

Analysis

Rethinking the home ownership dream

Buying a home today may not be the life-long investment it has been in the past

By Alison Smith, [CBC News](#) Posted: Jan 31, 2014 5:51 PM ET Last Updated: Feb 04, 2014 12:15 PM ET



Is the homeownership dream still worth it? (Canadian Press)



Richard Florida: how high house prices hold us back 9:38

If Canadians have a preoccupation these days, apart from the winter weather, it seems to be real estate. Specifically: the ever-rising prices in most of our big cities.

Is this a bubble? Will there be a crash, or a so-called soft landing? No one really knows.

For generations, we've cultivated the home-ownership dream — the idea that rising house prices are a measure of the country's overall prosperity and one's own financial security.

Buying a home is what you do as an adult — it is how you settle down and raise a family.

It's also a good investment, and often a ticket to a secure retirement. Social pressure, government policy and, recently, historically low interest rates have encouraged all of that.

But maybe those are now outdated notions. Many young Canadians are already looking at them with skepticism. And perhaps we should all rethink the dream for a number of reasons.

First, affordability. In little more than a decade and a half, the average house price in Canada has more than doubled, outpacing inflation and incomes.

In Toronto's super-heated condo market, for example, what's called a micro-condo — 300 square feet — can go for a cool quarter of a million dollars.

Realistically, for the average Canadian, the dream of owning a home is beyond reach in cities like Toronto, Vancouver and Calgary.

Some Canadians are spending as much as 50 per cent of their income on mortgage payments, and as consumers we've never been more indebted. Mortgage debt is a big part of that.

Dragons' Den panelist David Chilton, perhaps best known as the author of the *Wealthy Barber*, a folksy how-to about financial planning, is worried about our real estate obsession.

"I'm not against real estate," he says. "I'm against the fact that so many people have it as their primary asset, their only asset in a lot of instances. That's not good diversification. It's not wise."



Condo towers have come to dominate many of Canada's downtowns. They can present a different set of economic questions. (Reuters)

Granite countertops

What's more, Chilton argues that too many of us have bought into the idea that bigger is better — what he calls the granite countertop phenomenon.

"How screwed up has society become," he asks, "when people are literally embarrassed if they don't have granite countertops?"

Chilton boasts about living in a fairly modest 1,300 square-foot house, and claims not to know what kind of countertops are in his kitchen.

"My argument has always been a more modest home is a better way to live," he says. "You're not stressed about your financial future. You have enough money flowing through to save. And it's easier to keep clean."

As he, and other financial gurus, point out, Canadians are spending so much on their mortgages that they have little or nothing left for anything else, particularly savings.

Rob Carrick, who writes a personal finance column for the Globe and Mail, notes that housing affordability is one of his most frequent subjects.

What he worries about are those who are maxing out on debt. "What about saving for retirement? What about saving for your kids' education?" he asks.

"We all have aging parents. We may well be supporting our post-university kids and our aging parents. If we're loaded down with heavy debts, I question how much longer it will all work?"

Safe as houses?

A second concern in this debate is the notion of real estate as *the* dream investment.

Carrick calls it a great story. But, he says, it's one that is out of sync with the times.

"That housing-is-a-great-investment story is for people who bought five, 10, 15, 20 years ago. For today's buyers, I think five years from now your house might well be worth what you paid for it."

No less than the Nobel Prize-winning economist Robert Shiller questions the value of homeownership as an investment. He's a renter.

"Here is the harsh truth about homeownership," he wrote in the New York Times. "Over the long haul, it's hard for homes to compete with the stock market in real appreciation."

What's more, housing is an "ambiguous investment to evaluate," he says, because it's an emotional investment, not just a financial one.

A fixed address

Even if we accept the fact that owning a home may not be the lucrative personal investment it's often made out to be, another reason to reassess our fixation with homeownership may be because of its broader economic implications.

Research in the U.S. has shown, for example, that states with high rates of home ownership correlate with high levels of unemployment. The explanation being that if workers own a home, they're less mobile, less likely to move to find work.

Richard Florida, who heads the Martin Prosperity Institute at the University of Toronto, has written extensively about creativity, innovation and how cities work. And, like Chilton, he believes smaller is better.

He argues that we should be spending our resources, both personally and as a society, on technology and innovation, not on what he calls "sticks and studs."

"It's not just the house you're over-buying", he says. Once you've got the house, there's the car and the TV and the furniture.

"That's money that's not being spent on new technology, on adding to your own stock of human capital by upgrading your education, by investing in your future.



Urban critic Richard Florida: Smaller is better. 'It's not just the house you are over-buying.' (Lorne Bridgeman)

"And we know the best investments people can make are in their own human capital and development training, knowledge and education."

Florida also points out that rising house prices, particularly in city centres, have contributed to divisions in Canadian society.

He worries about the stark differences between people living in vibrant, affluent city centres and those who can't afford to live there and are forced to commute ever longer distances.

"Home ownership was the tie that bound us together," he says. "A rich Canadian, a working-class Canadian, a farming Canadian, we could all be part of a Canadian dream."

That's fading now, Florida says, because "just owning a house doesn't assure you of a dream. You have to have a great job and economic opportunity."

Still, for many Canadians, buying a home may be the right choice.

And the housing market itself is a significant economic force that helps drive much of our economy — from banks and lumber mills to DIY and home furnishing stores.

But rethinking the dream, especially in urban areas where most Canadians live, means taking a hard look at the numbers. Maybe it means renting, not buying. Or smaller is better.

Or just coming around to the view that home ownership is not the only way to a happy secure financial future and a prosperous economy.



Building permits issued across Canada 2008-13 (Statistics Canada / CBC)