

Affordability Gap in the GTA: A Data-Driven Exploration

Somaya Alhadi

November 22, 2024

Introduction

This document serves as a preliminary proposal, summarizing key insights and identifying areas for further research into Canada's affordability crisis. The outlined arguments and data sources establish a framework for more comprehensive analysis and future studies aimed at addressing these challenges.

Executive Summary

The Greater Toronto Area (GTA) faces a mounting affordability crisis, disproportionately affecting middle- and lower-income households. This report examines the affordability gap using metrics such as the Home Price Index (HPI), median after-tax income, rent-to-income ratios, and vacancy rates. Drawing insights from sources like RBC Thought Leadership, IRPP, and Statistics Canada, this analysis reveals widening inequality and systemic challenges in housing accessibility. These findings serve as the foundation for a more extensive investigation into the economic and social implications of this affordability crisis.

Figures and Analysis

1. HPI and Median After-Tax Income Over Time

****Interpretation:**** The GTA's median after-tax income growth has failed to keep pace with escalating housing prices, underscoring a critical affordability challenge for middle- and lower-income families.

2. Affordability Ratio Over Time

****Interpretation:**** The sharp upward trend in the affordability ratio indicates that housing has become increasingly out of reach, exacerbating inequality and reducing access to homeownership.

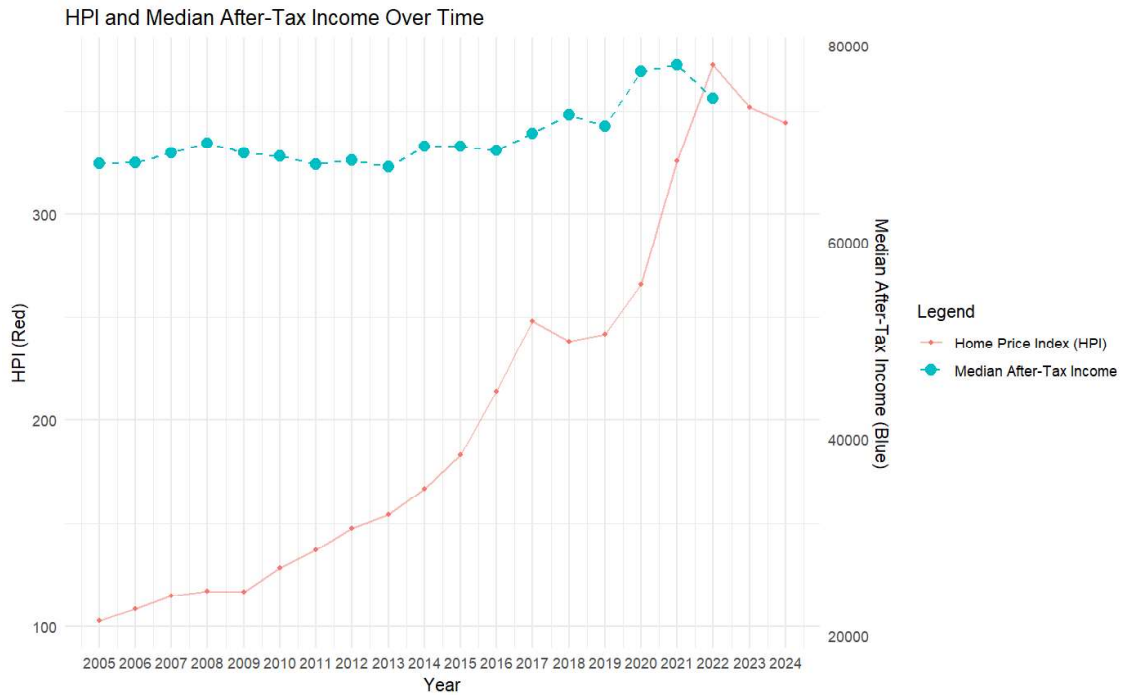


Figure 1: HPI and Median After-Tax Income Over Time. This figure highlights the growing divergence between housing prices and income, indicating declining affordability for the average household.

