Straddling the Gap:
3 indicators of BC's ongoing housing affordability crisis

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British Columbia remains the worst economy in Canada when it comes to earning enough to cover one of the biggest costs of living – housing. This means BC's economy is especially problematic for young people, newcomers and others who struggle to afford housing here.

Despite recession-like conditions brought on by Covid-19, housing costs are trending upwards and reaching historical highs in some parts of the province. Important but modest price declines between 2017 and 2019 are not persisting, even as people struggle more than ever to pay their bills because of the pandemic. The rental market has been equally impacted in many communities.

Here are three key indicators of BC's ongoing housing affordability crisis. These indicators demonstrate why all political parties need to propose stronger action to close the massive gap between what housing currently costs and what younger and other people can afford (i.e. spending no more than 30% of pre-tax earnings on housing).

1. Average annual rents for two-bedroom suites rose steadily between 2016 and 2019*

- $3,000 annual increase in **Kelowna**
- $2,500 annual increase in **Vancouver****
- $2,400 annual increase in **Victoria**
- $1,100 annual increase in **Kamloops**
- $500 annual increase in **Prince George**

*Data relates to purpose-built rental buildings and comes from Statistics Canada and the Canada Housing and Mortgage Corporation (CMHC)

**While recent (2020) data suggests rent prices in Vancouver have dropped compared to previous years, overall prices remain extremely high. When the secondary rental market is added to the equation, Vancouver still has the second-highest average rent across Canada for one-bedroom apartments and the highest rent for two-bedrooms.

2. **Average home prices need to fall by two-thirds ($410,000) to make buying a home affordable for a typical person between the ages of 25 and 34.** Or, typical full-time earnings need to increase to over $125,000 per year, up from the current average of $52,000.

- **Metro Vancouver*:** Prices need to fall by three-quarters ($704,000); or typical earnings need to rise to over $177,000
- **Victoria:** Prices need to fall by half ($307,000); or earnings need to rise to over $123,000
- **Kelowna:** Prices need to fall by half ($274,000); or earnings need to rise to over $94,000
- **Kamloops:** Prices need to fall by one-third ($129,000); or earnings need to rise to over $73,000
- **Nelson:** Prices need to fall by 16% ($55,000); or earnings need to rise to over $60,000
- **Prince George:** Prices need to fall by 7% ($21,000); or earnings need to rise to nearly $55,000

*Includes Surrey, Langley, Maple Ridge, Pitt Meadows, the Tri-Cities, Burnaby, the North Shore, Richmond, Delta, etc.

3. **A typical young person needs to work full-time for 18 years to save a 20% down payment on an average-priced home in 2019.** That would mean giving up 15 lattes a day to save that down payment in five years, which is how long it took when today's aging population started out in the BC housing market as young adults in the mid-1970s.

- 26 years in **Metro Vancouver**
- 16 years **Victoria**
- 13 years in **Kelowna**
- 11 years in **Kamloops**
- 9 years in **Nelson**
- 8 years in **Prince George**

Data sources & methodology:

o We report average home price data made available by the Canadian Real Estate Association.

o We purchased full-time, full-year mean and median earnings data as a custom order from Statistics Canada to control for variation in rates of part-time work across the last four decades. The earnings data are from the Income Statistics Division, Survey of Labour and Income Dynamics and Canadian Income Survey. Custom Table C959729.

o Interest rate data are from Statistics Canada Table 34-10-0145-01: "Canada Mortgage and Housing Corporation, conventional mortgage lending rate, 5-year term." In all years, we report the rates as of January.

