



BRITISH COLUMBIA'S HOUSING AFFORDABILITY IMPROVED IN Q4 2013: RBC ECONOMICS

TORONTO, February 25, 2014 — British Columbia saw improved affordability levels across all three housing categories in the fourth quarter of 2013, following deterioration in the two previous quarters, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

The RBC report notes that home resales in the province settled around their 10-year average in the final quarter of 2013. Homebuyer demand has been on an upswing in British Columbia since spring of 2013, following a two-year slide from 2011 through to 2012.

“The sentiment among British Columbia’s homebuyers is decidedly more upbeat now compared to a year ago when there were concerns that a damaging correction was underway in Vancouver,” said Craig Wright, senior vice-president and chief economist, RBC. “That said – and while there was a notable improvement in the fourth quarter – affordability conditions remain poor, particularly in the Vancouver area, when compared to the rest of Canada.”

The RBC housing affordability measures, which capture the proportion of pre-tax household income needed to service the costs of owning a home at market values, decreased across all categories in the fourth quarter of 2013 (a decline in the measure represents improvement in affordability).

RBC’s affordability measures for British Columbia fell 1.4 percentage points to 67.7 per cent for bungalows, 1.0 percentage points to 73.2 per cent for two-story homes and 1.1 percentage points to 33.7 per cent for condominiums.

Affordability in Vancouver still poor despite improvement

The Vancouver-area market turned itself around by fall of last year, recovering from the slump in 2012 and the early part of 2013. Since then, resale activity stabilized near the 10-year average and balance between demand and supply has been re-established. To date, the pace of home price increases has been fairly subdued and somewhat volatile.

“If it is possible to take some comfort from the earlier housing market slump, it would be in noting that it contributed to some improvement in Vancouver’s very poor affordability levels,” said Wright. “Still, housing affordability remains uncomfortably stretched and this is likely perpetuating market stress in the area.”

RBC's measures for Vancouver decreased the most among all major markets in Canada, down 2.3 percentage points to 81.6 per cent for bungalows, 1.6 percentage points to 86.0 per cent for two-storey homes and 1.0 percentage points to 41.0 per cent for condominiums.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in the fourth quarter of 2013 is as follows: Vancouver 81.6 (down 2.3 percentage points from the previous quarter); Toronto 55.6 (up 0.1 percentage points); Montreal 38.8 (unchanged); Ottawa 36.7 (down 0.4 percentage points); Calgary 33.8 (down 0.2 percentage points); Edmonton 33.3 (up 0.1 percentage points).

The RBC Housing Affordability Measure, which has been compiled since 1985, is based on the costs of owning a detached bungalow (a reasonable property benchmark for the housing market in Canada) at market value. Alternative housing types are also presented, including a standard two-storey home and a standard condominium apartment. The higher the reading, the more difficult it is to afford a home at market values. For example, an affordability reading of 50 per cent means that homeownership costs, including mortgage payments, utilities and property taxes, would take up 50 per cent of a typical household's monthly pre-tax income.

It is important to note that RBC's measure is designed to gauge ownership costs associated with buying a home at present market values. It is not a representation of the actual costs incurred by current owners, the vast majority of whom have bought in the past at significantly different values than those prevailing in the latest period.

Highlights from across Canada:

- [Alberta's homes become even more affordable](#)
Owning a home at market value in Alberta became slightly more affordable for most housing categories in the final quarter of 2013 and continued to compare favourably against historical and national averages. RBC's measures fell by 0.5 percentage points for two-storey homes and by 0.2 percentage points for bungalows. The measure for condominiums edged higher by 0.1 percentage points.
- [Saskatchewan's affordability trends sideways](#)
Housing affordability in the province continued to play a predominantly neutral role in home-buying decisions with levels standing close to historical norms. RBC's affordability measures declined 1.1 percentage points for two-storey homes and 0.2 percentage points for bungalows. The measure for condominiums was up by 0.4 percentage points.

- **Manitoba's surge in listings lends a hand to affordability**
A surge in newly listed homes for sale weakened demand-supply conditions in Manitoba during the second half of 2013, which ultimately helped to improve affordability with RBC measures for two-storey homes and bungalows slipping by 1.1 percentage points and 0.6 percentage points, respectively. The measure for condominiums rose by 0.8 percentage points.
- **Ontario's affordability picture remains largely unchanged**
RBC's affordability measures for Ontario eased by 0.1 percentage points for both bungalows and two-storey homes and stayed flat for condominiums in the fourth quarter of 2013. Owning a single-detached home at market value in the province continues to take a larger share of household income compared to the historical average despite marginal improvements for the first time in a year.
- **Quebec's affordability conditions little changed from the third quarter**
The only observable variation in affordability conditions in Quebec during the fourth quarter was in the two-story homes category, with RBC's measure inching higher by 0.2 percentage points. The measures for bungalows and condominium apartments remained unchanged. All measures continued to stand near their long-run averages.
- **Atlantic Canada retains decent affordability conditions**
Housing affordability in the region remained at generally neutral levels in the fourth quarter, and still compared favourably against the majority of markets across Canada. RBC's measures fell by 0.6 percentage points for two-storey homes and by 0.1 percentage points for bungalows. The measure for condominiums rose by 0.2 percentage points.

The full RBC Housing Trends and Affordability report is available online, as of 8 a.m. ET today, at rbc.com/economics/economic-reports/canadian-housing-forecast.html.

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