



## QUEBEC'S HOUSING AFFORDABILITY REMAINS IN NEUTRAL IN Q1 2014: RBC ECONOMICS

**TORONTO, May 27, 2014** — Quebec's affordability levels stood close to their historic averages and did not erode much in Q1 2014, according to the latest [Housing Trends and Affordability report](#) issued today by RBC Economics Research. Home resales, however, declined by 2.2 per cent compared to the fourth quarter, representing the sixth drop in the past eight quarters.

"Quebec's housing market continued to soften in Q1 and on a seasonally-adjusted basis was the weakest it has been since early 2009 at the worst of the recession," said Craig Wright, senior vice-president and chief economist, RBC. "Affordability levels didn't shift much during the first quarter, which signals that it likely didn't play a central role in waning activity. We have seen some volatile provincial jobs numbers over the past several months, which likely undermined homebuyer confidence."

The RBC housing affordability measures, which capture the province's proportion of pre-tax household income that would be needed to service the costs of owning a home at current market values in Quebec, remained largely the same in the first quarter of 2014 (a rise in the measure represents a deterioration in affordability).

RBC's measures edged higher for bungalows and two-storey homes by 0.2 percentage points to 34.5 per cent and 0.1 percentage points to 43.7 per cent, respectively. The measure for condominiums fell 0.1 percentage points to 26.6 per cent.

### **Montreal-area housing activity struggles to turn around**

Home resales in the Montreal area weakened for the second consecutive quarter and with April data showing further month-to-month declines, a snapback doesn't appear to be imminent, RBC says.

"Soft demand is coming at a time when there is increasing supply in the Montreal market, especially for condos. This typically drives downward pressure on prices," said Wright. "To date, we're seeing prices continue to rise, but at a fairly modest pace."

RBC notes that most Montreal-area affordability levels continue to sit in a range that should not deter homebuyers; the measure for two storey homes well exceeds its long-term average. RBC's measures rose by 0.1 percentage points to 38.9 per cent for bungalows, declined by 0.2 percentage points to 30.5 per cent for condos and remained unchanged for two-storey homes at 50.9 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:**

#### **British Columbia: single-family homes less affordable**

- Housing affordability continues to be poor in British Columbia. RBC measures rose 1.2 percentage points for two-storey homes and 0.9 percentage points for bungalows to 74.2 per cent and 68.4 per cent, respectively. The measure for condos remained unchanged at 33.6 per cent.

#### **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.

### **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:**

[Robert Hogue](#), Senior Economist, RBC Economics Research, 416-974-6192  
[Elyse Lalonde](#), Communications, RBC Capital Markets, 416-842-5635