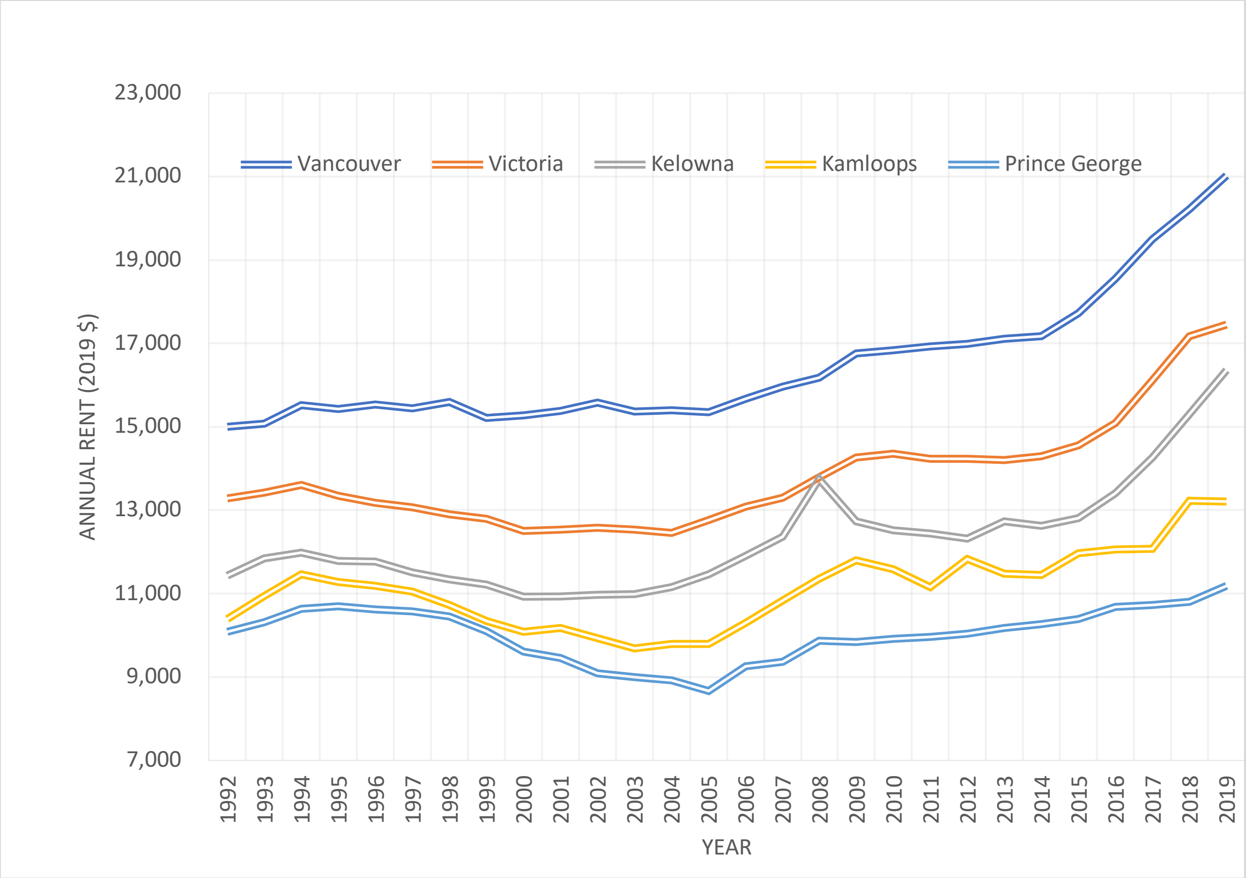
o We use Statistics Canada's Consumer Price Index to adjust all annual earnings and home price data for inflation. See Statistics Canada Table 18-10-0005-01: "Consumer Price Index, annual average, not seasonally adjusted."

o Guided by the literature, we assume that typical earners can annually save 15% of their pre-tax income for a down payment.

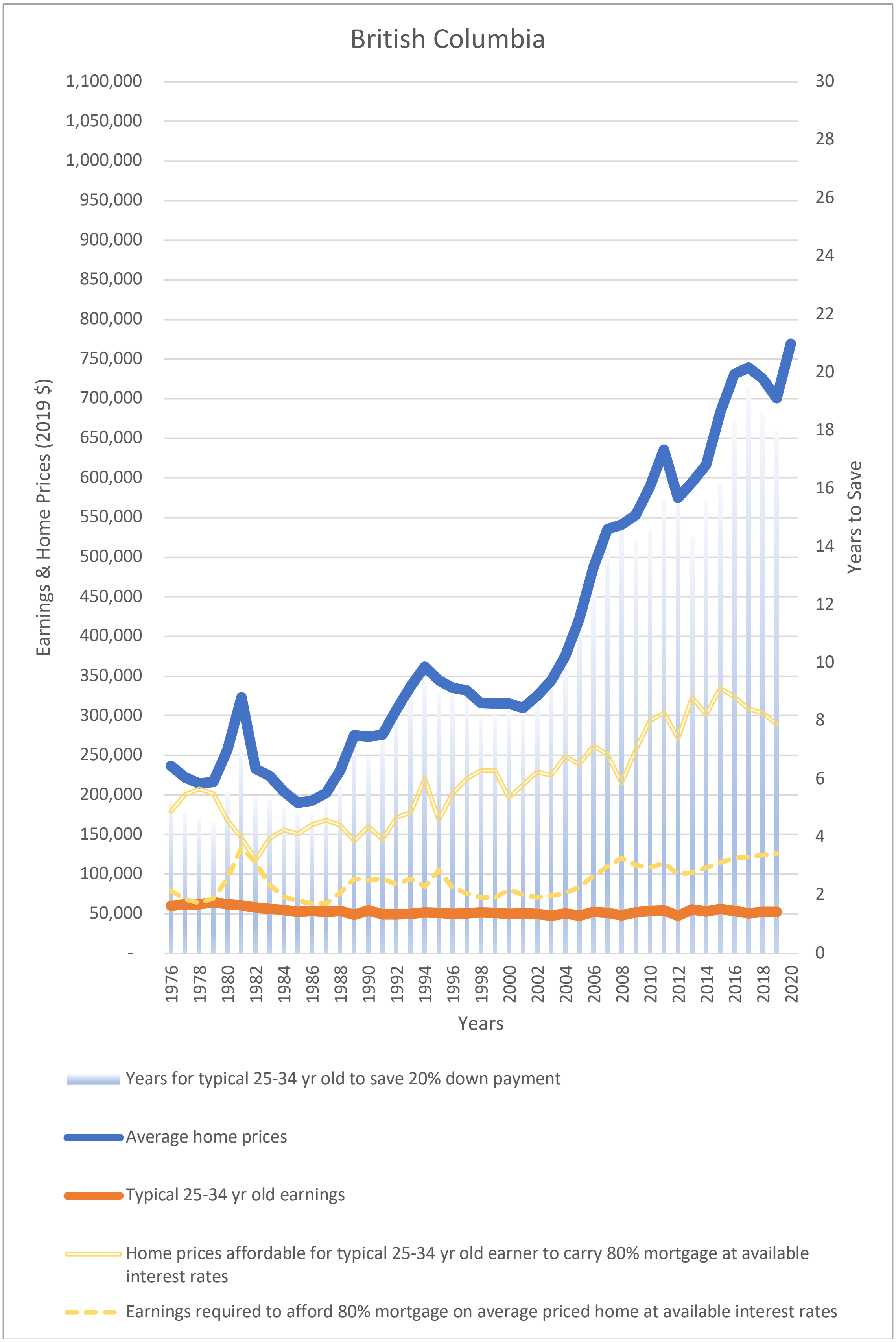
o We use CMHC's definition of affordability as spending no more than 30% of pre-tax earnings on housing. We calculate the home price that is in reach for typical 25 to 34-year-olds working full-time, full-year, by calculating the maximum mortgage a median earner could carry with 30% of their annual earnings given the interest rates available from Statistics Canada. We then calculate the home value for which this maximum mortgage represents 80% of the cost, because we assume a 20% down payment. We simultaneously calculate the earnings required for a typical person aged 25-34 to spend no more than 30% of their annual income to pay for an 80% mortgage on average home prices in each year, assuming the interest rates available from Statistics Canada.

