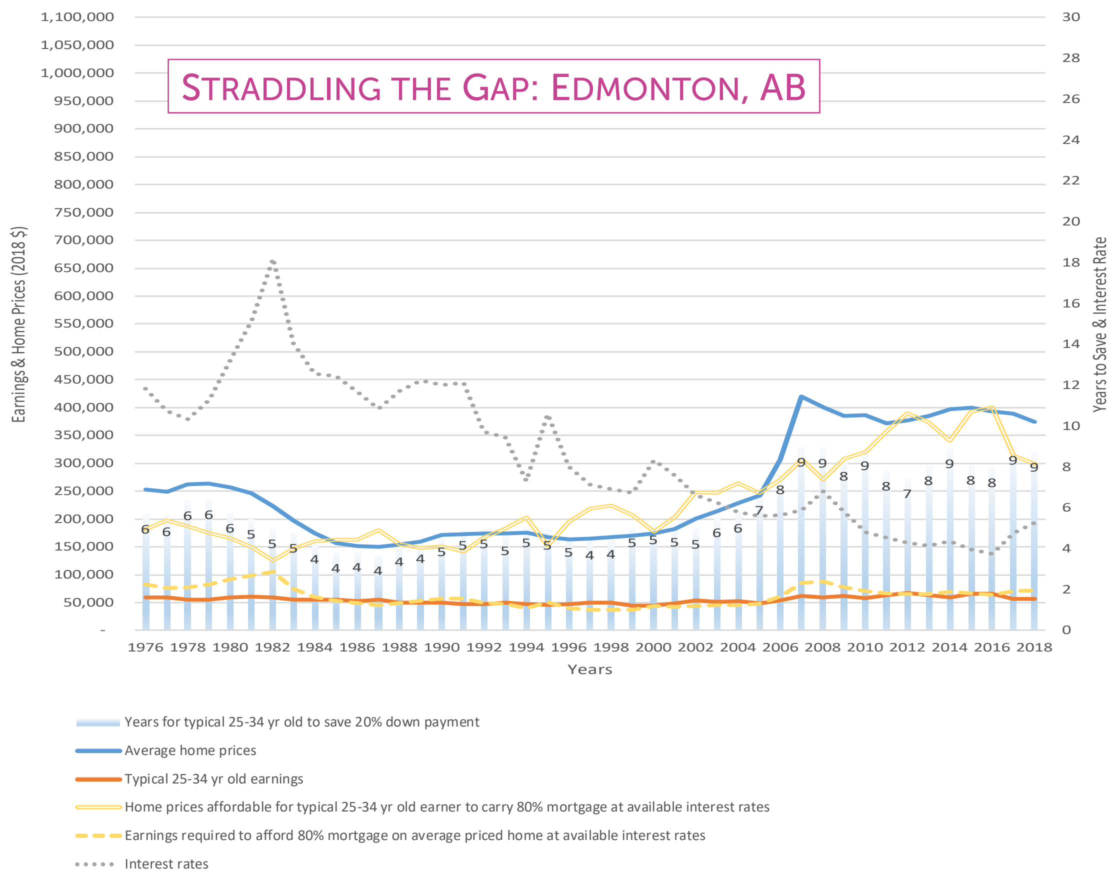
The numbers in this graph illustrate the gap between average home prices in **Edmonton, AB** and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of this affordability gap:

- Average home prices would need to fall $76,000 by – one-fifth of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $72,000/year – one-quarter higher than current levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 9 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 3 more years than when today's aging population started out as young people.

