



## Live Where You Go

# Costs of Living and Commuting in the GTA

Case study

by Graham Haines and Cherise Burda

A recent survey by Royal Bank of Canada and the Pembina Institute found that GTA residents are increasingly interested in living closer to work, rapid transit and amenities, even if it means giving up a big house and yard.<sup>1</sup> However, these housing options are limited and costly in the Greater Toronto Area.<sup>2</sup> Developers continue to build in sprawling greenfields because it is often more cost effective than building developments in walkable, transit-oriented neighbourhoods.

As a result, homebuyers are often priced out of location-efficient neighbourhoods and literally “driven” to the urban fringes, where long and stressful auto commutes are required. The difference in home prices can be significant; a relatively new three-bedroom house in an Oshawa greenfield development can cost \$200,000 less than a similarly-sized house in Toronto with good access to rapid transit. While housing prices are lower in suburban greenfield developments, the high cost of transportation and other location costs often cancels out these lower house prices. Homeowners may not be aware of how their monthly expenses are impacted by the choice of *where* they live — not just what they live in.

This brief supplementary report compares housing and transportation costs in seven different locations across the GTA. The key findings are presented here:

### Findings

- Car ownership has a significant impact on monthly costs — for each vehicle removed from a household budget, approximately \$200,000 more can be carried on a 25-year mortgage.
- For a working couple with jobs in downtown Toronto it is more affordable to live downtown, and walk or bike to work, than it is to live in a car-dependent suburban community.

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<sup>1</sup> Cherise Burda and Graham Haines (2012) *RBC-Pembina Home Location Study: Understanding where Greater Toronto Area residents prefer to live*. [www.pembina.org/pub/2354](http://www.pembina.org/pub/2354)

<sup>2</sup> Eric J. Miller et al., *Travel and Housing Costs in the Greater Toronto Area: 1986-1996* (2004). [http://www.neptis.org/library/show.cfm?id=51&cat\\_id=19](http://www.neptis.org/library/show.cfm?id=51&cat_id=19).

## Homes compared

This report presents a case study with housing examples selected arbitrarily from different locations. Examples were selected from real estate listings (MLS) available in April 2012. The results are not statistically significant; however they paint a general picture of the commuting and cost consequences of different location choices.



The scenario conditions were:

1. Homes selected had three bedrooms and were suitable for a family of four (two adults)
2. Adults are working in downtown Toronto.

Table 1 presents the properties examined below. The details examined for each property included:

1. Price
2. Location – as charted on the map in Figure 1.
3. Walk Score<sup>3</sup>
4. Access to rapid transit and distance to a main stop/station

**Table 1: Property comparison**

Property	Details
<p><b>Downtown Toronto condo</b></p> 	<p>Condominium in Toronto's Distillery district, 2 km from Bay and King.            List Price: \$499,000            Walk Score: 92/100</p> <p>Commute assumption: Both commuters travel by foot or bike.</p> <p><b>Combined monthly housing and commuting cost: \$4,560</b></p>
<p><b>Downtown Toronto house</b></p> 	<p>Recently renovated house in Toronto's Leslieville neighbourhood, 4 km from Bay and King.            List Price: \$568,000            Walk Score: 95/100</p> <p>Commute assumption: One commuter travels by bike, the other by transit.</p> <p><b>Combined monthly housing and commuting cost: \$5,280</b></p>

<sup>3</sup> Walk Score is a rating of how walkable a neighbourhood it. It measures walkability based on the proximity of a variety of amenities and services. Many U.S. realtors use walk scores when selling homes. More information is available at [www.walkscore.com](http://www.walkscore.com).