o We assume a latte costs $5.

Average Annual Rent, 2-bedroom, Select BC Cities, 1992-2019



(Data source: Statistics Canada Table 34-10-0133-01: Canada Mortgage and Housing Corporation, average rents for areas with a population of 10,000 and over.)


British Columbia
Earnings & Home Prices (2019 $)
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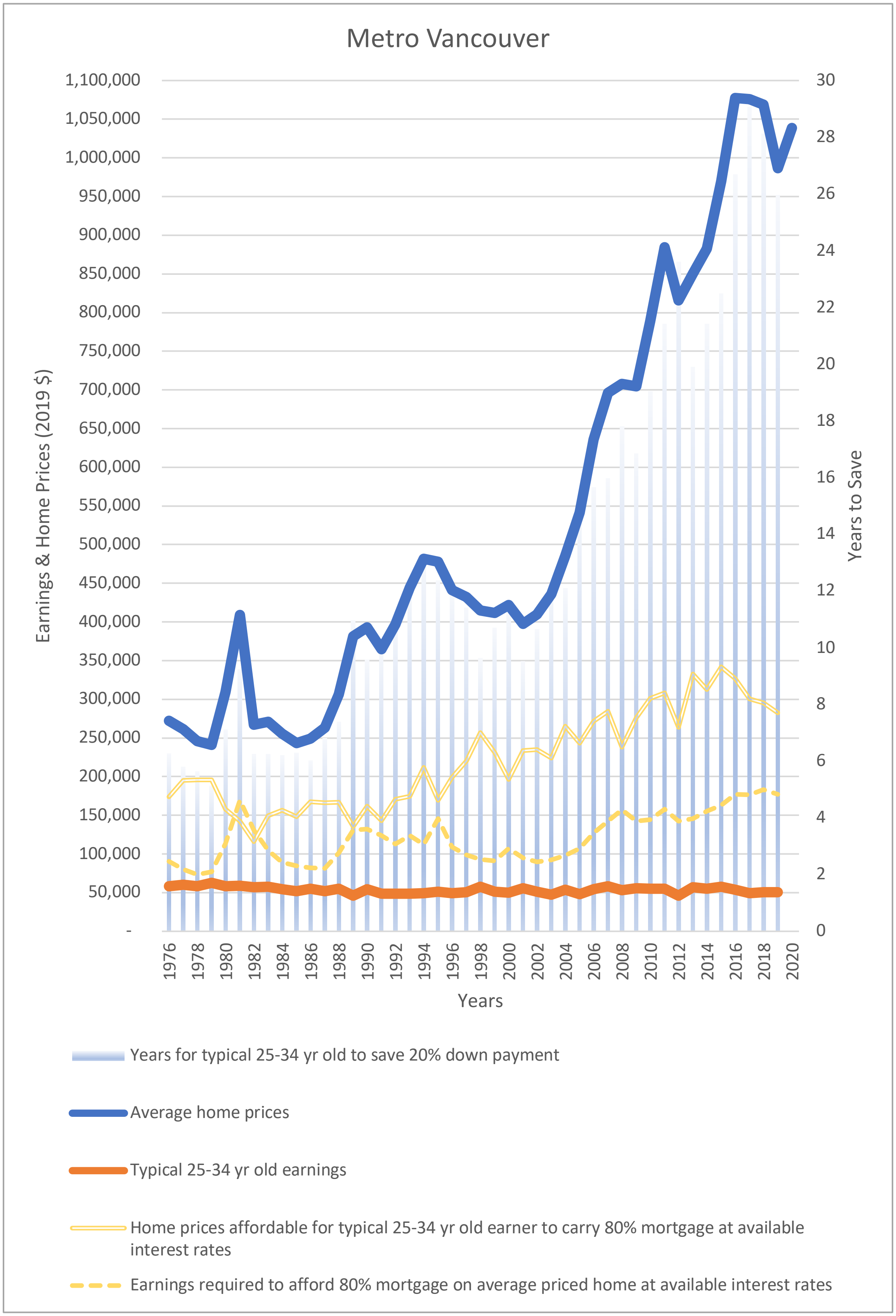
Years for typical 25-34 yr old to save 20% down payment
Average home prices
Typical 25-34 yr old earnings
Home prices affordable for typical 25-34 yr old earner to carry 80% mortgage at available interest rates
Earnings required to afford 80% mortgage on average priced home at available interest rates


