

Starting out as a young adult is incredibly expensive in 2022. We crunched the numbers

A realistic look at how much it costs young adults to live on their own, pay down student debt and save for a home in Canada

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Lilliana Molek, 22, estimates that she will graduate with approximately \$200,000 in debt.

BRYAN DICKIE/THE GLOBE AND MAIL

With no family help, Lilliana Molek, 22, knew she'd finish law school deep in debt. But the borrowing pit is turning out to be even deeper than she expected.

First, she took on student loans for her undergraduate degree at Toronto Metropolitan University. Now she's paying her way through law school at York University's Osgoode Hall. With the unemployment rate hovering near record lows for now, finding a job after graduation isn't a major concern. Instead, the much more imminent and persistent source of anxiety gnawing at Ms. Molek is her \$1,700-a-month rent. She keeps tapping a student line of credit to help cover living costs. And as interest rates rise, her borrowing costs are ticking up.

“Just keeping it real: When I graduate law school I'll have close to \$200,000 of debt,” she said. “I'll have that looming over my head.”

Young Canadians go to school longer for jobs that pay less, and then face soaring home prices

The financial challenge facing Ms. Molek and many of her peers is different from the one that confronted older millennials who graduated in the years after the financial crisis of 2007-08. Back then, it was a lack of jobs that sent scores of young adults back to their parents' basements and childhood bedrooms, a phenomenon that was dubbed “failure to launch.”

In today's record labour shortage, earning a paycheque is hardly the issue. The problem now is that stratospheric home valuations and soaring rents across much of the country have pushed the cost of “launching” as a young adult far beyond what most of them can afford on their own – even with a good, full-time job.

A little math helps to quantify the magnitude of the obstacles facing Canadians in their twenties and early thirties. Even if one assumes relatively moderate home price gains for the next several years, by 2030 buying an average-priced home with a minimum down payment will likely require a household income of around \$230,000 in today's dollars in places such as Vancouver, Toronto and – wait for it – Hamilton.

INCOME NEEDED FOR 'LAUNCH'

In several big and mid-sized cities today's 25 to 29 years old may need a minimum annual household income ranging from, roughly, \$140,000 to \$230,000 in today's dollars to buy an average-priced home with the minimum required down payment by their early to mid 30s. They will also need an amount of upfront cash ranging from around \$30,000 to around \$300,000 in today's dollars to cover the down payment, taxes and other costs.



	AVERAGE HOME PRICE IN 2030	UPFRONT CASH REQUIRED	MINIMUM HOUSEHOLD INCOME
Vancouver	\$1,306,791	\$287,801	\$232,000
Toronto	\$1,282,211	\$294,487	\$231,000
Hamilton	\$976,520	\$89,526	\$231,000
Victoria	\$1,043,549	\$229,625	\$192,000
Ottawa	\$733,852	\$59,464	\$183,000
Halifax	\$568,825	\$41,984	\$152,000
Montreal	\$579,328	\$44,066	\$145,000
Calgary	\$561,353	\$32,696	\$142,000

Sources: CREA, FCAC, Ratehub.ca, Globe and Mail calculations.

Methodology: For home prices in 2030 we assumed an average annual appreciation rate of 1 percentage point above the rate of inflation for eight years starting in July 2022. (This is not a housing price forecast.) For simplicity, we have ignored wage inflation in our calculations. Upfront cash required to buy a home includes a minimum down payment, any taxes applicable to first-time homebuyers and other estimated closing costs. The minimum household income reflects what would be required to qualify for a mortgage under federal rules based on a mortgage rate of 5.25 per cent and a maximum amortization of 30 years for home values above \$1 million (which require a minimum down payment of 20 per cent) or 25 years for home values below \$1 million, which allow for smaller minimum down payments.

Across eight large and mid-sized cities we examined, Calgary emerged as the most affordable for future homebuyers, assuming the real estate market there doesn't catch fire in the foreseeable future. Still, by 2030 even Calgarians will need a household income of more than \$140,000 to snap up an average home.

Meanwhile, Gen Z and younger millennials can't even make the rent. In Vancouver and Toronto, the average one-bedroom now rents for well over \$2,000. Even with a university degree and full-time job, an average income in your mid- to late twenties would leave you spilling red ink on a monthly basis no matter how ascetic your lifestyle. In Halifax, where rents are a bit lower but so are incomes, you'd probably end the month with less than \$10 in your pocket – if you're lucky.

And across the cities we looked at, even if you were making enough to rent a place on your own and save for a minimum down payment based on the average home price, your income would probably still fall short of what you'd need to qualify for a mortgage.