<p><b>Toronto house</b></p> 	<p>Recently renovated house in Toronto  Rapid transit connected: 2 blocks away from Greenwood subway station, 6.4 km from Bay and King.  Price: \$529,000  Walk Score: 83/100</p> <p>Commute assumption: Both commuters travel by transit.</p> <p><b>Combined monthly housing and commuting cost: \$5,070</b></p>
<p><b>Markham highrise condo</b></p> 	<p>Condo 1.5 km from Markham's rapidly developing downtown  Rapid transit connected: 3 km from Unionville GO station; 30.8 km from Bay and King.  Price: \$364,900  Walk Score: 72/100</p> <p>Commute assumption: One commuter travels by transit, the other by car.</p> <p><b>Combined monthly housing and commuting cost: \$4,870</b></p>
<p><b>Markham house</b></p> 	<p>Upgraded house near the Markville shopping centre  Rapid transit connected: less than 1 km from the Centennial GO station; 35.9 km from Bay and King.  Price: \$459,000  Walk Score: 72/100</p> <p>Commute assumption: One commuter travels by transit the other by car.</p> <p><b>Combined monthly housing and commuting cost: \$5,740</b></p>
<p><b>Malton house</b></p> 	<p>Well-maintained home in Malton  Rapid transit connected: 1.7 km from Malton GO station; 32.2 km from Bay and King.  Price: \$349,900  Walk Score: 62/100</p> <p>Commute assumption: one commuter travels by transit the other by car.</p> <p><b>Combined monthly housing and commuting cost: \$4,740</b></p>
<p><b>Oshawa house</b></p> 	<p>House in the NE end of Oshawa,  Greenfield house, poor rapid transit connection: 10 km from the Oshawa GO terminal and 67.5 km from Bay and King.  Price: \$249,900  Walk Score: 63/100</p> <p>Commute assumption: Both commuters travel by car.</p> <p><b>Combined monthly housing and commuting cost: \$5,770</b></p>



Figure 1: Map of properties considered

## Findings

- Car ownership has a significant impact on monthly costs — the cost of owning a car in this particular case study is between \$1,400 and \$1,700 per month. For each vehicle removed from a household budget, approximately \$200,000 more can be carried on a 25-year mortgage.
- For a working couple with jobs in downtown Toronto it is more affordable to live downtown, and walk or bike to work, than it is to live in a car-dependent suburban community.

## Comparison details

### Monthly housing costs

Monthly housing costs were directly tied to the purchase price of each property. Assumptions used in our calculations are based on the following:

- 20% mortgage down-payment on a 25-year mortgage at 3.99% interest.<sup>4</sup>
- Property taxes are calculated based on the list price and the property tax rate for the municipality.
- We have not estimated maintenance and repair costs for houses and as a result have also excluded maintenance fees for condos and townhouses.

The house in Oshawa is the most affordable option presented; with monthly housing costs of \$2,400 per month it is less than half the monthly cost of owning a downtown Toronto house (\$5,000 per month). This significant price difference can make it difficult for families to justify a home in more location-efficient neighbourhoods.

