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Rising housing prices aren't the only thing pushing first-time homebuyers away

Escalating living costs and uneven income growth have also contributed

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A 'for sale' sign in front of a home in East Gwillimbury, Ont. PHOTO BY COLE BURSTON/BLOOMBERG FILES

Housing affordability challenges have been dominating Canada's political discourse and media channels, but it turns out that it's not all due to soaring home prices and rents, according to a more nuanced picture painted by Statistics Canada.

Rising prices are undoubtedly a part of the story, but another critical aspect is the growth in incomes and savings bolstered by the pandemic-counteracting government's financial support for households and businesses, according to the agency's newly released 2022 Canadian Housing

Survey (CHS) data. This support helped counteract some price pressures, but has not received the same attention.

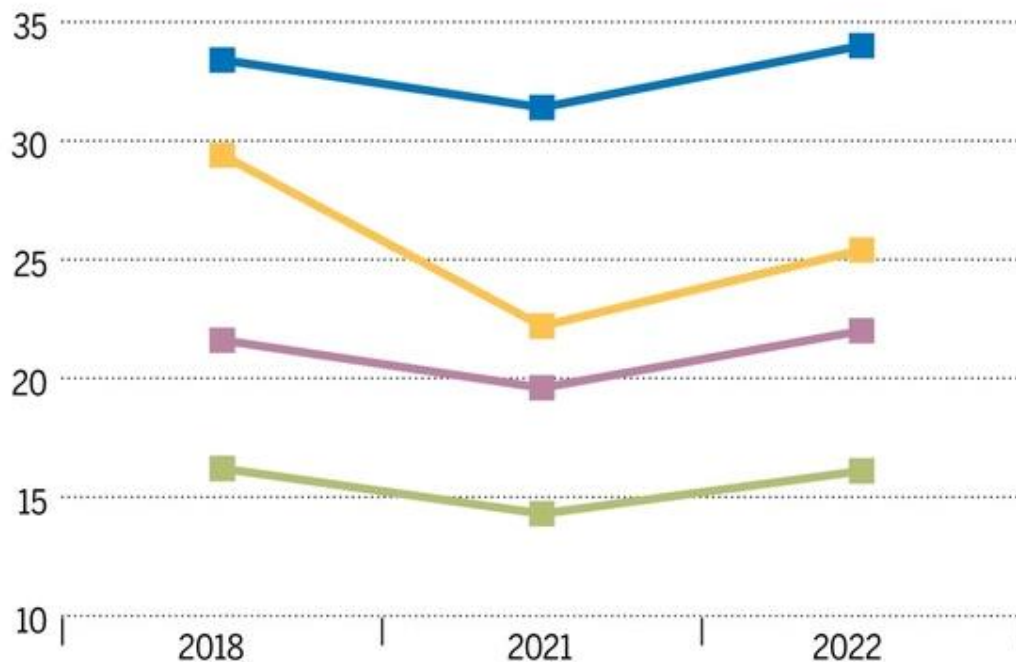
Much has changed since 2022, so the multifaceted and dynamic nature of affordability burdens before and during the pandemic merits a revisit. These complexities challenge the conventional wisdom that focuses solely on stories of financial hardship, often overlooking the financial windfalls that many have enjoyed due to government largesse.

A household spending more than 30 per cent of their income on shelter costs is considered to be in unaffordable housing, according to Statistics Canada. Yet the data shows that housing affordability burdens remained unchanged before and during the pandemic. In 2022, about 22 per cent of households lived in unaffordable housing, nearly identical to the 21.5 per cent reported in 2018.

HOUSING AFFORDABILITY HOLDS STEADY DESPITE PRICE AND RENT SWINGS

Per cent share of households that spend 30 per cent or more of income on shelter costs

— Owners — All households — Renters living in social housing — Renters living in market rental housing



SOURCE: STATISTICS CANADA, CANADIAN HOUSING SURVEY
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Housing affordability burdens are not felt equally between homeowners and renters. In 2022, 33 per cent of renters lived in unaffordable housing, compared to 16.1 per cent of homeowners. This

disparity is primarily due to the significant income gap between these two groups. Renters often belong to unique demographic profiles, with a higher proportion of single-income households.

The Statistics Canada report further challenges the alarmist narrative of worsening housing conditions for social and affordable housing residents. The survey said that a smaller proportion of residents in social housing faced unaffordable housing conditions in 2022 compared to 2018. This improvement was driven by faster income growth, which rose 15.3 per cent between 2018 and 2022, outpacing the 12.4 per cent increase in rent.

Housing affordability took a hit in early 2022 as mortgage rates surged, placing a heavier burden on new homebuyers and those renewing their mortgages. This contrasted with 2021, when the rapid rise in housing prices was the main driver of growing affordability concerns.

However, Statistics Canada data shows that a smaller proportion of households lived in unaffordable housing in 2021 than in 2018. This relatively favourable outcome is mainly credited to the temporary income support programs introduced by the government during the pandemic.

Rising housing prices are often cited for pushing first-time homebuyers out of the market, but the data challenges this narrative. Between 2018 and 2022, 8.6 per cent of households, or about 1.3 million, in Canada purchased their first home. The same percentage of households bought their first home from 2014 to 2018, indicating that the proportion of first-time homebuyers remained unchanged despite significant fluctuations in housing prices.

Furthermore, the share of first-time homebuyers spending more than 30 per cent of their household income on shelter costs remained relatively stable, at 24.9 per cent in 2018 compared to 24.4 per cent in 2022. Nevertheless, many more first-time buyers expressed dissatisfaction with their housing affordability in 2022 — 21.3 per cent compared to just 13.4 per cent in 2018.

Of course, Canadians have recently been grappling with worsening affordability burdens. In 2022, 30.9 per cent of households reported difficulty making ends meet, up from 21.9 per cent in 2018 — an increase of 41.1 per cent. But Statistics Canada's data challenges the notion that this affordability crisis is primarily driven by housing costs.

Notably, the share of mortgage-free homeowners facing financial difficulties rose by 48.2 per cent between 2018 and 2022, compared to a 29.2 per cent increase among renters.

As a result, affordability challenges are more complex than a straightforward narrative of rising housing costs suggests. The latest data from Statistics Canada underscores that the real story is about the broader pressures on household budgets, from escalating living costs to uneven income growth.

As policymakers and the public ponder solutions, understanding these diverging realities is crucial for making life more affordable for Canadians.