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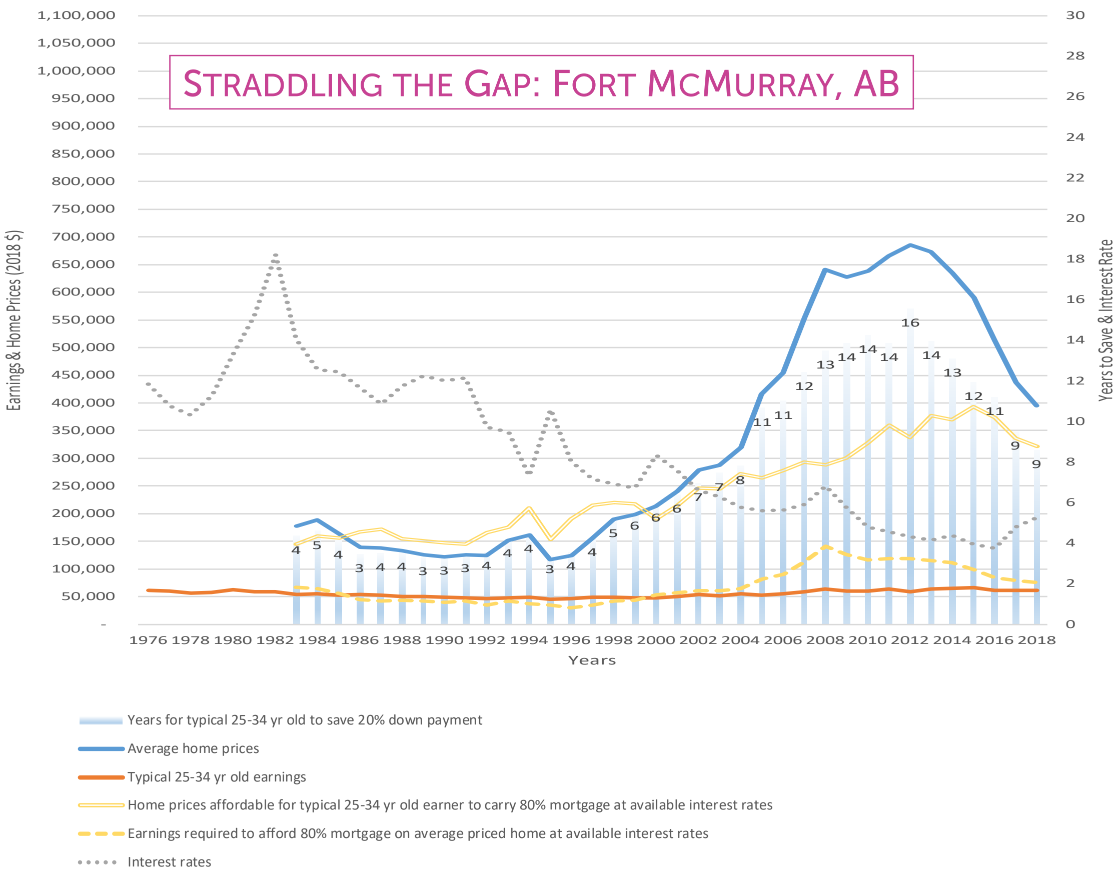
The numbers in this graph illustrate the gap between average home prices in **Fort McMurray, AB** and what is considered affordable* for typical residents between the ages of 25 and 34, based on average earnings in Alberta.

As indicators of this affordability gap:

- Average home prices would need to fall $74,000 – one-fifth of the current value – to make it affordable for a typical young person to manage an 80% mortgage at current interest rates.
- Or typical full-time earnings would need to increase to $76,000/year – one-quarter higher than current Alberta levels. Based on the last decade, actual earnings are expected to be flat.
- It takes 9 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 5 more years than when today's aging population started out as young people.

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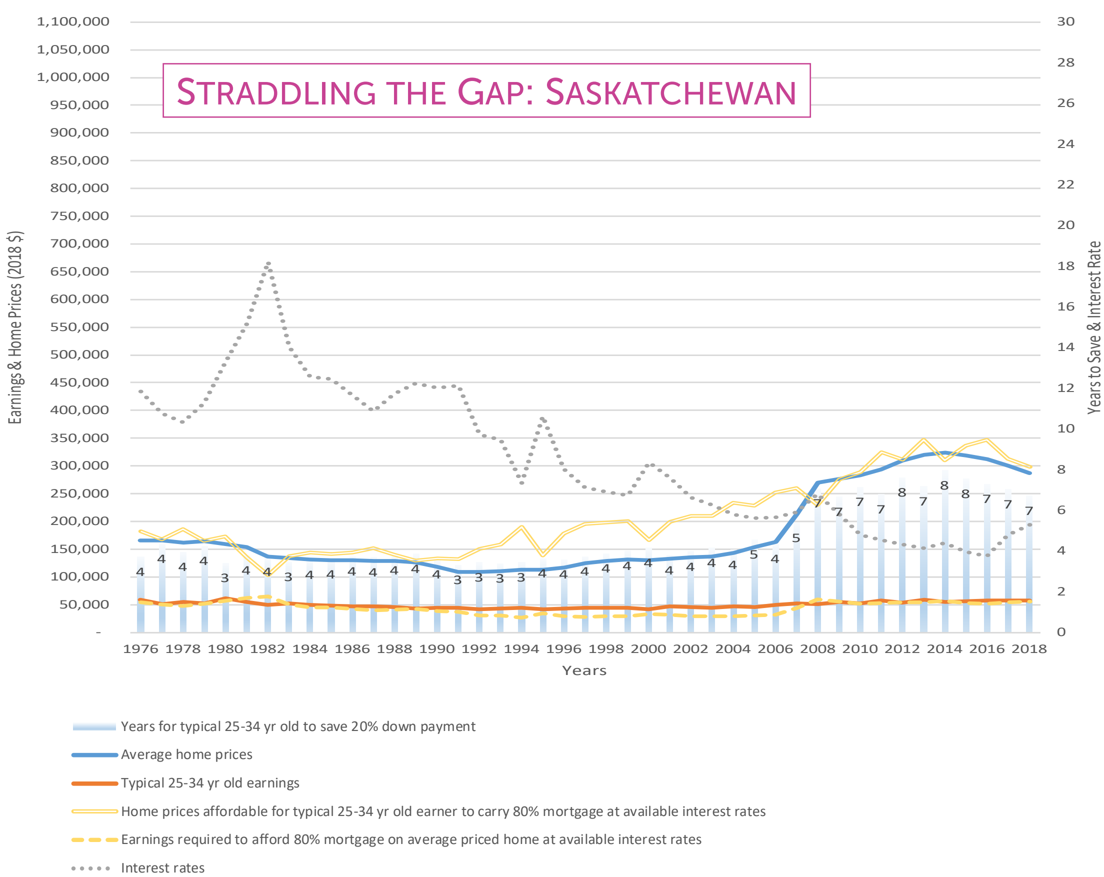
The numbers in this graph illustrate the relationship between average home prices in **Saskatchewan** (where 3.1% of Canadians reside) and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

