GENERATION squeeze

CODE RED: RETHINKING CANADIAN HOUSING POLICY

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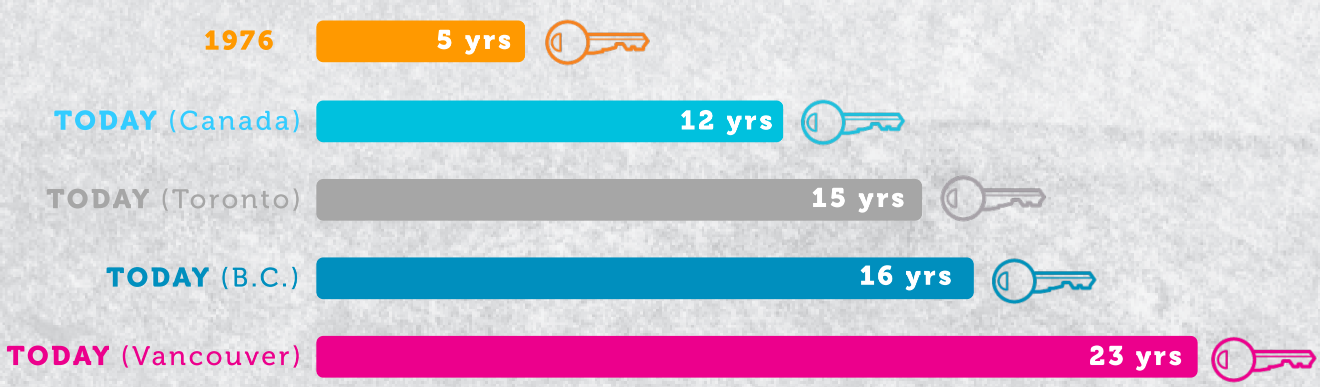
YOUNG CANADIANS HAVE TO SAVE LONGER FOR A 20% DOWN PAYMENT



GENERATION squeeze

Suit up, Spread out, Squeeze back.

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Code Red: Rethinking Canadian Housing Policy

Coming out of the Great Depression and World War II, many Canadians could not afford a doctor – especially in Saskatchewan (Simpson 2012, 73). It's no coincidence that the father of Canadian Medical Care, the great Tommy Douglas, had his roots in that prairie province. The gravity of circumstances in Saskatchewan motivated Mr. Douglas to dream differently for our country about how we might pay for and provide access to medical care. Eventually, his dream awoke a nation to the broader pan-Canadian problem of unaffordable health care. And over time, his dream became our identity. Canadians now define ourselves in large part by our commitments to publicly provided medical care. We define ourselves by a noble policy adaptation to a problem that first reached intolerable limits in a particular region.

We face a similar scenario today with respect to housing. Between 1976 and 1980, the average cost of a Canadian home was $199,182, after adjusting for inflation and reporting the historical prices in 2014 dollars. The average price in 2014 was $408,068. This means the average home doubled in price across the country.

In British Columbia, the average cost more than doubled, surpassing $568,000.

In Metro Vancouver, the average price more than tripled, reaching $813,000.[1] BC Assessment (2015) has since reported that the province witnessed strong growth in housing prices again in 2015.

The Economist (2015) magazine routinely ranks Vancouver among the most livable cities on the planet. In this study, we challenge the Economist and other commentators to reassess this ranking from the standpoint of young adults who grew up or trained in the region. This study will show that Vancouver is now the most difficult city in the country in which to make a home as a young adult. Markus Moos (2014b) previously described "generationed spaces" emerging in the Vancouver housing market. We think the data show that these patterns risk turning the city into a generational ghost town – one in which the vast majority of young people cannot house a family in anything resembling the norms that were taken for granted a generation ago. The situation is not much better throughout the Metro region. And while the outskirts of the region become bedroom communities for more central parts of the metropolis, this adaptation comes at the cost of long commutes, tightening the vice grip squeezing many young residents for time and money.[2]

Vancouver is a canary in the national coal mine. While our study will show the housing problem is particularly grave in Metro Vancouver, the resulting lessons are national in scope. Among the factors driving housing prices to double across the country are straightforward supply and demand issues. In 1976, Canada's population was 22 million,[3] and less urban. Today our population is over 35 million (Statistics Canada 2014), and we converge more in urban settings in search of employment. With horizontal space in our urban cities a limited commodity, growing demand for a constrained supply has increased prices, while driving developers and buyers to look upward in search of space, often in skyscrapers.

This trend is not likely to change in any dramatic way. Even as birth rates remain below replacement rates, our population will not be shrinking. Even as Boomers age and eventually sell their homes, it is unlikely there will be a sudden price "correction" on a scale that reverses the doubling of housing prices since 1976 – when the majority of Boomers came of age as young adults. Why? Because Canada is part of a global population that is now over 7 billion; and this global population faces increasing threats from climate change, let alone war and economic hardship in particular regions. We can therefore anticipate that people from across the globe will turn their attention to the second largest geographic country on the planet, with a strong, peaceful, democratic tradition and a reasonably solid economy. This will sustain, if not increase, demand for housing in the years ahead, most likely in our urban centres where employment is concentrated.

Fortunately, our national history shows there is reason for Canadians to feel confident that we can and will adapt. Vancouver is to housing today what Saskatchewan was to medical care in the 1940s and 50s. From within the insupportable housing situation facing generations of young people in Vancouver, we must search for the vision that motivated the likes of Tommy Douglas to dream differently for our country. We must awaken the nation to the pan-Canadian problem of housing prices that stymy entire generations. Over time, this dream may also become part of our identity – the kind of national commitment to policy adaptation that makes us proud to be Canadian.

To foreshadow the looming risks for the country, we organize the study into three parts. The first documents how housing prices have changed across Canada, British Columbia, Metro Toronto and Metro Vancouver relative to earnings for young adults. We examine how these changes have increased the number of years that people must work to save a down payment today compared to 1976; and have increased the number of months of work required each year to pay the annual average mortgage. We compare what these changes mean for wealth accumulation and debt for Canadians of different ages.

In part two, we shine a light on the reality of living today in Metro Vancouver specifically. Following the BC Real Estate Association (2015), we agree that the dialogue should not be overly distracted by the influence that multi-million dollar home purchases have on the "average" price. Accordingly, we examine the stock of housing available below the average price of $813,000, paying particular attention to housing up to $500,000 across the region, and by city within Metro Vancouver. We choose $500,000 because it is double what the average cost of home was in Metro Vancouver between 1976 to 1980 – $244,880 – after adjusting for inflation. In other words, we ask what can people entering the Metro Vancouver market get for twice what people paid for an average home when today's aging population started out as young adults? Readers will see, the answer is not much. To make the case, we examine how the stock available up to $500,000 breaks down by number of bedrooms, square footage, and access to the ground so parents can send children out to play in a yard.

The third part moves from describing the problem to search for solutions. In anticipation of the national housing strategy proposed on the campaign trail by the new federal Liberal government, we offer ten propositions to stimulate dialogue in Canada about what it will take to rethink housing policy for generations.

Part 1. Time to Save for a Home, Pay for a Mortgage, and Accumulate Wealth

As housing prices doubled across the country since 1976, and tripled in Metro Vancouver, incomes fell for younger Canadians. After adjusting for inflation, full-time earnings for a typical Canadian age 25-34 have fallen over $4,000 compared to 1976-1980 (Kershaw 2015). In BC, the drop in earnings is worse than any other province. Full-time earnings are down over $9,000 for a 25 to 34 year old compared to 1976-1980. Earnings in Metro Vancouver have tracked the provincial pattern.[4] These findings echo research by Moos (2014a) who shows that 25 to 34 year olds in Canada's big cities like Vancouver and Montreal have lost thousands of dollars of earnings compared to Canadians of the same age in 1981 even after controlling for education, occupation, immigration, etc. Moos also shows that the income gap between younger and older workers has grown substantially since that period at the expense of the younger demographic.

Such changes reflect an alarming deterioration in the standard of living for younger Canadians compared to when today's aging population was starting out as young adults. Between 1976 and 1980, it took the typical 25-34 year old Canadian 5 years of full-time work to save a 20 per cent down payment on an average priced home. Because wages are down and housing prices are so much higher, it now takes younger Canadians nearly 12 years of work to save a comparable down payment – more than twice as long.[5]

These are BIG changes. They squeeze Canadians in their 20s, 30s and 40s for time and money as they start their careers, homes and families. In our big cities, they are also squeezed for space, because average homes are now more often apartments and condos with balconies, as opposed to houses with yards. This helps to explain why the Angus Reid Institute (2016) finds that the majority of Canadians now judge that housing prices in their neighbourhoods are higher than what is reasonable.

The situation is even worse in BC, where it now takes over 15 years to save a 20 per cent down payment for an average home in the province.

The same goes for Toronto. In effect, young people starting out in Toronto and across BC must perform a decade of extra work to save a down payment.

In Metro Vancouver the problem has reached epic proportions. Between 1976 and 1980, it took six years of full-time work for a 25 to 34 year old to save the 20 per cent down payment. By 2006 to 2010, the time required to save the 20 per cent down payment reached 20 years. In the five years since, the work now required surpasses 23 years. No wonder most in the region rent (Canadian Rental Housing Index 2015). They pay the highest rents in the country (Canada Mortgage and Housing Corporation 2015), without accruing any property wealth for the privilege.

