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Vancouver millennials sinking in sea of debt

When it comes to discretionary income, millennials living in Vancouver fare far worse than their counterparts across the country.

In fact, according to a new report by Vancity, a typical millennial couple — those between the ages of 25 and 34 — buying a home at an average price in Vancouver will have no discretionary income and will rack up debt of $2,745 per year after paying for essential expenses including taxes, health care, food, utilities, transit costs, clothing and housing.

By comparison, Edmonton has the highest discretionary income in Canada for a typical millennial couple: $47,356.

The report, No Funds City: Why Vancouver Millennials Have the Lowest Discretionary Income in Canada, found that Vancouver millennials have the least amount of discretionary income compared with their counterparts in nine other Canadian cities.

Among other things, the report also concluded that in 2015, a typical Vancouver millennial household of two earned $72,291 — the second-lowest rate in Canada — while annual costs for an average home in Metro Vancouver in 2016 is $44,354, the highest in the country.

As well, about 16 per cent of families who rent in Vancouver are overcrowded in their current housing arrangement, and the overall vacancy rate for rentals in Metro Vancouver is under one per cent.

Millennials need affordable housing

As for possible solutions, the report recommends creating incentives for developing affordable, family-friendly housing, and dramatically increasing support for rental housing.

“I think the most interesting thing about (this report) is the idea of discretionary income, (the amount of money left over after paying for the basic requirements of life),” said William Azaroff, Vancity’s vice-president of community investment. “And the discretionary income levels of millennials who live in this area and earn an average salary and pay an average amount for housing is such that they don’t have a lot left over to build up quality of life. You’re talking about a cohort that’s setting down roots, which is building toward their future, maybe having kids, so it’s just such a critical age not to have discretionary income.

“But, there’s no silver bullet here. This is going to require different levels of government, developers and not-for-profits, housing co-op providers, lots of different players coming together to solve this multifaceted and complex problem.”

According to the report, a typical Vancouver millennial household of two earned $72,291 in 2015. After essential expenses including taxes, clothing, health care premiums, food, public transportation and utilities, about $41,609 was left over. Subtract ownership costs of more than $44,354 annually for a property at an average cost in Vancouver, and millennial families are racking up debt, the report said.

After Vancouver, Toronto had the next most expensive housing market at $33,405 annually, along with the next lowest discretionary income at $3,379 annually for millennial couples who purchased property.

However, the report found that by purchasing a townhouse at an average cost, Vancouver millennial couples would have about $9,549 annually in discretionary income, while a condominium would leave them with $16,422 annually in discretionary income.

By renting outside the city centre, Vancouver millennial couples would have about $27,940 annually in discretionary income for a typical one-bedroom unit, or $15,183 for a three-bedroom unit.

For average millennial families with one child in full-time paid care at an average cost of $14,580 annually, affordability is an even bigger challenge. In fact, the report said, an average millennial family that purchased property at the average Vancouver price in 2016 would go into debt by $17,325 per year just to cover basic expenses once child care costs are introduced.

If the same family purchased a three-bedroom condo in Vancouver at average cost in 2015, they would go into debt to the tune of $29,597.

By renting a three-bedroom unit, Vancouver millennial families save on shelter costs but still have only $771 a year for spending, saving, giving or paying down debt, the report added, recommending that the government provide incentives to support rental housing.

"Recent news reports point to a millennial exodus from Vancouver and relocation to more affordable places, like Victoria and Kelowna," said the report. "Meanwhile, local entrepreneurs and millennials are adding to the dialogue by saying unaffordability is emptying Vancouver of one of its most valuable assets — young people from the city who want to stay invested in it."