- It takes 7 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 3 more years than when today's aging population started out as young people.
- Average home prices need to stay where they are to ensure a typical person aged 25-34 can manage an 80% mortgage at current interest rates.
- Or typical full-time earnings need to hold firm. Based on the last decade, actual earnings are expected to hold their ground.

The same patterns are evident in Regina and Saskatoon.




Since Saskatchewan has not yet experienced the same decoupling between local earnings and home prices witnessed in other provinces, it is important to learn from real estate markets that have suffered this disconnect. A second phase of the National Housing Strategy should include measures to prevent this problem from arising in Saskatchewan in order to protect local housing affordability forever.

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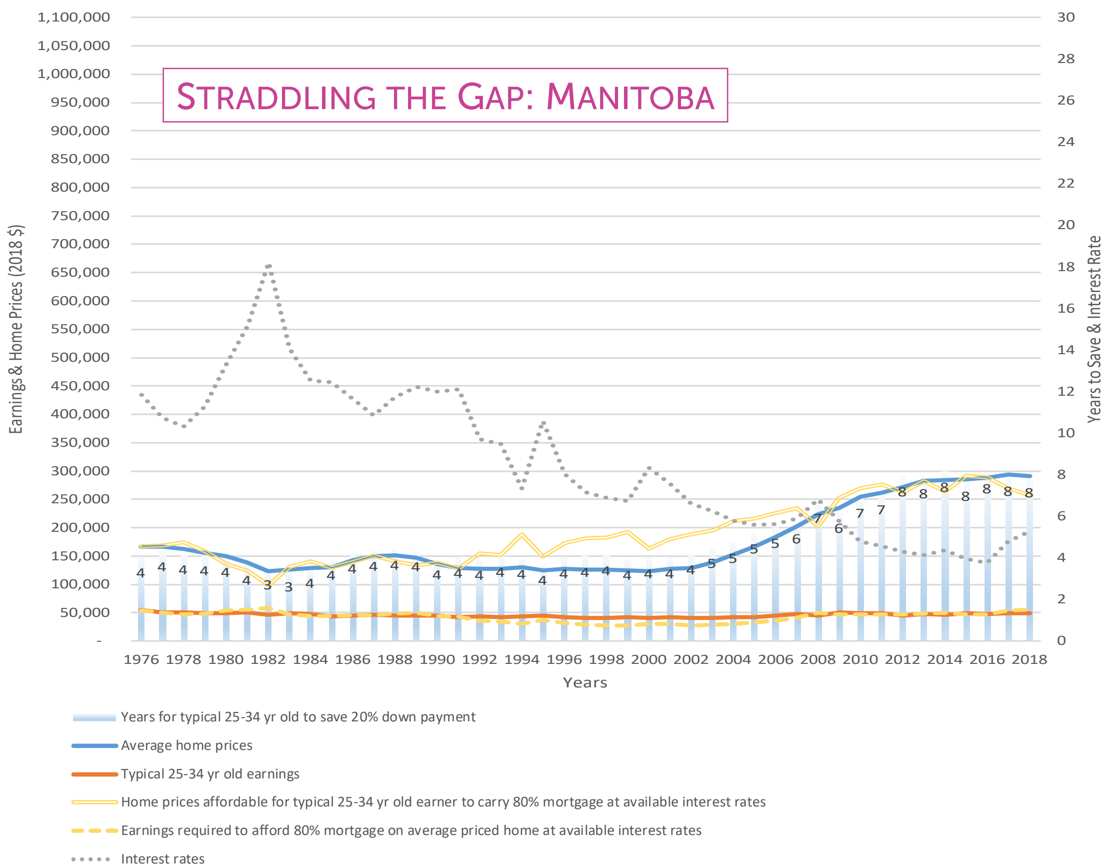
The numbers in this graph illustrate the gap between average home prices in **Manitoba** (where 3.6% of Canadians reside) and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of affordability:

