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This indicator on housing affordability is a lot less rosy than Ottawa's

Rob Carrick

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Every economic worry can be numbed if you talk to the right people.

Millennials struggling for traction in today's economy? A federal Finance Department report says today's young people are the wealthiest yet. Unaffordable housing? The RBC affordability index said this week that only Toronto and Vancouver are an issue.

Both of these conclusions feel incomplete at best. There's more to it than what we hear from a federal government that has in the past ignored young adults and a bank that benefits if people think they're able to buy a home. An example of this bigger story is a recent report on housing that raises issues about both affordability and the financial well-being of adults under 45.

The report was written by the Canadian Centre for Economic Analysis (CANCEA) for the **Residential Construction Council of Ontario**, which represents builders of houses, condos and apartments and is concerned about affordability issues. What's notable about the report is that it introduces a new and sobering indicator of housing affordability.

It's called the Shelter Consumption Affordability Ratio, or SCAR, and it compares the full cost of "using" a home (rent or mortgage, maintenance/repair, utilities, transportation) against net income after paying for other essentials, such as food, clothing, debt and daycare. Our national SCAR score was 38.5 as of 2014, which means that, on average, housing used a manageable 38.5 cents of every dollar that households had left over after paying for essentials.

But that's just the average. Buried in that number are many people who are choking on housing costs. According to Paul Smetanin, president of CANCEA, they skew toward younger households. He says 26 per cent of Ontario households have a SCAR of 62, and almost 60 per cent of this group is under age 45. "A lot of the pain we're seeing is in the middle class and among under 45-year-olds," he said.

Contained within this group are the millennials that were described in a Finance Department study obtained by the CBC as the wealthiest generation of young people in the country's history. The study pegs their average net worth – that's assets minus liabilities, such as student debts – at nearly $93,000. One criticism of the report is that it fails to document how wealth is concentrated in the hands of the most financially well off millennials.

Another issue, raised by Prof. Paul Kershaw of the University of British Columbia, is that millennials are both wealthier and more indebted than previous generations. He says that for every $1 of net housing wealth they accrued, young adults had to take on $1.35 in additional mortgage debt (read more online here).

Mr. Smetanin's findings build on this idea of houses as a financial burden on young adults. He argues that traditional affordability measures are too narrow in focusing on prices and mortgage rates, the latter of which are historically low. Also relevant are employment prospects and income, both of which have been problematic for younger adults.

His data show that temporary or contract work has been on the rise for all age groups, but people under 45 have seen the worst of it. The prevalence of so-called precarious work helps explain why incomes for people under the age of 35 aren't growing much or are even declining.

Stagnant incomes are why we need to be concerned about affordability in cities beyond Toronto and Vancouver, where prices have been surging. "It's now an income problem in some cities, not a house price problem," Mr. Smetanin said. "Affordability rears its head in different places across the country for different reasons."

The SCAR indicator has been rising sharply since the mid-2000s and is 11 per cent above the 30-year average. The ratio is higher today than it was in the early 1980s, when mortgage rates in the 20 per cent range strained affordability. Mr. Smetanin said SCAR's rise is because of the declining ability of households to have net income left over after paying for necessities.

Conventional measures of our ability to afford home ownership are a lot more comforting. The CANCEA report says the Bank of Canada's housing affordability index is near its long-term average. RBC's affordability index described Vancouver and Toronto as stretched, while the rest of the country is stable or improving.

The wealthy millennials who made that federal government study sound so positive will be happy to hear this.