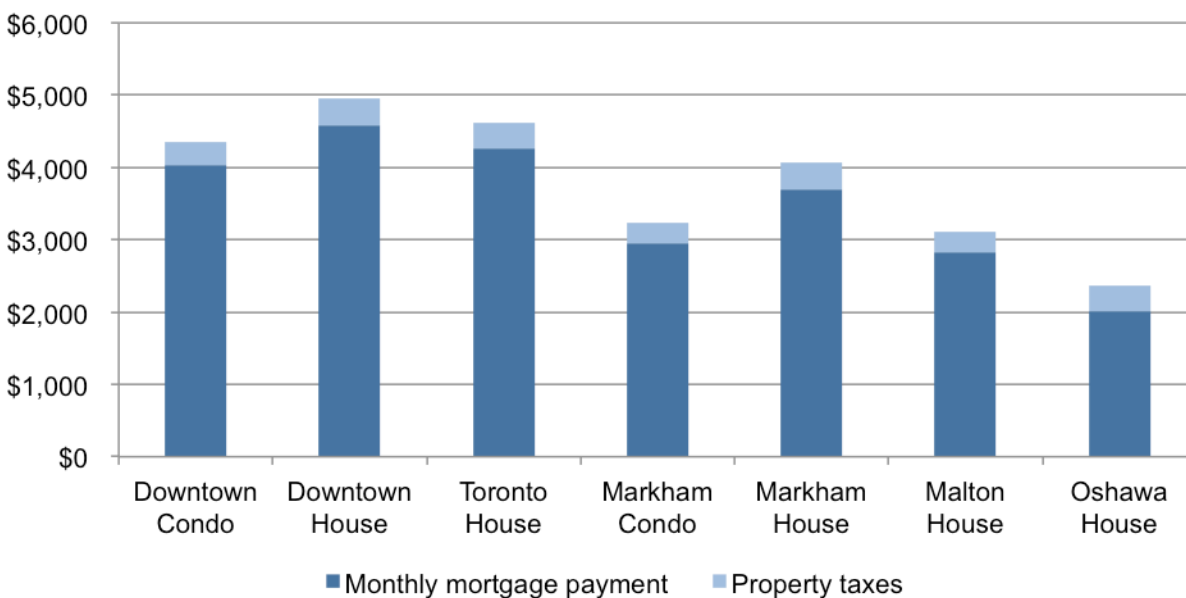


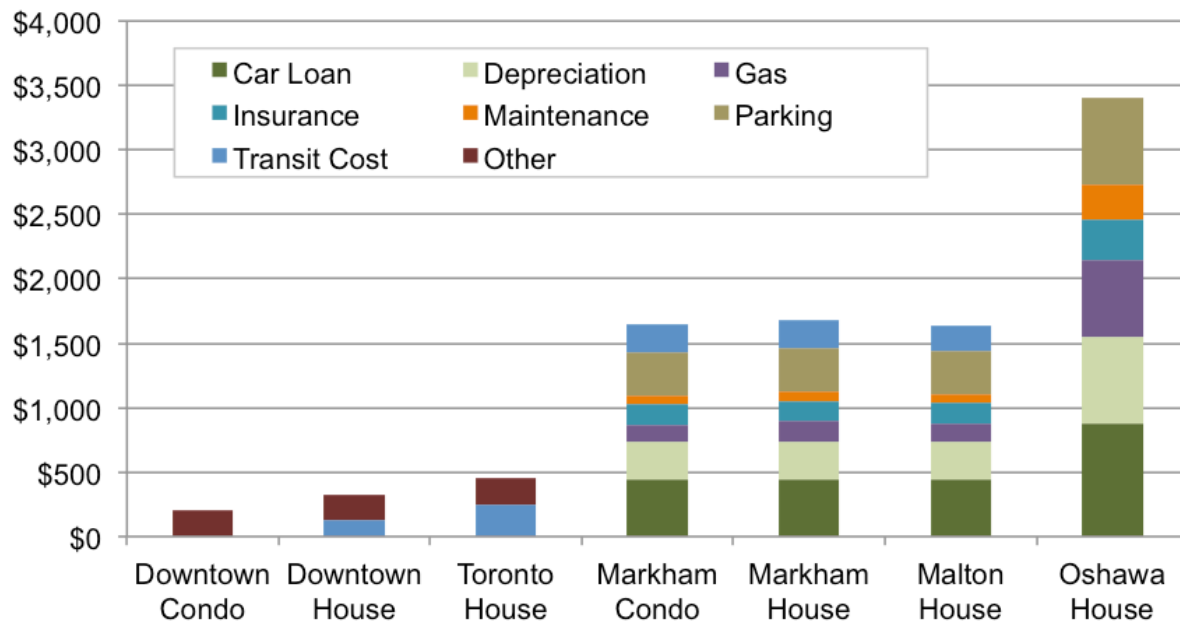
Figure 2: Monthly housing costs

### Monthly transportation costs

While the house in Oshawa had the lowest monthly housing costs, it also has the most expensive monthly transportation costs. With no convenient nearby rapid transit (this particular house was a 10-kilometre drive (two-hour walk) from the Oshawa GO train) and with two household vehicles, the estimated monthly transportation costs are \$3,400. Moving to a more location-efficient location and eliminating the cost of one car halves these costs, while moving to a location that does not require any vehicle results in very minimal transportation costs. For