- It takes 8 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 4 more years than when today's aging population started out as young people.
- Average home prices need to fall by $34,000 – down 12% of current levels – to ensure a typical 25-34 year old can manage an 80% mortgage at current interest rates.
- Or typical full-time earnings need to grow by $6,500/year – up about 13%. Based on the last decade, the gain in earnings is achievable.

The same patterns are evident in Winnipeg.




Since Manitoba has not yet experienced the same decoupling between local earnings and home prices witnessed in other provinces, it is important to learn from real estate markets that have suffered this disconnect. A second phase of the National Housing Strategy should include measures to prevent this problem from arising in Manitoba in order to protect local housing affordability forever.

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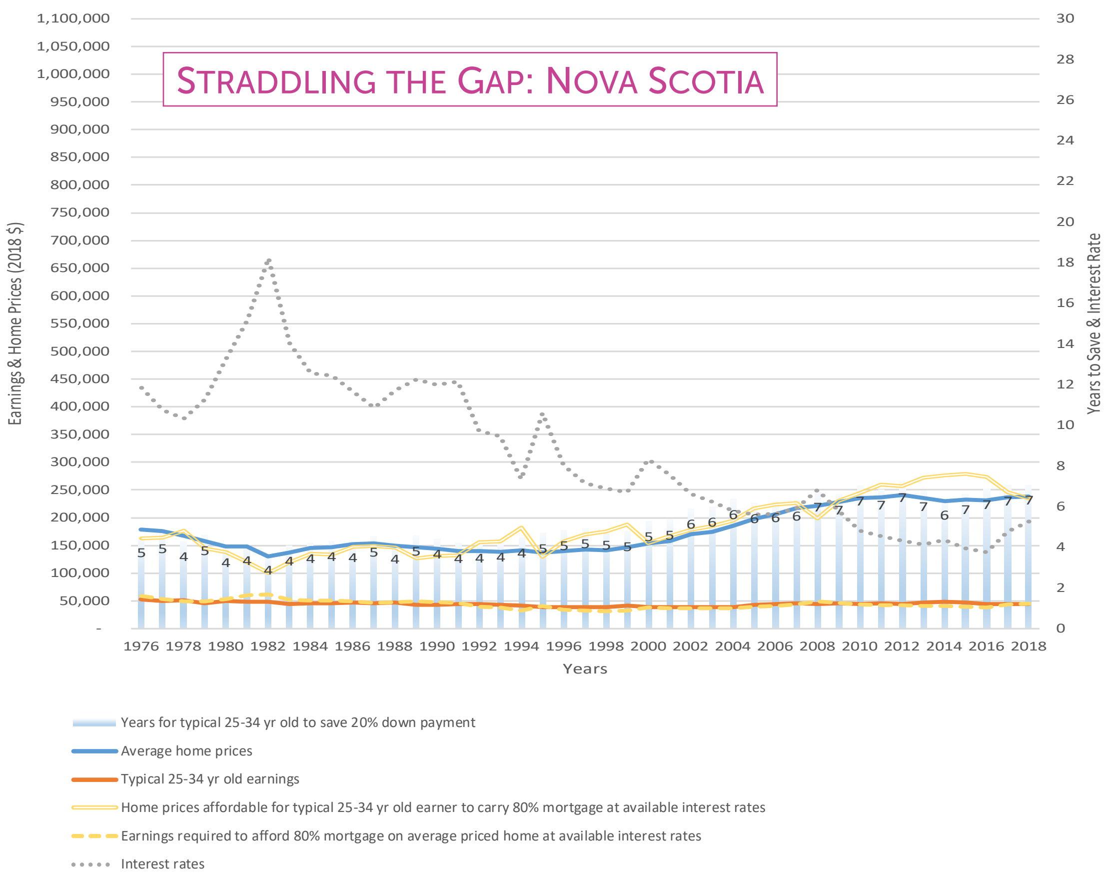
The numbers in this graph illustrate the gap between average home prices in **Nova Scotia** (where 2.5% of Canadians reside) and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

- It takes 7 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 2 more years than when today's aging population started out as young people.
- Average home prices need to stay where they are to ensure a typical 25-34-year-old can manage an 80% mortgage at current interest rates. The exception is in Halifax.
- Or typical full-time earnings need to hold firm. Based on the last decade, actual earnings are expected to hold their ground.