Bidding wars, cutthroat viewings and onerous applications: Stories of Canada's red-hot rental market

“We were always like, ‘Well if we can’t hack it in the city, we can always move to’ – and then insert somewhere that was far away,” said Shannon Lee Simmons, a millennial financial planner in Toronto.

Now, she says, many of her younger clients don’t even know where to move for lower housing costs.

Imagine that home prices rise at an average annual rate that is one percentage point above the inflation rate over the next eight years – a pace of appreciation far lower than what Canadians have become used to over the past several years but in line with longer-term trends. By 2030, this would bring the average home price in Victoria above the \$1-million mark, a price threshold that requires a minimum down payment of 20 per cent, or \$200,000, and a household income north of \$190,000.

In Hamilton, where average home prices would stop just shy of \$1-million by 2030 according to our math, buyers would get away with a much lower minimum down payment. (In Canada, the minimum down payment is 5 per cent for properties worth up to \$500,000; for purchase prices above \$500,000 but below \$1-million, buyers must put down 5 per cent for the first \$500,000 and 10 per cent for the remaining portion.) But even if they can get that smaller down payment in hand, qualifying for that mortgage under the current federal rules would require a household income of around \$230,000. Plus, in addition to the minimum down payment, buyers also need to save up for any applicable taxes, such as land transfer taxes, legal fees and other transaction costs.

Many of Ms. Lee Simmons’s Gen Z clients – the generation whose oldest members are turning 25 this year – don’t expect they’ll ever own a home, she said.

Recent statistics support those tempered expectations. Canada’s home ownership rate dropped to 66.5 per cent in 2021 and has been in steady decline since reaching a high of 69 per cent in 2011, new census data show.





Shelena Marsh went back to having a roommate at age 34 to relieve some of her financial strain.

AARON MCKENZIE FRASER/THE GLOBE AND MAIL

Others are rethinking even their renting situation. In Halifax, for example, Shelena Marsh just went back to having a roommate at the age of 34.

Until a few weeks ago Ms. Marsh, who has a master's degree and works as a teacher of the deaf and hard of hearing, needed to supplement her income with a bartending gig in the summer to make her \$1,400-a-month rent in Moncton.

So when Ms. Marsh transferred to a school in Halifax, where rents are even higher, she moved in with a friend who happened to be looking for a roommate at just the right time.

It's not the living arrangement Ms. Marsh had pictured for herself at this stage in her life. But with rent now down to a manageable \$780, she can breathe easier.

"It's the first time in years where I haven't been paycheque to paycheque, where I went and bought groceries and wasn't worried about it going through," she said.

She's still thinking about picking up a second job – but this time it would be to ramp up her savings rather than make ends meet.

"I'll do that if it means that in the next five years I'll be able to buy a home."

FORGET BUYING: CAN YOU EVEN RENT?

For Canadians between the ages of 25 and 29 living alone in a big city is often unaffordable - even for those who have a university degree and a full-time job.



CITY

MEDIAN NET INCOME (25-29 YO)

RENT 1- BDRM

STUDENT LOAN PAYMENT

CITY	MEDIAN NET INCOME (25-29 YO)	RENT 1- BDRM	STUDENT LOAN PAYMENT
Vancouver	\$3,309	\$2,412	\$260
Toronto	\$3,355	\$2,192	\$260
Halifax	\$3,095	\$1,712	\$260
Victoria	\$3,309	\$1,803	\$260
Montreal	\$3,277	\$1,525	\$130
Calgary	\$3,514	\$1,562	\$260
Hamilton	\$3,547	\$1,603	\$260
Ottawa	\$4,035	\$1,692	\$260

Sources: Rentals.ca, Statistics Canada and Globe and Mail calculations.

Methodology: Rent and income data are from July 2022. Income estimates are approximate and based on non-seasonally adjusted hourly wage data. For Halifax and Victoria, we used provincial-level wage data. Student loan payments assume \$30,000 in debt at graduation and a repayment term of 174 months with a fixed interest rate. For simplicity, for Montreal residents we assumed \$15,000 in debt with an identical fixed interest rate and repayment period (the latest available data from Statistics Canada show Quebec students graduating with roughly half the national average debt load for bachelor's degree holders). For living costs we used online estimates provided to incoming students by universities located in the cities we examined.

With median hourly wages for university graduates between the ages of 25 and 29 ranging from the high \$20s to mid \$30s as of July, even those working full-time hours may not be able to afford a place of their own in several of the country's most expensive rental markets.