<sup>4</sup> Based on ING Direct's current 10-year fixed rate (May 23, 2012).

example in a zero-car household along the Toronto subway line we have estimated transportation costs at under \$500 per month, or about one-seventh the transportation costs of the Oshawa house.



**Figure 3: Monthly transportation costs**

The assumptions made are outlined below:

- Both adults work in downtown Toronto.
- Commutes made by transit only use one transit system, either GO or the TTC.
- In locations where we assume two commutes by car we assume each driver travels in their own vehicle to illustrate the cost of owning two vehicles.
- Vehicles are new Chevrolet Cruzes. Financing cost is based on the Chevrolet website. Details are included in the appendix.
- Vehicle depreciation, insurance and maintenance costs are based on CAA 2010 cost of driving report.<sup>5</sup>
- The cost of parking is \$336.25 per driver based on the average cost of parking in Toronto.<sup>6</sup>
- Gas is priced at \$1.31 and consumption is based on the fuel efficiency rating of the Chevrolet Cruze.
- An additional \$200 in transportation costs has been added to homes without a car. This is meant to cover occasional use of transit, taxis, and/or a car share.<sup>7</sup>

<sup>5</sup> CAA, *Driving Costs – 2011 Edition*. [www.caa.ca/documents/CAA\\_Driving\\_Costs\\_Brochure\\_2010.pdf](http://www.caa.ca/documents/CAA_Driving_Costs_Brochure_2010.pdf)

<sup>6</sup> CBC News, “Parking Rates Up Slightly Up Across Canada,” July 7, 2011. <http://www.cbc.ca/news/canada/toronto/story/2011/07/07/parking-rates-canada.html?ref=rss>

<sup>7</sup> This corresponds to Autosshare's middle-use scenario of 12 hours of car use per month, costing \$190. [http://autosshare.com/rates\\_compare.html](http://autosshare.com/rates_compare.html)

## Total monthly costs

When housing and transportation costs are combined, home locations that have access to (and owners who use) efficient rapid transit or active transportation options are less costly than those where automobiles are required. Although the downtown Toronto house has a purchase price of over \$300,000 more than the house in Oshawa, the downtown Toronto house costs about \$500 per month less to live in once transportation costs are included.

