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Barriers to moving: Potential implications for the life satisfaction of young families

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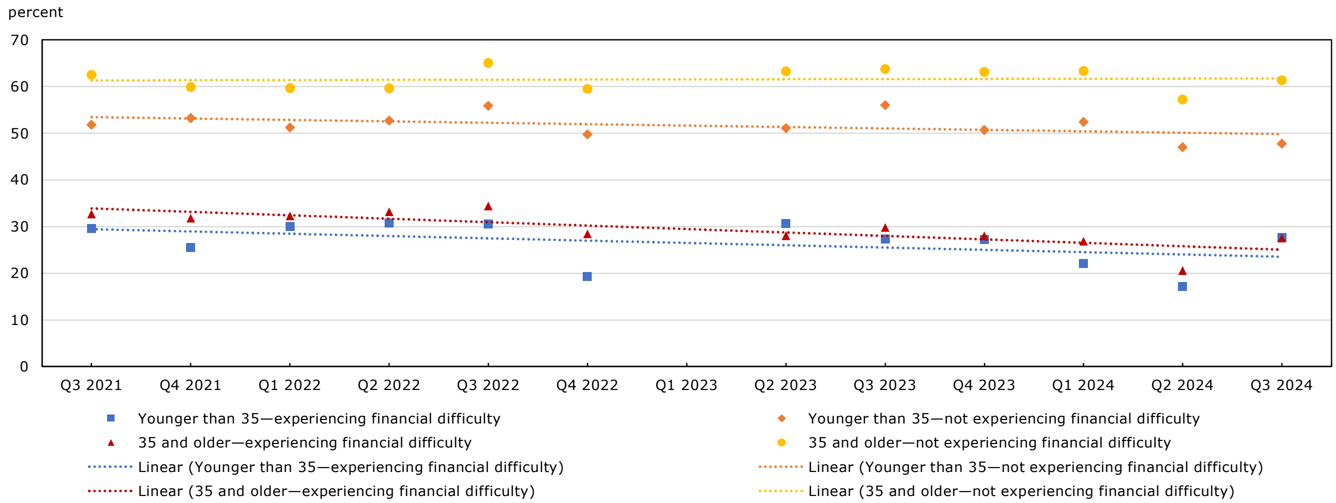
The prevalence of Canadians who report high levels of life satisfaction has trended lower since inflationary pressures began to build in 2021. In early 2024, 48.6% of Canadians aged 15 years and older reported that they were highly satisfied with their lives, a decline of more than 5 percentage points from three years earlier. The gradual deterioration in life satisfaction has been unevenly felt, with more sizable reductions among young adults, racialized Canadians and those living in larger urban centres.[1] Cumulative declines among younger Canadians over the past three years, which occurred against a backdrop of deteriorating housing affordability and large increases in rental prices, have totalled about 11 percentage points, with about one in three reporting high levels of life satisfaction by early 2024.

As Foran (2024) notes, life satisfaction can be considered a pulse check on the overall well-being of Canadians, one that is strongly associated with their self-reported ability to meet financial needs. Despite robust income gains as pandemic-related restrictions eased, the share of Canadians experiencing financial difficulties rose from 18.6% in 2021 to 32.8% in 2024.[2] Among those experiencing financial difficulties, rates of high life satisfaction fell 2.6 percentage points per year over the same period, with reductions among younger Canadians and those aged 35 years and older (Chart 1).[3]

1. For background information, see Foran (2024).
2. Survey respondents were classified as experiencing financial difficulties if they reported that it was difficult or very difficult to meet their financial needs (i.e., transportation, housing, food, clothing and other necessary expenses) over the past 12 months.
3. Average life satisfaction edged higher from 2021 to 2024 among Canadians aged 35 years and older who did not report difficulty in meeting their financial needs.

Chart 1
Percentage of Canadians reporting high levels of life satisfaction, by age group and financial difficulty, 2021 to 2024



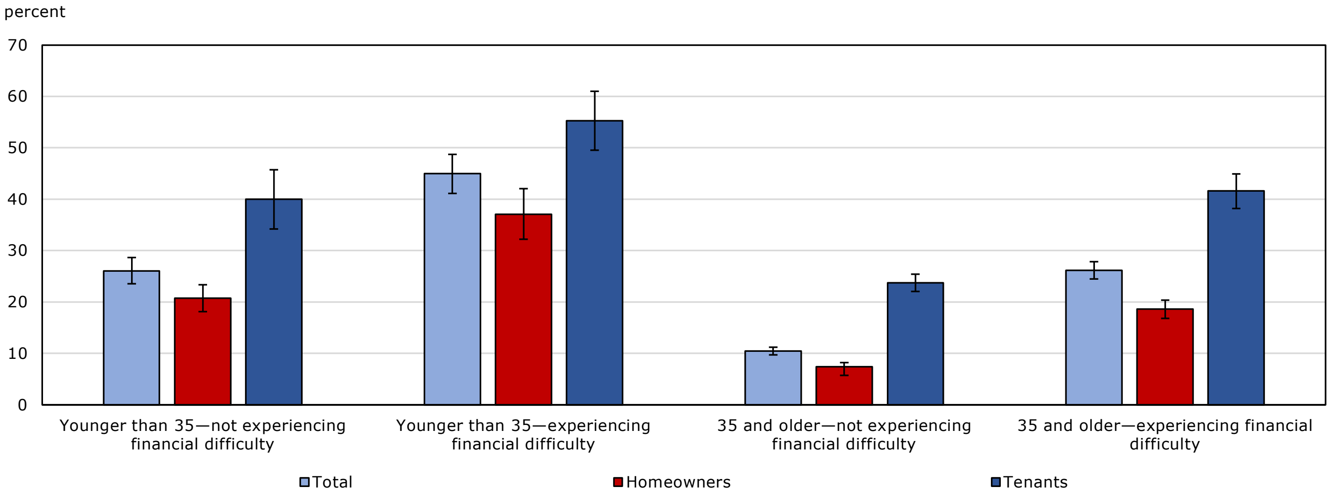
Note: There are linear trend lines corresponding to each of the four data series presented in the chart.