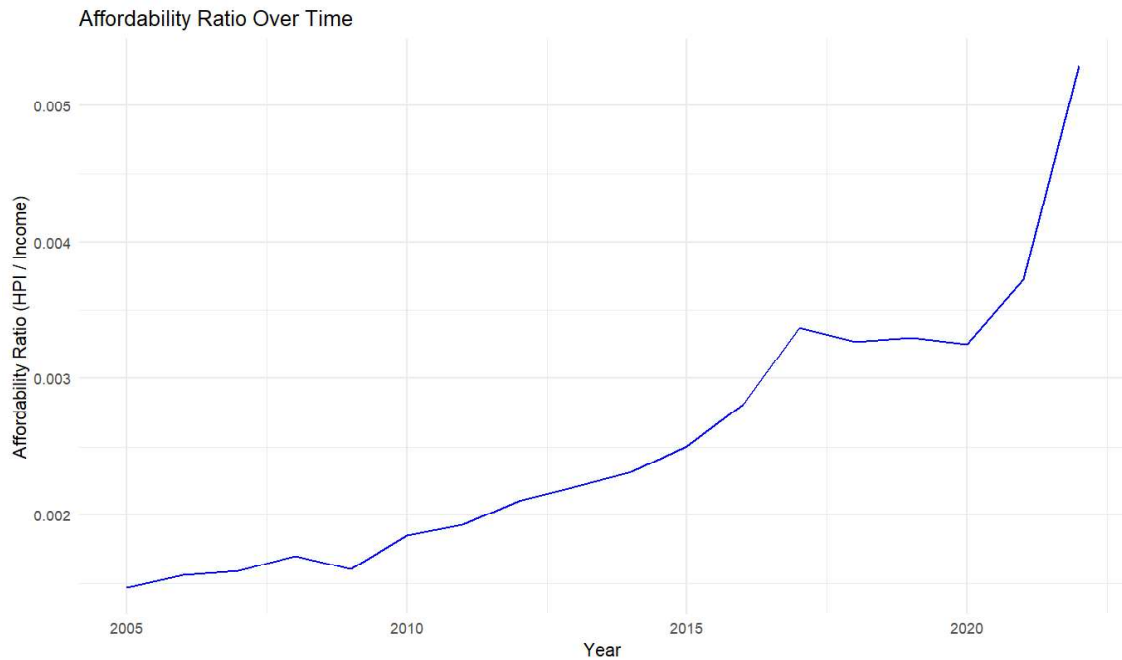


Figure 2: Affordability Ratio Over Time. The ratio of HPI to income shows how much housing prices exceed income, highlighting the worsening affordability crisis.

3. Percentage of Average Income Spent on Rent (1990 Onward)

Interpretation: With rents consuming a growing share of income, particularly in the lower 40