Table 1. Number of Years to Save 20 Per Cent Down Payment, 1976 to Today

	Canada			BC			Metro Toronto			Metro Vancouver		
All $ inflation adjusted to 2014	1976-80	2006-10	Now	1976-80	2006-10	Now	1976-80	2006-10	Now	1976-80	2006-10	Now
Med. FT earnings, 25-34 yrs	50,166	45,652	46,426	55,260	45,502	47,178	50,682	48,769	49,650	55,260	45,502	47,178
Average home price	199,182	345,930	408,068	212,326	498,456	568,405	230,980	428,549	566,491	244,880	650,455	812,653
Years of work to save 20% downpayment, assuming 15% savings rate from wage	5.3	10.1	11.7	5.1	14.6	16.1	6.1	11.7	15.2	5.9	19.1	23.0

Mortgage payments

Saving a down payment is one factor in home ownership. Managing mortgage payments is another. To compare how this pressure has changed, we not only need to consider earnings relative to housing costs, but also interest rates. We worked with the mortgage calculator used by Vancity Credit Union to calculate total monthly payments (capital plus interest) for 25 year mortgages on average home prices less a 20 per cent down payment. We compare the periods 1976-1980, 2006-2010 and 2014 for Canada, BC and Metro Vancouver.

Statistics Canada data (2015) show that average five year term mortgage interest rates fluctuated from a low of 10.32 to a high of 13.26 per cent between 1976 and 1980, more than double the low of 4.8 and the high of 6.81 per cent during the period ending in 2010. The average rate declined to 4.38 per cent by 2014.

Average monthly mortgage payments from 1976-1980 equaled $1,479, compared to $1,615 in 2006-2010. In addition to working five additional years to save a down payment, the contemporary 25-34 year old Canadian must also cover mortgage payments that are 9 per cent higher than in 1976-1980, and do so with full-time earnings that are 9 per cent lower. An extra 13 hours of labour a month are required to cover this average mortgage, or an extra month of work per year, compared to a generation ago (Kershaw 2015).

By 2014, the average monthly mortgage payment grew to $1,785, even with the ongoing dip in interest rates to 4.38 per cent. The financial and time pressures imposed by mortgage payments will only rise for the younger cohort if/when interest rates lift from the historical low where they have remained since the 2008 recession.

Mortgage payments require considerably more work in BC. Average monthly mortgage payments between 1976 and 1980 equaled $1,583, compared to $2,327 in 2006-2010. By 2014, the average monthly mortgage payment reached $2,487. An extra 35 hours of labour a month are required to cover this average mortgage, or 2.5 months of extra work per year, compared to a generation ago. The amount of extra work required to pay an 80 per cent mortgage on an average Metro Toronto home is similar to British Columbia.

By 2014 in Metro Vancouver, the average monthly mortgage payment required from a young adult starting out in the housing market reached $3,555, compared to $1,991 in 1976-80 period. As a result, over five months additional labour market time each year are required to pay off an 80 per cent mortgage on an average home, compared the work time required back in 1976-1980.

Given the change in the ratio of housing costs and young people's earnings, it is not surprising that home ownership is being pushed further out of reach for the 20-34 age cohort. Their rate of home ownership dropped from 42 per cent in 1976 to 32 per cent by 2005. Lower interest rates since then have bumped the home ownership rate back to 37 per cent as of 2012. Home ownership is also down for 35-44 year olds, falling from 73 per cent in 1976 to 65 per cent. By contrast, rates of home ownership are up slightly for the 55-64 age cohort, rising from 70 to 73 percent. Data also show that Canadians age 65+ are more likely to own their homes than a generation ago. The rate of home ownership for seniors was 63 per cent in 1976. It is 71 per cent as of 2012 (Kershaw 2015).[6]

Unearned Wealth and Debt from Housing

The high housing prices that require younger Canadians to work nearly seven years more than in 1976-1980 to save a down payment, and an extra month per year to pay the mortgage, are simultaneously powering the wealth accumulation of the their parents' and grandparents' generations. Table 2 uses Survey of Consumer Finance (1977) and Survey of Financial Security (2012) data to analyze how net wealth in housing and total mortgage debt has changed over time for the average person in different age groups. The rise in housing prices since 1977 has made the mean household headed by someone age 65+ $185,202 wealthier than a person of the same age in 1977 when measuring the market value of their home minus the outstanding mortgage debt. Achieving this substantial gain required the typical household of retirees to take on slightly under $12,000 in extra mortgage debt. This works out to six cents of extra debt for every dollar in additional wealth gained (Kershaw 2015).

A similar pattern is evident for the cohort age 55 to 64. The mean household in this group reports net wealth in housing that is nearly $165,000 higher than for the same aged household in 1977. For every extra dollar of wealth produced by the housing market for the typical home headed by a 55 to 64 year old, the household accumulated 25 cents in additional debt.

Table 2: Mean Change in Net Housing Wealth and Debt, by Age: 1977-2012

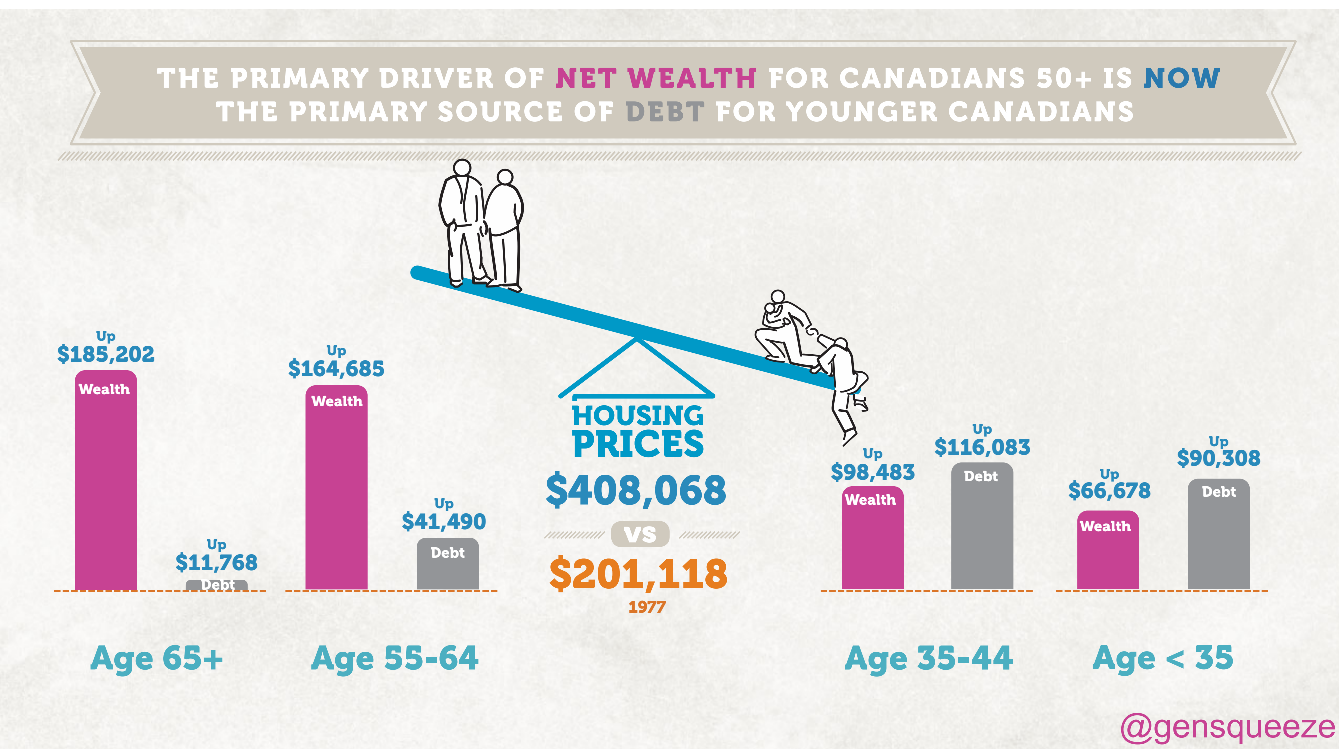
	1977 (All $ adjusted to 2012)		2012		2012 minus 1977		
	Net Wealth: Market value minus mortgage	**Mortgage debt**	**Net Wealth: Market value minus mortgage**	**Mortgage dept**	**Change in Net Wealth**	**Changes in Mortgage debt**	**Change in Debt for extra $1 of Net Wealth**
20-34	$76,996	$72,519	$143,674	$162,826	$66,678	$90,308	$ 1.35
35-44	$123,372	$48,463	$34,255	$164,545	$98,483	$116,083	$ 1.18
45-54	$148,604	$27,933	$297,292	$95,808	$148,688	$67,875	$ 0.46
55-64	$143,402	$11,923	$308,087	$53,413	$164,685	$41,490	$ 0.25
65+	$124,703	$3,027	$309,905	$14,795	$185,202	$11,768	$ 0.06

Sources: Statistics Canada, Survey of Consumer Finance, 1977; Survey of Financial Security, 2012

With higher housing prices in BC, and especially Metro Vancouver, the wealth gains powered by housing prices for citizens age 55+ are even greater. The typical British Columbian age 55+ enjoys between $246,000 to $305,000 more wealth than in 1977. In Metro Vancouver, accumulated wealth is approximately $320,000 to $370,000 higher than in 1977. Recall that housing in BC and Metro Vancouver cost on average approximately $250,000 in 1977. This means the typical older resident of BC – not the one per cent – has now accumulated additional wealth from their housing that is equivalent to having purchased two homes when they were young adults. Unsurprisingly, the 55 per cent of Metro Vancouverites who report that they are "happy" or "comfortable" with the local housing market are mostly over age 55 (Angus Reid Institute 2015).