Metro Vancouver
Earnings & Home Prices (2019 $)
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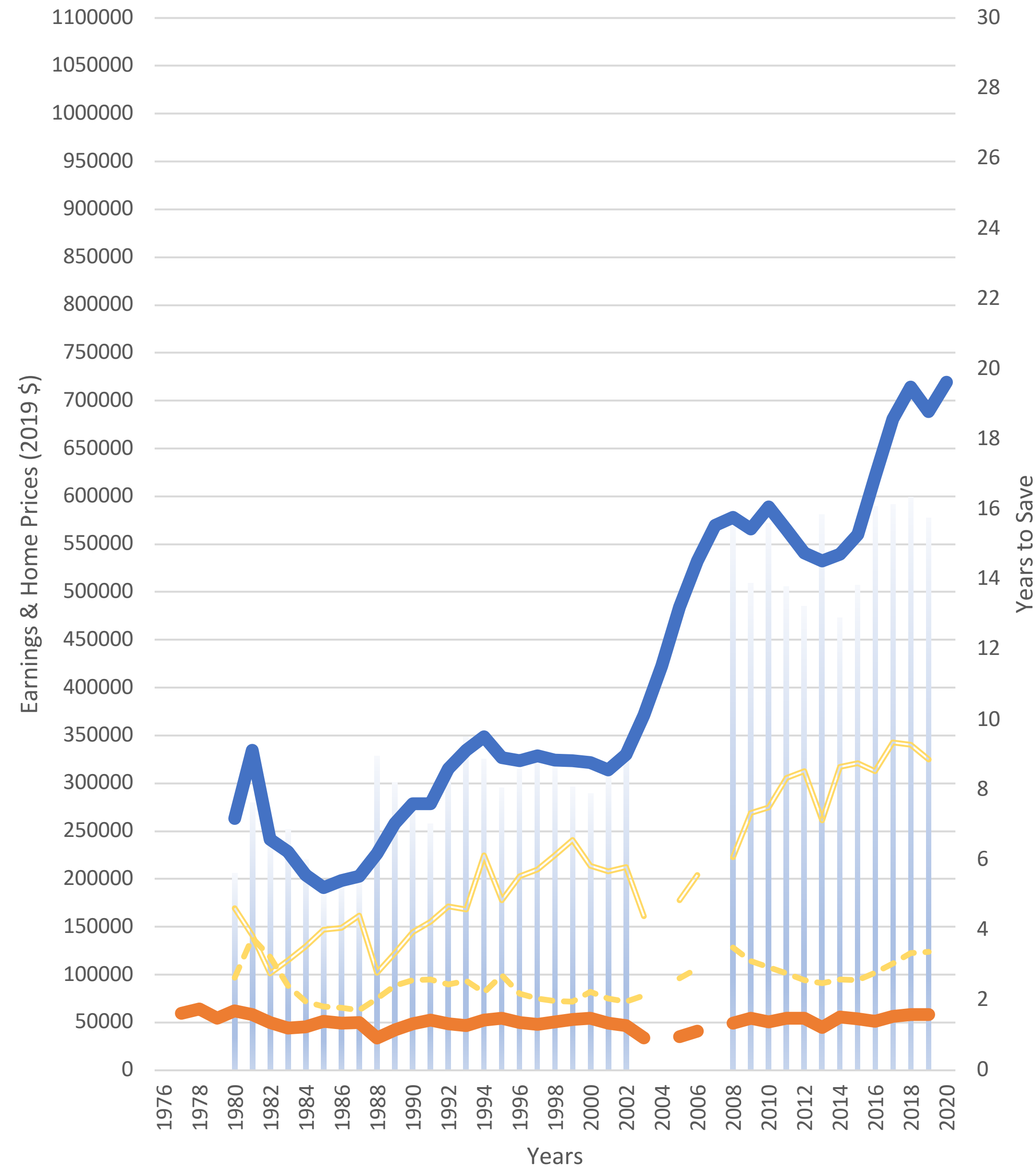
Victoria