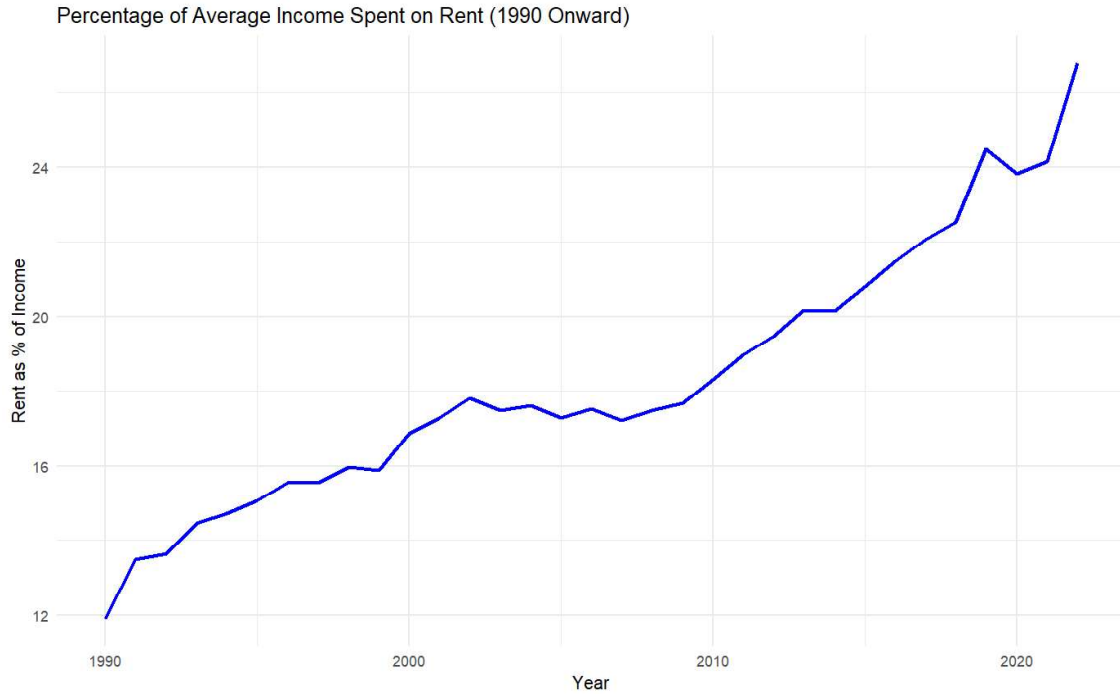


Figure 3: Percentage of Average Income Spent on Rent. This figure demonstrates the escalating rent burden on households, particularly for lower-income renters.

4. Growth for HPI and Income

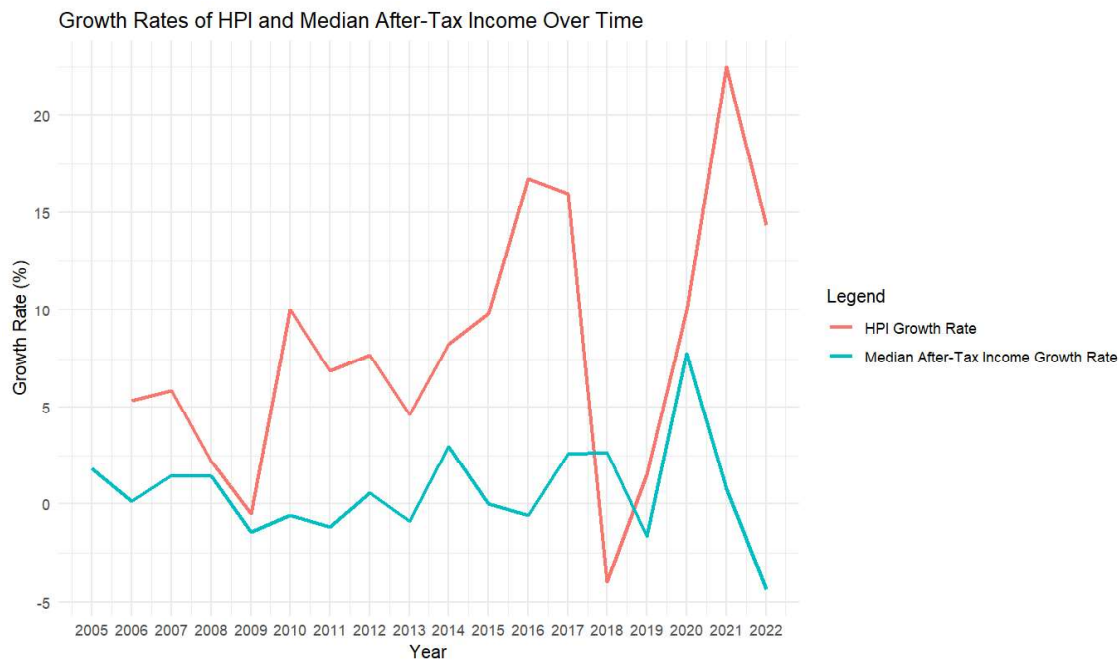


Figure 4: Growth of HPI and Median Income. This comparison illustrates the disproportionate growth of housing prices relative to income over time.