The story is very different for their kids and grandchildren. The typical owner-occupied home for Canadians aged 35-44 today reports an additional $98,483 in net housing wealth compared to 1977. But to gain this extra wealth, the contemporary household had to take on an additional $116,083 in mortgage debt – or an extra $1.18 in debt for every dollar of net wealth gained. The pattern is worse for those aged 20 to 35. The typical home owner reports an extra $66,678 in housing wealth, and a mean mortgage that is over $90,000 higher than in 1977 – an extra $1.35 in debt for every additional dollar in net worth.

Our analysis of age related changes in average wealth since 1977 are consistent with recent studies published by the BMO group and RBC. Guatieri (2014) reports that the typical senior now enjoys nearly nine times more wealth than the typical 25-34 year old. In the early 1980s, the wealth gap was only four times. Ferly and Janzen (2014) conclude that the doubling in housing prices over the last decades has generated much more wealth for Canadians age 55+, while leaving those age 35-44 especially burdened with debt, and most vulnerable to interest rate hikes or drops in housing prices. Fry et al. (2011) find a similar pattern in the United States.



Generational trends in wealth and debt accumulation from the housing market largely reflect the lottery of timing. The wealth gains reported by Canadians 55+ do not primarily represent smart decisions, hard work or other factors that would suggest this wealth has been 'earned'. There is no clear evidence that these generations purchased and consumed housing resources more cleverly and productively than did their parents' generations.

Similarly, the higher mortgage debts reported by the average young person today do not reflect a lesser work ethic, or poorer judgment with respect to the housing market. Higher mortgages reflect the reality of getting into the housing market when the timing is not nearly as fortuitous as it was in 1977. While some may argue that the dramatic increase in housing costs should give young people pause before committing to home ownership, home ownership has been a strong Canadian norm for many decades now. It is understandable that many younger people believe this goal is worthy of pursuit – at least to the same degree it was prioritized by their parents' generation.

Part 2. What $500,000 buys in Vancouver and Metro Vancouver

The fact that housing prices have doubled in value across the country since 1976 while full-time earnings for young adults have fallen is at the epicenter of a deteriorating standard of living for generations of Canadians in their 20s, 30s and 40s. Across the country, it takes years more to save a down payment on an average home and months more of work to pay the mortgage thereafter. Young adults must also accept markedly more debt for the privilege.

In BC, and especially Metro Vancouver, the circumstances are worse still. The prospect of young adults working 23 years to save a 20 per cent down payment on an average $813,000 home in Metro Vancouver is unrealistic. That is why the Angus Reid Institute (2015) finds that 45 per cent of residents are "uncomfortable" and "miserable." Most of these are in their 20s, 30s and 40s, don't own their own home, have large mortgages if they do, and are more likely to have children than residents who report they are "happy" or "comfortable" in the local the housing market.

To cope with this discomfort or misery, many young residents of the Metro Vancouver region turn their attention to what is available for hundreds of thousands less than the average home price. In this part of the study, we examine what residents can find for up to $500,000.[7] Recall, we chose this dollar value because it is approximately double the $244,880 that an average home cost in Metro Vancouver between 1976-80, after adjusting for inflation.

There are approximately 174,000 homes (houses, apartments, condos, etc.) in the city of Vancouver. 31 per cent of this housing stock costs less than $500,000. 44 per cent costs more than $813,000.

Table 3. Housing in the City of Vancouver, by Price

Assessed Value ($)	# of Homes	% of All Homes
813k+	76,236	44%
700-813k	18,105	10%
600-700k	13,063	8%
500-600k	12,616	7%
400-500k	18,770	11%
250-400k	30,365	17%
<250k	4,841	3%
Total	173,996	100%

Source: Author calculations based on BC Assessment 2014 data

Room for a Family

Of the total housing supply in Vancouver, we have bedroom data for 155,109 homes. We examine in this section the number of homes with 3 or more bedrooms. We focus on this number of bedrooms, because it is desirable for people seeking homes to raise two or more children.

Half of all properties in Vancouver (~54%) have 3 or more bedrooms. However, the majority of these units exceed the average housing value in Vancouver of $813,000. The difference between the typical price of a 2-bedroom home and a 3-bedroom home is $299,200. According to the Vancity Credit Union (2015b), residents will generally increase their mortgage debt by 95 per cent to upgrade from a one-bedroom apartment or condo to a three bedroom attached home with access to a yard (i.e. townhome or row-housing).

The same bedroom data show that only one per cent of homes below $500,000 in Vancouver have 3 or more bedrooms. This means residents who can work, save, and scrimp to accumulate enough to pay for what would have purchased two average homes in 1976 will literally not find housing that has separate bedrooms for two children.

Table 4. City of Vancouver Homes under $500,000, by Number of Bedrooms

Bedrooms	# of Homes	% of All Homes	% of Homes < $500k
0	1583	1%	3%
1	26,836	17%	59%
2	15,153	10%	33%
3+	1,780	1%	4%
Total < $500k	45,352	29%	100%

Source: Author calculations based on BC Assessment 2014 data

Instead, young people have to settle for fewer rooms. Nearly two-thirds of all homes available under $500,000 have one or zero bedrooms. 93 per cent of what is available in Vancouver under $500,000 is less than one thousand square feet. This squeezes people in their prime child bearing years for space and money as they try to make a go of it in Vancouver.

A Home with a Yard

Play is critical to child development and to children's physical and mental health (United Nations 1990, article 31). Outdoor play in particular has been linked to a number of advantages including stronger motor abilities, environmental awareness, and creativity (Brussoni et al. 2012). Young families with single-detached homes, and townhomes that have yard space, often have a greater ability to give their children time for outdoor play.

Of Vancouver's housing stock, almost half are either single-detached houses or townhomes (~48%). However, the unaffordability of such properties may mean that young families have less room for outdoor play where they live. Most Vancouver homes with access to yards cost more than the average price of $813,000. Indeed, there were virtually no single-detached units at $500,000 or less. Roughly a quarter of townhomes in Vancouver were valued at $500,000 or less. While they represent a more affordable option, townhomes account for less than 5 per cent of the total housing stock. **As a result, we estimate that just 1 per cent of the stock available under $500,000 includes a yard.**

Table 5. City of Vancouver Homes Under $500k, by access to yard

Homes < $500k	# of Homes	% of All Homes	% of Homes < $500k
Yard	2,192	1%	4%
no Yard	51,784	30%	96%
Total < $500k	53,976	31%	100%

Source: Author calculations based on BC Assessment 2014 data

The growing gap between declining wages for young residents and increasing housing costs coincides with shrinking representation of young people in Vancouver (Vancity 2015a). In 2013, Vancouver had 1,571 fewer residents between the ages 20 to 30 than the year before, even as the population increased (Metro 2014). Plus the Vancouver School Board reports lower enrollments than projected (Azpiri 2015). Fewer young people in the city may mean that the labour force suffers, risking negative effects for economic viability. Many others may continue to work in Vancouver, while moving elsewhere to live, enduring long commutes as a result.

Living further away

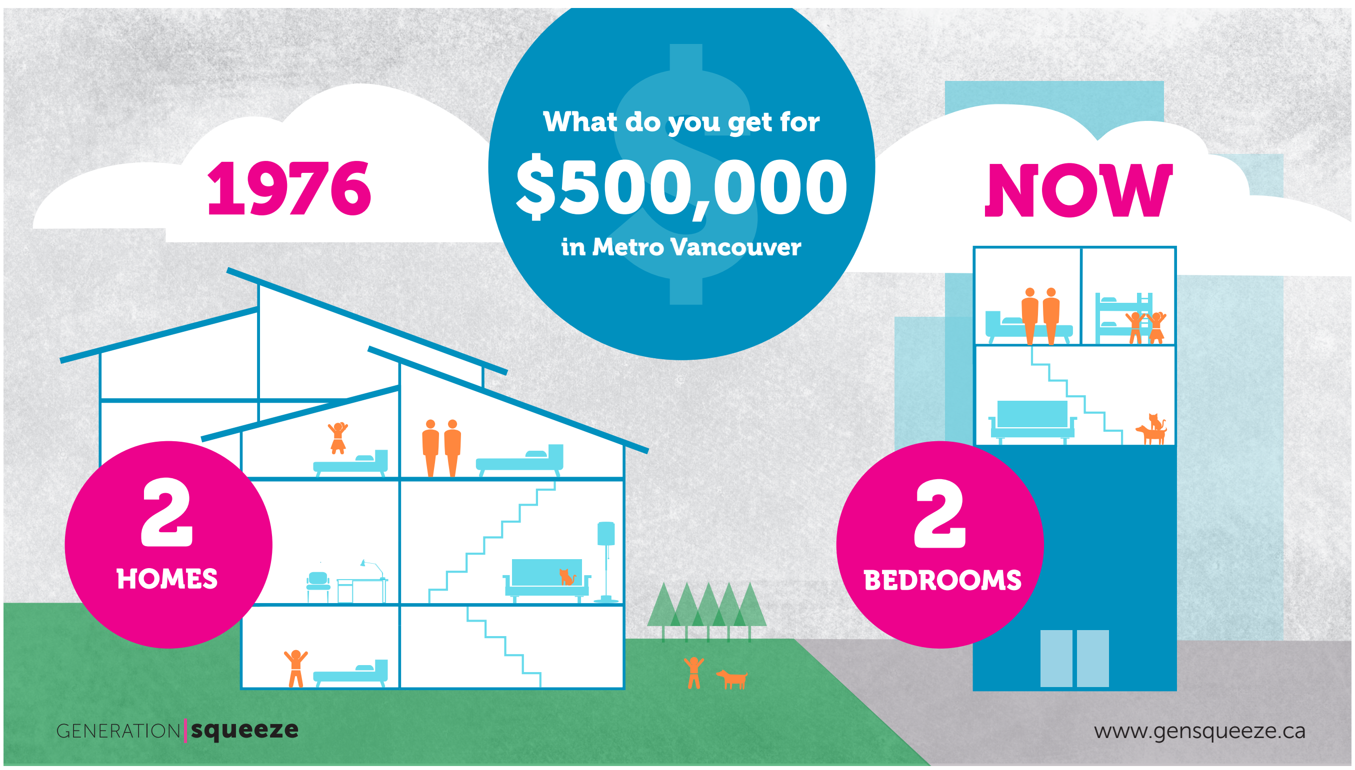
In pursuit of affordable and suitable housing, residents in their 20s, 30s and 40s may look outside of Vancouver. The Metro Vancouver region includes other municipalities that stretch from 12km (North Vancouver) to 58km (Langley Township) away from downtown Vancouver. The resulting commutes by car range from an average 60 minutes roundtrip to 153 minutes.[8]

