



## QUEBEC'S HOUSING AFFORDABILITY LITTLE CHANGED IN Q4 2013: RBC ECONOMICS

**TORONTO, February 25, 2014** — Quebec's housing affordability remained largely unchanged in the fourth quarter of 2013, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics.

RBC notes that homebuyers in the province continue to benefit from relatively affordable conditions when comparing measures against their long-run averages, suggesting that affordability considerations are unlikely to be a significant impediment to the provinces' homebuyers at this point.

"Quebec's housing market has been a little on the soft side lately, with resales nearly 7.0 per cent below the 10-year average in the fourth quarter, and down 3.6 per cent from the third quarter," said Craig Wright, senior vice-president and chief economist, RBC. "This calm may be a sign of erosion in homebuyer confidence following setbacks in the provincial job market in early 2013. On a more positive note, we have seen these setbacks reverse in more recent months which may point to some degree of strengthening in the period ahead."

The RBC housing affordability measures, which capture the province's proportion of pre-tax household income needed to service the costs of owning a home at market values in Quebec, remained largely the same across housing categories in the third quarter of 2013 (an increase in the measure represents deterioration in affordability).

RBC notes that the only observable variation in affordability was for the two-storey homes category, which deteriorated slightly – the measure inched 0.2 percentage points higher to 43.6 per cent. The RBC measures for bungalows and condominiums remained unchanged at 34.3 per cent and 26.7 per cent, respectively.

### **Montreal-area housing affordability improves in the fourth quarter**

The Montreal-area housing market rebound hit a snag in the fourth quarter of 2013, and remains well short of reversing the slide that took place in 2012 and early 2013. Resales fell by 8.1 per cent between the third and fourth quarters, sinking 24 per cent below the fourth quarter 10-year average.

During 2013, the increased number of condos for sale contributed to modest price declines, though demand and supply conditions in the area remain balanced overall.

“Affordability, or any lack thereof, does not appear to be a significant obstacle to prospective homebuyers in Montreal, despite that fact that owning a two-storey home at current market prices is somewhat of a stretch for households in the area,” said Wright.

Montreal affordability levels largely improved in the fourth quarter. RBC’s measures eased by 0.4 percentage points to 50.8 per cent for two-storey homes and by 0.2 percentage points to 30.6 per cent for condominium apartments. The measure for bungalows was unchanged at 38.8 per cent.

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 calculated 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:**

- [British Columbia’s housing affordability remains relatively poor despite some improvements](#)  
Affordability conditions improved across all housing categories in the province, with RBC measures falling between 1.0 and 1.4 percentage points in the fourth quarter. With levels at 73.2 per cent for two-storey homes, 67.7 per cent for bungalows and 33.7 per cent for condominium apartments, affordability remains poor, particularly in Vancouver.
- [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.
- **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](http://rbc.com/economics/economic-reports/canadian-housing-forecast.html).

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