Since Nova Scotia has not yet experienced the same decoupling between local earnings and home prices witnessed in other provinces, it is important to learn from real estate markets that have suffered this disconnect. A second phase of the National Housing Strategy should include measures to prevent this problem from arising in Nova Scotia in order to protect local housing affordability forever.

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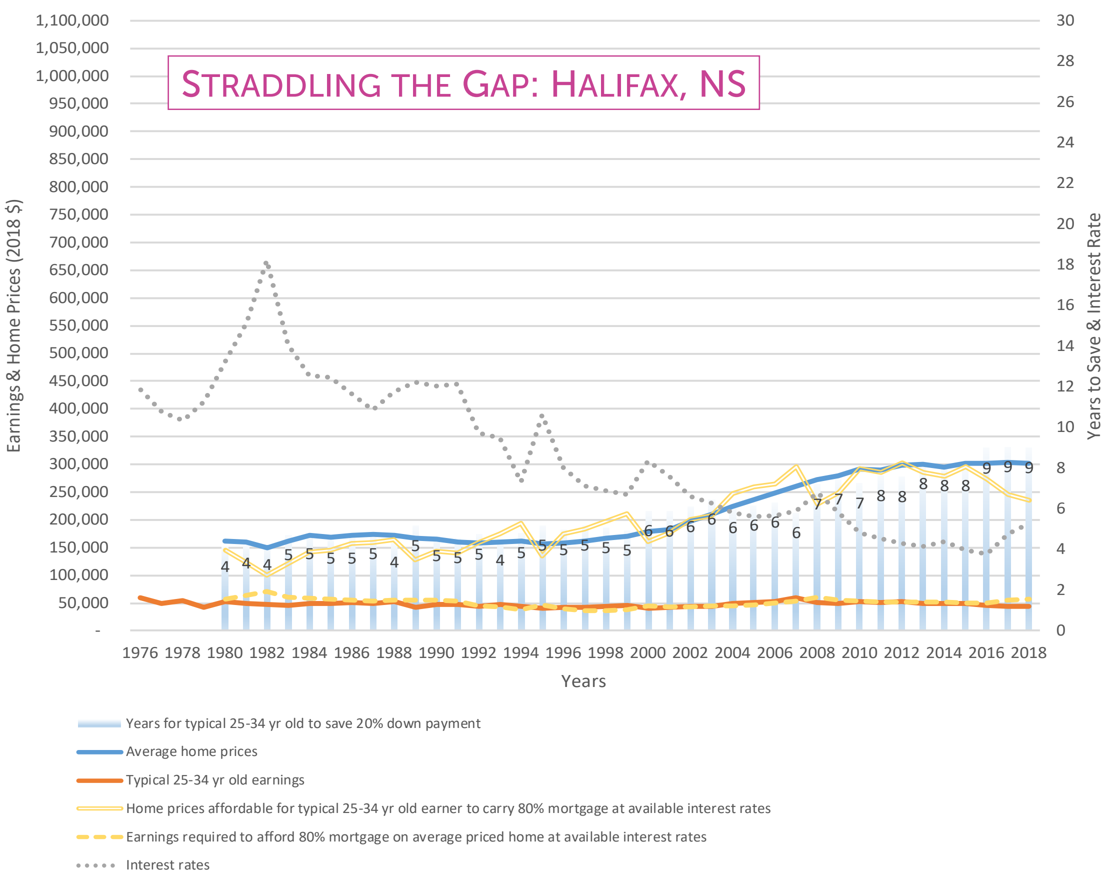
The numbers in this graph illustrate the gap between average home prices in **Halifax, NS** and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of affordability:

- Average home prices need to fall by $68,000 – down 22% of current levels – to ensure a typical 25-34 year old can manage an 80% mortgage at current interest rates.
- Or typical full-time earnings need to grow by $13,000/year (to $58,000) – up nearly one-third. Based on the last decade, earnings are at risk of falling further behind.
- It takes 9 years of full-time work for the typical young person to save a 20% down payment on an average priced home – 5 more years than when today's aging population started out as young people.