For example, consider a recent graduate in Vancouver with a take-home pay of around \$3,300 and a monthly student loan payment of \$260. After paying roughly \$2,400 a month in rent – the average rate advertised for one-bedroom apartments on the rental platform [Rentals.ca](https://rentals.ca) in July – that tenant would be left with a deficit of around \$380 even if they managed to spend only around \$1,000 a month on all other living expenses. The math is similar in Toronto and Halifax, with young renters in Victoria also likely to reach their next payday with less than \$300 left even while on a shoestring budget.

After dropping in the earlier stages of the pandemic, rents across much of the country have shot back up. Strong immigration, international student arrivals, workers returning to the office and would-be homebuyers who are shelving homeownership plans amid rising borrowing costs are all fuelling demand for rentals, experts say.

In August, the average rent for all property types advertised on [Rentals.ca](https://rentals.ca) across the country was \$1,959 a month. That was up 1.3 per cent from July and nearly 17 per cent from the early-pandemic low of \$1,676 a month in April, 2021, the company said in its most recent rent report, which is compiled by Bullpen Research & Consulting Inc.

But even as rents escalate, a gulf remains between the income needed to rent and the one needed to buy a home.

Take Toronto, for example. Imagine a frugal twentysomething who's making enough to afford their own one-bedroom rental for a lofty \$2,192 and still save more than \$1,500 a month for a down payment on a house. That would require an income of just over \$90,000 a year.

Now imagine this twentysomething is fortunate enough to be in a committed relationship with someone who happens to have the same solid income and thus can also sock away \$1,500 a month while paying for their own apartment.

Assuming no hiccups, such as a job loss, along the way, this financial powerhouse of a couple would be able to save up the nearly \$300,000 in upfront cash they'd likely need to buy an average-priced home in the city within an eight-year time frame. However, even with combined annual gross earnings of more than \$180,000 in today's dollars, chances are, they'd still fall far short of the household income they'd need to qualify for a mortgage with a minimum down payment of 20 per cent. (While moving in together as renters has traditionally been a way for young couples to save on housing and ramp-up savings, that option isn't always available in overheated rental markets where it may be less expensive to stay put.)

Buying a house in lower-cost cities such as Ottawa, Montreal and Calgary doesn't require quite as much cash in either upfront payments or household income. But in all the urban areas we looked at, the numbers consistently suggest that the minimum income required to rent at market rates and to save up for a minimum down payment would probably not be enough to get a mortgage on an average home.

The enormous financial pressures of either owning or renting a home in many cities are forcing a rapid cultural shift about what society should expect of young adults and what they can expect of themselves.

Census data show Ms. Marsh is not alone in choosing to split the rent well beyond university. Moving in with roommates was the fastest-growing living arrangement for Canadians in their twenties and early thirties between 2016 and 2021, with 15 per cent of those in that age group sharing a roof with people who aren't part of their immediate family.

Another 35 per cent of 20- to 34-year-olds are rooming with their parents. In part, this reflects Canada's diversity, with young adults more likely to live at home in immigrant and racialized households, statistics show. But financial realities are also changing cultural norms.



From right, Mike Franzgrote bids his son, daughter-in-law and 3-week-old grandson farewell as they begin their journey to their newly purchased home in Moncton, N.B.

BRYAN DICKIE/THE GLOBE AND MAIL

In September, Mike Franzgrote, 69, said goodbye to his 37-year-old son, his daughter-in law and their newborn baby after the couple purchased their first home in Moncton. The three

adults had shared Mr. Franzgrote’s bungalow in Bradford, Ont., for three years, while the couple worked and saved up for a down payment after relocating from Vietnam, he said.

Before that, Mr. Franzgrote had his daughter, now 35, living with him on and off for extended periods after graduation to help her pay off her student loans and, later, save for a home.

It’s a starkly different timeline from the one that marked Mr. Franzgrote’s own transition into adulthood. After getting married at 19, he moved from Maxville, Ont. to Toronto at 20. At the age of 22, he’d bought his first home for what was then \$47,000, or just less than \$250,000 in today’s dollars.

These days, though, young people need some kind of “divine intervention” to break into the housing market, he said.

“Either that comes in the form of a parent willing to help you monetarily or providing you with a place to live while you save or, I mean, a lottery win is pretty elusive,” he said.

And with the size of average mortgage payments ballooning amid climbing interest rates, parental intervention may soon include co-signing the mortgage in addition to a hefty capital infusion for a down payment, Ms. Lee Simmons warned.

“That’s a whole layer of co-dependency on someone else in your financial life,” she said.