Years for typical 25-34 yr old to save 20% down payment

Average home prices

Typical 25-34 yr old earnings

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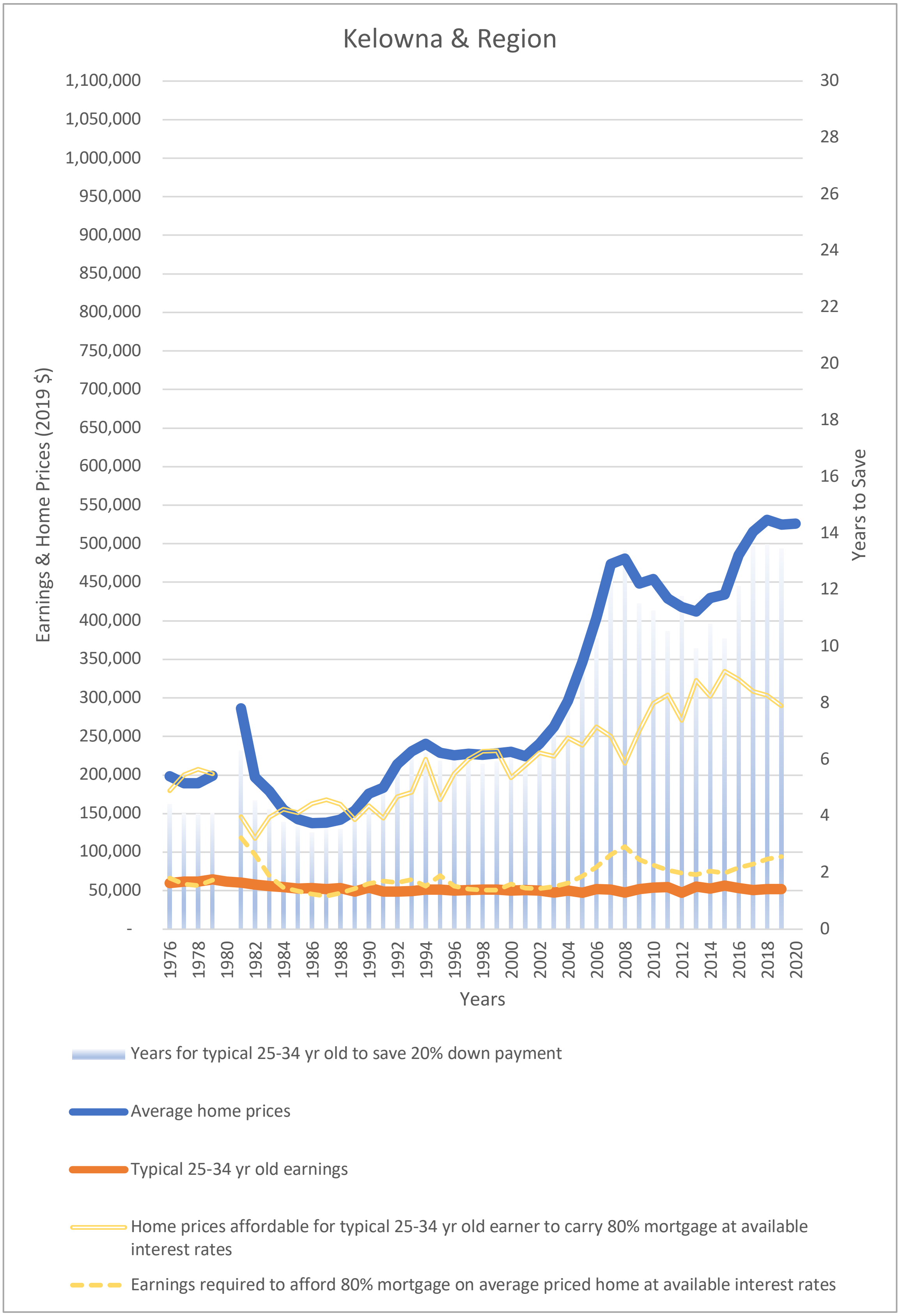