Table 6. Metro Vancouver Homes, by price range

Assessed Value ($)	# of Homes	% of All Homes
813k+	180,905	25%
700-813k	64,698	9%
600-700k	72,585	10%
500-600k	81,040	11%
400-500k	100,719	14%
250-400k	140,051	20%
<250k	70,112	10%
Total	710,110	100%

Source: Author calculations based on BC Assessment 2014 data

Whereas 31 per cent of homes in Vancouver are below $500,000, 44 per cent of the 710,000 homes in the Metro region are currently priced below $500,000. Of the Metro homes below $500,000, one quarter have one bedroom or less, and two-thirds have no more than two bedrooms. This means that only 15 per cent of homes in Metro Vancouver cost less than $500,000 and have at least three bedrooms.



Only 10 per cent of homes in the region are priced lower than $500,000 and have 1,500+ square feet of space. Only 17 per cent of Metro Vancouver homes are priced below $500,000 and provide access to yards. In other words, residents may add 2.5 hours of commuting time to their day to reach Vancouver, and still find it very difficult to purchase homes that are suitable for a young family, even after saving enough to pay what would have purchased two average homes in 1976. These findings underpin why the Angus Reid Institute (2015) finds that a large portion of Metro Vancouver residents in their 20s, 30s and 40s are "seriously thinking of leaving Metro Vancouver because of the cost of owning a home here."

Table 7. Metro Vancouver housing under $500,000, by # of bedrooms and access to a yard

Bedrooms	# of Homes	% of All Homes	% of Homes < $500k
0	1,836	0%	1%
1	67,478	10%	24%
2	112,734	17%	40%
3+	101,959	15%	36%
Total	284,007	43%	100%
Access to Yards	# of Homes	% of All Homes	% of Homes < $500k
Yard	124,209	17%	40%
No Yard	186,673	26%	60%
Total	310,882	44%	100%

Source: Author calculations based on BC Assessment 2014 data

One per cent or less of the housing stock in several municipalities in Metro Vancouver costs less than $500,000 and has 3+ bedrooms. In addition to Vancouver, these include West Vancouver, Belcarra, Anmore and White Rock. The City and District of North Vancouver have less than 5 per cent of housing stock below $500,000 that provides access to at least 3 bedrooms. Similarly, less than 5 per cent of housing in these cities costs under half a million dollars and provides access to a yard.

Even places like Burnaby and New Westminster, which were viewed as inexpensive suburbs a generation ago, are now largely unaffordable for younger Canadians who want to start careers, homes and families in the region. In both cities, less than 10 per cent of homes are under half a million dollars and provide access to either 3+ bedrooms or a yard.

There are seven cities in Metro Vancouver that have at least 25 per cent of their housing stock under $500k and 3+ bedrooms. Port Coquitlam (30 km from Vancouver), Pitt Meadows (39 km from Vancouver) and Maple Ridge (45 km from Vancouver) all have housing markets that meet these criteria heading east in the region, and staying north of the Fraser River. So do Surrey (41 km from Vancouver), the City of Langley (52 km from Vancouver) and Langley Township (58 km from Vancouver) heading east in the region on the south side of the Fraser and over the Port Mann Bridge, as does Delta (36 km from Vancouver) heading south toward Washington state. In each of these seven cities, over 25 of per cent of the housing market is valued at less than $500,000 and also provides ground level access to a potential yard.

In Metro Vancouver, there **is only one city** in which more than half of the housing market is priced less than $500,000 and has 3+ bedrooms and/or ground access to yards: **Maple Ridge**. It advertises deep roots and great heights at the edge of the Golden Ears Mountains, 45 km from downtown Vancouver. It should also advertise that it is by far the most affordable city in the Metro region for young citizens keen on starting families, or who already have children. It can also brag commuter train transit (the Westcoast Express), but no skytrain service yet.

The findings in this section on the affordability of housing suitable for young families stand in stark contrast to recent comments by BC Finance Minister, Michael de Jong. The Minister repeatedly implied during the 2016 provincial budget lock up with media that housing affordability is a problem only in a couple of neighbourhoods in Point Grey Vancouver – and therefore a broader policy response from his government was unnecessary. The data from all of Metro Vancouver clearly show otherwise. The problem of unaffordability has reached such proportions in Metro Vancouver that even when people manage to save enough to purchase a home that costs more than two homes did a generation ago, they will find very few options large enough to provide bedrooms for two children. With over half of BC's population residing in the Metro Vancouver region, housing prices are now clearly a population level problem with which governments must grapple.

Table 8. Metro Vancouver housing stock under $500,000 by City and distance from Vancouver

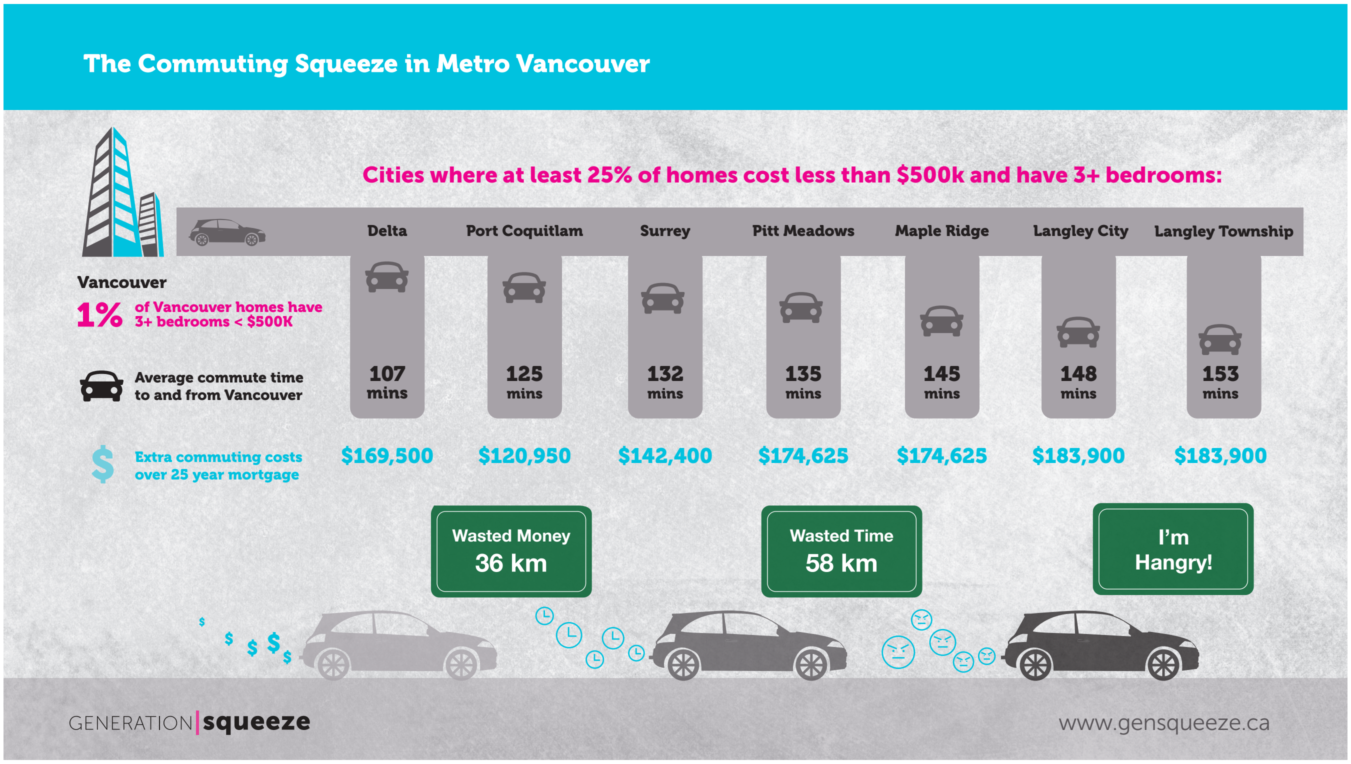
			Per cent of Homes < $500k with:		
	Distance from Vancouver (km)	% of Homes <$500k	3+ bedrooms	1500+ square feet	Yard
Vancouver	0	31%	1%	0%	1%
North Vancouver-City	12	43%	2%	0%	4%
City of Burnaby	13	44%	7%	0%	10%
North Vancouver - Dist	16	21%	3%	1%	3%
City of Richmond	16	43%	11%	3%	12%
City of New Westminster	21	65%	8%	4%	8%
City of Port Moody	26	53%	18%	3%	20%
District of Bowen Island	29	40%	23%	18%	21%
City of Port Coquitlam	30	64%	36%	26%	40%
Village of Anmore	31	17%	17%	2%	1%
City of Coquitlam	32	41%	11%	5%	12%
District of Delta	36	38%	26%	19%	27%
Village of Belcarra	36	6%	0%	6%	0%
City of Pitt Meadows	39	72%	41%	30%	46%
City of Surrey	41	53%	30%	21%	34%
District of Maple Ridge	45	73%	55%	39%	56%
City of White Rock	46	47%	1%	2%	3%
District of West Vancouver	49	7%	0%	0%	0%
Langley - City	52	91%	38%	23%	43%
Langley - Township	58	53%	37%	23%	40%

Source: Author calculations based on BC Assessment 2014 data.

