

CTV News – February 7, 2024

Is it cheaper to rent or buy a house with a monthly mortgage in Canada? Prices analyzed in 26 markets

Natasha O'Neill || February 7, 2024

To rent or to buy a home in Canada, that is the question a new report aims to answer.

A real estate website analyzed 26 markets across the country to find out whether it is generally cheaper to rent or own a home in those areas, based on set criteria.

"In this climate of rising rents and declining mortgage rates, Canadians are wondering if this year is the year to buy or rent," the report published Tuesday read.

To compare the costs of renting and owning, Zoocasa made some assumptions for consistency in its report.

The real estate agency says it used average rent prices from Rentals.ca based on listing prices in December, meaning the rates are based on new leases.

Zoocasa used the average price of one- and two-bedroom units for rentals, and mortgages were calculated assuming a 20 per cent down payment and a fixed five-year rate of 4.84 per cent over 25 years.

Mortgage amounts were calculated using the December 2023 average home sale benchmark for each city and the best interest rate available at the time the data was collected.

The mortgage amounts were based on the five-year fixed mortgage rate and are not reflective of current rates. A Zoocasa spokesperson said in an email a potential buyer's actual mortgage rate would depend on their financial circumstances.

Both metrics are based on a resident entering a new contract – whether lease or mortgage – and the averages do not necessarily reflect what the average renter or homeowner in each market is actually paying. A tenant or owner may be paying less, or more, depending on when they entered their lease or mortgage, on their property type and other factors.

Additional expenses, such as utilities and property taxes, were not included in the values used in the study.

Markets with lower cost of living

Based on the analysis, Zoocasa found one market where it was cheaper to own a home than to rent.

In Winnipeg, the average rent this past December was \$1,526 per month, whereas the mortgage payment based on the average home cost amounted to \$1,521.

"Though this is the only market on our list that has an average mortgage payment less than average rent, Regina and Quebec City came very close," the report noted.

The gap between renting and mortgage payments was \$54 in Quebec City and \$62 in Regina.

Homeowners in Regina also benefitted from having the smallest monthly mortgage payment of the markets analyzed, the report says.

With an average home price of \$400,000, Edmonton was found to be the next most-affordable market for mortgage payments, with \$1,697 being the average monthly payment in December, for a buyer starting a new mortgage based on the rate that month.

By comparison, monthly rent was about \$1,444 in the city for those starting a new lease.

Halifax, Montreal and Saskatoon also had a relatively small gap between monthly mortgage and rent, with mortgage payments being up to \$500 higher than rent in those cities, the report noted.

The report noted that in the majority of Canadian markets, like Vancouver, Toronto, Surrey, B.C., Burlington, Ont., and Calgary, renting is cheaper than paying a mortgage.

Zoocasa noted that higher costs associated with homeownership impact the rental market because landlords often need to increase rents to make payments for the mortgage on their rental properties. And with higher rent costs, fewer people can leave the rental market to become homeowners.

Down payments present a barrier

While the report is meant to give would-be renters and buyers an idea of options, one expert cautions that the question of whether to buy or rent is not so simple for most Canadians.

"It would take the average young person 22 years in Ontario to save up for a 20 per cent payment on a home," Carolyn Whitzman, housing researcher at the University of Ottawa, told CTVNews.ca in an interview Wednesday. "If you already own a home and you're paying the mortgage, great, but a lot of people are trapped in renting."

Zoocasa's report makes a case for owning a home instead of renting in some Canadian cities, but the numbers only reflect part of the picture, Whitzman said.

"House prices would need to go down by about 60 per cent, they need to be really about a third of what they are across Canada" for most people to be able to afford a home, she said.

The report assumes Canadians can afford a 20 per cent down payment on a home in the city they want, Whitzman said, but that is not the case for young Canadians, who tend to be renting at high rates, at a time when home prices are increasing.

"The old model was predicated on (the idea that) while you're a renter, you're saving up money towards a down payment," Whitzman said. "There's always been this assumption of a housing ladder, where you move up from renting when you're young to buying a house at a certain point, (but) that ladder is broken."

Whitzman sees this issue with her 31-year-old son, who is paying rent in Ottawa and wants to buy a home, but cannot put away the down payment because his finances are tied up in the cost of living.

"I'd say if you were like born after about '83, you're in trouble," she said.

Solving Canada's the housing crisis

Whitzman said she can't imagine an "easy scenario" where house prices will go down to a level that she would consider affordable.

She referenced a report by the Canadian Housing and Mortgage Corporation, which notes that more than 22 million housing units will be required by 2030 to achieve housing affordability for everyone across the country.

"They were saying if home production more than tripled, you might get housing to a less unaffordable level, so pure supply isn't going to make homeownership affordable," Whitzman said.

Knowing this, she said, all levels of government need to invest in making renting more affordable to allow people to save to purchase a home or to make long-term renting a more affordable option.

But even if renting was suddenly more affordable, home prices would have to be tackled as well, she said.

Many buy homes as an investment to be cashed out when they retire and downsize. For this to work, it's dependent on being able to find a lower cost of shelter when they sell, Whitzman explained.

"The whole system was set up in the early 1970s, with the thought that you didn't need to have a really good pension plan because all you needed to do was save up and sell your house at the right time," she said.

But a combination of factors, including that people are living longer and staying in the rental market for longer, the system doesn't work, Whitzman said.

"The current system doesn't help old people, it doesn't help young people," she said.