



## **BRITISH COLUMBIA'S HOUSING AFFORDABILITY REMAINS POOR IN Q1 2014: RBC ECONOMICS**

**TORONTO, May 27, 2014** — Divergent affordability levels between single-family homes and condos grew in British Columbia in the first quarter of 2014, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

RBC notes that strong price increases in British Columbia's single family homes categories - detached bungalows and two-storey homes – led to a deterioration in affordability in Q1 2014. Price appreciation in the condo segment was comparatively contained, keeping affordability levels unchanged in that category.

“British Columbia's housing market activity softened in the first quarter with resales falling 4.3 per cent – still, they were 20 per cent higher than at the same period in 2013,” said Craig Wright, senior vice-president and chief economist, RBC. “This slowing of market activity during the winter months followed substantial increases earlier in 2013. Last year's rebound countered concerns that a downturn in the province's housing market would linger.”

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, rose for two of the three housing categories tracked in the first quarter of 2014 (an increase in the measure represents deterioration in affordability).

RBC's affordability measures increased by 0.9 percentage points to 68.4 for bungalows and 1.2 per cent to 74.2 per cent for two-storey homes; the affordability of condos remained unchanged at 33.6 per cent.

### **Vancouver: rising prices boost confidence, worsen affordability**

Sentiment in the Vancouver-area market visibly improved since the fall of last year when resales reversed losses that occurred in late 2012-early 2013. RBC says the rising trend in prices, however, is a more convincing sign that the market was back on track.

After what was close to a year-long slide, rising prices in the Vancouver-area have helped re-instil market confidence, RBC says. And though first quarter home resales fell, continued price increases likely made a bigger impression on both buyers and sellers, dispelling possible doubts that the market may slump again. The RBC report notes that home resales fell by 6.5 per cent in the area in Q1 2014, standing 8.5 per cent below the 10-year average.

“The upside from current resale levels may be limited given the market's long-standing poor affordability conditions,” said Wright. “With prices back in growth mode, the improvements we've seen in Vancouver's affordability levels over the last two years will be difficult to replicate.”

RBC's measures for Vancouver increased by 0.9 percentage points to 82.4 per cent for bungalows and 0.6 percentage points to 86.5 per cent for two-storey homes. Condos declined for the third straight quarter by 1.0 percentage points to 39.9 per cent.

RBC's housing affordability measure for the benchmark detached bungalow in Canada's largest cities in the first quarter of 2014 is as follows: Vancouver 82.4 (up 0.9 percentage points from the previous quarter); Toronto 56.1 (up 0.2 percentage points); Montreal 38.9 (up 0.1 percentage points); Ottawa 36.4 (down 0.5 percentage points); Calgary 34.5 (up 0.9 percentage points); Edmonton 32.9 (down 0.2 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:**

#### **Alberta: attractive housing affordability conditions**

- The provincial housing market continues to be among the stronger in Canada, supported by a booming economy, rapidly rising population and attractive affordability. RBC's measures rose a slight 0.1 percentage points to 32.6 per cent for bungalows and 0.4 percentage points to 20.2 per cent for condominiums. The measure for two-storey homes was unchanged at 34.4 per cent.

#### **Saskatchewan: affordability plays a neutral role**

- Owning a home in Saskatchewan became slightly more affordable for the most part in Q1 2014. RBC's measures fell in two of the three categories – bungalows by 0.6 percentage points to 36.4 per cent and condominiums by 0.1 percentage points to 25.4 per cent. The rise in the measure for two-storey homes – 0.5 percentage points to 40.7 per cent – reversed a decline that took place in the previous quarter.

#### **Manitoba: housing becomes more affordable**

- Manitoba homebuyers benefited from some improvement in affordability in the first quarter of 2014. RBC measures for both bungalows and condominiums fell in the first quarter to their lowest levels in nearly a year – by 0.4 percentage points and 0.6 percentage points, respectively. Although the measure for two-storey homes rose by 0.3 percentage points, it stands at a lower level than last spring.

**Ontario: affordability deteriorates in single-family homes**

- First quarter affordability measures point to a consistently eroding affordability picture in the province, particularly for single-family homes. RBC's measures stood at 24-year highs for bungalows at 44.9 per cent and two-storey homes at 51.0 per cent. The measure for condominiums was 29.4 per cent – not much below its multi-decade peak.

**Quebec: housing affordability levels sit close to historical averages**

- Housing affordability in the province did not erode much or at all in the first quarter and largely remain close to historical norms. RBC's measures edged higher by 0.2 percentage points for bungalows to 34.5 per cent and 0.1 percentage points for two-storey homes to 43.7 per cent. The measure for condominiums fell 0.1 percentage points to 26.6 per cent.

**Atlantic: favourable affordability conditions do little to energize market**

- The region's housing affordability conditions largely improved in the first quarter, but did little to pull the market out of its slump. RBC measures declined 0.4 percentage points to 31.2 per cent for bungalows and 0.4 percentage points to 25.9 per cent for condominiums. The measure for two-storey homes rose by 0.2 percentage points to 36.2, but remained below its long-term average.

The full RBC Housing Trends and Affordability report is [available](#) online as of 8 a.m. ET today.

**For more information, please contact:**

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