Earnings required to afford 80% mortgage on average priced home at available interest rates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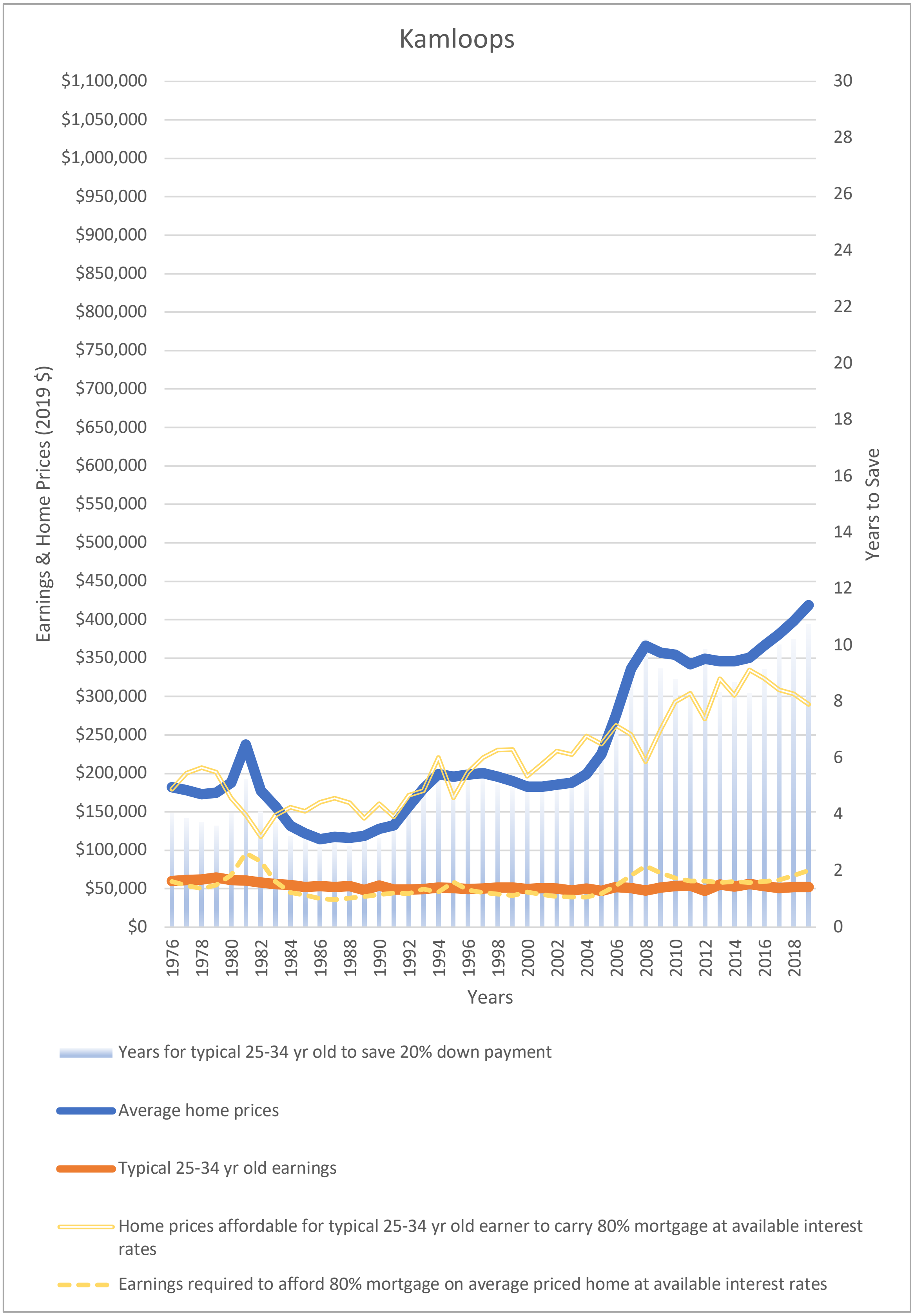
Kamloops