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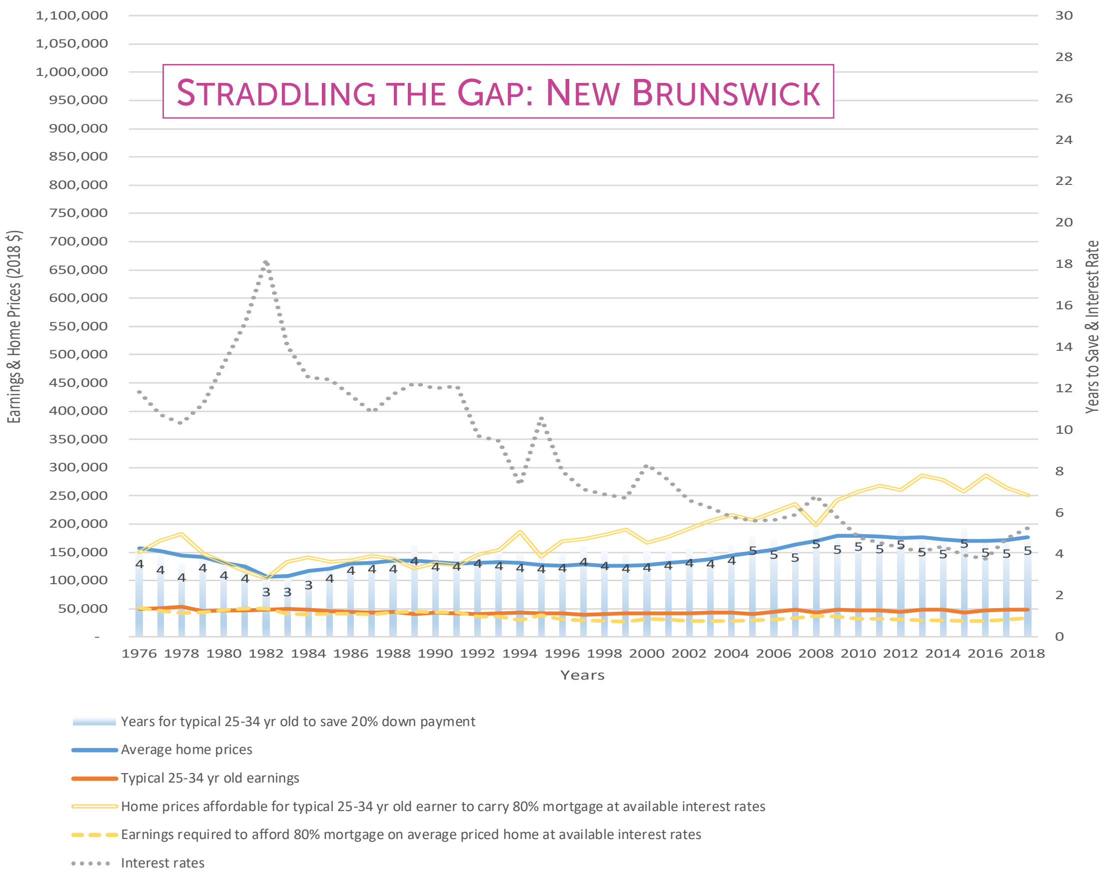
The numbers in this graph illustrate the relationship between average home prices in **New Brunswick** (where 2.1% of Canadians reside) and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of affordability:

- In 1976, it took 4 years of full-time work for the typical 25-34 year old to save a 20% down payment on an average priced home in New Brunswick. It now takes 5 years.
- Unlike most of Canada, average home prices can still rise 40% by 2030 and remain in reach for typical earnings so long as interest rates remain low (which is uncertain).
- Or typical full-time earnings need to hold. Based on the last decade, actual earnings are expected to be flat.




Since New Brunswick has not yet experienced the same decoupling between local earnings and home prices witnessed in other provinces, it is important to learn from real estate markets that have suffered this disconnect. A second phase of the National Housing Strategy should include measures to prevent this problem from arising in New Brunswick in order to protect local housing affordability forever.

