

QUEBEC'S HOUSING AFFORDABILITY PERKS UP IN Q2 2014: RBC ECONOMICS

TORONTO, August 28, 2014 — Quebec's housing affordability improved across the board in Q2 despite fairly lacklustre market activity in the province, according to the latest [Housing Trends and Affordability Report](#) issued today by RBC Economics Research.

The slide in Quebec's housing market activity since early 2012 stabilized in the second quarter of 2014 with home resales rising slightly by 0.8 per cent from the first quarter. This followed declines in six of the previous eight quarters.

"While this small uptick in housing activity in Quebec is encouraging relative to the recent past, it was still the weakest Q2 level we've seen since 2006 in the province," said Craig Wright, senior vice-president and chief economist, RBC. "At the same time, there was an increase in the supply of homes for sale, which provided plenty of choice to buyers and kept a lid on price increases. Owning a home in Quebec has become the most affordable in years."

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, improved for all housing types in the second quarter of 2014 (a decline in the measure represents an improvement in affordability). RBC's measures fell by 1.1 percentage points to 33.4 per cent for detached bungalows, by 1.8 percentage points to 41.9 per cent for two-storey homes and by 0.9 percentage points to 25.7 per cent for condominium apartments.

Montreal-area housing – a soft sell

In the second quarter, the number of homes sold was the lowest for this particular period of the year since 2000, coming in more than 17 per cent below the 10-year average. The RBC report finds that this muted demand came at a time when more homes were available for sale, particularly condominiums.

"Like the rest of Quebec, Montreal homebuyers gained greater power in setting prices in Q2," said Wright. "With properties appreciating only modestly, lower mortgage rates provided greater affordability relief in the Montreal area than in any other major market in Canada."

RBC's affordability measures fell noticeably across all housing types, dropping between 1.4 and 2.6 percentage points.

"Such sizeable improvement in affordability might sow the seeds for a revival in activity during the second half of this year – indeed, there were already some early signs that resales started to move up during the summer months," added Wright.

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 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: affordability broadly improves

- Housing affordability in the province improved across the board in the second quarter, with two-storey homes and condos reaching their most attractive levels since late 2009. RBC's affordability measures for B.C. fell between 0.9 and 2.0 percentage points. Still, owning a home at market price in an area such as Vancouver continued to be very difficult for an average household to afford.

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.

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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