

Buying a cheaper home outside Toronto may not pay off

By Tess Kalinowski January 21, 2015

Most home buyers say they would prefer to live in a walkable neighbourhood even if it means buying at least a slightly smaller house.

When it comes time to signing on the realtor's dotted line, however, [buyers still base their decision on the sticker price of the home](#), choosing a cheaper house over the higher purchase price of a cosy, walkable neighbourhood.

That was the finding of a [study released earlier this year by RBC and Pembina Institute](#).

Now the bank and sustainability think-tank have followed that research with a [report illustrating how the cost of that cheaper home shakes out](#) if the purchaser factors in the cost of transportation in the Toronto area.

"People will often choose to drive as far as it takes to qualify for a mortgage. But once they get there, the actual costs undermine the lower cost of the house," said Pembina's Ontario director Cherise Burda, who co-authored, "Location matters: Factoring Location into Homebuying Decisions."

The report uses data from four real-life home buyers to provide hypothetical real estate and commuting scenarios in five different suburban and downtown locations for each purchaser.

Derek Durham is one of them.

The lifestyle, more than the financial costs of commuting, are a big motivator in returning to Toronto from the home he and his wife purchased in Brampton two years ago, he said.

"Traffic in Toronto is just getting worse every year. It takes more and more time to get to work," he said. "For me to spend an hour-and-a-half getting to work, it's three hours out of my day."

Durham works near Don Mills and York Mills road.

In the study, the likely selling price and carrying costs of each of those potential homes is calculated along with the lifestyle and financial implications of the different locations.

The case studies showed that the most lifestyle friendly home choices in terms of walkable neighbourhood, amenities and shorter commute times aren't always in downtown Toronto. They are also found in 905-area hubs such as Oakville, Port Credit and Markham Village.

Sometimes the difference in price, once commuting costs are factored in, is eye-popping.

In one case, the report found that a house in Mississauga's walkable Port Credit neighbourhood would have cost \$1,000 a month less than a Milton house priced at \$180,000 less.

But that difference depended on giving up one of the family cars in favour of a transit — a radical notion for many homebuyers.

Durham and his wife still haven't bought a house but are considering offering on a home this week in a neighbourhood that wasn't modelled for them in the report. It's less expensive than some of those, he said.

It's important to be aware of all the costs involved in buying a home, said Erica Nielsen, RBC's vice-president of home equity financing.

The study also has [an online tool](#) that lets home buyers play with the home buying scenarios in the report, she added.

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