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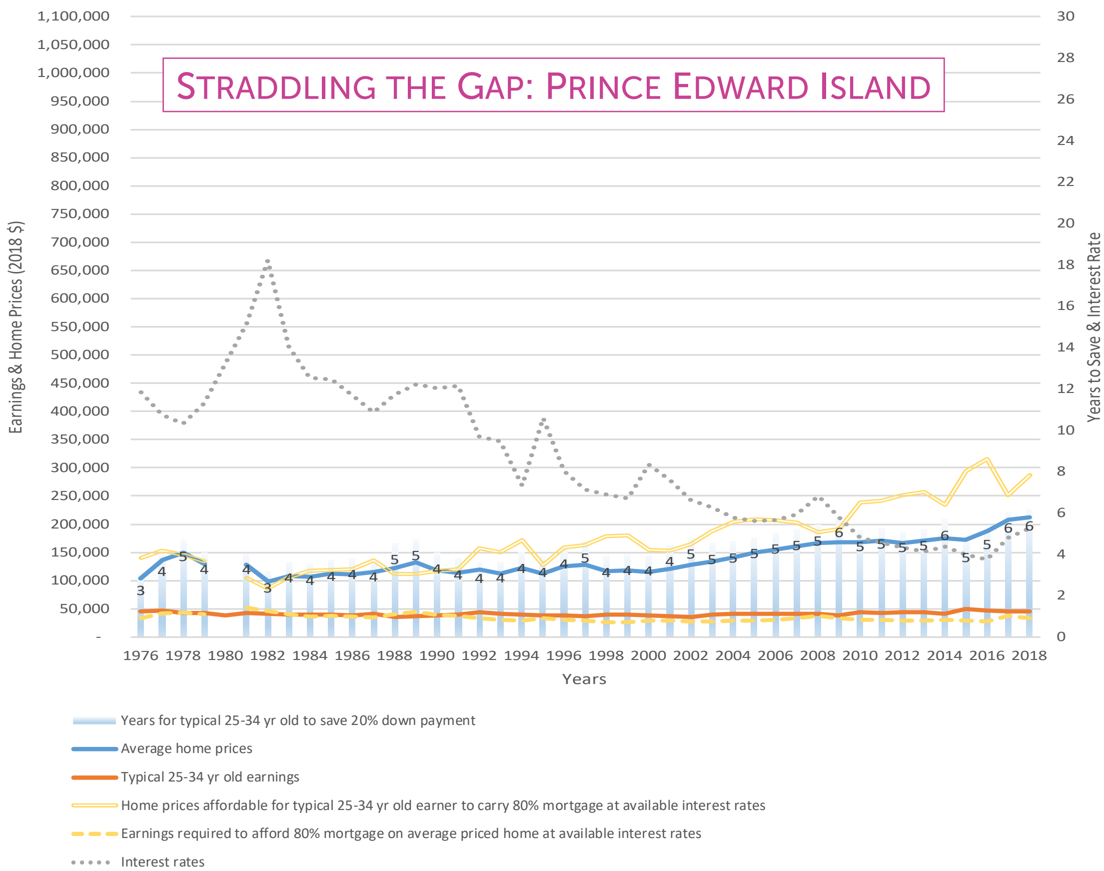
The numbers in this graph illustrate the relationship between average home prices on **Prince Edward Island** (where 0.4% of Canadians reside) and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of affordability:

- It takes 6 years, or 3 years of additional full-time work, for the typical young person to save a 20% down payment on an average priced home.
- Unlike most of Canada, average home prices can still rise 35% by 2030 and remain in reach for typical earnings given the current low interest rates.
- Or typical full-time earnings need to hold. Based on the last decade, actual earnings are expected to be flat.




Since PEI has not yet experienced the same decoupling between local earnings and home prices witnessed in other provinces, it is important to learn from real estate markets that have suffered this disconnect. A second phase of the National Housing Strategy should include measures to prevent this problem from arising in PEI in order to protect local housing affordability forever.

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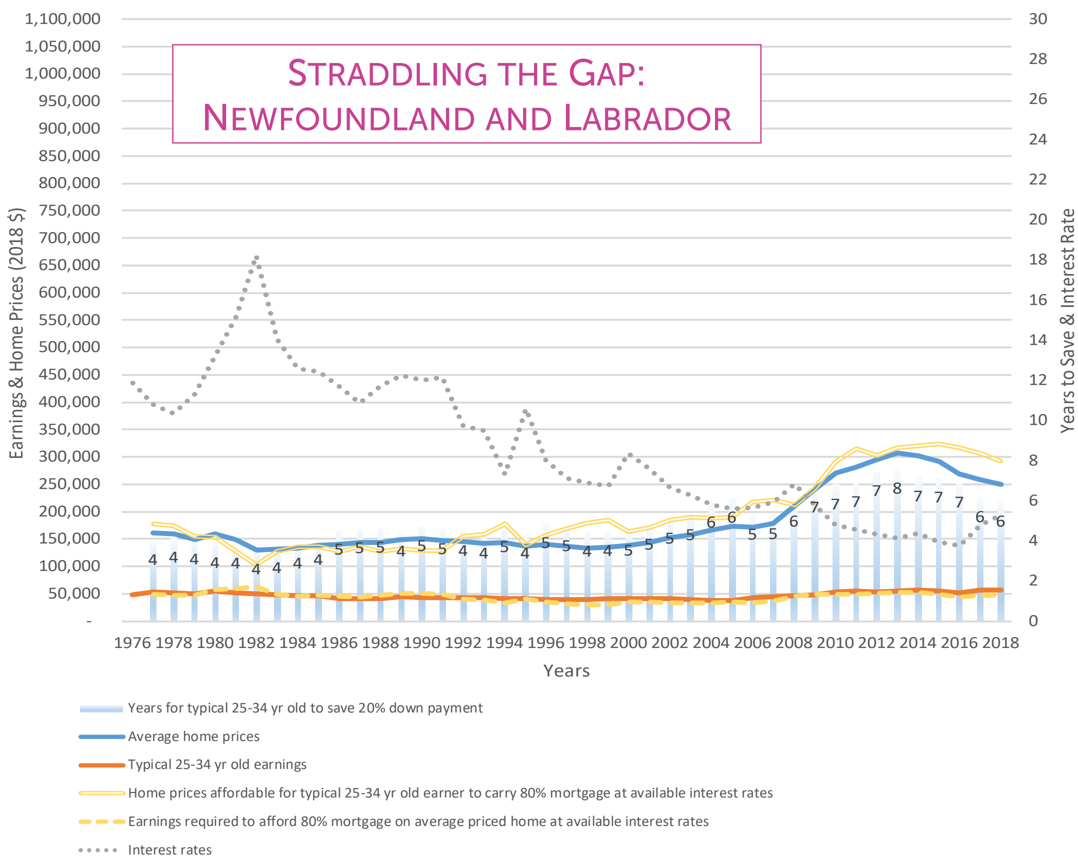
The numbers in this graph illustrate the relationship between average home prices in **Newfoundland and Labrador** (where 1.4% of Canadians reside) and what is considered affordable* for typical residents between the ages of 25 and 34, based on their average earnings.