Time is Money

The Metro Vancouver Regional District (2015, p. 14) reports that commuting costs are considerably higher for residents in the seven cities where at least 25 per cent of the housing stock costs less than half a million dollars and provides access to 3+ bedrooms compared to commuting costs for City of Vancouver residents. Whereas the typical Vancouver working household (i.e. not retirees) spends $8,989 on annual transportation costs, the typical working household in Port Coquitlam spends $13,827. The comparable costs are $15,974 in Pitt Meadows and Maple Ridge; $14,685 in Surrey; $16,345 in Langley City and Township; and $15,769 in Delta. These higher commuting costs reflect that 70 per cent of Delta workers commute to job locations outside of their city of residence. So do 64 per cent in Port Coquitlam, 61 per cent in Pitt Meadows and Maple Ridge, 54 per cent in Langley City and Township, and 53 per cent in Surrey. By contrast, just 32 per cent of Vancouver residents commute outside their city to get to work (ibid., p. 10).

The cost implications become clear in Table 9. Residents in the seven cities which have at least one quarter of their housing stock under $500,000 with access to 3+ bedrooms or a yard incur on average an extra $4,800 to $7,400 in annual transportation costs. So while young Metro Vancouverites may find a few more housing options in these locations, the additional transportation costs they accept over the 25 years of a mortgage add another $120,000 to $180,000.



And that is before we consider the value of people's time! A resident of one of these seven cities will commute on average between one hour and 40 minutes and 2.5 hours by car in order to get to and from downtown Vancouver each day. One way to estimate the cost of the commuting time is to multiply it by the average full-time hourly wage for a person age 25 to 34 years. This sits around $21.11/hour. At this rate, the daily time cost of commuting from the seven most affordable cities in Metro Vancouver is between $38 and $54. Over a year, this adds nearly nine to fifteen thousand dollars in time costs for the privilege of living in the suburbs that have at least one quarter of their housing stock priced at less than $500,000 with access to 3+ bedrooms. Over 25 years (the life of a mortgage), the cost of time commuting can equal between $223,000 and $374,000.

The combined costs are staggering. Younger Canadians trying to make a go of it in Metro Vancouver will often pay what would have bought two homes in 1976, and then add on the cost of at least half another home to cover the resulting transportation expenses, in addition to the costs of fourth home for the time spent commuting into Vancouver if that is where they find work. While the greater affordability of housing outside of the City of Vancouver may provide many benefits to the lives of young people, it also clearly comes with a range of significant costs.

Table 9. Extra Cash and Time Costs of Commuting from Cities that have at least ¼ of Stock under $500k with access to 3+ bedrooms or a yard.

	Cash Costs		Time Costs				
	Annual commuting costs ABOVE costs for Vancouver residents ($)	Extra commuting costs over 25 year mortgage ($)	Distance to Vancouver (km)	Daily commute time (min)	Daily wage cost of commute ($)	Yearly wage cost of commute ($)	Cost of commute over 25 years ($)
City of Port Coquitlam	4,838	120,950	30	125	44	10,995	274,870
District of Delta	6,780	169,500	36	107	37	9,368	234,189
City of Pitt Meadows	6,985	174,625	39	135	48	11,874	296,859
City of Surrey	5,696	142,400	41	135	48	11,874	296,859
District of Maple Ridge	6,985	174,625	45	145	51	12,754	318,849
Langley – City	7,356	183,900	52	148	52	12,974	324,346
Langley - Township	7,356	183,900	58	153	54	13,414	335,341

Source: Author calculations based on Metro Vancouver (2015, Chart 4) data and Google Map calculations of distance and time. Cash estimates factor in public transit and personal vehicle expenditures. The time costs are calculated based on commuting in a personal vehicle.

Part 3. Propositions for Policy Reform

Parts 1 and 2 of this study reveal significant affordability problems in our national housing system, which have become particularly acute in Metro Vancouver. Problems in the housing system are not new for Canada. Hulchanski (2006) observes that our housing system has never worked particularly well for those relying on the supply of rental housing. Renters have never benefited from the same tax advantages or security to live in a home from which owners benefit. Residents requiring below-market priced housing have also found few options since the early 1980s, with rising rates of homelessness as a result.

While these problems represent serious flaws in our national housing system, the political will to resolve them has been attenuated by the fact they affect a minority of the Canadian population. That is what makes the contemporary problems in our housing system so notable. It is now the ownership sector that is breaking down, and it is doing so for a large and growing proportion of Canada's younger generations.

Hulchanski (2006) reminds us that protecting the ownership sector in our housing system has been a longstanding priority for Canadian governments. For example, legislation regulating down payments, mortgages, mortgage insurance, non-taxation of capital gains earned from the sale of principal residences, and the use of tax sheltered programs like RRSPs to save a down payment have historically served property owners well in this country. Such policy adaptations have coincided with Canada's housing system relying more on the market-provision of homes than any other country (including, by some measures, the United States).

With the ownership sector now deteriorating for younger Canadians, the scale of the problem we face is unsettling. However, one silver lining is that it creates new opportunities to build political will to rethink the policies that shape our housing system. So long as public dialogue about housing affordability focuses primarily on shelter for the homeless and rental assistance for the working poor, we are unlikely to build sufficient political will in this country to solve these problems.

By contrast, if we engage younger Canadians in a movement to revisit housing policy, we have far greater opportunity to bring together the number of people required to incentivize elected officials to adapt public policy at a scale sufficient to redress contemporary challenges. For this reason, Generation Squeeze prioritizes developing housing policy recommendations that will ease the squeeze for the vast majority of Canadians in their 20s, 30s, 40s and their children, while designing policy details to improve the housing system for those most economically marginalized of all ages. We are forming a working group of housing experts to give advice about this ongoing policy work.

To this end, Generation Squeeze proposes in the final section of this study ten propositions for re-thinking housing policy in Canada for generations. We present propositions because we want these ideas (sometimes outside of the box) to **start conversations** in hope that the ideas will be challenged, refined and improved.

We offer propositions for all levels of government to consider, and organize them into three categories. The first set of propositions focuses on policies that shape the demand for housing, and in particular the role that taxation can play in moderating that demand. The second set focuses on the supply of housing. The third category focuses on reducing non-housing costs that individuals incur while starting their careers, homes and families. In the latter case, the goal is to save young adults money in policy areas more directly under the influence of governments than is the housing market so that Canadians in their 20s, 30s and 40s are better able to cope with higher housing prices.

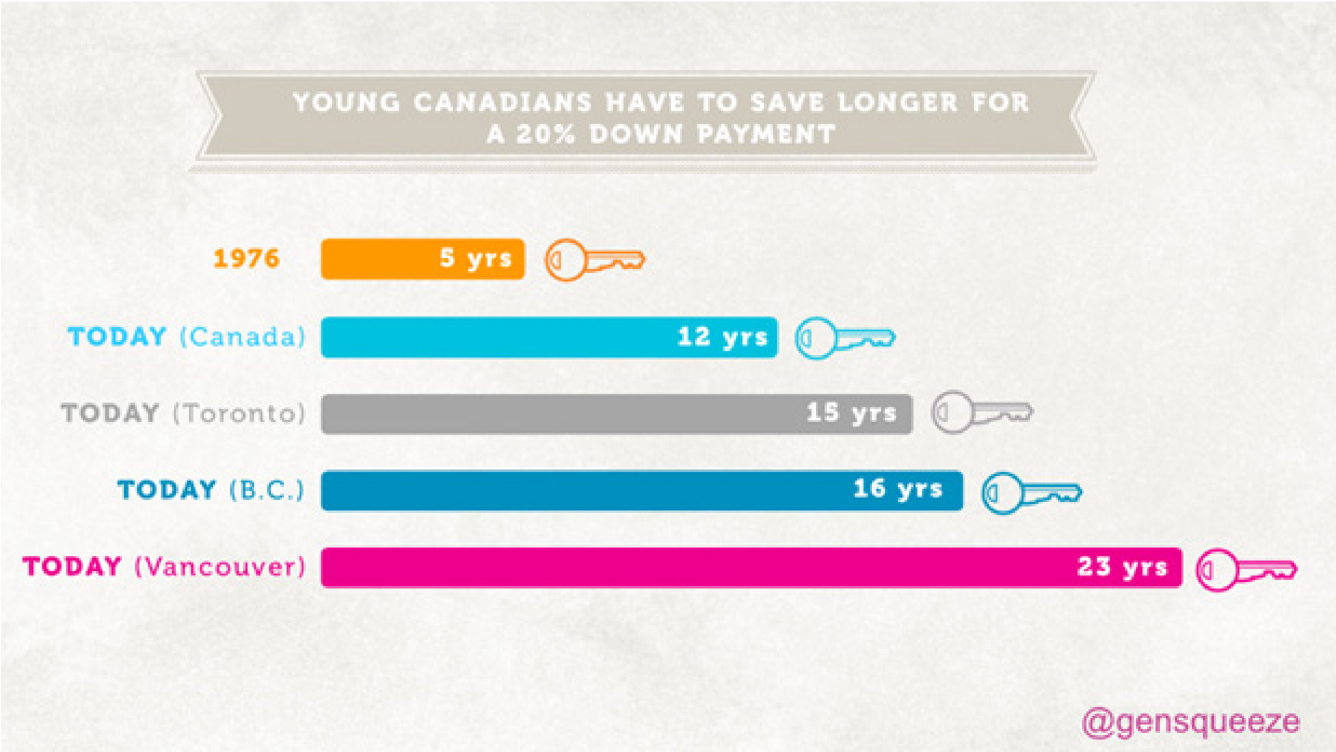
Propositions to Moderate Demand for Housing through Tax Policy

1. Homes first. Investments second.

Canada's housing market is primarily a mechanism to provide an efficient supply of homes at prices that are in reach for what typical residents earn. It is only secondarily a mechanism to provide returns for investors. Whether they reside here or abroad, people who purchase homes for purposes other than, or in addition to, living in them or renting them out contribute to market forces that are driving housing prices beyond reach for a large, and growing, proportion of younger Canadians and newcomers to the country.