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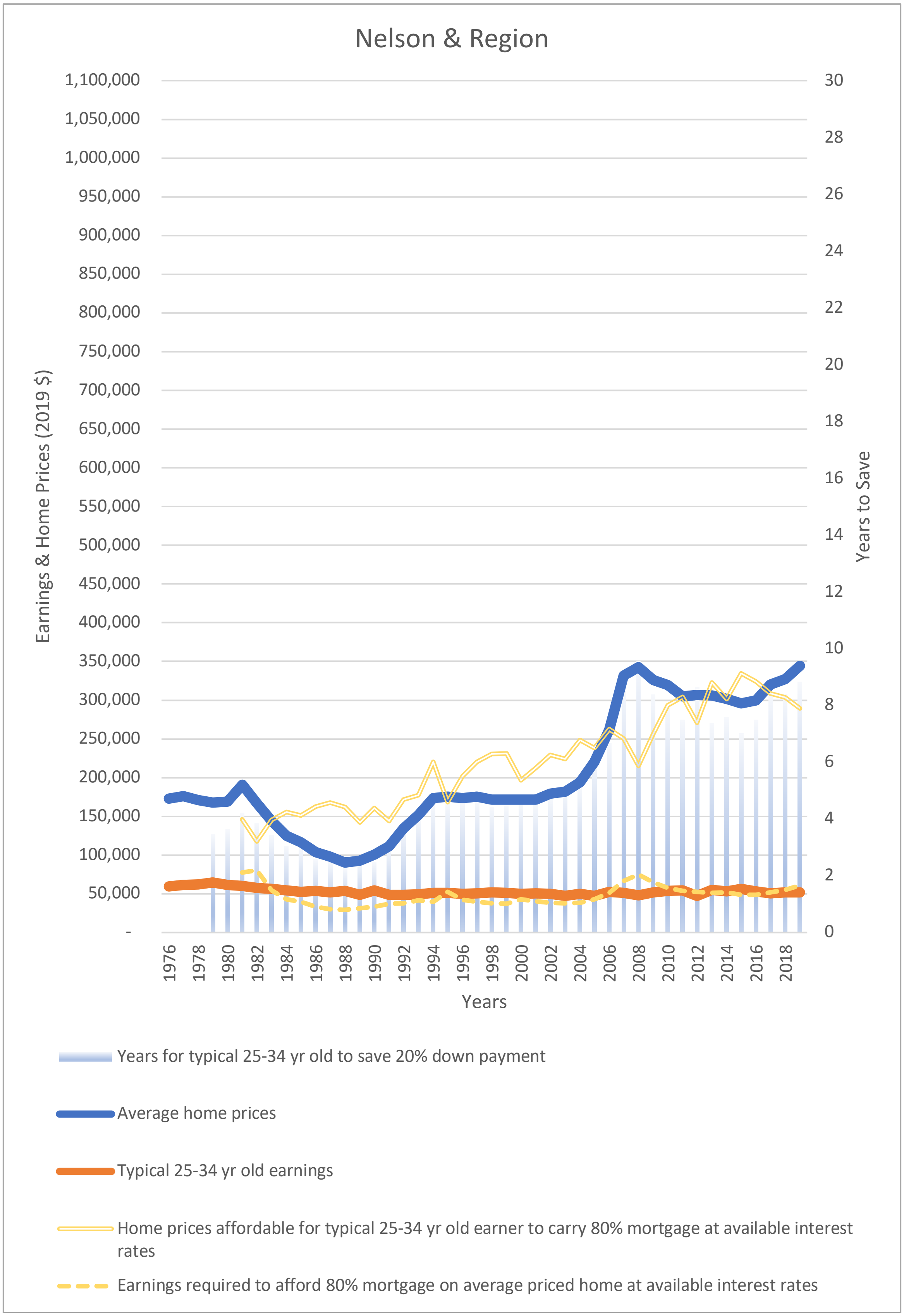
Nelson & Region
Earnings & Home Prices (2019 $)
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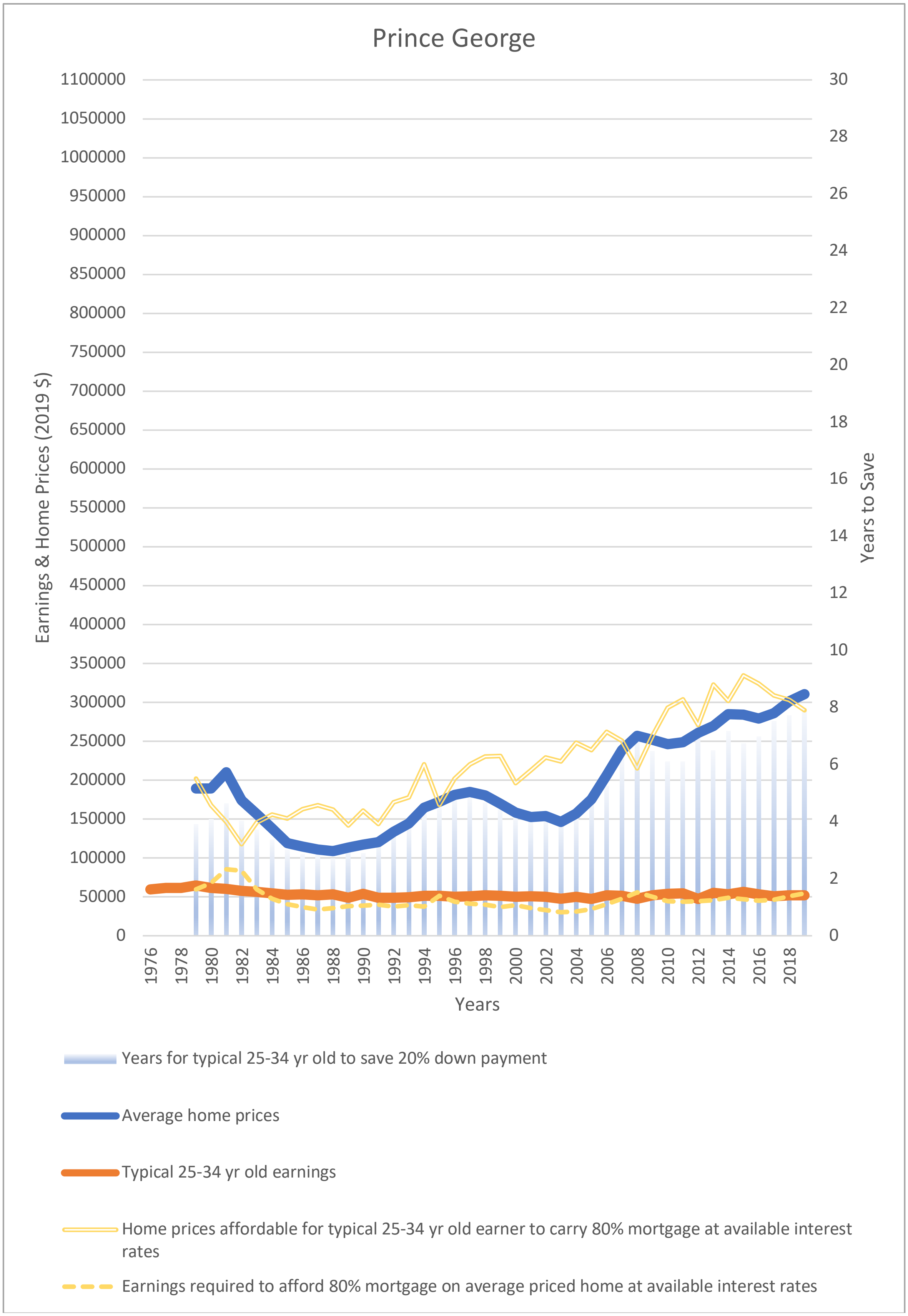