As indicators of affordability:

- It takes 6 years, or 2 years of additional full-time work, for the typical young person to save a 20% down payment on an average priced home.
- Unlike most of Canada, average home prices can still rise 17% by 2030 and remain in reach for typical earnings so long as interest rates remain low (which is uncertain).
- Or typical full-time earnings need to hold. Based on the last decade, actual earnings are expected to be flat.

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## Methods and Data Sources

To own a home, one must be able to save the down payment and carry the mortgage. Saving a down payment depends on the relationship between home prices and earnings. Carrying a mortgage depends on this relationship and available interest rates.

We report on all three trends since 1976, which marks the beginning of the five-year period in which a large share of today's aging population came of age as young adults. As a result, we compare housing affordability for a typical young person today to when today's aging population started their careers and families, and every year in between.

We report average home price data made available by the Canadian Real Estate Association and the Québec Federation of Real Estate Boards.

We purchased full-time, full-year mean and median earnings data as a custom order from Statistics Canada to control for variation in rates of part-time work across the last four decades. The earnings data are from the Income Statistics Division, Survey of Labour and Income Dynamics and Canadian Income Survey. Custom Table C903459.

Interest rate data are from Statistics Canada Table 10-10-0122-01: "Financial market statistics, last Wednesday unless otherwise stated, Bank of Canada." The interest rates reported from 1976 to 2016 represent the average residential mortgage 5-year lending rate. Since Statistics Canada stopped reporting these average figures as of 2017, the rates for 2017 and 2018 are the rates recorded from Chartered banks for conventional 5 year mortgages. In all years, we report the rates as of January.

Guided by the literature, we assume that typical earners can annually save 15% of their pre-tax income for a down payment.[5]

We use CMHC's definition of affordability as spending no more than 30% of pre-tax earnings on housing. We calculate the home price that is in reach for typical 25 to 34-year-olds working full-time, full-year, by calculating the maximum mortgage a median earner could carry with 30% of their annual earnings given the interest rates available from Statistics Canada. We then calculate the home value for which this maximum mortgage represents 80% of the cost, because we assume a 20% down payment.

We simultaneously calculate the earnings required for a typical person aged 25-34 to spend no more than 30% of their annual income to pay for an 80% mortgage on average home prices in each year, assuming the interest rates available from Statistics Canada.

Mortgage payments are calculated with the Vancity Credit Union mortgage calculator available at https://www.vancity.com/Mortgages/MortgageCalculators/. We use the "Enter your own rate" and "5 years fixed" options.

We use Statistics Canada's Consumer Price Index to adjust all annual earnings and home price data for inflation. See Statistics Canada Table 18-10-0005-01: "Consumer Price Index, annual average, not seasonally adjusted."

Gross domestic product data are from Statistics Canada Table 36-10-0402-01: "Gross domestic product (GDP) at basic prices, by industry, provinces and territories (x 1,000,000)."

Employment data are from Statistics Canada Table 14-10-0023-01: "Labour force characteristics by industry, annual (x 1,000)."

Population data are from Statistics Canada Table 17-10-0005-01: "Population estimates on July 1st, by age and sex."

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5 Kershaw, Paul. 2018. "Intergenerational Justice in Public Finance: A Canadian Case Study." Intergenerational Justice Review, 12(1), 32-46.