


NEW HOMES & CONDOS


In Ontario, many double-income, middle-class, everyday families are struggling to buy a new home and to build a life around it.

House rich, cash poor



(This is the conclusion of a two-part series by Richard Lyall on housing affordability.)

If you're an Ontarian under 45 years old, there's a good chance you're spending more than you can afford for the roof over your head and everything that comes with it.

There is dysfunction in the GTHA housing market — and many people including politicians, analysts and even builders are concerned with the region's housing spectrum — and not just for low-income earners.

I'm talking about double-income, middle-class, everyday families in this province who should have the ability to buy a new home and build a life around it.

There are 1.2 million Ontario households that are under "significant pressure," according to the Canadian Centre for Economic Analysis (CANCEA).

This think-tank has come up with a new way to measure housing affordability by creating the Shelter Consumption Affordability Ratio (SCAR) — an index that takes a very comprehensive look at measuring affordability up to 2014, and will continue into the future as data is released.

Among the many factors con-

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sidered by the SCAR index are:

- the use of your home;
- mortgage or rental cost;
- food and clothing;
- utilities;
- maintenance and repairs;
- associated taxes;
- transportation costs;
- daycare;
- out-of-pocket health expenses; and,
- income levels.

These are among the housing, or shelter, essentials we need to get by. SCAR gives households a score out of \$1 to weigh how much money Ontarians have left over after paying for the essentials. The higher the score, the less spending power the household has.

Canada's national SCAR score was 38.5 in 2014. "The score for Canada is manageable," says Paul Smetanin, CANCEA's CEO and president, and co-author of the report *Understanding Shelter Affordability Issues: Towards a Better Policy Framework in Ontario*.

"But within that number, there are a number of young, middle-class Ontarians under a lot of pressure at home because of a lack of spending power."

More than one in four Ontario households have a SCAR score of 62: almost 60 per cent of those households is under 45.

Just imagine (or maybe you

don't need to) — almost two-thirds of your income is invested into housing-related expenses.

Outside of the SCAR index factors, you still have to pay income taxes, save for retirement, furnish your home, maybe pay tuition, and the list goes on. In an era of low interest rates, you might think housing affordability would be more balanced than in other decades.

However, SCAR shows that even though mortgage rates were up to a massive 20 per cent in the 1980s, affordability is still worse now. And that's because net income left over after paying for the essentials is lower than it was.

So is there a solution? The first step in solving any problem is realizing you have one. RESCON and other industry partners will continue the next step of analyzing the problem through our partnership with CANCEA: we're helping to finance the second phase of CANCEA's excellent research, which starts this spring.

But there is no magic bullet for this issue. Consider that this is an industry that must go through a decades-long process before a greenfield site is developed into serviceable land and eventually the place you call home.

Is there any other bright side to all of this doom and gloom? Yes, at least we're not living in Vancouver.

— **Richard Lyall, president of RESCON, has represented the building industry in Ontario since 1991. Contact him at @RESCONprez or lyall@rescon.com. Visit rescon.com.**



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