



QUEBEC'S HOUSING AFFORDABILITY CONTINUED TO BECOME MORE ATTRACTIVE IN Q3: RBC ECONOMICS

TORONTO, November 26, 2014 — Quebec's housing affordability continued to improve for the most part in the third quarter of 2014 reaching the most attractive levels in four years, according to the latest [Housing Trends and Affordability report](#) issued today by RBC Economics Research.

Though the province's housing market activity remained soft in comparison to historical standards, it did noticeably perk up in the third quarter, RBC says.

"Home resales in Quebec rose 6.5 per cent from the second quarter, showing encouraging momentum after slumping to a five-year low at the start of the year – it was the largest quarterly advance in the province in three years," said Craig Wright, senior vice-president and chief economist, RBC. "The gain helped to narrow the gap between realized sales and the 10-year average from 8.2 per cent in Q2 to 2.3 per cent in Q3."

The report notes that it became easier to carry the costs of owning a condo apartment in Quebec, with lower prices driving improvement in RBC's affordability measure for the condo segment for the fourth quarter in a row. RBC says that the provincial market is currently characterized by a strong supply of condos at this stage, partly thanks to a sharp increase in new condo unit completions this year.

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 most housing types in the third quarter of 2014 (a decline in the measure represents an improvement in affordability). RBC's measures fell by 0.8 percentage points to 25.0 per cent for condo apartments and by 0.4 percentage points to 41.6 per cent for two-storey homes. The measure for bungalows remained unchanged at 33.4 per cent.

Montreal-area housing emerges from multi-year slump

In Q3, the Montreal-area market showed signs of significant improvement, indicating that it may be finally emerging from its multi-year slump, RBC notes. Much like the rest of the province, Montreal home resales picked-up smartly in the latest period and registered their highest level in three years. This was after hitting a decade low in Q2.

"If what we're seeing here is the start of a turnaround, there is still considerably more ground to make up – resale levels were still more than 16 per cent below the 10-year average in the area for Q3," explained Wright.

RBC says there is strong supply relative to demand, particularly in the condo segment. The silver lining of slow-rising prices, however, is that it helps housing affordability to continue to improve in the area. RBC's measures decreased across all housing types in the third quarter, dropping between 0.2 and 0.6 percentage points.

“With measures for bungalows and condos standing close to their long-run averages, it appears unlikely that affordability issues would derail Montreal’s housing recovery in the near term,” added Wright.

RBC’s housing affordability measure for the benchmark detached bungalow in Canada’s largest cities in the third quarter of 2014 is as follows: Vancouver 83.6 (up 1.6 percentage points from the previous quarter); Toronto 56.3 (up 0.3 percentage points); Montreal 37.0 (down 0.3 percentage points); Ottawa 35.7 (down 0.3 percentage points); Calgary 34.2 (up 0.6 percentage points); Edmonton 31.9 (up 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: affordability under pressure

- Housing affordability in the province came under pressure in the third quarter, with RBC measures rising for all housing categories between 0.2 percentage points and 1.0 percentage points. Affordability continues to compare poorly against historical norms in the province and the measures elsewhere in the country, largely reflecting extreme conditions in Vancouver

Alberta: affordability remains relatively attractive

- As a share of household income, ownership costs are fairly low in Alberta – compared to both long-term and national averages. RBC’s third quarter measures for the province climbed by 0.4 percentage points for both bungalows and two-storey homes. The measure for condos eased by 0.2 percentage point, and stands at the lowest level among the provinces.

Saskatchewan: prices decline and affordability improves

- Price declines in the province contributed to a significant improvement in affordability in Q3, especially for bungalows. RBC’s measures fell 1.3 percentage points for bungalows (the largest decline in the country), and by 0.4 percentage points for both two-storey homes and condos.

Manitoba: housing largely becomes more affordable

- Affordability conditions largely improved in Q3 in the province, much as it has been the case since the middle of 2013. RBC's measures for bungalows and condos fell by 0.4 percentage points and 0.2 percentage points, respectively. The measure for two-storey homes rose by 0.2 percentage points.

Ontario: affordability remains moderately strained

- Homebuyers in the province benefited from some modest improvement in affordability, though it still remains relatively strained – mostly in the Toronto area. RBC's measures edged lower between 0.1 percentage points and 0.4 percentage points across housing categories.

Atlantic Canada: affordability conditions remain generally favourable

- Homebuyers in the region are benefitting from generally favourable affordability conditions. RBC's measure for bungalows eased by 0.3 percentage points and edged slightly higher by 0.1 percentage points and 0.2 percentage points for two-storey homes and condos, respectively. Measures for the region remain among the lowest in the country.

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

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