Prince George
Earnings & Home Prices (2019 $)
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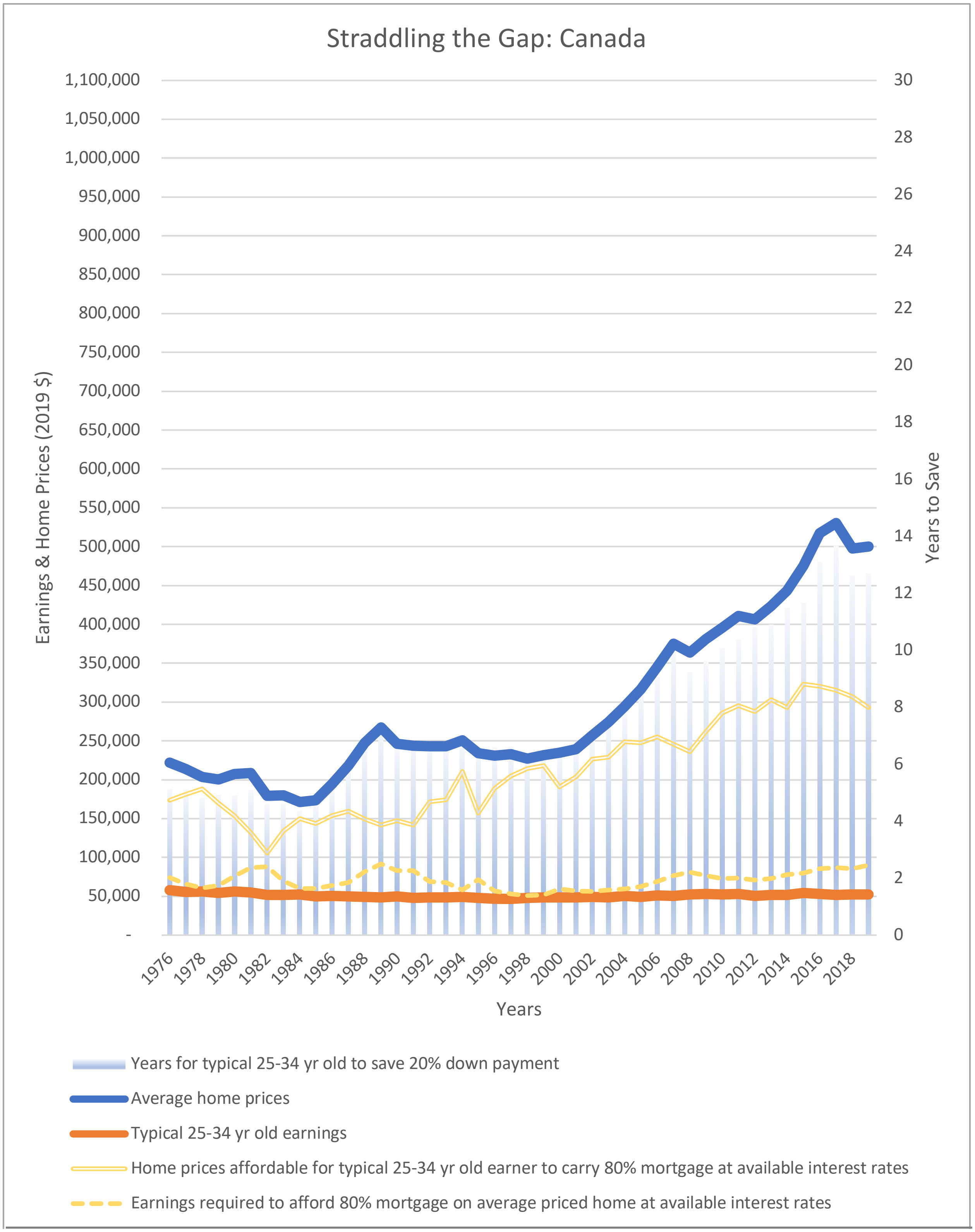
Straddling the Gap: Canada
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