****Interpretation:**** The disparity in growth trajectories suggests that policy interven-

tions or structural adjustments are necessary to address housing market imbalances.

5. Growth with Base Year 2005

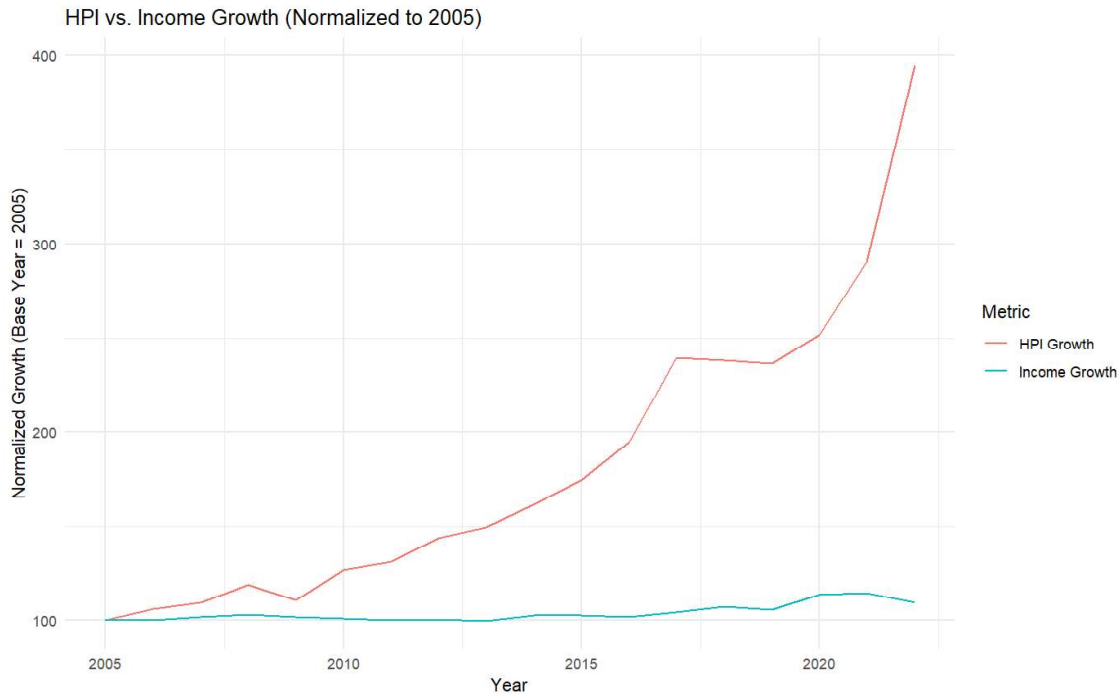


Figure 5: Growth from Base Year 2005. Normalizing trends to a base year emphasizes the excessive rise in housing prices compared to incomes.

****Interpretation:**** Benchmarking from 2005 clearly demonstrates that housing prices have far outpaced income growth, reinforcing the need to address affordability gaps.

Conclusion

This analysis provides a foundational understanding of the affordability gap in Canada, focusing on the interplay between income disparities, housing costs, and related economic factors. It highlights critical issues such as the growing income inequality, structural mismatches in the housing market, and the long-term impacts of policy decisions.

As a draft proposal, this document aims to initiate deeper exploration into these topics and serve as a basis for further research. Future work will include detailed statistical analysis, enhanced data visualizations, and policy recommendations for addressing affordability challenges sustainably.