Accordingly, federal and provincial governments should consider taxing the capital gains that result from the sale of homes purchased within 24 months.[9] This sort of "speculation tax" could be administered with tax rates that decline over time. For instance, if flipped within six months, 100% of capital gains could be subject to tax. The percentage of capital gains subject to taxation thereafter could decline as the time of resale moves closer to 24 months from the date of purchase. The speculation tax should be designed to capture what is called shadow flipping – a practice that involves real estate brokers using an obscure "assignment clause" in sales contracts so that a property changes hands multiple times with increasing prices before formally closing a deal.

Canadians who are forced to resell a home shortly after purchasing it for reasons related to a change in employment or health would not be exposed financially by this policy, because capital gains would only be charged on any income gained above the original purchase price. Therefore, the owner's short-term equity would be protected to purchase an alternate home wherever their employment takes them, or in a new home more suitable for their health needs.



2. Tax housing wealth to slow down housing price increases.

Since the mid-1970s, housing price trends have created an intergenerational divide by powering wealth accumulation for aging parents and grandparents at the expense of greater debt accumulation, lost time, less space and less home ownership for their children and grandchildren. Given these patterns, it is time to revisit how housing wealth contributes to the collection of government revenue, and how housing wealth factors into our definitions of "ability to pay" for public programs and services.

Canadian academics have recently offered two recommendations that move in this direction. First, Tom Davidoff (2016) has organized dozens of scholars to lend support for his proposal of a Housing Affordability Fund. This approach would add a 1.5 per cent annual surtax on all housing wealth in participating jurisdictions. According to this plan, a home worth half a million dollars would result in annual housing wealth tax payment of $7,500 on top of any existing property taxes. A home worth one million dollars would owe $15,000, etc.

A variation on this theme is proposed by Rhys Kesselman (2016). Whereas Davidoff proposes a flat surtax of 1.5 per cent on all housing wealth, Kesselman proposes applying property taxes at progressive rates with higher rates applied to higher-valued homes. This approach would require setting a threshold above which surtaxes are proposed. Those who own homes that receive annual valuations which fall below the threshold would be unaffected by the surtaxes. Kesselman muses that in a region like Metro Vancouver, the threshold could be set at $1 million. A surtax would be applied at 0.5 per cent on value between $1 million and $1.5 million; 1.0 per cent on a property's value between $1.5 million and $2 million; 1.5 per cent on value between $2 million and $3 million; and 2.0 per cent on all value above $3 million. This proposal would result in a $1.5 million home incurring an additional $2,500 in housing wealth surtax (0.005 x $500,000); and a $2 million home facing a surtax of $7,500, with surtaxes increasing thereafter.

Both the Davidoff and Kesselman proposals aim primarily to target speculative purchases, non-resident purchases and vacant properties. Their proposals would achieve this outcome by reducing the housing wealth surtaxes dollar-for-dollar for provincial and/or federal income taxes paid by all members in a household. Davidoff, but not Kesselman, adds that veterans and those who qualify for Canada Public Pension and/or Old Age Security should also be entirely exempt from the surtax regardless of the income taxes they pay.

The result of both proposals would be no net change in taxation for the vast majority of residents, particularly under Davidoff's plan. Non-resident owners, income tax evaders and, as Kesselman notes, criminals using their proceeds to buy homes, would be the primary groups affected by this approach to implementing a housing wealth tax, because they would have paid little or no provincial or federal income tax to deduct from the surtax. Foreign and domestic speculators in high valued properties would also incur additional surtax when they do not pay sufficient income tax in Canada to credit against their property holdings.

These proposals merit serious consideration by Canadian governments at all levels. Generation Squeeze favours policy adaptations that rely on progressive tax rates for housing wealth, more so than the flat rate. In defining the progressive tax rate thresholds, we encourage governments to use the median housing value in a municipality or region as the threshold above which progressively higher property wealth tax rates would be applied. By adding progressive taxes on properties priced above the regional median, governments would use taxation to impose a modest cooling mechanism at the top end of the housing market, and to collect new revenue required to invest in social policies that improve housing affordability and/or reduce other major costs that young adults face when starting their homes, careers and families (see proposition 10).

Our preference for progressive property wealth tax rates also leaves open the option to reduce rates below the median value in a region. By doing the latter, governments would help make housing more affordable for new entrants into the market, and possibly incentivize developers to build housing stock that will be priced accordingly.

3. Don't just focus on taxing the housing wealth of foreign investors or speculators.

The Davidoff and Kesselman proposals primarily intend to raise additional taxes from non-resident owners and speculators, insulating that vast majority of Canadians from any change in their total taxes owed. From a fairness perspective, it is worth revisiting how narrowly we should apply new housing wealth taxes. There is good reason to leave open the possibility that many who have prospered from the rapid increase in Canadian home values should contribute more in taxation than they do currently in recognition that their ability to pay is correspondingly greater. For example, someone living in a high value home with a modest income has a very different level of financial security than does someone with a modest income who rents. Similarly, someone living on a modest income in a million dollar home may be as able to contribute funds for government services and benefits as someone with a middle-income who has just $50,000 in home equity and a mortgage debt of hundreds of thousands of dollars.

It is time to recognize that Canada's housing market, especially in hot zones like Metro Vancouver and Metro Toronto, has transformed regular people who came of age as adults in the 1970s and 80s into the global one per cent – even as retirees! Credit Suisse reports that $760,000 US in wealth (one million Canadian dollars) puts someone in the top one per cent of wealth holders globally (Kersley and Stierli 2015, p. 11). With housing prices more than doubling in Canada after inflation since 1976, and home values over $1 million becoming common in major Canadian centres, a number of Canadians who earned incomes in regular jobs now reside in homes that make them the elite from a global perspective. We should update the way we measure people's ability to pay accordingly.

This update is all the more important given Piketty's (2014) observations about factors driving inequality in the 21st century. In developed countries experiencing markedly lower growth rates than in the decades immediately following World War II, the returns to capital investments generally increase at higher rates than do the returns people earn from labour investments. Residential property ownership is a particularly common form of capital for which we are witnessing high rates of return just as Piketty describes. With capital expected to generate larger economic returns than labour so long as economic growth remains at rates witnessed in recent decades, wealth increases achieved via home ownership should be included in our assessment of people's ability to pay for public benefits and services.

It is especially important now to measure accurately citizens' ability to pay because of demographic trends. The aging of our population coincides with an increased demand for government spending on retirement income security and medical care. Whereas Canadians prepay for much of the Canada Public Pension benefits they will draw on in retirement, Canadians do not prepay for the medical care we use disproportionately in our later years. Instead, provincial governments pay for medical care each year in response to demand for services. Whereas 31 cents of every health care dollar went to Canadians age 65+ in 1976, now nearly 50 cents of every medical care dollar goes to this age group. As the proportion of Canadians age 65+ grew from 9 per cent of the population in 1976 to 15 per cent today, annual health care spending for retirees has increased as a share of our national economy by over $30 billion dollars. Over the same period, governments did not increase general revenue to pay for this additional medical care spending (Kershaw 2015). The result is less fiscal capacity for governments to invest in policy adaptations for younger Canadians who are squeezed by lower incomes and higher costs while governments pay for the health care expectations of the aging population. This pattern raises concerns about intergenerational unfairness or inequity.

One way to address these concerns is to consider housing wealth more prominently in how we measure people's ability to pay for public benefits and services. This approach would recognize that the key driver of wealth for the majority of the aging population now represents an important source of prosperity on which they can draw to pay a fair share of the revenue required to cover their growing demand for health care. In addition to cooling down the escalation of housing prices, this approach to annual housing wealth taxation would enable provincial and federal governments to preserve fiscal capacity with which to adapt policy to ease the time, money, service and environmental squeeze constraining younger Canadians while continuing to serve the needs of the aging population.

4. Try to tax net housing wealth, not just gross wealth

Someone who owns outright a home worth $400,000 has more housing wealth than someone who owns a home worth $400,000 but still owes a $325,000 mortgage. Government efforts to tax housing wealth would ideally factor this difference into our measurement of ability to pay.

While taxing the net wealth resulting from the gross estimated value of a home minus any outstanding mortgage is simple in principle, it is complicated in practice because it would give rise to problematic incentives. Taxpayers would have inefficient incentives to borrow routinely against their home to evade housing wealth taxation in order to invest elsewhere.

One way to approximate taxation of net, not gross, housing wealth would be to recognize that, from a life course perspective, people typically have greater mortgage debt in their young adult years when their earnings potential is lower and they have had less time to pay off housing debt. Accordingly, provincial and/or federal governments could introduce age specific housing credits or deductions of mortgage interest for Canadians under a specified age threshold – for example, under age 40 – to be applied against the introduction of new annual housing wealth taxes.