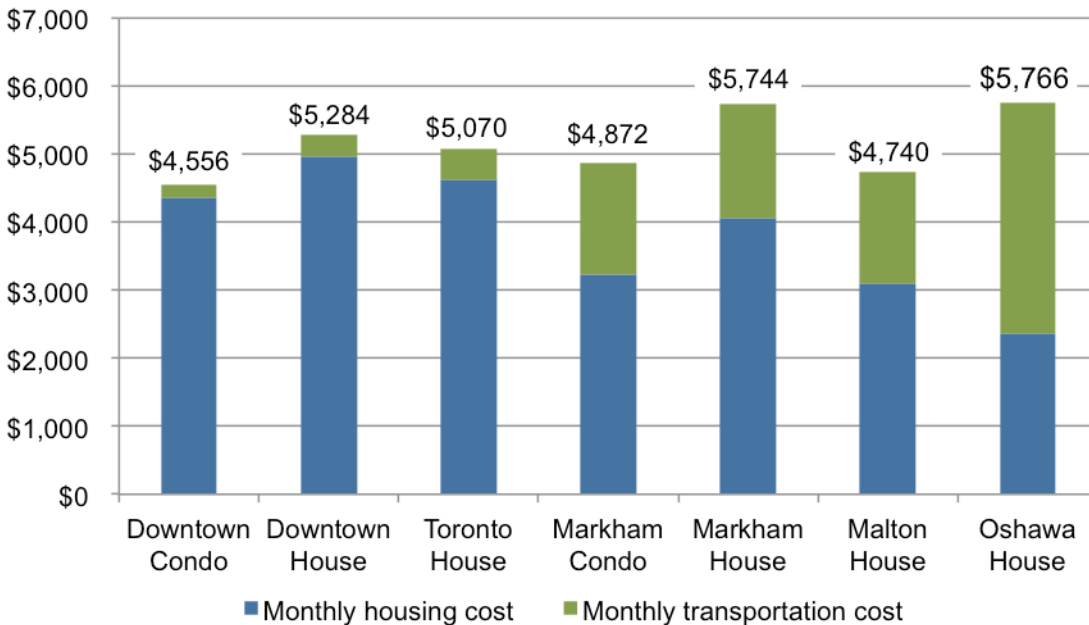


Figure 4: Total monthly costs

## Conclusions

This analysis aims to illustrate the relative costs of home location, looking at a case study of actual examples in the GTA. A thorough and comprehensive study was conducted by the Neptis Foundation and Dr. Eric Miller in 2004, which examines housing and transportation cost data for the entire Toronto region. Some key results of their study are presented in the table below:

Table 2: Average housing and travel costs in the GTA

	Urban region	New greenfield development
Housing costs as percentage of income	18.8	18.3
Travel costs as percentage of income	13.0	18.4
Combined as percentage of income	31.8	36.7

Source: Data from Neptis Foundation, *Travel and Housing Costs*<sup>8</sup>

<sup>8</sup> Eric J. Miller et al., *Travel and Housing Costs in the Greater Toronto Area: 1986-1996* (2004). [http://www.neptis.org/library/show.cfm?id=51&cat\\_id=19](http://www.neptis.org/library/show.cfm?id=51&cat_id=19).

Our case study shows that living in less auto-dependent neighbourhoods can reduce overall monthly costs of living. Our results suggest that living in a location that eliminates the need for one vehicle can save a family of four approximately \$1,500 a month. Being able to eliminate two vehicles saves a household about \$3,000 a month. In terms of ability to take on a mortgage, these savings translate into the purchase price differences of \$200,000 (one car) and \$400,000 (two cars) — see the bar for Oshawa in the above graph.

These results reinforce the benefits of encouraging more location-efficient options that are available and affordable to more people. Our full report: *Live Where You Go: Encouraging location-efficient development in Ontario* presents policy solutions that can make it more feasible and affordable for developers to build location-efficient homes and commercial developments and for homebuyers to choose to live there. Key recommendations from the report are included here. The full report can be found at [www.pembina.org](http://www.pembina.org).

### Five top policy tools to encourage location efficient development in Ontario's Greater Golden Horseshoe

1. **Develop a location cost calculator** to inform and educate homebuyers about the cost of their location choices — including all location and transportation costs (e.g., gas, insurance, parking, maintenance) not just debt (e.g., car loan).
2. **Change development charges** so that location-efficient development costs less, while removing the subsidy that currently supports expensive-to-service urban sprawl. Charge developers for the actual costs of servicing new development using a zoned approach, and amend the *Development Charges Act* so municipalities can get more money for a broader range of services (such as improved transit).
3. **Tax surface parking at higher rates.** Low taxes encourage wasted space and amount to a subsidy for surface parking; higher taxes on the land would make location-efficient developments relatively more attractive.
4. **Remove or reduce minimum parking requirements for new developments**, allowing developers and municipalities to provide parking according to the market and based on a neighbourhood's unique mix of uses and transit service. This would reduce the cost of location-efficient development and maximize land efficiencies.
5. **Under the *Metrolinx Act*, use transit funding to support location efficiency** — for example, by requiring areas around mobility hubs to be pre-zoned to support density before funding is approved.