EVEN IF YOU CAN AFFORD TO RENT AND SAVE FOR A DOWN PAYMENT, YOU MAY NOT GET A MORTGAGE

Imagine two young people with university degrees and full-time jobs: They each make enough to rent their own one-bedroom and save up to buy an average-priced house together with a minimum down payment within eight years. Both in cities with unaffordable rents and in cities with relatively affordable rents, their household income likely wouldn't be enough for them to qualify for a mortgage on that average-priced home.



CITY	MIN NET INCOME TO AFFORD A 1 BDR	MONTHLY SAVINGS TO BUY A HOME IN 8 YEARS WITH A PARTNER/SPOUSE	MIN NET INCOME TO RENT AND SAVE FOR A HOME	MIN ANNUAL GROSS INCOME	HOUSEHOLD INCOME
Toronto	\$3,993	\$1,534	\$5,527	\$92,000	\$184,000
Vancouver	\$4,193	\$1,499	\$5,692	\$93,000	\$186,000

CITY	MIN NET INCOME TO AFFORD A 1 BDR	MONTHLY SAVINGS TO BUY A HOME IN 8 YEARS WITH A PARTNER/SPOUSE	MIN NET INCOME TO RENT AND SAVE FOR A HOME	MIN ANNUAL GROSS INCOME	HOUSEHOLD INCOME
Victoria	\$3,542	\$1,196	\$4,738	\$77,000	\$154,000
Halifax	\$3,588	\$219	\$3,806	\$66,000	\$132,000
	MEDIAN NET INCOME				
Hamilton	\$3,547	\$466	\$4,013	\$66,000	\$132,000
Ottawa	\$4,035	\$310	\$4,345	\$71,000	\$142,000
Calgary	\$3,514	\$170	\$3,684	\$60,000	\$120,000
Montreal	\$3,277	\$230	\$3,507	\$62,000	\$124,000

Sources: CREA, Statistics Canada and Globe and Mail calculations.

Methodology: For cities where average earners between the ages of 25 to 29 with university degrees and full-time jobs have \$500 or more left at the end of the month after covering rent and living expenses, we used our estimate of median incomes. In the other cities, we calculated the minimum net income required to afford a one-bedroom as the take-home pay that would cover rent and essential living expenses while leaving tenants with \$500 at the end of the month. Annual incomes have been rounded up to the nearest thousandth. For household incomes we assumed both partners have the same gross annual income.

RBC warned in June that the carrying costs of owning a home for new buyers reached levels last seen in the early 1990s at the end of an era, similar to the one Canadians are living through now, marked by high inflation and interest rates. Since earlier this summer, declining home prices have only marginally improved affordability as borrowing costs continue to rise, according to a recent report by financial products comparison site Ratehub.ca.

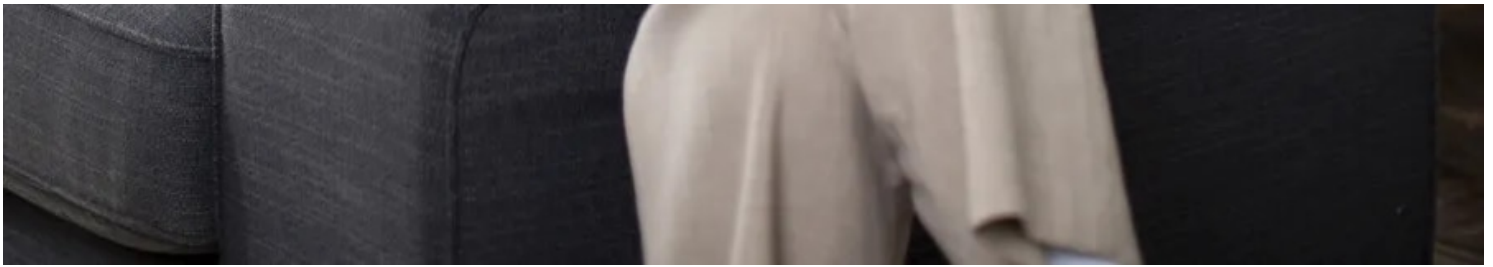
How and to what extent parents can help fuel their children's liftoff is a conversation financial planner Robb Engen is having frequently with his clients. With life expectancy for today's healthy retirees stretching to the mid- to late-nineties, a traditional inheritance may not benefit adult children until they are in their sixties, he said.

Older parents must ensure they have their own needs covered, including a generous financial buffer for unexpected expenses, Mr. Engen noted. But for some of his wealthier clients, the question, he said, is: "Do I want to be the richest person in the graveyard – leaving a million-dollar inheritance when my kids are retired – or can I help them in ways that will be more beneficial to them in those earlier years."