5. Recognize low interest rates cut both ways for younger generations

Smetanin et al. (2016) observe that low interest rates over the last several years have been an important factor fueling housing prices, because "cheap, accessible credit" enables people to purchase more expensive homes, while taking on greater risk due to growing indebtedness. One implication is that the demand for housing which is driving the escalation in prices can be cooled by monetary policy that raises the cost of borrowing.

However, with higher interest rates, home ownership moves further out of reach for younger Canadians who are not yet in the housing market, and the risks of carrying heaving debt loads are amplified for those who have purchased a first home in recent years. The evidence presented at the beginning of this paper reveals a seven year deterioration in the standard of living for young people when measured in terms of the amount of full-time work required by a young adult to save a 20 per cent down payment. On top of all this extra work to save for the purchase, our analysis shows that young people have to labour an extra month per year to make the annual mortgage payment even at historically low interest rates. Toronto and BC require an extra three months of work per year from their young residents to pay the mortgage. This extra annual work required will only increase if/when interest rates rise. As a result, maintaining low costs of borrowing appears to be fundamentally important for younger people if they are to have a chance to cope with changes in the ratio between housing prices and full-time earnings that have worsened by over 100 per cent compared to when members of today's aging population were buying their first homes.

The fact that the cost of borrowing cuts both ways for younger Canadians in terms of their standard of living invites consideration of two related themes. First, the Bank of Canada currently prioritizes low interest rates to stimulate the overall Canadian economy which has remained sluggish since the 2008 recession. Given this macroeconomic priority, are there monetary policy adaptations that could be made to regulate access to credit specifically for the purpose of purchasing homes? Could this be done in ways that increase the cost of borrowing for home purchases, while retaining lower interest rates more generally for other kinds of borrowing so that the Bank of Canada can continue to stimulate the broader economy?

Second, if/when the cost of borrowing for mortgages increases, are there policy tools that would protect younger Canadians to access credit at discounted interest rates so they can cope better in a housing market where average homes cost more than double what they did in 1976, while young people earn less for full-time work than in the past? There is some precedent for an age approach to lending as it relates to housing. For example, the BC government permits seniors to defer their property taxation and pay interests rates below 1 per cent. This is a substantial advantage compared to the 2.85 per cent interest rates that the province charges families with children when they defer their property taxes.

The problem in practice, however, will be that money is fungible, and age-based approaches to cost of borrowing for home purchases will result in a range of wasteful activities as people work around the spirit of the age rules to access cheaper interest rates. Given this implementation challenge, there is even greater reason to consider the idea of mortgage interest deductions or credits for those under age 40 to be applied to either income or housing wealth taxation, as proposed above.

Any policy adaptation designed to support younger Canadians have more disposable income with which to manage the higher cost of homes has the risk of injecting more money into the market, which will fuel housing prices even higher. It will therefore be important to match these propositions for policy reform with commitments to increase the supply of homes, because growing the supply will exert a downward pressure on prices (see the section on Supply below).

6. Age matters. But the current treatment of age in housing policy is outdated.

Presently, property taxation is the primary source of revenue for municipal governments, with provinces generally setting guidelines governing how local municipalities can raise revenue from this source. Municipalities generally offer the largest property tax breaks for Canadians age 65+, regardless of the wealth they have accumulated in their homes or from their incomes. This tradition reflects the historical reality that, a generation ago, seniors suffered the highest rates of low-income status in the country. Today, however, seniors enjoy the lowest rates of low-income, and have often accumulated considerable wealth in their homes (Kershaw 2015). It is therefore time to shift property taxation away from blunt assumptions that retirees are particularly vulnerable when it comes to coping with housing costs. This recommendation is echoed in a recent publication by the Institute for Research on Public Policy (Kitchen 2015).

The implementation of this reform would require provisions that continue to permit citizens with high value homes but low annual incomes to defer the annual property taxation until the sale of the home. But so long as the housing market continues to drive up the wealth of home owners age 55+ while squeezing out younger Canadians and/or making them far more indebted, when governments charge interest on deferred property taxation, it should no longer be presumed that retirees merit the most advantageous interest rates.

Propositions to Increase Supply of Housing

7. Revisit zoning for single detached homes in housing market hot spots like Vancouver and Toronto

There are entire cities in Canada where single detached homes are beyond the financial reach of the vast majority of adults in their 20s, 30s and 40s trying to enter the housing market. Where this kind of housing is no longer viable for younger generations, it is time to revise the zoning policy that prescribes single detached homes for some neighbourhoods. This policy change is likely to invoke NIMBY (Not In My Back Yard) reactions from homeowners who want to preserve the single detached home neighbourhoods into which many of them bought over a decade ago. But there are two factors that should mitigate such reactions.

First, many of those homeowners will desire that their children and grandchildren can also live in their community as adults. Unless we increase housing supply dramatically, this option is off the table for large segments of young people in big Canadian cities today, let alone future generations.

Second, many people in Metro Vancouver and Metro Toronto who live in neighbourhoods zoned for single-detached homes are already witnessing dramatic changes as modest-sized homes with yards are replaced with very large single detached homes that fill entire properties and accelerate growth in the average cost of housing. Since many neighbourhoods with single detached zoning are already building differently than in the past, it would be far more sustainable for housing markets in Canada to have this rebuilding result in replacing one home with three or four row units that fill the yard at manageable costs per unit, as opposed to one massive, very expensive home for the uber-rich.

In recent years, the City of Vancouver has moved away from single-detached zoning to permit the addition of lane way homes in almost all neighbourhoods. It will be important to monitor how this change influences supply. So far, it appears to have proven insufficient to address the dearth of housing in the city. Further dialogue on zoning adaptations that would require the addition of multiple units per site when (re)building occurs may therefore still be needed.

8. More rental accommodation.

Since it now takes 12 years for the typical 25-34 year old Canadian to save a 20 per cent down payment on an average home (up from five years in 1976), the reality is that home ownership may become less common for generations of younger Canadians. By 2005, the rate of home ownership had dropped 24 per cent for adults under age 35 compared to 1976, before low interest rates contributed to a partial rebound. Home ownership rates among those age 35 to 44 are also down compared to 1976 (Kershaw 2015). The implication is that many more younger Canadians will be renters for life compared to what was the norm for today's aging population. We need zoning practices to adapt accordingly.

This may require examining the interaction of zoning regulations for condominiums and rental accommodation. Prior to the early 1970s, Hulchanski (2006) reports that there was no condominium form of ownership in Canada. All areas zoned for medium and higher density residential accommodation were de facto rental districts. Following the passage of provincial legislation permitting condominium forms of ownership in the early 1970s, providers of rental accommodation had to compete with providers of condominiums for zoned building sites. Since renters have lower incomes on average than those seeking to purchase homes, condo developers routinely outbid rental developers for building sites. The implication has been a growing shortage of rental supply.

Given this dynamic, it will be important for federal and provincial governments to implement tax incentives to owners of long-term, purpose-built rental housing to make development of rental housing as competitive as market condominiums. These incentives have been urged by organizations like the BC Non-Profit Housing Association and Vancity Credit Union (2015a), among others. It is also worth noting that the federal government led by Prime Minister Trudeau campaigned on a promise to revise GST legislation to serve this purpose in its 2015 campaign platform (Liberal Party of Canada 2015).

9. More below-market housing, but...

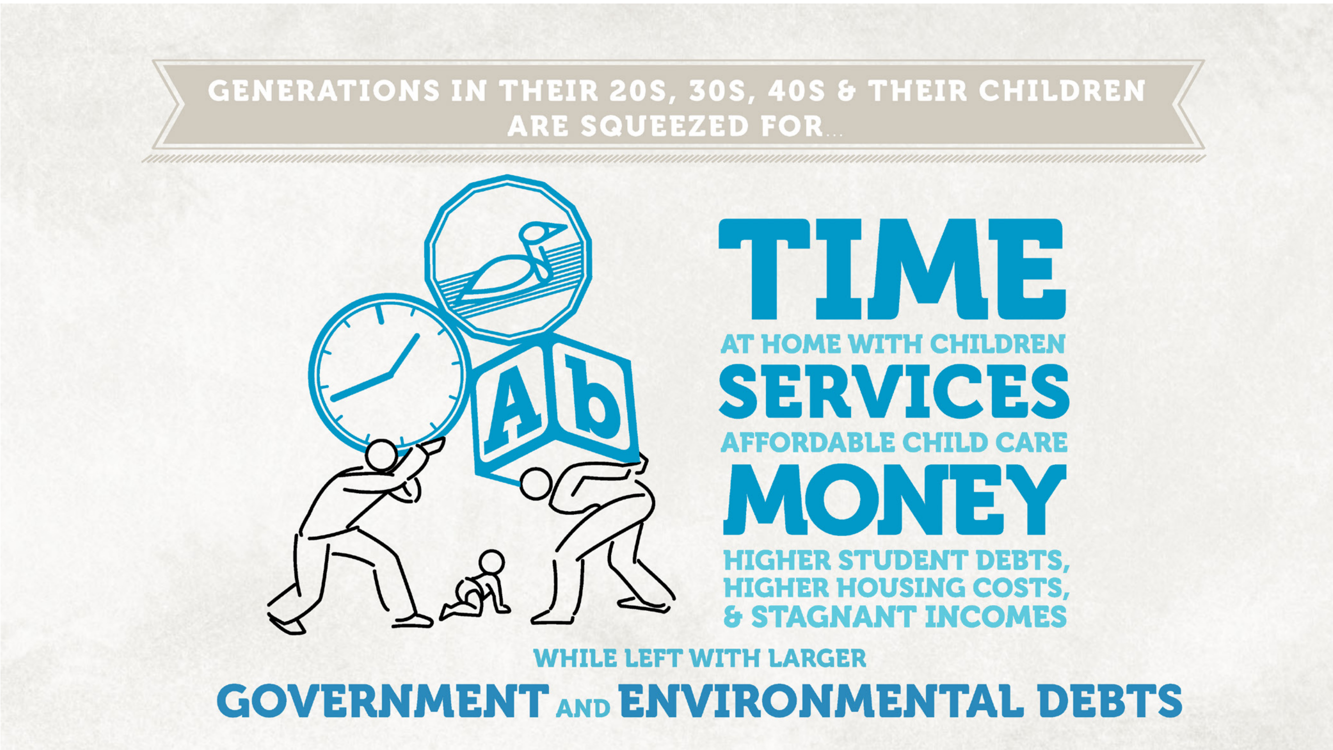
The newly elected federal Liberal government campaigned on a platform to invest in social housing. These investments will be funded out of the promised "social infrastructure" fund of $20 billion over 10 years (Liberal Party of Canada, 2015). While the federal Liberal platform was short on specifics, its funding commitment will likely top out at $500 million a year for social housing across the country for the next decade.

