



BRITISH COLUMBIA'S AFFORDABILITY IMPROVES IN Q2, BUT REMAINS STRAINED IN VANCOUVER: RBC ECONOMICS

TORONTO, August 28, 2014 — Housing affordability in British Columbia improved broadly during the second quarter of 2014 – condos and two-storey homes reaching their most attractive levels since 2009 – yet it remained a stretch for the average household to own a home in a market like Vancouver, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

“British Columbia’s housing market experienced brisk activity in the second quarter,” said Craig Wright, senior vice-president and chief economist, RBC. “Home resales rose to a five-year high. Thankfully, the pace of new listings picked up sufficiently to keep the demand-supply equation in balance.”

The report notes that price pressures remained in check overall, though there was a slight divergence; the single-family home segments experienced modestly stronger price gains relative to the condo segment.

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, fell for all housing types in the second quarter of 2014 (an fall in the measure represents an improvement in affordability).

RBC’s affordability measures dropped fairly significantly for two-storey homes, down 2.0 percentage points to 72.0 per cent. The measure for detached bungalows declined by 1.3 percentage points to 67.0 per cent while the measure for condos fell by 0.9 percentage points to 32.6 per cent.

Vancouver homebuyers welcome lower rates

“Affordability in higher-priced housing markets benefits disproportionately from a fall in mortgage rates relative to lower-priced markets if all else remains constant,” said Wright. “This was the case in the Vancouver-area market in the second quarter, when a decline in fixed mortgage rates helped affordability across the board, despite prices recording some of the faster increases among Canada’s major markets.”

RBC’s measures for Vancouver decreased by 0.3 percentage points to 81.8 per cent for bungalows and by 1.3 percentage points to 85 per cent for two-storey homes. Condos declined for the third straight quarter by 0.8 percentage points to 39 per cent.

This modest improvement in affordability may have been among the factors contributing to a quarterly rise of 8.7 per cent in home resales in the second quarter, RBC says; however, the extent likely was limited as affordability levels remain poor in the area.

“Owning a home in Vancouver continues to be very difficult for an average household to afford,” added Wright. “Measures stand well above historical norms. This likely explains in large part why home resales were still more than 6.0 per cent below the 10-year average.”

RBC’s housing affordability measure for the benchmark detached bungalow in Canada’s largest cities in the second quarter of 2014 is as follows: Vancouver 81.8 (down 0.3 percentage points from the previous quarter); Toronto 55.9 (down 0.2 percentage points); Montreal 37.3 (down 1.6 percentage points); Ottawa 36.0 (down 0.4 percentage points); Calgary 33.6 (down 0.8 percentage points); Edmonton 31.7 (down 1.1 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: housing affordability remains attractive

- Escalating prices in the province were largely taken in stride by Alberta homebuyers in Q2 as lower mortgage rates and solid growth in household incomes provided offset. Affordability in the province improved modestly with RBC measures easing between 0.2 and 0.9 percentage points.

Saskatchewan: homebuyers face little undue affordability pressure

- The provincial housing market rebounded strongly in the second quarter with home resales jumping to a new record-high. At the same time, RBC’s affordability measures for Saskatchewan fell between 1.3 and 0.8 percentage points, and stood close to their historical averages.

Manitoba: new home listings surge; affordability plays largely neutral role

- The big housing market story in Manitoba was a surge of homes being offered for sale with new listings growing to levels almost 14 per cent above where they were a year ago. RBC’s affordability measures fell between 0.5 and 1.5 percentage points but remained close to long-run averages, suggesting that affordability likely plays a neutral role in home buying decisions in the province.

Ontario: homebuyers undisturbed by affordability strains

- Housing affordability changed very little in Ontario in the second quarter and homebuyers did not appear to be overly concerned by the fact that affordability remained somewhat stretched for single-family homes. Lower rates were the main factor contributing to marginal declines in RBC's measures for Ontario, which edged lower between 0.1 and 0.2 percentage points.

Quebec: improved affordability helps halt housing market slide

- Quebec's housing market activity, which had been falling since early 2012, stabilized in Q2. Home resales rose modestly and the supply of homes for sale grew. Second quarter affordability measures for the province eased for all housing types – between 0.9 and 1.8 percentage points. This improvement in affordability likely helped stabilize the market at the margin in the latest quarter.

Atlantic Canada: attractive affordability conditions

- The region's housing affordability conditions improved quite noticeably in the second quarter thanks to lower mortgage rates and subdued price pressures. RBC's measures for Atlantic Canada dropped between 0.9 and 1.8 percentage points.

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

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