For clients with considerable estates, Mr. Engen is often looking at tax-free savings accounts (TFSA) as the ideal place from which to draw a generous cash gift, provided there is also enough left to cover emergencies. For well-heeled parents, that can be a much more attractive option compared with borrowing against their home equity through a line of credit, he said.

Still, not everyone can count on an early inheritance. Ms. Molek, the Toronto law student, said living at home isn't an option for her, let alone drawing from the parental purse.





Ms. Molek had to take out a line of credit to pay for her one-bedroom apartment in Toronto's midtown while she studies law at York University.

BRYAN DICKIE/THE GLOBE AND MAIL

It doesn't help that her income has dropped since starting law school. She was lucky enough to land a contract position at a criminal defence law firm this past summer, which was crucial to gain experience in the field she hopes to work in. But she earned less there than she did at the retail job she held through her undergraduate studies.

"It sucks when you're working full-time and barely making enough to pay your rent," she said.

For students with debt, high rents add to the pressure to take a job that pays the bills rather than the often unpaid or lower-paying entry-level positions that would, in time, lead to a career and higher earning potential, said Mike Moffatt, an economist and senior director of policy and innovation at the Smart Prosperity Institute in Ottawa.

"So that means these economic opportunities end up going to the people from wealthier backgrounds and not necessarily the most qualified people," he said.

And having to move away from larger urban centres because of housing costs could prevent young people from modest backgrounds from accessing jobs and in-person connections that would propel them further in their careers, ultimately hurting their upward income mobility, Mr. Moffatt said. "I worry about the same thing happening here where the good opportunities can end up going to people who can afford to live in Toronto or Vancouver and be propped up by their parents."

Of course, even the parents who can afford to help are concerned. In Georgetown, Ont., Eleanor Young, 59, doesn't mind her two twentysomething kids, both of whom work and have university degrees, living at home for now. Rather, she's worried they will one day be forced to move far away from her in order to afford a place of their own.

“Housing costs are a critical political issue for me. I want more to be done to make my community more affordable for my kids,” she said.

Some say the affordability crisis is an economic problem as well. Sky-high housing costs are making it harder for employers to hire in cities such as Vancouver, Toronto, Montreal and Halifax, said Travis O’Rourke, president of Hays Canada, a recruiting agency. That’s especially true for lower-paying jobs that can’t be done remotely and is part of the reason behind record labour shortages in sectors such as retail and the hospitality industry, he said.

And sky-high housing costs are also an obstacle when it comes to attracting new immigrants, said Benjamin Tal, deputy chief economist at CIBC World Markets.

“People have to understand that the affordability crisis means that the economy as a whole is operating on a subpar trajectory,” he said.

But the situation is likely to get worse before it gets better, he said. In a recent report, the Canada Mortgage and Housing Corporation estimated the country would need to build 5.8 million homes by 2030 to make housing affordable.

The required ramp-up in construction faces many well-known obstacles. There are restrictive zoning laws and byzantine building permit processes, as well as the fact that Canada only recently started accelerating the pace at which it’s adding purpose-built rentals, which has lagged for decades.



ILLUSTRATION BY ERIC CHOW

Politicians of all stripes and at all levels of government are starting to promise, or call for, more building. The Trudeau government has increased federal investment in housing, although critics say Ottawa’s building targets remain far too modest. Ontario passed a bill in early September to introduce so-called “strong mayor” powers in Toronto and Ottawa, which Premier Doug Ford is pitching as a way to get housing built faster by trumping budgetary and bureaucratic obstacles to new construction. And federal Conservative leader Pierre Poilievre has promised to boost the housing supply in pricey cities by making some federal funding contingent on municipalities increasing homebuilding.

Mr. Tal, though, sees an additional near-term obstacle to the now widely called-for building jack-up: Rising interest rates are pushing up construction financing costs. And that’s in addition to supply chain snarls, which have been driving up the cost of materials, and labour shortages, which have been putting upward pressure on wages.

“We estimate that about one-third of construction of units that were supposed to be built over the next two years will be delayed or cancelled,” he said.

In the meantime, young Canadians are left to wonder how they'll launch their lives in what is likely to remain, for several more years at least, one of the world's least affordable housing markets.

Ms. Molek, for her part, is asking herself whether she'll have to shelve her dream of becoming a criminal defence lawyer in favour of a higher paying corporate law job that would allow her to hack at her mountain of student debt.

“That isn't a compromise I should have to make in order to survive.”