The City of Vancouver has since committed $250 million of city owned land to build social housing on the condition that the federal government invest an average of $100 million a year over five years to cover building expenses in partnership with the province of BC (Dyck 2016). The province also committed in its 2016 budget to invest an average of $71 million a year for five years for affordable housing across BC (The Canadian Press 2016).

These annual investments are important, especially at the federal level, because previous governments reduced Ottawa's role in contributing to the costs of social housing (Hulchanski 2006). But despite the substantial sounding dollar values, they are expected to produce relatively little housing by comparison with the size of the population. For example, the Government of BC projects that its 5 year investment will result in an additional 2,000 homes that are available below market prices. In a province that currently has nearly 2,000,000 homes,[10] the provincial investment will add just 0.1 per cent to the total housing stock. Helping 2,000 families who win out in the lottery of accessing these new housing options is a fine thing, but the policy measure is clearly not up to the task of fixing a housing market that is broken for hundreds of thousands of younger citizens.

Similarly, on the condition that it receives a large share of federal and provincial funds targeted for housing, the City of Vancouver projects its donation of land could result in the addition of 3,500 homes in a municipality that has over 175,000 households. That would add two per cent to the total stock of homes in the city. Again, this injection of social housing will be important for the select families who can access homes for below market prices.

But in the end, it is important to recognize that the scale of public investments that are under consideration – despite being larger than Canadians have seen in recent decades – will leave the majority of younger Canadians struggling to access a housing market that has priced this commodity at more than double the value it was when today's aging population was starting out as young adults. Addressing this housing squeeze requires policy adaptations that search for broader population level opportunities to reduce costs for the vast majority of young people so that they are better positioned to deal with the new norm of higher housing prices.



Proposition to Reduce Costs that People Incur as Young Adults

10. Don't let child care, parental leave, transit, etc. add up to second, third and fourth mortgage payments

The policy discussion thus far reveals that it is difficult for governments to influence the supply and demand market forces that determine housing prices at the population level. It is especially difficult to imagine housing policy adaptations that can protect the wealth that home owners currently enjoy in their homes, while also dramatically reducing the cost of housing for their kids, grandchildren and other newcomers to the housing market.

By contrast, it is far more in the reach of governments to ensure that Canadians in their 20s, 30s and 40s do not lose the equivalent of a second mortgage from their income when they share time at home with a new baby; to ensure child care services do not cost the equivalent of a third mortgage; and to ensure that transportation to and from work/school does not cost the equivalent of a fourth mortgage over longer distances than in the past because young people have been pushed further from employment centres by the cost of housing.

A strong housing affordability strategy should look beyond housing to find policy solutions that save young Canadians money with which they can better cope with the doubling of housing prices. If the goal is to reduce costs for younger Canadians, it doesn't matter whether the savings come from housing specifically, or other major costs that citizens incur when starting out in the housing market. In other words, the challenges imposed by the dramatic rise in housing prices should push governments to build a better deal for younger Canadians in general – not just a better housing deal. Provided that policy adaptations designed to save young adults money go hand in hand with efforts to increase the supply of housing in keeping with the propositions discussed above, any additional disposable income that young people gain will not fuel increases in average home prices more generally.

Family policy has considerable potential to contribute to easing the time and money squeeze facing younger generations. Nine in ten young adults still want to have children of their own. By comparison, only a minority of citizens rely on minimum wage or rental assistance for the working poor. Improvements in these latter areas will not reach the vast majority of young people feeling the squeeze from high housing prices – but improvements in family policy can. Since Canada also ranks poorly by international standards for investment in families with young children, especially before children reach school, we have all the more reason to prioritize such investments in a new national vision for a better generational deal.

Conclusion

We offer these ten propositions to promote and inform a new national commitment to adapt housing policy for generations. We feature data about housing in Metro Vancouver, because this region is to housing today what Saskatchewan was to medical care in the 1940s and 50s.

Following the Great Depression and the Second World War, many Canadians could not afford a doctor, especially in Saskatchewan. As discussed at the outset of this study, the gravity of circumstances in that province inclined Tommy Douglas to dream differently for our country about how we might pay for medical care. Eventually, his dream awoke a nation to the inequities of unaffordable health care. And over time, his dream became part of our identity. Canadians now define ourselves in large part by our commitments to medical care for one and all. We define ourselves by a grand, noble policy adaptation to a problem that first reached intolerable limits in a particular region.

It is time for Canadians to adapt in this way again. From amid a housing market in Vancouver in which less than one per cent of homes cost under $500,000 and have 3+ bedrooms, we must search for the inspiration and vision that motivated the likes of Tommy Douglas to dream differently for our country. We must use this dream to awaken the nation to the pan-Canadian problem of higher housing prices that squeeze entire generations. Eventually, this dream may also become part of our identity – a national policy adaptation that makes us more proud to be Canadian.

Endnotes

1. These housing price data are provided by the Canada Real Estate Association. All data have been adjusted for inflation in the light of Consumer Price Index data available at Statistics Canada. CANSIM Table 326-0021.

2. Extreme housing prices in Vancouver may, or may not, reflect the influence of wealthy investors living abroad, or wealthy newcomers settling in the region. Recent research looking at vacant homes in the city suggest that vacancy has been stable over the last dozen years (Ecotagious 2016). This finding urges caution before judging that non-resident "foreign investment" is the primary driver of Vancouver's surging housing prices. Further data are required to sort out the scale of influence such patterns are having on the local market.

3. 1976 population data come from Table 11 in the 1976 Census Publication: Catalogue 92-823 (Bulletin 2.4) Population: Demographic Characteristics. Five year age groups. The table was provided by email on November 2, 2012 by Statistics Canada employee Derek Adams (Derek.Adams@statcan.gc.ca).

4. Median Full-Time Full-Year Income data provided by Statistics Canada, Income Statistics Division, Survey of Labour and Income Dynamics. Custom table R512819, 2010 constant dollars. Median earnings data for BC and Vancouver are available in CANSIM Table 202-0407 - Income of individuals, by sex, age group and income source, 2011 constant dollars, annually. Following 2011, Statistics Canada altered its methodology for calculating and reporting median earnings data. There is now a delay in the availability of data describing earnings trends since 2011 that can be compared historically. We are waiting to update these data when available. For the purposes of this study, when necessary, we inflation adjust the most recent data we have, which is generally for 2010.

5. For further information about this calculation, see Kershaw (2015). The rate of saving assumed by Kershaw is more aggressive than the 10 per cent saving rate assumed by CityLab (2012) when making similar calculations for US cities.

6. All of the home ownership data come from Statistics Canada, Survey of Consumer Finance, 1977, and the Survey of Financial Security, 2012.

7. For this section of the study, we use BC Assessment data made available by the UBC Centre for Urban Economics and Real Estate. The dataset includes over 900,000 properties. We only included properties that were residential and from non-rural jurisdictions in Metro Vancouver, as defined by BC Assessment. Residential land that was additionally categorized as outbuildings (including residential outbuildings), seasonal dwellings, undeveloped lots, strata rental units, or strata lots (for parking, self-storage, or seasonal dwellings), were excluded because they were considered beyond the scope of these analyses. There was a final sample of over 850,000 properties in Metro Vancouver.

8. We used Google Maps to estimate the distance and travel time from each of Metro Vancouver's jurisdictions to the city of Vancouver's downtown, by car on a Thursday at 8:00 AM, and the time necessary to make the trip back at 5:00PM.

9. Currently, principal residences receive very favourable tax treatment, because they are not subject to any capital gains taxation. This differs from many countries, including the United States where governments tax the gains on sales of owner-occupied homes above $250,000 per owner. Since administering the collection of such taxes raises measurement difficulties when property value changes are assessed over the medium or long term, we would not recommend a broad based policy change to tax capital gains from the sale of principal residences. Instead, we propose in propositions

two and three a shift toward annual taxation of housing wealth, facilitated by a corresponding partial shift to reduce income taxes owed.

However, the difficulty of calculating capital gains over a short 24 month period is minimal by comparison with the gains accrued over a lifetime living in, consuming and renovating a home. Therefore, taxing capital gains on all properties, including properties where owners reside in, or rent out, the properties before resale over a short term period, is a straightforward way to reduce the role of speculation in fueling the increase in Canadian housing prices.

10. See the BC Stats data set available at: http://www.bcstats.gov.bc.ca/StatisticsBySubject/Demography/Households.aspx

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