

Buying a home is out of reach for today's generation

by Mark Pavilons

God did not say that you should be able to borrow one hundred per cent of the price of a house.

Richard Thaler

It's no surprise that house prices in the GTA, and in fact across Ontario and most of Canada, are almost out of reach for average Canadians.

Putting more money back in the pockets of hard-working citizens has been the main theme of current political candidates as we head into a federal election.

While our esteemed politicians may not be living pay cheque to pay cheque, millions of Canadians are. Millions more may have the door slammed in their face as they try to save for and buy their first home.

Sad that it's come to this.

Even though it was a bit of a struggle for my parents, a house was still affordable. And 30-year, 4% mortgages were common back then. The cost of living was reasonable, as were groceries and even the new cars.

An average new car today costs more than my parents paid for their two-storey home in Etobicoke in the 1960s.

That's our reality today. And this current dilemma is something we all contributed to, or least went along with for the past couple of decades.

Sometimes I find it surprising that Canadians didn't revolt, with or without pitchforks in hand.

A new online piece posted by Penelope Graham on Zoocasa.com is entitled "Where could a median-income household afford real estate in Canada?" It's not a pleasant read by any means.

Hitting in the reader in the face is this example:

In Greater Vancouver: where the benchmark home costs \$993,300, a median-income household earning \$72,662 would qualify for a mortgage of only \$241,994, leaving a shortfall of \$751,306 - a total of 76% of the total purchase price. That would take a household setting aside 20% of their income annually a total of 52 years to save the required funds.

That's not to pay off the mortgage, but simply to afford one! Can you imagine?

Buyers' ability to purchase a home varies widely from coast to coast. The gap is growing between east and west and the Prairies are seen as more affordable.

In 15 major urban centres studied across Canada, only eight are considered "affordable." The GTA isn't one of them.

And, in the remaining seven, a median-income earner wouldn't qualify for a mortgage large enough to fund their home purchase, and would need to supplement it with a hefty down payment. This, in some urban centres, would require a savings timeline that spans decades, assuming they set aside 20% of their total income each year.

In some of the figures provided, Zoocasa calculated the maximum mortgage they'd qualify for in each region, assuming a 3% interest rate, 25-year amortization, and that the equivalent of 1% of the total home purchase price would be put toward annual property taxes. An additional \$100 per month for heating costs was also factored into the calculation.

Zoocasa's calculations reveal housing affordability is most prevalent in the Prairies, accounting for five of the most affordable markets.

Alas, a median income wouldn't get far in the British Columbia or Ontario real estate markets. Fraser Valley and the Greater Toronto real estate markets round out the steepest three, requiring median-income households to come up with 70% and 63% of total purchase prices of \$823,300 and \$802,400, respectively ? requiring prospective buyers to save for 42 and 32 years!

But a young couple with decent jobs could afford a home in Regina, where the average price hovers around \$267,900. ?Median income earners could get a \$264,000 mortgage and could likely find the \$13,000 down payment.

Other ?affordable??areas include Saskatoon, Winnipeg and Halifax-Dartmouth and Edmonton.

When my wife and I got into the market in 1980s, we purchased an end-unit townhouse for roughly \$120,000 with a \$20,000 downpayment.

About 10 years later we got the itch for something bigger. Our ?profit,??along with a hefty donation from the sale of my mom's house, allowed us to purchase a \$495,000 home in Bolton in 2006.

Never in my life would I have thought I'd buy a house for half a million! I recall being shocked and almost scared to death at the prospect of taking on such a burden. But our monthly payments were manageable, so we took the plunge.

Things were rolling along nicely, until I lost my job and my wife's day care went bankrupt. Talk about troubled waters!

A few refinances, mortgages and lines of credit later, and here we are. No further ahead, but we're juggling, managing and getting by. However, if either of us lost our jobs today, we'd be looking into the abyss.

Along the way, we worked through many realities. I never owned a new car. We never went on any Caribbean vacations. We didn't eat out a lot.

But when I look at these current numbers I?shake my head in disbelief, and a certain amount of sadness. What can our young generation expect in the future? Will any of our children ever own a home?

This generation has lost more than mere purchasing power. It has lost an unincumbered, stress-free youth. It has lost a certain amount of freedom and assuredness.

It may have lost faith and, in some cases, hope.

And that's incredibly unfortunate.

I don't know what the future holds. But my wife and I may hold off on ?downsizing??until our kids are secure. And that's why we've started, slowly, to finish the basement. Our youngins may staying at mi casa a lot longer!