Over the past three years, many families have changed their spending and saving habits in attempts to mitigate elevated cost pressures.[4] About one in three Canadians experiencing financial difficulty has had to draw on savings to pay expenses, while one-third of Canadians also report meeting day-to-day expenses by borrowing money from friends or relatives, taking on additional debt, or using credit.[5] Also, many households are changing or delaying decisions about housing. Data from Statistics Canada's distributions of household economic accounts highlight the extent to which young households have deleveraged as borrowing and debt service costs have risen.[6] Average mortgage balances among households whose primary earner is younger than 35 years have contracted steadily since late 2022 and are down 5.5% over the past two years. Gauthier and McCormack (2024) suggest that this decrease may reflect prospective young homeowners turning away from the housing market, along with current homeowners downgrading to more affordable accommodations or paying down existing mortgage debt. While young households as a group have substantially reduced their debt-to-income ratio, their debt charges remain elevated because of high prices and rising interest costs.[7]

Heightened financial barriers to homeownership have relegated many younger Canadians to the rental market at a time when many current and potential tenants are contending with sharp increases in asking rents. Nearly two-thirds of Canadians aged 15 to 29 are renters and, as a group, they spend relatively more of their income on shelter-related costs.[8] One direct impact of the deterioration in housing and rental affordability is that it creates substantial barriers to shelter mobility, which impede or delay the ability of families to move. Data collected from the Canadian Social Survey (CSS) underscore how higher prices have disproportionately affected the moving decisions of young Canadians, especially those experiencing financial hardship.[9]

4. One notable example of shifting spending patterns is the increased prevalence of store and product substitution. For an analysis of store switching, see Clarke et al. (2023).
5. Estimates are from the Canadian Social Survey, second quarter of 2024.
6. See Statistics Canada (2024b).
7. The debt-to-income ratio of young households has declined from 194.8% to 179.4% over the past two years, while their interest-only debt service ratio—the interest paid on debt as a share of disposable income—has continued to edge higher. For a more detailed discussion, see Statistics Canada (2024b).
8. In 2023, vacancy rates were at a record low (1.5%), while average rent growth was at a record high (+8.0%); see Statistics Canada (2024a).
9. Estimates are based on pooled CSS data collected from the fourth quarter of 2022 and the second quarter of 2024.

Chart 2
Percentage of Canadians reporting that their moving plans were affected by rising prices, by homeownership status and financial difficulty



Source: Statistics Canada, Canadian Social Survey, pooled waves 7 and 13, special tabulations.

The impact of rising prices on the moving decisions of younger Canadians was broadly felt. Among Canadians younger than 35 who indicated that they were **not experiencing** financial difficulty, about one-quarter reported that they wanted to buy a home or move to a new rental but did not because of rising prices. Among young Canadians **experiencing** financial difficulty, 45% reported that their moving decisions were negatively affected by rising prices.

The prevalence of those reporting negative impacts differs between young renters and young homeowners. Among young renters who indicated that they are experiencing financial difficulty, over half (55%) reported that they wanted to buy a home or move to a new rental but did not because of rising prices. By comparison, 37% of young homeowners who were experiencing financial difficulty did so.

The negative impacts of higher prices on moving decisions—in particular among renters and those experiencing financial difficulty—are also apparent among Canadians aged 35 and older. The prevalence of these negative impacts is slightly lower within this age group.

The above data suggest that one potentially important factor jeopardizing the recovery in life satisfaction among younger households may be the persistence with which high housing and rental costs continue to impede shelter mobility and delay important life transitions, including being unable to relocate to other parts of the country.

This may depend on what the sharp deterioration in shelter affordability ultimately means for the path to homeownership of younger Canadians. Homeownership has long been the primary means of building wealth, especially for young families.[10] Homeownership is also strongly correlated with life satisfaction. People living in rental housing report lower quality of life across several dimensions of well-being compared with those who live in a home owned by someone in the household (Statistics Canada, 2024a). As MacIsaac (2024) notes, the differences in life satisfaction may reflect compositional differences

10. According to the 2023 Survey of Financial Security (SFS), the median net worth of younger homeowners rose from $142,800 in 2019 to $457,100 in 2023. It is important to note that homeownership is not the only means through which younger households accumulate wealth, as the SFS data also show that many young families are amassing wealth without owning their principal residence. See Statistics Canada (2024c).

between homeowners and renters, including differences in household, dwelling and neighbourhood characteristics. Barriers to shelter mobility that limit access to homeownership can be expected to weigh on life satisfaction.

The risks that sustained barriers to shelter mobility pose for well-being are potentially amplified over the longer run if access to homeownership becomes fundamentally more unequal—that is, if larger numbers of potential homeowners, particularly those who do not have access to financial support from families, are effectively priced out of the housing market.[11] Mortgage gifting has increased substantially in importance as housing affordability has deteriorated.[12] Over the long term, increasingly tying the likelihood of homeownership to intra-family transfers may have adverse implications for socioeconomic mobility.

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11. For research on housing trajectories, see Stick et al. (2023) and Khalid et al. (2024).
12. For background information on the rising prevalence of mortgage gifts, see Tal and Judge (2024).

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